

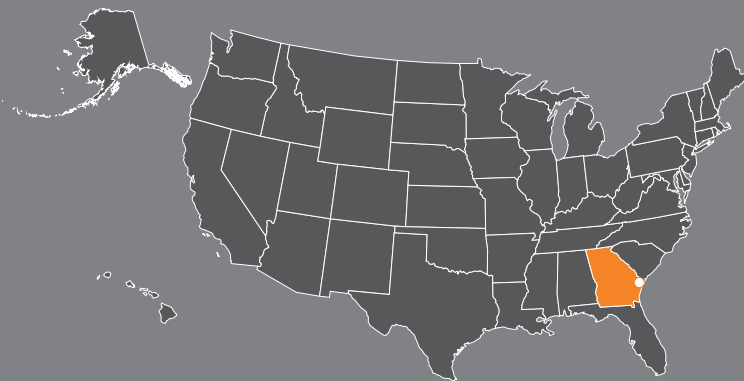
# HUD PD&R Housing Market Profiles

## Savannah, Georgia



### Quick Facts About Savannah

- **Current sales market conditions: balanced**
- **Current rental market conditions: balanced**
- **Savannah, Georgia is home to the largest Historic Landmark District in the United States.**



By Karen M. Ostrye | As of May 1, 2020

### Overview

The Savannah, GA Metropolitan Statistical Area (hereafter the Savannah metropolitan area) consists of Bryan, Chatham, and Effingham Counties in southeast Georgia along the Savannah River and the Atlantic coastline. The architecture of the historic district draws tourists from around the world, and the expanding Port of Savannah is a busy shipping hub for the United States.

- As of May 1, 2020, the estimated population of the Savannah metropolitan area is 395,800. Since 2010, population growth has averaged 4,775 people, or 1.3 percent, a year. By comparison, from 2000 to 2010, population growth averaged 5,450 people, or 1.7 percent, a year (2000 and 2010 Census, estimates by the analyst).
- From 2010 to 2016, population growth averaged 5,750 people, or 1.6 percent, a year, and net natural change (resident births minus resident deaths) averaged 2,275 people a year. Strengthening economic conditions following the Great Recession contributed to strong net in-migration, which averaged 3,475 people a year.

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- Population growth averaged 3,400 people, or 0.9 percent, a year from 2016 to 2019, as slower job growth resulted in

average net in-migration of 1,675 people a year. Net natural change averaged 1,725 people a year during the period.

## Economic Conditions

Economic conditions in the Savannah metropolitan area have been strong since 2014, when nonfarm payrolls surpassed the prerecession high. Jobs declined in the metropolitan area during the past year, however, falling below the respective rates for both the Southeast/Caribbean region and the nation. COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020, and the state of Georgia issued a shelter-in-place order beginning on April 3, 2020. Among other restrictions, the order resulted in the closure of all schools, restaurant dining rooms, barbershops and salons, bars, and gyms in the state and required that all nonessential businesses limit their activity to minimum basic operations. Although the order was relaxed in late April, many businesses have chosen to remain shuttered. During the 3 months ending April 2020, nonfarm payrolls in the metropolitan area averaged 177,200, a decrease of 9,900 jobs, or 5.3 percent, from a year ago, when the number of jobs increased 2.1 percent. By comparison, nonfarm payrolls for the Southeast/Caribbean region and the nation decreased 3.2 and 3.8 percent, respectively, during the 3 months ending April 2020.

During the 3 months ending April 2020—

- The education and health services sector was one of the few sectors to add payroll jobs, expanding by 300 jobs, or 1.1 percent. Some of the gains in the sector were due to the

staffing of the intensive outpatient behavioral health program at Memorial Health University Medical Center in Savannah and the Community Education and Health Screening Clinic at Beach High School, which opened in February 2020.

- The leisure and hospitality sector declined by 4,300 jobs, or 15.9 percent, compared with a year earlier—the largest sector loss during the period. Some of those losses were due to reductions at the Perry Lane Hotel, the Westin Savannah Harbor Golf Resort & Spa, and the Hyatt Hotels Corporation, which laid off 100, 244, and 97 employees, respectively, in mid-March because travel slowed amid efforts to limit the spread of COVID-19 infection.
- The wholesale and retail trade sector lost 1,500 jobs, or declined 5.3 percent. Demand for retail goods fell as consumers chose to forego shopping trips to minimize virus exposure during the COVID-19 pandemic.
- The transportation and utilities sector declined by 400 jobs, or 2.7 percent, compared with a year earlier. Some of those losses can be attributed to supply chain disruptions affecting warehouses and distribution facilities in proximity to the port and rail system.
- The unemployment rate averaged 7.5 percent, more than double the 3.2-percent average a year ago.

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### Most of the service-providing sectors in the Savannah metropolitan area declined in the 3 months ending April 2020.

|                                  | 3 Months Ending           |                           | Year-Over-Year Change   |         |
|----------------------------------|---------------------------|---------------------------|-------------------------|---------|
|                                  | April 2019<br>(Thousands) | April 2020<br>(Thousands) | Absolute<br>(Thousands) | Percent |
| <b>Total Nonfarm Payrolls</b>    | 187.1                     | 177.2                     | -9.9                    | -5.3    |
| Goods-Producing Sectors          | 27.0                      | 27.2                      | 0.2                     | 0.7     |
| Mining, Logging, & Construction  | 8.3                       | 8.3                       | 0.0                     | 0.0     |
| Manufacturing                    | 18.7                      | 18.8                      | 0.1                     | 0.5     |
| Service-Providing Sectors        | 160.1                     | 150.0                     | -10.1                   | -6.3    |
| Wholesale & Retail Trade         | 28.5                      | 27.0                      | -1.5                    | -5.3    |
| Transportation & Utilities       | 14.7                      | 14.3                      | -0.4                    | -2.7    |
| Information                      | 3.0                       | 2.8                       | -0.2                    | -6.7    |
| Financial Activities             | 6.3                       | 6.3                       | 0.0                     | 0.0     |
| Professional & Business Services | 22.1                      | 19.6                      | -2.5                    | -11.3   |
| Education & Health Services      | 26.3                      | 26.6                      | 0.3                     | 1.1     |
| Leisure & Hospitality            | 27.0                      | 22.7                      | -4.3                    | -15.9   |
| Other Services                   | 7.6                       | 6.9                       | -0.7                    | -9.2    |
| Government                       | 24.7                      | 23.8                      | -0.9                    | -3.6    |
| <b>Unemployment Rate</b>         | 3.2%                      | 7.5%                      |                         |         |

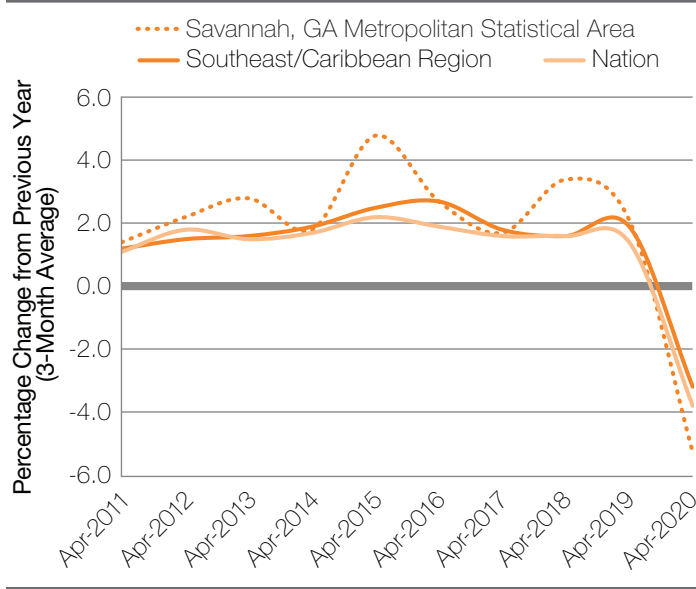
Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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**Nonfarm payroll growth in the Savannah metropolitan area has fallen below that of the region and the nation since mid-2019.**



Source: U.S. Bureau of Labor Statistics

The metropolitan area has become an increasingly important distribution center, and the volume of goods passing through Port of Savannah has grown 4.5 percent annually from 2008 through 2018, faster than any other port in the United States in the past 10 years (Georgia Port Authority). The port is currently undergoing an expansion that will deepen the Savannah River to 47 feet at mean low water and double the rail capacity at the port to 1 million container lifts a year. In March 2020, the port expanded container capacity by 5,000 twenty-foot equivalent units, which will allow for longer staging of shipments as port users adjust to shifting demands during the uncertainty brought about by the pandemic.

**Largest Employers in the Savannah Metropolitan Area**

| Name of Employer                          | Nonfarm Payroll Sector      | Number of Employees |
|---|-----------------------------|---------------------|
| Gulfstream Aerospace Corporation          | Manufacturing               | 11,700              |
| Memorial Health University Medical Center | Education & Health Services | 4,775               |
| St. Joseph's/Candler Health System        | Education & Health Services | 3,400               |

Note: Excludes local school districts.

Source: Savannah Economic Development Authority

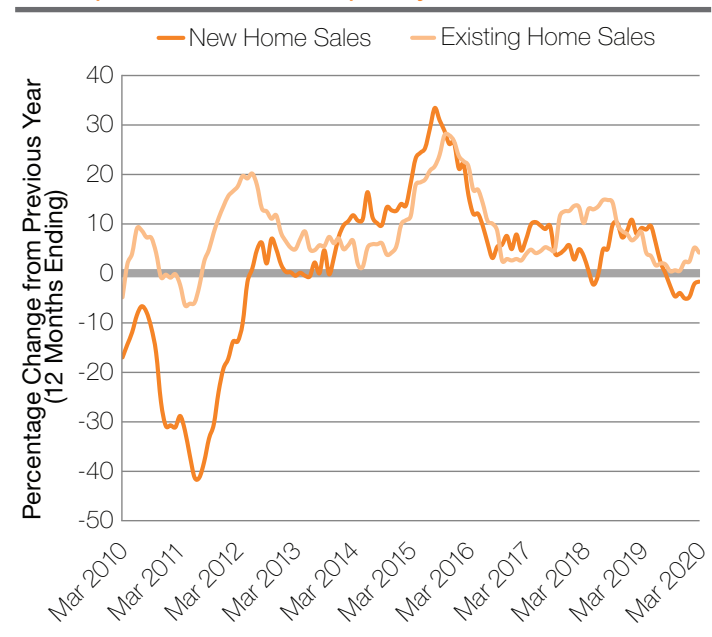
**Sales Market Conditions**

The sales housing market in the Savannah metropolitan area is balanced, with an estimated sales vacancy rate of 1.5 percent as of May 1, 2020—down from 3.7 percent during April 2010. Strengthening economic conditions and relatively low levels of single-family home construction have contributed to a significant decline in available for-sale inventory since the early 2010s. As of February 2020, 4.0 months of available inventory were for sale in the metropolitan area—down from 4.3 months a year ago and a fraction of the February high of 17.5 months during 2010 (CoreLogic, Inc., with adjustments by the analyst). Available inventory has decreased as the number of distressed properties (real estate owned [REO] and short sales) on the market declined. The percentage of home loans in the Savannah metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status was 1.7 percent as of February 2020, down from 2.3 percent a year ago and well below the February high of 6.6 percent in 2010 (CoreLogic, Inc.). The current rate for the metropolitan area is higher than the rate for the state of Georgia and the nation, which are 1.5 and 1.3 percent, respectively.

During the 12 months ending March 2020—

- New and existing home sales, which includes single-family homes, townhomes, and condominiums, totaled 10,300,

**New home sales have declined and existing home sales growth has slowed in the Savannah metropolitan area in the past year.**



Note: Includes single-family homes, townhomes, and condominiums.

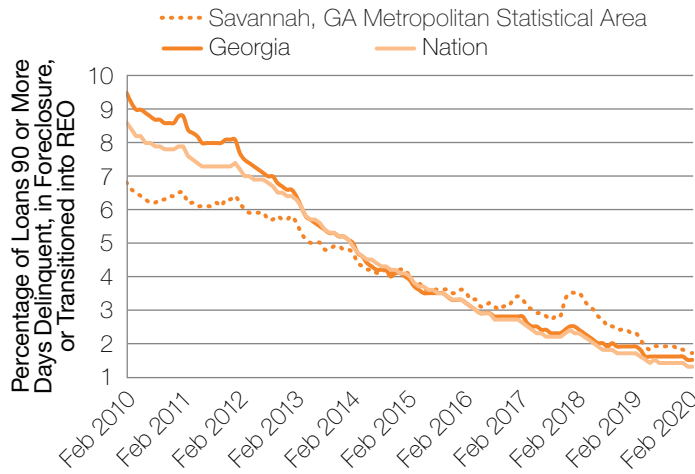
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

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The percentage of home loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO in the Savannah metropolitan area has exceeded that of the state and the nation since 2016.



REO = real estate owned.

Source: CoreLogic, Inc., with adjustments by the analyst

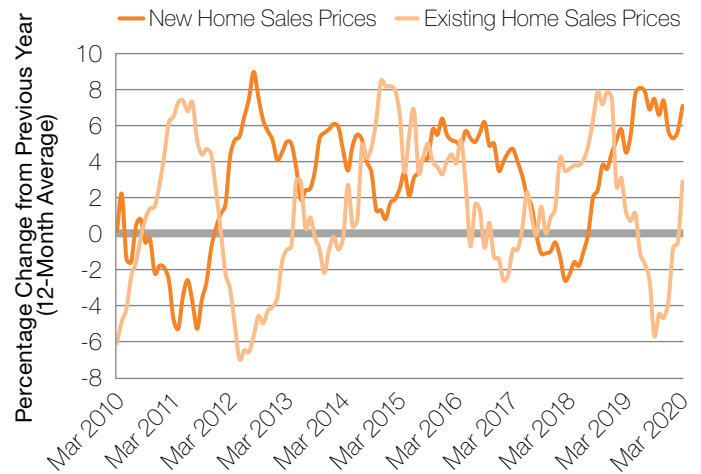
up 3 percent from the 10,000 sales a year ago (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The average sales price for new and existing homes was \$240,000, an increase of 4 percent from a year earlier.

- Existing home sales totaled 8,800, a 4-percent increase from the previous 12 months. The average sales price for existing homes increased 3 percent, to \$233,600.
- REO sales accounted for 8 percent of all existing home sales, down from 11 percent during the previous 12-month period and from a 45-percent high during 2011. The average sales price for REO homes increased 8 percent, to \$168,900.
- New home sales totaled 1,525, down 2 percent from 1,550 sales a year ago. The average sales price for a new home was \$272,900, an increase of 7 percent from a year earlier.

Single-family homebuilding, as measured by the number of homes permitted, increased each year from 2011 through 2015 before falling in 2016. Since 2017, the number of homes permitted has trended upward and remains at relatively high levels when compared with the number permitted earlier in the decade. Recent new home construction has been active along Interstate 95 in the city of Pooler and in the city of Richmond Hill in Bryan County.

- A total of 2,150 single-family homes were permitted during the 12 months ending April 2020, up from 2,050 homes during the 12 months ending April 2019.
- An average of 2,050 homes were permitted each year from 2015 through 2019—higher than the average of only 1,425 homes permitted each year from 2011 through 2014. By comparison, from 2000 through 2010, an average of 2,275

During the past year in the Savannah metropolitan area, the average price of a new home has continued to increase whereas the average price of an existing home has declined during some months.



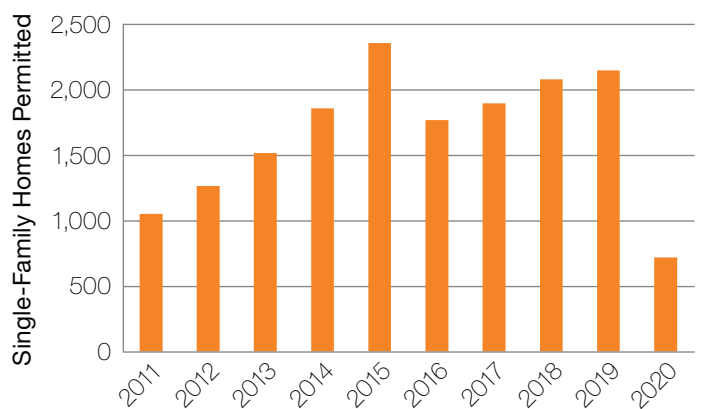
Note: Includes single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

homes were permitted each year. Levels were elevated during a portion of that decade because of the housing boom from 2004 through 2007, when an average of 3,275 homes were permitted each year.

- Slightly more than 40 percent of all single-family homes permitted in the metropolitan area since the start of 2019 were in Chatham County.
- Approximately 230 of the 250 homes planned at build out are complete at Harmony, a community near Interstate 16 in the city of Pooler. Prices for the 1,449- to 3,359-square-foot homes start at \$218,200.

The annual number of single-family homes permitted has increased since 2017 in the Savannah metropolitan area.



Note: Includes preliminary data from January 2020 through March 2020.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

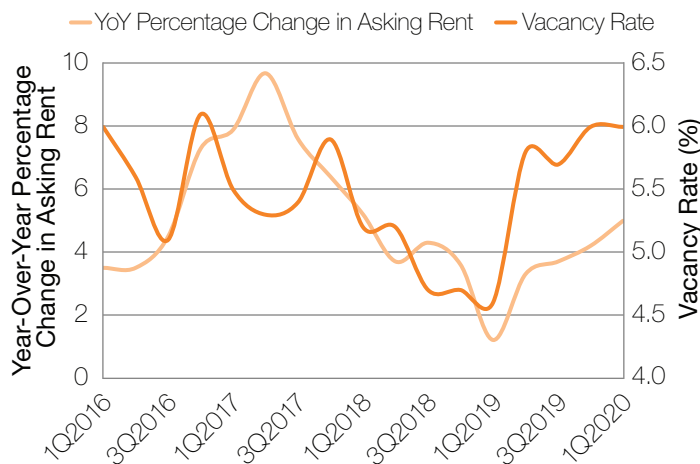


## Rental Market Conditions

Apartment market conditions in the Savannah metropolitan area are currently balanced. Strong renter household growth contributed to declining vacancy rates and rent growth since the early 2010s. Rental household growth in the metropolitan area has averaged 1.7 percent a year since April 2010—significantly higher than the overall household growth rate of 1.2 percent a year. Because of elevated levels of multifamily construction since 2016, however, vacancy rates have increased and average rent growth has accelerated in the past year, as many new units have become available for rent.

- The apartment vacancy rate was 6.0 in the first quarter of 2020, almost one-half the 11.8-percent rate in 2010 but up from 4.6 percent a year ago, which was the lowest vacancy rate in the Savannah metropolitan area in more than a decade (Reis, Inc.).
- During the first quarter of 2020, the average asking rent in the Savannah metropolitan area was \$987, a 5-percent increase from \$940 a year earlier. That increase was higher than the percentage increase in the average asking rent for the nation, which increased 3 percent to \$1,505 in the first quarter of 2020 from \$1,455 a year ago.
- The highest year-over-year increase in asking rent in the Savannah metropolitan area since 2010 was 10 percent during the second quarter of 2017. That growth can be attributed to the addition of new class-A properties that began to lease during that period.
- The lowest year-over-year increase in asking rent in the metropolitan area since 2012 was 1 percent during the first quarter of 2019, which occurred because fewer new, higher priced units were completed.

Market rent growth and vacancy rates have both accelerated since 2018 in the Savannah metropolitan area.

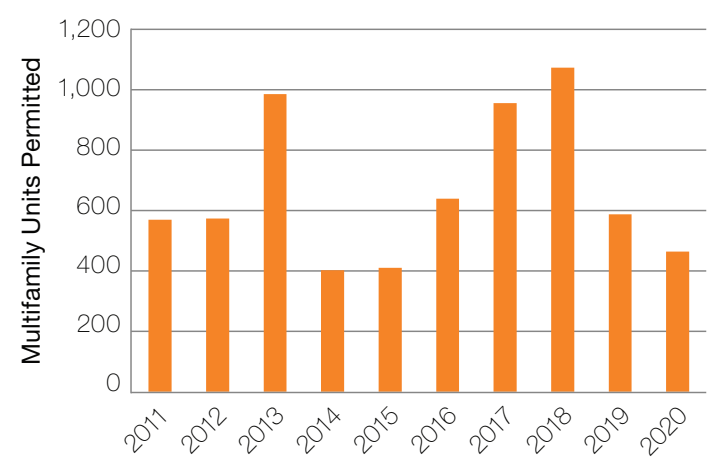


1Q = first quarter. 3Q = third quarter. YoY = year-over-year. Source: Reis, Inc.

In response to improved economic conditions and rent growth, multifamily home construction in the metropolitan area, as measured by the number of multifamily units permitted, increased from 2016 through 2018. As new units became available for rent and vacancy rates began to rise, multifamily construction decreased 55 percent in 2019.

- The number of multifamily units permitted trended upward in the second half of the 2010s compared with the first 5 years. An average of 590 units were permitted from 2011 through 2015, with a peak of nearly 1,000 units permitted in 2013. By comparison, 820 units were permitted annually from 2016 through 2019, with a peak of 1,075 units permitted in 2018.
- In the 12 months ending May 2020, 470 multifamily units were permitted, compared with 1,200 units in the previous year—a 61-percent decline.
- More than one-fourth of the multifamily units added since 2018 have been in the area east of downtown Savannah, bordering the Wilmington River. The Baxley, which was completed in March 2020, is a 275-unit community that has studio, one-bedroom, and two-bedroom apartments. Rents range from \$1,724 to \$3,085.
- Developments intended for residents age 55 and older represent one-fifth of the rental units constructed in the metropolitan area in the past 3 years. The Crossings at Savannah is a 189-unit community of independent living, assisted living, and memory care units that was completed in the fall of 2019. Rents depend upon the level of services included and average \$2,598 a month.

The annual number of multifamily units permitted peaked in 2018 in the Savannah metropolitan area.



Note: Includes preliminary data from January 2020 through March 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

