

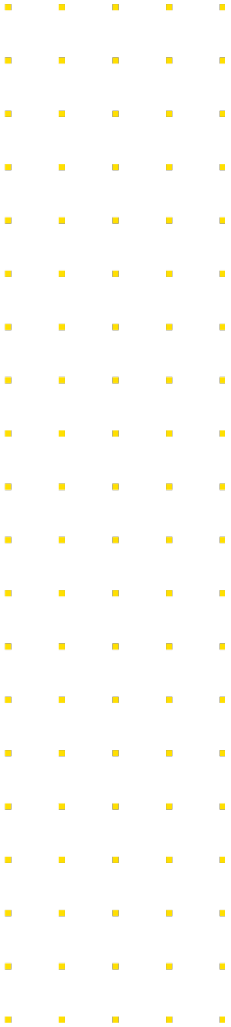
January 2023

Let's Talk: Navigating the New Normal

Presenting Today

- Devon Munos – Senior Director, Head of Research Platform Initiatives, Savills
- Max Ervin – Research Associate, Savills
- Mark Russo – Senior Director, Head of Industrial Research, Savills (Remote)
- Erik Weiss – Executive Managing Director, Savills (Remote)

- Frank Smith - Deputy Executive Director, Georgia State Properties Commission



Our Agenda Today



What is the State of Office Occupancy and How Will it Change?



How do Office Market Dynamics Look Post Pandemic?



What is Happening in the Industrial Sector?



The Opportunities We See for SPC

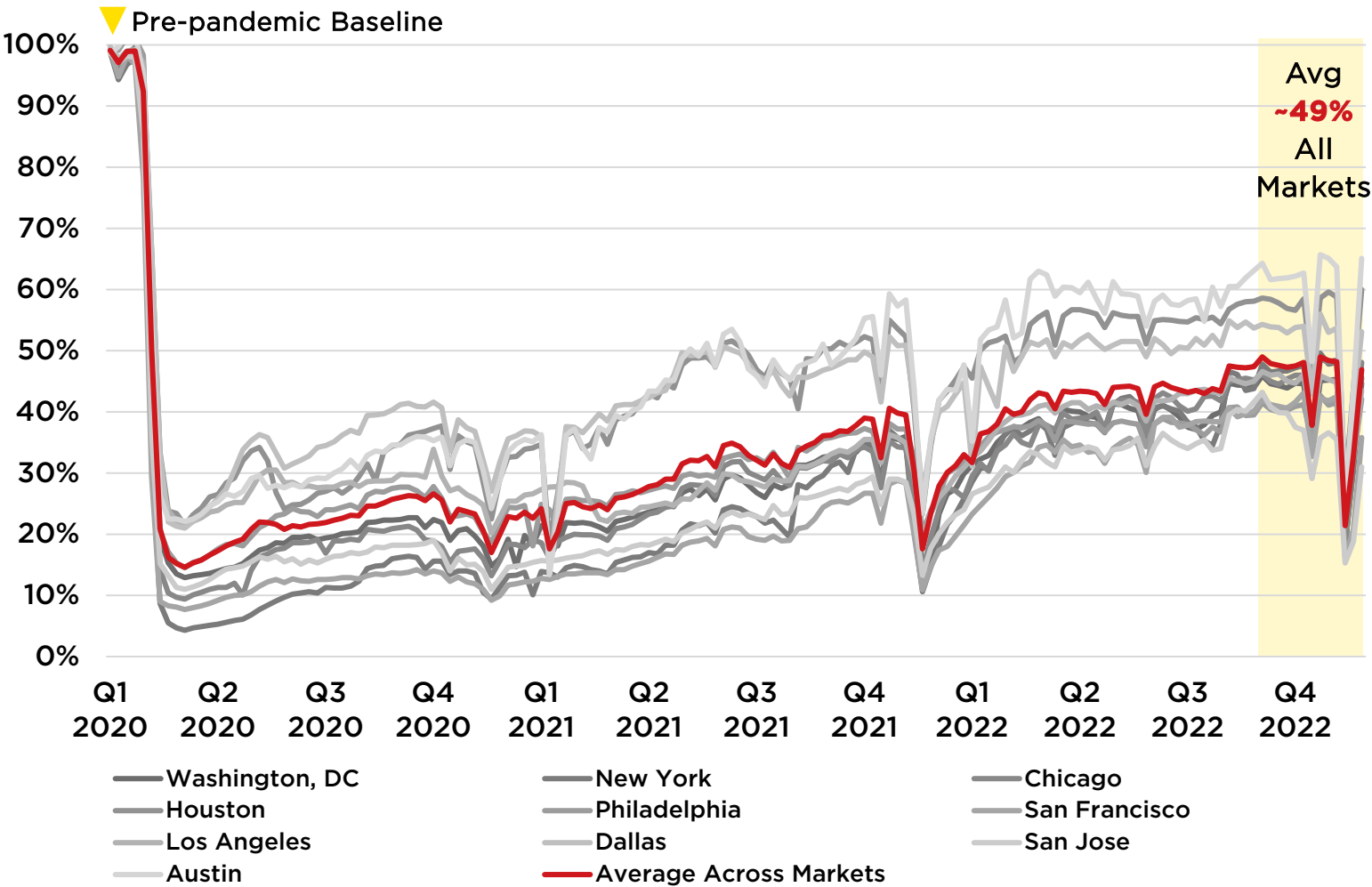
Office Market Overview

Q4 2022 National Office Market Highlights



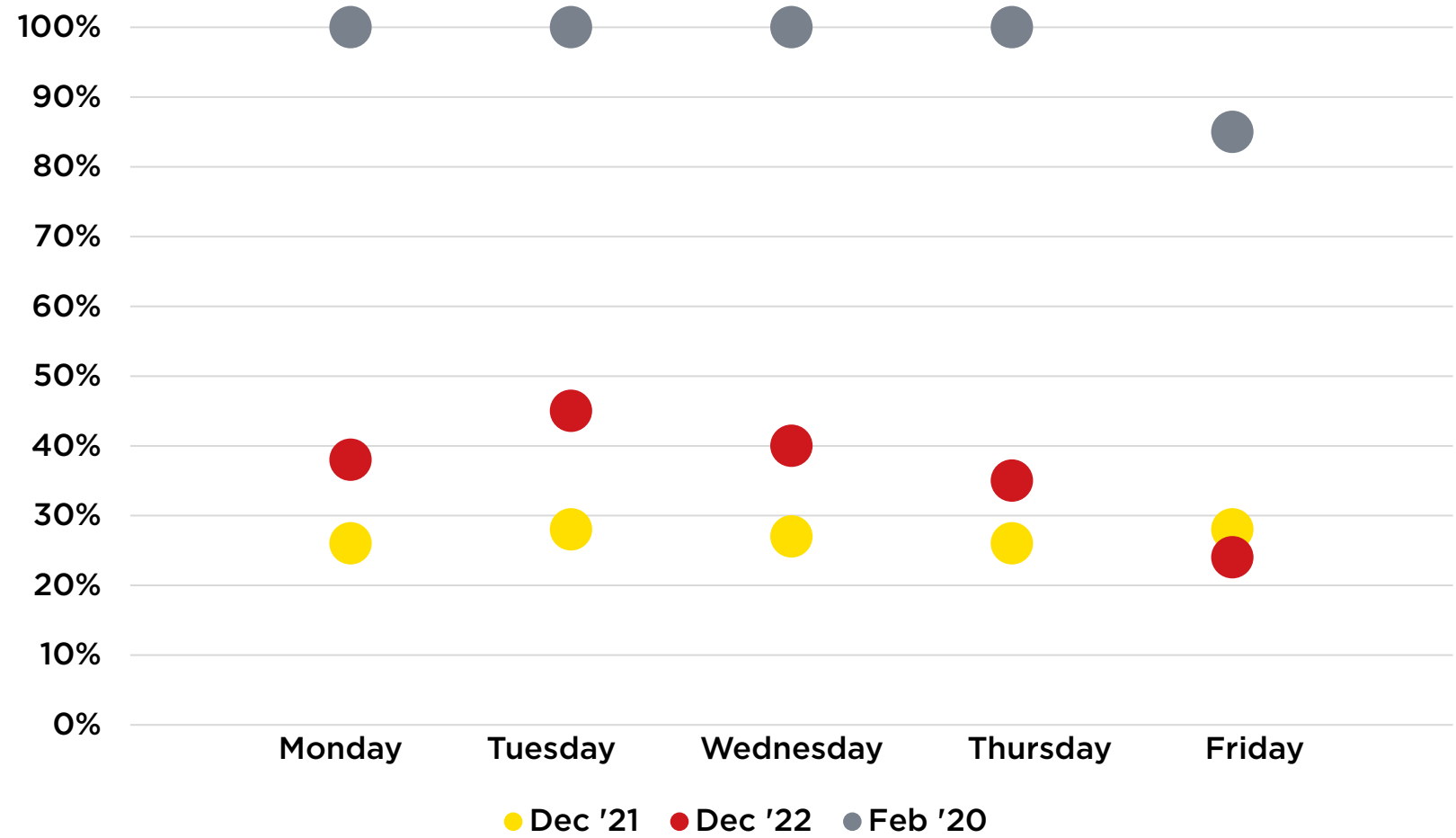
- **Q4 2022 saw leasing activity drop** to 44 million square feet (msf), down from 56 msf in Q3 and 60 msf one year ago (Q4 2021).
- **Overall leasing activity in 2022 was** up 5% from 2021 at 203 msf, but still down 22% from 2019, preceding Covid.
- At 3.5% in December, U.S. **unemployment is on par with the 50-year historic low** recorded in February 2020 (3.5%).
- Available **office inventory remains high** as demand has not been able to offset the amount returned over the past two years.
- **Occupiers remain focused on high-quality options** that will attract and retain talent, creating an increasing bifurcation between Class A and non-Class A space.
- **Pricing remains at a premium for top-tier space, and options limited.** There may be opportunity for increased concessions and flexibility in A-/B buildings.
- **Hybrid workplace here to stay,** but more employers may request that workers return to the office more often in 2023 amongst economic instability and shifting labor markets.

Office Occupancy Rebounding



- Hit **post-pandemic high** of **49%** across markets in October that held until mid-December due to holidays
- Expected to continue to **jump back up in the new year** with an additional push from employers
- **Some owners** quoting occupancy at **60-70%**
- **Shifting economic conditions** may propel occupancy
- **Occupancy in State Buildings** on Capitol Hill remains at **50%** of levels seen in 2019

Office Occupancy by Day of Week



- Data shows that **Mondays** and **Fridays** have much **lower office attendance rates** than the middle-of-the-week days, compared to before the pandemic.
- The **highest day** of the week for the 10-city average was **Tuesday** – the first workday after New Year’s – at **47%**.
- The **lowest day** was **Friday** at **16%** occupancy.

Q4 2022 Atlanta Office Market Highlights

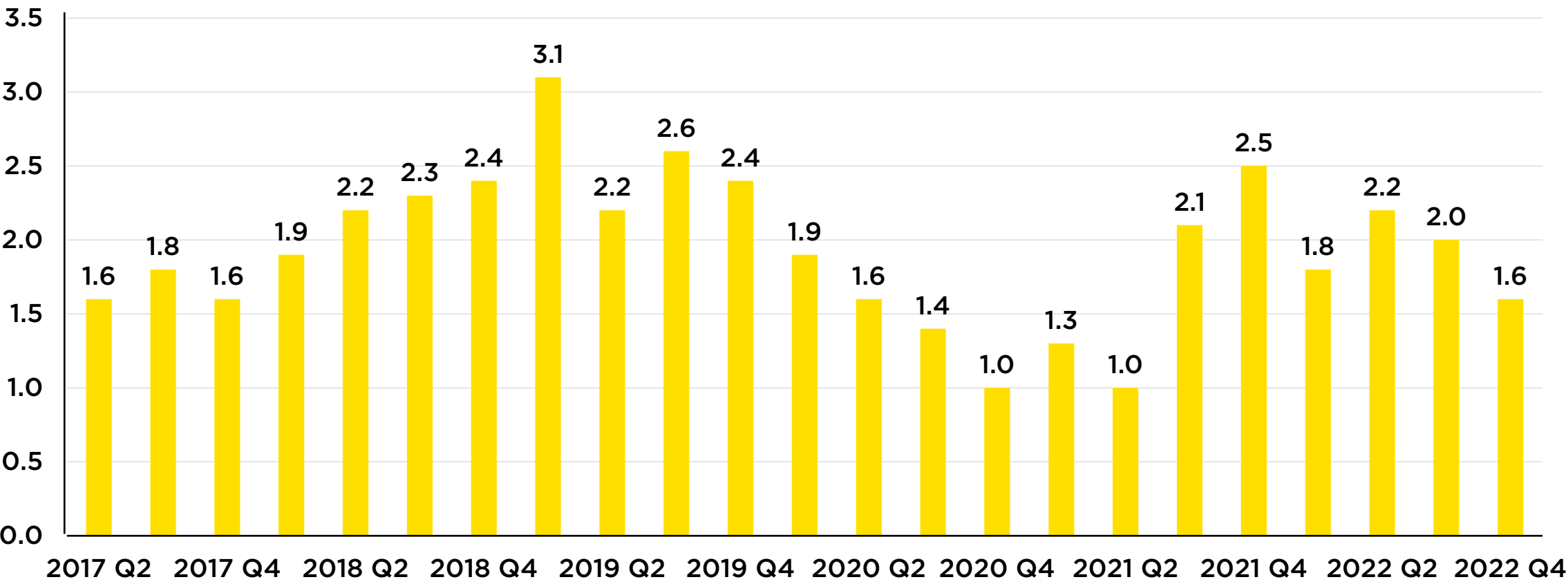


Atlanta Key Stats	Q4 2021	Q4 2022	y-o-y Change
Inventory	174.5 MSF	174.5 MSF	►
Availability Rate	26.0%	27.0%	▲
Asking Rental Rate	\$30.24	\$30.70	▲
CBD Asking Rental Rate	\$36.48	\$36.51	▲
Quarterly Leasing Activity	2.5 MSF	1.6 MSF	▼
Available Sublease Space	5.2 MSF	7.2 MSF	▲

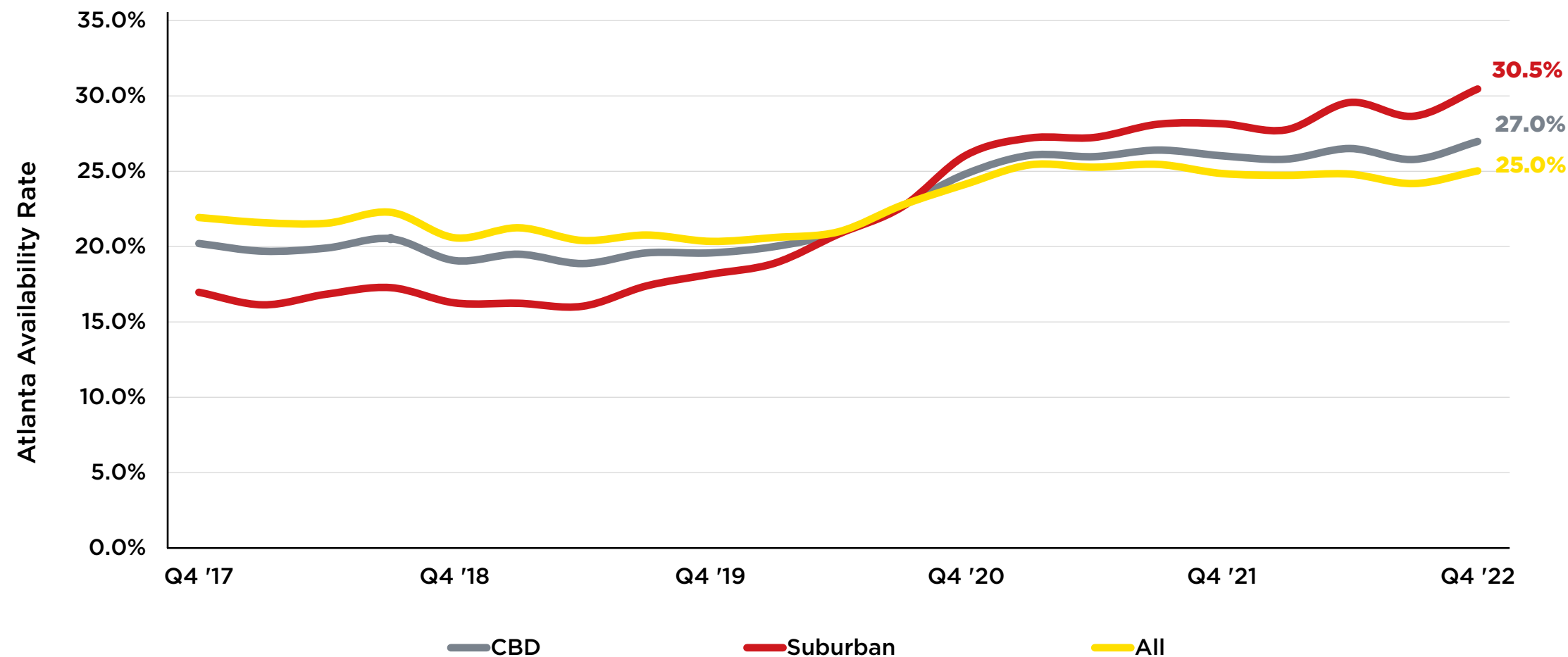
- **Available office space remains elevated** as demand has not been able to offset the amount returned over the past two years.
- Despite availability, **rents continue to climb** as top tier space is highly sought after.
- **2022 leasing** volume totaled **7.5 msf**, up from 6.9 msf in 2021.
- Atlanta remains a **high-growth metro** built upon sustainable fundamentals, including, **top talent, business friendly, a diverse industry base**, and relative **low cost**.

Atlanta Office Leasing Activity Remains Above Pandemic Lows

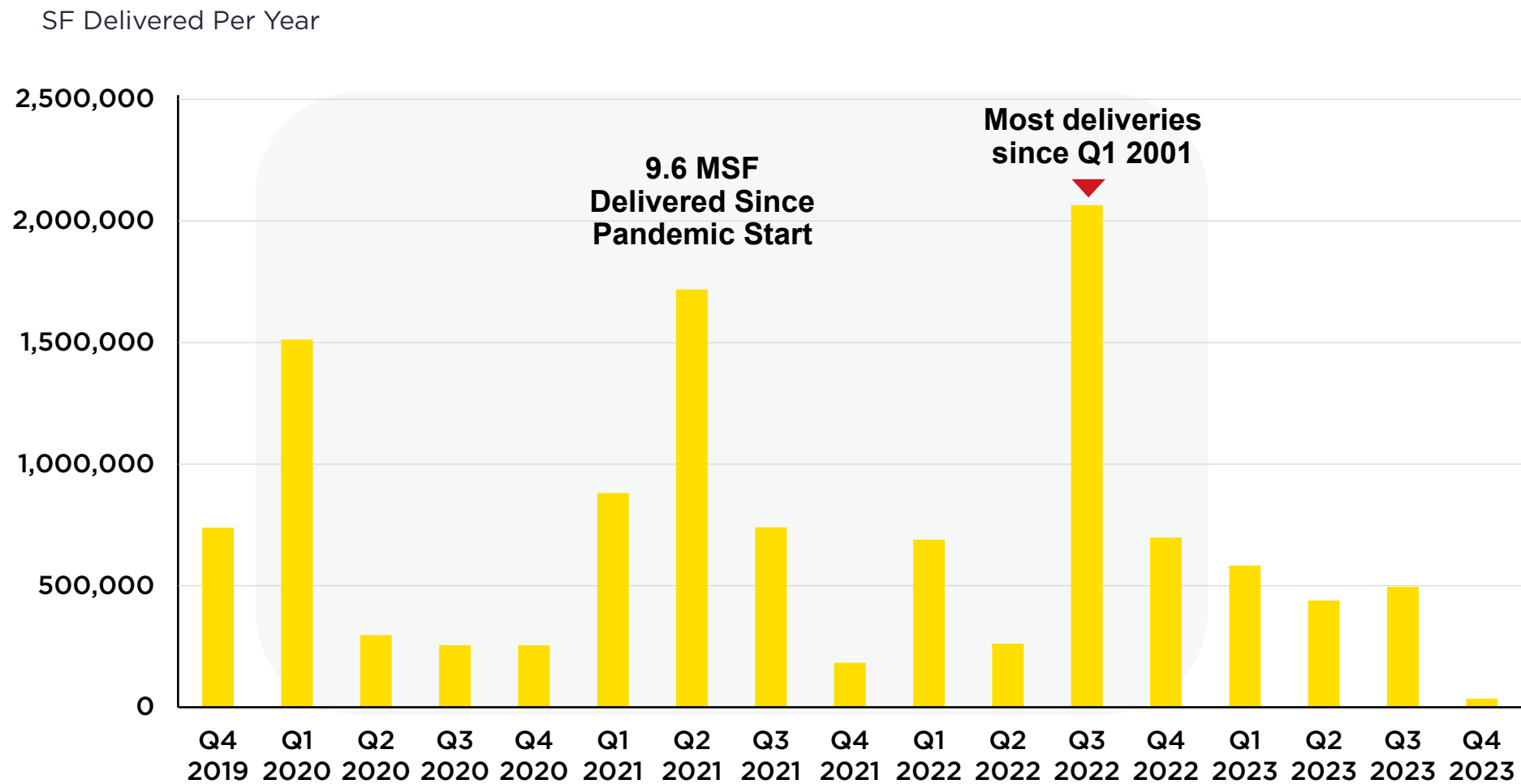
MSF Leased



Atlanta Availability Elevated Due to New Deliveries in CBD



Atlanta's Robust Office Development Pipeline



Top US Office Construction Markets

Market	Construction as % of Inventory
Austin	7.6%
Nashville	5.0%
San Diego	5.0%
Raleigh-Durham	3.4%
Toronto	3.1%
Boston	3.0%
Charlotte	2.9%
Seattle	2.0%
Atlanta	1.7%
Houston	1.4%

Representative New Buildings in Atlanta



Midtown Union

Midtown

613,000 SF

60% Leased to INVESCO and
McKinsey



1105 WP

Midtown

680,000 SF

Fully Leased to Google & Smith,
Gambrell & Russell LLP



Forth Ward

Midtown

1,090,895 SF

87% Leased to Intuit and WPP

Georgia secures \$2.5B to build US solar supply chain

Qcells, South Korea-based energy company, investing in the region

“

Georgia Sen. Jon Ossoff said the expansion is the **largest clean energy manufacturing project in American history** and will create **2,500 jobs in the state.**

”

- **Qcells investing \$2.5 billion** in building up the U.S. solar supply chain and creating **2,500 jobs in Georgia.**
- The subsidiary of South Korean industrial group **Hanwha Corp.** unveiled plans to **build a second plant in Georgia** that will manufacture 3.3 GW of solar components and panels a year.

Source: Wall Street Journal, January 2023



- The company also plans to assemble an **additional 2 GW** a year of solar panels at its original plant in **Dalton, Georgia** to reach 5.1 GW of annual production by 2023, as it works to reach a goal of **8.4 GW of total annual solar panel production capacity by 2024.**
- Qcells plans to **break ground** on the second plant, in **Bartow County**, in the first quarter of **2023** and begin commercial production by late 2024.
- Qcells' announcement comes as the **solar industry is experiencing global supply constraints.**

QTS Behind 250MW Data Center Mega-Project in Fayetteville, Georgia



- **QTS** recently **acquired 600 acres of land** on **Fayetteville's west side** as the site of a planned data center.
- The sale price was **\$153.8 million**, equating to approximately **\$250,000 per acre**.
- The site is **currently farmland**, bordered by Highway 54, Flat Creek Trail, and Tyrone Road. The **city hopes it will provide 100 jobs** and also sit well alongside an existing film production company, Trilith Studios.
- **QTS has two existing campuses** in Georgia; the **1033 Jefferson Street NW site in Central Atlanta**, spanning more than 100 acres and offering more than 275MW of capacity; and a 385,000 sq ft (35,760 sqm) facility to the **northeast of the city in Suwanee**.

Source: DatacenterDynamics, August 2022

Atlanta at a Glance

31

Fortune 500/100
Headquarters
Generating \$517B in
2021

#1

Most Livable City in
the U.S.
Ranked by the Economist

#1

Busiest Airport
in the World
Ranked by Airports Council
International

#1

Best City for Diversity
of Tech Workforce
Ranked by Beyond HQ

#1

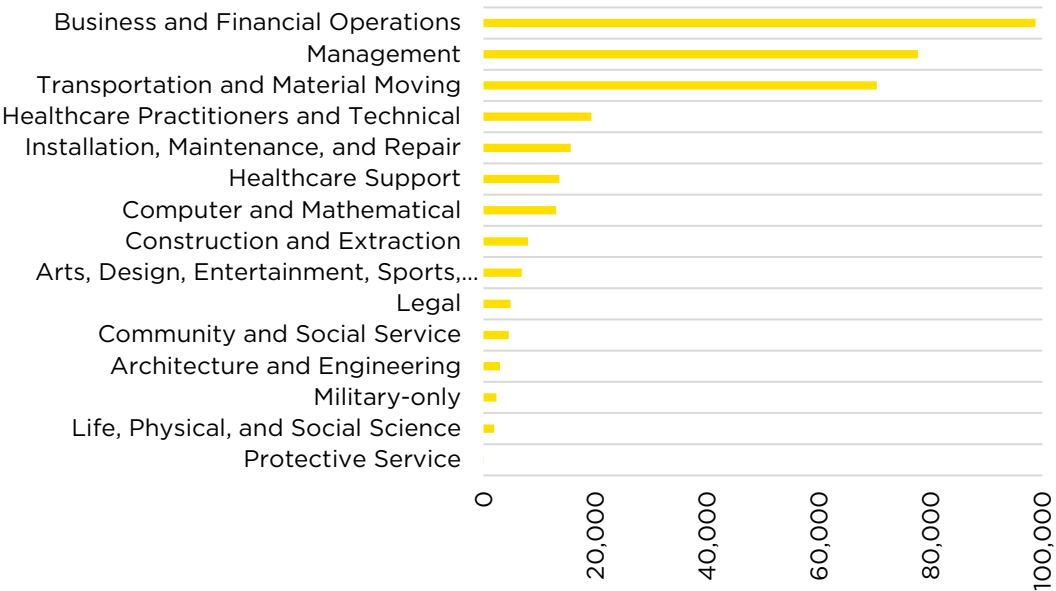
Best State for
Doing Business
Ranked by Site Selection

#2

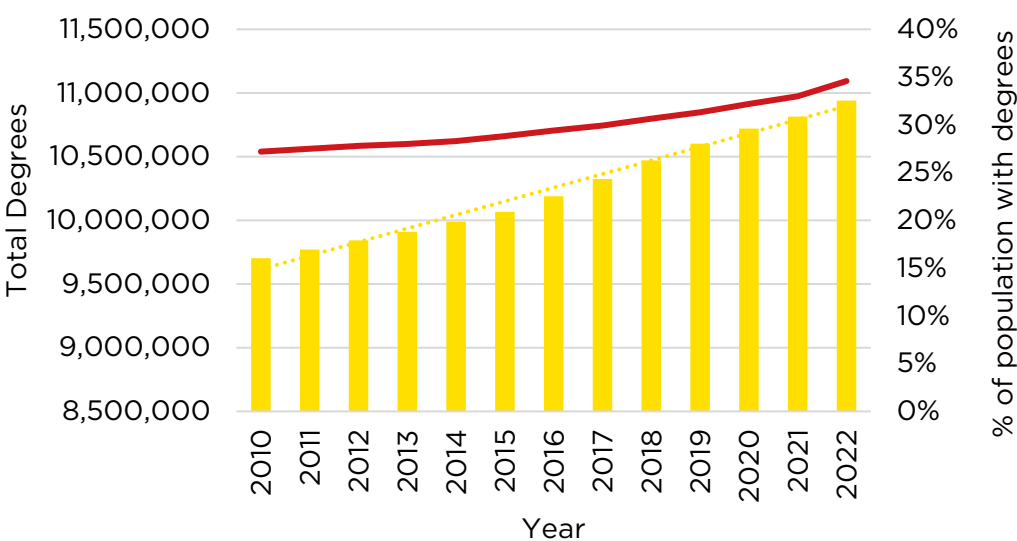
Best City for
Professional
Opportunities
Ranked by WalletHub

Georgia Growing and Diversifying at a Rapid Pace

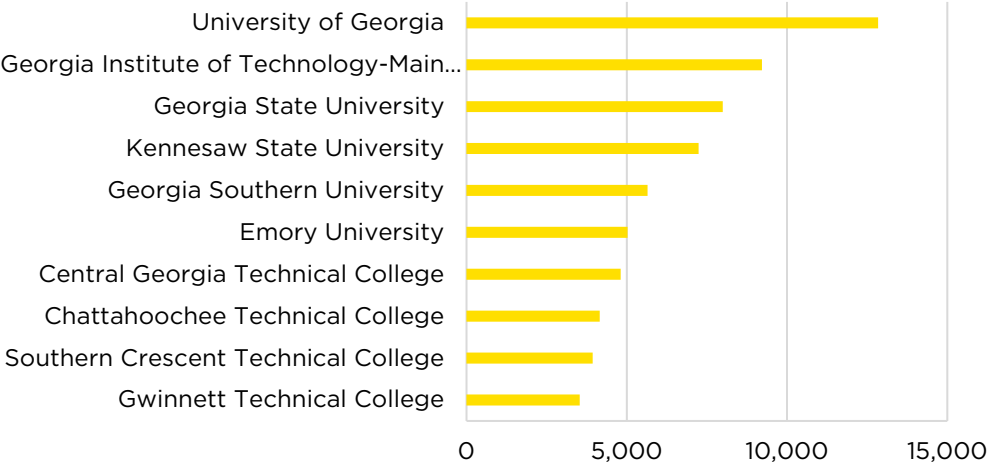
Occupation Job Growth 2016-2021



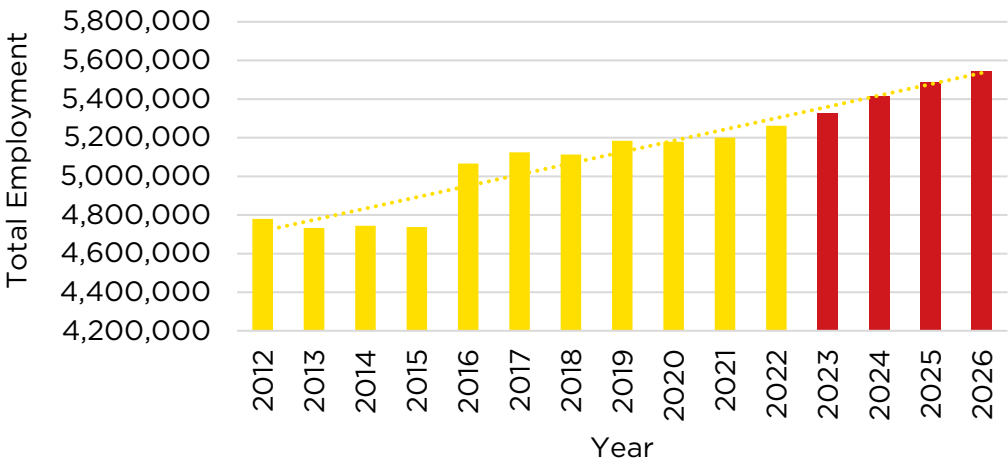
Total College Degrees



Education Pipeline



Total Employment



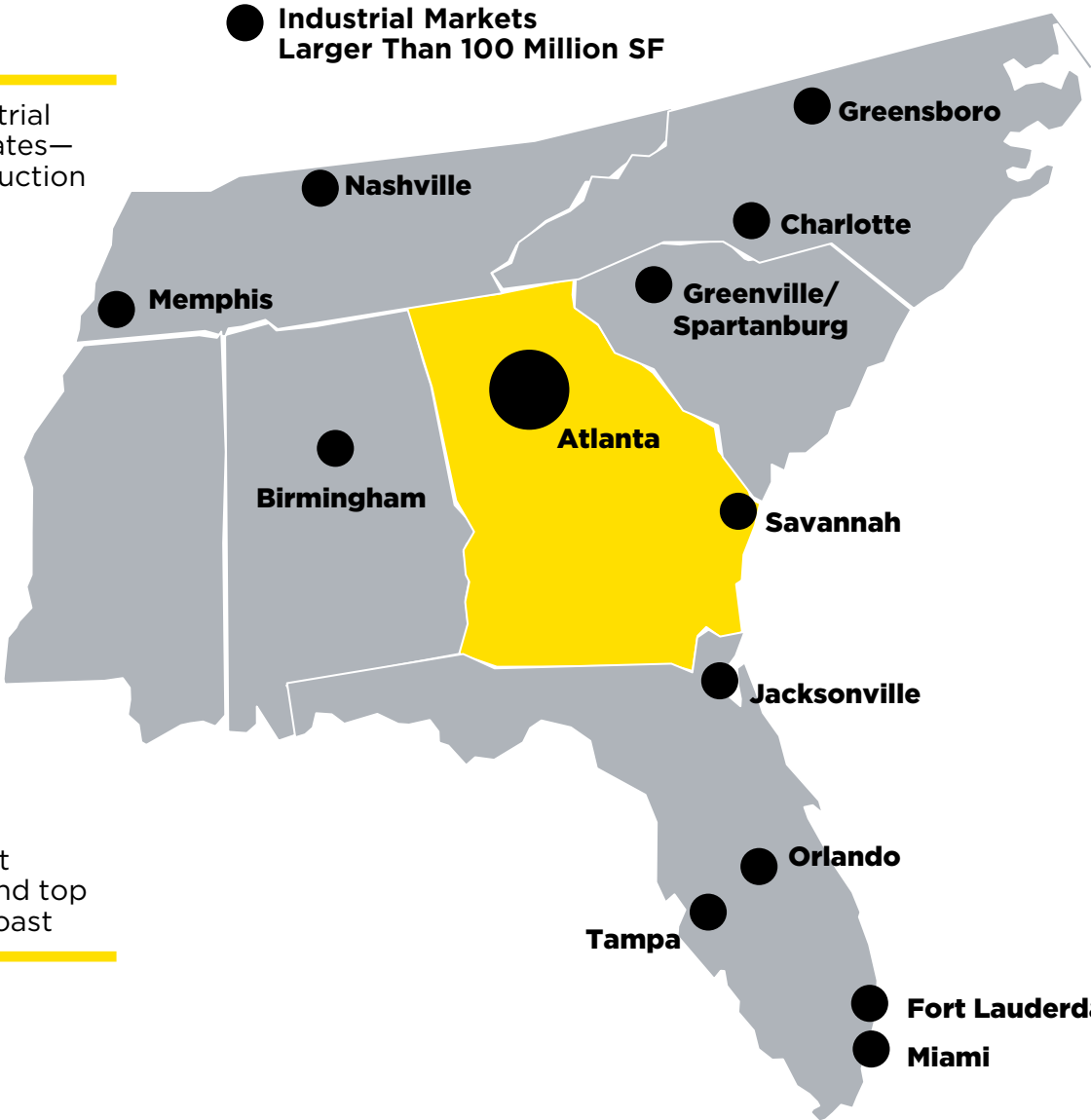
Industrial Market Overview

The Southeast is an Industrial and Logistics Powerhouse

5.5B 5.5 billion SF of industrial inventory across 7 states—
253MSF under construction

● Industrial Markets
Larger Than 100 Million SF

Savannah and Charleston are
the fastest growing major
ports in U.S. since 2019 **#1**

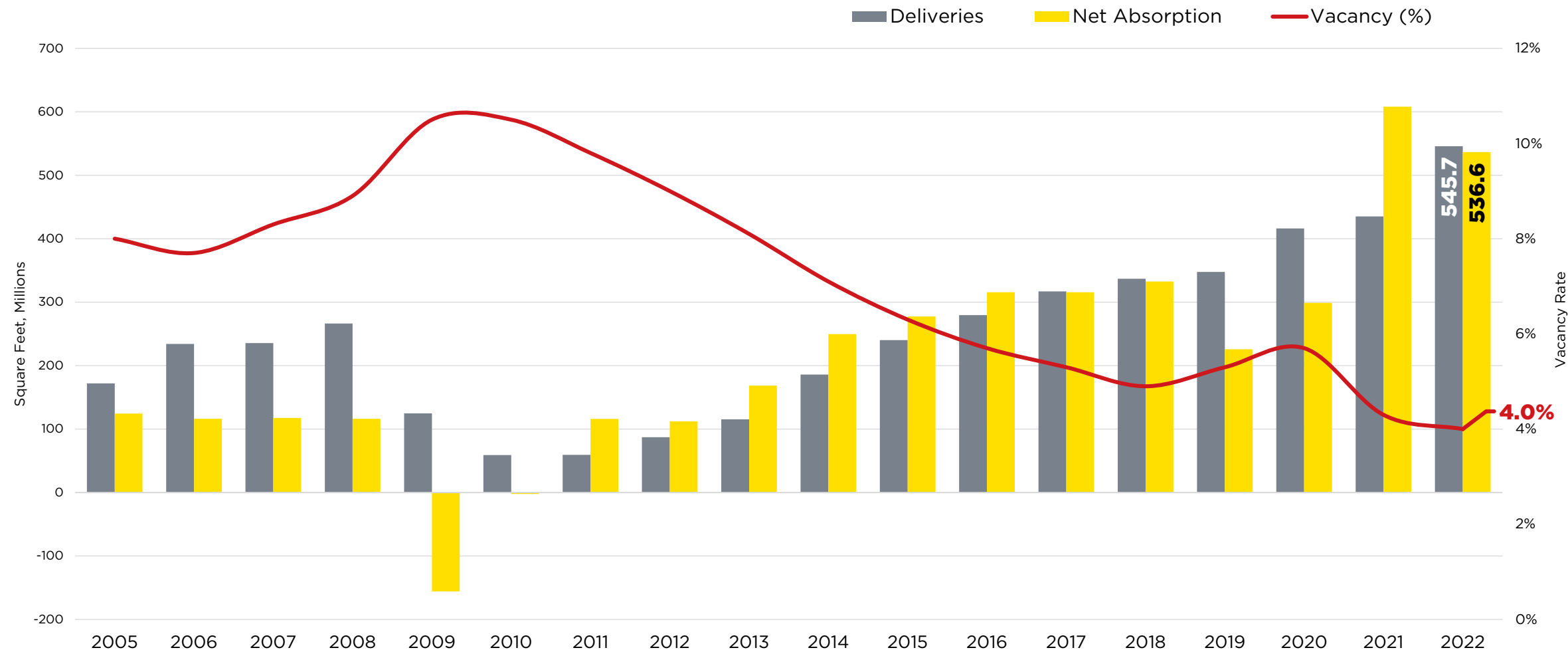


28 Georgia has 28 freight
railroads (2 Class 1) and top
intermodal on East Coast

share of U.S. markets within
a two day's drive of Georgia **80%**

Source: Savills Research

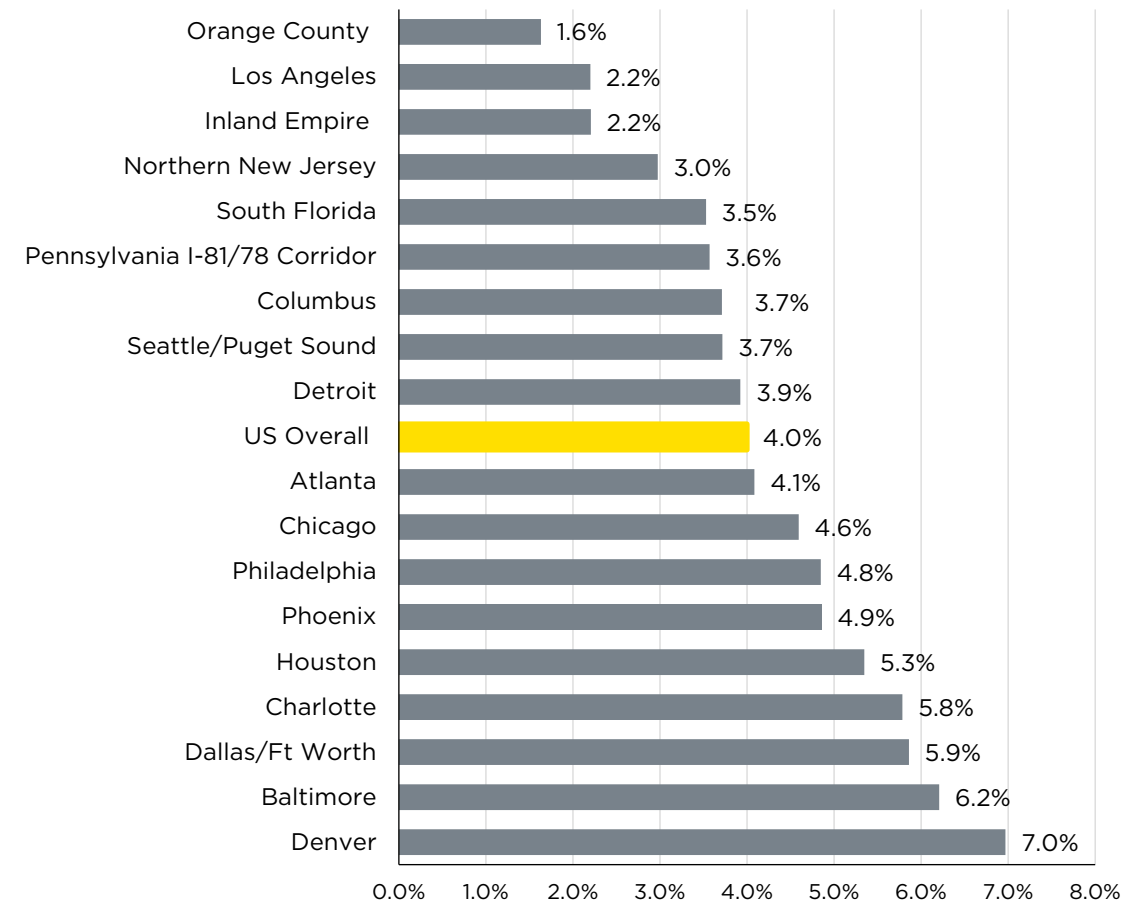
Landlords Maintain Leverage as Supply-Demand Imbalance Persists



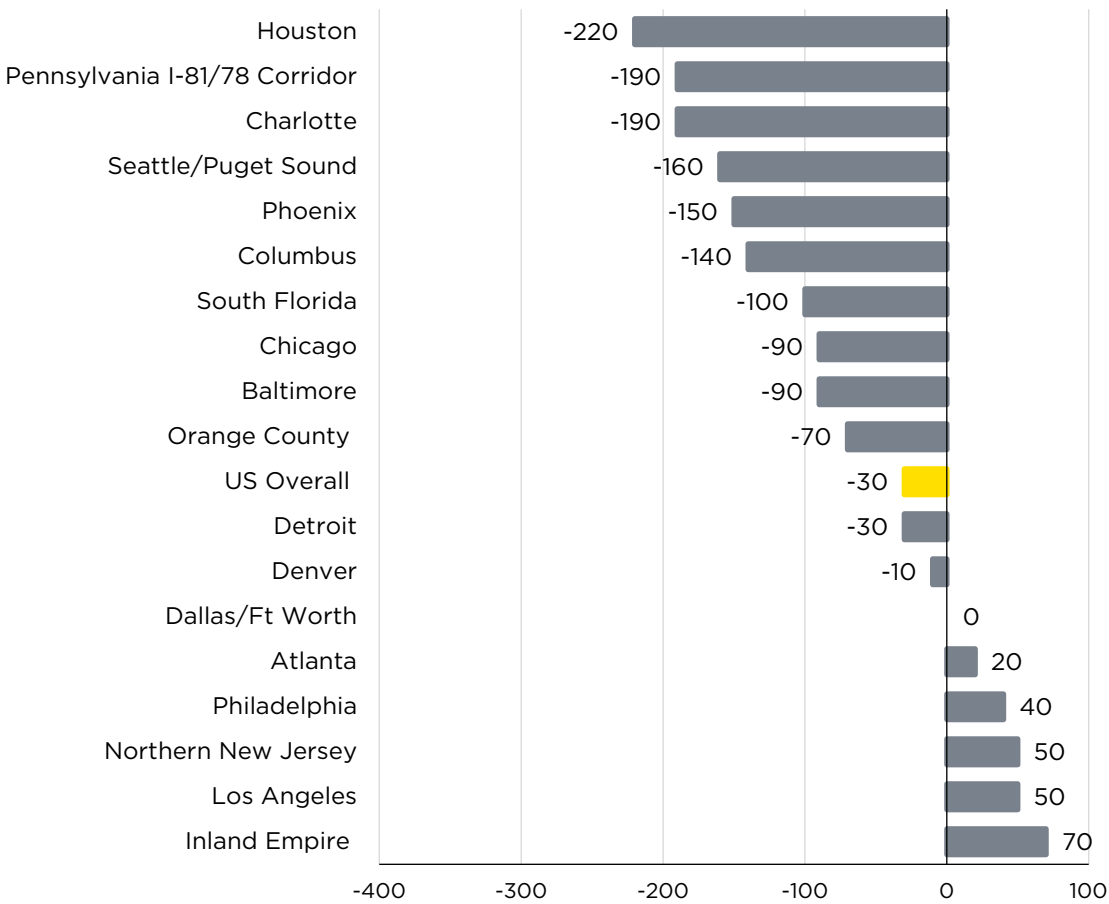
Source: Savills Research

Vacancy Down Across the Board, Coastal Markets “Sold Out”

Q4 2022 Vacancy Rate



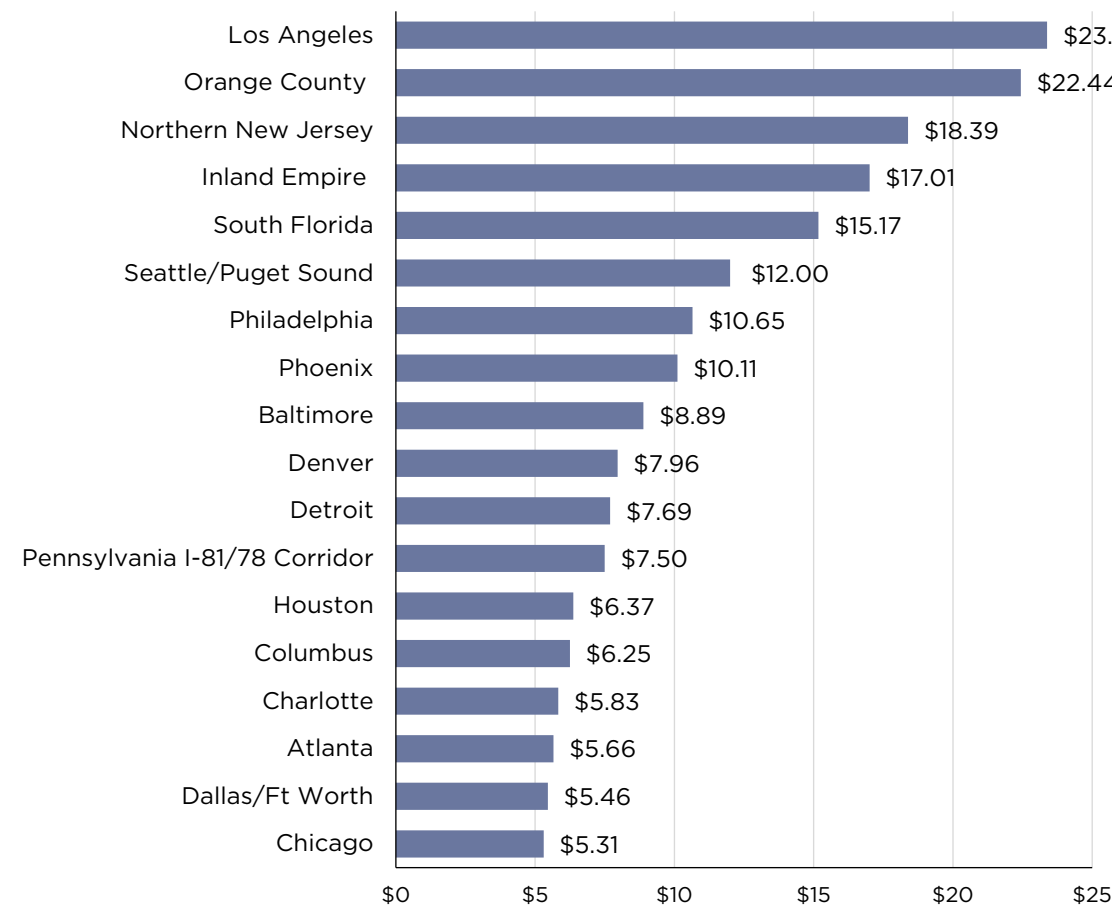
One Year Vacancy Change (basis points)



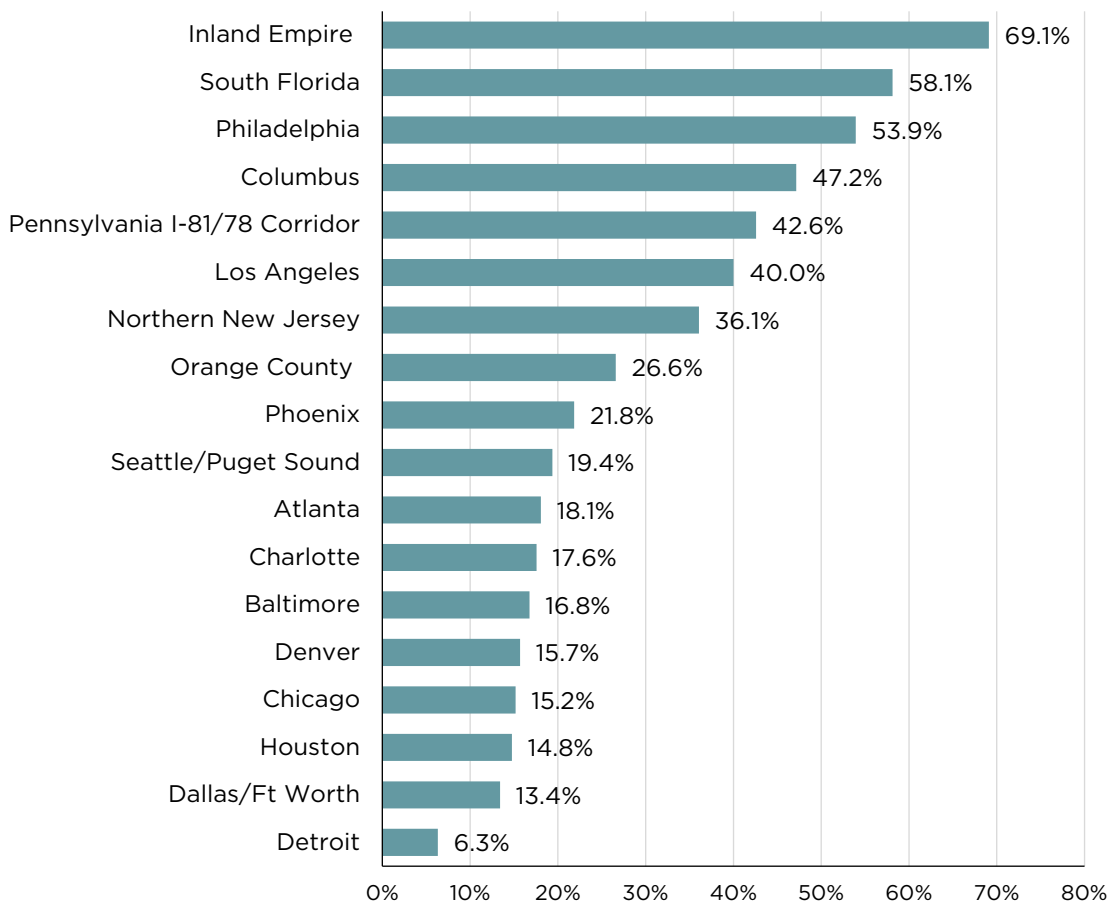
Source: Savills Research

Recent Blockbuster Rent Growth Expected to Moderate

Q4 2022 Asking Rental Rate (Class A, 100k SF+)



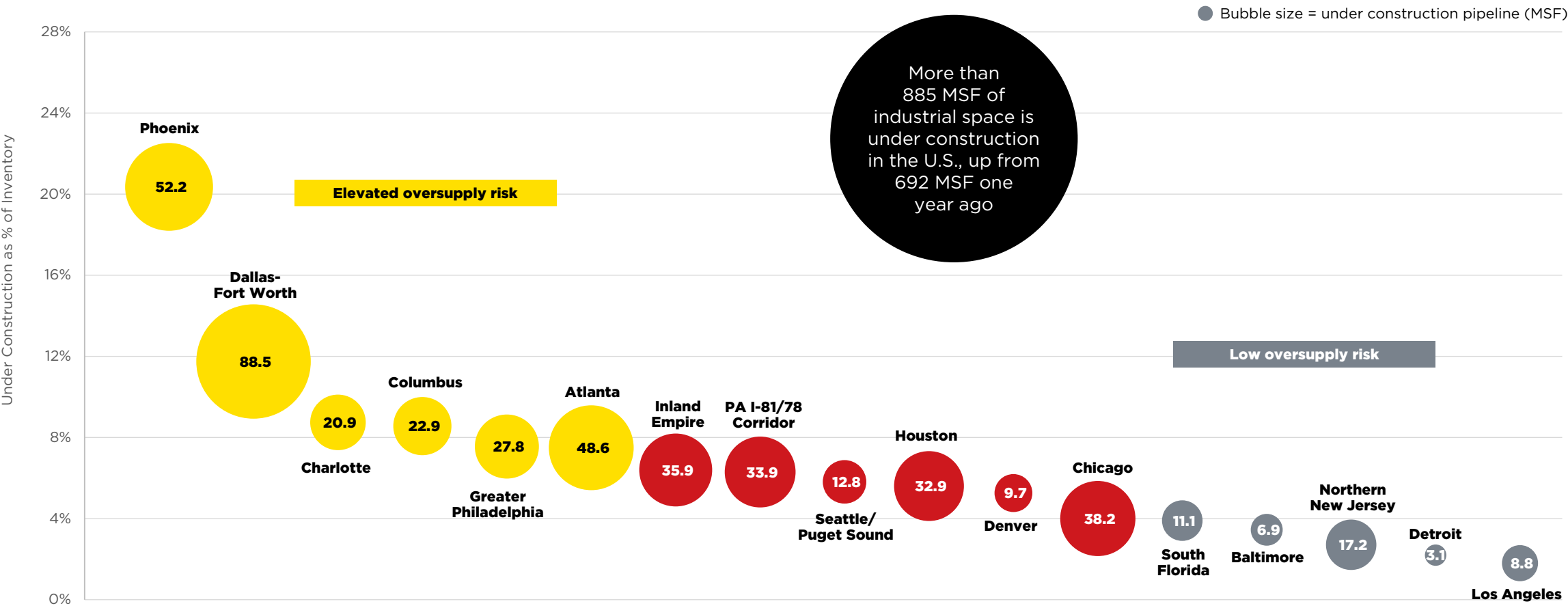
One Year Rent Growth



Source: Savills Research

Oversupply Risk Rising, Particularly in Sun Belt Markets

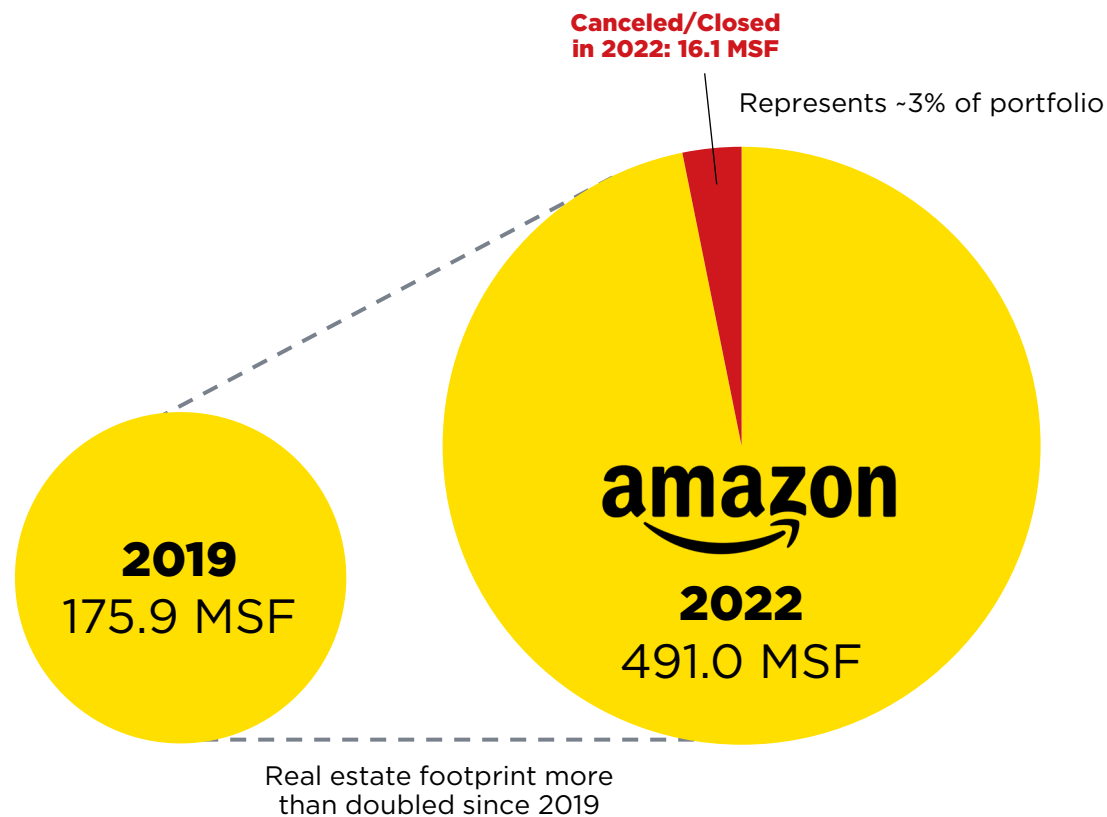
Construction Pipeline: Total SF vs. % of Market Inventory



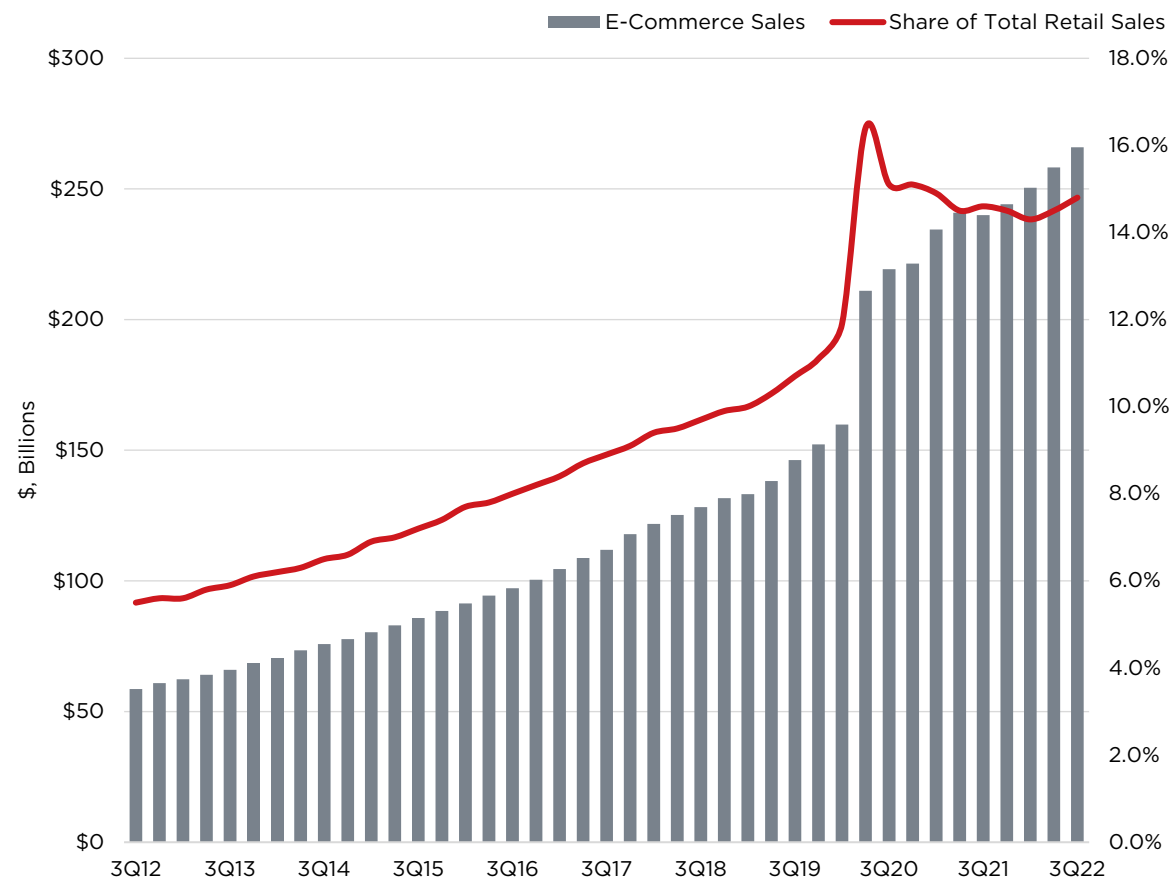
Source: Savills Research

Pandemic Pop Over, But E-Commerce Outlook Still Positive

Amazon U.S. Facilities*



E-Commerce Penetration



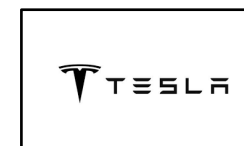
*Note: 2019 figures reflect ground SF of active facilities at year end; 2022 figures represent active + future facilities as 12/1/2022
Source: MWPVL, U.S. Department of Commerce

EV Pipeline Exceeds \$89 Billion and 88,000 New Jobs

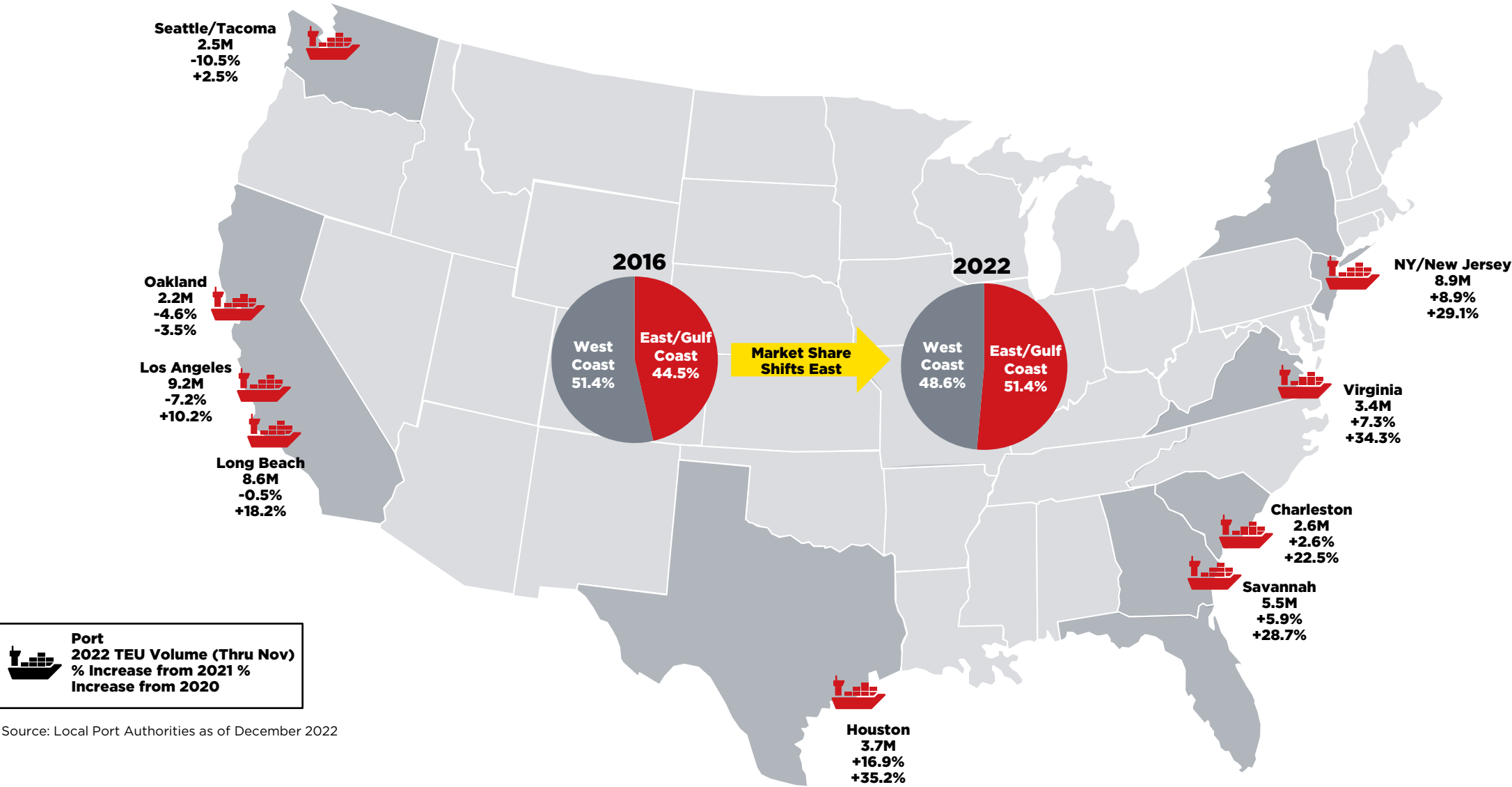
Manufacturer	City	State	Opening	Investment	Jobs
Ford/LG	Glendale	KY	2025	\$5.8B	5,000
Ford/SK Innovation	Stanton	TN	2025	\$5.6B	5,700
Hyundai	Ellabell	GA 	2026	\$5.5B	8,100
Hyundai / SK On	Cartersville	GA 	2025	\$5.0B	3,500
Rivian	Social Circle	GA 	2025	\$5.0B	7,500
Vinfast	Raleigh	NC	2024	\$5.0B	7,500
Vinfast	Chatham County	NC	2024	\$5.0B	13,000
Stellantis/LG	Windsor	ON	2024	\$5.0B	2,500
Honda/LG	Fayette County	OH	2025	\$4.4B	2,200
Italtvolt/Statevolt	Imperial Valley	CA	2023	\$4.0B	2,500
Panasonic	De Soto	KS	2026	\$4.0B	4,000
General Motors	Lake Orion*	MI	2024	\$4.0B	2,350
Tesla/Panasonic	n/a	OK	n/a	\$4.0B	4,000
Toyota	Greensboro	NC	2025	\$3.8B	2,100
SK Innovation	Commerce	GA 	2022	\$2.6B	3,000
General Motors/LG	Lansing	MI	2024	\$2.6B	1,700
FREYR Battery	Newnan	GA 	2024	\$2.6B	732
Stellantis/Samsung SDI	Kokomo	IN	2025	\$2.5B	1,400
Gotion High-Tech	Big Rapids	MI	2024	\$2.4B	2,350
General Motors/LG	Lordstown	OH	2022	\$2.3B	1,100
General Motors/LG	Spring Hill	TN	2023	\$2.3B	1,300
Ford	Dearborn/Flatrock/Wayne*	MI	2024	\$2.0B	2,000
Our Next Energy	Wayne County	OH	2024	\$1.6B	2,000
Ford	Avon Lake*	OH	2025	\$1.5B	1,800
Hyundai Mobis	Savannah	GA 	2024	\$0.9B	1,500

*Retooling of existing facilities. Source: Savills Research

 Georgia location



Congestion and Delays Pushing Demand to Alternative Ports



Port of Savannah One of Fastest Growing in U.S.

Recent/Ongoing Capital Investments

\$973M

Savannah Harbor Expansion Project
Completed in March 2022, the harbor was deepened from a depth of 42 feet to 47 feet and also extended the entrance channel by 7 miles and deepened the outer harbor for approximately 18.5 miles into the Atlantic Ocean.

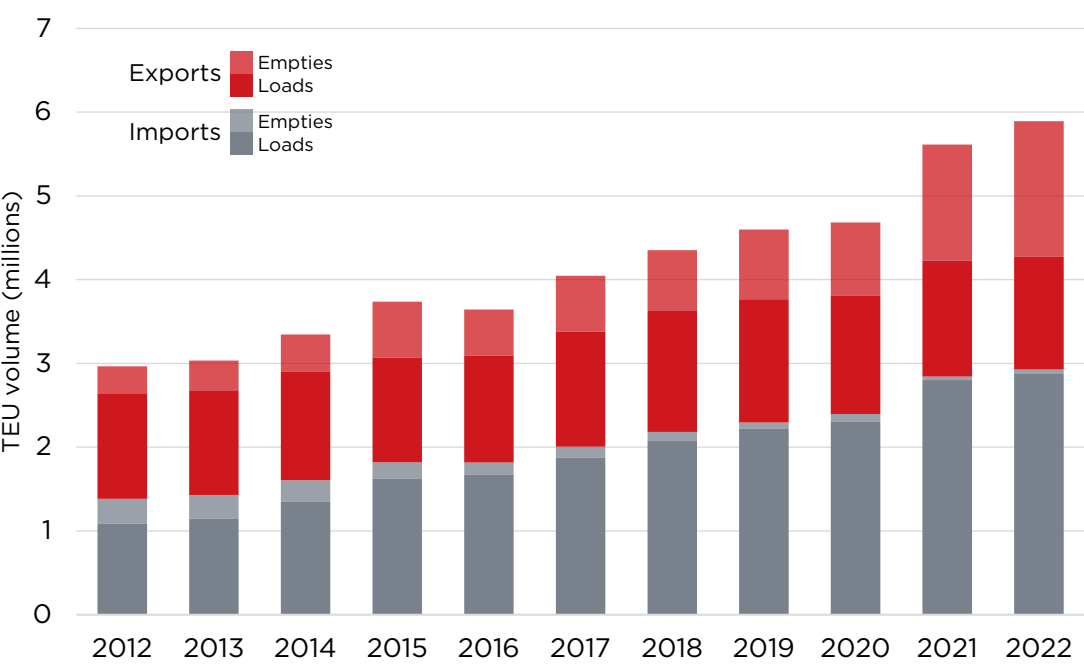
\$128M

Mid-America Arc Initiative
By linking the Garden City Terminal's two rail yards, rail lift capacity is projected to double to nearly 1 million containers per year.

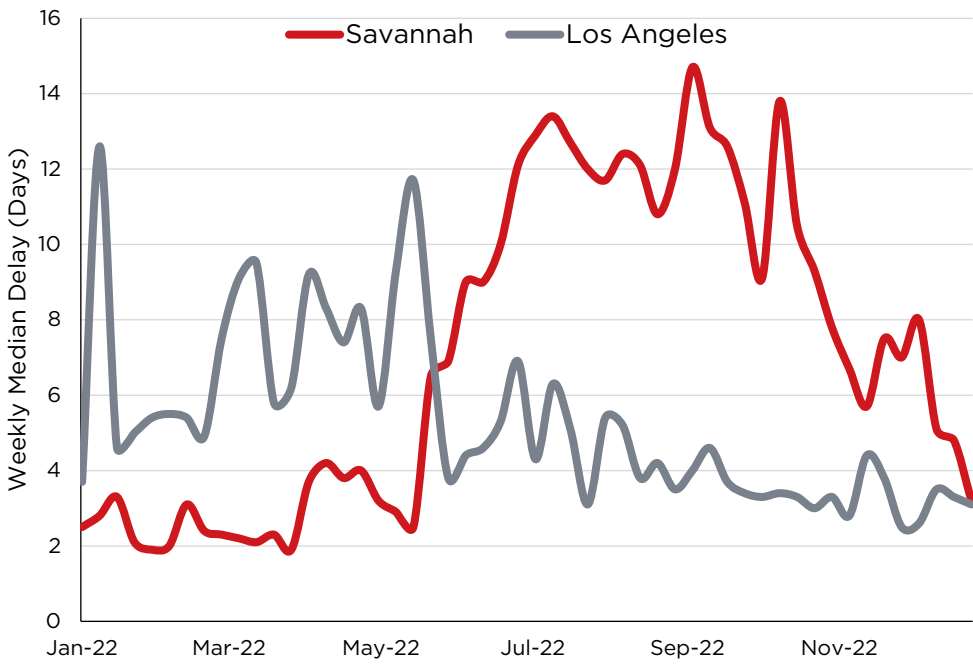
\$200M

Garden City Terminal West Project
An additional 90-acres to be developed on GPA-owned land for cargo space, increasing the port's annual capacity by 1 million TEUs in phases throughout the next two years.

Trade Volume (TEUs)

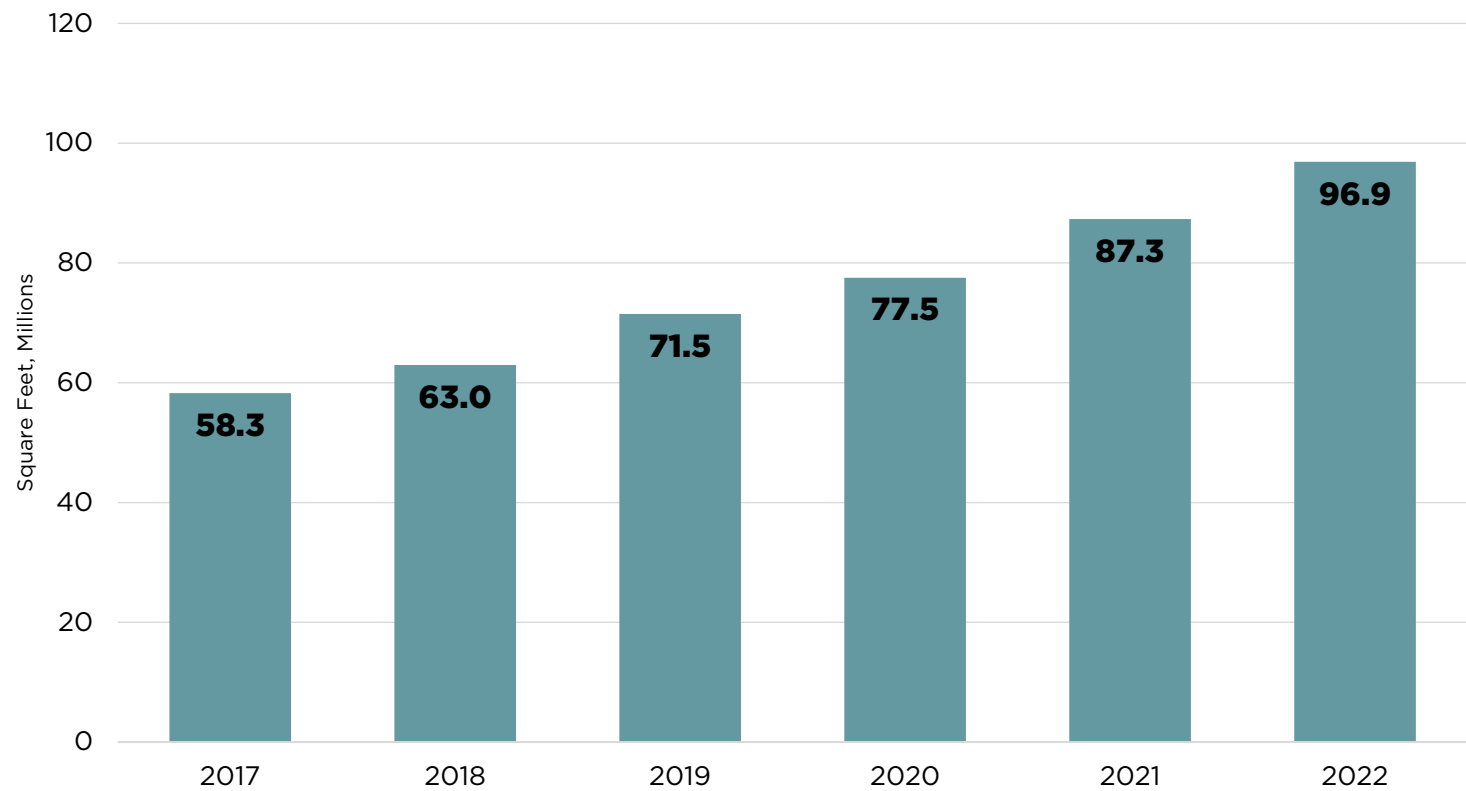


Port Congestion



Savannah Industrial Market Stays Tight Despite Exponential Growth

Industrial Building Inventory Expansion



4Q 2022 Market Statistics

96.9M
Total industrial building inventory

30.5M
Square feet under construction

2.6%
Vacancy rate

In Closing: The Opportunities We See for SPC

- Flight to quality providing opportunities to upgrade to better buildings/locations
- Superseding Lease Restructures – lock in lower rates and/or return excess space in return for longer lease terms



Q&A



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Thank you

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