

# MARKETBEAT



## BIRMINGHAM INDUSTRIAL REPORT

1Q11

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### Overview

The Birmingham industrial market experienced 60,518 square feet (sf) of positive direct absorption in the first quarter of 2011, compared to 172,000 sf of negative absorption at the end of 2010. The direct occupancy rate for the market was 79.3%, an increase from 78.9% at year-end 2010. From fourth quarter 2010 to first quarter 2011, the amount of sublease space available in the market dropped considerably from 378,299 sf to 276,924 sf. This reduction of sublease space brought the overall occupancy rate to 77.4%.

### Submarkets

The Central submarket ended the first quarter with negative absorption of 59,155 sf, compared to the positive absorption of 23,842 sf at the end of 2010. This is primarily due to several bulk distribution spaces returning to the market, some returning as a result of tenants purchasing their own buildings. This submarket currently maintains the highest occupancy rate of all of Birmingham's industrial submarkets at 82.9%.

The Eastern submarket experienced a modest improvement in occupancy during the first quarter with an 82.9% occupancy rate, an increase from 81.8% at the end of 2010. Absorption for this submarket during the first quarter was positive 12,748 sf.

The occupancy rate for the traditionally active Oxmoor Valley submarket did not change from year-end 2010 through the first quarter of 2011. Occupancy remained flat at 80.4%.

Birmingham's Southern submarket remained virtually unchanged as well, increasing from 80.5% to 80.6% at year-end 2010. However, this submarket contains the largest amount of sublease space with 209,600 sf available, bringing the overall occupancy rate for the Southern submarket to 75.2%.

The Southwestern submarket experienced the largest amount of positive absorption with 106,700 sf being absorbed in the first quarter of 2011, driven primarily by Beauty Alliance, Inc.'s 100,100 sf expansion at Jeff Met Distribution Center. This absorption brings the occupancy rate to 67.4%, up from 62.7% at the end of 2010.

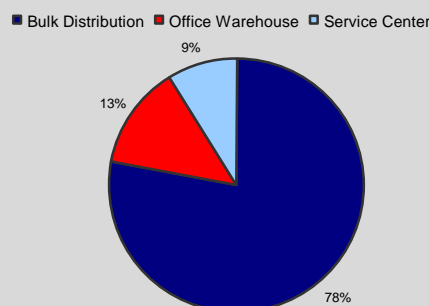
### Outlook

Although at present our market is experiencing much vacancy, we anticipate Birmingham's industrial market will see a gradual improvement and overall occupancy will increase as 2011 progresses. Birmingham's broad distribution base, diversified economy and central geographic location in the Southeast continue to make our city a desirable and viable market for distribution, warehousing and manufacturing companies. This fact is supported with the recent announcement of Dollar General's plan to open a 1,000,000-sf distribution facility in 2011 in the Oxmoor submarket.

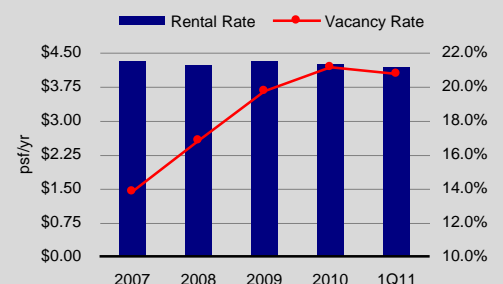
#### Stats on the Go

	1Q10	1Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	23.7%	22.6%	-1.1 pp	▼
Direct Asking Rents	\$4.23	\$4.16	1.7%	◀▶
YTD Direct Absorption (SF)	34,748	60,518	74%	▲

#### 1Q11 Available Space by Property Type



#### Direct Rental vs. Vacancy Rates



## Market/Submarket Statistics

Submarket	Inventory	Direct Vacancy Rate	YTD Leasing Activity	YTD User Sales Activity	Under Construction	YTD Construction Completions	YTD Direct Absorption	Available Sublease SF	Direct Weighted Average Net Rental Rate*	
									OS	W/D
Central	4,197,328	17.1%	N/A	N/A	N/A	N/A	(59,155)	1,750	\$6.30	\$2.78
Eastern	1,247,100	17.1%	N/A	N/A	N/A	N/A	12,748	0	\$7.38	\$3.85
Oxmoor Valley	2,666,564	19.6%	N/A	N/A	N/A	N/A	(759)	65,574	\$6.62	\$4.86
Southern	3,947,937	19.4%	N/A	N/A	N/A	N/A	984	209,600	\$7.43	\$4.55
Southwestern	2,248,677	32.6%	N/A	N/A	N/A	N/A	106,700	0	\$7.95	\$3.76
<b>TOTAL</b>	<b>14,307,606</b>	<b>20.7%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>60,518</b>	<b>276,924</b>	<b>\$6.76</b>	<b>\$3.90</b>

\* Rental rates reflect asking \$psf/year.

OS = Office Service W/D = Warehouse/Distribution

## Market Highlights

### SIGNIFICANT 1Q11 LEASE TRANSACTIONS

BUILDING	MARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Jeff Mett Distribution Center	Southwestern	Beauty Alliance, Inc.	100,100	Warehouse/Distribution
Birmingham Food Terminal	Central	Adam's Produce*	67,395	Warehouse/Distribution
Oxmoor South Industrial Park	Oxmoor Valley	Merit Brass Co.	33,000	Warehouse/Distribution
480 28th Street North	Central	R.E. Michael Co.	30,669	Warehouse/Distribution
Birmingham Food Terminal	Central	Grimco, Inc.*	30,240	Warehouse/Distribution
Parkwest Corporate Center	Southwestern	Trillion	16,200	Warehouse/Distribution
Commerce Square Business Park	Eastern	Peak Season	16,000	Warehouse/Distribution
Avondale Commerce Park	Central	KCI USA	15,000	Warehouse/Distribution
4001 2nd Ave South	Central	Larken Quest	12,500	Warehouse/Distribution
3580 Vann Road	Eastern	RSC Equipment Rental	10,200	Warehouse/Distribution

\* Renewal – not included in Leasing Activity Statistics

### SIGNIFICANT 1Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Parkwest Distribution Center	Southwestern	MBC United	208,000	\$8,200,000

### SIGNIFICANT 1Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
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N/A

### SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Dollar General	Oxmoor Valley	Dollar General	1,000,000	4Q11



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