

SAVANNAH OFFICE

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Savannah Employment	148.7k	151.0k	▲
Savannah Unemployment	3.7%	3.7%	▲
U.S. Unemployment	3.9%	3.6%	▼

Above numbers are quarterly averages

Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	12.9%	14.9%	▼
Net Absorption	98k	-32k	▲
Under Construction	27k	0k	■
Average Asking Rent*	\$20.02	\$20.74	■

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



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Economy

According to Georgia Southern University's latest Savannah Economic Monitor, the Savannah Business Index grew at an annualized pace of 1.8% during the first quarter of 2019. Tourism led the growth with hotel/motel tax receipts increasing 8% during the quarter and room rentals 7.8% ahead of previous year levels. Airport boardings have increased 14% relative to Q1 2018 and seasonally and inflation adjusted retail sales jumped 8% for the second consecutive quarter and are up 7.8% compared to year-ago levels.

Overall, the regional economy's long-term stability and growth are expected to continue but at a slightly reduced rate due to its economic diversity. The region is also home to the nation's fastest growing and fourth-busiest container port and a strong manufacturing and distribution employment base. Other major contributors include the military complexes at Fort Stewart and Hunter Army Airfield, tourism, two regional hospitals, more than 40,000 local college students, and a continued influx of retirees and pre-retirees.

Market Overview

No new office buildings have commenced construction since Q4 2018. The 27,190-square foot (sf) Class A building to be constructed at 110 Park of Commerce and the 80,000-sf Class A building proposed for the Eastern Wharf project remain in the preleasing stage seeking commitments from anchor tenants. Similarly, two Class A buildings totaling 32,000-sf are in the preleasing stages at Godley Station Professional Park in Pooler with a 20,000-sf Class A building under design for the Downtown East project. Several developers are still targeting the development of medical office buildings in Pooler, proximate to the new Candler/St. Joseph's micro-hospital but no projects have broken ground or have been formally announced. Several office tenants in the range of about 20,000-sf are actively looking to relocate in newer Class A space located in or around the CBD.

Outlook

Savannah's overall vacancy rate increased from 14.0% in Q4 2018 to 14.9% in Q2 2019. The overall average asking rental rate increased from \$20.45 per square foot (psf) in Q4 2018 to \$20.74 psf in Q2 2019, as free rent and overall concessions decreased slightly and most notably within the CBD and Southside submarkets. Effective rental rates and overall occupancy should continue the trend of gradual improvement in the second half of 2019.

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