

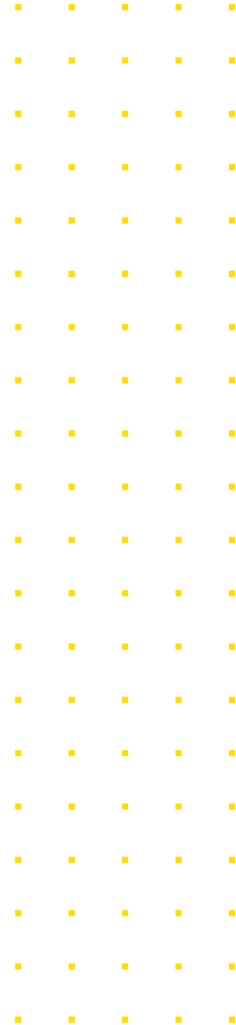


January 2024

Let's Talk: Navigating the New Normal

Presenting Today

- Erik Weiss – Vice Chairman, Savills
- Devon Munos – Senior Director, Head of Research Platform Initiatives, Savills (Remote)
- Ally Juratovac – Research Associate, Savills
- Johanna Rodriguez – Senior Managing Director, Occupier Experience, Savills (Remote)
- Frank Smith - Deputy Executive Director, Georgia State Properties Commission



Our Agenda Today



What is the State of the Office Market Entering 2024?



How is the Occupier Experience Changing?



Where Does Georgia Stand in the Growing U.S. Manufacturing Sector?



What Are the Impacts of These Changes?

Office Market Overview

01

The “New Normal” has emerged in the U.S. office market

COVID-related impacts have left markets strained and availability high, though uneven, across cities and regions.

02

Leasing activity has slowed this year

While 2022 leasing levels outpaced those seen in 2020 and 2021, office space demand has softened in 2023 as occupiers remain wary of economic headwinds and are highly conscious of controlling costs.

03

Average asking rents have seen little change

Advertised rents are holding high but don’t tell the full story. Landlord concessions are at peak levels in many markets. Mortgage distress may exacerbate owner push to keep face rents high.

04

Flight-to-quality creates bifurcation in many markets

Occupiers who can have sought out higher quality space and amenities to “earn back the commute,” although right-sizing has been common as occupiers have become more efficient in how they use space.

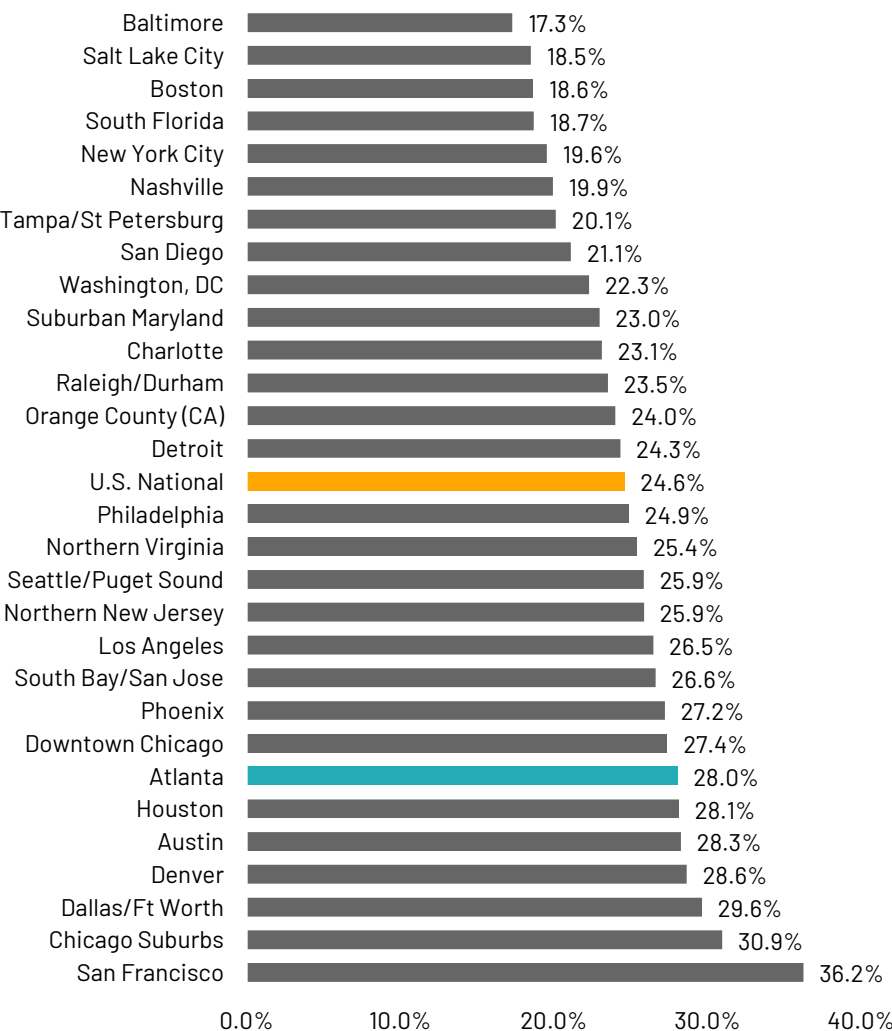
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Purpose of the office is evolving

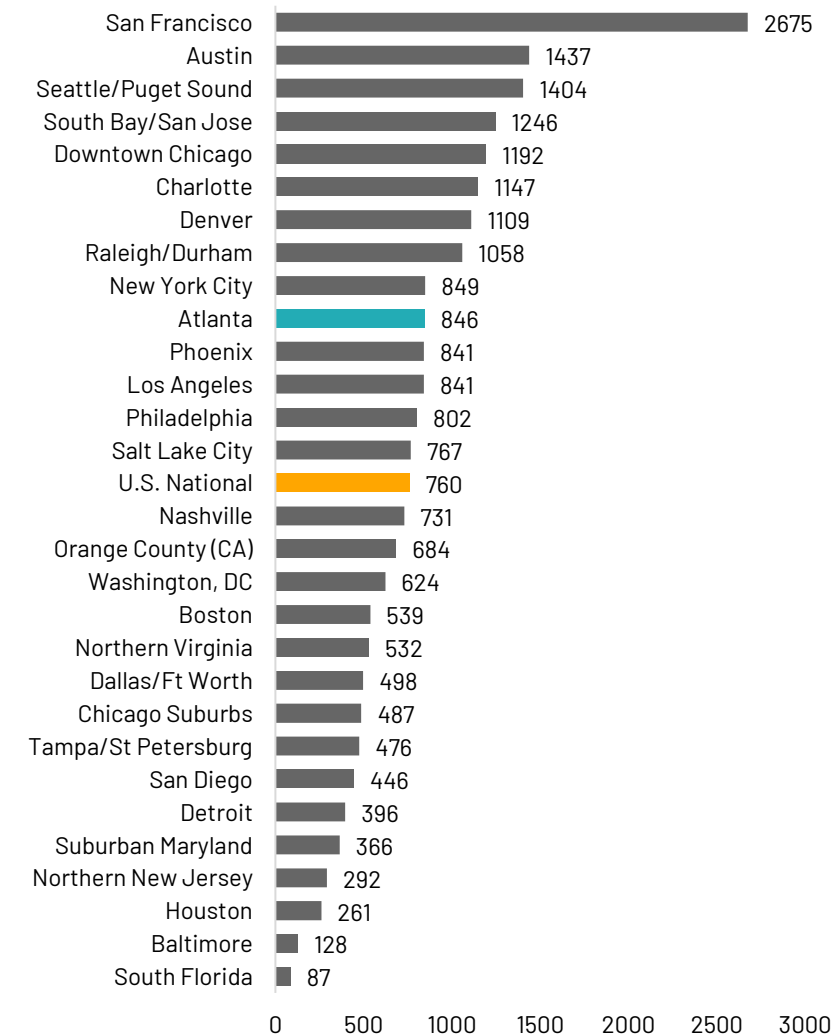
Heightened focus by occupiers on location, efficiency and sustainability. Major emphasis on space as a forum for collaboration and mentorship but also productivity compared to Work From Home. Long-term effects of the hybrid workplace remains to be seen.

Unprecedented Oversupply of Office Space Going Into 2024

Total Availability Rate (%)
Q3 2023



Total Availability Rate (bps)
PANDEMIC CHANGE COMPARED TO Q4 2019



Major Trends

- Leasing activity slowed in 2023 as occupiers remain wary of economic headwinds and controlling costs.
- Some markets and regions are faring better than others among changing office dynamics.
- Asking rents are holding but don't tell the full story as concessions are at peak levels and may be hitting a ceiling.
- Flight-to-quality creates bifurcation as occupiers who can have sought out higher quality space and amenities to "earn back the commute" of employees.
- Purpose of the office is evolving with a heightened focus on location, efficiency and creating space that is a forum for collaboration, mentorship and productivity.

State of the Atlanta Office Market Entering 2024

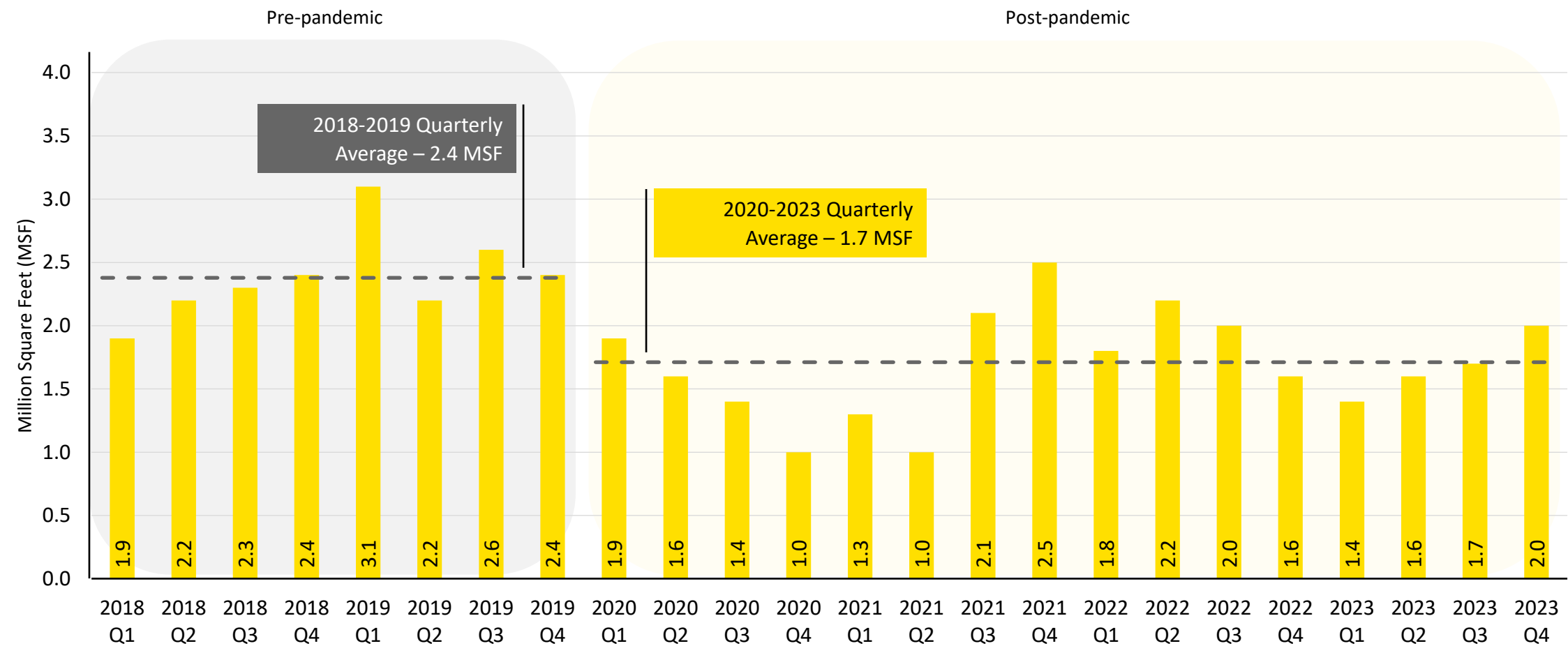


Atlanta Key Stats	Q4 2022	Q4 2023	y-o-y Change
Inventory	174.5 MSF	176.8 MSF	▲
Availability Rate	27.0%	29.3%	▲
Asking Rental Rate	\$30.70	\$32.45	▲
CBD Asking Rental Rate	\$36.51	\$39.63	▲
Quarterly Leasing Activity	1.6 MSF	2.0 MSF	▲
Available Sublease Space	7.2 MSF	8.5 MSF	▲

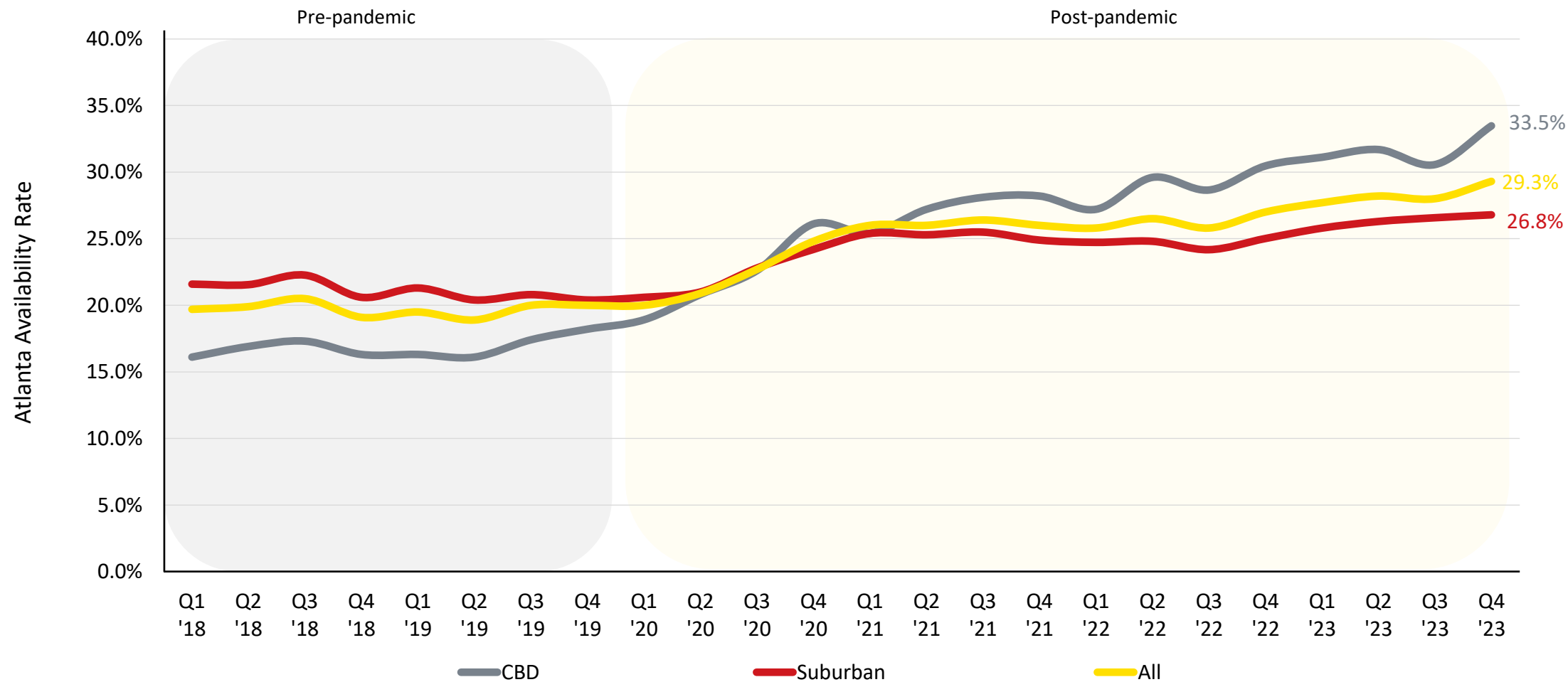
- Available office space remains elevated as demand has not been able to offset the amount returned over the past three years.
- While older buildings will struggle to attract and retain occupiers, newer buildings with amenities in desirable locations remain attractive for occupiers looking for upgraded space
- 2023 leasing volume totaled 6.7 msf, down from 7.5 msf in 2022.
- Atlanta remains a high-growth metro built upon sustainable fundamentals, including, top talent, business friendly, a diverse industry base, and relative low cost.
- Heightened availability coupled with landlords facing economic turbulence, will continue to afford tenants with greater leverage in lease negotiations such as increased concession packages

Atlanta Office Leasing Activity Remains Above Pandemic Lows

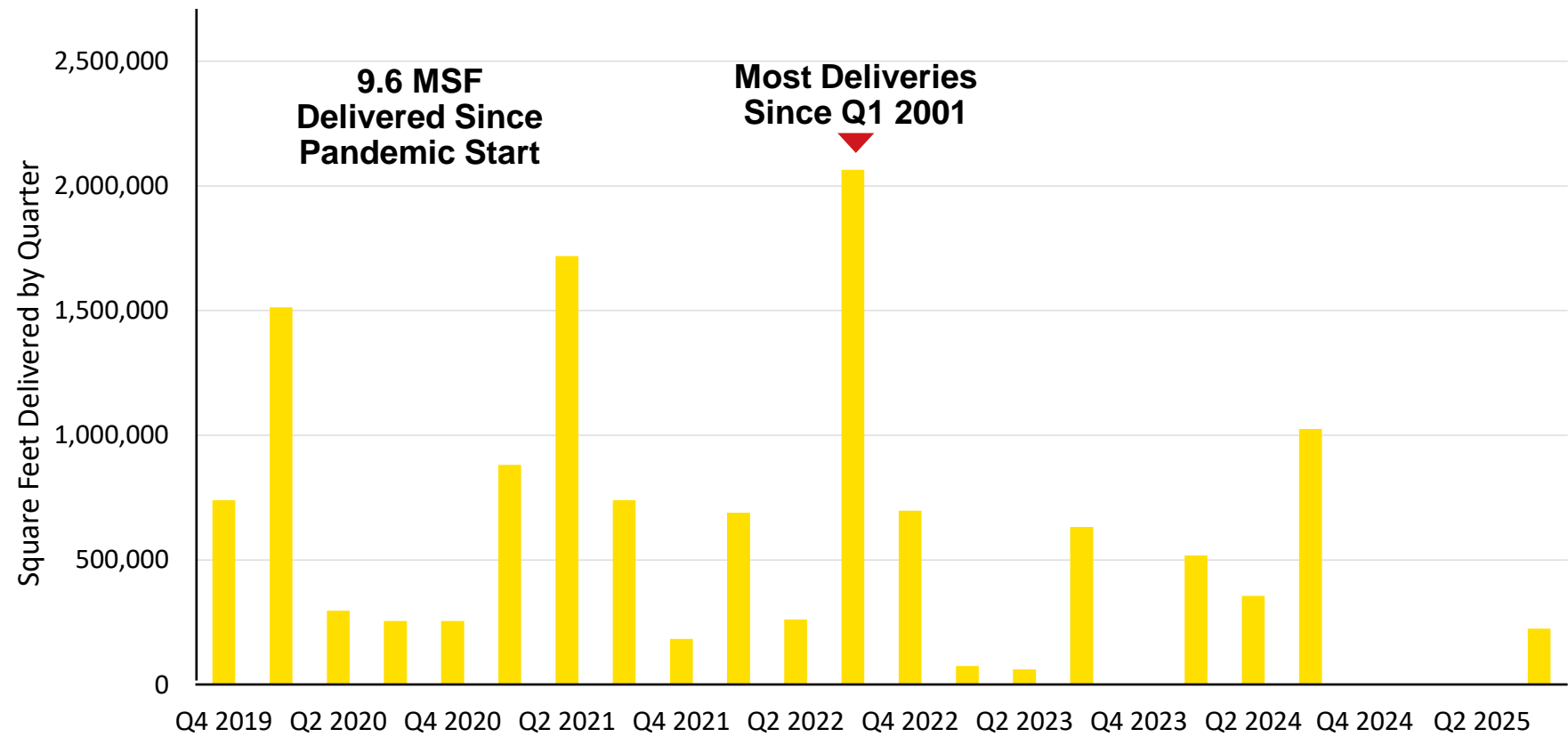
Average Quarterly Leasing Activity



Atlanta Availability Elevated Due to a Decline in Leasing Volumes



Atlanta's Office Development Pipeline Begins to Slow



Top US Office Construction Markets

Market	Construction as % of Inventory
Austin	5.9%
San Diego	5.3%
Nashville	5.1%
Seattle	3.6%
Miami	3.5%
Boston	2.7%
South Bay/San Jose	2.3%
Raleigh-Durham	2.1%
Atlanta	1.1%
Houston	1.1%

Representative New Buildings in Atlanta



Interlock Phase II

Midtown

265,000 SF

39% leased to Pinky Promise and X Pot

Asking Rate: \$55.00 FS

TI Allowance: \$70.00-\$100.00/SF

Abatement: 1 month per lease term



Garden Hills

Buckhead

165,000 SF

91% leased. Major tenants include Harry Norman Relators, Arkadios Capital and Novare Group

Asking Rate: \$42.00 NNN + \$12.00 OPEX

TI Allowance: \$70.00-\$100.00/SF

Abatement: 1 month per lease term



Junction at Krog

Downtown

135,000 SF

Fully vacant

Asking Rate: \$62.00 FS

TI Allowance: \$70.00-\$100.00/SF

Abatement: 1 month per lease term

Office Buildings Fully Vacant in Atlanta

- There are currently 34 existing office buildings in the Atlanta Market that are 100% vacant totaling 3.0 MSF
- Two notable buildings have been vacant since 2018 (5yrs) totaling 212,769 SF
- 2023 had 17 buildings become 100% vacant, totaling 1,795,862 SF. 70.6% of these budlings are Class A in the Buckhead and North Fulton submarkets. This is largely due to massive moveouts by tenants such as AT&T and Verizon who are choosing to downsize, an ongoing trend in the office market.
- Tenants downsizing in square footage is a trend that is expected to continue, leaving some buildings with high vacancy rates. This presents occupiers in the market looking for high quality in such buildings with a plethora of options and leverage in negotiations. On the other hand, vacant budlings that are older with fewer amenities will cause owners to debate knocking the building down or repurposing the building.



4005 Windward Plaza Dr
Building 100

Size: 132,250 SF | Class A
Submarket: North Fulton



1990 Vaughn Rd

Size: 80,519 SF | Class B
Submarket: Northwest

Workplace Trends for the Government

Government Trends

Evaluating Purpose



- Workplaces are a reflection of each agency since there is no clear standard
- Common questioning of what the office should be used for and why

Policy



- Hybrid is here to stay
- Attendance averages a 4 days per pay period
- Minimal adherence to stated policy, occupancy is low

Hesitancy to Change



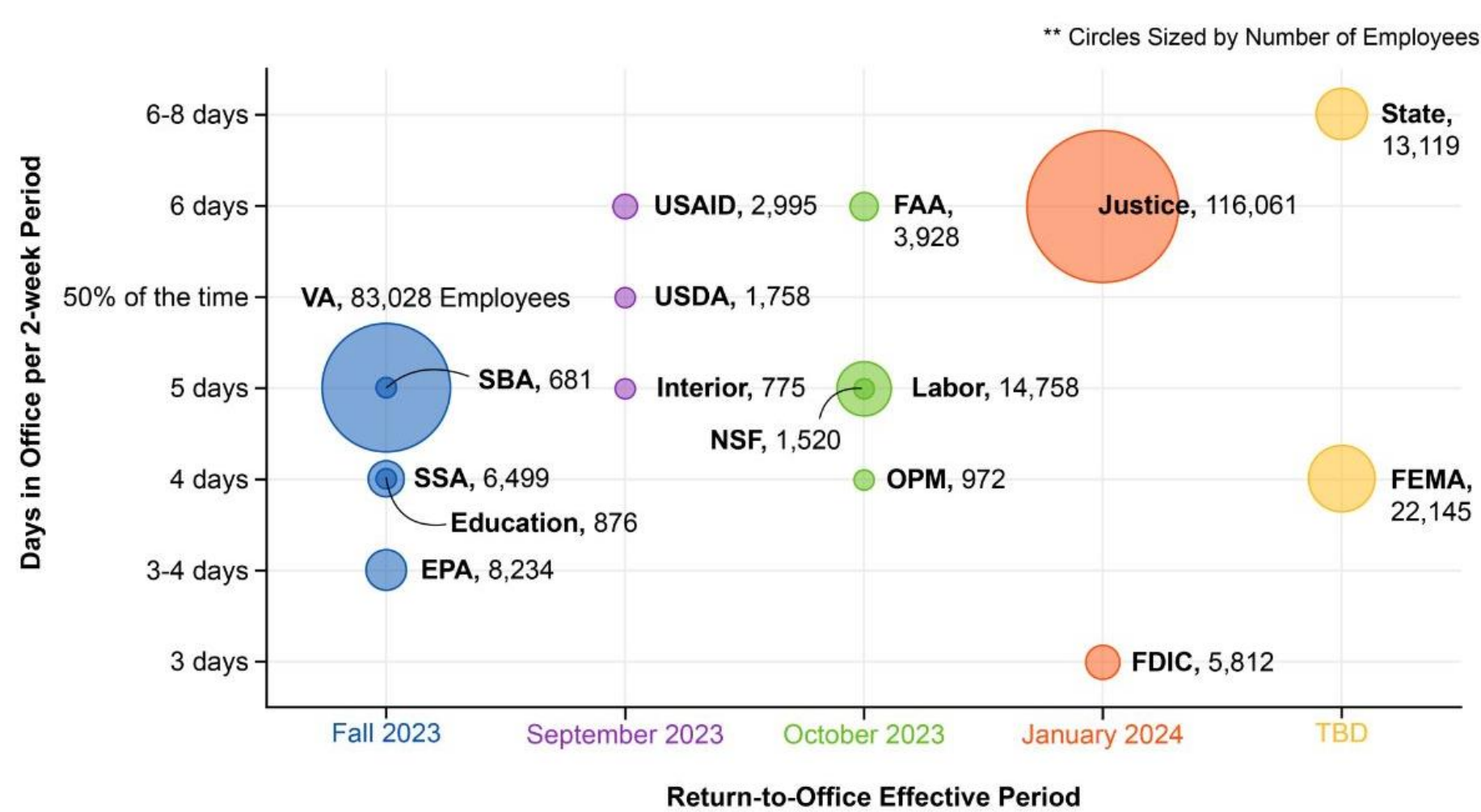
- Many agencies are waiting to see what others are doing, and if the attendance mandates will change
- Waiting to see if there is change in occupancy

Space & Use Re-evaluation



- Offices feel empty and seat sharing is being considered
- Consideration of changing the ratio of focus space vs collaborative areas

Federal Employees Mandated to Return to Office, by Agency



**Average Time in Office:
4.23 Days per pay period**

Source: Federal News Network, OPM FEVS 2023, JLL Work Dynamics Pulse Survey; December 2023

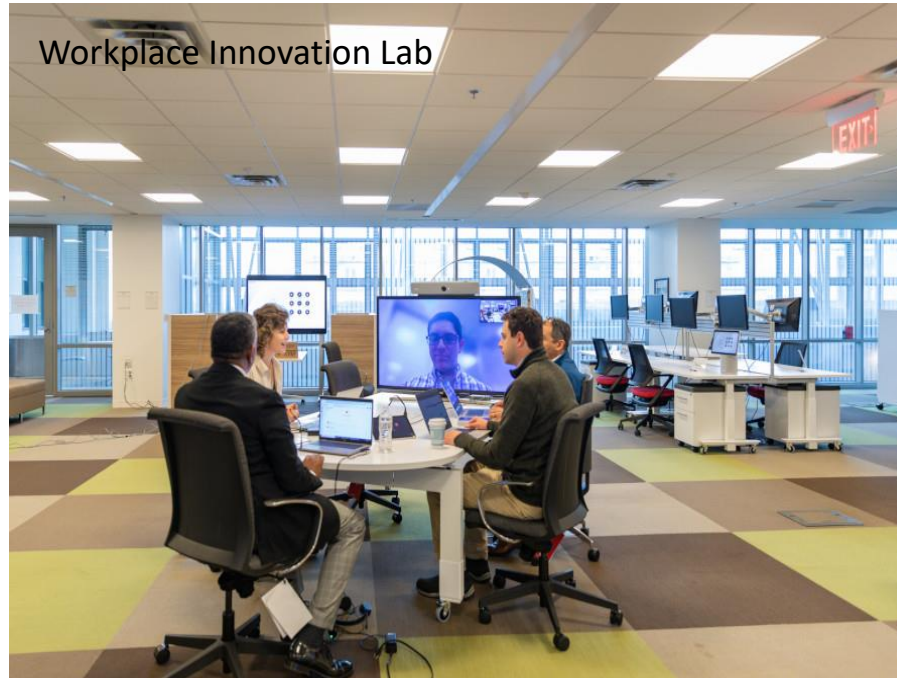


The Government and the Future of Workplace

The government is embracing hybrid work

Talent recruitment and retention can benefit from distributed work. Employees may choose to live where it best suits them, improving their work-life balance. Distributed work is an employee benefit. Working from home affords scheduling flexibility that employees value.

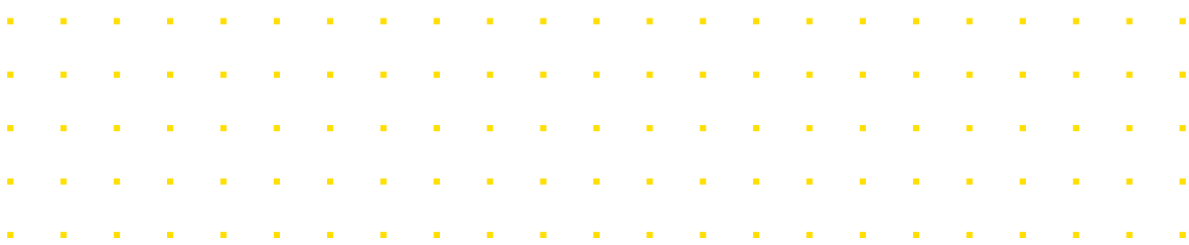
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Sharing resources among agencies will create cost savings that may be reinvested in mission like sensitive compartmented information facilities (SCIFs).”



- **Work can be done anywhere, at any time.**
Real estate will help us maintain and enhance human connections, but technology will be the primary force that brings work together.
- **The office is necessary, but its purpose is shifting.**
Offices will remain critical to collaborate, connect, access secure resources, and host those who can't or don't want to work from home.
- **Distributed work is trusted work.**
During the pandemic, agencies discovered the positive impacts of telework. Employees will want to continue working wherever it best suits the task at hand.
- **Hybrid work arrangements benefit both the employee and the organization.**
Working from home affords employees scheduling flexibility, opportunities to improve a work-life balance, and cost and time savings from commuting.

Georgia is Drawing in People,
Companies and More

Georgia at a Glance



35

Fortune 500/100
Headquarters

Generated \$628B in 2023

#1

Busiest Airport
in the World

Ranked by Airports Council
International

#1

Best State for
Doing Business 10th
Consecutive year

Ranked by Site Selection

#4

Fourth fastest growing
state

Ranked by the U.S. Census Bureau

#1

Best City for Diversity of
Tech Workforce

Ranked by Beyond HQ

#1

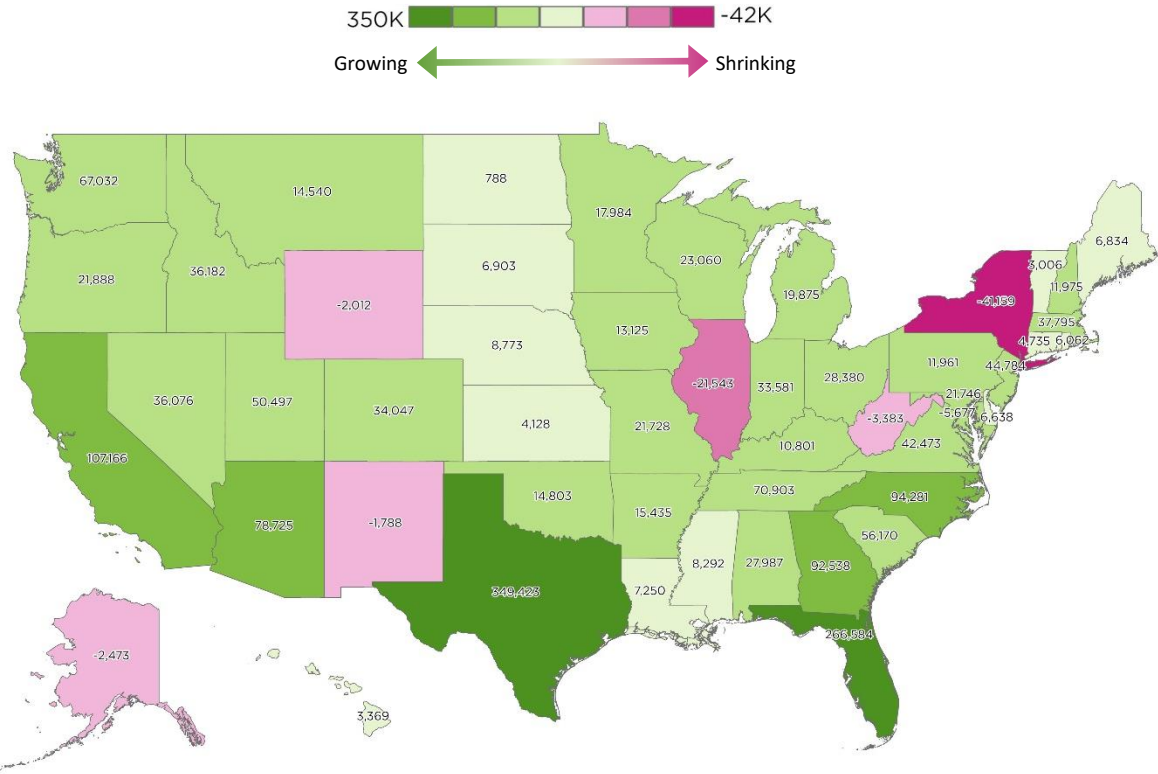
Best City to Start at Career

Ranked by WalletHub

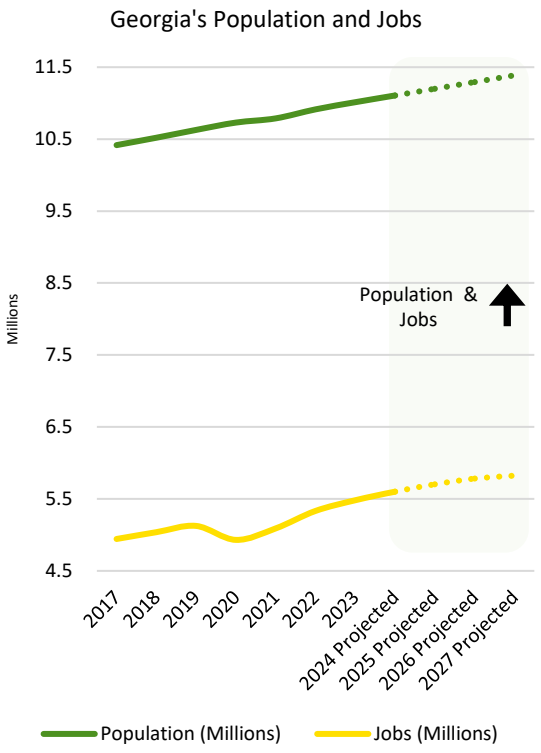
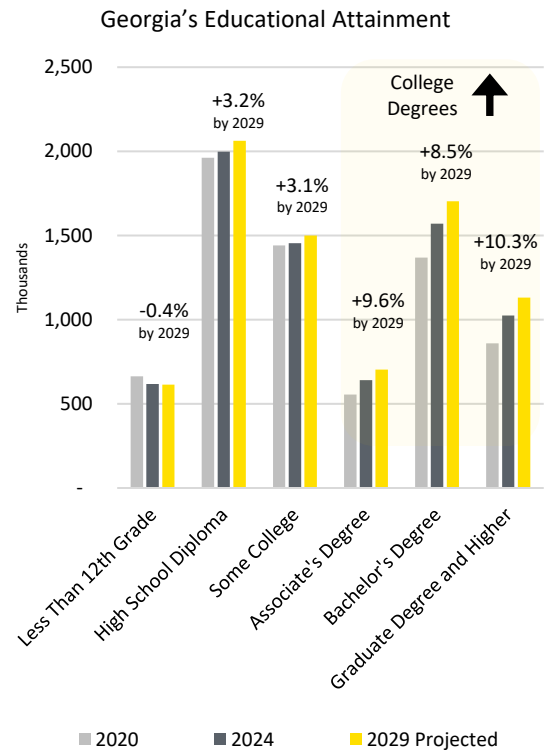
Georgia's Growth Gives it a Competitive Advantage

Ranked #4 for Growth and Georgia's Educated Population Climbs Too

Population Change 2022-2023



- Georgia's population growth is driven mainly by positive net migration.
- Not only did their population grow but so did educational attainment, and it's predicted to keep rising.
- As the workforce ages and birth rates slow, competition from an ever-shrinking talent pool will continue to be fierce, and population growth will remain a critical advantage.

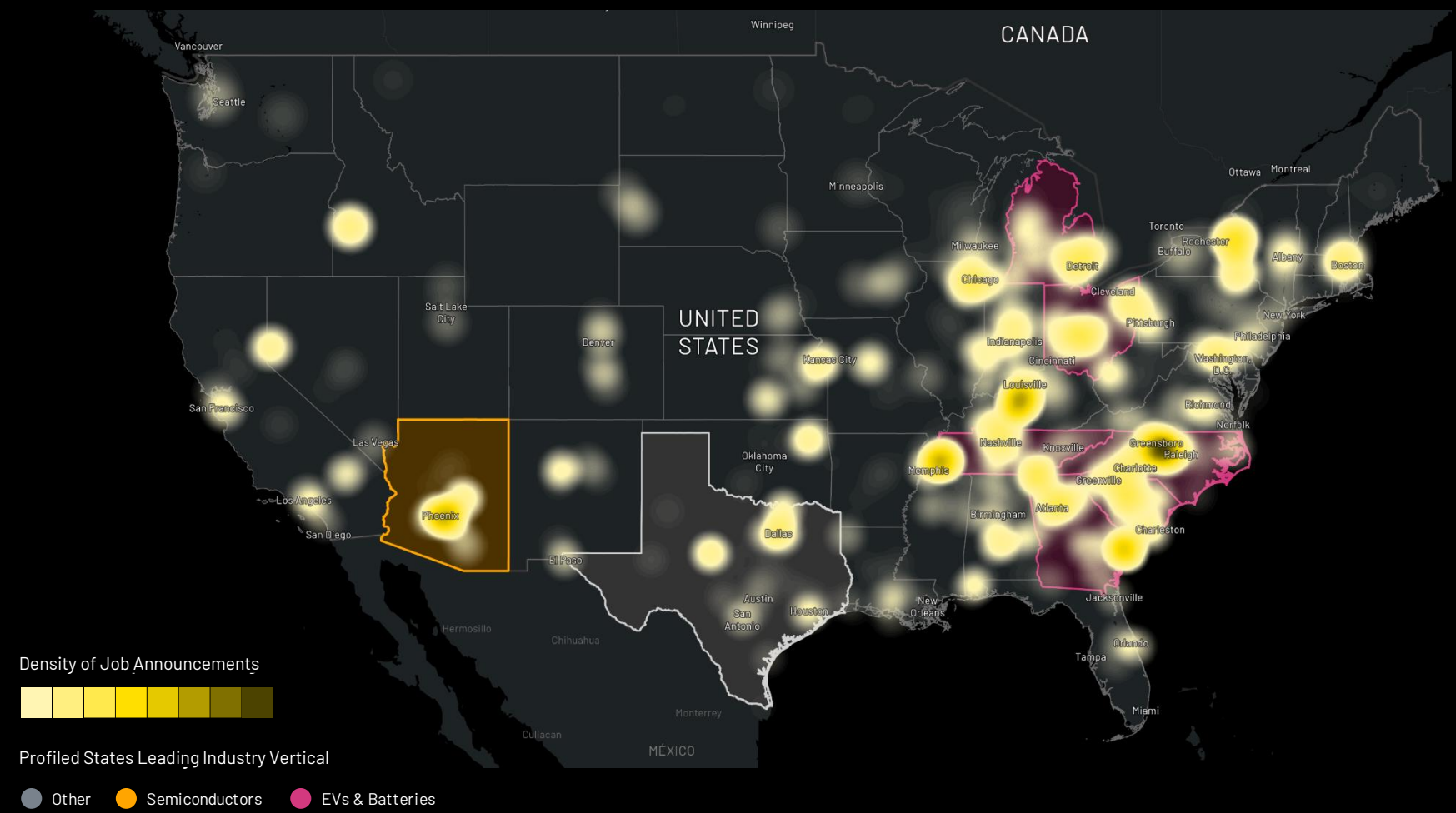


Georgia is a Leader in U.S.
Manufacturing

Manufacturing Hotspots by Job Announcements

Georgia Among the Top States

2021 - 2023



Eight states captured 47% of new manufacturing jobs as workforce and infrastructure considerations drove site selection decisions.

- Activity may slow in 2024 due to the economy, the presidential election and electric vehicle (EV) adoption
- Markets adjacent to new manufacturing plants will see increased warehouse demand
- The need for supply chain resiliency will support the reshoring trend through 2024 and beyond

EV Announcements – Producing Jobs & Millions in Space Requirements

Company	City	HQ Country	Industry Vertical	Jobs	Capital Investment	Size (SF)	Year Open (Est.)	Description
HMG Metaplant America	Ellabell	South Korea	EVs & Batteries	8,500	\$7.6B	17,000,000	2025	Site will accommodate both automotive assembly and a 30 GWh battery plant to support annual production of 300,000 Hyundai, Kia and Genesis EVs.
Rivian	Madison	U.S.	EVs & Batteries	7,500	\$5.0B	16,000,000	2024	Rivian's second plant (the original is in Normal, IL) with an annual production capacity of 400,000 vehicles.
Hyundai Motor Group and SK On	Cartersville	South Korea	EVs & Batteries	3,500	\$5.0B	3,300,000	2025	Plant to manufacture battery cells with annual production capacity of 35 GWh, enough for 300,000 EVs.
ADMARES	Waycross	Finland	Other (Modular Homes)	1,400	\$750M	2,500,000	2025	Facility to be used for manufacturing of modular housing, with annual production estimated at more than 5,000 homes.
Hanwha Qcells	Cartersville, Dalton	South Korea	Clean Energy	2,500	\$2.5B	1,300,000	2024	New plant being constructed in Cartersville (500k sf) and an existing plant expanded by 800k sf in Dalton to produce critical components for solar panels.
Hyundai Mobis	Richmond Hill	South Korea	EVs & Batteries	1,500	\$926M	1,200,000	2024	A Tier 1 supplier to Hyundai and Kia, the facility will supply more than 900,000 EV power electric systems and 450,0000 integrated charging control units.
				24,900 Jobs	\$16.9B Capital	41.3 MSF		

Amazon Buys 430 Acres in Covington, Georgia

Amazon remains vague about plans

“

A Spokesperson for Amazon said they are constantly evaluating new locations based on customer demand

”

- Amazon paid \$36 million for the property located 40 miles east of Downtown Atlanta
- Amazon has been investing where other developments are clustering. Near by, Rivian Automotive is planning a \$5 billion factory and Meta is planning a large data center campus.



- Amazon has confirmed the deal but has not disclosed what they are planning for the site. A source with knowledge of the deal said it could be a potential data center project, however no formal plans have been submitted.
- Metro Atlanta's data center development has grown 91% since 2020 due to its ample supply of power.

What Does this Mean?

Atlanta

- Flight to quality has created a bifurcated market. Need to take advantage of the well-positioned buildings that have space come available. There are opportunities in the market that we can capitalize on.

Savannah

- More challenging market due to surging demand from the industrial sector, housing costs going up, and locating available office space is extremely difficult.

Looking Ahead

We must be strategic, targeting properties that are well-located and offer reasonably well-amenitized space. Need to be opportunistic and get away from outdated, obsolete office inventory.

Large-scale developments underway and announced might necessitate additional government services due to population shifts. Both Savills and SPC stand prepared to assist in evaluating impending requirements and conducting labor force analyses.



Q&A



Thank you

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