



# **Space Planning Considerations and Market Value Leasing**

**GASFA  
September, 2021**





The State Properties Commission is Georgia's real property portfolio manager, managing all property acquisition and dispositions and providing leasing for State entities.

### Key Questions:

- What is happening with office jobs in the return-to-work economy?
- The State has over 1,100 leases ... how do we make sure we get the best use of rent dollars?
- And why does it take so long to get a new lease done?

Portfolio Map & Summary

LEASED PORTFOLIO OVERVIEW (2 Peachtree not included in metrics)

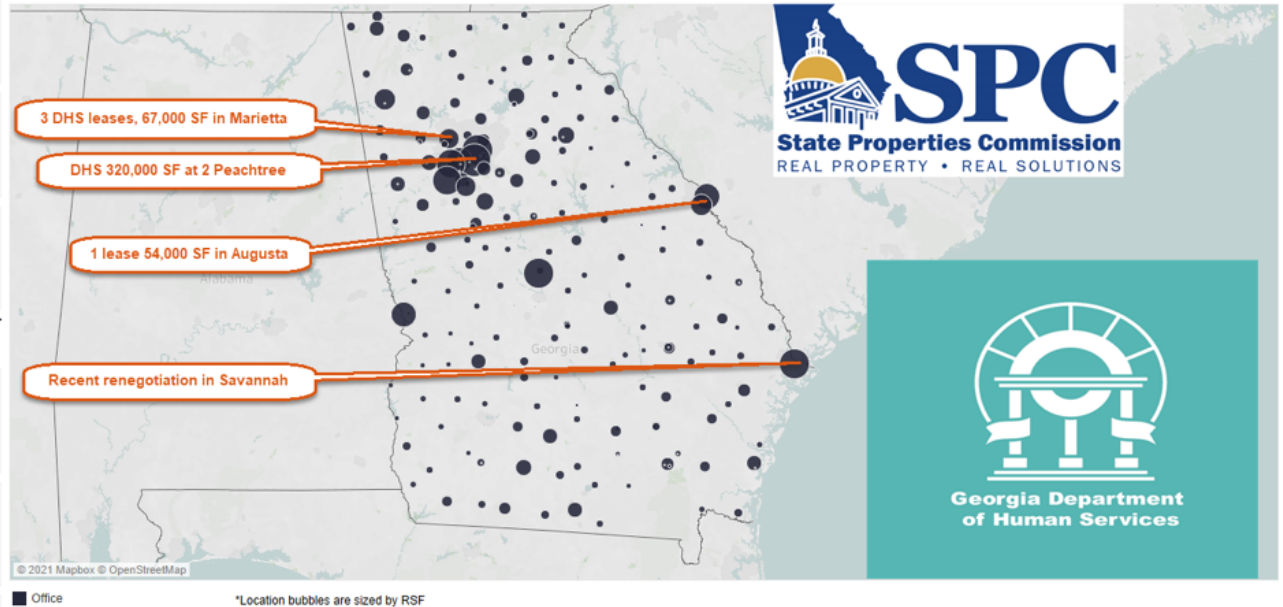
 <b>171</b> Properties	 <b>2.55 MM</b> RSF
 <b>\$31.7 MM</b> Avg Annual Cost	 <b>\$12.44</b> Avg Cost/RSF
 <b>6,982</b> People	 <b>9,054</b> Seats

EFFICIENCY KPIS

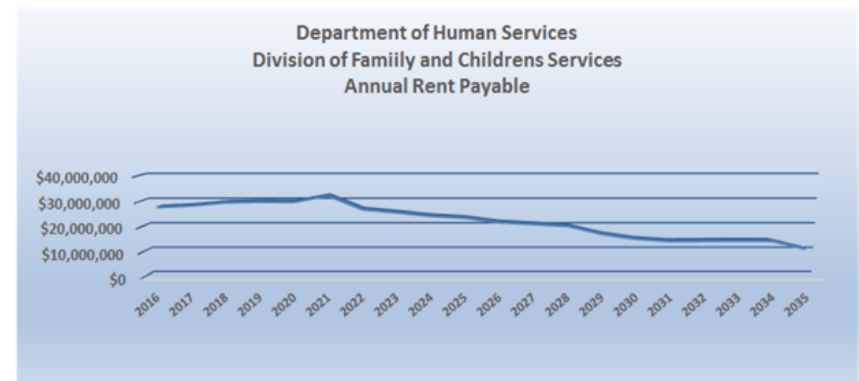
 <b>77%</b> Occupancy	 <b>\$7.25 MM</b> Vacancy Cost
 <b>\$3,501</b> Cost/Seat	 <b>\$4,540</b> Cost/Person
 <b>281</b> RSF/Seat	 <b>365</b> RSF/Person

OWNED PORTFOLIO OVERVIEW

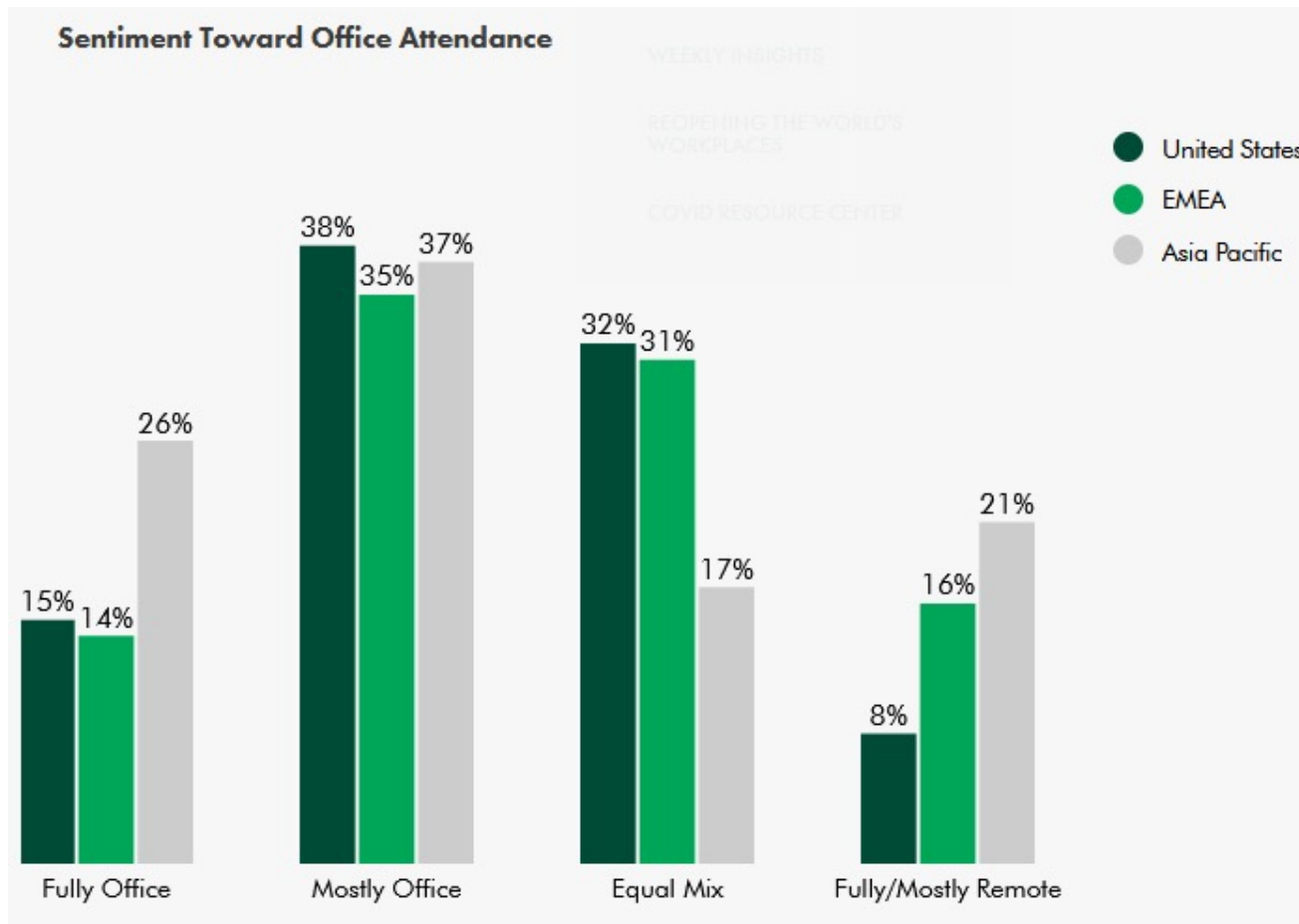
 <b>6</b> Properties	 <b>215,000</b> RSF
 <b>834</b> People	 <b>917</b> Seats



**Portfolio Overview**  
July 14, 2021



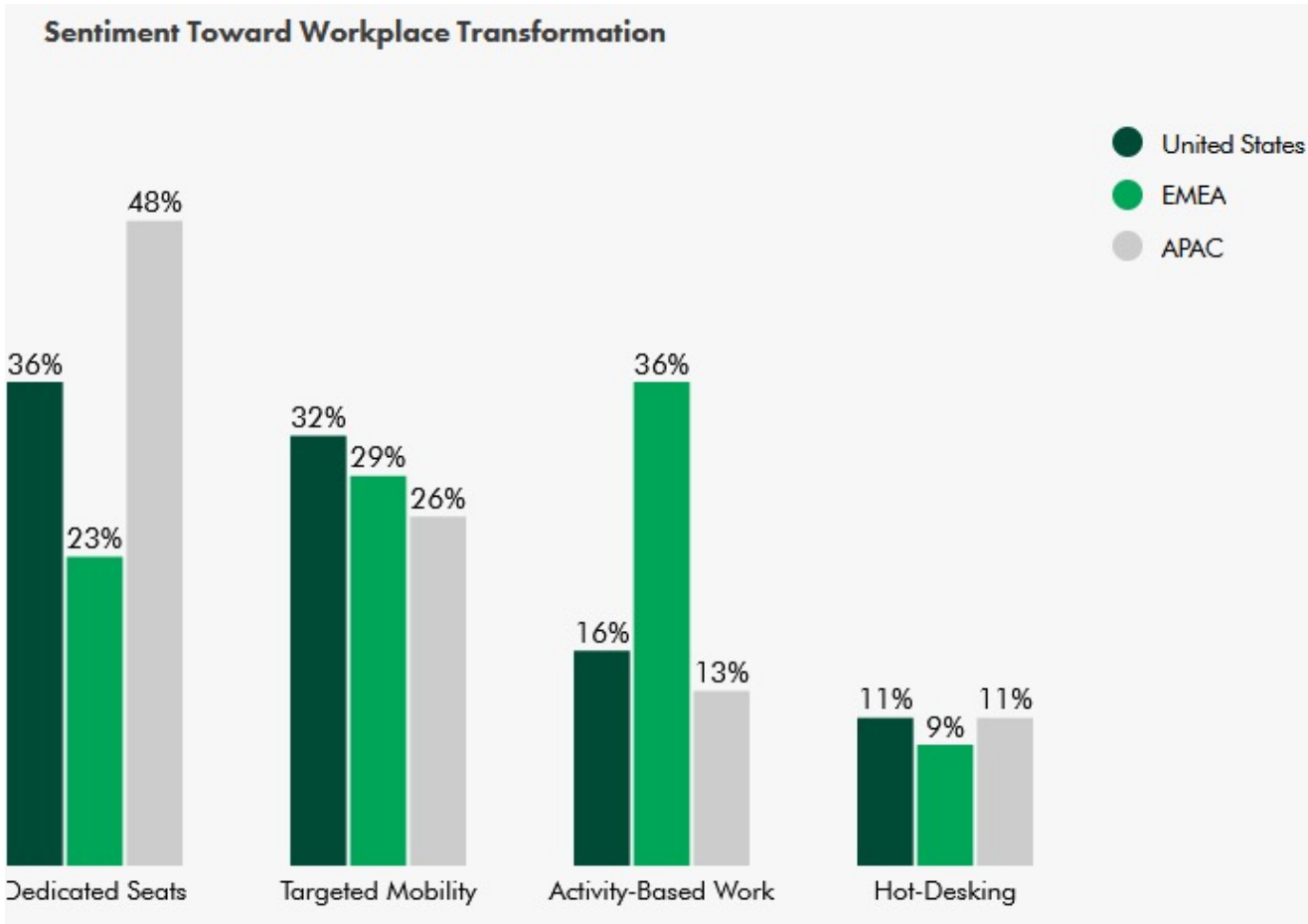
# Hybridization and the return to work:



Most corporate users  
anticipating some  
amount of hybrid  
office / remote work.

Source: CBRE Survey, Spring 2021

# Hybridization and the return to work:



Most corporate users anticipating reducing dedicated seating in favor of shared / hoteling regimens

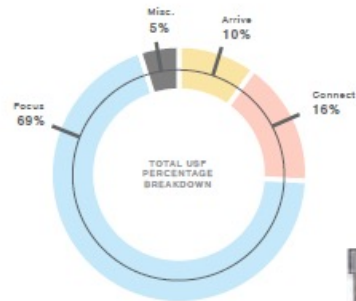
Source: CBRE Survey, Spring 2021



## Pre- and post-pandemic office strategies:

- \* Less individual work area
- \* More flex work / collaboration area
- \* More community/commingling area
- \* **No significant change in SF per seat**

### PRE-PANDEMIC WORK PLAN

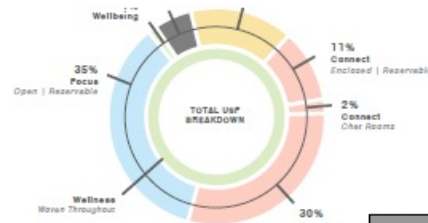


LEGEND

- NOT IN SCOPE
- ARRIVE
- FOCUS
- CONNECT
- SUPPORT AREAS



### POST-PANDEMIC WORK PLAN



LEGEND

- NOT IN SCOPE
- ARRIVE
- FOCUS
- CONNECT
- WELLBEING





# Hybridization and the return to work

Positives:

More cost effective use of space

Enhanced productivity

Greater satisfaction

Recruitment /  
retention

## **BLIND BLOG – WORKPLACE INSIGHTS**

Company	Policy Satisfaction	Wanting to Leave	Announced Policy
Indeed	92%	3%	Full WFH for many roles including engineering and flex for most roles
Facebook	87%	11%	Full WFH by approval or 50% time in the office
Twitter	85%	5%	WFH Forever
Zillow	82%	14%	WFH Forever for 90% of employees
Google	54%	30%	WFH by approval. Expects 60% of its employees in the office and 20% remote
Amazon	47%	40%	Mandated 3 days a week in the office starting Sep 2021
Apple	41%	37%	Mandated 3 days a week in the office starting Sep 2021
Uber	37%	42%	Mandated 3 days a week in the office starting Sep 2021



# Hybridization and the return to work

Negatives:

Less collaboration

Lost acculturation

Onboarding obstacles

Cybersecurity

**The  
Guardian**

**The empty office: what  
we lose when we work  
from home**

For decades, anthropologists have been telling us that it's often the informal, unplanned interactions and rituals that matter most in any work environment. So how much are we missing by giving them up?





# Hybridization and the return to work

## Department of Education – Floyd Tower before downsizing (<12/31/2020)

East Building / Floor / Assignment	Chargeable SF
<b>20</b> GEORGIA DEPARTMENT OF EDUCATION	21,044
<b>19</b> GEORGIA DEPARTMENT OF EDUCATION	20,489
<b>18</b> GEORGIA DEPARTMENT OF EDUCATION	20,489
<b>17</b> GEORGIA DEPARTMENT OF EDUCATION	20,489
<b>16</b> GEORGIA DEPARTMENT OF EDUCATION	20,489
<b>15</b> GEORGIA DEPARTMENT OF EDUCATION	20,478
<b>14</b> VARIOUS	20,488
<b>13</b> GEORGIA DEPARTMENT OF NATURAL RESOURCES	20,488
<b>12</b> GEORGIA DEPARTMENT OF NATURAL RESOURCES	20,651
<b>11</b> GEORGIA DEPARTMENT OF NATURAL RESOURCES	20,652
<b>10</b> GEORGIA DEPARTMENT OF NATURAL RESOURCES	20,651
<b>09</b> VARIOUS	20,652
<b>08</b> VARIOUS	20,628
<b>07</b> GEORGIA DEPARTMENT OF EARLY CARE AND LEARNING	20,650
<b>06</b> GEORGIA DEPARTMENT OF EARLY CARE AND LEARNING	20,647
<b>05</b> STATE BOARD OF PARDONS AND PAROLES	21,216
<b>04</b> VARIOUS	12,757
<b>03</b> VARIOUS	18,912





# Hybridization and the return to work

## Department of Education – Floyd Tower before downsizing (>1/1/2021)

East Building / Floor / Assignment	Chargeable SF
<b>20 GEORGIA DEPARTMENT OF EDUCATION</b>	<b>21,044</b>
19 GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS	20,489
18 GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS	20,489
17 VACANT	20,489
16 VACANT	20,489
<b>15 GEORGIA DEPARTMENT OF EDUCATION</b>	<b>20,478</b>
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## The World According to State Properties ...



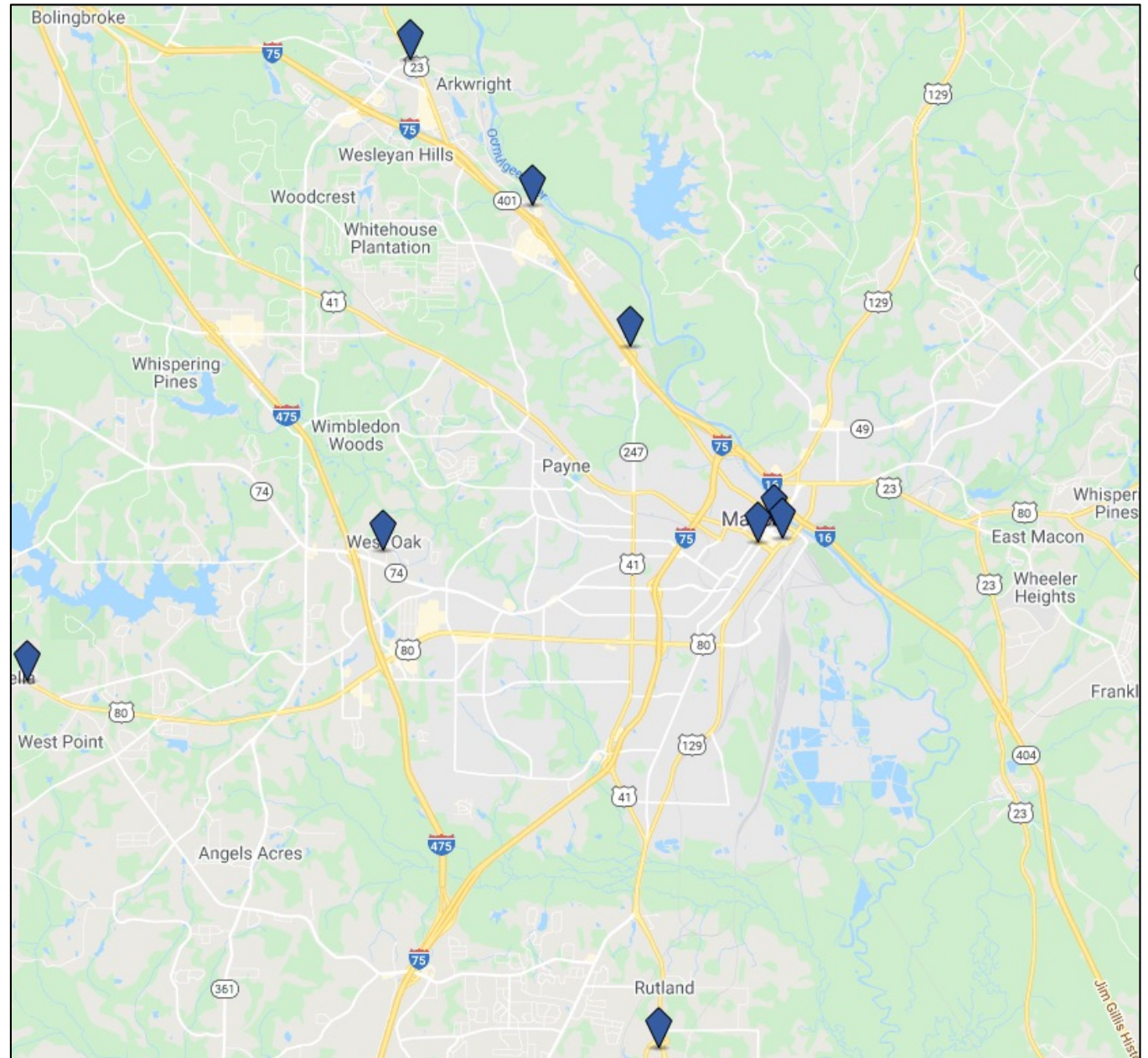
**Do not be this guy**





# CoStar search results for Macon

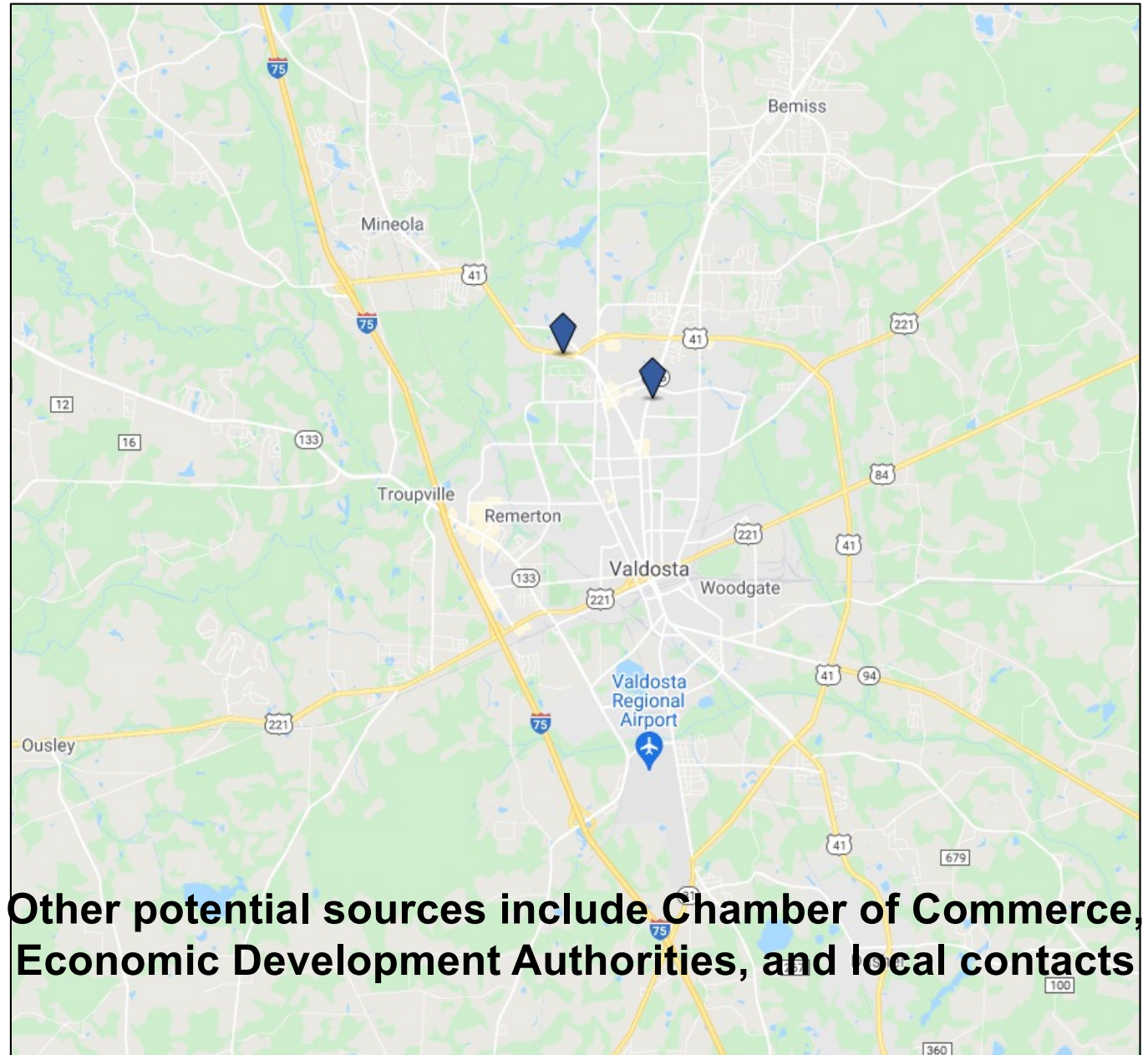
+/-7,500 SF office





# CoStar search results for Valdosta

+/-7,500 SF office



**Other potential sources include Chamber of Commerce,  
Economic Development Authorities, and local contacts**





## Role and usefulness of a broker

- Can provide a more complete survey of the market than on-line searches
- Should have a good degree of knowledge of recent deals in the market
- Will sometimes negatively affect the economic deal you can make

# Negotiating with Landlords – best practices

- Set up competition with multiple potential landlords (if possible)
- Do not have to take the first offer
- ALWAYS have a second option – do not fall in love with any piece of real estate



" As first offers are usually unrealistic I would prefer it if you submit the second offer first."



## Terms that can be negotiated

- Base rent
- Operating expenses included in the base rent
- Operating cost expense recovery by Landlord
- Rent abatements
- Commencement date
- Interior improvements
- Annual renewal rents
- Add on factor
- Everything else



# Negotiating the deal

- Advantages to sellers of dealing with the state
  - high credit quality
  - certainty of close
  - may not be the highest bidder, but sometimes the only one
- Disadvantages of dealing with the state
  - not quick
  - cannot make certain commitments / deposits
  - sidelined by some issues private tenants can accept

# Request for Proposal or Letter of Intent?

## Request for Proposal

- Required by State policy to be used for most larger / longer transactions
- Regimented process takes longer to accomplish
- Have less flexibility in changing requirements or parameters
- Frequently results in fewer responses



## Letter of Intent

- Used for smaller / shorter transactions
- Most common method of negotiating for space or renewals
- Easier for most landlords to understand to participate in the process







# Why Does it Take So Long?

## A typical timeline ...

Task Name	SPC	Non-SPC
<b>Annual New Lease Space Action Form Processing Timeline</b>	<b>85 days</b> (Minus 10 day if Landlord prepares drawings)	<b>223 days</b> (Minus 10 day if SPC prepares drawings)
<i>Space Management Initial Receipt of SAFP</i>		
1 Space Management Receive and Enter Space Action Form and Space Utilization Questionnaire into SATMT	2 day	0 days
2 Space Management Prepares Space Utilization Program and SPC Lease Budget Summary	10 days	0 days
3 Space Management Forwards SUP and SPC Lease Budget Summary to Agency for Review and Approval and Update SATMT	0 days	5 days
3.1 SUP/SPC Lease Budget Summary Revision by the Agency	0 days	5 days
4 BLLIP review of State Owned or Leased Space	2 day	0 day
5 Space Management Sign and Forward the Space SM Package to Transaction Management (SM Package includes BLLIP Review)	1 day	0 day
<i>Transaction Management Receive Space Package</i>		
6 Transaction Management Receive SM Package from Space Management and Assign to Leasing Specialist, Update SATMT	2 days	0 days
7 Leasing Specialist Begin to Search the Market for Locations, Conduct Site Visit and Receive the Proposal from Landlord.	20 days	0 days
8 State Properties Commission Makes Recommendation for Agency Approval Based on the Received Proposal from the Landlord. Leasing Specialist will send out the Landlord Requirements Packet.	0 days	10 days
<i>Negotiations</i>		
15 Leasing Specialist Forward the Design Intent Drawing to the Landlord for Pricing Approval; Copying Agency.	0 days	5 days
16 Leasing Specialist Receive the Pricing Package Back from the Landlord.	1 days	0 days
17 Leasing Specialist Send the Final Pricing Package to the Agency for Approval.	0 days	3 days
18 Leasing Specialist Receive the Pricing Package Back from the Agency to Complete Negotiation.	1 days	0 days
19 Leasing Specialist Prepares Rental Agreement to Send to Landlord for Signature and Update SATMT	2 days	0 days
20 Leasing Specialist Submit Design Intent Drawings Required for Occupancy to the State Fire Marshall Office and ADA for Approval; Send Copy of Drawings to GTA and Update SATMT.	0 days	45 days
21 Leasing Specialist receive Signed Rental Agreement/IGA/Sub-Lease Back from the Landlord	0 days	10 days
22 Leasing Special Prepares and Forward Rental Agreement/IGA/Sub-Lease to Agency and Update SATMT	2 days	0 days
23 Leasing Specialist Receives Signed Rental Agreement/IGA/Sub-Lease From the Agency and Update SATMT	0 days	10 days

24	Lease/Sub-Lease Sent to Leasing Section Manager for Approval and returned to Leasing Specialist	3 days	0 days
25	Leasing Specialist forward the Rental Agreement/IGA/Sub-Lease to SPC Executive Director for Signature and Return to SPC.	7 days	0 days
26	Enter Lease Agreement into VP, Lease Abstract, Prepares and Mail Letter to Landlord and Agency; Leasing Specialist Update SATMT	5 days	0 days
<i>Preliminary/Test Fit</i>			
9	Leasing Specialist Request and Receive "As-Built" via Email From the Landlord; Copy Space Designer on Email Request	0 days	10 days
10	Space Management Prepares the Test Fit Design.	15 days	0
11	Space Management Send Test Fit Design to Agency/Landlord for Approval; Send Copy to Leasing Specialist	0 days	10 days
11.1	Test Fit Revision by the Agency	0 days	5 days
<i>Design Intent Drawings</i>			
12	Space Management Receives/Prepares and Forward the Design Intent Drawing to L.L.	10 days (Only if SPC prepares plan)	10 days (Only if L.L. prepares plan)
13	Agency and Landlord Receive the D.I.D. for Detail Review and/or Approval.	0 days	5 days
14	Space Management Receives the approved/signed D.I.D. from the Agency/Landlord Forward to the Leasing Specialist	1 day	0 days
26	<b>Build-Out Construction Starts</b>	0 days	90 days
27	Leasing Specialist Perform Walk Through of the Premise with Agency and Local Contact	1 day	0 day

*Does not include:  
 SPC Board approval, if needed  
 Landlord pricing and approvals  
 Agency changes to program, plans, or other information*



## The Takeaways ...

- SPC can be a strategic partner – we are not just transactions
- Every agency needs to be ready to have a hybrid policy available
- Get SPC involved early for maximum benefit
- Show flexibility in options for space



Questions?