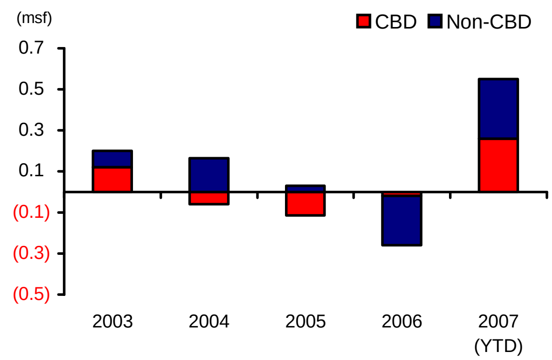
# MARKETBEAT SNAPSHOT

## OFFICE OVERVIEW
## BIRMINGHAM, ALABAMA

*Second Quarter 2007*

**The second quarter of 2007 signaled a pause in the Birmingham market's** steady overall office growth. While the market absorbed a total of 473,029 square feet (sf) during the first three months of the year, the second quarter saw an overall absorption of 84,653 sf as the market digested sizable gains year-to-date.

**Overall Absorption CBD vs. Non-CBD**




As a result, occupancy for the market edged up slightly from 91.5% to 91.6%. However, despite the incremental gain in occupancy, there were two major transactions of note in the region. HealthSpring of Alabama leased 70,000 sf at Chase Corporate Center in the Hoover/Riverchase submarket. Also, an additional 9,000 sf was leased at the Financial Center in the Central Business District (CBD).

As a result, the tightening of office inventory continues throughout the Birmingham area. This is due to a number of factors. First, Birmingham's diversified economy shows no significant signs of slowdown. Second, the consolidation of major regional banks in Birmingham has actually created a need for class A office space. As a result of a strong economy and high occupancy rates throughout the region's major submarkets, we believe the market is ready for a major expansion of inventory, whether in class A, class B, or business parks.

> Birmingham's diversified economy shows no significant signs of slowdown.

All five submarkets saw very slight positive or negative activity during second quarter. The resurgent Downtown market experienced an absorption of 21,745 sf, increasing occupancy to 89.5%. The usually strong Midtown submarket saw a slight negative absorption of 71,422 sf, lowering occupancy rates to 93.6%. After a very strong first quarter, the 280/Southern submarket saw negative absorption of 4,405 sf, marginally lowering occupancy to 95.8%. The Hoover/Riverchase submarket saw continued strength through the absorption of 106,711 sf, increasing occupancy 86.6%. Finally, Vulcan/Oxmoor added 32,024 sf to inventory, resulting in 81.7% occupancy.

Overall, the Birmingham market's strength reflects both a vibrant economy and pent-up demand. EGS believes that market forces will necessitate a marked increase in new construction over the next few years, which we anticipate will be rewarded with almost immediate occupancy and profitability.■

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# EGS COMMERCIAL REAL ESTATE MARKET HIGHLIGHTS

## Significant 2Q07 New Lease Transactions

| BUILDING | SUBMARKET | TENANT | SQUARE FEET | CLASS |
|---|---|---|---|---|
| Chase Corporate Center | Hoover/Riverchase | HealthSpring of Alabama | 70,000 | A |
| Financial Center Building | Central Business District | Various | 13,699 | A |

## Significant 2Q07 Sale Transactions

| BUILDING | SUBMARKET | BUYER | SQUARE FEET | PURCHASE PRICE |
|---|---|---|---|---|
| N/A | | | | |

## Significant 2Q07 Construction Completions

| BUILDING | SUBMARKET | MAJOR TENANT | SQUARE FEET | COMPLETION DATE |
|---|---|---|---|---|
| Colonial Brookwood Village | Midtown | Southern Natural Gas | 150,000 | May 2007 |

## Significant Projects Under Construction

| BUILDING | SUBMARKET | MAJOR TENANT | SQUARE FEET | COMPLETION DATE |
|---|---|---|---|---|
| N/A | | | | |

# 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 | 10.5% | 10.5% | N/A | 0 | 0 | 281,553 | $20.65 |
| Non-CBD | 11,684,706 | 170 | 7.5% | 7.5% | N/A | 0 | 0 | 276,129 | $19.78 |
| Midtown | 3,661,950 | 59 | 6.4% | 6.4% | N/A | 0 | 0 | (19,148) | $18.95 |
| 280/Southern | 5,211,853 | 46 | 4.2% | 4.2% | N/A | 0 | 0 | 168,053 | $21.11 |
| Hoover/Riverchase | 1,933,312 | 48 | 13.4% | 13.4% | N/A | 0 | 0 | 99,149 | $17.50 |
| Vulcan/Oxmoor | 877,591 | 17 | 18.3% | 18.3% | N/A | 0 | 0 | 28,075 | N/A |
| Total | 16,850,470 | 199 | 8.4% | 8.4% | N/A | 0 | 0 | 557,682 | $20.23 |

* Rental rates reflect $psf/year

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