

FIGURES | SAVANNAH INDUSTRIAL | Q3 2024

Vacancy creeps higher as speculative deliveries continue in Q3



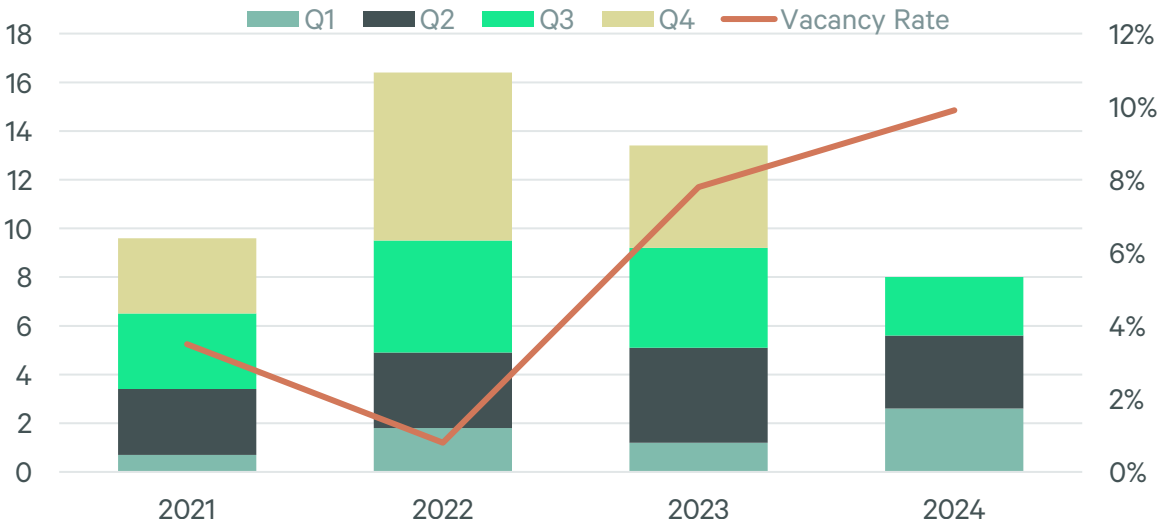
Note: Arrows indicate change from previous quarter.

Key Takeaways

- Savannah experienced modest leasing activity of 1.3 MSF as spec construction deliveries continued in Q3.
- Year-to-date absorption is down 13% YoY, but is still anticipated to end 2024 above the market's, 5-year annual average of 11-million square feet.
- With only a couple of starts in the third quarter, Savannah's construction pipeline is down to its lowest level in just over three years.
- The Port of Savannah continues to see stronger TEU activity in 2024 and is expected to top last year's total by almost 15%.

The Savannah industrial market experienced an off-quarter in Q3, marked by declines in net absorption and leasing activity. The positive absorption occurring in the third quarter was mostly attributed to occupancies in larger buildings over 500,000 sq. ft. Overall leasing activity also fell this quarter, to its lowest level since Q3 2022. As a result, the total vacancy rate rose by 70 bps QoQ to 9.9% in Q3 as deliveries outpaced the modest positive activity. With this, the added vacant space from speculative deliveries has led to a modest average rental rate reduction. Savannah's construction pipeline is now at its lowest amount since 2021. Looking ahead, should demand pick up, this reduction could lead to tighter market conditions in the latter half of 2025.

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



Source: CBRE Research, Q3 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 66 MSF since 2020. 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 the past couple of years 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 steadily 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 industrial 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

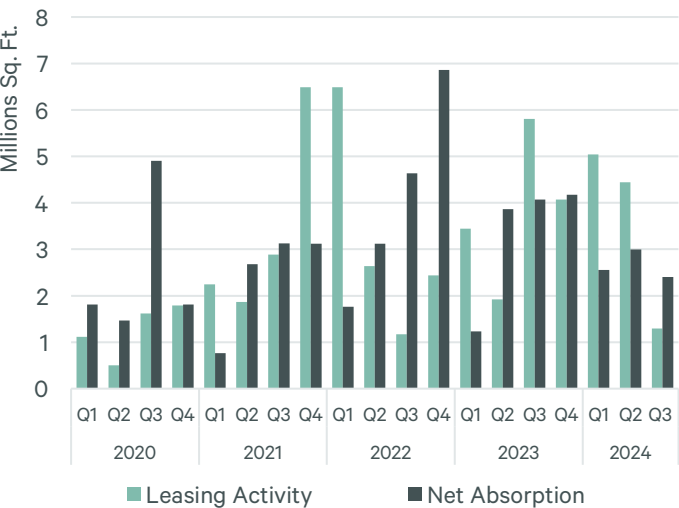
Quarter/Year	Market Rentable Area (sq. ft.)	Total Vacancy Rate %	Total Avail Rate %	Net Absorption (sq. ft.)	YTD Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Avg. NNN Lease Rate (\$/sq. ft./Yr)
Q3 2024*	145,321,890	9.9	10.9	2,405,526	7,954,221	10,834,197	\$7.12
Q2 2024*	141,523,463	9.2	9.4	2,996,198	5,548,695	14,421,189	\$7.20
Q1 2024*	136,278,791	7.9	10.4	2,552,497	2,552,497	17,876,210	\$7.07
Q4 2023*	133,424,632	7.8	9.8	4,173,269	13,338,182	17,365,883	\$7.30
Q3 2023*	126,753,526	6.2	6.8	4,068,008	9,164,913	20,136,588	\$7.20
Q2 2023*	119,961,234	4.3	4.3	3,863,053	5,096,905	25,830,552	\$6.34
Q1 2023*	112,306,697	1.3	2.0	1,233,852	1,233,852	27,488,379	\$6.24
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

Source: CBRE Research, Q3 2024

Net Absorption and Leasing Highlights

The Savannah industrial market experienced a unique third quarter characterized by contrasting absorption dynamics across size ranges. This quarter saw a 95.7% decrease QoQ in buildings under 500,000 sq. ft. with only 32,230 sq. ft. being absorbed in this size range. Conversely, the net absorption for buildings over 500,000 sq. ft. grew 5.3% QoQ to 2.4-million sq. ft., with Komar occupying 776,186 SF in Bryan County. This submarket had the second highest absorption in the Savannah market, an area bolstered by immediate access to both I-16 and I-95, and also its proximity to Hyundai's metaplant. Leasing activity in the third quarter was 1.3-million sq. ft., the lowest level since Q3 2022; and mostly slowed by timing of deals being signed. All leasing in Q3 was for spaces under 500K sq. ft., so net absorption in this size range is likely to rebound quickly.

FIGURE 3: Net Absorption and Leasing Activity



Source: CBRE Research, Q3 2024

Vacancy

In Q3 2024, the market’s vacancy rate increased by 70 bps QoQ, reaching 9.9%. This rise was primarily due to the delivery of 2.3-million sq. ft. of unoccupied space, notably the 1,456,000 sq. ft. vacancy at Central Port Logistics – Bldg. 1, which increased the Southside submarket’s vacancy rate from 0.5% to 20.5%. However, a projected reduction in deliveries may lead to decreased vacancy rates by this time next year, fostering potential market recovery and renewed tenant interest.

FIGURE 4: Vacancy by Size Category

Size	Q3 Vacancy %
750K+	13.6%
500-750K	9.8%
300-500K	7.3%
150-300K	8.4%
Under 150K	5.5%

FIGURE 6: Key Leasing Transactions

Tenant	Location	Size (sq. ft.)	Submarket	Transaction Type
Supply Chain Management	1701 Old Augusta Rd.	332,250	Effingham County	Sale/Leaseback
HomyLink Furniture	Logistics 16 at Ottawa Farms – 100	309,890	Bloomingdale/Pooler	New Lease
Alexander Global Logistics	3000 Tremont Rd.	201,800	N Savannah/Garden City	New Lease
BFG Supply	Logistics 16 at Ottawa Farms – 250	153,170	Bloomingdale/Pooler	New Lease

Source: CBRE Research, Q3 2024

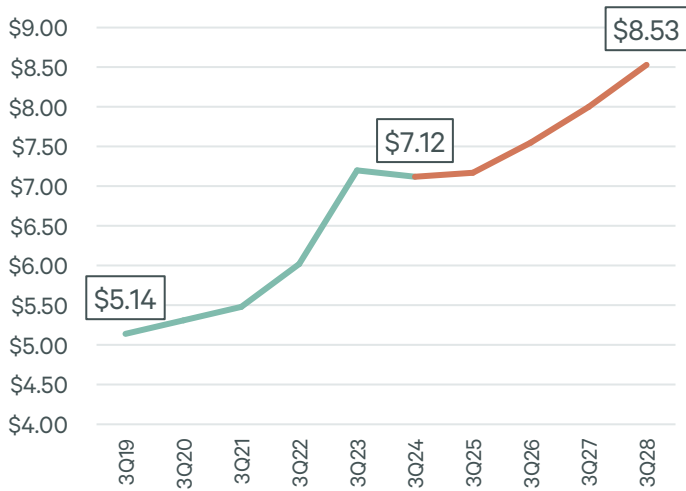
FIGURE 5: Warehouse/Distribution Total Vacancy



Rental Rates

The average NNN rent decreased by 1.3% QoQ to \$7.11, influenced by several interrelated market dynamics. The modest decline in Q3 is mostly due to increased vacancy in the market, a result of Savannah’s rapid expansion in speculative deliveries. The multitude of space options puts downward pressure on overall rents. Even so, the average remains 14% higher from the beginning of 2023 when vacancy began to rise. For the time-being, rental rates are expected to stagnate as the market navigates excess supply. The hypercompetitive nature of the market puts landlords in a position to offer lucrative deals to ensure their buildings are leased. Projections indicate construction completions will diminish at the end of 2025, which may shift the cycle back in favor of landlords due to a reduction in available space.

FIGURE 7: Historic & Projected Warehouse/Distribution Rental Rates



Source: CBRE Research, Q3 2024

Construction & Deliveries

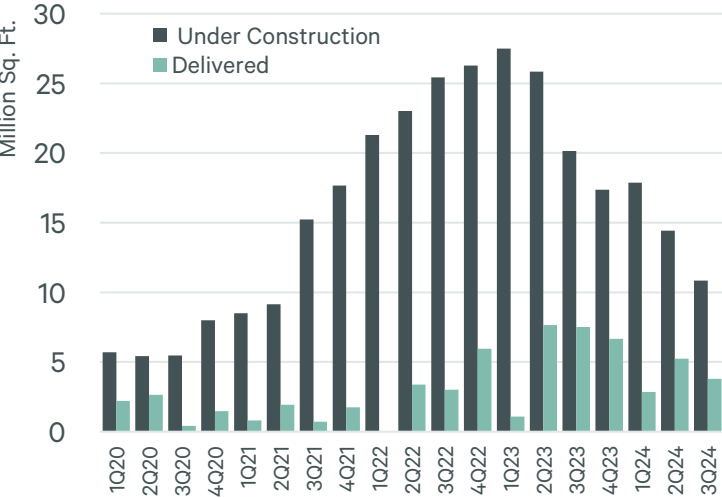
In Q3, both the amount of space under construction and the space delivered to the market declined. The market has delivered 11.9-million sq. ft. since the start of 2024, showing a 26.7% decrease year-to-date. Meanwhile, the construction pipeline has contracted to 10.8-million sq. ft., the lowest level since Q2 2021, with only 612,302 sq. ft. of new starts in Q3. This cautious approach among developers likely reflects softening demand. The reduction in construction activity seems to be a strategic move aimed at preventing further oversupply. However, looking beyond 2025, a gap in new deliveries is expected, suggesting development may ramp up to address the projected need for new space in 2026.

FIGURE 9: Top Deliveries in Quarter

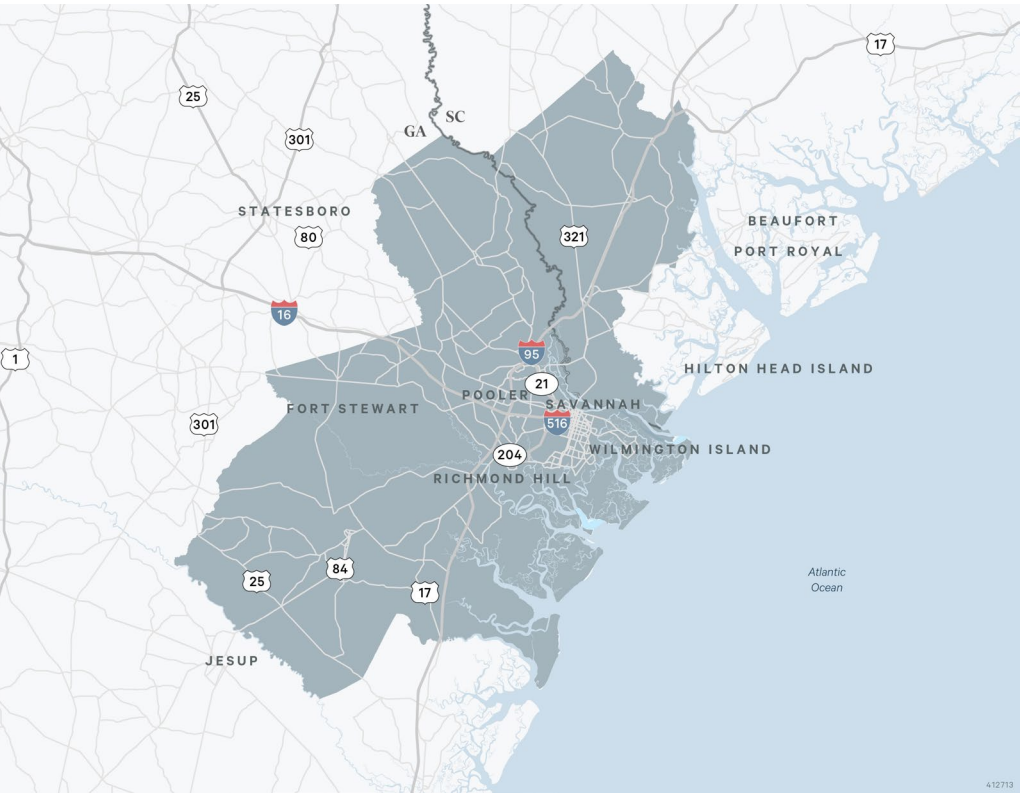
Property Name	Property City	Building Size (sq. ft.)	Distance to Port (miles)	Month Completed	Developer
Central Port Logistics – Bldg. 1	Savannah	1,456,000	5	August 2024	Capital Development Partners
Komar – 2119 Oracal Pkwy.	Ellabell	760,000	24	September 2024	North Point
Grande View Ind. Park – Sewon	Rincon	500,000	15	September 2024	-
Coastal Trade Center – Bldg. 5	Rincon	473,760	14	September 2024	Trammell Crow
Logistics 16 at Ottawa Farms – Bldg. 100	Bloomingtondale	466,180	12	July 2024	McCraney Development
Total Delivered Q3 2024		3,797,534			

Source: CBRE Research, Q3 2024

FIGURE 8: Under Construction & Deliveries



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.
- 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.
- 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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