

MARKETBEAT

BIRMINGHAM OFFICE REPORT

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4Q07

AT A GLANCE

- After 347,874 square feet (sf) of absorption over the first three quarters of 2007, the Central Business District (CBD) paused during the fourth quarter with slight negative absorption of 8,264 sf.
- In Birmingham's suburban markets, steady growth continued during the last three months of 2007. Midtown continued showing strength with 97,604 sf absorbed in fourth quarter, while the 280/Southern submarket witnessed an overall absorption of 53,014 sf, almost all of which was class A space.
- The Vulcan/Oxmoor submarket also showed a marked increase in occupancy during fourth quarter, with 29,545 sf absorbed, increasing occupancy 3.5% to 90.0%. Reflecting the heavy distribution emphasis of this submarket, Business Park space constituted 25,000 sf of absorption, while class B space made up the remaining 4,545 sf.
- The lowest overall occupancy in the region remains the Hoover/Riverchase submarket at 84.4%, with mostly older class B inventory. Even so, this submarket enjoyed absorption of almost 28,000 sf during fourth quarter.

ECONOMIC INDICATORS

	2006	2007	2008F
GDP Growth (National)	2.9%	2.2%	2.2%
CPI Growth (National)	3.2%	2.8%	2.5%
Unemployment (Regional)	3.6%	3.5%	3.8%
Employment Growth (Regional)	1.1%	1.0%	0.7%

BEAT ON THE STREET

"During the final quarter of the year, absorption of office space was 180,137 sf, increasing year-to-date absorption to 921,484 sf, and making this year's office market the best in memory.

The Central Business District, Midtown, and 280/Southern submarkets experienced very strong demand for Class A space in particular, with a total absorption of 131,708 sf of Class A space during the last quarter of the year."

—R. William Pradat, Jr., Executive Vice President

MARKET HIGHLIGHTS

SIGNIFICANT 2007 NEW LEASE TRANSACTIONS

BUILDING	TENANT	SQUARE FEET	BUILDING CLASS
Meadow Brook 500	Healthcare Company	135,000	A
Colonial Brookwood Center	Southern Natural Gas	94,000	A
Regions Harbert Plaza	Regions Corporation	80,000	A
Chase Corporate Center	Healthspring	72,000	A
Concord Center	Harbert Corporation	65,000	A
Colonial Brookwood Center	Johnston Barton Proctor & Powell, LLP	65,000	A
Perimeter Park	Cerner	20,000	A
22 Inverness Center	Diagnostic Health Corporation	13,000	A

SIGNIFICANT 2007 SALE TRANSACTIONS

BUILDING	BUYER	SQUARE FEET	PURCHASE PRICE
2200 & 2300 Riverchase Center	DRA Advisors	306,143	\$34,500,000
3500 Blue Lake Dr	DRA Advisors	166,590	\$27,600,000
One Independence Plaza	DRA Advisors	106,216	\$15,800,000
2101 Highland Ave South	Melaver, Inc.	67,000	N/A
The Tower	In-Rel Management	60,000	\$2,600,000
2280 Hwy 35	Shelby County Board of Education	35,000	\$2,500,000
Whatley Drake Bldg	Waldrup, Stewart & Kendrick	22,000	\$2,900,000
2808-2830 7 th Ave. South	Equity Resources, Inc.	18,500	N/A

SIGNIFICANT 2007 CONSTRUCTION COMPLETIONS

BUILDING	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Colonial Brookwood Center	Southern Natural Gas	150,000	05/07

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A			

MARKET STATISTICS

Market	Inventory	Overall Vacancy	YTD Absorption	Direct Wtd. Avg Class A Gross Rental Rate psf/yr
CBD	5,165,764	9.4%	339,610	\$19.14
Midtown	3,903,117	3.4%	255,347	\$20.00
280/Southern	5,218,682	3.7%	191,820	\$14.00
Hoover/Riverchase	1,961,284	15.6%	65,256	\$16.05
Vulcan/Oxmoor	823,591	10.0%	69,451	\$14.50
TOTAL	17,072,438	7.0%	921,484	\$18.06



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