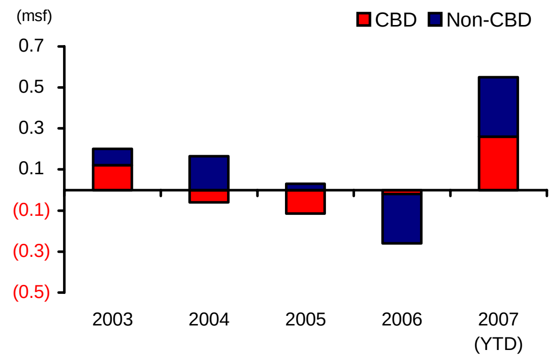
MARKETBEAT SNAPSHOT

OFFICE OVERVIEW
BIRMINGHAM, ALABAMA

First Quarter 2007

The 2006 Office market in Birmingham was characterized by retrenching in the face of two regional bank mergers. However, the first quarter of 2007 saw a marked reversal of this trend, with fresh activity taking place throughout the region. The first three months of 2007 saw overall absorption of 541,893 square feet (sf). As a result, occupancy for the market increased 3.28% to 91.58%. In short, the first quarter of 2007 provided good news throughout the office market, especially in the Central Business District. The continued steady, diversified growth of the Birmingham economy appears to be providing renewed strength to the local office market.

Overall Absorption CBD vs. Non-CBD



This tightening of inventory in the first quarter is ascribed to two different factors. First, no new office buildings have been added to the Birmingham market in 2007. While one new office building is currently being constructed adjacent to Colonial Brookwood Village in the thriving Midtown submarket, that space is already fully leased. Second, a number of different companies took advantage of perceived softness in the market to consolidate or expand their existing space. As an example, a regional bank is undergoing consolidation in Regions Center building, while a major law firm continues its expansion in AmSouth/Harbert Plaza.

We interpret this heightened activity as a sign of a vibrant office market, one that is beginning to attract the attention of outside investors who are seeking opportunities. In the last six months, both Chase Corporate Center and Cahaba Park South in the Hoover/Riverchase submarket were bought by investor groups outside the Birmingham region.

Four out of five submarkets saw significant gains in absorption and occupancy during First Quarter. The Downtown Market experienced an absorption of 256,860 sf, an increase of 5.12% occupancy to 88.22%. Midtown saw absorption of 52,274 sf, an increase of 1.47% to 95.57%. South of town, the 280/Southern submarket saw 172,458 sf occupied, increasing occupancy 3.3% to 95.90%. Finally, the Hoover/Riverchase submarket saw absorption of 64,250 sf, increasing occupancy 3.01% to 84.81%. Vulcan/Oxmoor, the only submarket to experience a negative absorption, added 3,949 sf to availability, resulting in a 0.43% drop in occupancy. Similarly, all property types (class A, class B, and Business Park) showed across-the-board positive absorption.

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With ongoing tightening of the market expected to continue in 2007, EGS forecasts an increase in demand, which provides a corresponding upward movement in rates. This increase in activity should result in additional construction of space, especially in the Midtown submarket – one of the area's tightest submarkets.■

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COMMERCIAL REAL ESTATE

EGS COMMERCIAL REAL ESTATE MARKET HIGHLIGHTS

Significant 1Q07 New Lease Transactions

BUILDING	SUBMARKET	TENANT	SQUARE FEET	CLASS
Colonial Brookwood Village	Midtown	Southern Natural Gas	95,000	A
Perimeter Park	280/Southern	Cerner	20,000	A-

Significant 1Q07 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Cahaba Park South	Hoover/Riverchase	Cahaba Park, LLC	67,438	$4,862,500

Significant 1Q07 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Colonial Brookwood Village	Midtown	Southern Natural Gas	150,000	2nd Quarter 2007

EGS COMMERCIAL REAL ESTATE MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Overall Absorption	Direct Wtd. Avg. Class A Rental Rate*
CBD	5,165,764	29	10.8%	10.8%	N/A	0	0	259,808	$20.62
Non-CBD	11,684,706	170	7.4%	7.4%	N/A	150,000	0	285,033	$19.28
Midtown	3,661,950	59	4.4%	4.4%	N/A	150,000	0	52,274	$19.05
280/Southern	5,211,853	46	4.1%	4.1%	N/A	0	0	172,458	$19.64
Hoover/Riverchase	1,933,312	48	15.2%	15.2%	N/A	0	0	64,250	$18.40
Vulcan/Oxmoor	877,591	17	21.9%	21.9%	N/A	0	0	(3,949)	N/A
Total	16,850,470	199	8.4%	8.4%	N/A	150,000	0	544,841	$20.12

* Rental rates reflect $psf/year

For more information, please contact our Research Department:
EGS Commercial Real Estate
505 N. 20th Street, Suite 700
Birmingham, AL 35203
205-939-4440

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