

MARKETBEAT INDUSTRIAL SNAPSHOT



BIRMINGHAM, AL

A Cushman & Wakefield Alliance Research Publication

Q3 2013



ECONOMIC OVERVIEW

Despite the challenging national economic climate, Alabama's economy continues to strengthen and currently maintains an unemployment rate of 6.3%. During the third quarter, Alabama's positive business climate earned several accolades worth noting. In a report published by *Area Development* magazine, Alabama was ranked fourth in the nation overall for doing business. The state also ranked as a top five state in 15 specific economic development categories including cost of doing business, incentive programs and overall infrastructure and global access.

BIRMINGHAM INDUSTRIAL MARKET

Birmingham's industrial market conditions continued to show modest signs of improvement in the third quarter of 2013. Absorption was positive 77,117 square feet (sf), an improvement from the positive 19,928 sf absorbed in the second quarter. The direct occupancy rate increased slightly to 83.8%, up from 83.3%. The overall occupancy rate, which includes sublease space, was 83% at the end of the third quarter.

SUBMARKETS

Despite several office / warehouse spaces returning to the market, Birmingham's Central submarket experienced the highest amount of absorption of any submarket during the third quarter with positive 47,385 sf. Leasing activity totaled 73,300 sf and included Jefferson County EMA's lease of 46,166 sf at Continental Gin and Associated Equipment Company's lease of 15,750 sf at Avondale Commerce Park. Direct occupancy increased to 81.9% in the third quarter, up from 80.8%.

The Eastern submarket continued to experience growth with positive absorption of 24,952 sf in the third quarter. Leasing activity included Gexpro's lease of 11,052 sf at Old Leeds Distribution Center and Peak Season, Inc.'s expansion into 10,000 sf of additional space at Commerce Square Business Park. This submarket saw the greatest improvement in occupancy percentage, with a direct occupancy rate of 84.6%, up from 82.6% in the second quarter.

The traditionally active Oxmoor Valley submarket ended the third quarter with slightly negative absorption of 6,505 sf, lowering the occupancy rate to 82.2%, down from 82.5% in the second quarter. Total year-to-date absorption for this submarket was positive 105,012 sf.

The Southern submarket improved in the third quarter with leasing activity of 48,925 sf primarily due to Advanced Technology Recycling's lease of 16,000 sf at 3431 Lorna Lane, and a number of smaller lease transactions at various properties. This submarket maintained the highest occupancy rate in the Birmingham metropolitan area at 88.6%.

Lastly, the Southwestern submarket remained relatively flat in the third quarter with no change in absorption. The direct occupancy rate stayed at 80.4%.

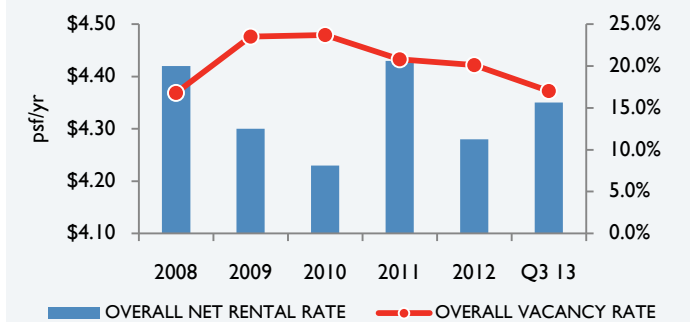
OUTLOOK

Birmingham's industrial market conditions have shown steady signs of improvement in the past year. While leasing activity was slower than expected this quarter, year-to-date leasing activity is 900,746 sf, a 30% increase compared to the third quarter of 2012. Even though there remains much uncertainty in the national economy, the Birmingham industrial market is expected to remain steady and should experience modest growth throughout the remainder of the year.

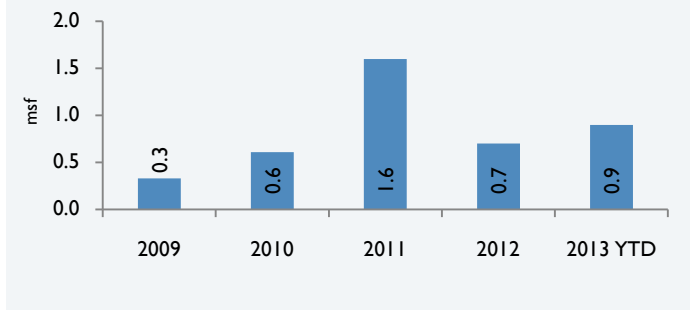
STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	16.1%	17.0%	0.9pp	▲
Direct Asking Rents (psf/yr)	\$4.20	\$4.35	3.6%	▲
YTD Leasing Activity (sf)	692,113	900,746	30.1%	▲

OVERALL RENTAL VS. VACANCY RATES



LEASING ACTIVITY



BIRMINGHAM, AL

SUBMARKET	INVENTORY	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	HT	MF	OS	W/D
Central	4,180,504	18.1%	186,214	0	0	0	60,175	47,385	N/A	N/A	\$7.01	\$2.99
Eastern	1,247,100	15.4%	33,852	0	31,000	0	23,852	(3,648)	N/A	N/A	\$7.00	\$4.34
Oxmoor Valley	2,666,564	17.8%	140,135	0	0	0	105,012	(4,131)	N/A	N/A	\$6.67	\$5.34
Southern	3,948,003	11.4%	421,345	0	0	0	(88,894)	391,285	N/A	N/A	\$7.79	\$4.76
Southwestern	2,248,677	19.6%	119,200	0	0	0	(3,000)	(53,000)	N/A	N/A	\$7.00	\$3.88
TOTALS	14,290,848	16.2%	900,746	0	31,000	0	97,145	377,891	N/A	N/A	\$6.83	\$4.03

* RENTAL RATES REFLECT ASKING \$PSF/YEAR HT= HIGH TECH MF = MANUFACTURING OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
4500 5 th Avenue South	Central	Jefferson County EMA	Bulk Warehouse	46,166
2516 6 th Avenue South	Central	Sequel Electric Supply, LLC	Light Industrial	19,000
3421 6 th Avenue South	Central	Stewart Imports & Antiques	Light Industrial	16,000
3431 Lorna Lane	Southern	Advanced Technology Recycling	Flex / R&D	16,000
401-419 37 th Street North	Central	Associated Equipment Company	Light Industrial	15,750
4759 Alton Court	Eastern	Gexpro	Bulk Warehouse	11,052
3000-3016 Commerce Square South	Eastern	Peak Season, Inc (Expansion)	Light Industrial	10,000
SIGNIFICANT Q3 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
3140 Pelham Parkway	Southern	City of Pelham	\$2,892,308 / \$6.73	429,615
400 10 th Street South	Central	Board of Trustees of University of Alabama at Birmingham	\$14,000,000 / \$191.03	73,284
4329-4363 Morris Avenue and 4363 1 st Avenue N	Central	Undisclosed	Undisclosed	62,350
2020 Vanderbilt Road	Central	Steel City Recycling LLC	\$790,605 / \$13.85	57,070
2530 Morgan Road SE	Southwest	Steyr Arms Inc	\$1,375,000 / \$41.25	33,332
2401 Five Star Parkway	Southwest	Dig Birmingham LLC	\$900,000 / \$30.96	29,062
SIGNIFICANT Q3 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Moody Commerce Park	Eastern	SKF, USA, Inc.	Q1 2014	31,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS