

# MARKETBEAT

## BIRMINGHAM OFFICE REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



4Q09

### AT A GLANCE

- In the fourth quarter of 2009, the Birmingham office market saw direct negative absorption of 79,605 square feet (sf) and an occupancy rate of 90.5%, a decrease from 91.0% at the end of the third quarter.
- The 280/Southern submarket added 50,000 sf of class A office space to the market in the fourth quarter with the completion of the Offices at the Summit. The average weighted class A rental rate for this submarket increased to \$22.30 per square foot (psf), up from \$22.04 psf in the third quarter, primarily from the addition of this new space to the market.
- The Midtown submarket continues to demonstrate strength with a direct occupancy rate of 94.6%, with 95.5% in class A space.
- Sublease space in the Birmingham office market continues to increase. An additional 130,379 sf of sublease space was added to the market in the fourth quarter for a total of 432,316 sf. The 280/Southern market shows the highest amount of multi-tenant sublease space available of 301,588 sf.

### ECONOMIC INDICATORS

| National          | 2008  | 2009F | 2010F |
|-------------------|-------|-------|-------|
| GDP Growth        | 0.4%  | -2.5% | 2.3%  |
| CPI Growth        | 3.8%  | -0.4% | 1.7%  |
| Regional          |       |       |       |
| Unemployment      | 3.5%  | 10.5% | 9.8%  |
| Employment Growth | -1.0% | -3.3% | -0.2% |

Source: Moody's | Economy.com

### BEAT ON THE STREET

"Activity is beginning to increase as tenants look to take advantage of a soft market. However, deals are moving slowly and sublease space continues to increase."

- Bill Pradat, President

### MARKET HIGHLIGHTS

#### SIGNIFICANT 2009 NEW LEASE TRANSACTIONS

| BUILDING             | TENANT                            | SF     | BUILDING CLASS |
|----------------------|-----------------------------------|--------|----------------|
| Meadowbrook 2500     | DST                               | 98,216 | A              |
| Shades Cahaba        | Servis1st Bank                    | 30,000 | A              |
| Luckie Building      | Protective Life Insurance Company | 21,667 | A              |
| Vestavia Office Park | Alabama Vascular & Vein           | 14,000 | A              |
| Overlook Park        | Regency Healthcare Group, Inc.    | 12,217 | B              |
| 3800 Colonnade Pkwy  | AECOM                             | 7,099  | A              |

#### SIGNIFICANT 2009 SALE TRANSACTIONS

| BUILDING | BUYER | SF | PURCHASE PRICE |
|----------|-------|----|----------------|
| N/A      |       |    |                |

#### SIGNIFICANT 2009 CONSTRUCTION COMPLETIONS

| BUILDING                      | MAJOR TENANT                     | SF     | COMPLETION DATE |
|-------------------------------|----------------------------------|--------|-----------------|
| Shades Cahaba Office Building | Servis1st Bank                   | 50,000 | 3Q 2009         |
| Office at the Summit          | Sellers Richardson Holman & West | 50,000 | 4Q 2009         |

#### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

| BUILDING | MAJOR TENANT | SF | COMPLETION DATE |
|----------|--------------|----|-----------------|
| N/A      |              |    |                 |

### MARKET STATISTICS

| MARKET            | INVENTORY         | DIRECT VACANCY RATE | DIRECT QUARTERLY ABSORPTION | DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE psf/yr |
|-------------------|-------------------|---------------------|-----------------------------|---|
| CBD               | 5,165,764         | 9.3%                | (3,492)                     | \$21.09   |
| Midtown           | 3,955,209         | 5.4%                | (8,436)                     | \$21.90   |
| 280/Southern      | 5,469,559         | 9.0%                | (54,000)                    | \$22.30   |
| Hoover/Riverchase | 1,961,284         | 17.8%               | (10,540)                    | \$19.05   |
| Vulcan/Oxmoor     | 823,591           | 14.6%               | (3,137)                     | N/A   |
| <b>Total</b>      | <b>17,375,407</b> | <b>9.5%</b>         | <b>(79,605)</b>             | <b>\$21.35</b>                                    |

\*Rental rates reflect \$psf/yr

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\*Market terms & definitions based on BOMA and NAIOP standards.

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