



Savannah, Georgia

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2006



Housing Market Area



The Savannah, Georgia Housing Market Area (HMA) consists of Bryan, Chatham, and Effingham Counties and is located in southeastern Georgia at the South Carolina border. Established in 1733, Savannah is the oldest city in Georgia and is famous for its historic district and coastal setting. The metropolitan area has become a retirement destination because of the relative affordability of sales housing in the area compared with other cities along the southeast Atlantic coast.

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Summary

Economy

Since 2000, employment growth in the Savannah HMA has been strong. Tourism and transportation are foundations of the local economy. Employment in the leisure and hospitality sector has gradually increased since 2000 due to higher numbers of visitors to the HMA. This trend is expected to continue throughout the forecast period. The recent upgrade and expansion of the Port of Savannah have contributed to increased commercial construction near the port. During the 3-year forecast period, the addition of jobs in multiple sectors is expected to increase nonfarm employment by an average of 2.9 percent annually.

Sales Market

The sales market in the HMA is currently balanced with a vacancy rate of 1.7 percent. Data from the Savannah Multi-List Corporation indicate that the average sales price for new and existing single-family homes was approximately \$237,000 during the past 12 months. Sales prices for condominiums and townhouses averaged approximately \$232,000 in the same period. During the next 3 years, demand for 7,350 sales units is expected, as shown in

Table 1. Demand for sales housing will remain highest in the western portion of Chatham County.

Rental Market

The rental market in the HMA is relatively soft but improving. During the past 12 months, conversions of approximately 400 apartments to condominiums contributed to a decline in the overall rental vacancy rate to an estimated 9 percent. The pace of conversions is expected to slow and renter household growth should increase during the forecast period. Demand is expected for 2,100 rental units during the next 3 years, a portion of which will be met by the estimated 650 units currently under construction.

Table 1. Housing Demand in the Savannah HMA, 3-Year Forecast, July 1, 2006 to July 1, 2009

	Savannah HMA	
	Sales Units	Rental Units
Total Demand	7,350	2,100
Under Construction	1,100	650

Note: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2006. Source: Estimates by analyst

Economic Conditions

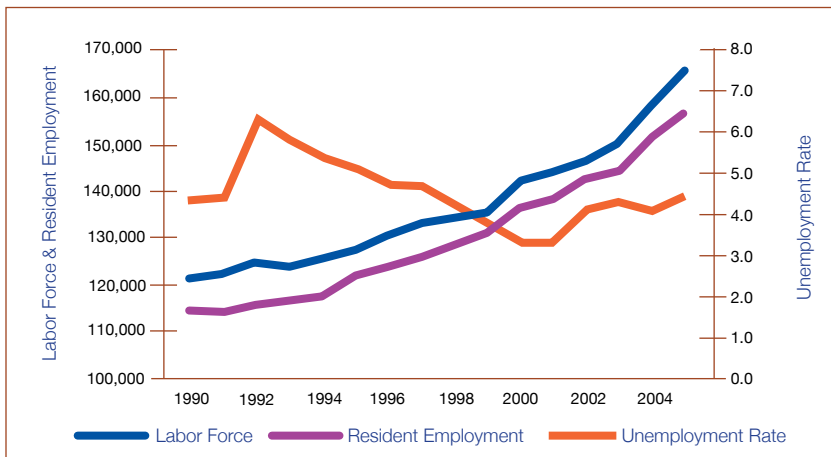
During the 1990s, nonfarm employment in the Savannah HMA grew steadily, averaging a 1.9-percent increase annually. Trends in resident employment were similar during the period, as illustrated in Figure 1. Since 1990, growth has been greatest in the professional and business services sector, as shown in Figure 2. As the economy

diversified and became less dependent on manufacturing, employment in the professional and business services sector increased to support new and expanding businesses. Since 2000, employment growth has continued at a solid pace, averaging 2.2 percent annually.

The leisure and hospitality sector is a foundation of the economy of the Savannah HMA, accounting for 12 percent of total nonfarm employment, as illustrated in Figure 3. In 2004, according to the Savannah Convention & Visitors Bureau, 6.3 million people visited the HMA and contributed \$1.7 billion in direct expenditures to the area. Increased tourism in the early part of the decade helped insulate the HMA from the economic downturn in other metropolitan areas of Georgia in the early 2000s.

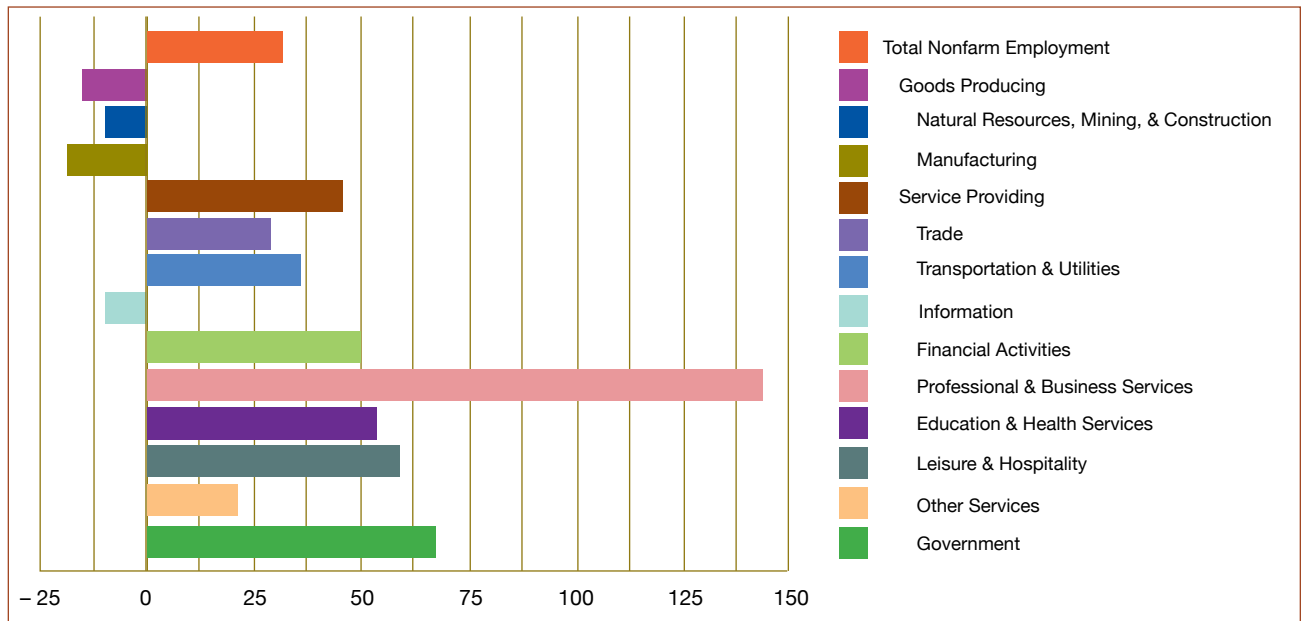
For the past 2 years, nonfarm employment growth in the HMA has been strong, averaging 4.4

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Savannah HMA, 1990 to 2005



Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Savannah HMA, Percentage Change, 1990 to Current



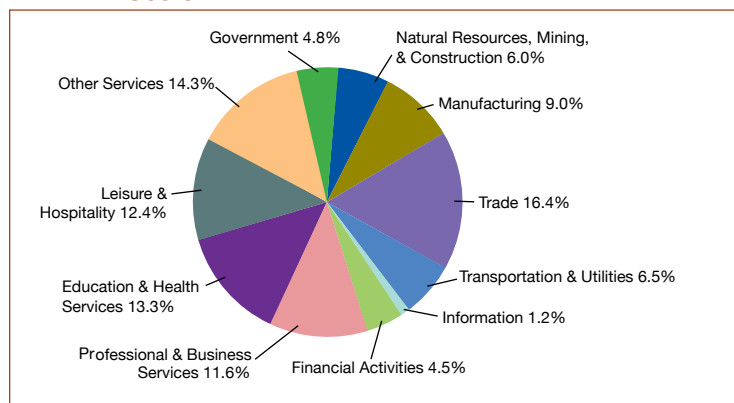
Note: Current is based on 12-month averages through June 2006.

Source: U.S. Bureau of Labor Statistics

percent a year. During the 12-month period ending June 2006, nearly half of the 4,100 new jobs created were in the professional and business services sector and the leisure and hospitality sector, as Table 2 shows. In the previous 12-month period, employment increased by 8,600 jobs, or 6.1 percent, the highest annualized rate of growth in 16 years. During the rapid growth of the 12-

month period ending June 2005, the professional and business services sector and the leisure and hospitality sector together accounted for more than one-third of the jobs added to the economy. Expansion of the Port of Savannah increased employment growth in the transportation and utilities sector, which represented 16 percent of the total job growth during the period.

Figure 3. Current Employment in the Savannah HMA, by Sector



Note: Based on 12-month averages through June 2006.

Source: U.S. Bureau of Labor Statistics

Table 2. 12-Month Average Employment in the Savannah HMA, by Sector

Employment Sector	12 Months Ending June 2005	12 Months Ending June 2006	Percent Change (%)
Total Nonfarm Employment	149,600	153,700	2.7
Goods Producing	22,700	23,100	1.8
Natural Resources, Mining, & Construction	9,000	9,300	3.3
Manufacturing	13,700	13,800	0.7
Service Providing	126,900	130,600	2.9
Trade	24,400	25,200	3.3
Transportation & Utilities	9,700	10,000	3.1
Information	1,900	1,800	-5.3
Financial Activities	6,800	6,900	1.5
Professional & Business Services	16,600	17,800	7.2
Education & Health Services	20,200	20,500	1.5
Leisure & Hospitality	18,400	19,100	3.8
Other Services	21,700	22,000	1.4
Government	7,200	7,400	2.8

Notes: Numbers may not add to total due to rounding. Based on 12-month averages through June 2005 and June 2006.

Source: U.S. Bureau of Labor Statistics

The Savannah Economic Development Authority reports that at least one-third of all inquiries by businesses interested in relocating to the area are related to the Port of Savannah. The ongoing, 4-year, \$109 million expansion of the port has helped attract new warehouse construction. Target Corporation and Inter IKEA Systems B.V. announced plans to construct warehouses in Savannah by 2007; these new warehouses are expected to create a total of 350 new jobs. Wal-Mart Stores, Inc., and Home Depot U.S.A., Inc., currently have warehouses near the port.

The manufacturing sector, representing 9 percent of nonfarm employment, also plays an important role in the local economy. Gulfstream Aerospace Corporation, a manufacturer of jet aircraft and aerospace equipment, is a leading employer in the HMA. The company currently employs 4,500 workers and recently announced plans to add 1,100 new jobs during the next 5 years. In 2005, JCB Inc., a manufacturer of construction and agricultural equipment, announced the addition of 100 new jobs in 2007 to its current staff of 380. The additional employees will produce high-speed backhoe loaders for the U.S. Army.

The growing number of retirees in the HMA in recent years has increased demand for healthcare services. During the 1990s, employment in the education and health services sector increased by an average of 2.9 percent annually. Since 2000, growth in the sector has continued at a strong pace of 2.8 percent annually. As Table 3 shows, two of the leading employers in the HMA are healthcare providers with a total of nearly 8,900 employees, which accounts for approximately 43 percent of employment in the education and health services sector.

Table 3. Major Employers in the Savannah HMA

Name of Employer	Employment Sector	Number of Employees
Memorial Health University Medical Center	Health Services	5,475
Gulfstream Aerospace Corporation	Manufacturing	4,500
St. Joseph's/Candler	Health Services	3,400
Fort Stewart/Hunter Army Airfield	Federal Government	3,200
Wal-Mart Stores, Inc.	Retail Trade	2,425
Georgia-Pacific Corporation	Manufacturing	1,425

Source: Savannah Area Chamber of Commerce

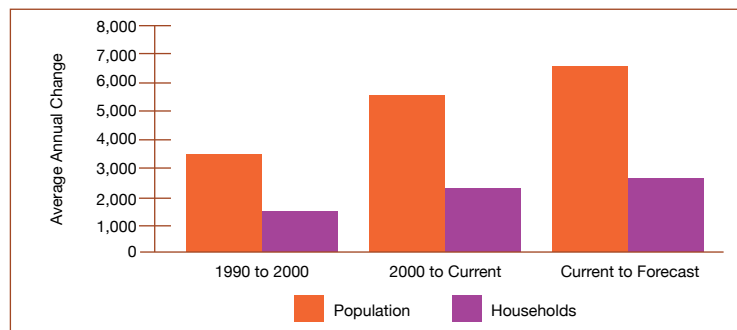
Population and Households

Since 2000, strong employment growth, an increase in the number of retirees moving to the area, and a large number of tourists who return to live in the area have resulted in rapid population growth in the Savannah HMA, as Figure 4 illustrates. Net in-migration currently accounts for 65 percent of population growth, compared with just 40 percent during the 1990s, as Figure 5 shows. As a result of this strong in-migration, the population has grown to an estimated 328,500 as of July 1, 2006. Population counts for 1990, 2000, and the

current date can be found in Table DP-1 at the end of this report.

During the 1990s, Chatham County, the central county of the HMA, had net out-migration that averaged 100 people annually. Since 2000, the trend has reversed, and both the central and outlying counties have had strong population and household growth. Most of the growth has been concentrated in the western portion of Chatham County, where many new subdivisions have been developed.

Recent hurricanes in Florida have contributed to increased migration into the HMA. Retirees from northern states who might have relocated to Florida and retirees who have experienced storm damage in Florida have relocated to Savannah. Local officials call the relocation of retirees from Florida to Savannah the “J-effect” because of the shape of the path of migration from northern states to Florida to Savannah. As a result of the in-migration of retirees, the

Figure 4. Population and Household Growth in the Savannah HMA, 1990 to Forecast

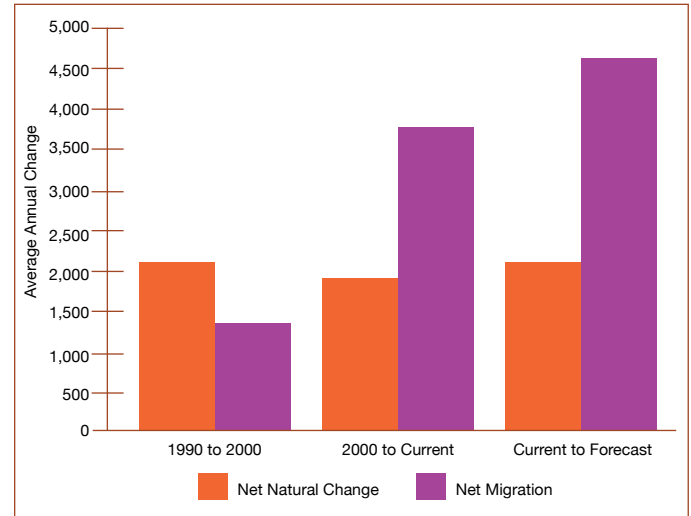
Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

Population and Households *Continued*

average household size in the HMA has continued to decline.

During the forecast period, population and household growth are expected to remain strong because of increased employment opportunities and the continued in-migration of retirees. By the end of the forecast period, the population is expected to reach 348,600. Growth in Chatham County is expected to remain significantly higher than in the outlying counties. New subdivisions in the western portion of Chatham County are expected to attract new residents; as a result, this portion of the county will remain the fastest growing area in the HMA.

Figure 5. Components of Population Change in the Savannah HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

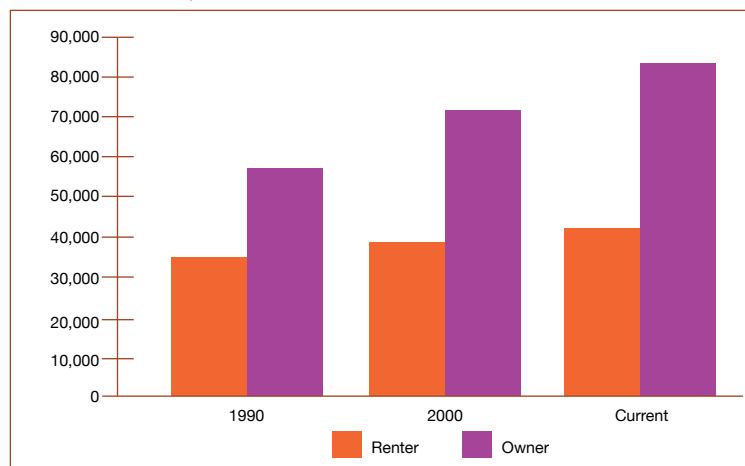
Housing Market Trends

Sales Market

With a sales vacancy rate of 1.7 percent, the sales market in the HMA is currently balanced. The sales market has remained balanced since 2000 because sufficient housing has been constructed to

meet the increasing demand for sales units. Figure 6 shows the increasing number of owner households in the HMA since 2000. During the 12 months ending June 2006, single-family homebuilding, as measured by the number of building permits issued, totaled approximately 3,000 units, a 9-percent increase from the previous 12-month period. Since 2000, most new home construction in the area has occurred in the western portion of Chatham County, including the cities of Pooler, Garden City, Bloomingdale, and Port Wentworth and the unincorporated areas of the county. Because of limited available land near the Savannah River and the Atlantic coast, single-family home construction in the eastern portion of Chatham County, including the

Figure 6. Number of Households by Tenure in the Savannah HMA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

city of Savannah, has primarily consisted of infill and neighborhood redevelopments. Figure 7 illustrates the trends in single-family building permits for the HMA.

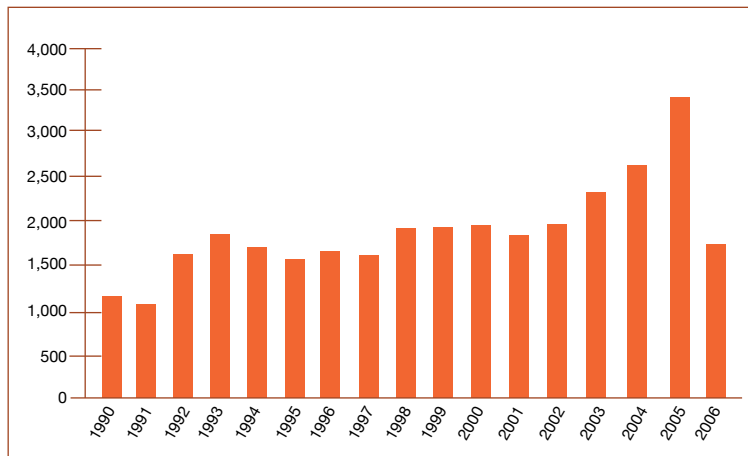
Low interest rates and increased net in-migration have resulted in greater demand for sales housing, which, in turn, has caused home sales prices to rise. Information from the Savannah Multi-List Corporation indicates that during the 12 months ending June 2006, approximately 5,925 new and existing single-family homes were sold in the HMA, an increase of 13 percent from the previous 12-month period. The average home sales price increased by 7 percent from approximately \$225,000 to \$237,000.

Condominium and townhouse sales account for 14 percent of all home sales in the HMA.

During the past 12 months, approximately 850 new and existing condominiums and townhouses were sold, an increase of 3 percent. Because many of these units are luxury homes, the average home sales price of approximately \$232,000 was close to the average single-family home sales price. Local real estate sources estimate that during the next 12 months 100 new condominium units will be constructed; this figure represents a significant volume for the area.

During the forecast period, demand for 7,350 sales units is expected, as shown in Table 4. Sales prices for new starter homes are expected to begin at around \$125,000. Half of all new home sales demand is expected to be in the \$225,000-to-\$325,000 price range. As in recent years, demand is expected to be concentrated in the western portion of Chatham County.

Figure 7. Single-Family Building Permits Issued in the Savannah HMA, 1990 to 2006



Notes: Includes only single-family units. Includes data through June 2006.
Source: U.S. Census Bureau, Building Permits Survey

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Savannah HMA, July 1, 2006 to July 1, 2009

Price Range (\$)		Units of Demand	Percentage of Total
From	To		
125,000	149,999	70	1.0
150,000	174,999	150	2.0
175,000	199,999	150	2.0
200,000	224,999	370	5.0
225,000	249,999	740	10.1
250,000	274,999	880	12.0
275,000	299,999	960	13.1
300,000	324,999	1,100	15.0
325,000	349,999	880	12.0
350,000	399,999	730	9.9
400,000	499,999	510	6.9
500,000	599,999	370	5.0
600,000	and higher	440	6.0

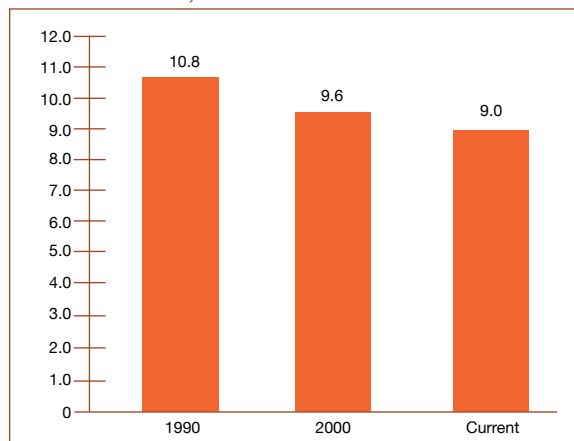
Source: Estimates by analyst

Rental Market

In the late 1990s, the number of rental units constructed in the HMA increased dramatically, exceeding the number demanded and resulting in a high vacancy rate of 9.6 percent in 2000. High levels of production continued in the early 2000s, causing the vacancy rate to increase until it exceeded 10 percent.

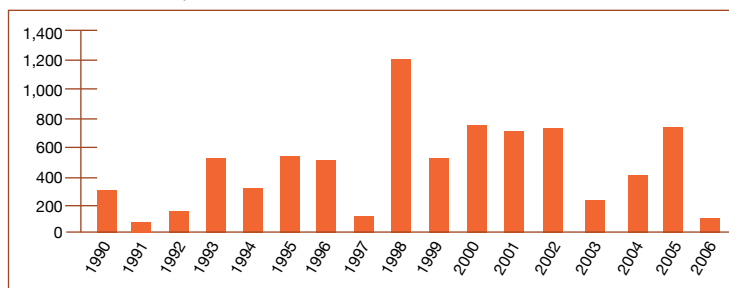
Although conditions in the rental market are still soft, they have improved during the past 2 years due to strong net in-migration and a reduction in new rental units entering the market. As shown

Figure 8. Rental Vacancy Rates in the Savannah HMA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Figure 9. Multifamily Building Permits Issued in the Savannah HMA, 1990 to 2006



Notes: Includes all multifamily units in structures with two or more units. Includes data through June 2006.

Source: U.S. Census Bureau, Building Permits Survey

in Figure 8, the rental vacancy rate in the HMA was 9 percent as of the current date. In addition, hundreds of apartments have been converted into condominiums, including 400 apartments in the past 12 months. In response to improving conditions, the number of rental units constructed during the past 12 months, as measured by building permits, has returned to the level recorded during the early 2000s. Approximately 680 units were permitted during the 12 months ending June 2006 compared with 130 units permitted during the previous 12 months. More apartments are currently under construction in the western portion of Chatham County than in any other part of the HMA because of the availability of developable land and the proximity of western Chatham County to downtown Savannah. Figure 9 shows multifamily building permits from 1990 through June 2006.

Due to soft rental market conditions, average monthly rents are estimated to have increased by less than 1 percent during the past 12 months. Rental concessions are common and include 1 month of free rent on 12- or 13-month leases and reduced security deposits or application fees. Average monthly rents are estimated at \$650 for a one-bedroom unit, \$750 for a two-bedroom unit, and \$900 for a three-bedroom unit. Concessions in the rental market are expected to decline during the forecast period as existing leases expire. Because of increasing employment opportunities and renter household growth, an estimated 2,100 new rental units will be needed during the next 3 years. Approximately 650 rental units currently under construction will meet some of the rental demand. Because of the current pipeline and existing excess vacant units, additional units will not be needed until the second and third years of the forecast period. Estimated rental demand by number of bedrooms and rent range can be seen in Table 5.

Housing Market Trends

Rental Market *Continued*

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Savannah HMA, July 1, 2006 to July 1, 2009

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
700	760	800	1,150	900	190
750	670	850	950	950	180
800	620	900	860	1,000	160
850	560	950	780	1,050	140
900	490	1,000	670	1,100	110
950	410	1,050	570	1,150	100
1,000	340	1,100	480	1,200	90
1,100	280	1,200	390	1,300	60
1,200	220	1,300	250	1,400	50
1,300	180	1,400	170	1,500	30
1,400 and higher	140	1,500 and higher	110	1,600 and higher	20

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profile

Table DP-1. Savannah HMA Data Profile, 1990 to Current

	1990	2000	Current	Annual Average Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	115,005	137,957	161,606	1.8	2.6
Unemployment Rate (%)	4.3	3.4	4.1		
Nonfarm Employment	115,700	136,800	153,700	1.7	1.9
Total Population	258,060	293,000	328,500	1.3	1.8
Total Households	94,940	111,105	125,700	1.6	2.0
Owner Households	58,678	71,466	83,650	2.0	2.6
Percent Owner (%)	61.8	64.3	66.5		
Renter Households	36,262	39,639	42,050	0.9	0.9
Percent Renter (%)	38.2	35.7	33.5		
Total Housing Units	106,219	122,527	137,900	1.4	1.9
Owner Vacancy Rate (%)	2.6	1.8	1.7		
Rental Vacancy Rate (%)	10.8	9.6	9.0		
Median Family Income	\$31,894	\$47,323	\$54,800	4.0	2.4

Note: Median family income data are for 1989, 1999, and 2006.

Sources: U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 7/1/2006—Analyst's estimates

Forecast period: 7/1/2006–7/1/2009—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_SavannahGA.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

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