

Savannah's economy: Where do we go from here?

The Savannah-area economy is by no means immune to prevailing macro-economic conditions such as increasing unemployment, restricted capital for development



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and business growth and a significant slowdown in the housing sector.

However, the economy of the Savannah region has remained

stable relative to the state and nation because of its diversity, including the nation's fourth busiest container port, the military complexes at Fort Stewart and Hunter Army Airfield, tourism, the 40,000 plus area college students and the continued influx of retirees and pre-retirees.

The purpose of this two-part article is to analyze where our city and region stand in terms of the current economic cycle.

Port of Savannah

Savannah's deep water container port, the fourth busiest in the nation, is owned and operated by the state of Georgia. According to the Georgia Ports Authority, Georgia's deepwater ports and inland barge terminals annually support more than 286,476 jobs statewide and generate \$14.9 billion in income, \$55.8 billion in revenue and \$2.8 billion in state and local taxes.

The Port of Savannah was the nation's fastest-growing seaport between 2000 and 2005 with a compound

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annual growth rate of 16.5 percent versus the national average of 9.7 percent, measured by the number of Twenty-foot Equivalent Unit containers it handled.

The GPA reported a decrease of 10.5 percent in TEUs for fiscal year 2009. Despite this minor downturn, attributable to weak economic conditions globally and fluctuations in the U.S. dollar, forecasts for the Savannah port remain favorable.

In fact, it has the potential to more than double its TEU capacity in the next 10 to 12 years. GPA is working to deepen the harbor to 48 feet to coincide with the expansion of the Panama Canal slated for completion in 2014. These initiatives will allow Savannah to handle ships with twice the current container capacity.

Savannah continues to be a port of international preference because of its efficient and cost-effective operations, expanding infrastructure and ability to efficiently distribute discount-oriented retail imports from Asian markets. In addition, the port is well supported by an expanded inventory of institutional grade warehouse/distribution space. Thus the port will provide an engine for steady growth in the foreseeable future.

Military

Fort Stewart and Hunter Army Airfield, home of the 3rd Infantry Division, are Coastal Georgia's largest employers with 15,000 military personnel, 27,000 military dependents and 3,900 civilians employed at both installations. According to the Savannah Area Chamber of Commerce, Hunter Army Airfield and Fort Stewart generate direct and indirect employment of more than 42,000 and generate an annual direct federal expenditure of \$1.4 billion.

The Georgia Chamber of Commerce estimates the annual economic impact of Hunter and Fort Stewart on the surrounding region at more than \$2 billion. According to the Department of Defense, more than a quarter of total civilian employment in the six-county region around Fort Stewart can be attributed to the base.

Given Fort Stewart's and Hunter's integral role in Iraq and the Middle East, the military sector and associated economic impact are expected to remain stable for five to 10 years.

Tourism

Savannah is favorably located along the Interstate

95 corridor and has become a preferred destination for overnight stays for millions of Northeastern and Mid-Atlantic residents who are traveling to Disneyworld and/or South Florida.

Savannah has the largest Landmark Historic District in the U.S. with 2.5 square miles and more than 20 pedestrian friendly squares, Forsyth Park and a wealth of antebellum architecture.

For 11 of the 21 years Conde Naste has reported, it has designated Savannah as a top 10 destination in the U.S. The St. Patrick's Day celebration attracts more than 700,000 visitors annually, and events such as the Savannah Film Festival and Savannah Music Festival bring visitors from across the globe.

The Savannah International Trade and Convention Center on Hutchinson Island has logged almost 1,200 bookings with an estimated attendance of 970,000 people for the first half of 2008.

The Savannah Area Convention & Visitors Bureau reports we had 6.63 million person-stays in 2007 with direct spending of \$1.98 billion. For 2008, there were 6.15 million person-stays with direct spending of \$1.94 billion.

Savannah's hotel occupancy for January through June is reported down 6.5 percent

from 2008, an expected decline given national trends, but Savannah is outperforming its peer group of eight competitive cities. Tourism remains a strong foundation for the area's economy and should experience sustainable growth over the coming decade.

This review of three of the five primary economic generators for the metro-Savannah region reveals a consistent pattern — softness attributable to the economic downturn on a regional, national and global basis. As the economy improves during the next 12 to 36 months, local experts point to a revitalization of the port, military and visitor and tourism sectors.

Because of strong fundamentals in each of these areas, conventional wisdom is that there will be sustained growth over the decade following this restabilization. This bodes well for employment and population growth in the Savannah area and points to improved performance in the residential and commercial real estate arenas.

The second installment on this topic, which will appear Aug. 26, will focus on the college student and retiree sectors of the economy and examine anticipated trends in residential and commercial real estate in the area.

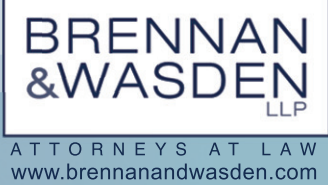
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