savills

SEPTEMBER GASFA MEETING

2025 Real Estate Outlook

PREPARED FOR:

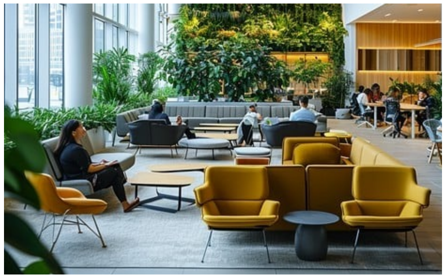
GASFA
Georgia Association of State Facilities Administrators

Presenting Today

- Erik Weiss
  Vice Chairman
  Savills

Our Agenda

What is the State of the Office Market In 2025?



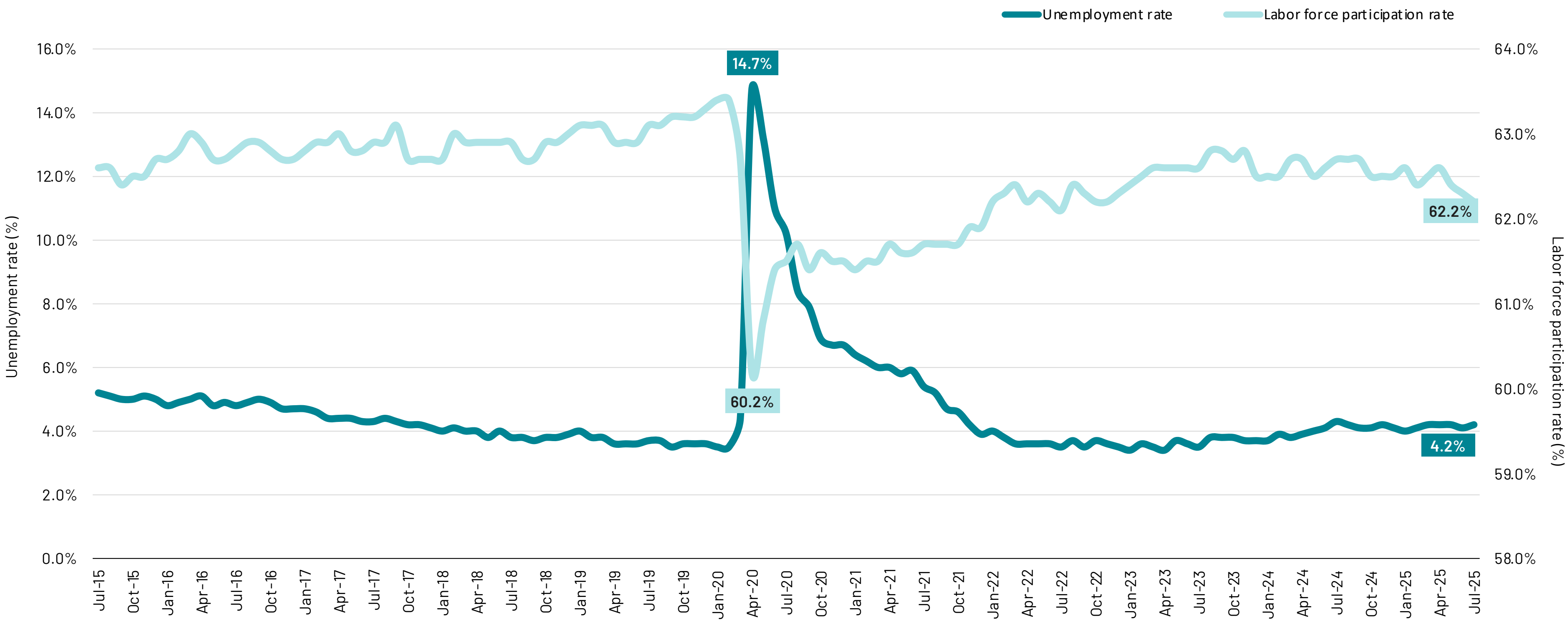
What Trends Are Changing?

Where Does Georgia Stand in the Growing U.S. Manufacturing & Data Center Sectors?

What are the Impacts to Georgia Government Real Estate users?

Labor force and unemployment begin to show signs of softening

U.S. monthly unemployment rate vs. U.S. monthly labor force participation rate (%)

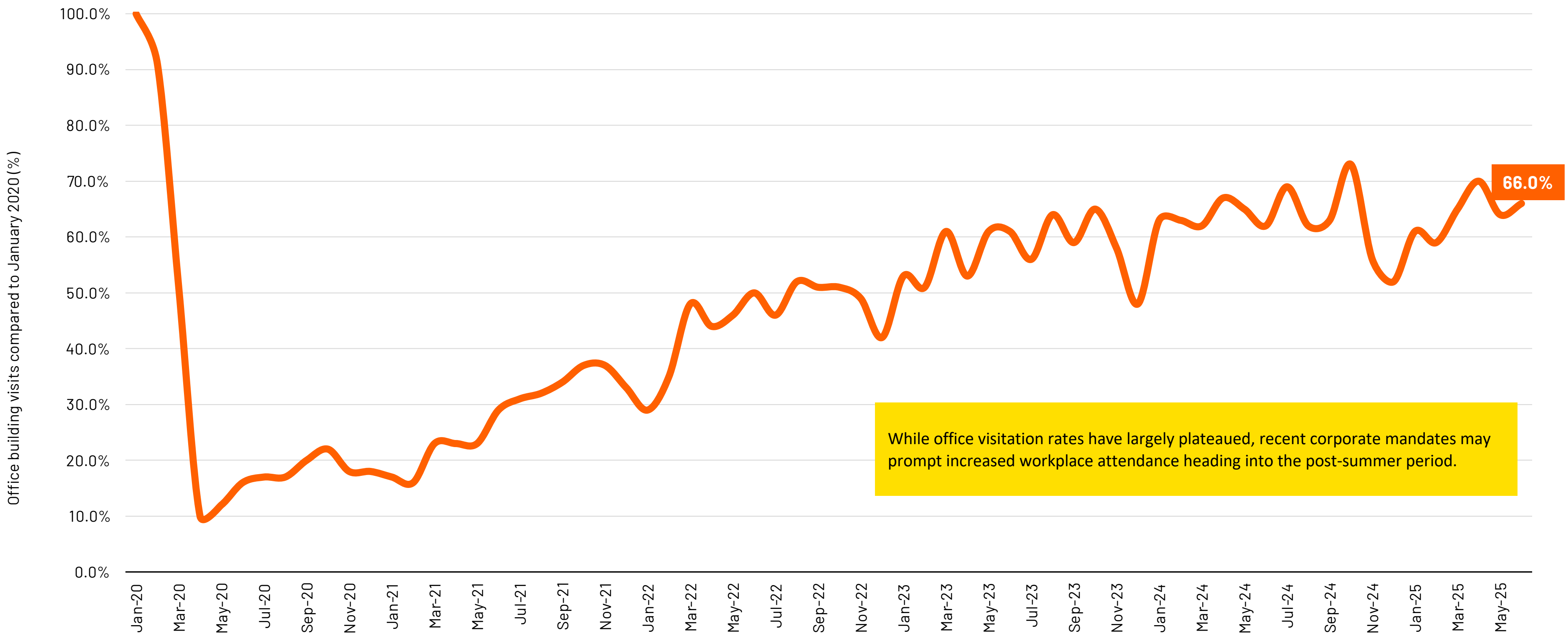


A change in U.S. unemployment could provide employers with more leverage to enforce stricter in-office requirements. As the war for talent dies down and economic headwinds persist, employees may grow more concerned about job security and become more likely to work from the office.

Source: Bureau of Labor Statistics

Office traffic has stabilized at mid-year despite rising return-to-office pressure

Nationwide office building visits through June 2025 compared to January 2020 baseline (all building classes)



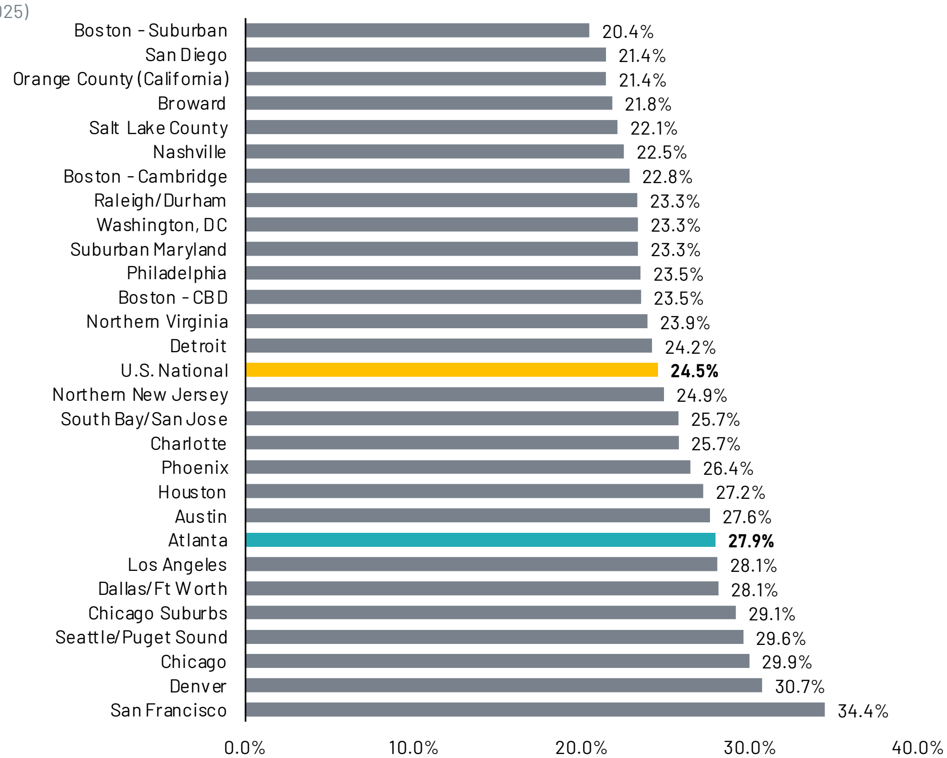
Source: Placer.ai

National Office Availability at 24.5% (Up from 17.3% Pre-Pandemic)

Atlanta Availability at 27.9% (Up from 19.6% Pre-Pandemic)

Total Availability Rate (%)

(Q2 2025)



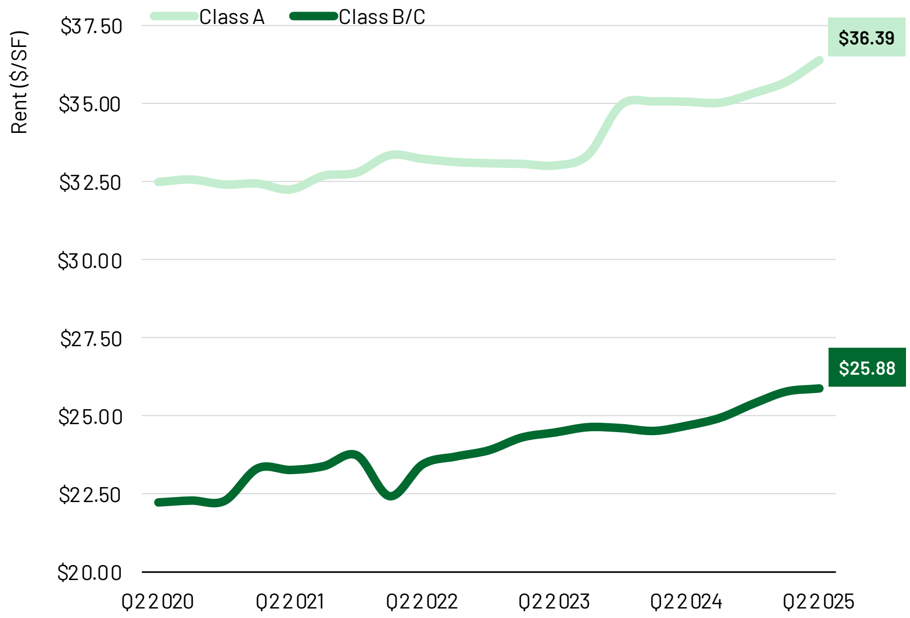
Helping Availability

- Office utilization has increased to 66% of pre-pandemic levels as businesses have set firmer in-office expectations.
- Sublease space has decreased over the past seven quarters.
- Momentum from late 2024 extended into early 2025, resulting in the strongest first-half performance since 2019, totaling 115.3 million square feet (msf).
- Office space under construction drops to a 10-year low.

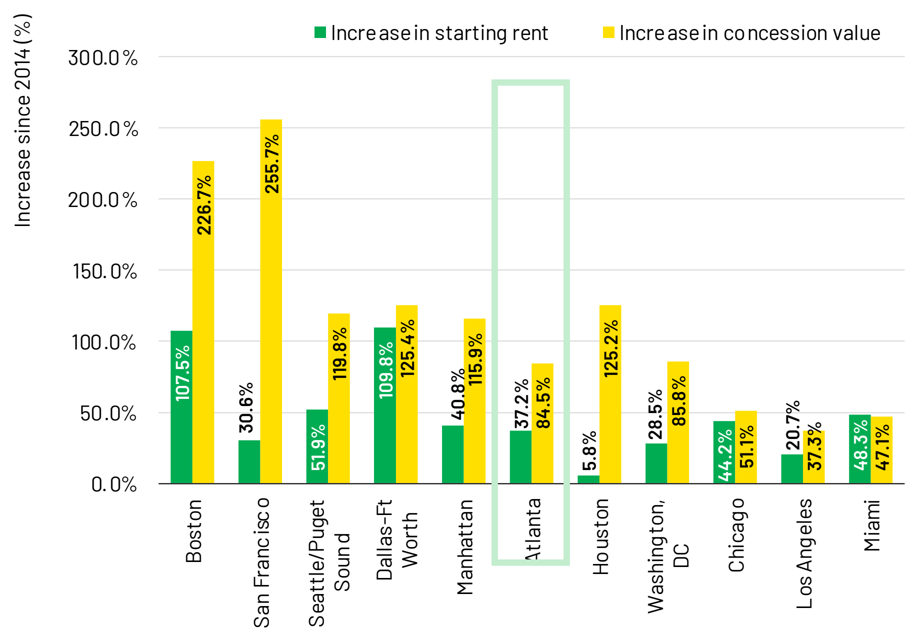
Hurting Availability

- In many markets, undercapitalized landlords are unable to execute long-term leases.
- Active construction peaked at in 2020, delivering space to an oversaturated market that has yet to be fully absorbed.
- Suburban office inventory that is underutilized office space.

Growth in Concession Values Has Outpaced Growth in Starting Rents



Source: Savills Research



Source: Savills Research, CompStak Analytics

Record-High Construction Costs

Markets in the Southeast & Southwest - Cost of Build Out per USF

Location	High Finish	Medium Finish	Building Standard Finish	Permit Process
Dallas-Ft Worth, TX	$175 – $255	$125 – $175	$80 – $125	4-16 weeks depending on the city (Dallas is closer to 16 weeks)
Raleigh, NC	$175 – $240	$130 – $175	$80 – $130	8-12 weeks
Charlotte, NC	$190 – $240	$140 – $190	$90 – $140	3 Weeks
San Antonio, TX	$190 – $265	$140 – $190	$90 – $140	8-12 weeks
Austin, TX	$195 – $265	$145 – $195	$95 – $145	8 Weeks
Houston, TX	$200 – $250	$160 – $200	$105 – $160	8-16 Weeks
Atlanta, GA	$250 – $325	$200 – $250	$140 – $190	Current average 3 weeks
Miami, FL	$255 – $330	$200 – $255	$170 – $200	16 Weeks

The Georgia government standard finish averages **$67.32** per USF

Construction pricing escalation slowed over the past year and has become less volatile.

- Most markets reporting flat, or only modest, changes in cost.
- Significant amount of 2nd generation space is available and can provide meaningful construction cost savings.
- Permitting process varies widely by location. Extended lead times make the sequencing of the project more important than ever, as missteps in the process can impact timeline.
- Labor continues to be a sore point in both direct construction costs as well as the impact on project duration.

Top issues to watch affecting future prices:

Infrastructure Investment

Government spending from the various infrastructure bills will have an impact through the rest of the decade.

Geopolitical Conflict

Shipping routes are disrupted, and port congestion has been exacerbated due to geopolitical tensions and regulatory changes.

Technological Advancement

Technological advancement such as AI will present opportunities to improve operational processes and efficiencies.

Material Availability

Some material pricing and lead times have been impacted. Recent disasters like the California wildfires may have an affect.

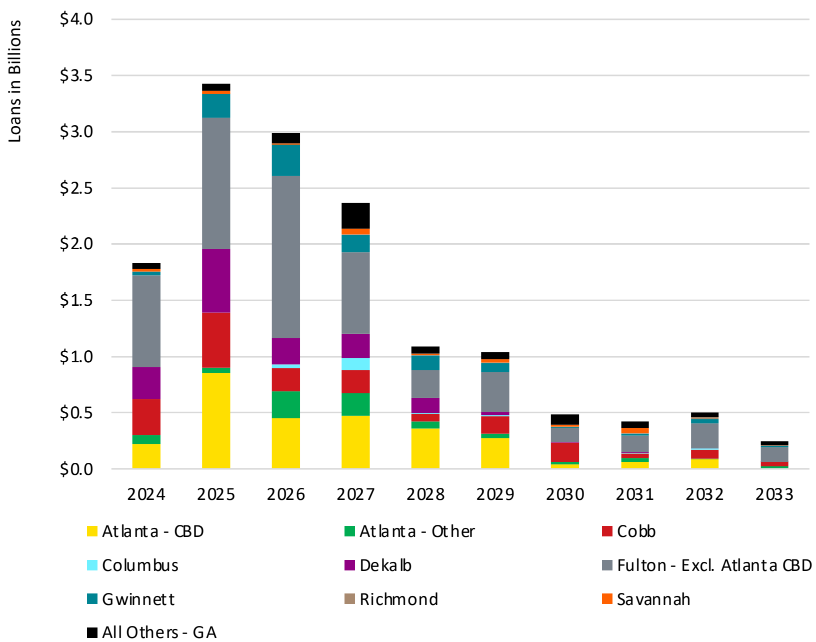
Labor & Equipment

Labor disputes and union negotiations could affect lead times and material price fluctuations.

Source: STOBG Construction Cost Report

Tables Have Turned - Record Amount of Debt Coming Due Puts Occupiers with Superior Credit in the Driver's Seat

Georgia Office Loans by Maturity Date & Location
(Q4 2024-2033)



Source: MSCI Real Capital Analytics

"1.2M SF Suburban Atlanta Office Portfolio Sold In Foreclosure"

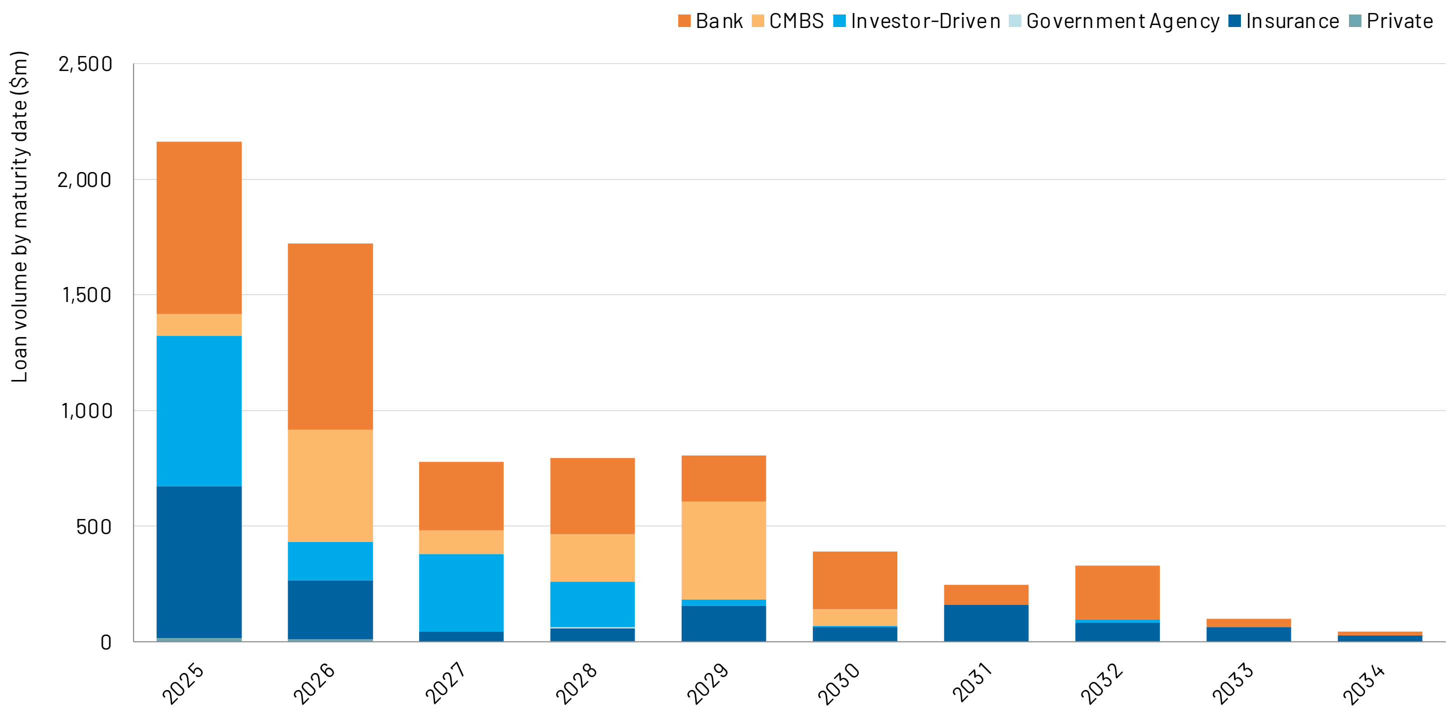
- The eight-property office portfolio's appraisal fell 36.2% from $439M to $279.9M.
- Five of the eight office complexes are in Metro Atlanta, three are in Chicago.
- An additional 10 buildings in Kennesaw, Alpharetta and Cumberland/Galleria are tied to the $350M CMBS loan to Adventus Realty Services.

What does this mean for office occupiers?

- Critical to understand underlying debt situation of ownership, as well as the property's financial situation and capital stack.
- Distress does not necessarily mean rents will decline or there will be a substantial increase in concessions as owners might be constrained by their lenders.
- Occupiers in a strong financial position with superior credit that are willing to sign long-term leases have more leverage as landlords look to preserve occupancy and lock in cash flow over a greater period.

Debt wall approaches amid challenging refinancing conditions

Office upcoming maturities over time ($m) & lender composition



- Debt maturities peak in 2025 and remain elevated into 2026, with more than $3.9 billion in outstanding office loans set to mature between now and 2026.
- Many landlords with upcoming loan maturities are looking to extend and refinance, but are unable to come to new terms that are feasible and handing back the keys.
- Refinances have been challenging for the last several years, as landlords are essentially locked-in to the lower rates they borrowed at before the interest rate hikes.

Source: MSCI Real Capital Analytics
Note: Includes office buildings over 20,000 square feet in Metro Atlanta

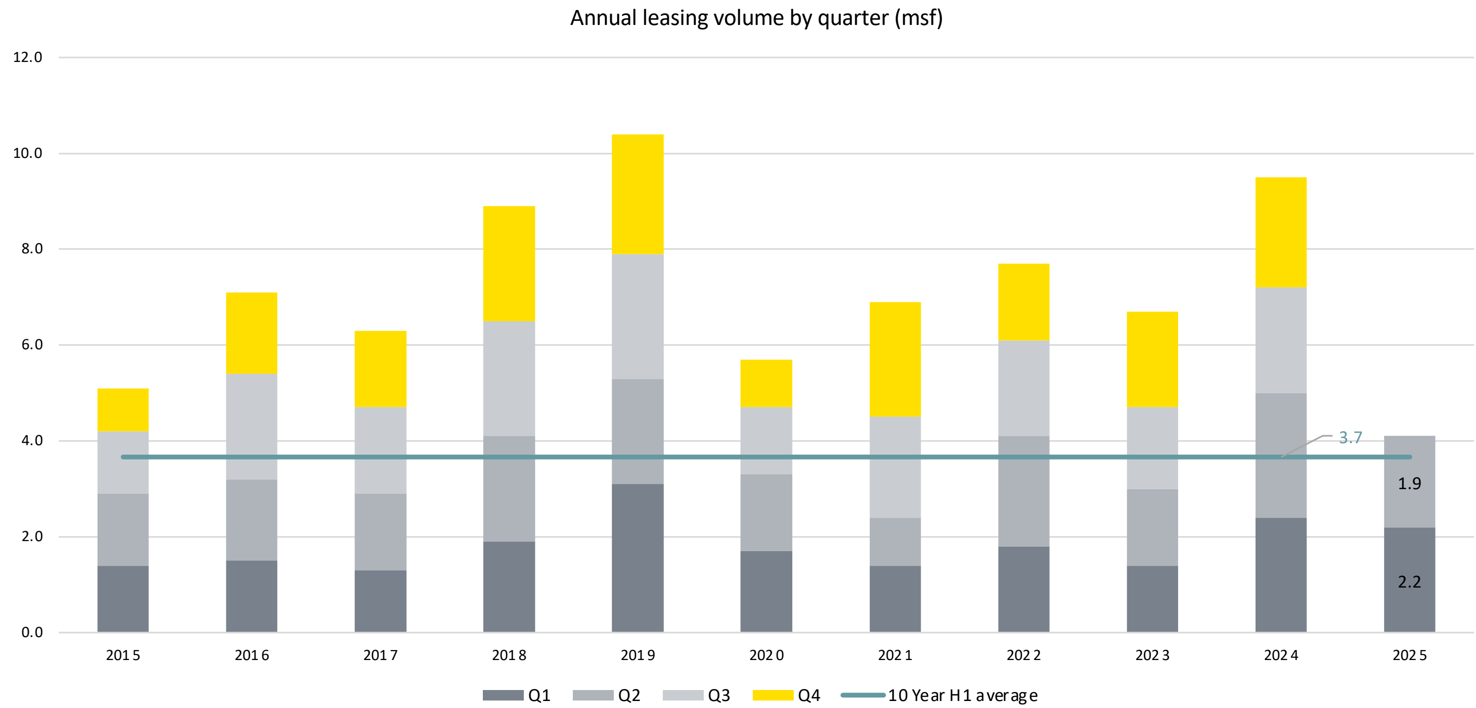
Atlanta leasing activity

Atlanta office leasing volume totaled 1.9 msf in Q2 2025, bringing the midyear total to 4.1 msf, a slight dip from the 5.0 msf recorded in H1 2024 yet above the 10-year H1 average. This consistency underscores the market's resilience despite broader economic uncertainty.

1.9 msf
Q2 2025

4.1 msf
H1 2025

3.7 msf
2015-2019 H1 avg

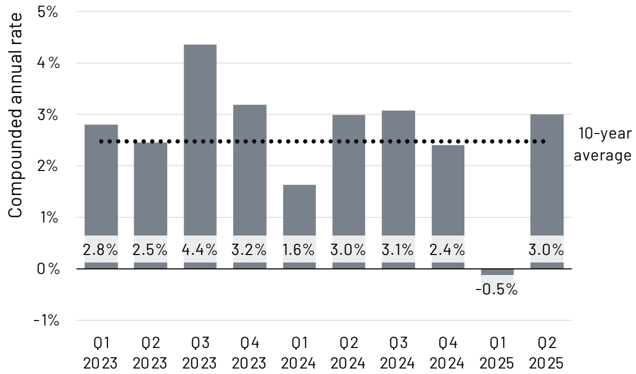


Source: Savills Research

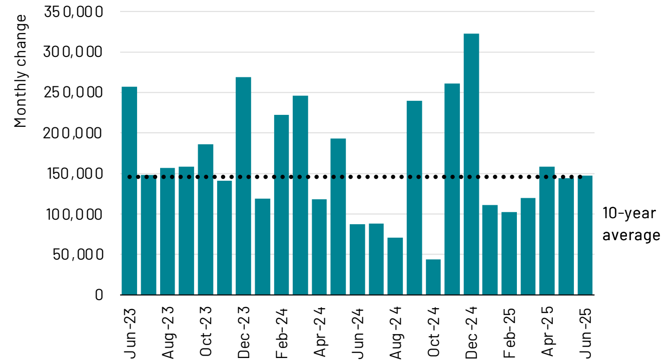
Tariff clouds linger, yet key U.S. economic metrics hold steady

Import surge drove Q1 GDP contraction

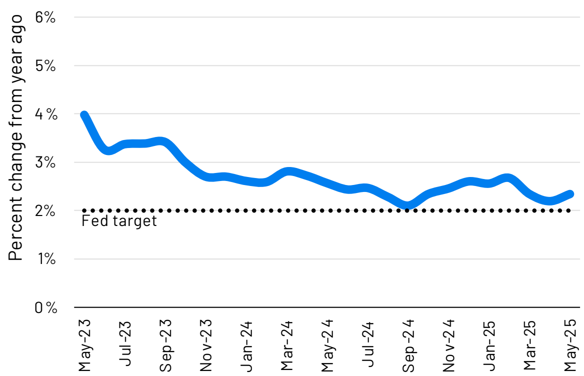
Economic growth
Real Gross Domestic Product (GDP)



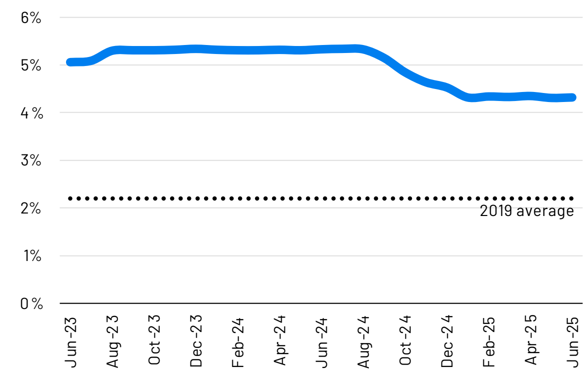
Job growth
Nonfarm Payrolls



Inflation
Personal Consumption Expenditures (PCE) Price Index



Interest rates
Secured Overnight Financing Rate (SOFR)



Source: St. Louis Federal Reserve

Leading indicators continue to signal unsteady demand ahead

Key metrics around consumption, production and freight are highly predictive of near-term warehouse demand

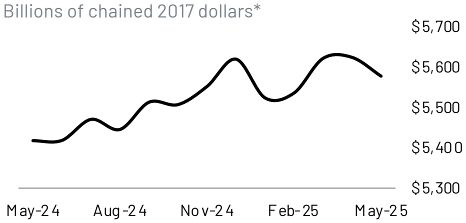
CONSUMPTION

Negative Signal

Consumer sentiment drops 30% since December as real retail sales fluctuate.

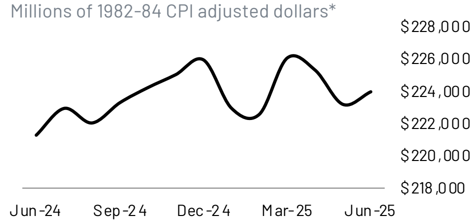
Real PCE: goods

Billions of chained 2017 dollars*



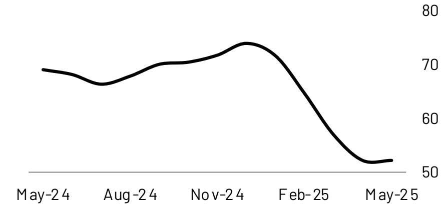
Advance real retail sales

Millions of 1982-84 CPI adjusted dollars*



Consumer sentiment

Index 1966: Q1 = 100



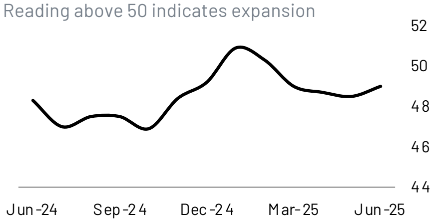
PRODUCTION

Mixed Signal

Manufacturing PMI stayed below 50, while new orders swung with tariff-driven timing.

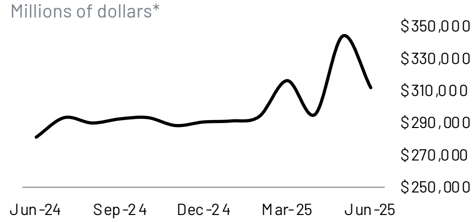
ISM Manufacturing PMI

Reading above 50 indicates expansion



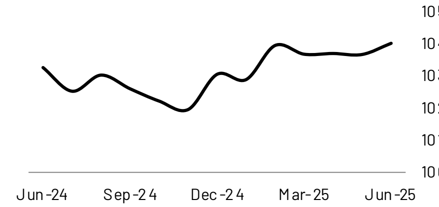
Manufacturers' new orders: durable goods

Millions of dollars*



Industrial production index

Index 2017 = 100*



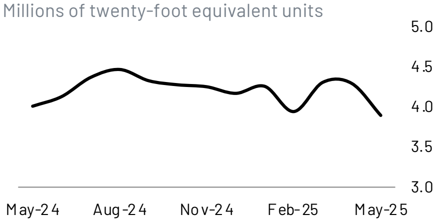
FREIGHT

Mixed Signal

Port activity remains elevated but volatile, as May freight data shows signs of weakening.

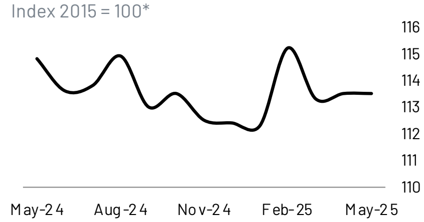
TEU volume: top 9 ports

Millions of twenty-foot equivalent units



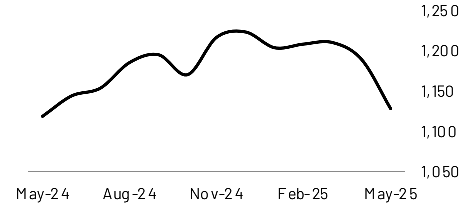
Truck tonnage index

Index 2015 = 100*



Rail freight intermodal traffic

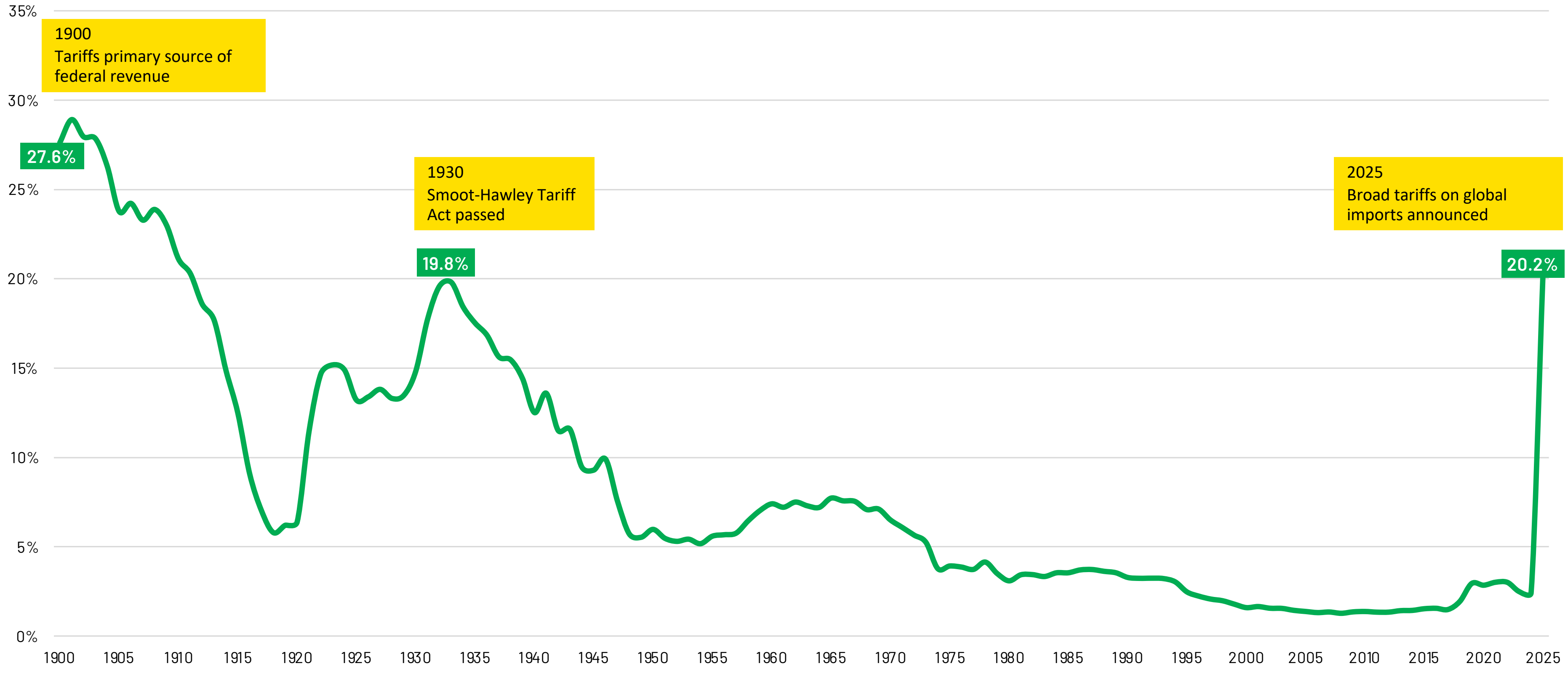
Thousands of containers and trailers*



*Seasonally adjusted
Source: St. Louis Federal Reserve

Latest tariffs sit near historic highs as broader disruption builds

Average effective U.S. tariff rate 1900-2025*



*Pre-substitution average effective tariff rate; calculated as tariff revenue divided by total goods imports, assuming 2023 import and consumption trade shares remain constant.

Source: Savills Research, The Budget Lab at Yale; as of July 22, 2025

Firms turn to bonded warehouses and FTZs to manage tariff shifts

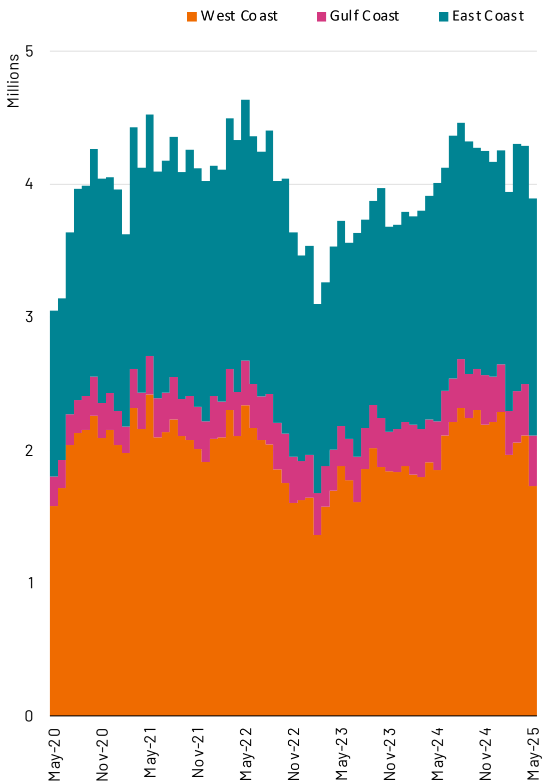
How bonded warehouses and Foreign-Trade Zones (FTZs) differ in structure and strategy

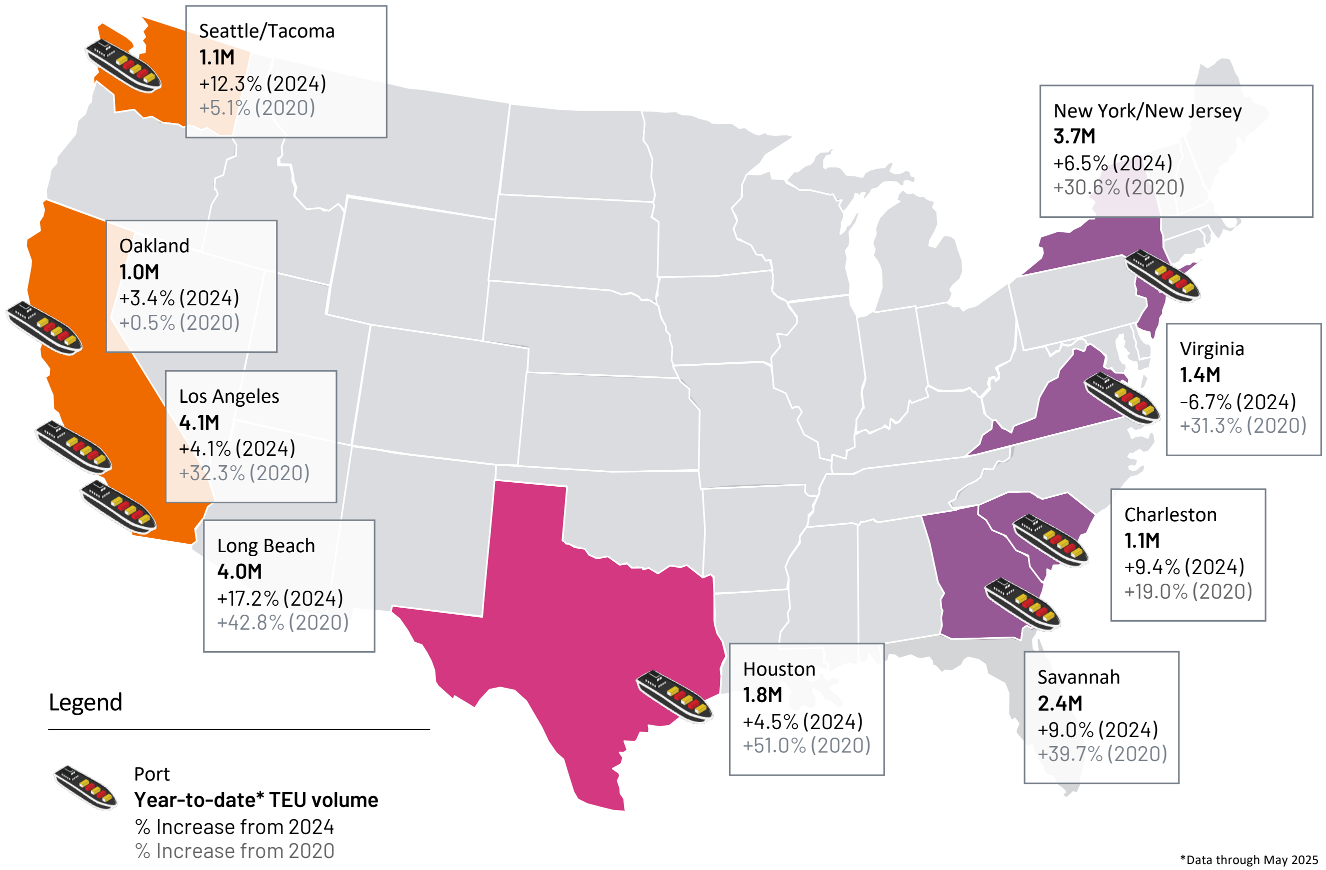
	BONDED WAREHOUSE	FOREIGN-TRADE ZONE
Primary use	Suited for import-focused distribution; limited handling before U.S. entry or export	Ideal for manufacturing or assembly with goods processed prior to market entry or re-export
Time horizon	Typically used for one to five years; well-suited for short- to mid-term storage with relatively fast setup	Designed for long-term use, often integrated into multi-year manufacturing or import strategies
Operational scale	Accessible for smaller or seasonal import volumes; minimal infrastructure required	Best suited for high-volume or continuous operations; justifies the cost of dedicated compliance systems
Duty treatment	Best when duties are high or uncertain; payment deferred until goods enter U.S. commerce	Strategic in volatile tariff environments; allows inverted tariffs and duty savings on exports or scrap
Setup & compliance	Quicker to activate with lower upfront cost; direct customs oversight on each release	Requires FTZ approval and activation; longer lead time but offers more operational autonomy once established

Source: U.S. Customs and Border Protection, U.S. Foreign-Trade Zones Board, National Association of Foreign-Trade Zones

Strong but choppy port traffic could shift with tariff decisions

Monthly TEU volume, top 9 ports

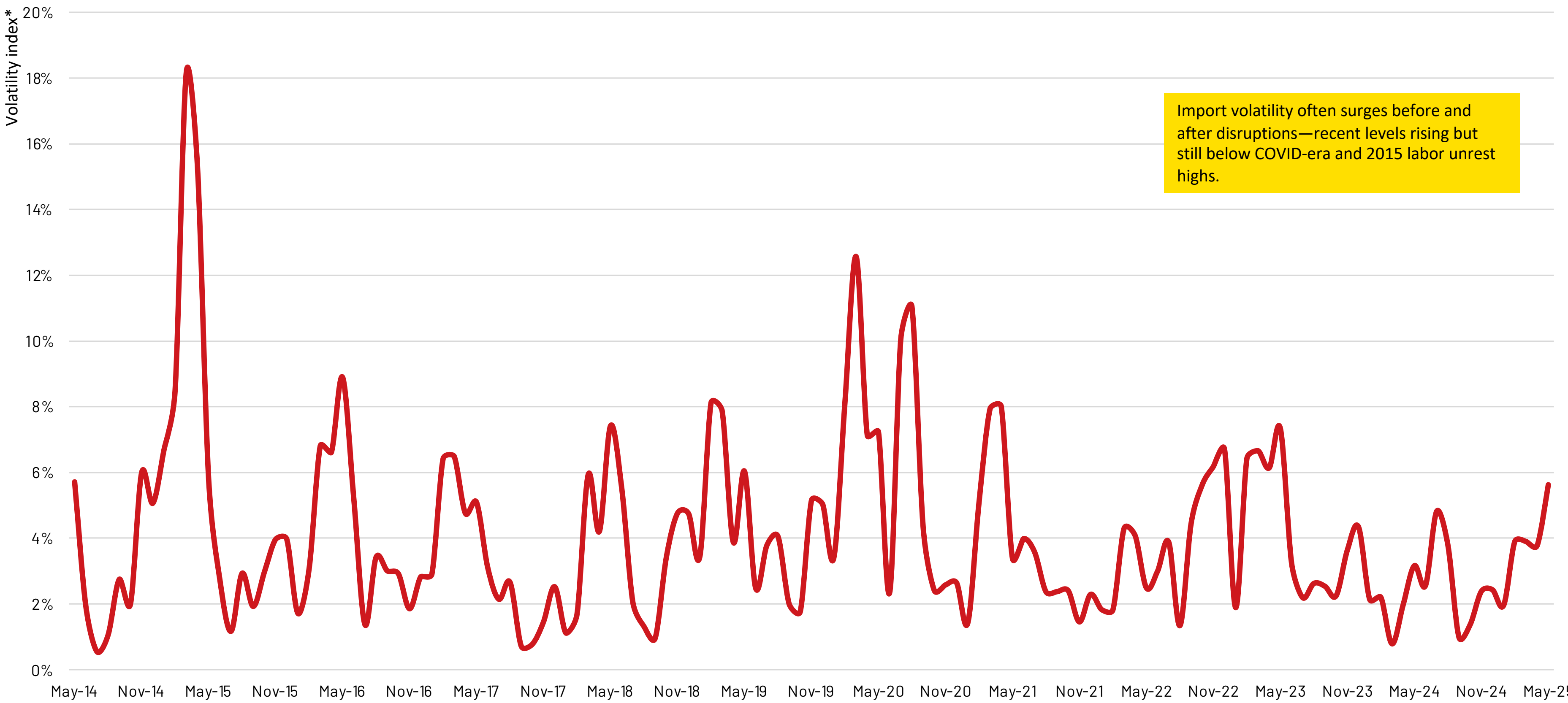




*Data through May 2025
Source: Local port authorities

Tariff deadlines triggered early shipments, then a slowdown in freight

Volatility in load import volumes at top 9 U.S. ports

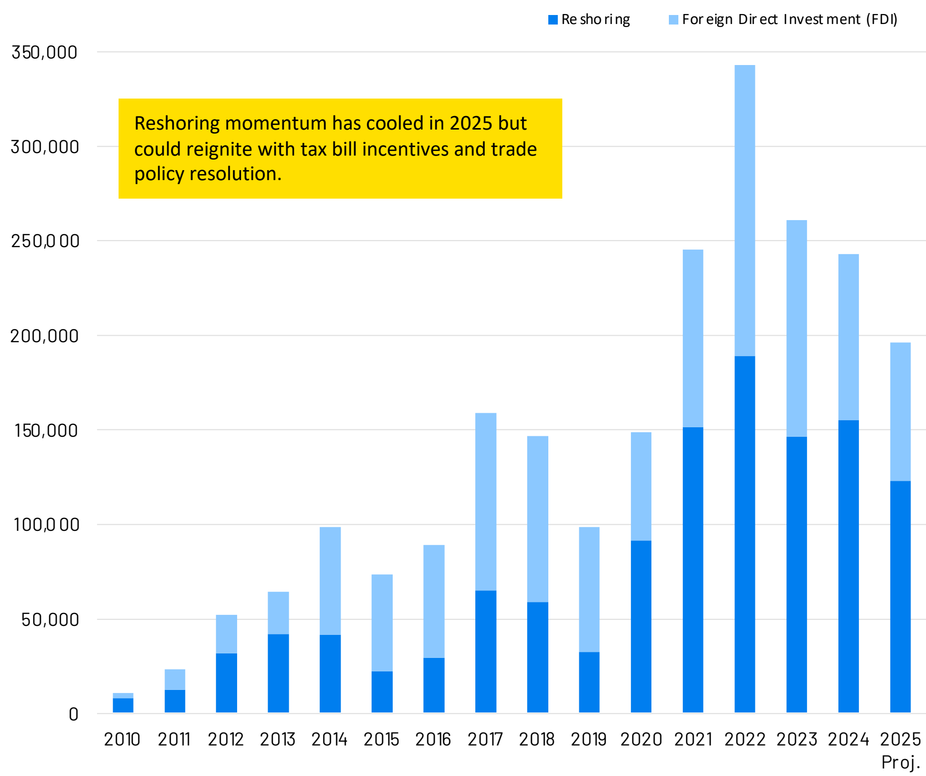


*Volatility index is based on the 3-month rolling variation in loaded import volumes relative to their average ports.

Source: Local port authorities, Savills Research

Manufacturing enters a new phase with shifting drivers

Annual manufacturing reshoring job announcements 2010-2025



Notable manufacturing commitments in 2025

COMPANY	CITY, STATE	TOTAL JOBS	CAPITAL INVESTMENT (millions)	PRODUCTS
JetZero	Greensboro, NC	14,500	$5,400	All-wing aircraft
Anduril	Columbus, OH	4,000	$1,000	Autonomous weapons
Tesla	Brookshire, TX	1,500	$194	Utility-scale batteries
Hyundai Steel	Donaldsonville, LA	1,300	$5,800	Electric arc furnace steel mill
Emirates Global Aluminum	Tulsa, OK	1,000	$4,000	Aluminum
Apple	Houston, TX	1,000	$3,900	Servers for data centers
GE Appliances	Louisville, KY	800	$490	Washing machines
Eaton	Jonesville, SC	700	$340	Three-phase transformers
Isuzu	Columbia, SC	700	$280	Internal combustion engine and EVs

Note: Reshoring and FDI jobs adjusted for supply chain impact; 2025 projection calculated by annualizing data through March 2025.
Source: Reshoring Initiative

New tax law supports manufacturing growth, but key obstacles remain

H.R. 1, the "One Big Beautiful Bill Act" implications for the industrial market

Catalyst for manufacturing investment

- 100% rapid depreciation for new equipment and facilities, restores full deductions for R&D
- $150 billion in new defense funding including shipbuilding and munitions
- Raises semiconductor tax credit from 25% to 35%

Prediction
Pick up in new investment likely, especially in chips and defense, contingent on trade policy.

Setback for clean tech supply chain

- Federal $7,500 electric vehicle (EV) tax credit phased out by September 2025
- 30% residential solar credit ends December 31, 2025 (Section 25D)
- Commercial solar (Section 48) credit phased down starting in 2026, eliminated by 2029

Prediction
Clean energy sector expected to stall, with EV, solar and wind projects delayed or canceled.

Structural headwinds for onshoring persist

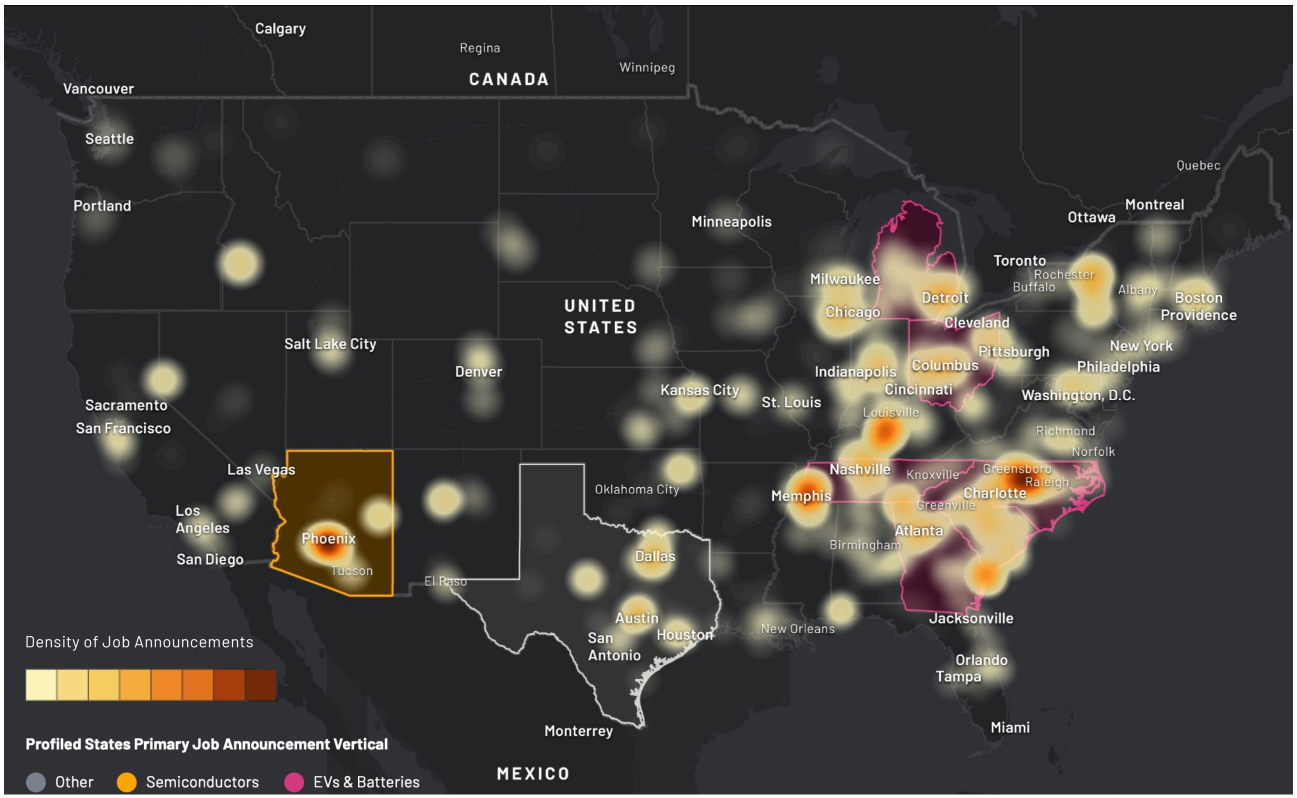
- No permitting reform; site-level and environmental review delays persist
- Skilled labor shortages persist; immigration enforcement may tighten supply of affordable labor
- $3 trillion* in new federal deficits may push up rates and borrowing costs

Prediction
U.S. manufacturing buildout anticipated to be incremental without additional policy action.

*Congressional Budget Office estimate
Sources: Congressional Budget Office, Federal Reserve Bank of Boston, Committee for a Responsible Federal Budget, Akin Gump, Savills Research

Manufacturing Hotspots by Job Announcements
Georgia Among the Top States

2021 - 2024



Georgia is ranked

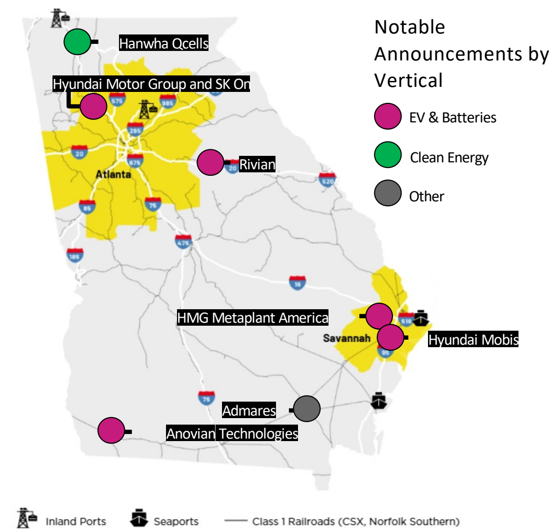
#4

out of all 50 States

62k

Job announcements

Key Incentives
- Job Tax Credit
- Mega Project Tax Credit
- Freeport Tax Exemption



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	2024	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	$6.6B	16,000,000	2026	Rivian's second plant (the original is in Normal, IL) with an annual production capacity of 400,000 vehicles, was placed on hold in March 2024 as company shifted focus to production of the R2 model at their IL plant.
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	2025	New plant in Cartersville has been partially completed and began production in April (500k sf) while existing plant in Dalton completed an 800k sf expansion at end of 2023.
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.
Anovion Technologies	Bainbridge	U.S	EVs & Batteries	400	$800M	1,500,000	2025	The facility will produce synthetic graphite for use in batteries that power EVs, electric storage systems, electronics, military applications, and other products.
				25,300 Jobs	$24.2B Capital	42.8 msf		

Data Centers in Georgia

> The deluge of new data centers has raised concerns among officials around their voracious consumption of energy.
>
> Georgia Power said the slate of potential data development projects eyeing the state would demand 36,500 MW of power by mid-2030s; total capacity today is 21,500 MW.

- Atlanta's affordable electricity, attractive tax incentives, and extensive fiber-optic infrastructure have drawn major tech companies, including Google, Meta, Microsoft, and X, leading to a significant increase in data center construction.
- Metro Atlanta is on track to become the second-largest data center market in the U.S. and its inventory has more than doubled since 2020.
- The rapid expansion of data centers in Atlanta has sparked concerns among residents and lawmakers about the consumption of land and resources that could be allocated for housing and retail development.
- In response, the Atlanta City Council has prohibited new data centers in specific neighborhoods to prioritize urban development over computing facilities.

Source: The Wall Street Journal, Bisnow

What Does this Mean?

- Weakened office market dynamics and landlords in distress will not directly result in lower rents or higher concessions as landlords are constrained by their lender and available capital.

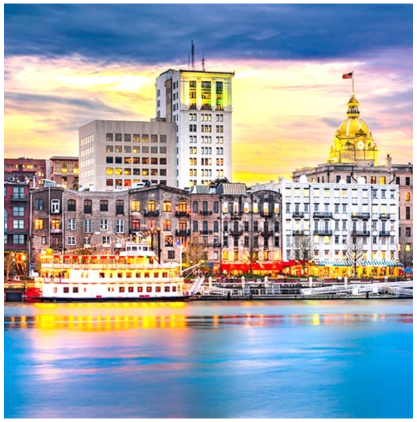
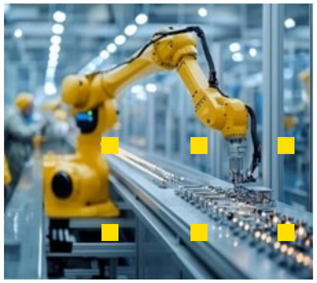
- There is an oversupply of space, but flight-to-quality has led to gluts of space in older buildings and locations that are not amenitized and more often in suburban areas.

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.



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Thank you.
Questions?

It’s all about knowledge sharing.

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