



SAVANNAH

EXECUTIVE SUMMARY

- The Georgia Ports Authority nearly doubled its cargo volumes from 2.4 million twenty-foot equivalent units (TEUs) to 4.5 million TEUs between 2009 and 2019, for a ten-year combined annual growth rate of 6.4%.
- Georgia Ports supports roughly 440,000 jobs across the state of Georgia, including 42,000 in the Savannah MSA.
- Port-related expansions and new business accounted for roughly \$5 billion in investment and 12,000 jobs across the state of Georgia in fiscal year 2019.

Savannah's economy continues to flourish, built on the foundation of a diverse employment base that includes the nation's fastest growing port, increased tourism, strong manufacturing, a significant military presence and a reputation as a regional hub for health and educational services. The area's historic charm and transportation infrastructure make it an attractive place to live and do business. The regional economy should experience continued growth in 2020, but at a slightly decelerated rate.

With absorption at its highest rate since 2013 and annual deliveries totaling less than 1% of inventory per year since 2010, Savannah's office vacancy reached an all-time low of just 3.9% in 2019. Placing additional downward pressure on vacancy, Savannah has witnessed a net reduction in office supply, with developers converting several buildings in the historic district to retail and hospitality. Two class A buildings are currently in the preleasing stage, but it should be noted that class A space constitutes just 8% of Savannah's current inventory. Moving forward, developers will increasingly look for ways to incorporate technology into new projects to help lower operating costs and increase attractiveness, while tenants are looking for buildings that provide sufficient access to amenities to recruit and retain top talent. With the limited availability of space, a modest construction pipeline and steady demand, rental rates and occupancy should continue to increase in 2020.

The impact of slowing global economic growth has thus far been limited in Savannah thanks in large part to significant investment in the region's port, which is driving robust investment and construction activity in the region's industrial sector. Port

KEY MARKET METRICS – 2020 EXPECTATIONS

Annual growth rates, estimated for year-end 2020 vs year-end 2019.

	OFFICE	RETAIL	INDUSTRIAL
Rental Growth	↑↑	↑	↑
Vacant Space	↑	→	↑
Construction Levels	↑↑	→	↑↑
Leasing Volume	↑↑	↑	↑
Investment Volume	→	→	→

operations continue to foster demand for warehouse/distribution space, which accounts for most of the market's new construction and absorption. Savannah's industrial market continued its record-setting pace through 2019, with absorption keeping vacancy rates near historical lows. Development activity has kept pace with demand, ranking the Savannah industrial market among the top five U.S. markets for construction activity. Thanks to the forward-thinking leadership of the Georgia Ports Authority and major industrial infrastructure expansion, both tenant demand and construction deliveries are expected to increase in 2020.

Savannah's retail market is largely driven by the area's robust tourism industry. While vacancy crept up slightly due to Sears vacating 155,000 sf in 2019, the overall vacancy rate is expected to remain between 4% and 5% in 2020 as supply remains largely in line with demand in major retail projects underway both in the historic district and the Westside. Rent growth is expected to be limited as landlords must compete for a smaller pool of tenants among ongoing structural changes in the retail sector. Owners of older centers will have to look at revitalization to compete with new projects and adapt to shrinking retailer footprints. In suburban markets, large vacancies are likely to be backfilled by entertainment-driven tenants or non-retail occupiers.

Investor activity in Savannah's multi-family market continues to lead the way, with industrial trailing close behind. Investors seeking to break into the industrial market drove cap rates lower in 2019. Strong industrial and multi-family tenant demand, coupled with a steady supply of new product, should keep investment activity strong in 2020.

HISTORICAL SALES VOLUME



Source: CoStar Realty Information, Inc.