

## OFFICE MARKET

Savannah, GA Year End 2007

## OVERVIEW

The vacancy rate for Savannah's office market increased from 11.9% in 2006 to 14.3% in 2007 reflecting an upswing of 20%. Average lease rates moved to \$19.92 in 2007, a 3% increase over 2006. Absorption for the total market remains strong with 107,286 square feet absorbed due mostly to the growth of Gulfstream Aerospace and the swell of service related businesses on Savannah's Westside.

Submarket	Total Inventory (Sq. Ft.)	Current Vacancy	Vacancy Rate	Weighted Average	Absorption 2007
Central Business District	586,300	111,011	18.91%	\$18.91	-16,637
Westside/Chatham Parkway	599,736	74,435	12.4%	\$19.53	126,563
Southside	799,044	99,031	12.4%	\$20.94	-2,640
Totals/Avg.	1,985,080	284,477	14.3%	\$19.92	107,286

\*The market includes single and multi-tenant office buildings 10,000 sq.ft. and larger. Owner occupied space has been excluded. Current market data was acquired using interviews from office managers and agents. Absorption figures were calculated using data derived from the previous market study. Average Lease Rate is weighted to reflect market share of each lease rate. Rate is reported as a full service rate inclusive of taxes, insurance, common area maintenance, utilities and janitorial expenses.

## CENTRAL BUSINESS DISTRICT NEWS

Tenants continue to withdraw from the Central Business District with the vacancy rate growing to 18.9% in 2007 over 16.9% in 2006, a 12% swell. Larger blocks of space continue to be converted to accommodate smaller tenants while average lease rates escalated slightly from \$18.80 in 2006 to \$18.91 in 2007 while absorption decreased dramatically from a positive 8,504 SF in 2006 to a negative 16,637 SF in 2007.

Accounting for a large portion of this negative absorption, Lazard Dana, LLP's has move from the Realty Building leaving approximately 10,000 SF. SEDA continues to have a large increment of space with 30,000 SF available which could be beneficial in luring larger office prospects to town.



SEDA Building - Hutchinson Island  
Completed 2006

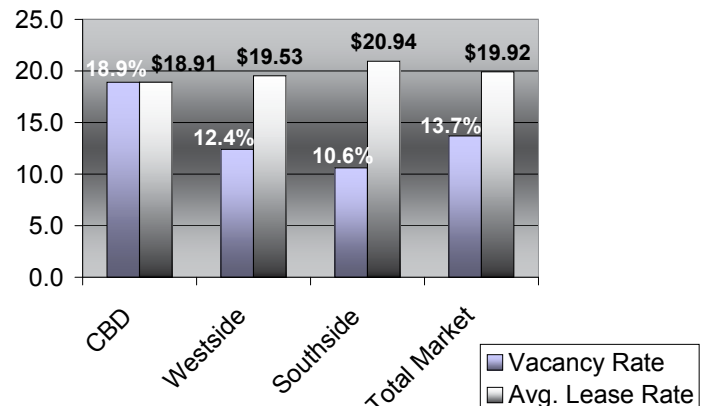
## SOUTHSIDE NEWS

The Southside's vacancy rate soared from 6.9% in 2006 to 12.4% in 2007 while recording a negative absorption of 2,640 square feet. Average rates diminished moderately from \$20.58 per square foot to \$19.97 per square foot. Planned new construction includes approximately 40,000 square feet on the corner of Habersham and Stephenson to be developed by Savannah Land Company. Additionally, Dixon Properties is underway on a 16,000 square foot office building on Abercorn.

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Vacancy Rate/Average Lease Rate



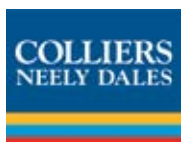
## WESTSIDE/CHATHAM PARKWAY NEWS

Growth is enduring in the Westside/Chatham Parkway submarket. Average lease rates jumped 8% from \$18.09 in 2006 to \$19.53 in 2007 while vacancy rates decreased from 13.4% in 2006 to 12.4% in 2007. 126,563 square feet of space was absorbed being attributed mostly to Gulfstream who grew by 100,000 square feet. Additions to the market include medical users, attorneys, shipping companies and engineering companies providing a healthy mix of professional tenants for the submarket. This trend should continue as the market matures.

For more information, contact:  
Ashley W. Smith  
912.233.7111 Ext. 105  
[ashley.smith@colliers.com](mailto:ashley.smith@colliers.com)

301 Habersham Street  
Savannah, GA 31401  
P: 912.233.7111  
F: 912.236.1200

[www.colliersneelydales.com](http://www.colliersneelydales.com)



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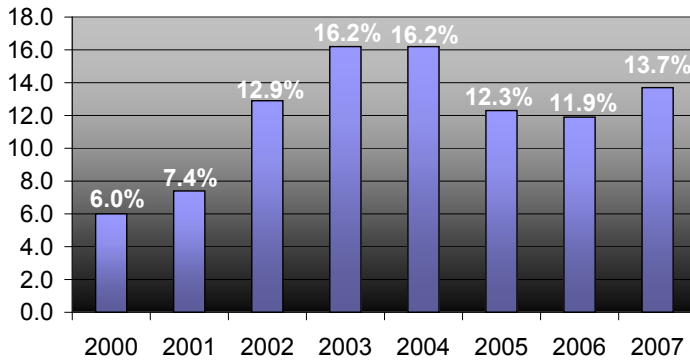
## TRENDS

Year	Total Inventory	Total Vacancy	Vacancy Rate	Average Lease Rate (per sq.ft.)	Net Absorption
2000	1,453,879	87,016	6.0%	\$16.54	45,370
2001	1,438,877	106,363	7.4%	\$16.44	-34,349
2002	1,529,957	198,124	12.9%	\$16.86	-83,489
2003	1,549,957	250,753	16.2%	\$16.75	-32,629
2004	1,462,152	237,275	16.2%	\$18.15	-74,327
2005	1,581,514	194,482	12.3%	\$18.94	96,506
2006	1,777,684	211,653	11.9%	\$19.35	170,661
2007	1,937,080	265,099	14.3%	\$19.82	107,286

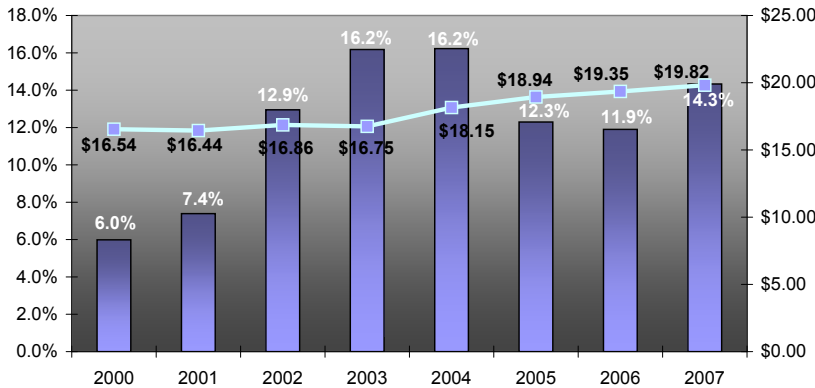
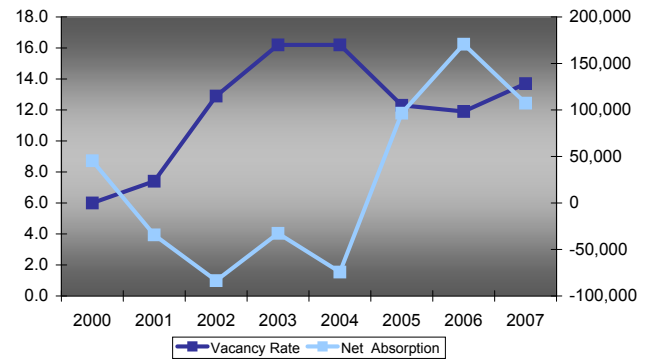
\* Year 2000-2004 data was derived from Society of Industrial and Office Realtors annual reports.

\*\* Previously unreported buildings were added to the survey. For that reason, the absorption figure for 2005 is actual absorption and does not reflect the change in occupancy from 2004-2006

Vacancy Rate



Vacancy Rate vs Net Absorption



Vacancy Rate vs Average Lease Rate

For more information, contact:  
 Ashley W. Smith  
 912.233.7111 Ext. 105  
 ashley.smith@colliers.com

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 Savannah, GA 31401  
 P: 912.233.7111  
 F: 912.236.1200  
 www.colliersneelydales.com

