



Coastal Real Estate News

Savannah's growth has depended on a robust local home building industry for decades despite the growing presence of national builders in the Bluffton/Hilton Head area. However, it's a new era of change. Savannah's Port is expanding. Its supply chains are staging inland as far as Macon, Georgia and the volume of trade is surpassing Charleston, South Carolina.

A new Savannah is being defined by large scale new communities sprouting rapidly around the I-95 and I-16 corridors. The mass of growth is transforming large parts of Chatham County and backfilling north into Jasper County South Carolina, west into Effingham County and south into Liberty County.

The scale and pace of commercial and residential construction is record breaking. The demand for new residential homes is larger than Savannah builders can deliver. Old communities like Pooler, Bloomingdale and Port Wentworth are being recycled into a new economy metropolitan conglomerate. This new critical mass is appearing on most national builders radar. Those who can expand are establishing in the largest new communities causing locals to form alliances to compete.

A mirror of this is now beginning to occur in the Saint Mary's and Camden County I-95 corridor near Coastal Georgia's border with expanding Jacksonville, Florida. Camden County, Georgia is now a bedroom of Jacksonville. Thus, national builders have an aggressive presence on both ends of Coastal Georgia. The more profitable high-end sectors will position aggressively in the new Brunswick and the Golden Isles communities, the third large scale residential and commercial growth area.

National Home Builders Join Locals in Construction Boom

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Historically, Chatham County's home building business has been dominated by local builders, but in recent years an increasing number of national builders are looking for a piece of the local real estate pie.

According to the National Association of Home Builders, Savannah's building permits for new single- and multi-family units are up by 31 percent, based on figures provided for September 2004 to September 2005, while the state of Georgia only rose by 2 percent in that same time period. By comparison, Charleston, S.C., also peaked at a 32 percent increase in the same allotted time period, as did the state of South Carolina, which increased by 29 percent.

While there are no figures available to measure the actual market percentage that local, regional and national home builders share, the real question is can the local "Davids" compete with the industry's national Goliaths?

"I don't think local builders feel threatened by national builders," said Harvey Gilbert, a local land developer and owner of Gilbert Realty Company, LLC, which plans, develops and markets land holdings and planned-unit developments throughout the Lowcountry area. "Godley Station, Savannah Quarters and Rice Hope are all bringing local, national and regional builders together. Most builders will tell you competition is healthy."

Rice Hope, a 1,340-acre community located at Interstate 95 and Georgia Highway 21, is a master development run by the Atlanta-based Sivica Communities, Inc, whose ultimate goal is to create a "Live, Work and Play" community. This new master-planned community features residential and commercial components that combine to create the feel of a true small town.

To achieve those goals, master developers like Sivica Communities often buy large tracts and sell off pods or quarters to different local, regional and national builders,

yet stay in close contact with all of the builders so that the overall feel of the community is cohesive.

“People buy a community and then the product,” said Irene Hall, vice president of marketing for Sivica. “If every builder did everything themselves, you’d have several messages being sent into the marketplace, confusing the buyers. We have quarterly meetings with the builders so Rice Hope has the look and the feel of a Sivica Community.”

One of Sivica’s subsidiary companies, Sivica Homes, is currently constructing new residences at Rice Hope, as is local developer Lamar Smith, who has assembled seven different local builders under one umbrella company, Advent Builders, LLC, a subdivision of his larger group, BLD Development, Inc. The seven builders represented at Rice Hope offer 15 different product types at this mixed-use community, from 850 to 4,000 square feet.

“We are doing a 250-acre pod called Black Creek at Rice Hope,” said Smith. “They are traditional neighborhood design with alleys, front porches, landscapes and street tree programs.” As for working side-by-side with Atlanta-based

builder Sivica Homes, “We have a great relationship with them,” he said. While Smith contends that national builders do fill a niche for what he said are more production-oriented homes, as opposed to custom-tailored homes, he feels that smaller builders can give customers much more attention to detail and ultimately offer more accountability for their product.

“The owners of the companies are on-site everyday,” Smith said. “Local builders can offer detail and customer service and service after sale. Who would you prefer to see on-site – a junior member of a national team or the owner who signs the payroll checks every week? Our builders live in our communities, go to church here, vote here, go to the grocery store here. There is a difference in what we’re offering.”

Frank Finlaw, the division president of the Charleston office for Beazer Homes, a national building company that generated annual revenues of \$5 billion on 18,146 home closings over the last fiscal year as of September 2004, has a very different opinion.

His point of view is that national companies are setting up shop in smaller communities, putting down roots, just as viable as other locals. “We have established local offices and local investment,” said Finlaw. “Our employees’ livelihoods depend on our success. We give the same commitment (as a locally operated builder). Additionally, we can offer the size and buying power of a larger, national company. To me, it’s the best of both worlds.”

Beazer currently builds in over 40 markets in the Southeast, Mid-Atlantic, Midwest, West and Central United States. Finlaw oversees Beazer’s Savannah office, which opened in May of 2005.

One of the company’s current projects is a group of townhouses, priced in the mid-\$200,000’s, which are located at Savannah Quarters, a 2,600-acre masterplanned community in Pooler created by Greg Norman’s company, Medallist Developments.

“The benefit of a national seller is you get the power of national, regional and local markets,” said Hall. “Someone like Beazer is going to get the benefit of building in volume. Another plus for them is they have the strength and experience to build a good home product. The only downside is that when they’re not in a certain market for very long, they do have a learning curve.”

Cotter Christian, vice president and general manager of Savannah Quarters, agreed. “When they first come to a new market, there’s much to be done to establish themselves in a new area,” he said. “The logistics are challenging. They have to create new operations, find new construction crews. It’s a major commitment for national builders to create a presence in a region. They typically come to stay.”

He also conceded that national builders bring a broader experience base, complete with strong warranties, due to their sheer size and financial resources. “We don’t see any direct competition between the national and local builders within Savannah Quarters,” he said. “Each builder focuses on a certain product and price range.”

As for Sivica, Hall said that as long as a team, local or national, performs its proper due diligence and produces a good product in the end, then companies should succeed, regardless of the company’s status, large or small. She also noted that good pricing is key for any builder. Price points for properties are determined by each individual builder, based upon the cost of the lot, development and construction.

However, most master developers, like Sivica Communities and Medallist

Developments, intentionally choose different builders with different price points and niche markets.

“Developers intentionally try not to create internal competition so that it’s fair to the builders,” said Finlaw. “That way, everybody prospers.”

Ultimately, local, regional and national builders working side-by-side benefits the real estate industry in Chatham County by expanding the options for consumers and boosting the prestige of the Savannah market. “The emergence and presence of national builders in a market such as Savannah solidifies the potential of the area,” said Christian. “That’s why they want to be here.”