



Savannah Office Market Survey

The Savannah office market is defined by three submarkets:

- Westside
- Southside
- Central Business District (“CBD”)

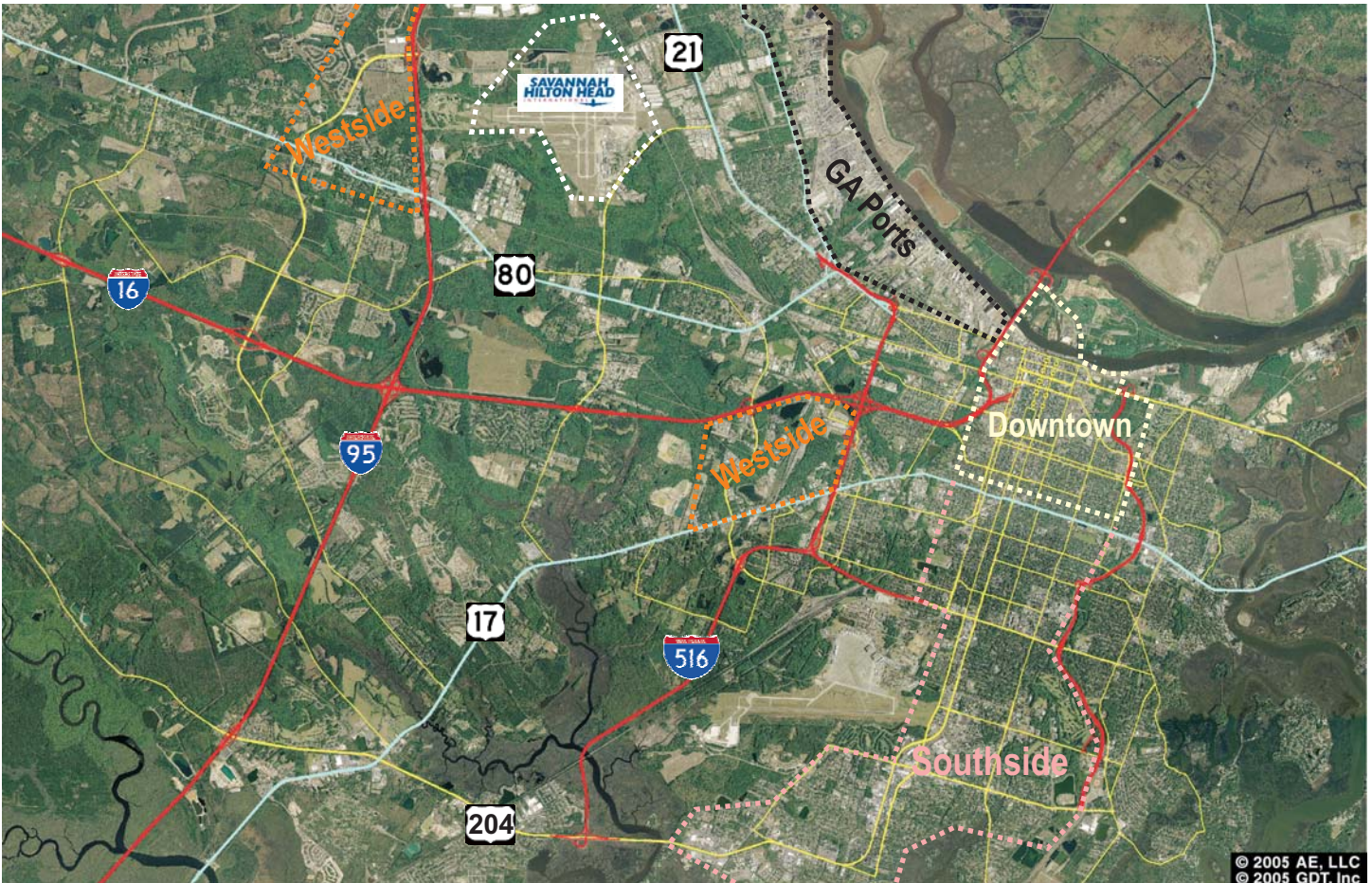
The Central Business District includes the Historic District, the Victorian District, Hutchinson Island and the areas within immediate proximity of those Districts

Mid Year 2009

Savannah is experiencing the same downturn in the local economy that is gripping the nation. This downturn is having a significant effect on the Savannah Office Market. Due to the lack of corporate expansions and many companies experiencing downsizing, the office market is showing increased vacancies.

Vacancy is occurring in every aspect of the market, but most often in the newer buildings with higher rental rates, buildings that have undergone changes in ownership and/or in the process of renovations and in buildings that have highly inefficient floor plans that are in need of upgrading.

There have not been any announcements of any new speculative office development in the Central Business District and only one speculative office development on the south side of Savannah. There will probably not be any new construction until



several buildings on the westside of Savannah are closer to the 95% occupancy factor and the current financing regulations change. There is also a higher degree of vacancy on Savannah's Southside for the first time in several years. The Southside vacancy rate is probably the best indicator of the overall Savannah corporate business economy.

Even with these higher vacancy rates, the announcement of only a couple of new major corporate relocations could change the occupancy "complexion" of the entire office market.

The only significant office project on the drawing board for Savannah is the Savannah River Landing project. The project is a mixed-use project containing retail, office, residential and hospitality within an approximate 40 acre development along the Savannah waterfront. There is 350,000 square feet of potential office development easily accessed by the Truman Parkway and downtown. This development could affect the Southside office market and certainly the Downtown office market which is greatly impacted by the lack of available parking in many of the CBD buildings. Construction of the office portion will not commence until there is significant pre-leasing activity. The residential and retail sections are anticipated to break ground in 2010.

Absorption estimates have been "best guess" estimates over the past few years since the entire office market has never been calculated over a given number of years. There are no "best guess" estimates in this report for '09, but indications point to a stagnant, if not negative, market.

This office market survey takes into consideration only the buildings that the writer feels are significant in calculating the overall vacancy factor within the Savannah marketplace. Buildings that are primarily owner-occupied were not taken into consideration unless there was a future speculative use for a major portion of the space. These buildings include the Hunter Maclean Law Firm building with approximately 50,000 square feet and also the DeSoto Building which comprises mainly residential condominiums. Office condominiums and buildings under 10,000 square feet on the Westside and Southside of Savannah were also not taken into consideration. CoSTAR does a more comprehensive analysis and catalogues over 350 buildings throughout the region. Its' report reflects a higher percentage of occupancy.



Savannah River Landing

- 150,000+ SF Office
- 190,000+ SF Retail
- 600 - 900 Parking Spaces
- Two 150+ Room Hotels
- 600+/- Residential Condos
- 17 Riverfront Estates
- 100+ City Homes
- Pad Ready 2007

CENTRAL BUSINESS DISTRICT / DOWNTOWN

Updated April 2009

BUILDING	SQUARE	RATE	SERVICE	AVAILABLE	Leasing Agent/Phone
	FOOTAGE	PSF			
BB & T (Manger) Building	118,331	\$18.00	Full	34,885	Maxwell Penn, Colliers Neely Dales
Johnson Sq. Business Center	136,000	\$19.00	Full	31,280	Jim Bryant, Sperry van Ness
Savannah Bank Building	43,000	\$21.00	Full	4,000	Jay Andrews, Palmer & Cay
Realty Building	42,000	\$12.00	Full	8,000	Virginia Rahn, Inman Park
The SEDA Office Building	36,787	\$22.00	Full	18,376	Tina Bennett, Colliers Neely Dales
Hancock Askew	27,000	\$22.00	Full	0	Mark Haslan, Seabolt Brokers
Cluskey Building	20,000	\$18.00	Full	4,500	Paul Robinson, Pell Properties

TOTAL / AVERAGE	423,118	\$18.86	Full	101,041
		0	Net	
Average Rate PSF		\$18.86		
Vacancy Factor				24%

Disclaimer: This information is collected from Property Managers and the accuracy is based solely on reporting.

SOUTHSIDE

Updated April 2009

BUILDING	SQUARE	RATE	SERVICE	AVAILABLE	Leasing Agent/Phone
	FOOTAGE	PSF			
Oglethorpe Office Park					Louis Lipsitz , AJC Garfunkel
400 Bldg.	28,384	\$23.50	Full	1,750	Louis Lipsitz , AJC Garfunkel
440 Bldg.	9,067	\$18.00	Full	1,100	Louis Lipsitz , AJC Garfunkel
450 Bldg.	24,770	\$22.00	Full	9,990	Louis Lipsitz , AJC Garfunkel
460 Bldg.	10,847	\$22.00	Full	10,847	Louis Lipsitz , AJC Garfunkel
Savannah Financial Center	62,000	\$17.00	Net	0	Jim Bryant, Sperry van Ness
The Landmark Bldg.	46,000	\$22.00	Full	10,300	Louis Lipsitz , AJC Garfunkel
Southpoint	45,000	\$16.50	Net	7,650	Ashley Smith, Colliers Neely Dales
Abercorn Center	36,000	\$18.00	Full	9,000	Gary Mankin, ReMax Savannah
Enterprise Building	28,980	\$18.50	Full	6,955	John Todd, Fine Properties
Commonwealth	17,485	\$18.00	Full	1,560	Chris Wynn, Coldbrook Properties
Abercorn Professional Bldg.	16,000	\$17.50	Full	2,000	Gary Mankin, ReMax Savannah
Wachovia Securities Bldg.	14,000	\$22.50	Full	8,000	Gary Mankin, ReMax Savannah
6602 Abercorn Street	38,400	\$18.00	Net	28,800	Jim Bryant, Sperry van Ness
7302 Abercorn Street	13,600	\$21.50	Net	13,600	Gary Mankin, ReMax Savannah
First National Bank Bldg.	37,702	\$27.00	Full	19,975	Ashley Smith, Colliers Neely Dales

TOTAL / AVERAGE	428,235	\$20.82	Full	131,527
		\$18.25	Net	
Average Rate PSF		\$20.13		
Vacancy Factor				31%

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WESTSIDE SAVANNAH

Updated April 2009

BUILDING	SQUARE FOOTAGE	RATE PSF	SERVICE	AVAILABLE	Leasing Agent/Phone
Chatham Center					Jim Bryant, Sperry van Ness
Liberty	66,419	\$19.00	Net	0	Jim Bryant, Sperry van Ness
Orleans	57,205	\$20.00	Full	11,441	Jim Bryant, Sperry van Ness
Lafayette	55,470	\$20.50	Net	0	Jim Bryant, Sperry van Ness
The Mulberry at Godley Station	51,161	\$24.00	Full	14,934	Harvey Gilbert, Gilbert Realty
9 Park of Commerce	27,189	\$26.00	Full	15,226	Gary Mankin, ReMax Savannah
17 Park of Commerce	37,745	\$26.00	Full	15,853	Gary Mankin, ReMax Savannah
Parkway Business Center	22,000	\$9.00	Net	1,500	Jack Reese, Reese & Co.

TOTAL /AVERAGE	317,189	\$24.00	Full	58,954
		\$16.17	Net	
Total Average Rate PSF		\$20.64		
Vacancy Factor				19%

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SUMMARY

	SQUARE FOOTAGE	AVG RATE PSF		AVAILABLE
CBD/DOWNTOWN	423,118	\$18.86		101,041
SOUTHSIDE	428,235	\$20.13		131,527
WESTSIDE	317,189	\$20.64		58,954
TOTAL	1,168,542			291,522
Current Market Occupancy	75.05%			

The Central Business District ("CBD")

The CBD is maintaining relatively the same degree of occupancy that has occurred throughout the past several years. Several factors will affect the CBD office sector in the future. One of these factors is the development of the Savannah River Landing project mentioned above.

Over the past few years, the availability of land for office development within the CBD has become almost non-existent. The increased demand for additional hospitality/hotel sites has driven the price per square foot for land to the point where only residential condominium and hotel development could afford the prices. Some of these prices exceed \$150.00 per square foot for the land. Increased concern for Historic Preservation of the downtown Historic District will continue to restrict office development.

Parking continues to be an issue with downtown office space. Even though there is available parking within the CBD through the addition of newly constructed parking garages, the cost of parking factors into the overall cost per square foot of office space. Rates vary from \$60 per month for parking to over \$100 per month from the various public and private garages within

the CBD. The only new addition to the downtown office market is the SEDA building on Hutchinson Island. After having only the Savannah Economic Development Authority in the building for several years, an additional floor was leased to a major shipping company. The SEDA building is the first office building on Hutchinson Island and offers Class "A" finishes and ample parking. The building should gain more positive recognition in the coming years with the continued development of the Savannah Harbor development on Hutchinson Island.



CBD's
Savannah Bank
Building



The Southside's
Landmark Building

Southside

The Southside Office Market continues to be the most active office sector in the Savannah market, however, it is also the segment of the market with the highest vacancy factor.

For many years, the Southside was Savannah's only alternative to the CBD. The corridor of Abercorn Street between DeRenne Avenue and Mall Boulevard comprised the major part of the sector. Hodgson Memorial Drive and Stephenson Avenue have emerged in recent years.

Oglethorpe Office Park was the first major office park on the Southside and still remains a Class "A" park. Only recently have any significant vacancies occurred within the park. Other significant developments include the Enterprise Building, the Landmark Building and more recently, the Savannah Financial Center.

There continues to be demand on the Southside because of the large population in that area as well as the ample services provided by Oglethorpe Mall and Savannah Mall. Corporate office users needing parking and access to other Southside locations make up the majority of the demand for space. In recent years, increased demand for additional retail development on the Southside (mainly along Abercorn Street) caused available land to be very costly for office development. There was virtually no office development on the Southside for many years and the Wachovia Building on Stephenson Avenue is the first corporate office building to be constructed since the Landmark Building was constructed in 1987. Both of these buildings were developed by the same developer. The Wachovia Building tops the rental market with rates in the mid \$20's per square foot but is a Class "A" development with finishes as well as location. It has had strong pre-leasing activity and is approximately 30% pre-leased at the end of the 1st quarter '09. The Wachovia Building will hopefully serve as an example for the continued strong demand for Class "A" space in Savannah. The lack of available land will continue to limit the development of competitive Class "A" space on the Southside.

We anticipate that the Southside office market will continue to have higher vacancies until the service sector of the economy begins to recover. Real Estate, Insurance and Financial Services have been key components of the Southside office market and mergers and downsizing have taken a toll on the market. Also, the new GSA lease requirement is that new leases with GSA adhere to LEED guidelines. There are no LEED office buildings on the Southside or CBD as of yet. This factor could account for increased vacancies on the Southside as state and local governments begin to adopt these new regulations as we saw in the 1980's with the ADA requirement.

Westside

The Westside Market is showing the least vacancy (19%) but it is also the smallest sector of the Savannah market. Up until a few years ago, the only office development on the Westside was the Chatham Center development and the Parkway Business Center. Since that time, the Savannah Park of Commerce, Southern Oaks and, most recently, the Mulberry Office Park have come into existence. There are also several smaller office developments located along the Pooler Parkway at Godley Station.

The Chatham Parkway corridor is the current center of office development on Savannah's Westside. Easy access from I-16 as well as from the Southwest Bypass help to make this corridor popular for prospective office users that need more of a regional visibility. The addition of various retail and food services along this corridor has helped to improve popularity. There is no residential backup along the corridor with the exception of two Class "A" apartment communities located within a mile of each other.

Two new buildings in the Park of Commerce make up the majority of the vacancy. These buildings are well located and, even though lease-up has been slow, these buildings should recover as the economy improves.

Chatham Center is the dominant office development at the intersection of I-16 and Chatham Parkway. The three existing office buildings within Chatham Center remain stable because of the visibility from I-16, the amenities, and the rates have remained competitive for the last several years.

The Mulberry Office Park is the newest office development on the Westside. It is located on Benton Boulevard just off Pooler Parkway at Godley Station. The initial office building is a 51,000 square foot Class "A" building that is approximately 70% occupied. There is an Embassy Suites Hotel currently under construction and will be located almost adjacent to the Mulberry Office Building. This building also targets the office prospect that is more regionally focused and the park offers easy access to I-95.

Savannah is in need of another corporate office destination and the Mulberry Office Park is the closest model that could attract the corporate user. There is presently no available contiguous office space in excess of 10,000 to 15,000 rental square feet except for the Friedman's Jewelry Corporate Headquarters building located in Crossroads Business Park, although it is mainly an industrial park. In order to attract corporate office users to Savannah, we need the ability to provide space for the large corporate tenant. Potential developments like the Mulberry are the only existing developments that could satisfy the requirements. The Highland Office Park is the only other designated business park that could accommodate the large regional corporate user. The Highlands are located off of Jimmy DeLoach Parkway near I-95.

Notes

Central Business District Notes

The growth market in the CBD will continue to be specialty service to legal and court-related, financial, consulting firms and corporate businesses that do not require an excess number of parking spaces. There will continue to be significant demand from corporate prospects that simply want to be downtown to enjoy the unique work environment of the Historic District.

Additional vacancies could occur within the Federal Complex and the Verisign Building at Oglethorpe and Jefferson. The Verisign Building is approx. 50,000 square feet and a major vacancy in the building could greatly affect the office sector.

Rental concessions, or lower rents, will be on the increase in the CBD market in order to offset parking costs.

Southside Notes

Older buildings such as the Enterprise Building and Abercorn Center will continue to do well as they address the smaller tenant requirement and undergo significant renovations. The Wachovia Building will set the new standard for Class "A" space and for Class "A" rentals on the Southside.

Because of the lack of additional land or financing for new development, the occupancy factor should greatly improve over the next 12 to 18 months.

Some office prospects may find better deals in existing retail centers that are suffering vacancies. Rental concessions will increase in the Class "A" buildings as well as the sub-lease market.

Westside Notes

The "mega site" (a 1,600 acre manufacturing and distribution site) is located on the Westside and rumors abound that another car manufacturer is looking at the site. The site is owned by the State of Georgia who is actively marketing the site internationally. The Westside will greatly benefit from a major user on this site. All of the office developments are within a few minutes of the site and, just like BMW in the Greenville/Spartanburg I-85 corridor, the Westside will experience a tremendous growth spurt when development of the mega site comes to fruition.



The Westside's 17 Park of Commerce Building



The Westside's Chatham Center

CBD Property Highlights

BB & T (Manger) Building	Johnson Square location in Savannah's Financial District, anchor tenant is BB&T, 2nd fl. Tenant is First City Club, 10-story building with good views from upper floors, Executive Suites on 4th and 6th floors, building has own parking garage nearby
Johnson Sq. Business Center	Johnson Square location in Savannah's Financial District, upgraded lobby, 15-story building with good views on upper floors, Savannah's tallest building, security access through main lobby
Savannah Bank Building	The newest building located on Johnson Square
Realty Building	Adjacent to financial district, good views from upper floors, class "A" finishes throughout
The SEDA Office Building	Generous TI allowance, wired with T1 cables, emergency power generator, security surveillance cameras, ample parking
Hancock Askew	New office park on Savannah's eastside, class "A" finishes, ample parking
Cluskey Building	On-site parking, Zunzi restaurant located on ground floor, located on beautiful square in the Historic District

Southside Property Highlights

Oglethorpe Office Park	Savannah's 1st planned office park, located at Hodgson Memorial and Mall Blvd., access from either major road, within close proximity to shopping, restaurants and all major services, park has had several renovations, common areas tastefully decorated, anchor tenant is Savannah Bank.
Savannah Financial Center	Attractive buildings and easy access from Hodgson Memorial, nice interior finishes, current location for Merrill Lynch and Smith Barney
The Landmark Bldg.	Atrium building, Homebuilder's award-winning building of 1989 for buildings under 50,000 SF, excellent exposure from Abercorn Street with traffic access from Abercorn, anchor tenant is Morgan Stanley
The Southpoint Bldg.	Located at strategic intersection, good visibility, across from Oglethorpe Mall, abundant signage
Abercorn Center	Flexible lease terms (1-2 yrs), direct access from parking lot, good visibility on Abercorn, good access via traffic signal from Abercorn, façade improvements planned for immediate future
Enterprise Building	Each office suite has private restroom facility, lobby currently under renovations, excellent exposure on Abercorn St., office suites can be divided into small suites of less than 1,000 SF, wired for data services, ample parking, easy access via traffic signal from Abercorn Street
The Commonwealth Bldg.	Extensive frontage along Hodgson Memorial Drive, competitive rentals, nice appearance, good exposure adjacent to shopping and all services, ample parking
Abercorn Professional Bldg.	Short term leases available, offices from 200 SF+, direct access from parking lot, good visibility from Abercorn Street, good access via traffic signal from Abercorn
Wachovia Securities Bldg.	High profile building on Hodgson Memorial Drive, good visibility from Hodgson Memorial, building offered for sale at \$2.5 million (owner/occupant).
6602 Abercorn Street	Abercorn Street access with office park setting, parking available adjacent to building, security system access
7302 Abercorn Street	Direct frontage on Abercorn Street, attractive appearance, good signage and visibility, new construction and opportunity for tenant to design space
First National Bank Bldg.	High upgrades on common area, good visibility, easy access via Stephenson Avenue and Habersham Street, convenient parking adjacent to building

Southside's
Abercorn
Center



Southside's Oglethorpe Office Park



The Southside's Enterprise Building



The Southside's 6602 Abercom Building

Westside Property Highlights

Chatham Center	Savannah's only office business park comprising multi-acreage and multi-buildings, ample parking, good exposure to I-16, easy access from I-16 via Chatham Parkway and traffic signal
The Mulberry at Godley Station	Near the intersection of Pooler Parkway and I-95, anchor tenant is BB&T, convenient access to Westside, Rincon and South Carolina, anchor tenants include First National Bank and Choate Construction, a 120-room Embassy Suite Hotel is currently under construction within close proximity, the Mulberry Master Plan includes covenants and restrictions for the entire 115-acre mixed-use development.
Park of Commerce Buildings	Recently completed buildings located in Savannah's business park sector, easy access via traffic signal from Chatham Parkway and I-16, efficiently designed floor plate with upgraded finishes throughout, ample parking



The Westside's Mulberry at Godley Station



The CBD's SEDA Building