



Industrial Market Report

Savannah, Georgia

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PREPARED BY

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12 Mo Deliveries in SF

8.1M

12 Mo Net Absorption in SF

9.9M

Vacancy Rate

2.8%

12 Mo Rent Growth

14.1%

The rapid growth in goods spending and increased imports to the fast-growing Port of Savannah has led to record demand for industrial space, pushing the vacancy rate, now at 2.8%, to near record lows. That's despite consistent deliveries of new speculative space. The 31.4 million SF currently under construction represents a 31.8% expansion of total inventory in the relatively small market. Still, nearly half of under construction space is preleased.

Savannah has emerged as a major East Coast distribution hub, with the port serving as a nexus for the region's rail and road transportation network. Further infrastructure enhancements at the port, such as the harbor deepening, which wrapped up in March 2022, will only add to Savannah's appeal. While soft earnings

reports from major retailers signal a shift in consumer spending on goods, total goods volume at the Savannah port remained up year over year in 22Q2, according to the Georgia Ports Authority.

Sales volume has soared since the onset of the coronavirus pandemic. The metro set a record for deal volume in 2021, clearing \$900 million for the first time. That momentum has slowed slightly in 2022, though a handful of newer assets and several value-add deals have closed. More than \$989 million has traded hands over the past year. National and institutional investors account for much of the sales activity in Savannah on the buyer side, as these firms continue to seek new, modern distribution facilities leased to credit tenants.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	83,957,035	3.3%	18.1%	3,011,855	3,570,551	31,433,863
Specialized Industrial	12,941,616	0.1%	0.4%	2,350	0	0
Flex	1,925,421	1.6%	1.6%	2,375	11,250	0
Market	98,824,072	2.8%	16.1%	3,016,580	3,581,801	31,433,863
Annual Trends	12 Month	Historical Average	Peak	When	Trough	When
Vacancy Change (YOY)	-2.3%	10.1%	28.9%	2010 Q2	0.9%	2018 Q1
Net Absorption SF	9.9M	3,459,582	11,492,172	2021 Q4	(5,653,186)	2010 Q1
Deliveries SF	8.1M	3,387,286	8,635,205	2019 Q4	25,063	2014 Q2
Rent Growth	14.1%	3.0%	14.4%	2022 Q2	-3.6%	2010 Q3
Sales Volume	\$1B	\$212.6M	\$1B	2022 Q2	\$1.6M	2007 Q4

Booming demand has quickly filled Savannah's robust speculative supply pipeline over the past few years, pushing vacancy rates to 2.8%, a record low. With an additional 31.4 million SF under construction, vacancy rates will remain volatile, though strong leasing activity for large distribution centers should continue to keep near- to mid-term trends in the market tight.

Total leasing volume in Savannah has trended upward since 2018, building on the spread of e-commerce. A record of more than 12 million SF was leased in 2021, and the 9.8 million SF in leases signed through July 2022 is higher than the annual average of leasing activity over the past five years, which was about 8.2 million SF.

Third-party logistics firms continue to account for the bulk of leasing volume in Savannah. Some of the largest deals in recent quarters were signed by Unis Logistics (1.2 million SF), MerchSource (1.1 million SF), Outsource Logistics (784,000 SF), McKesson (700,000 SF), Tradition Transportation (311,265 SF), SCM (280,500

SF) and Port City Logistics (230,400 SF). Lowe's preleased two properties totaling more than 2.7 million SF in the Georgia International Trade Center in Effingham County, which will open in March 2023, underscoring the growth of home goods and construction materials following population growth in the Southeast. Dorel Home Furnishings renewed a 605,000-SF leased for its distribution center in Bryan County for an additional seven years to begin in December 2022.

The Port of Savannah is one of the fastest-growing ports in the U.S., and this growth continues to benefit the Savannah industrial market. The metro is well connected to the rest of the country via I-95 and I-16 and is home to CSX and Norfolk Southern rail lines. Savannah will continue to benefit from major infrastructure improvements, including the Mason Mega Rail Terminal project and a \$973 million channel deepening project, which wrapped up in March 2022. Channel deepening, from 42 feet to 47 feet, will allow the port to accommodate most of the new post-Panamax ships.

NET ABSORPTION, NET DELIVERIES & VACANCY

