Robust demand keeps up with supply in fast-growing Savannah

Supply is a critical topline figure when it comes to evaluating real estate, but we feel that it doesn't tell the whole story. This is particularly true in a fast-growing city like Savannah, where robust demand continues to outpace new development, setting the stage for significant rent growth once construction abates.

Savannah has seen an unprecedented influx of supply as key industries like port management and electric vehicle production have driven a surge in employment population. Inventory has grown 60% over the past decade in response, yet occupancy still approaches 91%. By contrast, occupancy in the Sun Belt region hovers around 89%. And while net absorption dipped nationally in the third quarter, it actually increased in Savannah.

It is also important to note that Savannah's new supply is highly concentrated, creating opportunities for investors who can identify pricing dislocations. There has been extensive new development in submarkets like Pooler and Port Wentworth, for example, while the housing stock remains largely unchanged in Southside Savannah where rent growth continues to increase. Beyond geographical locations, new supply has also disproportionately favored high-end developments, with 4- and 5- star units now accounting for about 50.4% of Savannah's housing stock, up from 27.9% a decade ago.

Meanwhile, we view Savannah's recent building spree as a temporary response spurred by a jump in workforce population and a prolonged period of undersupply. Construction is already showing signs of a slowdown with the upcoming pipeline representing 6.1% of current inventory, down from 15.5% in late 2022. As real estate investors all know, timing is crucial. Those who wait too long for new supply to drop any further may have trouble finding an entry point into the market.