

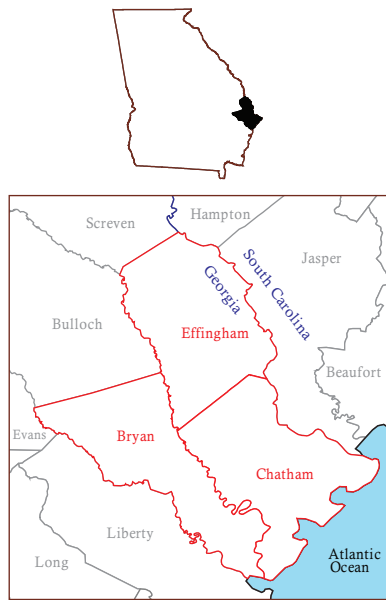


Savannah, Georgia

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of October 1, 2011



Housing Market Area



The Savannah Housing Market Area (HMA), located in southeastern Georgia, consists of Bryan, Chatham, and Effingham Counties. The HMA includes the city of Savannah, which is known for its historical district and beautiful architecture. The HMA attracts 11 million visitors each year. The oldest city in Georgia, Savannah is also a significant U.S. seaport. As of October 1, 2011, the population of the HMA was estimated at nearly 355,400.

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Summary

Economy

Economic conditions in the Savannah HMA began to stabilize during the 12 months ending September 2011, after 3 years of declining nonfarm payrolls. Total nonfarm payrolls were relatively unchanged during the 12 months ending September 2011, at 149,500 jobs, compared with the number of jobs a year ago. Job growth during this period occurred primarily in the professional and business services sector, which reported gains of 700 jobs, or 4.1 percent. Nonfarm payrolls are expected to increase during the 3-year forecast period by an average of 1.4 percent annually. Table DP-1 at the end of this report provides employment data for the HMA.

Sales Market

Home sales market conditions in the HMA are currently soft, with an estimated sales vacancy rate of 3.9 percent. Recent declines in home sales, coupled with housing preferences shifting toward rental units, have contributed to the soft home sales market. During the next 3 years, demand is forecast for 4,150 new homes (Table 1). The 140 homes currently under construction are expected to satisfy a portion of the demand. In addition, an estimated 8,500 other vacant units are

in the HMA, a portion of which may come back on the market and satisfy some of the demand.

Rental Market

The rental housing market in the HMA is currently soft, but improving, with an estimated overall rental vacancy rate of 9.8 percent, down from the 13.3-percent rate recorded in April 2010. According to Real Data, the apartment vacancy rate during July 2011 was 5.9 percent, a decline compared with 12.0 percent in July 2012. During the forecast period, demand is expected for 730 new rental housing units. The estimated 230 units currently under construction will meet a portion of that demand (Table 1).

Table 1. Housing Demand in the Savannah HMA, 3-Year Forecast, October 1, 2011 to October 1, 2014

	Savannah HMA	
	Sales Units	Rental Units
Total Demand	4,150	730
Under Construction	140	230

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2011. A portion of the estimated 8,500 other vacant units in the HMA will likely satisfy some of the forecast demand.

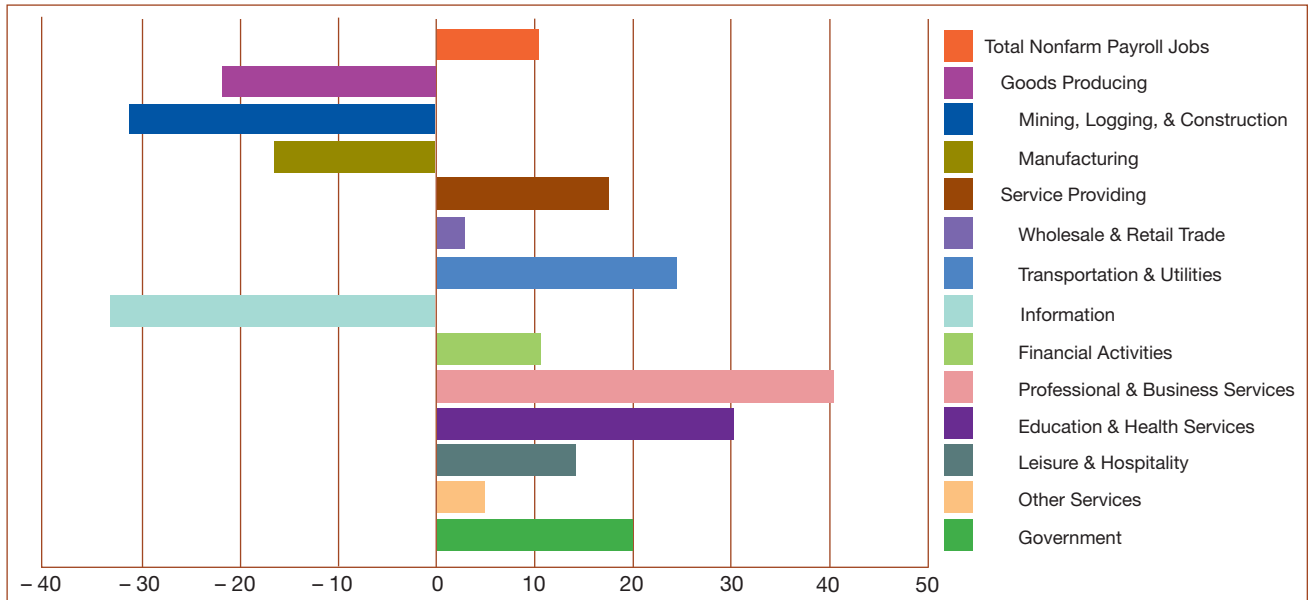
Source: Estimates by analyst

Economic Conditions

After 7 years of continual economic growth in the Savannah HMA, nonfarm payrolls peaked at 161,400 jobs in 2007, before declining for 3 years by an average of 3,800 jobs, or 7.3 percent, annually. During the first 7 years of the 2000s, nonfarm payrolls grew at an average annual rate of 3,500 jobs, or 2.1 percent. During this period, the professional and business services sector had the most growth, increasing by 830 jobs, or 8.8 percent, annually because of greater demand for business support services from new and expanding small businesses. Figure 1 shows sector changes in the HMA since 2000.

During the 12 months ending September 2011, the local economy began to show signs of stabilization, adding 100 jobs, a gain of less than 1 percent, to 149,500 jobs, compared with the loss of 2.3 percent during the previous 12 months. Despite recent gains, nonfarm payrolls remain at nearly 11,900 jobs, or 7.4 percent less than the prerecession peak of 161,400 jobs in 2007. The average unemployment rate in the HMA during the 12 months ending September 2011 was 9 percent, which is unchanged from the previous 12 months. Figure 2 shows trends in the labor force, resident employment, and unemployment rate from 2000 through 2010.

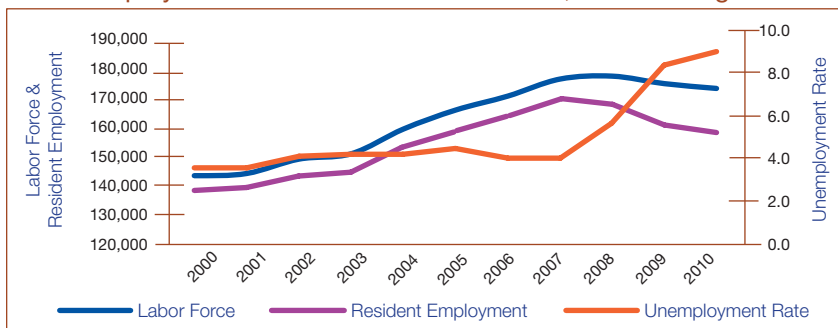
Figure 1. Sector Growth in the Savannah HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through September 2011.

Source: U.S. Bureau of Labor Statistics

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Savannah HMA, 2000 Through 2010



Source: U.S. Bureau of Labor Statistics

The professional and business services sector had the most growth in the HMA during the 12 months ending September 2011, adding 700 jobs, an increase of 4.1 percent, primarily because of increased hiring by temporary employment agencies. The transportation and utilities sector also had modest growth during past 12 months, with an increase of 250 jobs, or 2.8 percent, and is expected to continue

to grow because of a large expansion project at the Port of Savannah, which is the second busiest container port of U.S. goods exports in the nation. According to the *Journal of Commerce*, the Port of Savannah reported an increase of 11 percent in trade growth volume during the 12 months ending June 2011. According to the Georgia Ports Authority's most recent report, the Port of Savannah had an estimated impact of \$61.8 billion in statewide sales in 2009. In late 2011, the port announced plans for a 45-percent increase in refrigerated storage capacity. This \$4.75 million project is scheduled to be complete in September 2012.

During the 12 months ending September 2011, the mining, logging, and construction sector recorded the largest decrease in nonfarm payrolls, with losses primarily in the construction subsector because of decreases in nonresidential construction and continued weakness in the sales housing market. The sector decreased by 580 jobs, or 9.2 percent, when compared with the previous 12 months (Table 2). Declines in this sector are expected to continue for at least an additional 2 years because of lower levels of new home construction.

The historical nature of the HMA makes it a popular tourist attraction, named a Best Southern City by Southern Living magazine in 2010. According to the Chamber of Commerce's latest information, in 2009, the HMA received nearly 11 million visitors, who spent an estimated \$1.2 billion. The leisure and hospitality sector makes up 13 percent of all nonfarm payrolls.

The largest employers in the area (Table 3) are Hunter Army Airfield, which employs 6,300 military personnel and 750 civilian employees, and Gulfstream Aerospace Corporation, a manufacturer of jet aircraft and aerospace equipment that employs 6,000 workers. In early 2010, Gulfstream announced plans for a \$500 million plant expansion, which is expected to add approximately 1,300 jobs over 7 years. As part of Gulfstream's expansion projects, the Savannah/Hilton Head International Airport will expand beginning in late 2011; this 890-acre project is estimated to create 1,000 jobs. The education and health services sector is the largest employment sector in the HMA, accounting for approximately 16 percent of all jobs, followed by the government sector, accounting for 15 percent (Figure 3).

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Savannah HMA, by Sector

	12 Months Ending September 2010	12 Months Ending September 2011	Percent Change
Total Nonfarm Payroll Jobs	149,400	149,500	0.1
Goods Producing	20,050	19,500	-2.9
Mining, Logging, & Construction	6,375	5,800	-9.2
Manufacturing	13,700	13,700	0.1
Service Providing	129,400	130,000	0.5
Wholesale & Retail Trade	22,750	22,850	0.4
Transportation & Utilities	9,575	9,825	2.8
Information	1,650	1,550	-7.0
Financial Activities	5,575	5,325	-4.6
Professional & Business Services	16,850	17,550	4.1
Education & Health Services	23,150	23,200	0.3
Leisure & Hospitality	19,850	19,800	-0.4
Other Services	6,800	7,025	3.4
Government	23,150	22,950	-0.9

Notes: Based on 12-month averages through September 2010 and September 2011. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Savannah HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Hunter Army Airfield	Government	7,050
Gulfstream Aerospace Corporation	Manufacturing	6,000
Memorial University Medical Center	Education & Health Services	4,650
St. Joseph's/Candler	Education & Health Services	3,300
Wal-Mart Stores, Inc.	Wholesale & Retail Trade	2,925
Momentum Resources, Inc.	Professional & Business Services	1,700
Savannah College of Art and Design	Education & Health Services	1,500
Georgia Pacific LLC	Manufacturing	1,300
Fred Meyer®	Wholesale & Retail Trade	1,075
StaffCo	Professional & Business Services	1,000

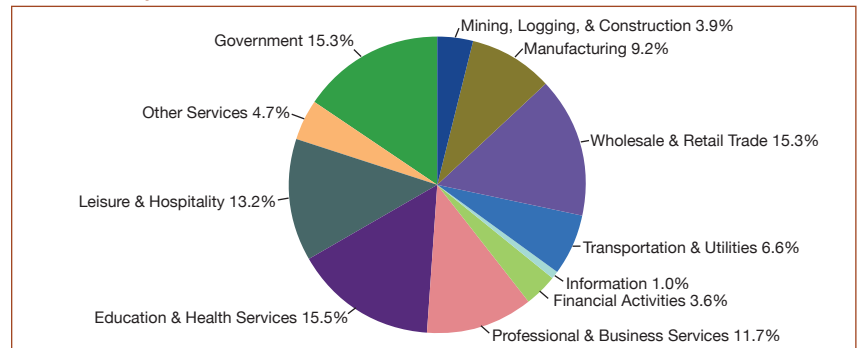
Note: Excludes local school districts.

Source: Moody's Analytics: Economy.com

During the next 3 years, nonfarm payrolls are expected to increase by an average of 2,175 jobs, or 1.4 percent, annually, with steadily increasing employment growth throughout the forecast period. The professional and

business services and transportation and utilities sectors are expected to lead job growth because of Gulfstream's expansion project and the need for additional supportive services as businesses begin to expand.

Figure 3. Current Nonfarm Payroll Jobs in the Savannah HMA, by Sector



Note: Based on 12-month averages through September 2011.

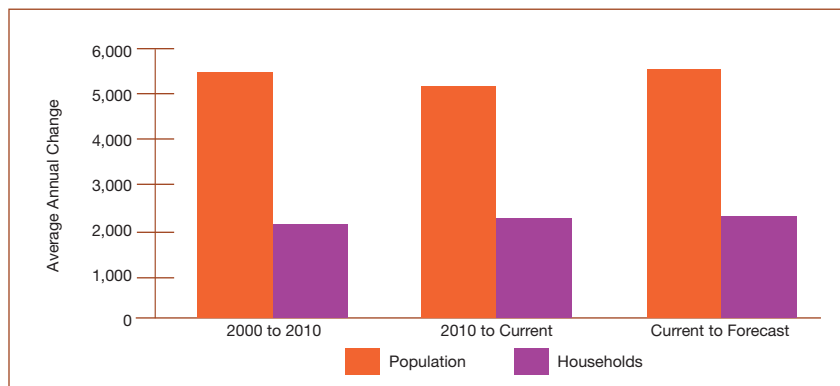
Source: U.S. Bureau of Labor Statistics

Population and Households

The current population of the Savannah HMA is estimated at 355,400, with an annual average increase of 5,200, or 1.5 percent, since April 2010, with net in-migration averaging 2,750 people a year. From 2006 through 2009, population growth

was strong, with net in-migration averaging 4,900 people a year. Population growth peaked in 2009, despite a continued decline in the number of jobs, when the population of the HMA increased by 8,300, or 2.5 percent. During this period, in-migration peaked at 6,150 people, largely because of the 5,700 military personnel who returned to the HMA after deployment. In-migration is expected to continue in the area as the Savannah economy begins to grow. During the next 3 years, the population of the HMA is expected to increase by an average of nearly 5,525, or 1.5 percent, annually, to an estimated 372,000, with net in-migration accounting for 56 percent of growth. Figure 4 shows population and household growth in the HMA

Figure 4. Population and Household Growth in the Savannah HMA, 2000 to Forecast



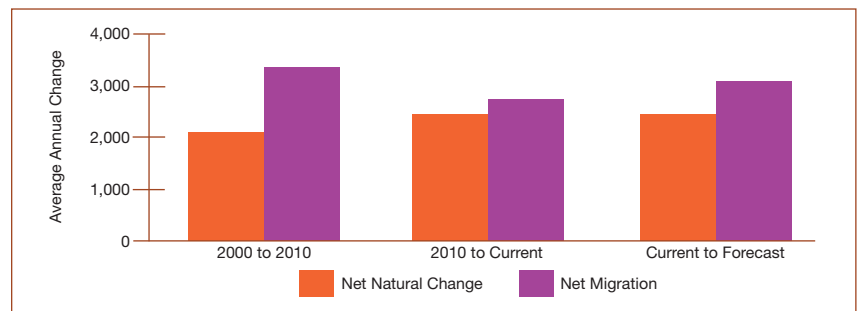
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

from 2000 through the forecast date. Figure 5 illustrates the components of population change during the same period.

The number of households in the HMA has increased by an average of 2,225, or 1.7 percent, annually since April 2010 to reach an estimated 135,200 households as of October 1,

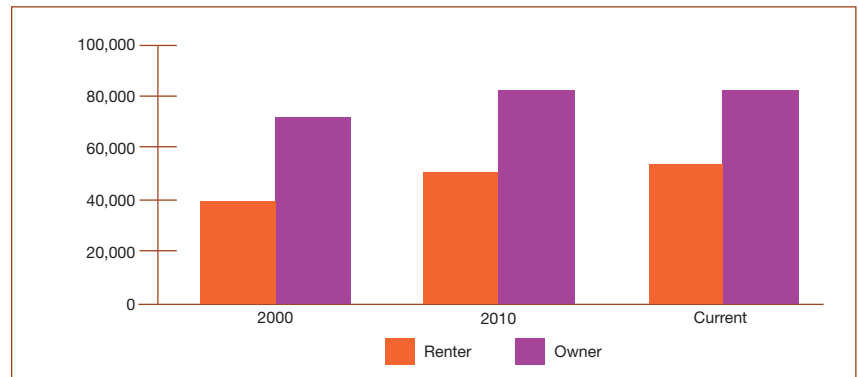
2011. Households increased by an average of 2,075, or 1.7 percent, between 2000 and 2010. During the next 3 years, the number of households is expected to increase annually by 2,275, or 1.6 percent, to reach 142,000 households. Figure 6 shows the number of households by tenure in the HMA for 2000, 2010, and the current date.

Figure 5. Components of Population Change in the Savannah HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Savannah HMA, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market

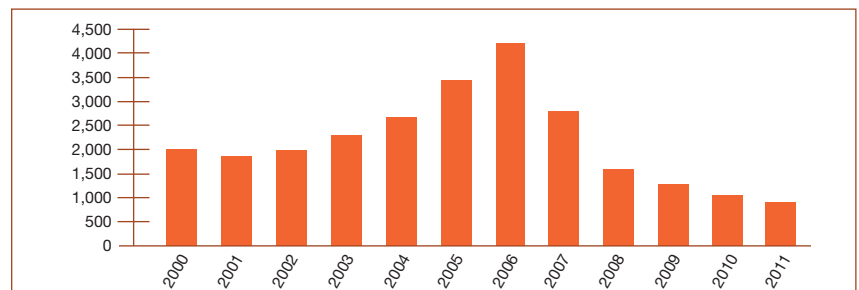
The sales housing market in the Savannah HMA is soft as a result of a weak economy and an increasing preference toward renting. As of October 1, 2011, the estimated home sales vacancy rate was 3.9 percent, up from the 3.7-percent rate recorded in 2010. According to Hanley Wood, LLC, during the 12 months ending September 2011, the number of existing single-family homes sold in the HMA totaled approximately 2,400, a decrease of 14 percent compared with the 2,800 homes sold during the previous 12 months, a result of tighter lending practices. Existing single-family home sales peaked in 2007 when 4,350 homes sold for an average sales price of approximately \$206,700. By comparison, the number of existing single-family home sales from 2008 through 2010 averaged 3,500 annually, and the average sales price for existing single-family homes was \$201,400. The number of current existing home sales is 45 percent less than peak home sale levels. The average sales price of existing homes increased by 5 percent to \$215,000 during the 12 months ending September 2011 compared with the average price during the previous 12 months. According to LPS Applied Analytics, 7.7 percent of all home loans in the HMA were 90 or

more days delinquent, in foreclosure, or in REO (Real Estate Owned) in September 2011, a decrease compared with the 8.4-percent rate recorded in September 2010. The rates for the state and nation were 8.2 and 7.7 percent, respectively, in September 2011.

Sales of new single-family homes totaled 120, a decrease from the 650 homes sold during the previous 12 months. The average sales price of new single-family homes during the 12 months ending September 2011 was \$187,600, a decrease of 9 percent from the average price during the previous 12 months.

Homebuilding activity in the HMA, as measured by the number of building permits issued, declined slightly during the 12 months ending September 2011, when developers reduced building in response to decreased demand. Based on preliminary data, during the past 12 months, nearly 880 single-family homes were permitted, 3 percent fewer than during the 12 months ending September 2010 (Figure 7). The number of single-family homes permitted peaked in 2006, when 4,200 homes were permitted, and has declined every year since, making the current number of homes permitted 79 percent

Figure 7. Single-Family Building Permits Issued in the Savannah HMA, 2000 to 2011



Notes: Includes townhomes. Includes data through September 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

below peak levels. An average of 1,650 single-family homes were permitted annually from 2007 through 2010.

During the next 3 years, demand is expected for 4,150 new homes (Table 1). The 140 units currently under construction will satisfy some of the demand. In addition, a portion of

the estimated 8,500 other vacant units may come back on the market and satisfy some of the demand. Demand is expected to be strongest for homes in the \$250,000-to-\$350,000 price range. Table 4 shows estimated demand for sales housing broken down by price.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Savannah HMA, October 1, 2011 to October 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
80,000	149,999	280	7.0
150,000	249,999	1,400	34.0
250,000	349,999	1,800	43.0
350,000	449,999	460	11.0
450,000	549,999	170	4.0
550,000	and higher	40	1.0

Note: The 140 homes currently under construction and a portion of the estimated 8,500 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

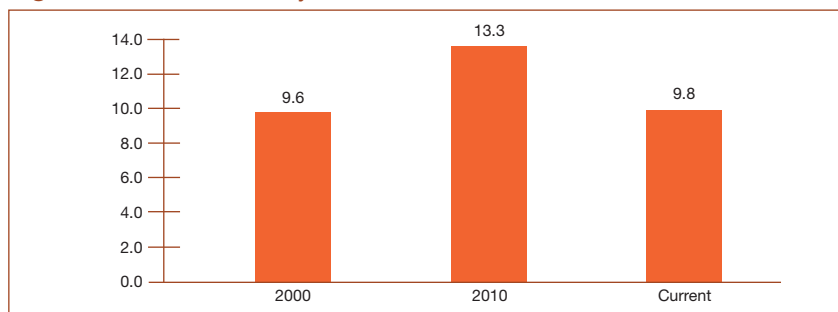
Rental Market

Rental housing market conditions in the Savannah HMA are soft but improving, and economic conditions continue to improve and preferences move toward rental units, particularly apartments. The current overall rental vacancy rate is estimated at 9.8 percent, a decrease from the 13.3-percent rate reported in 2010 (Figure 8). According to Real Data, the apartment vacancy rate during July 2011 was 5.9 percent compared with 12 percent during July 2010.

This drastic drop in the apartment vacancy rate, as well as the disparity between the overall and apartment vacancy rates, is largely attributed to very few apartment units having been built in the past few years, coupled with a strong demand for apartments, which has allowed absorption to occur mostly within existing apartment units. The low apartment vacancy rate also reflects increases in foreclosures in the HMA, which have increased demand for rental units, particularly apartments. The average apartment rent in the HMA was \$820 in July 2011, up 5 percent from the average rent in July 2010. Average rents in the HMA for one-, two-, and three-bedroom apartment units were \$720, \$840, and \$930, respectively.

Based on preliminary data, nearly 280 multifamily units were permitted during the 12 months ending September

Figure 8. Rental Vacancy Rates in the Savannah HMA, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

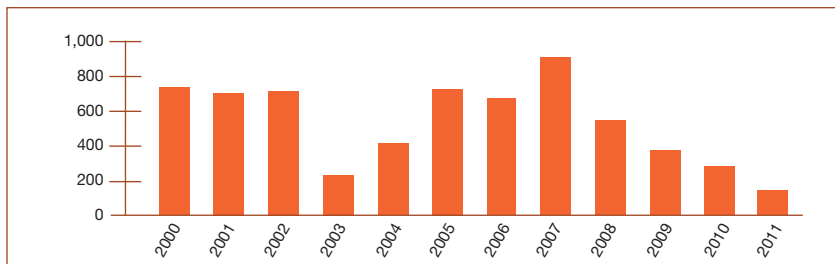
Housing Market Trends

Rental Market *Continued*

2011, with approximately 30 of these units planned as condominiums, compared with approximately 350 units permitted during the previous year. Multifamily construction activity, as measured by the number of multifamily units permitted, averaged nearly 600 units permitted annually from 2007 through 2009. Sustainable Fellowship, a new mixed-use and mixed-income development, with a total of 220 rental units, began construction on a second phase with 110 units in mid-2010, with rents ranging from \$580 for a one-bedroom unit to \$820 for a four-bedroom unit. Completion of this second phase is expected by December 2011. Figure 9 shows historical building permits for multifamily units.

The effect of the military on the rental housing market is largely in south Savannah. Nearly 3,100 military households are in the HMA, which account for 6 percent of all renter households. Hunter Army Airfield has approximately 610 on-base family housing units. Hunter Army Airfield is located in the southern part of Chatham County where, according to Real Data, 53 percent of the apartments in the metropolitan area are located. Approximately 560 units were absorbed in this part of the county in the past 12 months, more than in any other area of the HMA. As a result of strong absorption, the apartment vacancy rate in southern Chatham County decreased from 13.6 percent in July 2010 to 4.3 percent in July 2011.

Figure 9. Multifamily Building Permits Issued in the Savannah HMA, 2000 to 2011



Notes: Excludes townhomes. Includes data through September 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

During the 3-year forecast period, demand is estimated for 730 new rental units. The 230 units currently under construction will meet a portion of the demand (Table 1). Additional units will not be needed until the third year of the forecast period to allow for the absorption of the current excess vacant units and the units under construction. Table 5 shows estimated rental demand by number of bedrooms and rent range.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Savannah HMA, October 1, 2011 to October 1, 2014

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
760 to 959	120	875 to 1,074	200	975 to 1,174	45
960 to 1,159	65	1,075 to 1,274	160	1,175 to 1,374	55
1,600 or more	30	1,275 or more	40	1,375 or more	10
Total	220	Total	400	Total	110

Notes: Numbers may not add to totals because of rounding. The 230 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profile

Table DP-1. Savannah HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	137,955	158,664	159,800	1.4	1.0
Unemployment Rate	3.4%	9.0%	9.0%		
Nonfarm Payroll Jobs	135,300	149,400	149,500	1.0	0.1
Total Population	293,000	347,611	355,400	1.7	1.5
Total Households	111,105	131,868	135,150	1.7	1.7
Owner Households	71,466	81,490	81,400	1.3	- 0.1
Percent Owner	64.3%	61.8%	60.2%		
Renter Households	39,639	50,378	53,750	2.4	4.4
Percent Renter	35.7%	38.2%	39.8%		
Total Housing Units	122,527	151,049	152,800	2.1	0.8
Owner Vacancy Rate	1.8%	3.7%	3.9%		
Rental Vacancy Rate	9.6%	13.3%	9.8%		
Median Family Income	\$44,200	\$59,000	\$59,000	2.9	0.0

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through September 2011. Median family incomes are for 1999, 2009, and 2010.

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 10/1/2011—Analyst's estimates

Forecast period: 10/1/2011–10/1/2014—
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.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_SavannahGA_12.pdf.

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This analysis has been prepared for the assistance and guidance of 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 expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to
www.huduser.org/publications/econdev/mkt_analysis.html.