

MARKETBEAT

RETAIL SNAPSHOT



BIRMINGHAM, AL

A Cushman & Wakefield Alliance Research Publication

Q4 2011



RETAIL MARKET OVERVIEW

Occupancy rates remained flat across Birmingham's retail market in 2011, a trend which is likely to continue in 2012. The tight market is the result of little new development taking place or new retail tenants moving into

the Birmingham area. The Birmingham market experienced negative absorption of 144,038 square feet (sf) in 2011, a decline from positive 35,620 sf in 2010. Although occupancy rates shifted across each submarket, the total occupancy rate for 2011 remained unchanged from 87.6% in 2010. Average weighted rental rates declined from \$15.77 per square foot (psf) in 2010 to \$15.27 psf in 2011.

The Highway 31 South submarket maintains the highest occupancy level in the Birmingham market of 94.6%, an increase from 92.2% at the end of 2010. Community & Power centers in the Highway 31 submarket had the highest occupancy levels at 97.8%. The average weighted rental rate also increased to \$12.38 per square foot (psf), up from \$10.75 psf at year end 2010. Due to its close proximity to I-65 and I-459, two of Birmingham's most traveled transportation corridors, the Highway 31 submarket is well positioned to maintain high occupancy levels.

The Highway 280 and Hoover/Riverchase submarkets also had an increase in occupancy levels in 2011. Occupancy for the Highway 280 submarket was 87.6% at the end of 2011, up from 86.2% in 2010, while occupancy for the Hoover/Riverchase submarket increased to 89.6%, up from 87.9% in 2010. The Highway 280 and Hoover/Riverchase submarkets include three of Birmingham's Regional & Super Regional Centers and therefore maintain the markets highest rental rates at \$19.24 psf and \$31.75 psf respectively.

The largest decline in occupancy for Birmingham's retail market during 2011 occurred in the Eastern and Western submarkets. Occupancy for the Eastern submarket was 85.9%, a decrease from 87.3% at the end of 2010. Occupancy for the Western submarket was 83.3%, a decline from 86.2% at year-end 2010. Several empty big box spaces located throughout these two submarkets have contributed to the decline.

OUTLOOK

Birmingham is still considered an appealing market for new retail development, particularly along the U.S. Highway 31 and U.S. Highway 280 corridors.

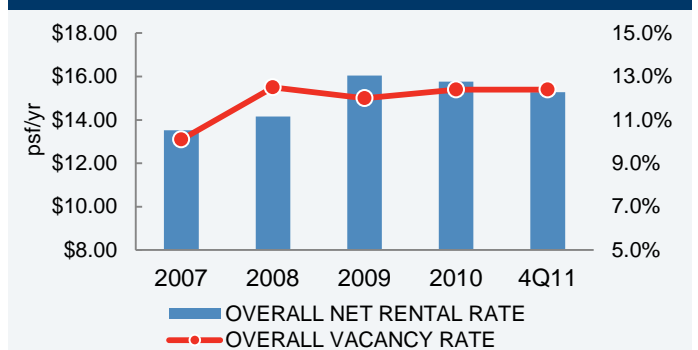
As Birmingham's job growth continues on an upward trend in 2011, we anticipate that Birmingham's retail sector will benefit from increased demand, as national retailers continue to drive activity and store closures diminish. Construction activity will continue to lag through 2012 while overall leasing activity should continue to increase.

ECONOMIC INDICATORS

NATIONAL	2010	2011F	2012F
GDP Growth	3.0%	1.8%	2.6%
CPI Growth	1.6%	3.2%	2.1%
Consumer Spending Growth	2.0%	2.2%	2.3%
Retail Sales Growth	6.4%	7.9%	6.1%
REGIONAL	2010	2011F	2012F
Household Income	\$39,198	\$39,576	\$39,681
Population Growth	0.29%	0.63%	0.65%
Unemployment	8.99%	8.80%	8.51%

Source: Moody's Analytics

DIRECT RENTAL VS. VACANCY RATES



BIRMINGHAM SUBMARKET STATISTICS

SUBMARKET	TOTAL SF	AVAILABLE SF	VACANCY RATE	YTD ABSORPTION	QUARTERLY ABSORPTION	AVERAGE WEIGHTED RENTAL RATE
Central	3,520,737	417,019	11.8%	(29,437)	(20,209)	\$13.66
Eastern	3,763,468	529,383	14.1%	(52,195)	19,826	\$9.81
Eastwood/Irondale	1,648,783	204,173	12.4%	8,485	(15,000)	\$11.15
Highway 280	3,326,398	411,065	12.4%	18,128	12,952	\$19.24
Highway 31 South	1,873,837	100,617	5.4%	1,829	(11,890)	\$12.38
Hoover/Riverchase	4,908,643	510,519	10.4%	4,066	(2,105)	\$31.75
Northern	2,018,126	297,272	14.7%	(1,874)	(10,301)	\$8.81
Western	3,162,117	529,632	16.8%	(93,013)	(425)	\$9.57
TOTAL MARKET	24,222,109	2,999,680	12.4%	(144,038)	(27,152)	\$15.27

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

BIRMINGHAM MARKET BY TYPE

	VACANCY		RENTAL RATES		YTD ABSORPTION	
	4Q10	4Q11	4Q10	4Q11	4Q10	4Q11
Unanchored & Specialty	12.1%	12.6%	\$12.05	\$11.85	(10,873)	(8,156)
Neighborhood	14.8%	15.2%	\$10.17	\$10.32	(18,954)	(63,668)
Community & Power	11.4%	11.1%	\$14.25	\$12.68	113,781	(29,502)
Regional & Super Regional	12.5%	12.5%	\$31.26	\$32.55	(48,334)	(42,712)
TOTAL MARKET	12.4%	12.4%	\$15.77	\$15.26	35,620	(144,038)

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Trussville Crossings I	Eastern	Big Lots	Community & Power	27,900
Parkway East Shopping Center	Eastern	Sav-A-Lot	Neighborhood	23,000
Riverchase Corners	Hoover/Riverchase	Vulcan Industrial Contractors	Community & Power	21,300
1705 Montgomery Highway	Hoover/Riverchase	Tuesday Morning	Community & Power	12,000
Crestwood Plaza	Eastwood/Irondale	Dollar General	Neighborhood	9,590
Palisades	Central	Hibbett Sports	Community & Power	5,191
SIGNIFICANT 2011 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
Former Mazer's Center	Central	Dunn Real Estate, LLC	Undisclosed	240,000
Riverchase Village	Hoover/Riverchase	Boyle Investment Co.	\$13,400,000	178,000
Pelham Towne Center	Highway 31 South	Encore Enterprises	\$12,000,000	74,000
Grants Mill Station	Eastwood/Irondale	Brixmore	\$22,300,000	226,837
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				