

FIGURES | SAVANNAH INDUSTRIAL | Q1 2024

Investment in the port supports market expansion

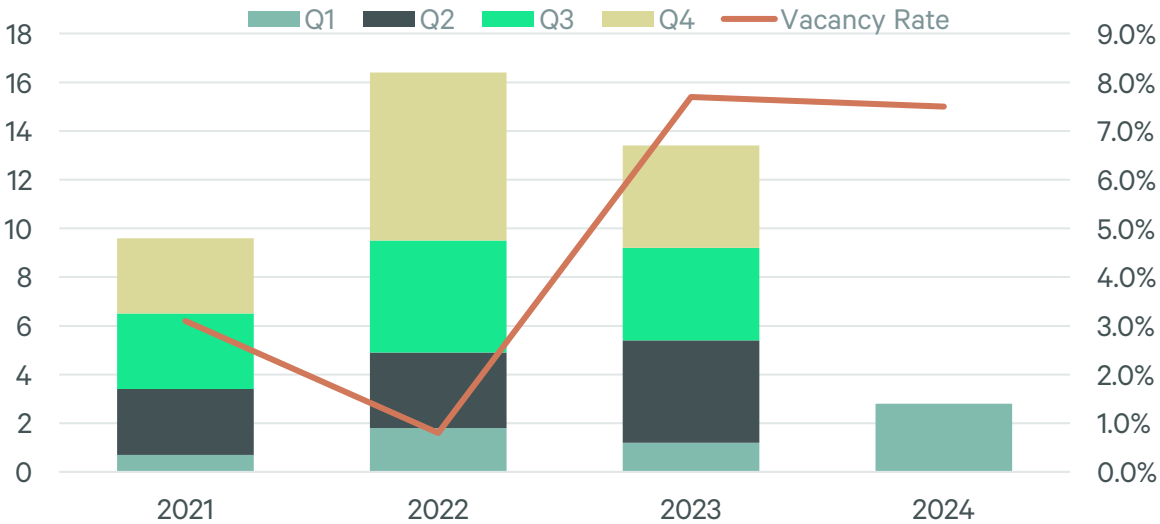


Note: Arrows indicate change from previous quarter.

Key Takeaways

- The Savannah industrial market recorded its highest first quarter absorption in its history at just under 2.8-million sq. ft.
- The vacancy rate in Q1 2024 increased 620 bps year-over-year to 7.5%.
- The development pipeline has decreased by 58.2% year-over-year.
- Although construction completions decreased 58.5% quarter-over-quarter, new deliveries increased 156.3% year-over-year to 2.8-million sq. ft.
- The average NNN rate increased to \$7.12 per sq. ft., a 15.4% increase year-over-year.
- The market’s leasing activity grew 39.1% year-over-year to 4.8-million sq. ft.
- The Port of Savannah saw an 11% increase in total TEUs traded during Q1 2024.

FIGURE 1: Quarterly Net Absorption and Total Vacancy Rate
Million Sq. Ft.



Source: CBRE Research, Q1 2024

Market Overview

- The Savannah industrial market is one of the most attractive in the country for investors and occupiers.
- The Port of Savannah added 1.5 million TEU annual capacity in 2023 with the reopening of Berth 1 at the Garden City Terminal, which is one of four berths that can handle 16,000-plus TEU ships.
- The Port of Savannah is the third busiest and fastest growing port in the nation. The Georgia Ports Authority is underway on growth projects to increase overall container capacity from the current level of 6.0-million twenty-foot equivalent units (TEU) to 9.5-million TEU's by 2026, an increase of 60%.
- The Savannah industrial market still remains one of the fastest growing in the country and has grown more than 85 MSF in three years. The Garden City Terminal is the largest single container terminal in North America, providing tremendous operational advantages.
- Recent deliveries of record spec construction numbers in 2022 & 2023 have pushed the vacancy rate to its highest point in years. Vacancy is expected to remain at these levels through the end of 2024 and drop quickly in 2025, with very few deliveries planned for 2025.
- Georgia's largest economic development announcement in history - the Hyundai Metaplant - is set to complete in Q1 2025, bringing additional suppliers to the market who will lease traditional distribution space.

Survey Criteria

Includes all classes of competitive warehouse/distribution, shallow bay, and flex space 10,000 sq. ft. and greater in Bryan, Chatham, Bulloch, Effingham, and Liberty County, Georgia, and Jasper County, South Carolina. Buildings under construction are evidenced by site excavation or foundation work. Excludes self-storage, specialized manufacturing, data centers, and industrial outdoor storage.

*Note: Beginning 2024, CBRE Research expanded the Savannah industrial market to include Bulloch County and Liberty County in Georgia. Historical adjustments were made to data going back to the beginning of 2023.

FIGURE 2: Market Statistics

Quarter/Year	Market Rentable Area (sq. ft.)	Total Vacancy Rate %	Total Avail Rate %	Net Absorption (sq. ft.)	YTD Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Avg. NNN Lease Rate (\$/sq. ft./Yr)
Q1 2024*	136,092,034	7.5	10.3	2,782,895	2,782,895	11,998,793	\$7.12
Q4 2023*	133,325,875	7.7	9.9	4,173,269	13,523,447	14,082,197	\$7.02
Q3 2023*	126,654,769	6.1	6.9	3,870,423	9,350,178	17,111,061	\$7.11
Q2 2023*	119,862,477	4.0	4.4	4,245,903	5,479,755	23,263,337	\$6.26
Q1 2023*	112,207,940	1.3	2.0	1,233,852	1,233,852	28,719,639	\$6.16
Q4 2022	100,367,620	0.8	1.6	6,858,881	16,455,221	26,269,775	\$6.09
Q3 2022	94,415,220	0.5	0.5	4,632,622	9,596,340	25,435,509	\$6.02
Q2 2022	91,402,603	0.7	1.9	3,133,220	4,963,718	23,024,169	\$5.79
Q1 2022	88,028,901	1.2	4.5	1,830,498	1,830,498	21,282,226	\$5.48
Q4 2021	86,731,654	3.1	5.7	3,070,295	9,608,076	17,657,211	\$5.48
Q3 2021	84,159,877	3.4	6.4	3,096,492	6,537,781	15,220,384	\$5.48
Q2 2021	79,163,460	3.5	3.8	2,679,277	3,441,289	9,137,976	\$5.40
Q1 2021	77,228,420	3.3	4.1	762,012	762,012	8,510,808	\$5.39

Source: CBRE Research, Q1 2024

Net Absorption and Leasing Highlights

The year started with the market seeing a record-breaking 2.8-million sq. ft. of net absorption in the first quarter. This remarkable achievement highlights the rapid growth of Savannah's industrial market in recent years due to strong demand for space here. The largest move-in of the quarter was Win. IT America, which occupied 669,700 sq. ft. at Live Oaks Logistics Center – Bldg. C.

Leasing activity in the market reached 4.8-million sq. ft., marking a significant 39.1% growth compared to the first quarter of the previous year. Not only did the total area leased increase, but there was also a rise in new leases and deal volume both quarter-over-quarter and year-over-year. This indicates tenants are capitalizing on Savannah's growth and its port to carry out their business operations. With ongoing investments in the port's infrastructure, it is expected leasing in the market will continue to remain robust.

Vacancy

During the first quarter, the vacancy rate in the market saw a slight decline to 7.5%. Still, year-over-year the rate has increased by 620 basis points, primarily due to the significant inventory delivered last year. Notably, the 300K-500K SF and 500K-750K SF size ranges experienced a decline of 410 and 710 basis points quarter-over-quarter, respectively. As the market continues to expand, it is anticipated the vacancy rate will slowly decrease due to a deceleration in upcoming deliveries.

FIGURE 4: Key Leasing Transactions

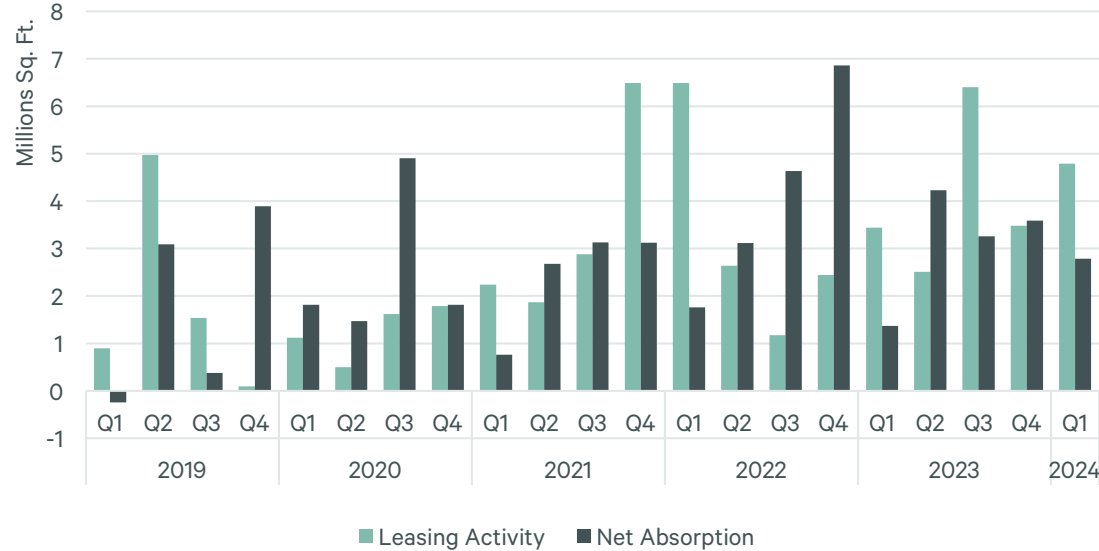
Tenant	Location	Size (sq. ft.)	Submarket	Transaction Type
Armstrong Logistics	Georgia International Trade Center	733,200	Effingham County	New Lease
Gigacloud	Beltway Logistics Center	655,370	Bloomington/Pooler	New Lease
Glovis America, Inc.	Interstate West – Bldg. A	503,468	Bryan County	New Lease
Mayrock	Interstate 95 Logistics Center	305,067	N Savannah/Garden City	New Lease

Source: CBRE Research, Q1 2024

FIGURE 3: Vacancy by Size Category

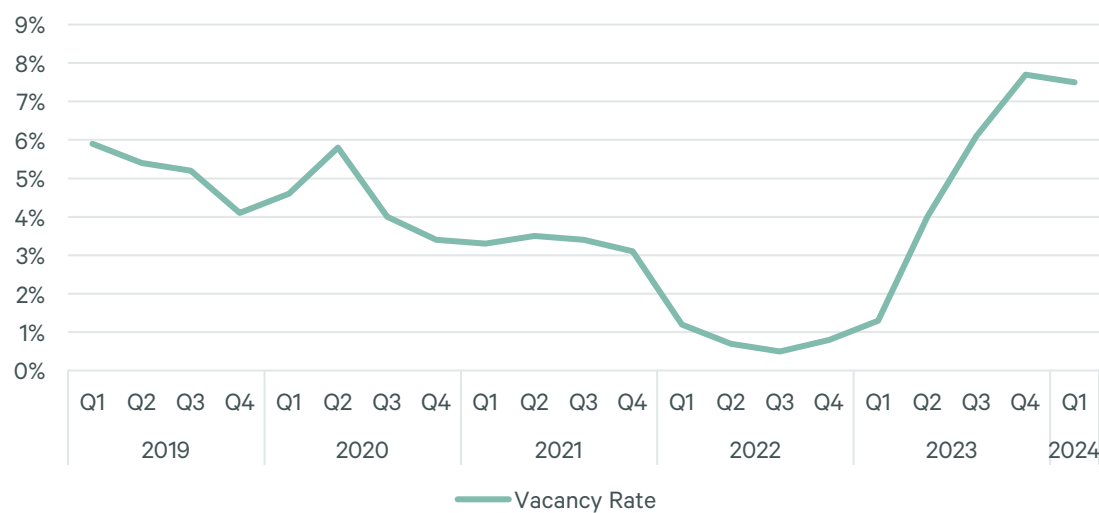
Size	Q4 Vacancy %
750K+	10.3%
500-750K	10.9%
300-500K	3.2%
Under 300K	5.4%

FIGURE 5: Net Absorption and Leasing Activity



Source: CBRE Research, Q1 2024

FIGURE 6: Warehouse/Distribution Total Vacancy

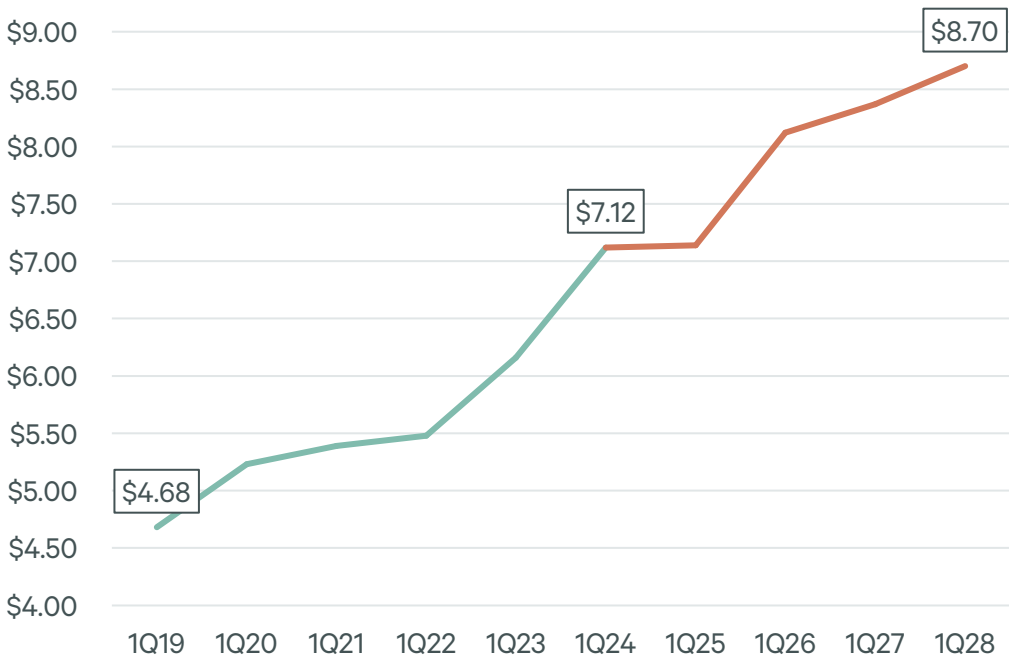


Source: CBRE Research, Q1 2024

Industrial Rental Rates

The average NNN rental rate in the market experienced a significant year-over-year increase of 15.4%, reaching \$7.12 per sq. ft. This growth can be attributed to the continued expansion of the Savannah market and increased demand for space. The strong performance in twenty-foot equivalent unit activity at the port of Savannah further enhanced the demand for industrial space and subsequently led to a higher average NNN rental rate. Additionally, the high volume of deals under 300,000 sq. ft. has contributed to the increase in the average rate, as smaller deals often come with higher rental rates. However, the market has also seen a surge in available properties over the past year, giving tenants more options and reducing the traditional pricing power of landlords. As a result, rental growth for the remainder of 2024 is expected to moderate.

FIGURE 7: Historic & Projected Class A Warehouse/Distribution Rental Rates



Source: CBRE Research, Q1 2024

Economic Development

During the first three months of 2024, the Greater Savannah region experienced continued economic development. Notably, state leaders in Georgia celebrated the significant impact of Hyundai Motor Group on the region. The development of the metaplant has progressed steadily, and in February 2024, Quick Start, Georgia's free-of-charge job training program, initiated the construction of its first training center dedicated solely to electric vehicles. The Hyundai Mobility Training Center of Georgia will be situated across from the metaplant. As the metaplant project works toward a Q4 2024 production date and attracts more companies to Savannah, the region is poised for a prosperous start in 2024.

Port of Savannah

After a slight decline in activity at the end of 2023, the Port of Savannah has experienced significant growth in the first quarter of 2024. The Georgia Ports Authority (GPA) has made notable progress in expanding the port's infrastructure, yielding positive results. According to the GPA, total container trade has witnessed an impressive 11% growth in Q1 2024. The successful implementation of the Mason Mega Rail expansion project has also set a new February record of 46,890 containers for intermodal rail. Furthermore, the authority continues to invest in and expand its infrastructure to capture a larger market share in the Southeast and benefit the local communities surrounding the port. In February 2024, a \$29 million investment by the GPA, the city of Savannah, and the Georgia Department of Transportation led to the creation of an overpass connecting Ocean Terminal to Route 17. This project will enhance efficiency as the port's container volume expands, while also minimizing traffic congestion and promoting sustainability for local residents. Looking ahead, the Port of Savannah is expected to continue its growth trajectory as its capabilities expand further.

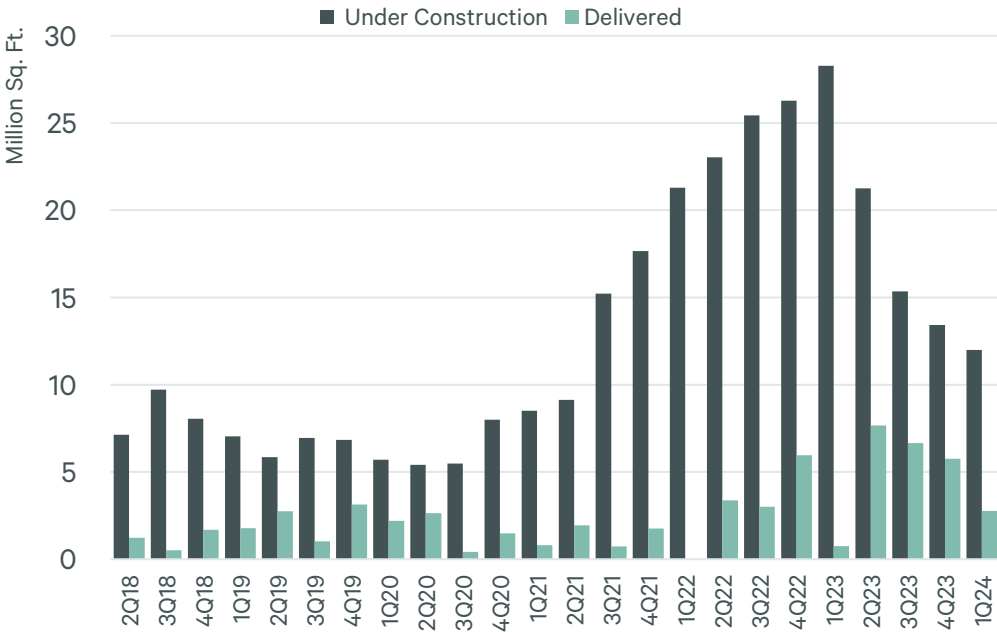
Capital Markets

The market experienced a significant 32.9% year-over-year increase in sales volume, amounting to \$148.8-million, as the economy continues to recover. The largest transaction of the quarter was GEM Realty Capital, Inc.'s acquisition of Savannah Portside International Park – Bldg. 2 from Pannattoni for \$104-million. This notable deal reflects growing confidence in the real estate capital markets, especially as the Federal Reserve is expected to gradually decrease interest rates. As a result, there is optimism 2024 will be a more favorable year for the sector.

Under Construction

After a historic amount of completions in 2023, the square footage of Savannah industrial projects under construction has decreased to just under 12-million sq. ft. There were two projects breaking ground during the quarter with 701 Bloomingdale Rd, a 482,755 sq. ft. spec project, being the largest. The market currently faces a high vacancy rate due to the unoccupied deliveries from the previous year. This has caused the market to deviate from its usual low vacancy rate, resulting in a lower number of projects under construction and construction starts when compared to the past two years. As the market continues to absorb the unoccupied new inventory, it is expected construction activity will decline.

FIGURE 8: Under Construction & Deliveries



Source: CBRE Research, Q1 2024

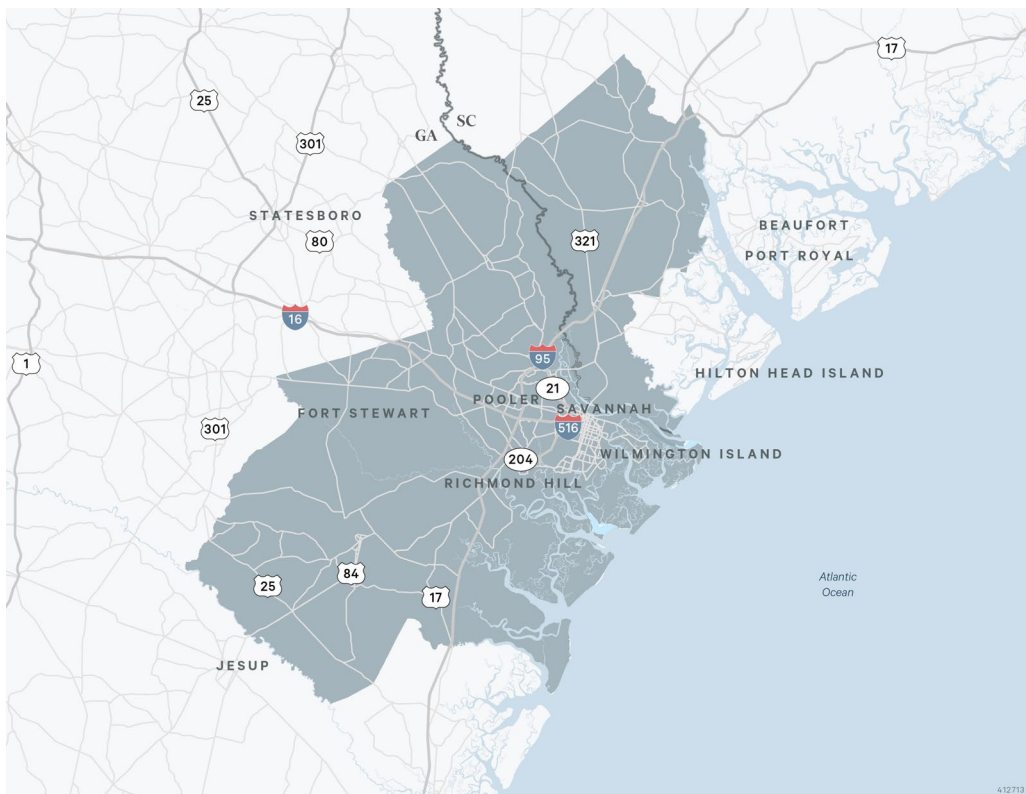
FIGURE 9: Top 5 Deliveries in Q1 2024

Property Name	Property City	Building Size (sq. ft.)	Distance to Port (miles)	Month Completed	Developer
Logistics Hub – Bldg. 1	Richmond Hill	1,037,309	25.0	February 2024	AltaBird Investments
Riverport Commerce Park – Bldg. 7	Hardeeville	771,590	9.5	March 2024	North Signal Capital
Live Oaks Logistics Center – Bldg. C	Pooler	669,760	6.7	February 2024	Seefried
North Gate Industrial – Bldg. 3	Rincon	232,500	10.0	January 2024	The Orden Company
Pooler Distribution Complex – Bldg. 42	Pooler	55,000	5.8	March 2024	-
Total Delivered Q1 2024		2,766,159			

Deliveries

In the first quarter of 2024, the market delivered just under 2.8-million sq. ft. of new inventory. The largest building to deliver was Logistics Hub – Bldg. 1 at 1,037,309 sq. ft. The demand in Savannah remains strong as 35.7% of the construction completions were pre-leased. With the development pipeline beginning to moderate from the historic levels of the previous two years, it is expected the amount of future delivered inventory will decrease. However, once the demand for new inventory becomes more noticeable by the end of 2024 and the vacancy rate declines, construction completions are likely to elevate in 2025.

Market Area Overview



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Definitions

Available Sq. Ft.: Space in a building ready for occupancy within six months; can be occupied or vacant.

Availability Rate: Total available sq. ft. divided by the total building area.

Big-Box: An industrial property totaling 200,000 sq. ft. or greater.

Capitalization Rates: Also known as “cap rates”; a measure used to estimate rates of return on commercial real-estate properties.

Clear Height: The usable height in a building to which an occupier can store its goods on racking. Clear height is measured below any ceiling obstructions such as lights or sprinklers.

Deliveries: Completion of required construction for a building.

Distribution/Logistics: An industrial property subtype of warehouse/storage designed to accommodate the efficient movement of goods. Distribution space is at least 100,000 sq. ft., office area less than 10%, and clear heights 30 ft. and higher.

Flex Space: An industrial property subtype built to allow flexibility of alternative uses. Flex space contains at least 25% office area, high curb appeal, and high parking ratios.

Leasing Activity: Square footage committed to and signed under a lease obligation for a space in a given period.

Net Absorption: The change in physically occupied square feet from one period to the next period.

Net Net Net (NNN) Lease Rate: Rent excludes “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate.

Occupied Sq. Ft.: Building area not considered vacant.

Shallow Bay: An industrial property subtype with bay depth of 120 to 200 feet with typical clear heights between 18 and 24 feet.

Total Rentable Area: The total rentable floor area square feet of the building.

Vacant Sq. Ft.: Existing space not occupied by a tenant. Vacant space can be available or not available.

Vacancy Rate: Total vacant sq. ft. divided by the total building area.

Warehouse/Storage: An industrial property subtype designed for the warehousing and storage of materials, goods and merchandise. Office area is less than 15% of the space, clear heights of at least 18 ft.

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