

MARKETBEAT RETAIL SNAPSHOT

BIRMINGHAM, AL

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Q3 2012



ECONOMIC OVERVIEW

Following an expected 1.7% rate of growth in the first half of 2012, the U.S. economy is forecasted to grow by approximately 2.1% in the second half of 2012, according to The University of Alabama's Center for Business

and Economic Research (CBER). However, with a slowdown in job growth on the national level in recent months, consumer spending is likely to slow further from an already sluggish pace. For the year 2012 as a whole, consumer spending, which accounts for almost two-thirds of the U.S. economy, is forecasted to grow by about 0.2%, the same pace as in 2011.

The latest report from CBER also reported that the state of Alabama gained 4,500 jobs from May 2011 to May 2012, while the unemployment rate dropped from 9.3% to 7.4%. The unemployment rate for metropolitan Birmingham fell below the average unemployment rate for the state, dropping from 8.3% to 6.8%. Total nonfarm employment for the state is forecasted to increase about 0.5% in 2012, with most gains occurring in transportation equipment manufacturing, professional and business services, educational and health services, and food services. Alabama's GDP is estimated to expand by approximately 2.0% in 2012, following an approximate gain of 1.5% in 2011.

RETAIL MARKET OVERVIEW

There has been little change in occupancy across Birmingham's retail market in 2012, a trend which is likely to continue through the remainder of the year. This is primarily the result of little new development taking place or new retail tenants moving into the Birmingham area. The Birmingham market has had positive year to date absorption of 72,797 square feet (sf) in 2012, an improvement from negative 144,038 sf absorbed at year-end 2011. Total occupancy for the Birmingham retail market is 86.9% at mid-year 2012, a slight decrease from 87% at mid-year 2011. Average weighted rental rates declined from \$15.36 per square foot (psf) in 2011 to the current average rate of \$14.91 psf.

During the second quarter, the Central, Highway 280, Hoover/Riverchase, and Western submarkets experienced the most absorption. The largest amount of absorption was 107,008 sf in the Western submarket, primarily due to the 104,000-sf lease transaction at Flintridge Center, a community and power shopping center. 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 \$18.39 psf and \$29.41 psf, respectively.

The largest decline in occupancy for Birmingham's retail market in 2012 has occurred in the Northern submarket. Occupancy for the submarket is 77.9%, a decrease from 85.3% at mid-year of 2011. Several empty big box spaces located throughout the submarket have contributed to this decline.

OUTLOOK

While there has been little change in Birmingham's retail market, the city is still considered an appealing market for new retail development, particularly along the U.S. Highway 31 and U.S. Highway 280 corridors.

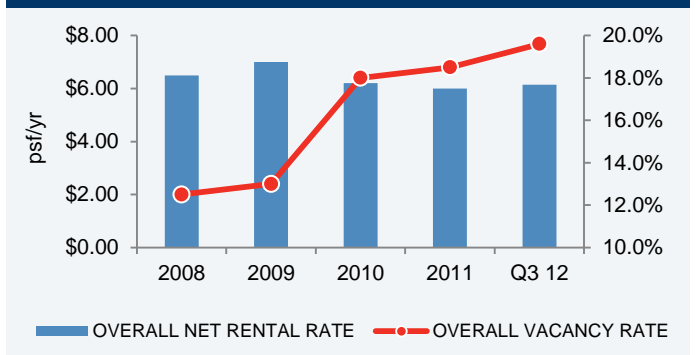
As Birmingham's job growth continues on an upward trend in 2012, we anticipate that Birmingham's retail sector will benefit from increased consumer demand, as national retailers continue to drive activity and store closures diminish.

ECONOMIC INDICATORS

NATIONAL	2011	2012F	2013F
GDP Growth	1.8%	2.3%	2.4%
CPI Growth	3.1%	2.1%	2.3%
Consumer Spending Growth	2.5%	2.0%	2.5%
Retail Sales Growth	8.0%	4.9%	3.8%
REGIONAL	2011	2012F	2013F
Household Income	\$46,588	\$45,818	\$45,834
Population Growth	0.3%	0.7%	.91%
Unemployment	8.3%	7.0%	6.6%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



Source: EGS Commercial Real Estate, Inc..

BIRMINGHAM SUBMARKET STATISTICS

SUBMARKET	TOTAL SF	AVAILABLE SF	VACANCY RATE	YTD ABSORPTION	QUARTERLY ABSORPTION	AVERAGE WEIGHTED RENTAL RATE
Central	3,520,737	444,560	12.6%	(10,022)	18,697	\$13.68
Eastern	3,763,468	462,925	12.3%	26,833	2,189	\$9.63
Eastwood/Irondale	1,651,085	212,190	12.9%	11,770	(8,610)	\$11.37
Highway 280	3,508,468	433,724	12.4%	(22,577)	13,201	\$18.39
Highway 31 South	1,873,837	140,538	7.5%	(6,426)	4,164	\$12.80
Hoover/Riverchase	4,908,643	566,650	11.5%	(27,492)	31,280	\$29.41
Northern	2,029,226	449,086	22.1%	(14,664)	(2,340)	\$8.55
Western	3,162,117	495,818	15.7%	115,325	107,800	\$9.81
TOTAL MARKET	24,417,581	3,205,491	13.1%	72,797	166,381	\$14.91

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

BIRMINGHAM MARKET BY TYPE

	VACANCY		RENTAL RATES		YTD ABSORPTION	
	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012
Unanchored & Specialty	12.1%	16.1%	\$12.07	\$12.41	(13,473)	(41,301)
Neighborhood	15.9%	19.1%	\$9.77	\$9.85	(57,724)	1,601
Community & Power	11.5%	11.0%	\$13.00	\$13.67	(15,742)	88,798
Regional & Super Regional	13.7%	10.7%	\$31.94	\$32.38	(51,140)	23,699
TOTAL MARKET	13.0%	13.1%	\$15.36	\$14.91	(138,079)	72,797

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q2 2012 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Flintridge Center	Western	The Foundry Thrift Store	Community & Power	104,000
Century Shoppes of Gardendale	Northern	TJ Maxx	Community & Power	26,918
Oak Mountain Center	Highway 31 South	Easy Street Enterprises, LLC	Neighborhood	7,390
The Summit	Highway 280	The North Face	Regional & Super Regional	5,500
2738 18 th Street South	Central	Nadeau Corporation	Neighborhood	4,200
Greensprings Shopping Center	Central	Infinity Medispa	Community & Power	3,300
Significant Q2 2012 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
Riverchase Promenade	Hoover/Riverchase	Blackstone JV DDR	\$33,100,000 / \$145	228,344
future Von Maur	Hoover/Riverchase	General Growth Properties	\$24,000,000 / \$181	132,894
Winn-Dixie Shopping Center	Eastern	Undisclosed	\$4,900,000 / \$84	58,037
Crestwood Festival Center	Eastwood/Irondale	Buyers Group, Inc.	\$3,000,000 / \$10	300,280
Significant Q2 2012 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Freestanding Target Center	Central	Target	Q1 2013	140,000