

Synovus Statesboro: Market Intelligence Update

Statesboro, Georgia
March 15th, 2023

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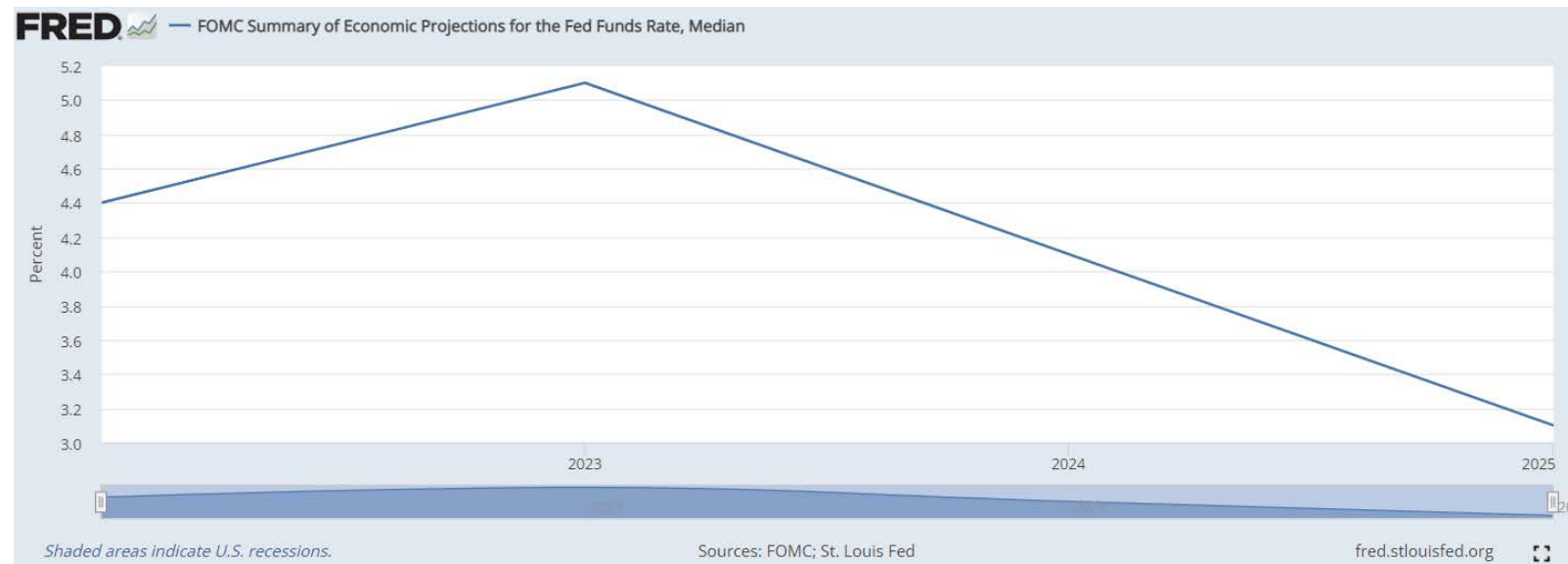
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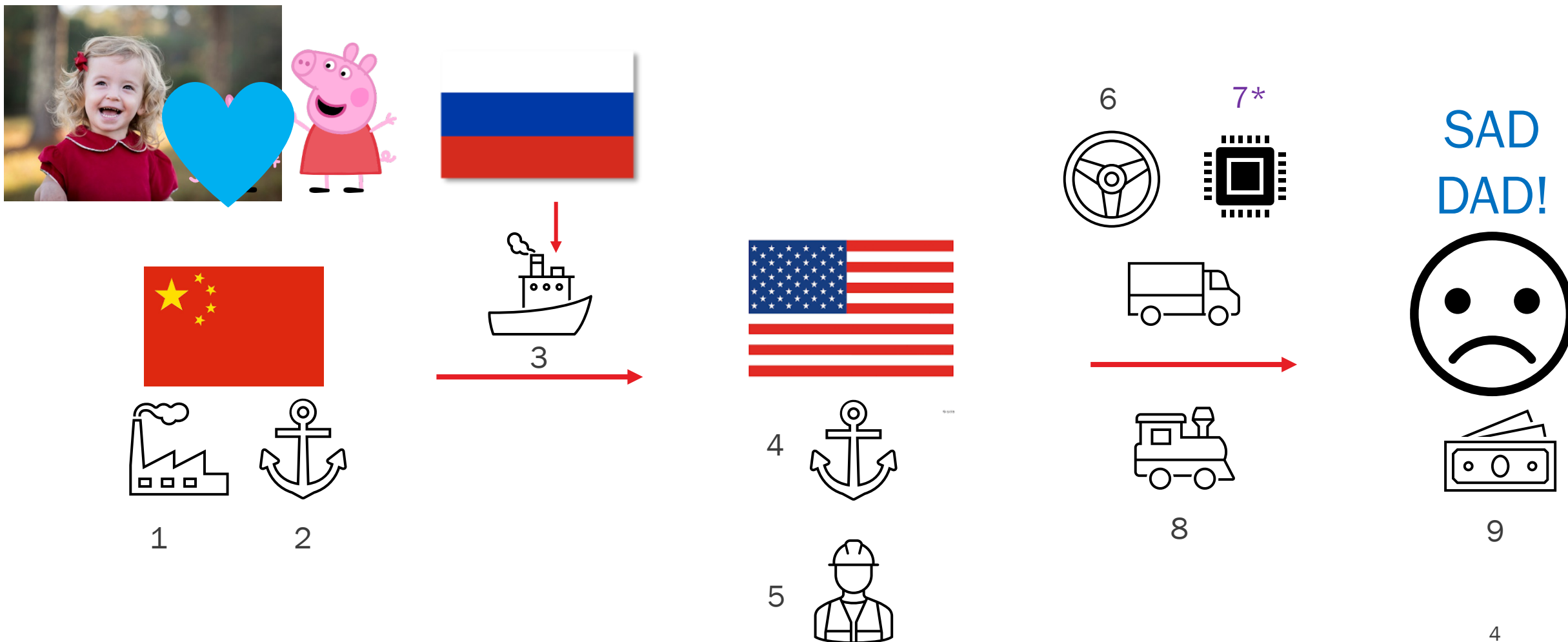
Economy: Fed Strategy and Results

Fed Funds Rate: What a Difference a Year Makes!

- FRB estimates show peak FFR of 5.1% in 2023; consensus edging up to mid 5%
- 450 bps move in 2022-3
- 2025 estimate of 3.1%, -200 bps from estimated peak



Parsing Inflation: Fed Strategy Attacks Demand, Not Supply



The background of the slide features a dark blue grid with a faint, stylized world map. Overlaid on this is a financial chart with teal candlesticks and a line graph with circular markers. The chart shows a general upward trend from the bottom left towards the top right, with some fluctuations. The text is centered over this chart.

So, What Can the Fed Do?
Raise Rates and Lower Sentiment!

30-Year Mortgage Since 1970

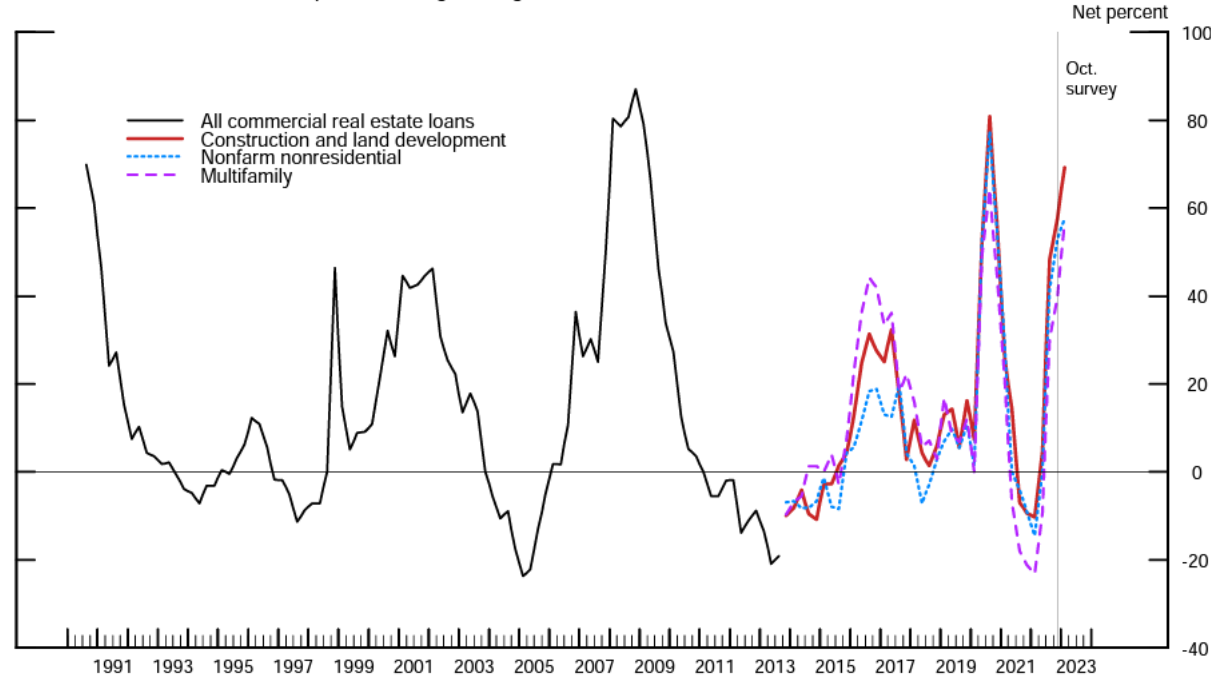


30-Year Mortgage Since Jan 2022

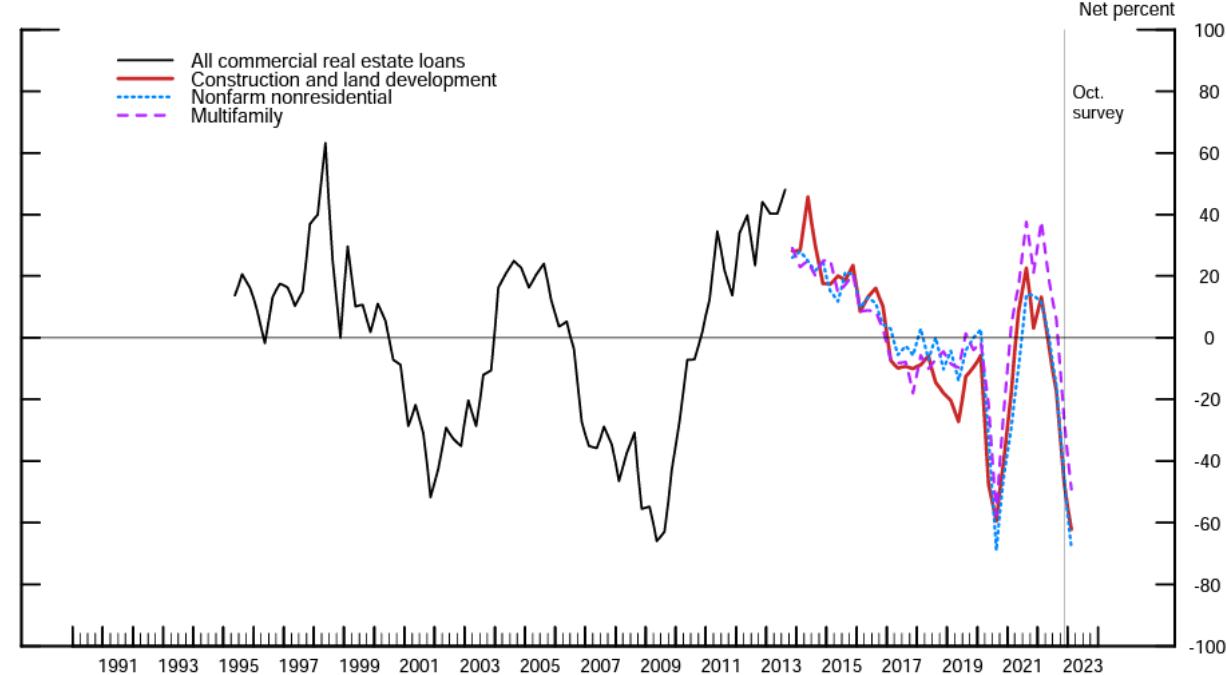


Rate Environment: Tighter Underwriting and Decreased Demand for CRE Loans

Net Percent of Domestic Respondents Tightening Standards for Commercial Real Estate Loans

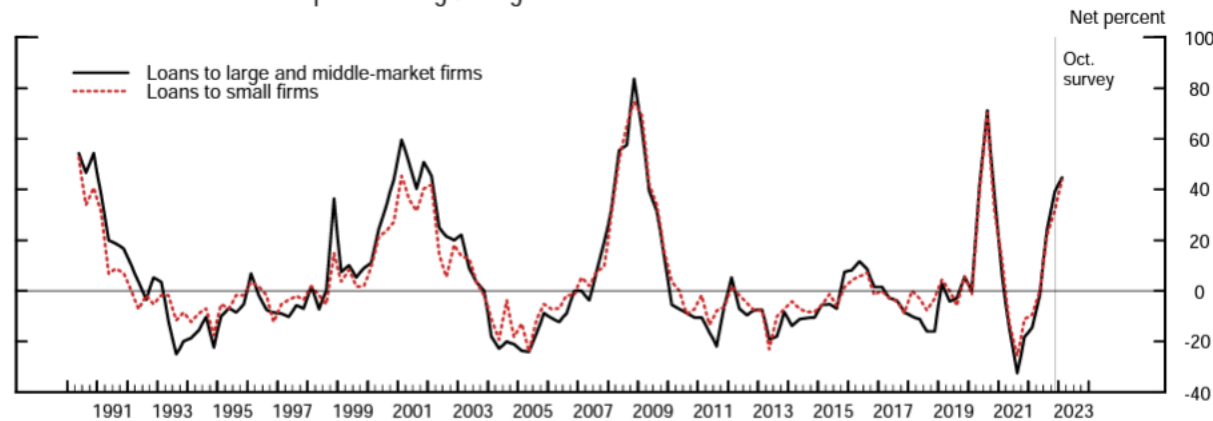


Net Percent of Domestic Respondents Reporting Stronger Demand for Commercial Real Estate Loans



Rate Environment: Tighter Underwriting and Decreased Demand for C&I Loans

Net Percent of Domestic Respondents Tightening Standards for Commercial and Industrial Loans



Net Percent of Domestic Respondents Reporting Stronger Demand for Commercial and Industrial Loans



Source: Federal Reserve Bank Senior Loan Officer Survey on Bank Lending Practices January 2023

Higher Rates Lead to Worsening Sentiment

Consumer {
Commercial {

	High Point Value Past 18 Months	High Point Date	Current Value	Current Date	%Δ
NAHB Housing Mkt Index	84	21-Dec	42	23-Feb	-50%
Existing Home Sales mm	6.49	21-Nov	4.00	23-Jan	-38%
US Unemployment Rate	4.8%	21-Sep	3.4%	23-Jan	-29%
Job Openings (FRED)	11,855,000	22-Mar	10,824,000	23-Jan	-9%
Reuters/ Mich Consumer Sentiment	72.8	21-Sep	67	23-Feb	-8%
Consumer Confidence	115.2	21-Dec	102.9	23-Feb	-11%
NFIB Small Biz Optimism Index	99.1	21-Sep	90.3	23-Jan	-9%
Market PMI	60.7	21-Sep	47.3	23-Feb	-22%
ISM Manufacturing Index	61.1	21-Sep	47.7	23-Feb	-22%
Markit PMI Services Index	58.7	21-Oct	50.6	23-Feb	-14%
ISM Non-Manufacturing Ind	69.1	21-Nov	55.1	23-Feb	-20%
West Texas Intermediate	\$114.67	22-May	\$77.05	23-Feb	-33%
Iron and Steel PPI	\$433.20	21-Dec	\$326.10	23-Jan	-25%
Lumber PPI: Soft Wood (FRED)	\$527.40	22-Mar	\$263.20	23-Jan	-50%
Lumber Futures Contract \$/mbf (NASDAQ)	\$1,193.70	22-Feb	\$435.60	23-Feb	-64%
Corn PPI (FRED)	\$324.60	22-Jun	\$275.60	23-Jan	-15%
Cotton PPI (FRED)	\$221.90	22-May	\$139.60	23-Jan	-37%
Slaughter Poultry PPI (FRED)	\$419.70	22-Jun	\$337.80	23-Jan	-20%
Wheat PPI (FRED)	\$337.30	22-May	\$238.80	23-Jan	-29%

Sub-50 equals contraction

Sentiment: Deloitte State of the US Consumer January 2023

FIGURE 4

Spending intentions have improved slightly since October 2022, but still remain weak on a year-ago basis

Spending Intentions, next four weeks, (% change, Sept/Oct/Nov as base)

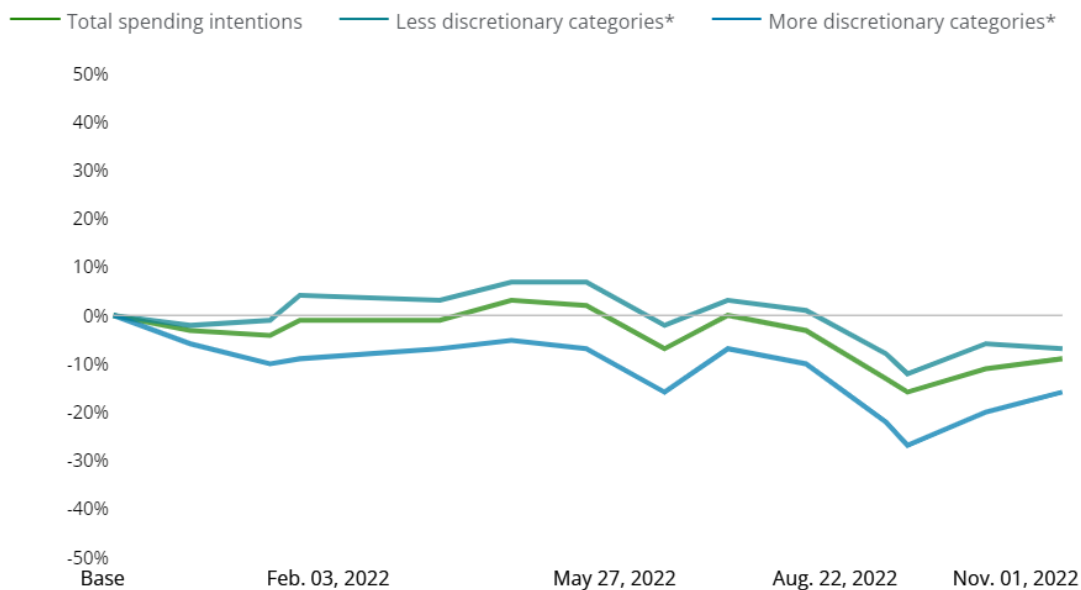
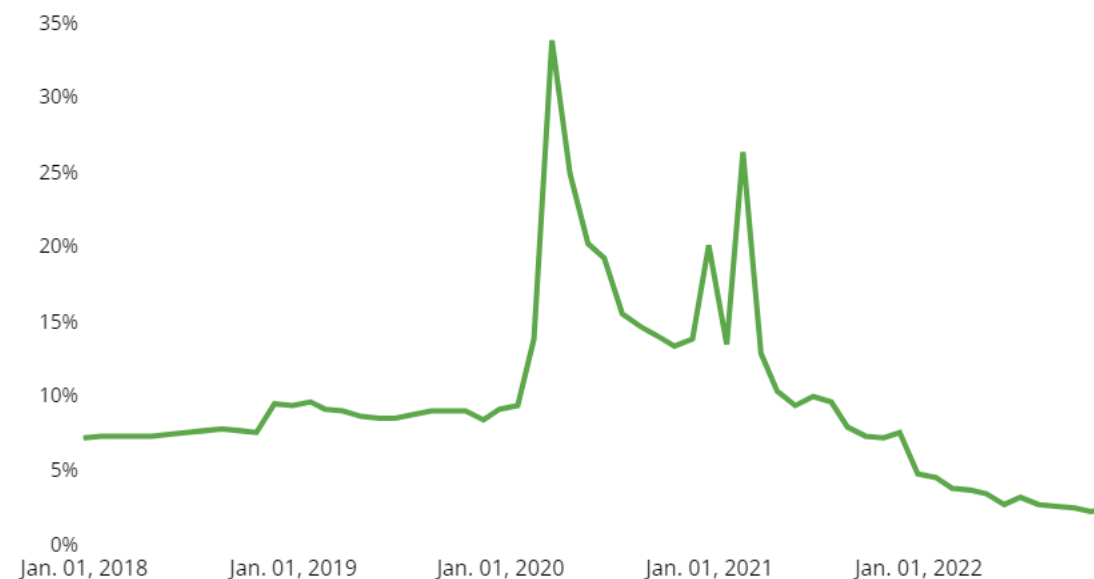


FIGURE 8

The personal savings rate remained low at 2.4% in December as consumers continued to dip into their savings

Personal saving rate (seasonally adjusted, %)



Economy: 3Q22 and 4Q22 GDP



GDP Equation

Macro-Economics 101 - National Income Formula

$$Y = C + I + G + (X - M)$$

Y = National Income (GDP)

C = Consumer Spending

I = Investment

G = Government Spending

X = Exports

M = Imports

Consumer Spending comprises 67.9% of GDP!

Economy: 3Q22 GDP = 3.2%? Who Are They Kidding?

- Goods down, largest component of services was medical
- Recreation/FS+A are a fraction of last year's contribution
- Residential investment plummets; Non-Residential structures down
- Increase is driven by Net Exports and Government Spending, which contribute 3.51% together!

Table 2. Contributions to Percent Change in Real Gross Domestic Product

Line		2019	2020	2021	Seasonally adjusted at annual rates		
					2022		
					Q1	Q2	Q3 ^r
	Percent change at annual rate:						
1	Gross domestic product	2.3	-2.8	5.9	-1.6	-0.6	3.2
	Percentage points at annual rates:						
2	Personal consumption expenditures	1.34	-2.01	5.54	0.91	1.38	1.54
3	Goods	0.66	1.07	2.72	-0.02	-0.61	-0.08
14	Services	0.69	-3.08	2.83	0.93	1.99	1.63
15	Household consumption expenditures (for services)	0.76	-3.35	3.18	0.73	1.82	1.63
16	Housing and utilities	0.11	0.11	0.14	0.36	0.10	-0.03
17	Health care	0.40	-0.85	0.81	-0.05	0.05	0.58
18	Transportation services	0.08	-0.57	0.28	-0.03	0.14	0.00
19	Recreation services	0.04	-0.71	0.34	0.05	0.21	0.09
20	Food services and accommodations	0.09	-0.99	0.91	0.01	0.72	0.25
21	Financial services and insurance	-0.18	0.08	0.22	-0.09	0.10	0.27
22	Other services	0.22	-0.42	0.48	0.48	0.50	0.48
26	Gross private domestic investment	0.49	-0.95	1.55	0.98	-2.83	-1.80
27	Fixed investment	0.44	-0.40	1.30	0.83	-0.92	-0.62
28	Nonresidential	0.48	-0.67	0.83	0.98	0.01	0.80
29	Structures	0.07	-0.32	-0.19	-0.11	-0.34	-0.09
40	Change in private inventories	0.05	-0.55	0.24	0.15	-1.91	-1.19
43	Net exports of goods and services	-0.11	-0.26	-1.25	-3.13	1.16	2.86
44	Exports	0.06	-1.54	0.64	-0.53	1.51	1.65
47	Imports	-0.17	1.28	-1.89	-2.60	-0.35	1.21
50	Government consumption expenditures and gross investment	0.58	0.45	0.11	-0.40	-0.29	0.65
51	Federal	0.25	0.41	0.17	-0.36	-0.22	0.24
58	State and local	0.32	0.04	-0.06	-0.04	-0.06	0.41

Source: U.S. Bureau of Economic Analysis

Economy: 4Q22 GDP = 2.9%? Who Are They Kidding Part Deux

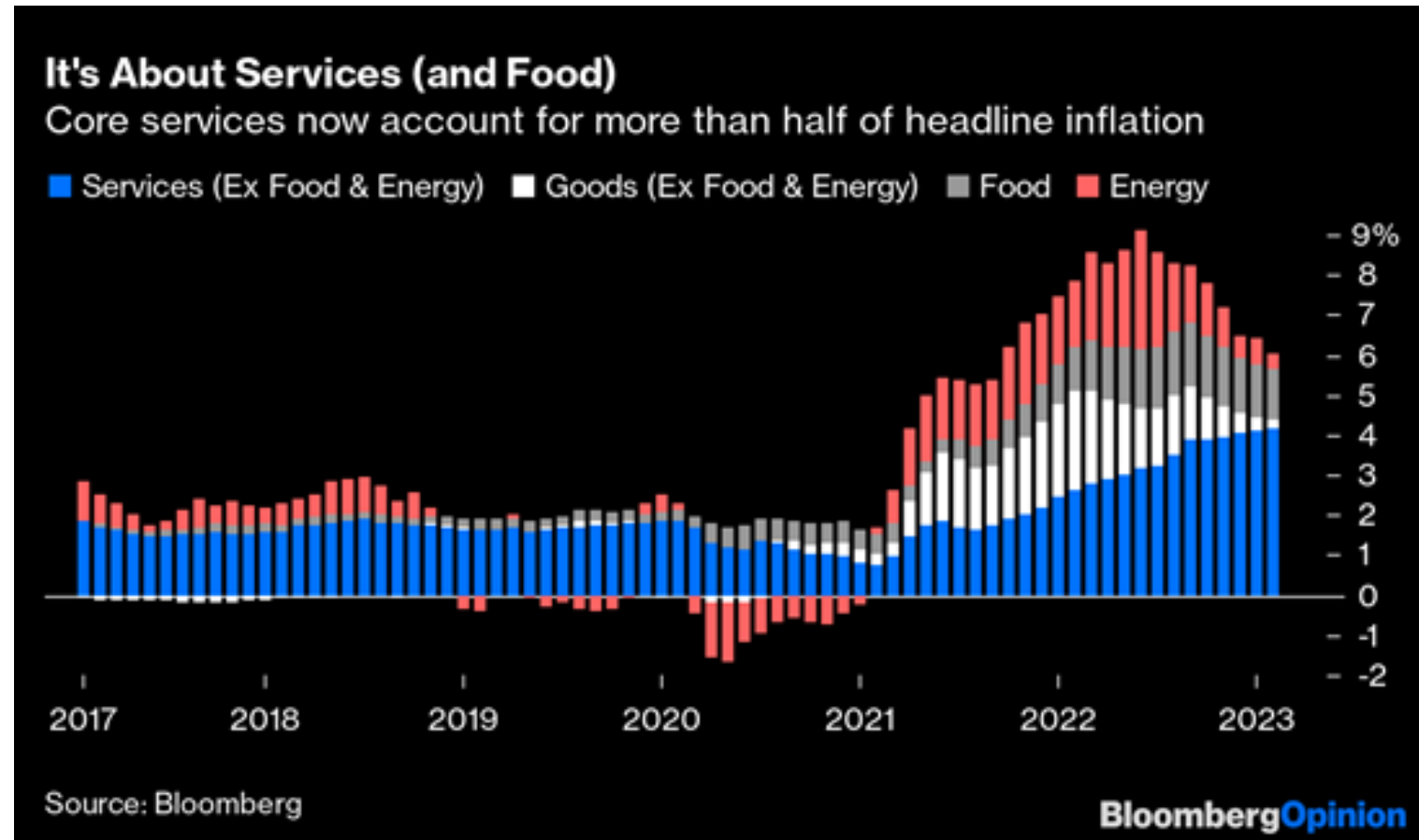
- Goods up, mainly driven by auto; services health & housing
- Recreation/FS+A are a fraction of last year's contribution; non-profit contribution noteworthy
- Residential plummets; Non-Residential fraction of past year
- Increase is driven by Inventories, Net Exports and Government Spending, which contribute 2.66% together!

Table 2. Contributions to Percent Change in Real Gross Domestic Product

Line		2020	2021	Seasonally adjusted at annual rates			
				2022			
				Q1	Q2	Q3	Q4
	Percent change at annual rate:						
1	Gross domestic product	-2.8	5.9	-1.6	-0.6	3.2	2.9
	Percentage points at annual rates:						
2	Personal consumption expenditures	-2.01	5.54	0.91	1.38	1.54	1.42
3	Goods	1.07	2.72	-0.02	-0.61	-0.08	0.26
14	Services	-3.08	2.83	0.93	1.99	1.63	1.16
15	Household consumption expenditures (for services)	-3.35	3.18	0.73	1.82	1.63	1.01
16	Housing and utilities	0.11	0.14	0.36	0.10	-0.03	0.21
17	Health care	-0.85	0.81	-0.05	0.05	0.58	0.39
18	Transportation services	-0.57	0.28	-0.03	0.14	0.00	0.06
19	Recreation services	-0.71	0.34	0.05	0.21	0.09	0.08
20	Food services and accommodations	-0.99	0.91	0.01	0.72	0.25	0.09
21	Financial services and insurance	0.08	0.22	-0.09	0.10	0.27	0.01
22	Other services	-0.42	0.48	0.48	0.50	0.48	0.19
23	Final consumption expenditures of nonprofit institutions serving households	0.27	-0.35	0.20	0.18	-0.01	0.14
24	Gross output of nonprofit institutions	-0.13	0.07	-0.13	-0.01	0.50	0.32
25	Less: Receipts from sales of goods and services by nonprofit institutions	-0.40	0.42	-0.33	-0.19	0.50	0.18
26	Gross private domestic investment	-0.95	1.55	0.98	-2.83	-1.80	0.27
27	Fixed investment	-0.40	1.30	0.83	-0.92	-0.62	-1.20
28	Nonresidential	-0.67	0.83	0.98	0.01	0.80	0.09
39	Residential	0.28	0.47	-0.15	-0.93	-1.42	-1.29
40	Change in private inventories	-0.55	0.24	0.15	-1.91	-1.19	1.46
43	Net exports of goods and services	-0.26	-1.25	-3.13	1.16	2.86	0.56
44	Exports	-1.54	0.64	-0.53	1.51	1.65	-0.15
47	Imports	1.28	-1.89	-2.60	-0.35	1.21	0.71
50	Government consumption expenditures and gross investment	0.45	0.11	-0.40	-0.29	0.65	0.64
51	Federal	0.41	0.17	-0.36	-0.22	0.24	0.39
58	State and local	0.04	-0.06	-0.04	-0.06	0.41	0.25

Source: U.S. Bureau of Economic Analysis

Services Dominating Inflation Composition



Shelter Prices: Med/Food Not Exactly Fun Money!



CRE Overview: Capital Markets & Values

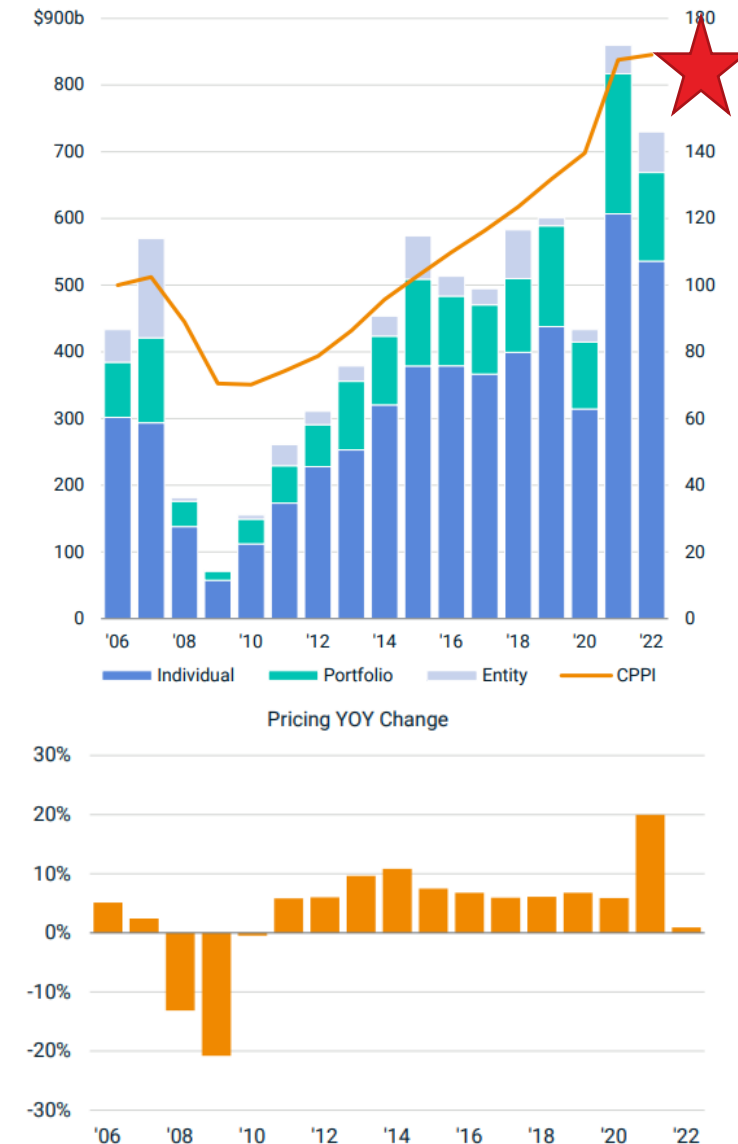


RCA CRE Cap Mkts Highlights

Transaction Volume Summary

	Q4 2022		2022	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Office	19.6	-65%	110.5	-25%
Retail	16.2	-57%	85.7	4%
Industrial	33.2	-58%	151.4	-15%
Hotel	11.7	-19%	46.2	-1%
Apartment	50.4	-69%	294.1	-17%
Seniors Housing & Care	2.5	-47%	12.4	-39%
Dev Site	5.3	-57%	29.6	-8%
Total	138.9	-62%	729.8	-15%
Portfolio & Entity	36.0	-71%	193.8	-23%
Single Asset	102.9	-57%	536.0	-12%

Annual Transaction Volume and Pricing



The Math of Commercial Real Estate

$$\text{Value} = \frac{\text{Net Operating Income}}{\text{Capitalization Rate}}$$

Capitalization Rate =

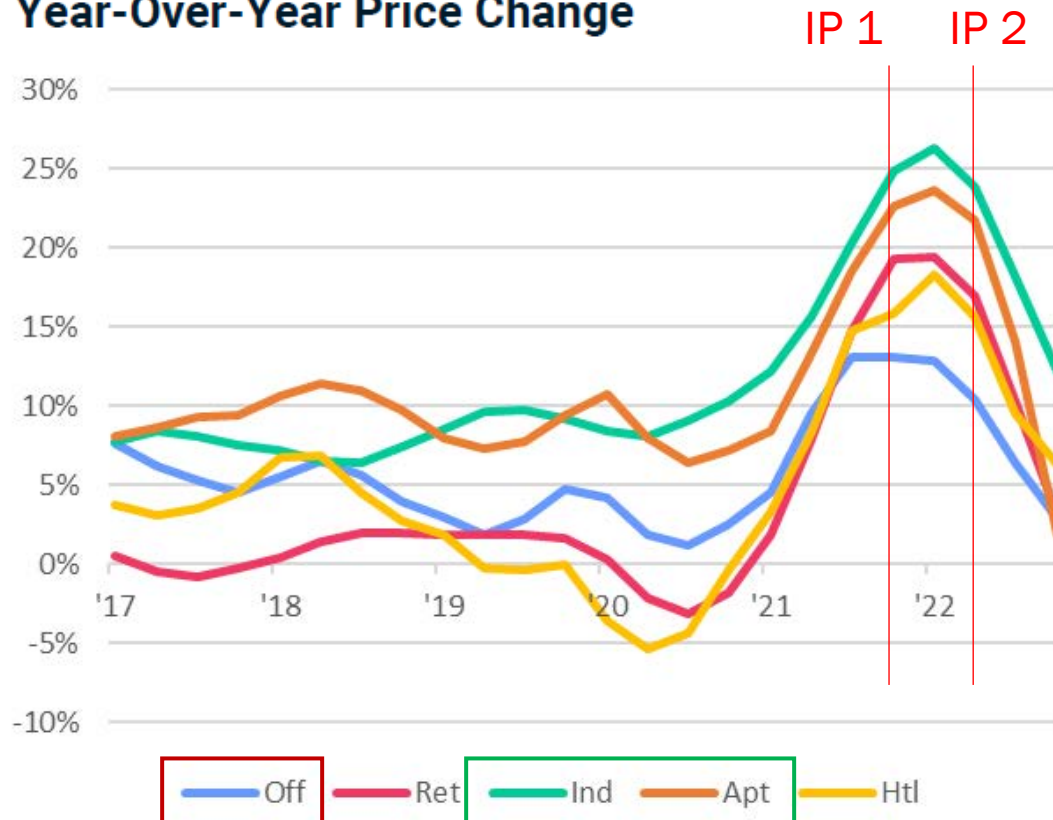
*(Loan to Value % * Yield to Bank) + (Equity % * Yield to Borrower)*

Higher interest rates means higher cap rates, which holding NOI constant, means lower CRE values

Inflection Points and CRE Values

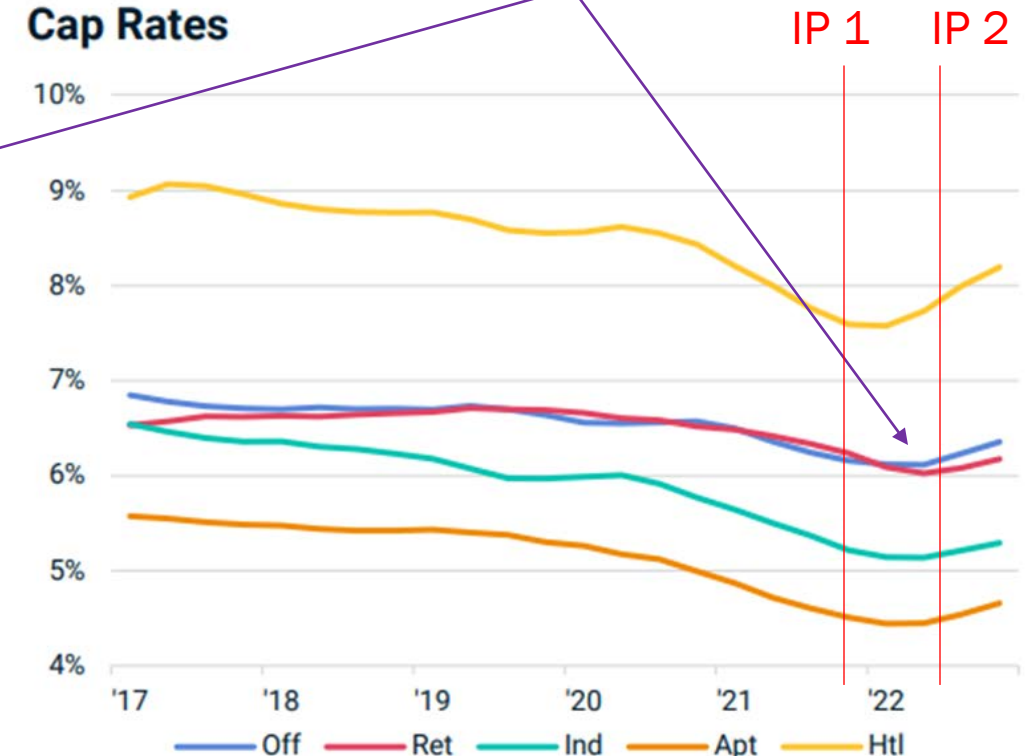


Year-Over-Year Price Change



RCA CPPI

Cap Rates

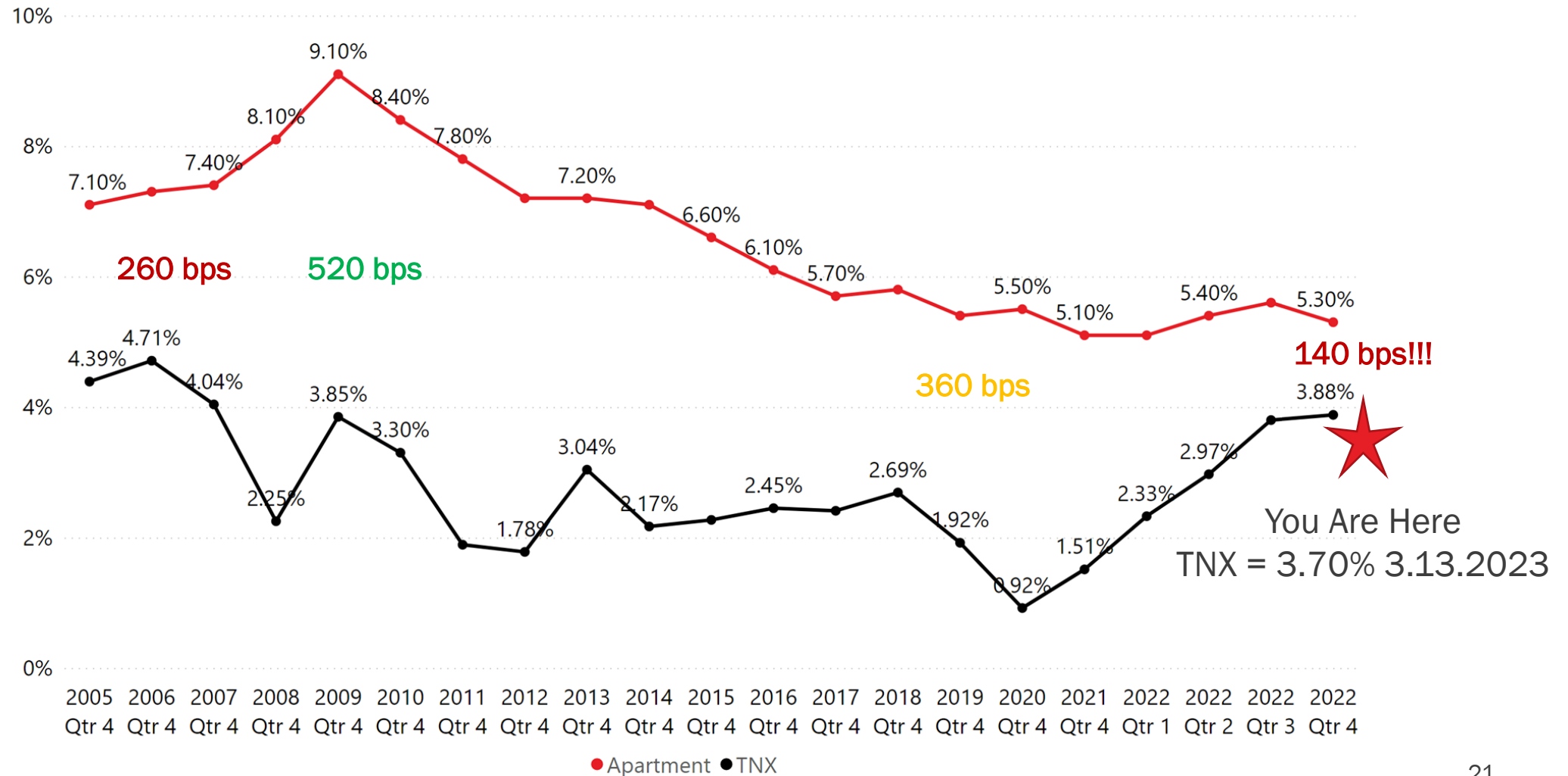


RCA Hedonic Series

Source: Real Capital Analytics

$$\text{Value} = \frac{\text{Net Operating Income}}{\text{Capitalization Rate}}$$

Spreads Between Multi Caps and TNX Historically Tight



Multi/WH Caps Are Significantly Lower

$$\text{Value} = \frac{\text{Net Operating Income}}{\text{Capitalization Rate}}$$

Capitalization Rate =

*(Loan to Value % * Yield to Bank) + (Equity % * Yield to Borrower)*

	PWC Investment Grade Cap Rate		Differential
	4Q 2021	4Q 2022	
OFF-CBD	5.80%	5.75%	-0.05%
OFF-SUB	6.19%	6.00%	-0.19%
Warehouse	4.31%	4.43%	0.12%
Power Center	6.63%	6.43%	-0.20%
Neighborhood	7.17%	7.33%	0.16%
Apartment	4.42%	4.89%	0.47%
Hotel	N/A	N/A	N/A
	RERC South Region Tier 1 Cap Rate		Differential
	4Q 2021	4Q 2022	
OFF-CBD	6.90%	7.20%	0.30%
OFF-SUB	7.20%	7.30%	0.10%
Warehouse	6.10%	6.50%	0.40%
Power Center	7.50%	7.50%	0.00%
Neighborhood	7.10%	7.20%	0.10%
Apartment	5.10%	5.30%	0.20%
Hotel	8.30%	8.50%	0.20%
	RCA Hedonic Series Cap Rate		Differential
	4Q 2021	4Q 2022	
OFF-CBD*	N/A	N/A	N/A
OFF-SUB	6.20%	6.40%	0.20%
Warehouse	5.20%	5.30%	0.10%
Power Center*	N/A	N/A	N/A
Neighborhood	6.30%	6.20%	-0.10%
Apartment	4.60%	4.70%	0.10%
Hotel	7.60%	8.20%	0.60%

*RCA does not differentiate between subtype levels

The Danger of Sub 4% Cap Rates: Multi/Warehouse

$$\text{Value} = \frac{\text{Net Operating Income}}{\text{Capitalization Rate}}$$

Value Δ @ 50 bps drop at 8% < 50 bps drop at 4%

8% to 7.5% @ \$100K = +6.7% Value Δ

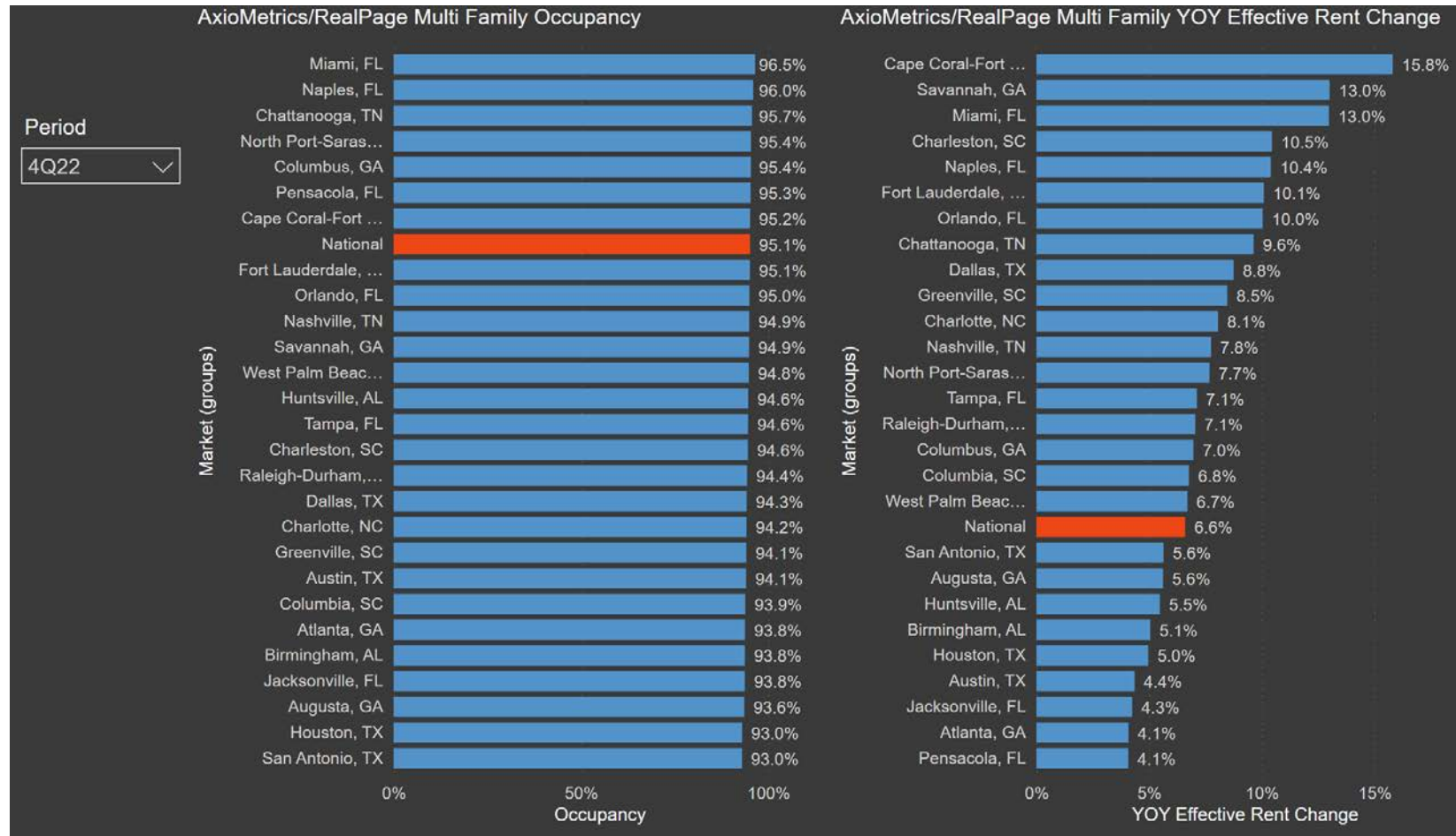
4% to 3.5% @ \$100K = +14.3% Value Δ



CRE Overview: Sector Metrics

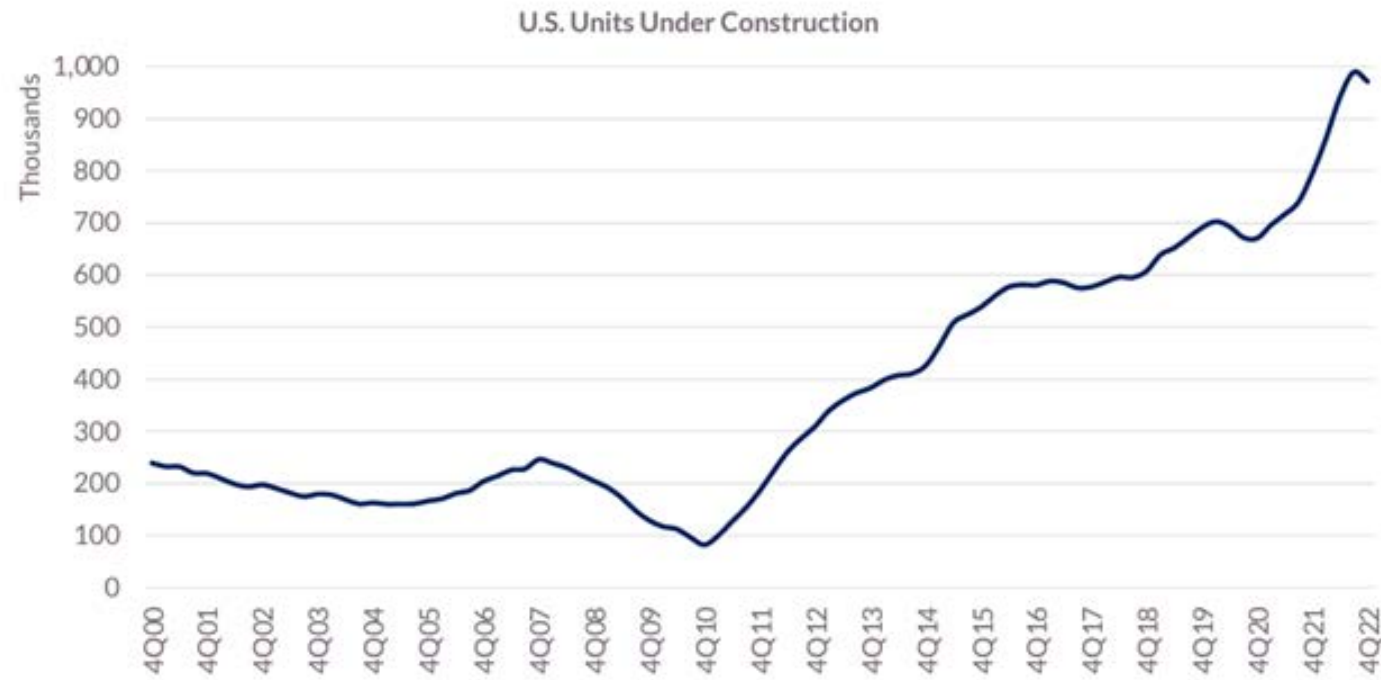
Focus on Multifamily and Office

4Q22 Multifamily Occupancy and Rent Growth



Potential Supply Issues Ahead?

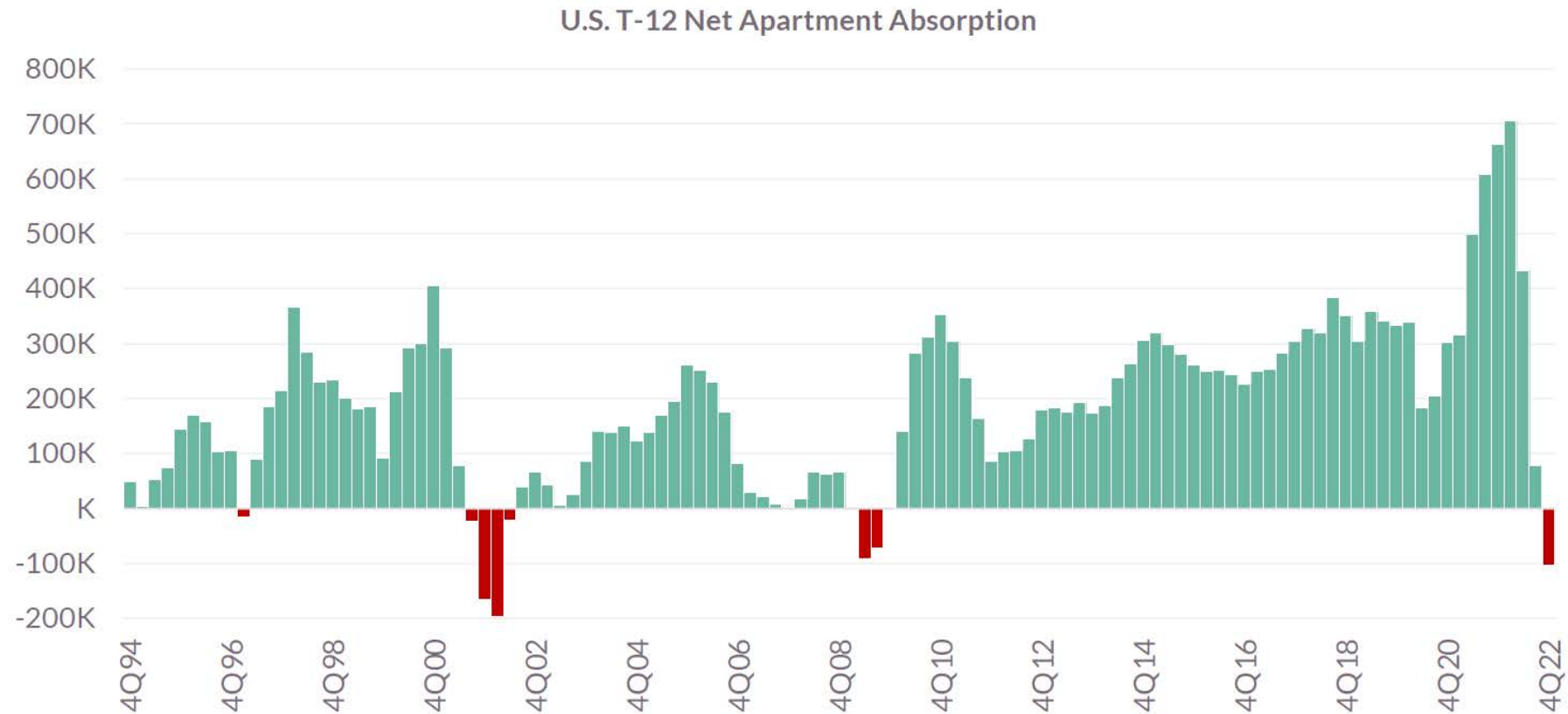
More than 970K units are underway national, the highest level in four decades



Source: RealPage Market Analytics



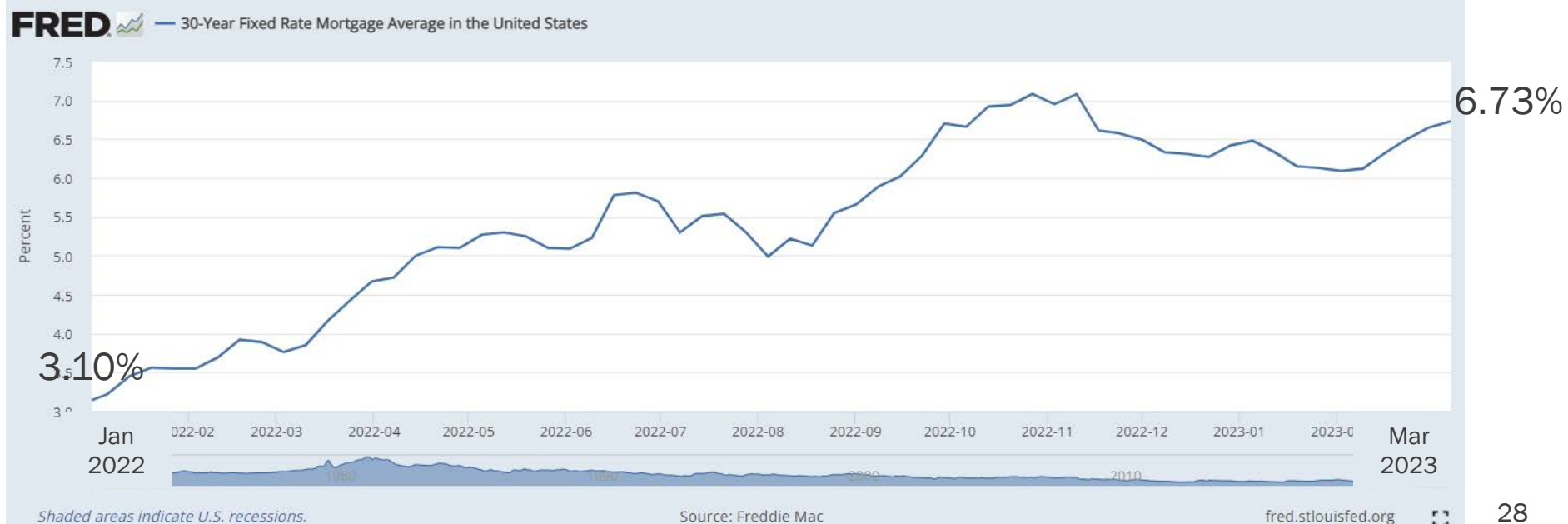
Negative Absorption at YE22



30-Year Mortgage Since 1970

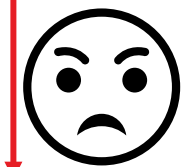


30-Year Mortgage Since Jan 2022



First Time Homebuyer Affordability Index

Year	Quarter	Starter Home Price	10% Down Payment	Loan Amount	Effective Interest Rate	Effective Int Rate Plus PMI	Monthly Payment	Prime First-Time Median Income	Qualifying Income	First-Time Buyer Index	Composite Index
2020		255,200	25,520	229,680	3.17	3.42	1,021	54,856	49,008	111.9	169.9
2021		303,500	30,350	273,150	3.01	3.26	1,190	55,775	57,120	97.6	148.2
2022 p		333,700	33,370	300,330	5.40	5.65	1,734	57,138	83,232	68.6	103.8
2021	IV	309,700	30,970	278,730	3.13	3.38	1,233	55,659	59,184	94.0	142.8
2022	I	316,200	31,620	284,580	3.86	4.11	1,277	55,869	66,096	84.5	128.2
2022	II	350,800	35,080	315,720	5.32	5.57	1,807	56,668	86,736	65.3	98.8
2022	III r	338,400	33,840	304,560	5.65	5.90	1,806	57,363	86,688	66.2	100.0
2022	IV p	321,900	32,190	289,710	6.77	7.02	1,931	58,652	92,688	63.3	95.5



- Lower the number, lesser the affordability
- YOY First Time Homebuyer Home Price up 4%
 - Implied required salary (@3x) of >\$107k
 - Fortune Article from 11.30.2022 says \$165k
- How long to save 20% down at \$100k salary? (Realtors say 10%)
 - UGA 2021 Exiting Student Survey

Survey Found 15 Exiting UGA Students Who Could Afford Down Payment

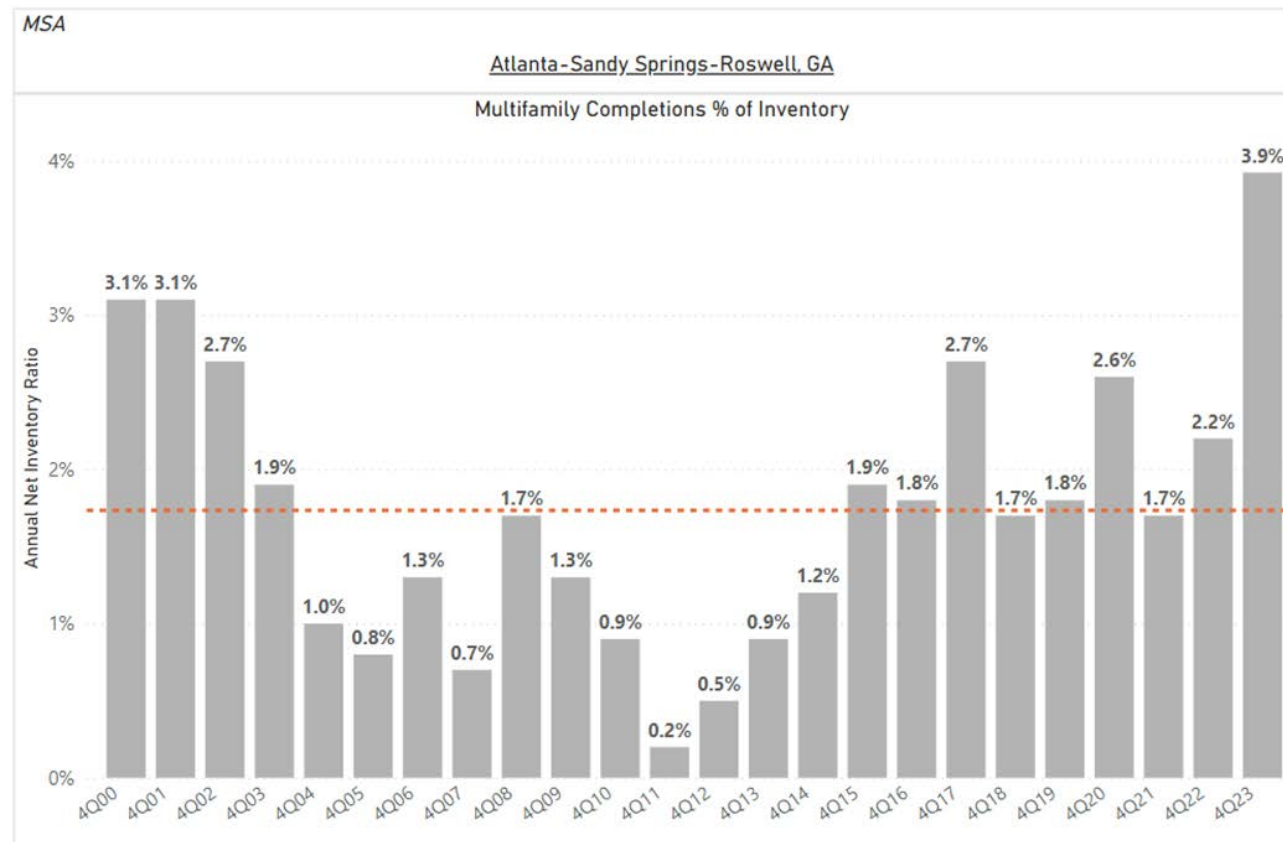


Atlanta Multifamily Typical in Market

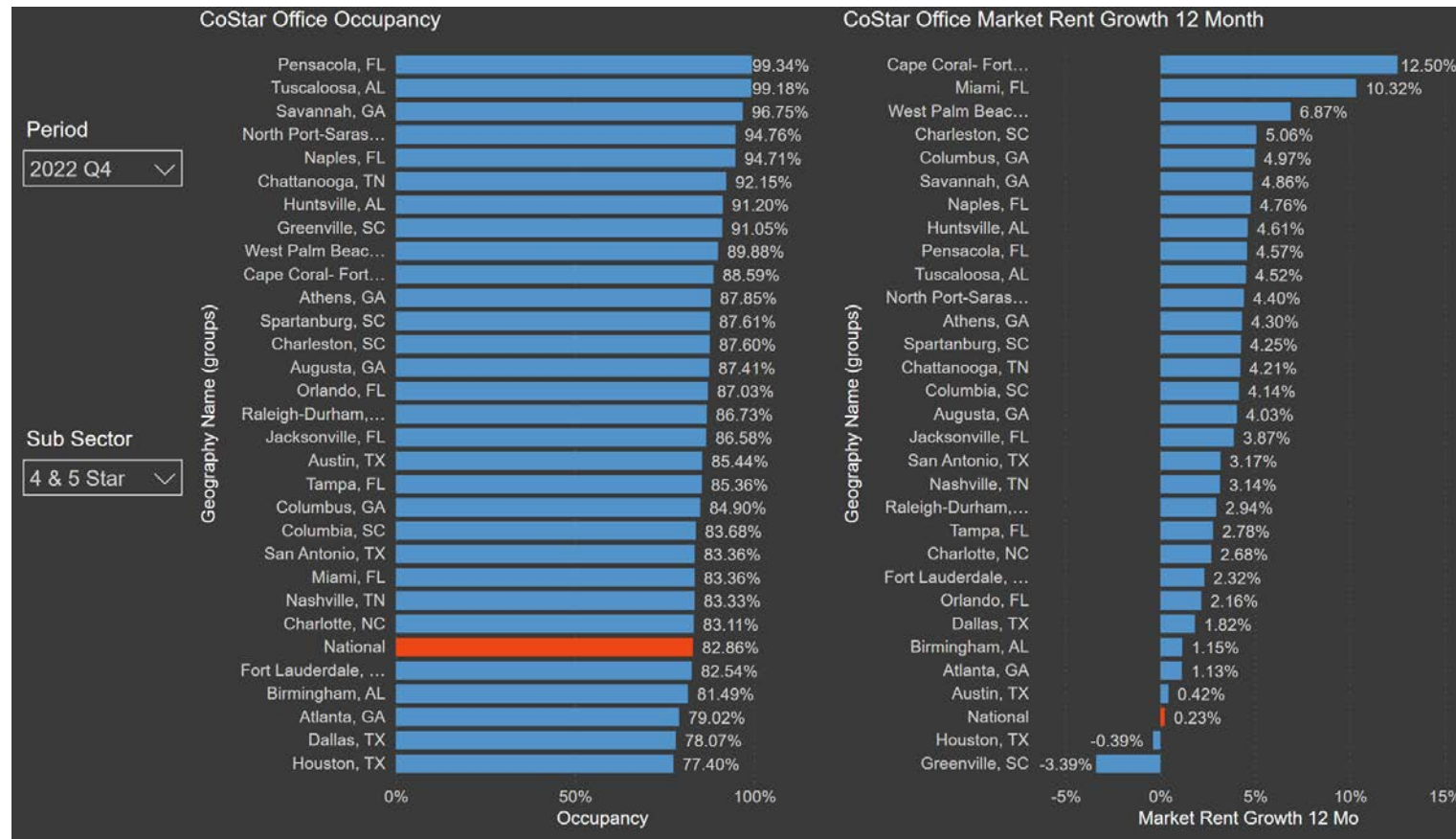
1:

Current				1 year lag Permits Hurdle Ratio 5:1				Forecast				1 year lag Permits Hurdle Ratio 5:1	
MSA	ST	A	B	4Q22 YOY Ann Non-Farm Job Growth	4Q22 YOY %Δ Job Growth	4Q21 T12 Multifamily Permits	4Q22 YOY Ann Jobs: 4Q21 T12 Permits	Axio 2024 FC Job Gain	Implied Forecast: 4Q24 YOY%Δ Job Growth	4Q22 T12 Multifamily Permits	2023 FC Jobs: 4Q22 Permits		
Atlanta-Sandy Springs-Roswell	GA	94.0%	93.6%	160,700	5.7%	7,302	22.01	14,270	0.5%	20,303	0.70		

2:



4Q22 Office Occupancy and Rent Growth



One Large Reason Why We Worry About Office in Inflationary Economy

- This assumes 10% operating expense growth
- This assumes a 50 bps annual increase in cap rates
- Number of Markets with 7% rent growth: 2

	2022	2023	2024
Effective Gross Income	\$ 1,000,000	\$ 1,077,385	\$ 1,154,969
Operating Expense	\$ 20,000	\$ 22,000	\$ 24,200
NOI	\$ 980,000	\$ 1,055,385	\$ 1,130,769
Cap Rate	6.5%	7.0%	7.5%
Value	\$ 15,076,923	\$ 15,076,923	\$ 15,076,923

Rent Growth Required to Maintain Value:	7.74%	7.20%
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Well Positioned in Recession Sensitive Sectors



Office

Balance: \$3,012⁽¹⁾

LTV: 53.3%

% of Loans >70% LTV: 7.9%

>50% of Office portfolio is medical in nature

This matters because:

- Health related spending has increased 25% since 2Q20 and comprises 20% of US GDP

2014

Average effective age of office collateral

This matters because:

- Vintage is a large determinant of value
- In general, office properties built prior to 2000 trade at a discount to newer offices



Hotel

Balance: \$1,708⁽¹⁾

LTV: 56.2%

% of Loans >70% LTV: 3.2%

98% of Hotel portfolio is Upper-Midscale and above

This matters because:

- Recent weakness in hotel performance has been confined to lower quality tiers

0

Losses in the portfolio since the pandemic

This matters because:

- Demonstrates a portfolio well-positioned for less-than-optimal economic conditions



Retail

Balance: \$1,404⁽¹⁾

LTV: 52.0%

% of Loans >70% LTV: 9.0%

76% of Retail portfolio is tenanted by a credit tenant or necessity provider

This matters because:

- Necessity providers are excellent recession hedges and are less susceptible to online competition

97%

Single Tenant retail occupants are credit-rated tenants

This matters because:

- National credit-rated tenant collection rates are above 95%
- Single credit tenant retail properties are backed by large corporate guarantees



Senior Housing

Balance: \$3,794⁽¹⁾

LTV: 60.1%⁽²⁾

% of Loans >75% LTV⁽³⁾: 4.7%

85% of Sr Housing portfolio is private pay

This matters because:

- Private pay facilities absorb rent increases more easily and are less constrained by reimbursements

75%

Institutional grade sponsorships

This matters because:

- Institutional sponsors have deeper industry expertise and better access to liquidity



Small Business

Balance: \$980⁽¹⁾

66% of the Small Business portfolio is secured by real estate

This matters because:

- Real estate-secured Small Business loans are less likely to default

73%

Of Synovus Small Business Customers report equal or higher business activity in 4Q22

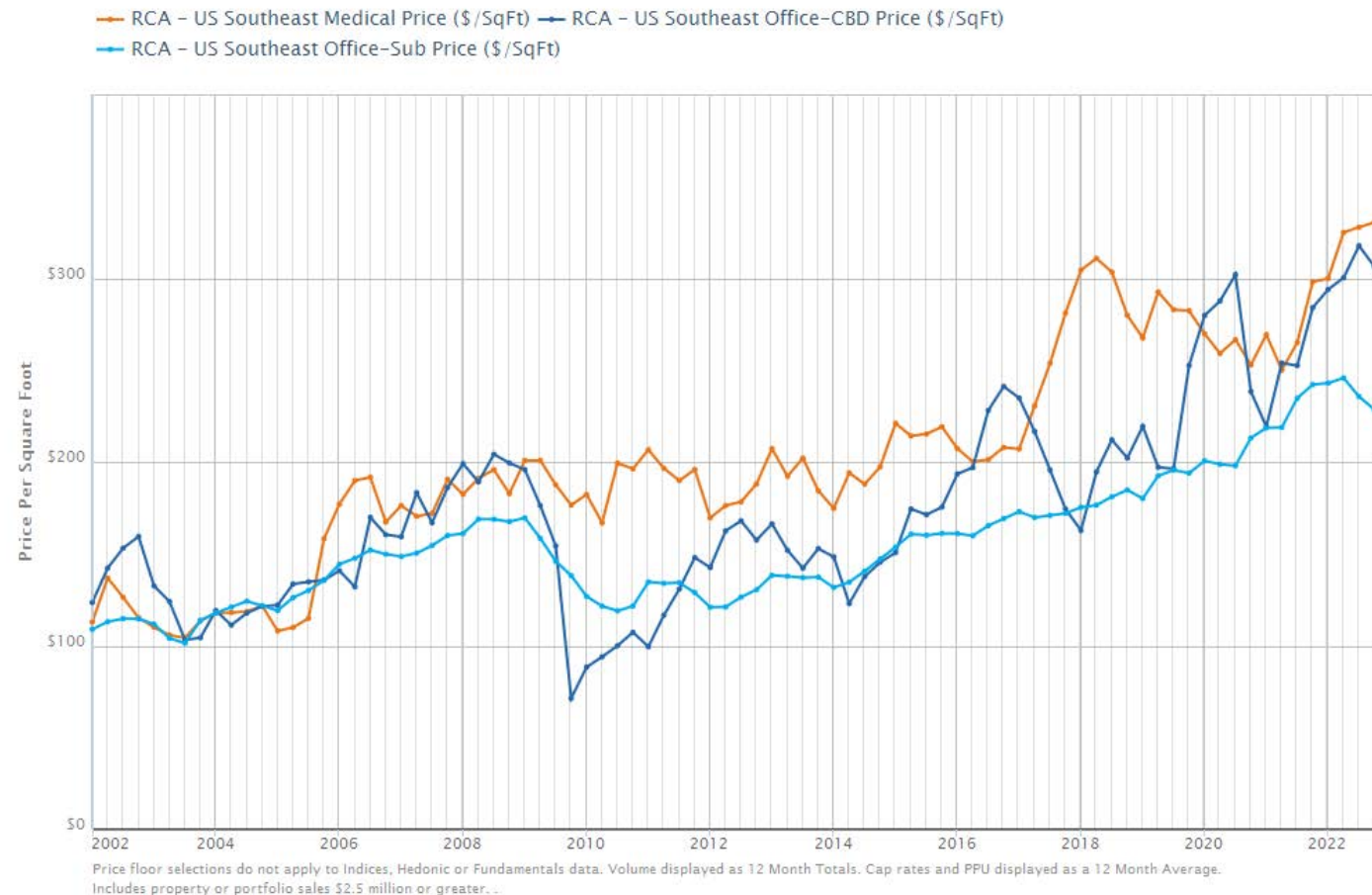
This matters because:

- Our small business customers are showing resilience in the face of a potential downturn

(1) In millions; balances as of 12/31/2022; (2) Senior Housing LTVs are based on total economic value of an operating facility; (3) 75% is the maximum LTV necessary for a HUD permanent takeout, the primary senior housing exit strategy

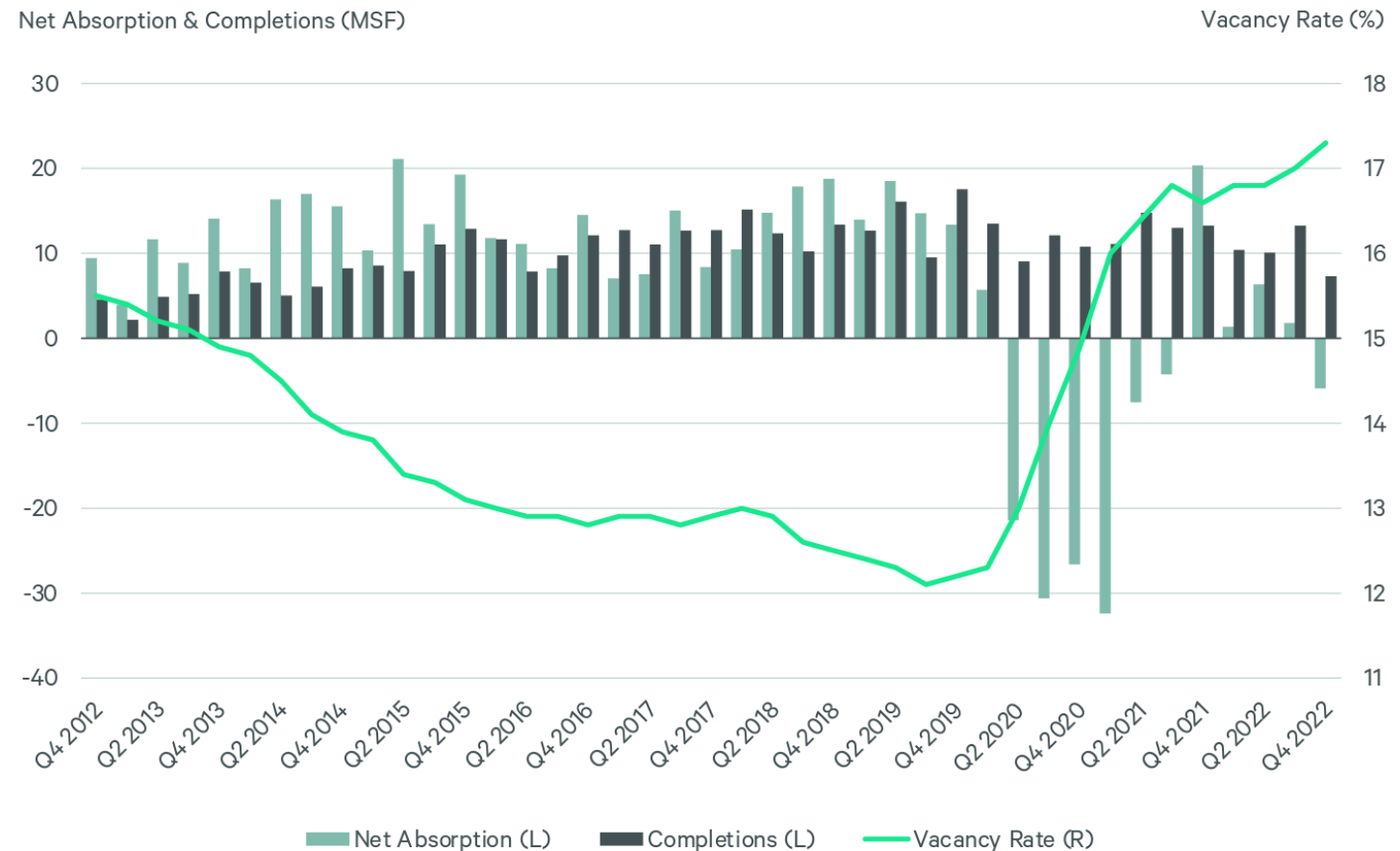
Medical: The Healthiest Office

- Medical more stable, holds value better than CBD or Suburban
- Note volatility in CBD/relative stability in suburban
- Location premium

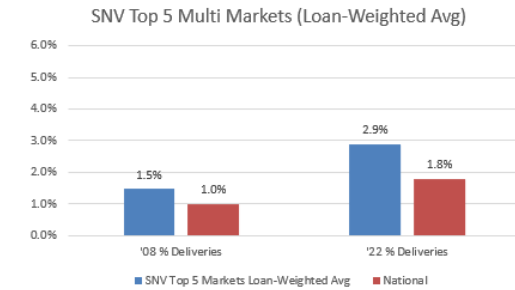
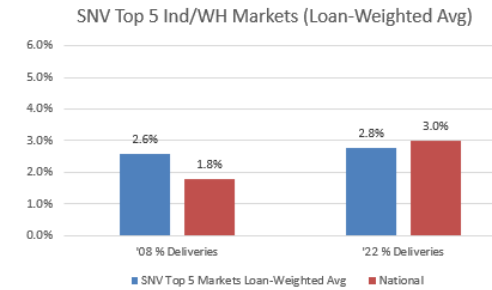
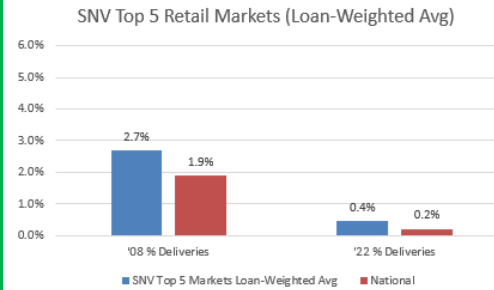
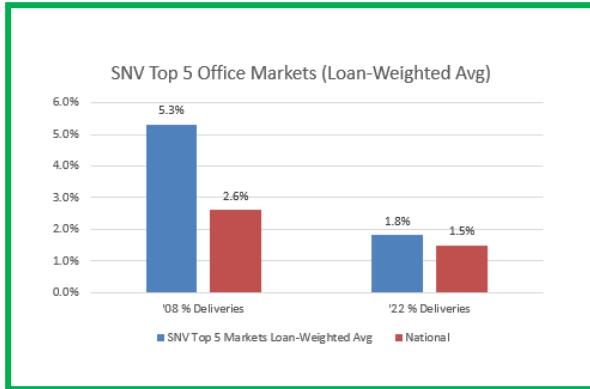


- CBRE Study: 4Q22 first negative absorption quarter since pandemic
- Properties older than 2010 accounted for ALL of the negative absorption...ALL OF IT!!!!!!!!!!!!

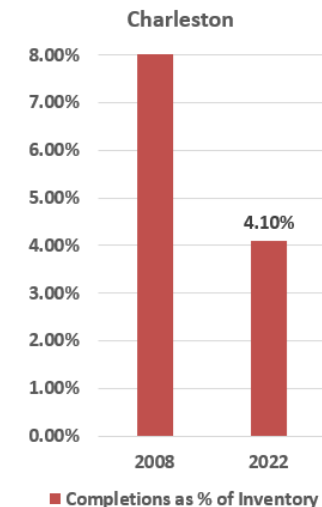
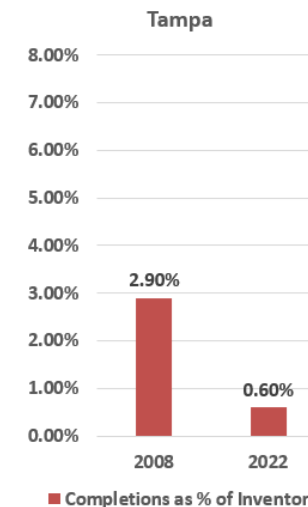
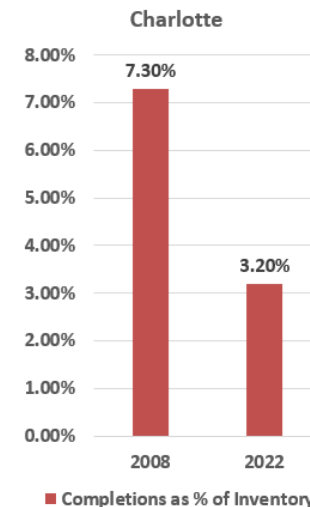
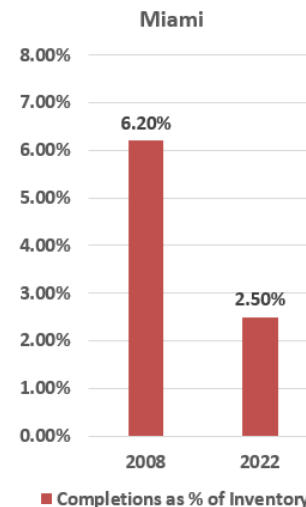
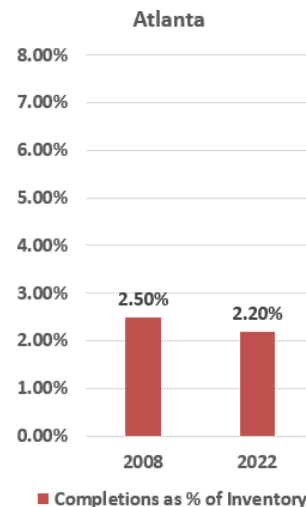
The Power of Vintage



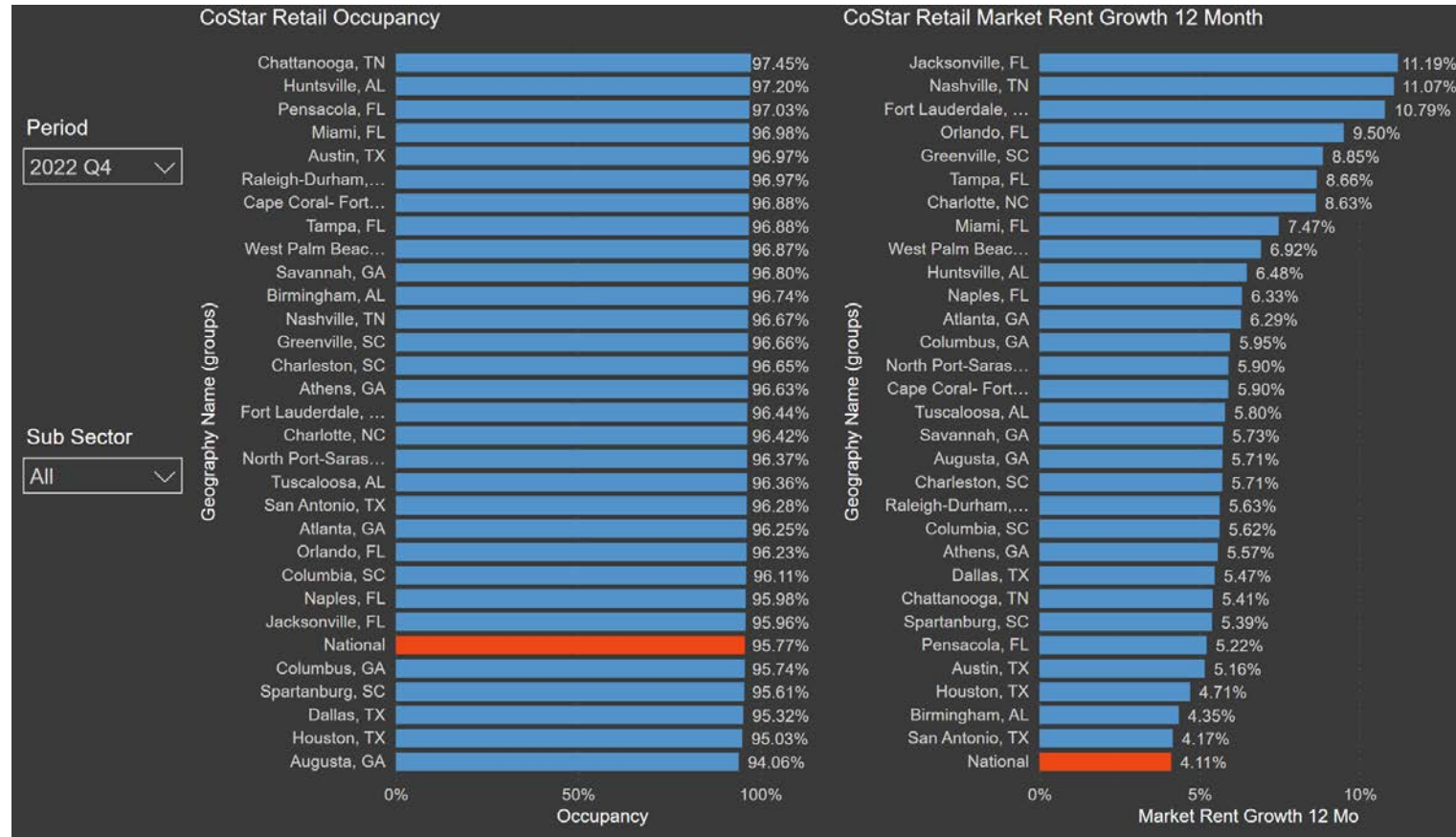
CRE Oversupply Risk Far Lower than GFC: Completions as % of Inventory



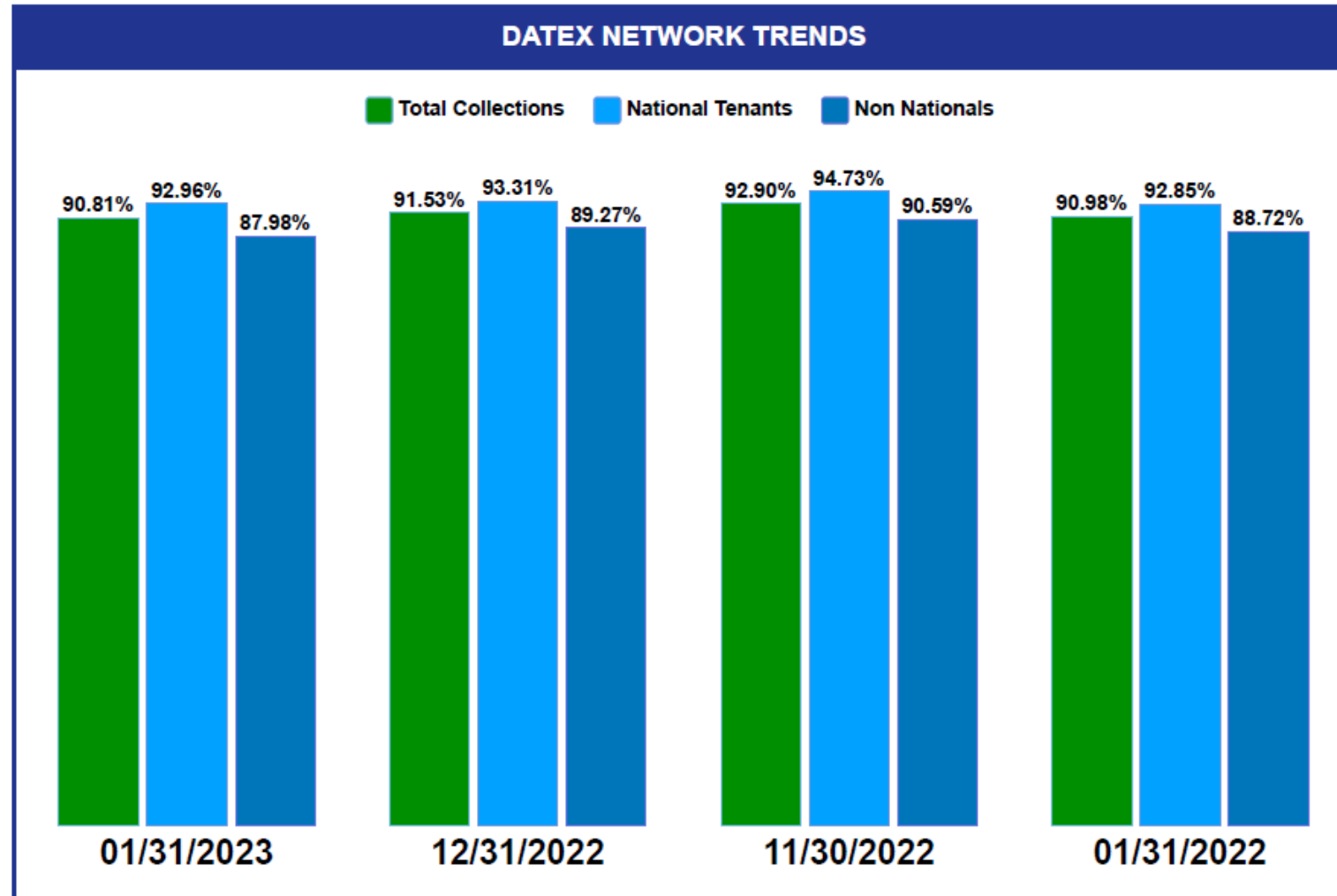
Top 5 Synovus Office Markets: Completions as % of Inventory



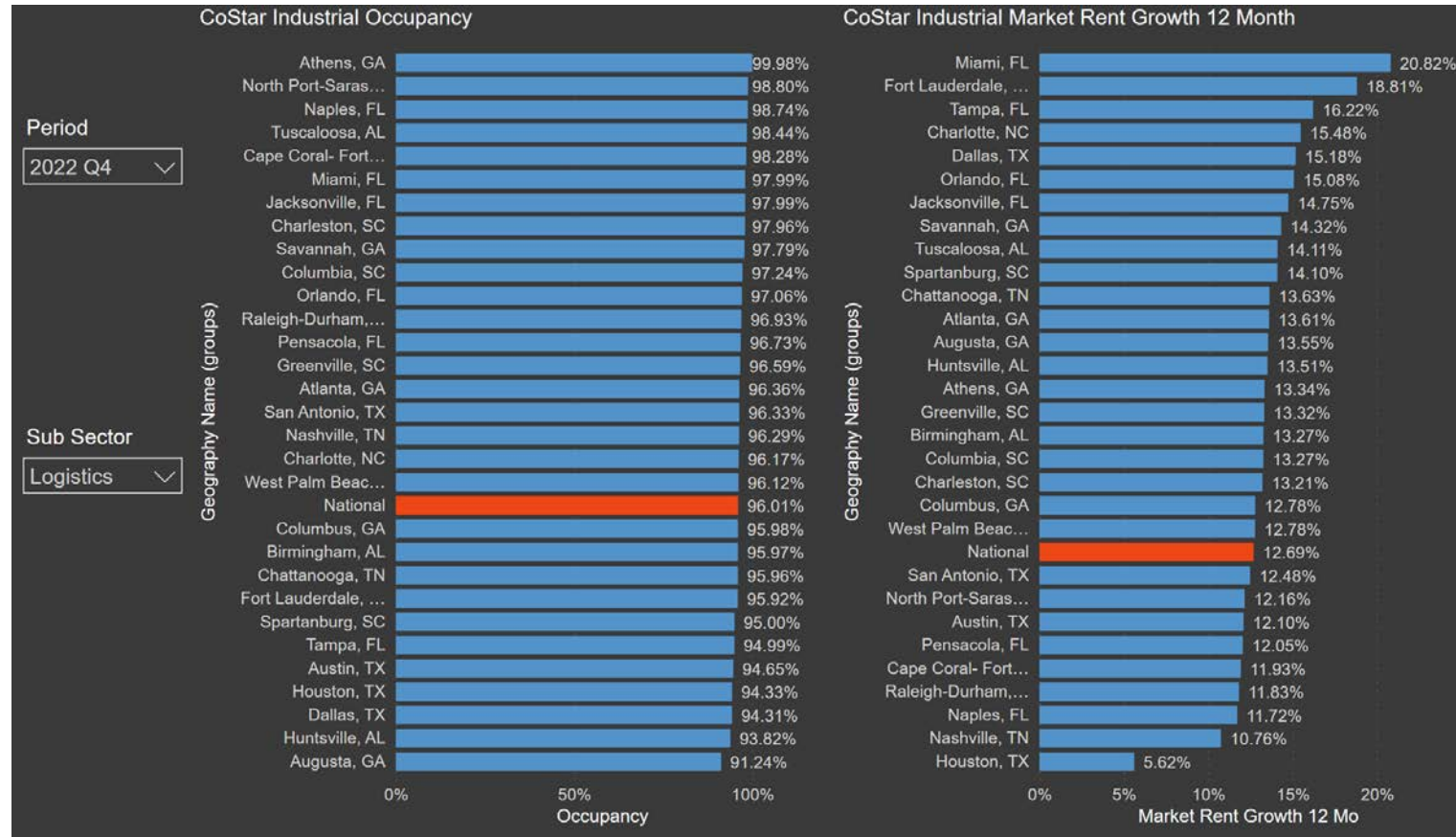
4Q22 Retail Occupancy and Rent Growth



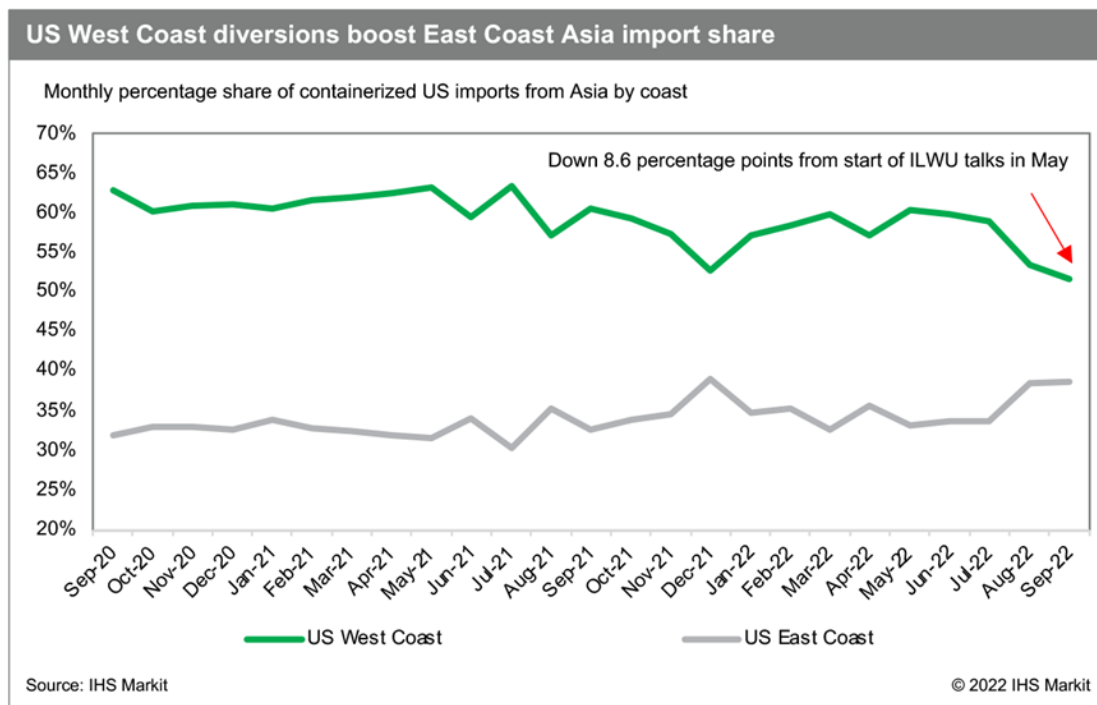
January 2023 Datex Rent Collections



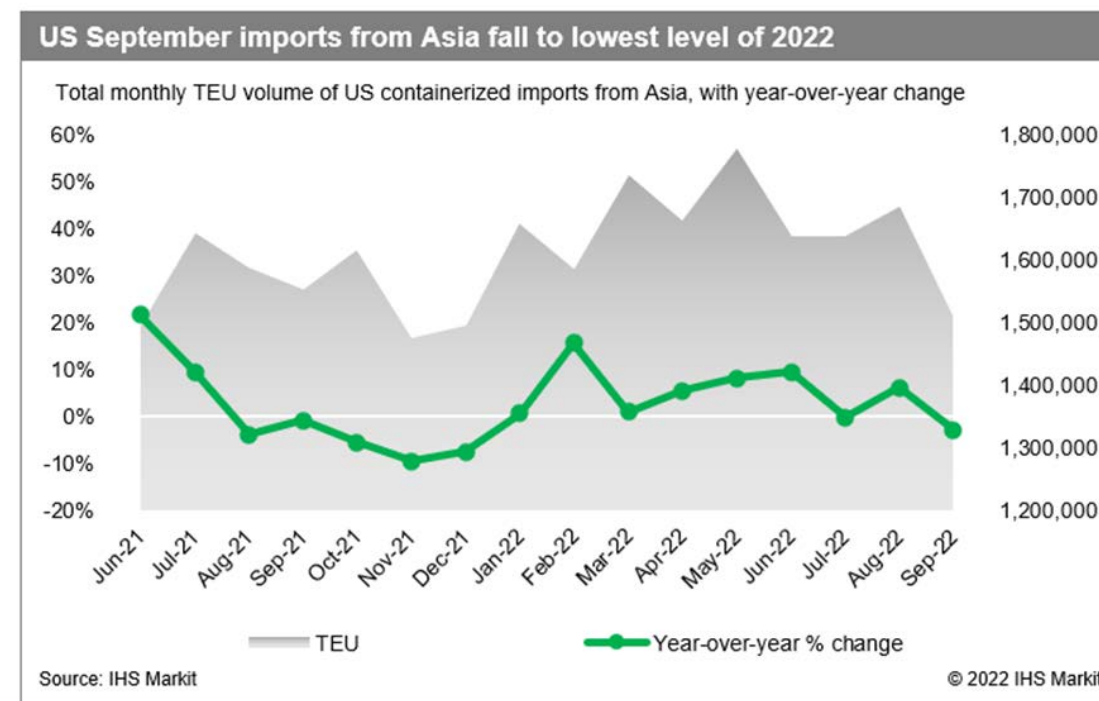
4Q22 Logistics Occupancy and Rent Growth



What Is There is Heading East/South



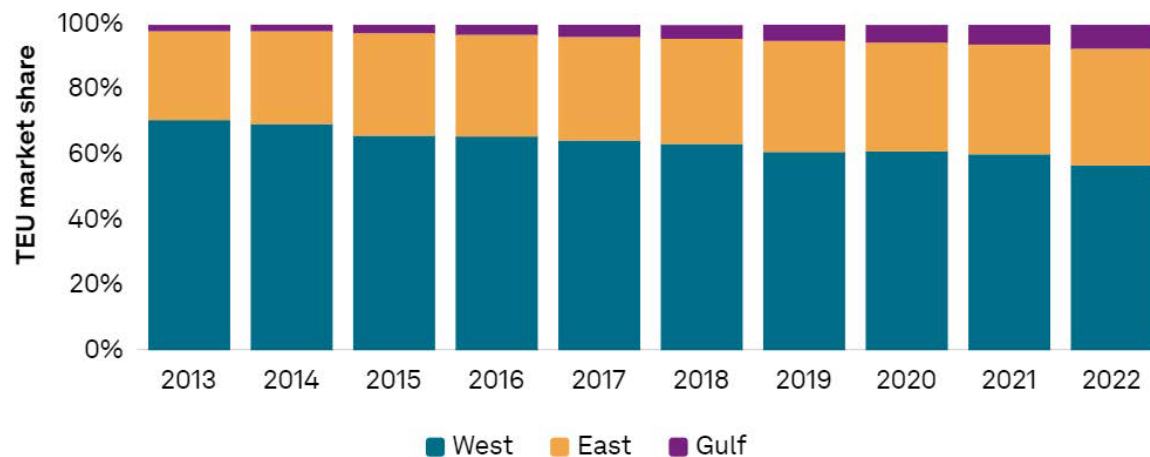
Imports Down/Exports Will Follow



Who Won? East Coast

Cargo tilts toward East, Gulf coasts amid West Coast labor talks

Market share of US containerized imports from Asia by coast



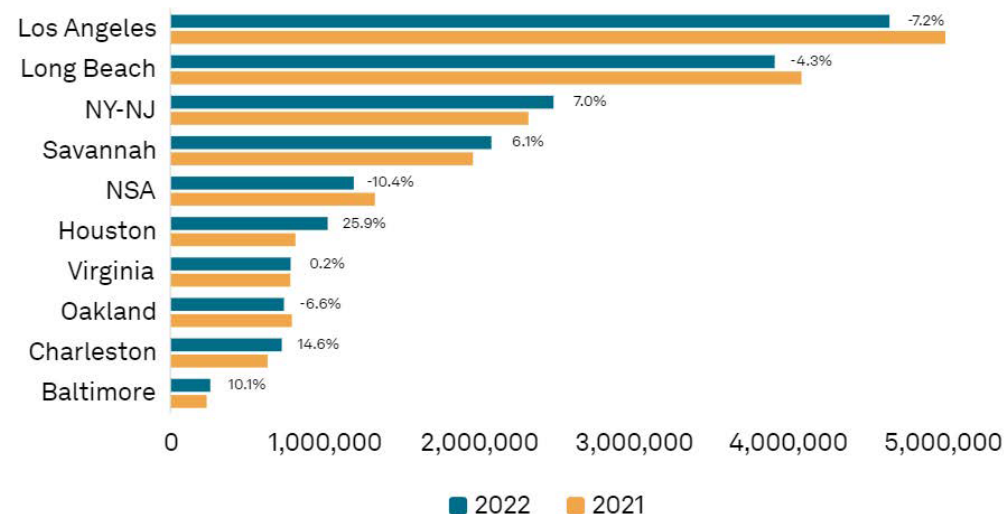
Source: PIERS, S&P Global

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Savannah/Charleston Outperform

Charleston, Savannah among fastest-growing import gateways

Containerized imports from Asia among top 10 US ports, in TEU, with year-over-year change



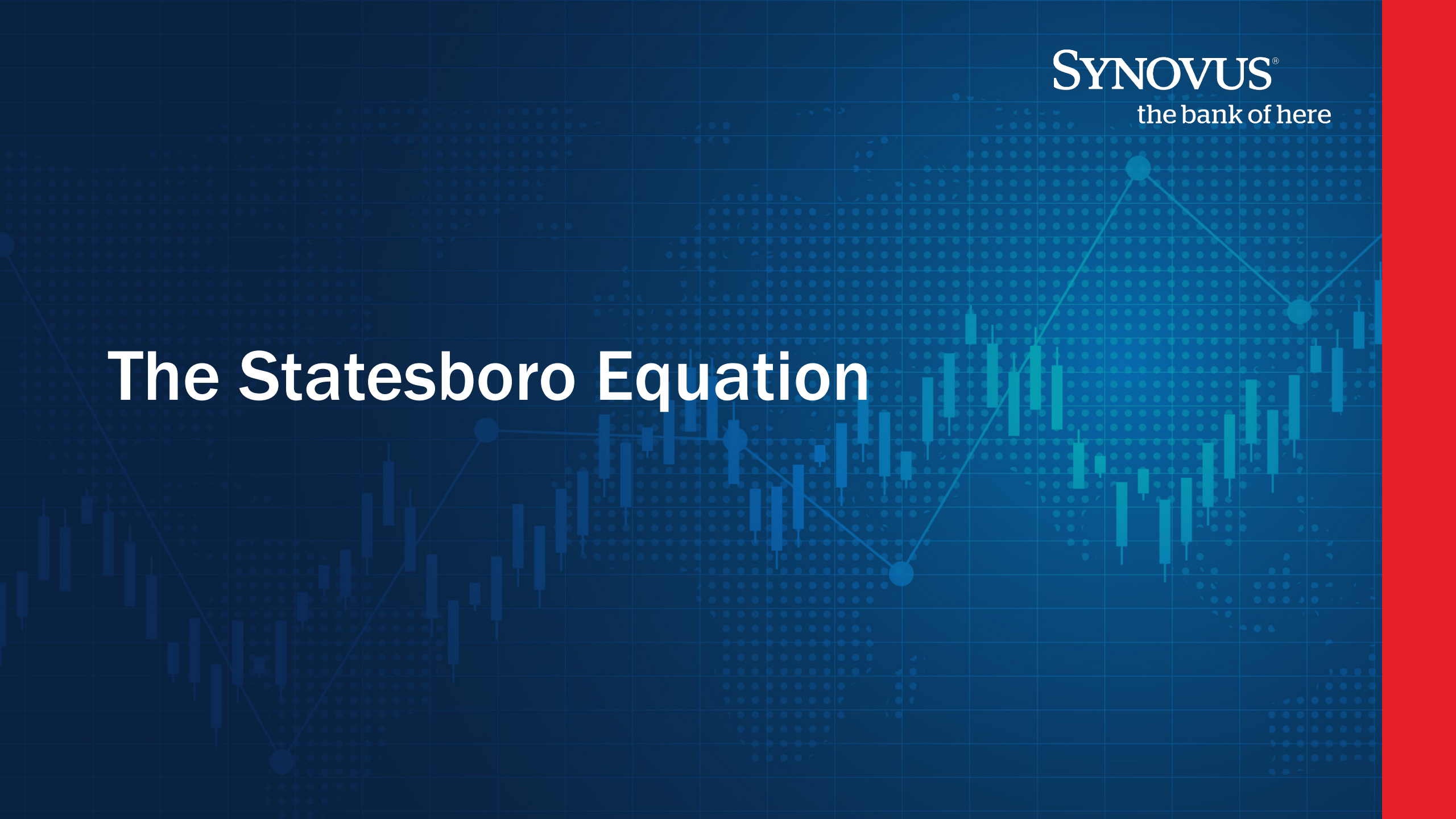
Source: S&P Global

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A Matter of Perspective

- Are we in a recession?
- How far will the FRB go?
- What would we expect to see with valuations?
- Which sector will see the most impact in the short term?

The Statesboro Equation



GDP Equation for Statesboro

Macro-Economics 101 - National Income Formula

$$Y = C + I + G + (X - M)$$

Y = National Income (GDP)

C = Consumer Spending

I = Investment

G = Government Spending

X = Exports

M = Imports

*Consumer Spending, Fixed Investment Point to
Outperformance*

Case Study: West Point (LaGrange), Georgia

- 15 Years Ago: Georgia Trend
 - New college and career academy (ThINC), trade schools
 - Greatly expanded multifamily/single family housing inventory
 - Diverse retail, more national tenants
 - The Ray, tech/community innovations
-
- *Two Major Hurdles*
 - If you build it, they will come Ray!
 - Where are they going to park?



Synovus Statesboro: Market Intelligence Update

Statesboro, Georgia
March 15th, 2023

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