

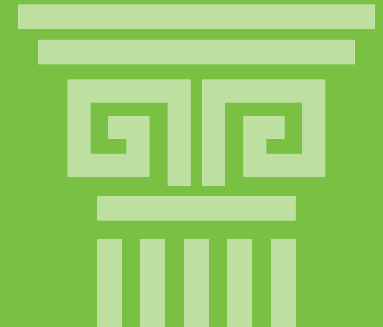


## Savannah Office Market Survey Q2 2010

The Savannah office market is defined by three submarkets:

- Westside
- Southside
- Central Business District ("CBD")

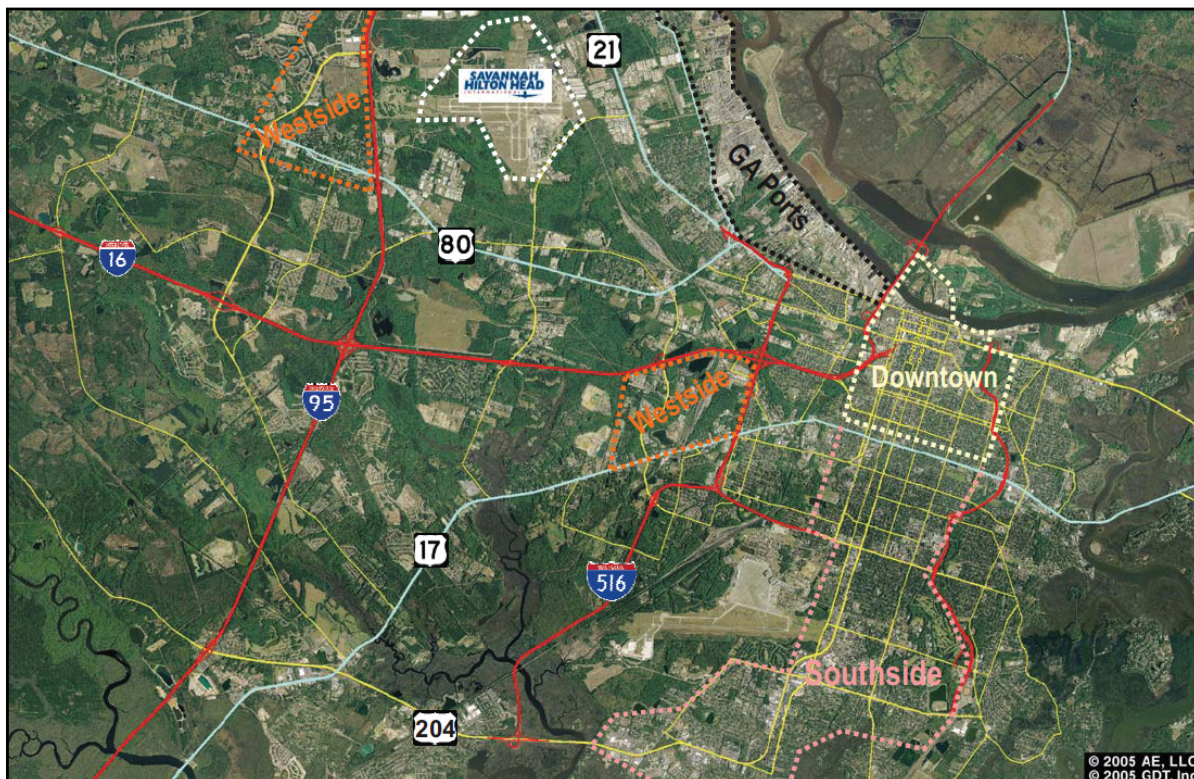
*The Central Business District includes the Historic District, the Victorian District, Hutchinson Island and the areas within immediate proximity of those Districts.*



**Savannah** continues to experience the same downturn in the local economy that has gripped the nation for the past 2 1/2 years. 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 continues to show a slight increase in 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 office sector. There will probably not be any new construction until several buildings on the westside of Savannah are closer to the 90% occupancy factor and the current financing regulations change. There



is also a continued high degree of vacancy on Savannah's Southside.

The Southside vacancy rate is probably the best indicator of the overall Savannah corporate business economy. Savannah's stagnant market continues to reflect the condition of the office market on a national basis.

In my last office market survey from mid-year 2009, I noted the only significant development within the Central Business District was the Savannah River Landing project. The project was slated to be a mixed use residential / retail / office development comprised of over 150,000 square feet of Class A office space, 190,000 square feet of retail, two hotels and several hundred residential condos and attached housing. The project has been put on hold and, as of this date, there are no signs that the project will be developed under the same projections and parameters as the earlier development plan.

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 '10, but indications point to a continued stagnant 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.



200 Stephenson Ave Building

- New Construction in 2009
- 3-Story "Class A" Building
- 37,702 rentable square feet
- Zoned P-RIP



**CENTRAL BUSINESS DISTRICT / DOWNTOWN**

Updated March 2010

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	5,900	Jay Andrews, Palmer & Cay
Realty Building	42,000	\$18.75	Full	8,000	Virginia Rahn, Inman Park
The SEDA Office Building	36,787	\$22.00	Full	16,308	Cliff Dales, Colliers Neely Dales
Hancock Askew	27,000	\$22.00	Full	0	Mark Haslam, Seabolt Brokers
Cluskey Building	20,000	\$17.00	Full	3,000	Paul Robinson, Pell Properties

<b>TOTAL SQ. FT.</b>	<b>423,118</b>			<b>99,373</b>	
<b>AVERAGES</b>		<b>\$19.68</b>	<b>Full</b>		
		<b>0</b>	<b>Net</b>		
<b>Vacancy Factor</b>				<b>23%</b>	

Disclaimer: This information is collected from Property Managers &amp; Leasing Agents and the accuracy is based solely on reporting.

**SOUTHSIDE**

Updated March 2010

BUILDING	SQUARE	RATE	SERVICE	AVAILABLE	Leasing Agent/Phone
	FOOTAGE	PSF			
Oglethorpe Office Park					Louis Lipsitz , AJC Garfunkel
400 Bldg.	28,384	\$22.00	Full	1,750	Louis Lipsitz , AJC Garfunkel
440 Bldg.	9,067	\$18.00	Full	1,456	Louis Lipsitz , AJC Garfunkel
450 Bldg.	24,770	\$22.00	Full	0	Louis Lipsitz , AJC Garfunkel
460 Bldg.	10,847	\$21.00	Full	6,500	Louis Lipsitz , AJC Garfunkel
Savannah Financial Center	64,544	\$17.00	Net	14,000	Jim Bryant, Sperry van Ness
The Landmark Bldg.	46,000	\$22.00	Full	3,512	Louis Lipsitz , AJC Garfunkel
Southpoint	45,000	\$16.50	Net	7,650	Ashley Smith, Colliers Neely Dales
Abercorn Center	36,000	\$18.50	Full	13,000	Gary Mankin, ReMax Savannah
Enterprise Building	28,980	\$20.50	Full	6,800	John Todd, Fine Properties
Commonwealth	18,000	\$18.00	Full	7,100	Chris Wynn, Coldbrook Properties
Abercorn Professional Bldg.	16,000	\$18.50	Full	6,025	Gary Mankin, ReMax Savannah
Wachovia Securities Bldg.	14,000	\$22.00	Full	14,582	Gary Mankin, ReMax Savannah
6602 Abercorn Street	39,400	\$18.00	Full	7,968	Ben Whitley, Whitley & Associates
7302 Abercorn Street	13,600	\$21.50	Net	13,600	Gary Mankin, ReMax Savannah
200 Stephenson Avenue	37,700	\$27.00	Full	5,412	Ashley Smith, Colliers Neely Dales

<b>TOTAL SQ. FT.</b>	<b>432,292</b>			<b>109,355</b>	
<b>AVERAGES</b>		<b>\$20.63</b>	<b>Full</b>		
		<b>\$18.33</b>	<b>Net</b>		
<b>Vacancy Factor</b>				<b>25%</b>	

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## WESTSIDE SAVANNAH

Updated March 2010

BUILDING	SQUARE FOOTAGE	RATE PSF	SERVICE	AVAILABLE	Leasing Agent/Phone
Chatham Center					Jim Bryant, Sperry van Ness
Liberty	66,419	\$12.00	Net	17,325	Jim Bryant, Sperry van Ness
Orleans	57,205	\$20.00	Full	22,628	Jim Bryant, Sperry van Ness
Lafayette	55,470	\$20.50	Net	0	Jim Bryant, Sperry van Ness
The Mulberry at Godley Station	51,161	\$26.50	Full	9,937	Harvey Gilbert, Gilbert Realty
9 Park of Commerce	27,189	\$26.00	Full	13,336	Gary Mankin, ReMax Savannah
17 Park of Commerce	37,745	\$26.00	Full	13,722	Gary Mankin, ReMax Savannah
Parkway Business Center	22,000	\$15.00	Net	6,040	Jack Reese, Reese & Co.

<b>TOTAL SQ. FT.</b>	<b>317,189</b>			<b>82,988</b>	
<b>AVERAGES</b>		<b>\$24.63</b>	<b>Full</b>		
		<b>\$15.83</b>	<b>Net</b>		
<b>Vacancy Factor</b>				<b>26%</b>	

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## SUMMARY

	SQUARE FOOTAGE	AVG RATE PSF FULL	AVG RATE PSF NET	AVAILABLE
CBD/DOWNTOWN	423,118	\$19.68	N/A	99,373
SOUTHSIDE	432,292	\$20.63	\$18.33	109,355
WESTSIDE	317,189	\$24.63	\$15.83	82,988
<b>TOTAL</b>	<b>1,172,599</b>			<b>291,716</b>
<b>Current Market Occupancy</b>	<b>75.20%</b>			

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

### 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, listed below, will affect the CBD office sector in the future.

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 exceeded \$150.00 per square foot for the land. Increased concern for Historic Preservation of the downtown Historic District will continue to restrict office development. Even with the lack of demand for office development, prices for land continue to be high because of scarcity.

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 newest 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. The Savannah Economic Development Authority has approximately twenty acres of land that can be developed as a phased office park.



*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.

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 prestigious location. Only in the last few years has any significant vacancies occurred within the park. Other significant buildings include the Enterprise Building, the Landmark Building, the Savannah Financial Center and, most recently, the 200 Stephenson Avenue Building.

There continues to be demand on the Southside because of the demographic for the Southside 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 200 Stephenson Avenue Building is the first corporate office building to be constructed since the Landmark Building was constructed in 1987. Both of these buildings were developed by Ernie Friedman. The 200 Stephenson Avenue 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 80% leased at the end of the 1st quarter '10. The Stephenson 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. The only significant vacant land parcel in the middle of the Southside office corridor is a 4-acre parcel located adjacent to Abercorn Common Shopping Center.

I anticipate that the Southside office market will continue to have high 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 stricter sustainable guidelines and new construction must be LEED certified. 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 greatest vacancy (26%), however, 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 ParkwayBusiness Center. Since that time, the Savannah Park of Commerce, Southern Oaks and, most recently, the Mulberry OfficePark 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-16as 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. Thereis no residential backup along the corridor with the exception of two Class "A" apartment communities located within a mileof 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 80% occupied. There is a recently completed Embassy Suites Hotel which is located almost adjacent to the Mulberry Office Building. The Mulberry Office Park also targets the office prospect that is more regionally focused and the park offers easy access to I-95 and the Westside.

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. Due to the lack of office demand, the Highland Office Park, located off of Jimmy Deloach Parkway near I-95, has seen no activity. It is still the only other designated business park that could accommodate the large regional corporate user.

## 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.

Rental concessions or lower rents will be on the increase in the CBD market in order to offset parking costs. One concern from last year's report was the fear that the Verisign Building consisting of approximately 50,000 square feet would become vacant and increase the vacancy factor significantly in the CBD. However, Chatham County recently acquired the building for administrative purposes.



### 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 200 Stephenson Avenue Building will set the new standard for Class "A" space and for Class "A" rentals on the Southside.

The occupancy factor should hopefully improve over the next 12 to 18 months as the economy begins to recover. Some office prospects may find better deals in existing retail centers that are suffering vacancies. In the short term, 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. Mitsubishi Power Systems Americas, Inc. is currently constructing a building for the manufacture of turbines. Even though the company will only occupy approximately 10% of the park, it will provide for approximately 200 jobs and is a positive factor toward attracting users for the remainder of the park. The site is owned by the State of Georgia who continues to actively market the remaining available acreage on an international level. 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/Spartenburg 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 Abercorn 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

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