



Annual Market Report | **2011**



“No great achievement is possible without persistent work.”

—*Bertrand Russell*



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Annual Market Report | **2011**

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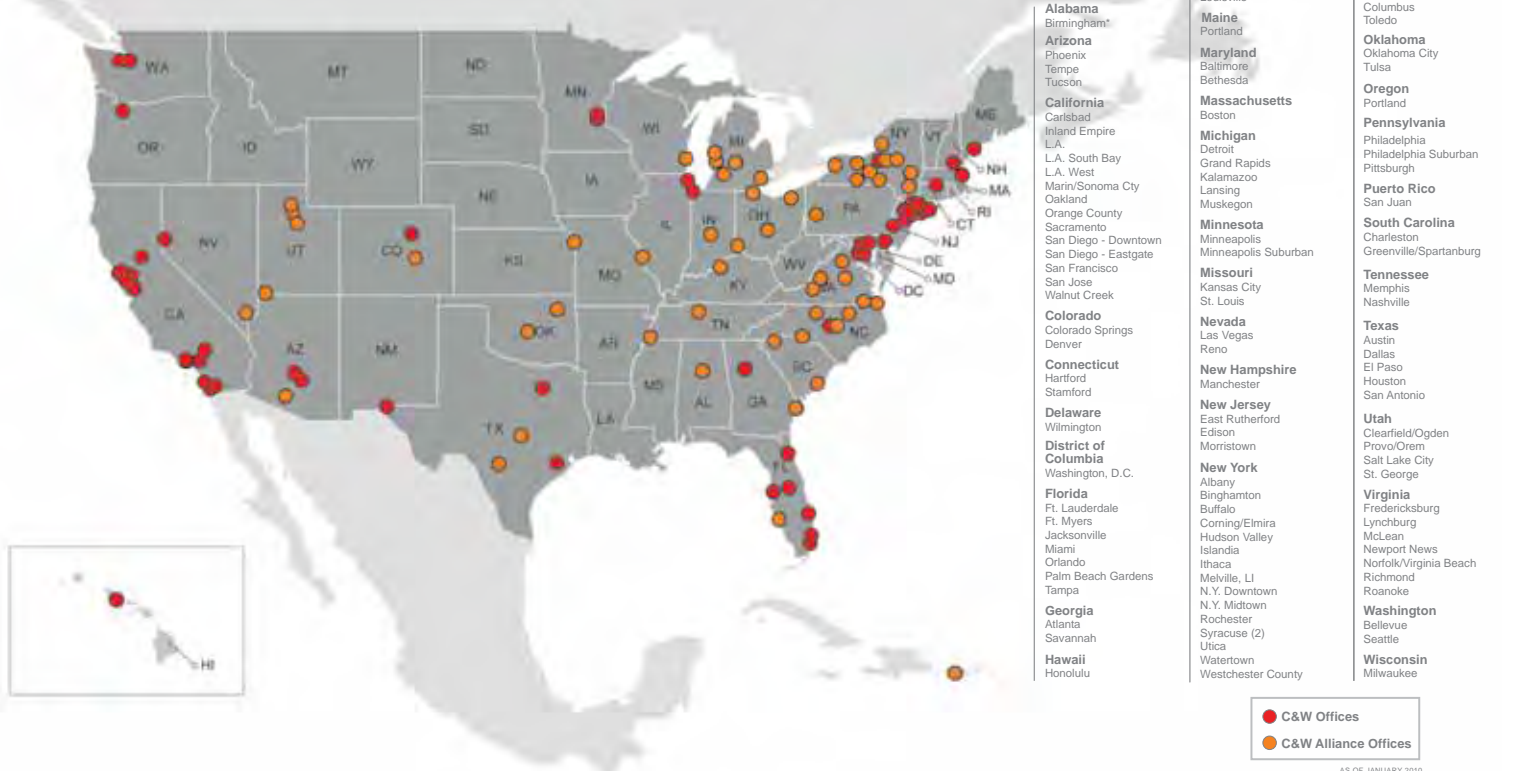
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112 Offices Nationwide



AS OF JANUARY 2010

Cushman & Wakefield: Expertise at your fingertips, in Alabama and beyond

EGS Commercial Real Estate is based in Alabama, but we offer the world to our clients through our alliance with Cushman & Wakefield, the world's premier corporate real estate firm. Offering a full array of real estate services in all major business centers around the world, Cushman & Wakefield is a market leader in all of its core businesses, setting the worldwide standard for knowledge, service and execution.

As a founding member in 2002 of the Cushman & Wakefield Alliance, a group of independently owned "best in class" real estate firms, EGS partners with C&W and other members of the Alliance to provide nationwide and international coverage for brokerage and other real estate services. Clients can experience a seamless delivery of quality

services in other markets while continuing to work with us, the local company they know and trust. Additionally, we are able to offer clients access to a wealth of resources and expertise spanning all areas of commercial real estate including brokerage services, global supply chain solutions, specialty practice groups and capital market services.

With 231 offices in 58 countries, including 112 offices in the U.S., our network of real estate professionals offers highly focused real estate and business solutions aimed at improving overall performance and operational productivity for owners, occupiers and investors. So you can rely on EGS not only for our local expertise and market knowledge, but also as your real estate advisor wherever your needs may be, across the U.S. or the world.

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|-----------------|----------------|-----------|-----------------|------------------|----------------------|
| Argentina | China | Hong Kong | Kuwait | Northern Ireland | South Africa |
| Australia | Czech Republic | Hungary | Latvia | Norway | Spain |
| Austria | Denmark | India | Lebanon | Poland | Sweden |
| Belgium | England | Ireland | Lithuania | Portugal | Switzerland |
| Brazil | Finland | Israel | Luxembourg | Romania | Thailand |
| Canada | France | Italy | Malaysia | Russia | Turkey |
| Channel Islands | Germany | Japan | Mexico | Singapore | United Arab Emirates |
| Chile | Greece | Korea | The Netherlands | Slovakia | United States |





State of the Market 2011

While 2010 was a challenging time for all sectors of the economy, there were some encouraging signs toward the end of the year indicating a gradual improvement for 2011. Alabama's economy is slowly rebounding, economic development prospects are picking up, and a few projects that were set in motion before the recession are beginning to come online, including the ThyssenKrupp steel plant in Mobile, Hyundai Heavy Industries in Montgomery, and the expansion of the Mercedes plant in Vance.

New tax cuts have been beneficial for many companies in our market and consumer confidence is starting to improve, as well as consumer spending. As the economy continues to improve we should also see banks become more active in lending.

Unemployment remains a large factor in the recovery process of the commercial real estate industry. While the unemployment rate has improved in recent months, unemployment is still hovering around 9.3% in Birmingham. Any increase in commercial leasing activity will depend on job growth. Until there is a significant increase in employment, the recovery process will be relatively slow.

Especially in the midst of challenging circumstances, we at EGS Commercial Real Estate call upon our experienced team of commercial real estate experts to ensure our clients receive superior service. Supported by our research and analysis capabilities, our team is uniquely aware of regional and local market conditions, and we are well positioned to capitalize on the opportunities we see emerging in the market. Our considerable experience has taught us that the more creative and responsive we are to our clients' needs in a less-than-optimal economy, the better we will all perform as market conditions improve.

As we begin 2011, we are reminded that Birmingham, indeed the State of Alabama, is a promising and rewarding place for business. We look forward to continuing to play a key role in our community's success by providing the highest possible level of leadership, innovation, integrity and teamwork.

In this spirit of service, we offer our 2011 Annual Market Report, presenting our in-depth analysis of the trends and transactions that shape the metropolitan area's office, industrial and retail landscape.

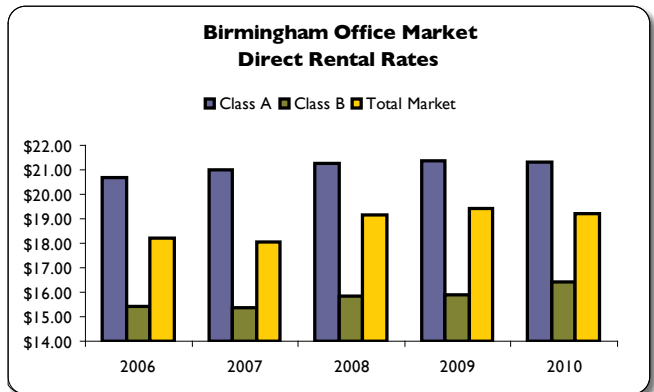
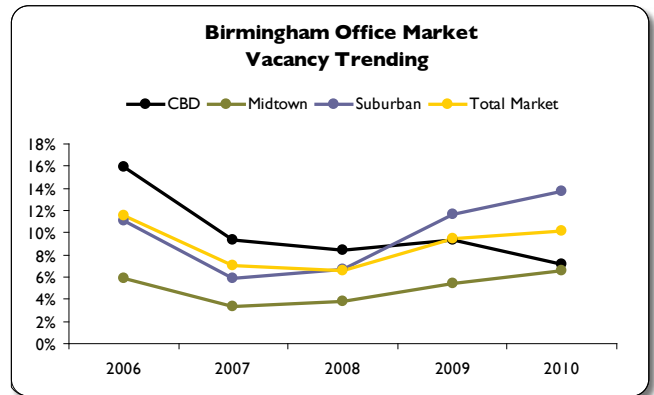
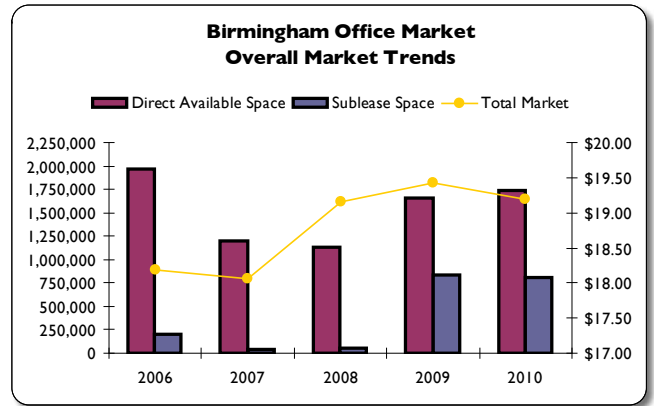
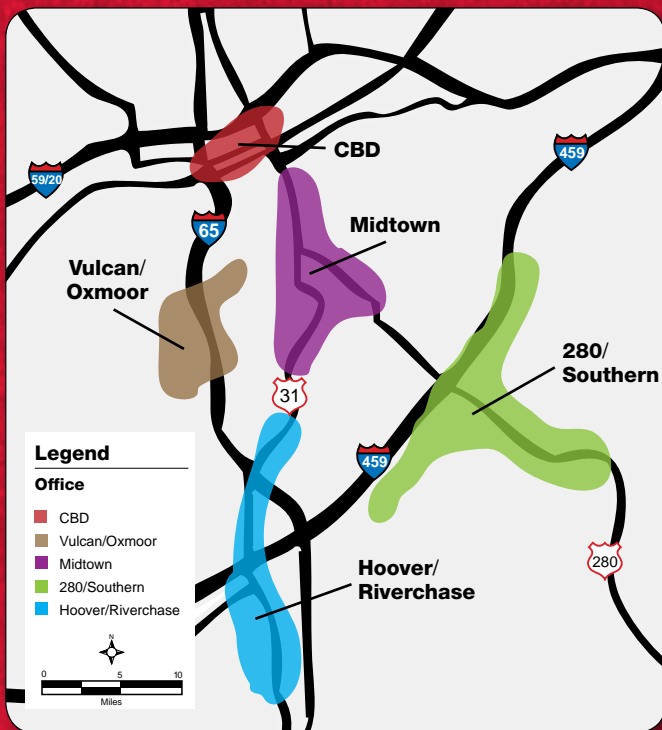
Office Market: 2011

The Birmingham office market is beginning to show signs of recovery. While the year ended with negative absorption across the market, absorption for 2010 was negative 117,651 square feet (sf). This number was a significant improvement from negative 490,077 sf at year end 2009. Occupancy for 2010 was 89.9%, down slightly from 90.5% at the end of 2009. Rents held steady in most submarkets with an average weighted rental rate of \$19.20 psf for the overall Birmingham market and \$21.33 psf for Class A space.

The Central Business District (CBD) fared better than Birmingham's suburban submarkets and was the only submarket to show positive year end absorption. The CBD had positive absorption of 88,530 sf, with 88,821 sf of Class A space absorbed during the year. Occupancy in the CBD increased to a very respectable 92.9%, up from 90.7% at the end of 2009.

While all suburban submarkets have softened over the past year to a certain extent, the 280/Southern submarket has been the most impacted. At year end 2009, the direct occupancy rate for 280/Southern was 91.0% and has since dropped in 2010 to 89.5%. The biggest factor is the amount of sublease space available in this submarket - a total of 623,588 sf - which is approximately 77% of the total sublease space available in the Birmingham market. Total occupancy for the 280/Southern submarket, factoring in the available sublease space, is 78.0%.

The current environment presents a unique opportunity for tenants to secure favorable terms and concessions from landlords. As the economy continues to recover, we anticipate market conditions will lead to a gradual increase in office leasing activity in 2011.



Office Submarket Statistics

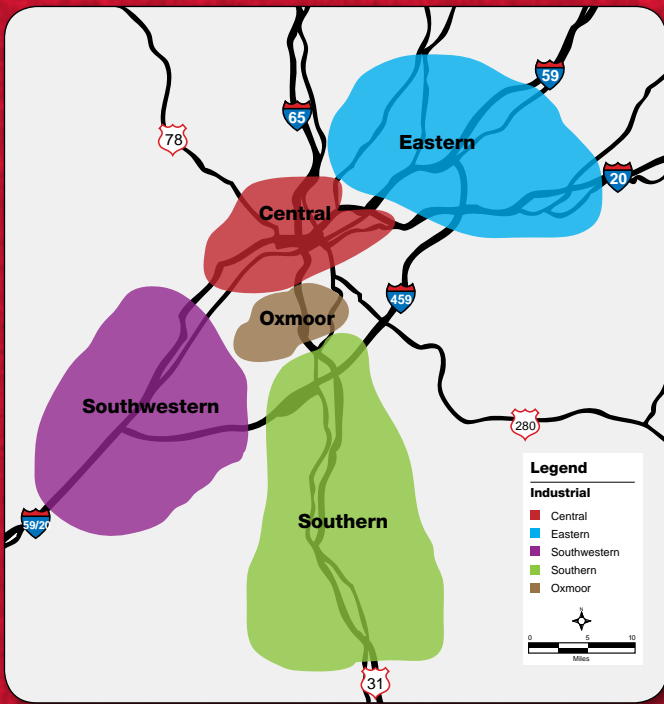
Submarket	Total SF	Direct Available SF	% Occupied	YTD Absorption	Available Sublease SF	Average Weighted Rental Rate
CBD	5,165,764	365,494	92.9%	88,530	46,082	\$19.34
Midtown	3,955,209	262,323	93.4%	(48,945)	43,809	\$19.99
280/Southern	5,444,559	570,011	89.5%	(79,973)	623,588	\$21.55
Hoover/Riverchase	1,961,284	343,644	82.5%	4,949	84,577	\$17.07
Vulcan/Oxmoor	823,591	202,555	75.4%	(82,122)	12,700	\$14.95
TOTAL	17,350,407	1,744,027	89.9%	(117,561)	810,756	\$19.20

*Rental rates reflect \$psf/year full service

Market Snapshot

	Current	Change from 2009
CBD Direct Vacancy	7.1%	↓
Non-CBD Direct Vacancy	11.3%	↑
CBD Class A Direct Avg. Rental Rate	\$20.96	↓
Non-CBD Class A Direct Avg. Rental Rate	\$21.43	↓



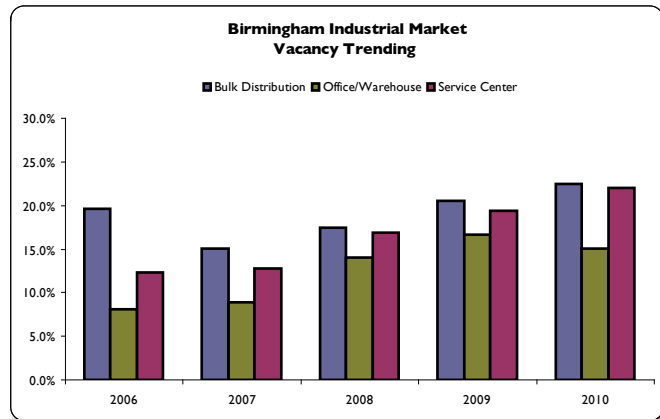
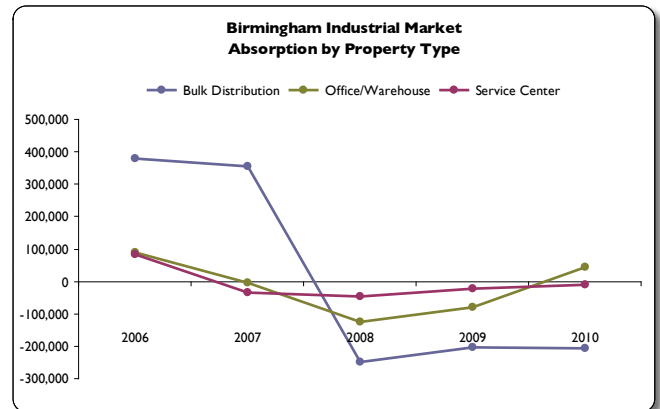


Industrial Market: 2011

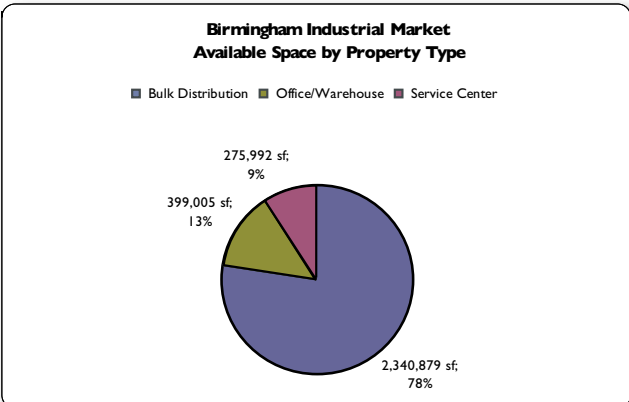
The activity that took place in metropolitan Birmingham's multi-tenant industrial market during 2010 was primarily due to companies renewing leases. There were few expansions either by existing companies or new companies moving into the area. This lack of activity resulted in a continued decrease in occupancy levels from 2009. The year end direct occupancy rate was 78.9%, down from 80.3% at the end of 2009. Sublease space became a significant factor in the market for the first time in years and brought the overall occupancy rate down to 76.3%. This overall occupancy level is the second lowest in the U.S., based on 63 first- and second-tier industrial markets tracked by Cushman & Wakefield.

The Central submarket was Birmingham's only industrial submarket to end the year with positive absorption. Direct absorption for the Central submarket was a modest 23,842 square feet (sf), an improvement from negative 65,899 sf at the end of 2009. The majority of negative absorption occurred in the Eastern submarket, which had year end negative absorption of 94,450 sf. The negative absorption is primarily due to a single tenant vacating approximately 80,000 sf of bulk distribution space.

Despite challenges of the multi-tenant sector, several new industrial build-to-suits either began construction or were completed in 2010. These new projects include a 120,000-sf facility for TruBlue Logistics; a 150,000-sf facility for Posco America; a 120,000-sf facility for BLG Logistics; and a 55,000-sf truck terminal for Old Dominion Freight. Sales of industrial buildings and land remained flat or virtually non-existent due to lack of demand and lending constraints. Additionally, no new speculative industrial development was started during the year.



We are optimistic that in 2011 Birmingham's industrial market will see a gradual improvement and overall occupancy will increase. The Birmingham area's broad distribution base, diversified economy and central geographic location in the Southeast should continue to make our city a desirable and viable market for distribution, warehousing and manufacturing companies. To that end, Dollar General recently announced its plan to build an 800,000-sf distribution facility in 2011 in the Oxmoor submarket. Additionally, the construction of Norfolk Southern's \$100 million intermodal facility, which is scheduled for completion in 2012 in the Southwestern submarket, should spark new leasing and development opportunities for companies seeking to gain efficiencies in shipping and transportation costs. It is anticipated the intermodal facility will have a positive impact on Birmingham's industrial market.



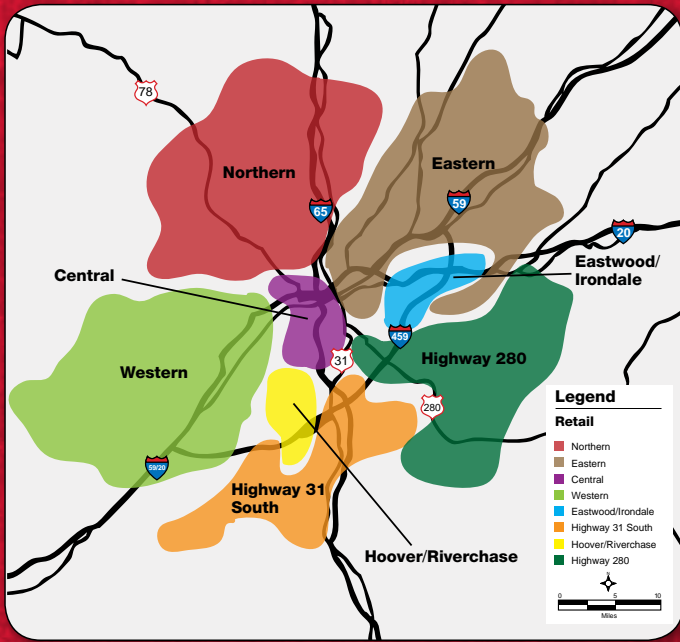
Market Snapshot

	Current	Change from 2009
Direct Vacancy	21.1%	↑
Bulk Distribution Avg. Net Rental	\$3.60	↓
Office/Warehouse Avg. Net Rental	\$6.05	↓
Service Center Avg. Net Rental	\$6.90	↑

Industrial Submarket Statistics

Submarket	Total SF	Direct Available SF	% Occupied	YTD Absorption	Available Sublease SF	Average Weighted Rental Rate
Central	4,197,328	658,253	84.3%	23,842	12,125	\$3.19
Eastern	1,247,100	226,382	81.8%	(94,450)	0	\$4.14
Oxmoor Valley	2,666,564	523,190	80.4%	(66,627)	114,174	\$5.46
Southern	3,947,937	768,656	80.5%	(10,972)	200,000	\$4.62
Southwestern	2,248,677	839,395	62.7%	(24,100)	52,000	\$3.93
TOTAL	14,307,606	3,015,876	78.9%	(172,307)	378,299	\$4.23

*Rental rates reflect \$psf/year



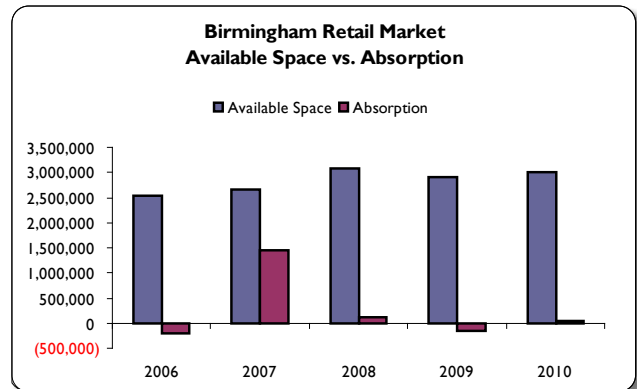
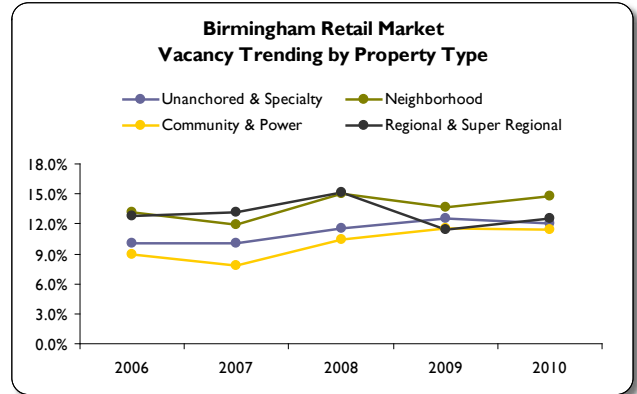
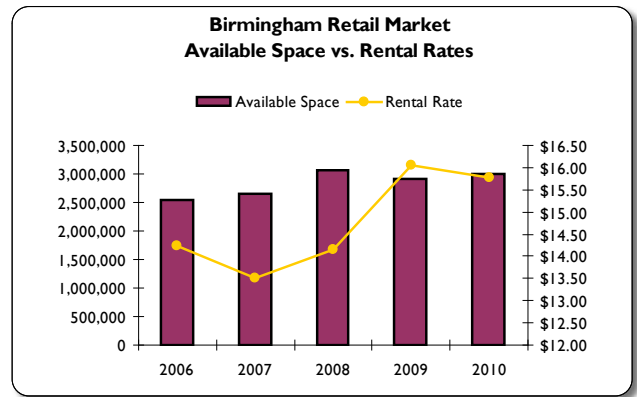
Retail Market: 2011

Improving retail sales helped vacancy to remain steady in Birmingham's retail market in 2010, a trend which should continue through 2011. The Birmingham market experienced positive absorption of 35,620 square feet (sf) in 2010, a big improvement from negative 164,138 sf in 2009. Overall occupancy for 2010 was 87.6%, just a slight decrease from 88% at the end of 2009. Average weighted rental rates have declined from \$16.04 per square foot (psf) in 2009 to \$15.77 psf in 2010. This decrease in rental rates has benefited some tenants and enabled select tenants to expand their businesses.

A bright spot in the retail market, the Western submarket continued to show some improvement in 2010. Occupancy rose to 86.2%, an increase from 85.6% at the end of 2009. The average weighted rental rate increased from \$11.88 psf at year end 2009 to \$12.04 psf in 2010. Also, grocery-anchored centers in this submarket have demonstrated a reasonably stable tenant base.

The Highway 31 South submarket maintains the highest occupancy level of 92.2%, relatively unchanged from 92.3% at year end 2009. Due to favorable market demographics and close proximity to I-65 and I-459, two of Birmingham's most traveled transportation corridors, this submarket should continue to maintain high occupancy levels. With an average weighted rental rate of \$10.75 psf, the Highway 31 South submarket continues to have some of the lowest rental rates in the area, which may also account for the high occupancy rates.

Due to lack of major tenant interest, development in the Birmingham retail market has slowed significantly in the last several years, although some grocery-anchored development is occurring. However, Birmingham is still considered a high-potential market, particularly along the U.S. Highway 31 and U.S. Highway 280 corridors. Retailers and developers may investigate potential locations that will help them serve the expanding demands of retail customers in anticipation of being well positioned as the economy improves in 2011.



Retail Submarket Statistics

Submarket	Total SF	Direct Available SF	% Occupied	YTD Absorption	Average Weighted Rental Rate
Central	3,520,737	386,552	89.0%	9,237	\$13.70
Eastern	3,763,468	477,188	87.3%	(77,577)	\$9.15
Eastwood/Irondale	1,648,783	212,631	87.1%	46,628	\$10.40
Highway 280	3,326,398	457,593	86.2%	9,318	\$19.67
Highway 31 South	1,873,837	145,962	92.2%	(1,705)	\$10.75
Hoover/Riverchase	4,908,643	594,675	87.9%	11,536	\$29.58
Northern	2,018,126	295,398	85.4%	17,940	\$8.85
Western	3,162,117	436,619	86.2%	20,243	\$12.04
TOTAL	24,222,109	3,006,618	87.6%	35,620	\$15.77

*Rental rates reflect \$psf/year

Market Snapshot

	Current	Change from 2009
Direct Vacancy	12.4%	↑
Unanchored & Specialty Avg. Rental Rate	\$12.05	↓
Neighborhood Avg. Rental Rate	\$10.17	↓
Community & Power Avg. Rental Rate	\$14.25	↑
Regional & Super Regional Avg. Rental Rate	\$31.26	↓





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