

# MARKETBEAT OFFICE 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 among the top five states for doing business. The state also earned a top 10 spot in a ranking of state business climates by Pollina Corporate Real Estate and the American Economic Development Institute.

### BIRMINGHAM OFFICE MARKET

Commercial leasing activity across Birmingham's office market increased in the third quarter of 2013. Absorption was positive with 205,199 square feet (sf), an improvement from the positive 10,195 sf absorbed in the second quarter. Direct occupancy increased to 89.8% in the third quarter, up from 88.6%. Rents held steady across most submarkets with an average weighted rental rate of \$18.66 per square foot (psf) for the overall Birmingham market and \$20.69 psf for class A space.

### CBD AND MIDTOWN SUBMARKETS

Birmingham's Central Business District (CBD) experienced positive absorption of 39,763 sf in the third quarter of 2013, primarily in class A space. Notable transactions included Community Law Office's lease of 18,558 sf in the Forum Building and Regus Executive Suites' lease of 14,035 sf at Wells Fargo Tower. Occupancy increased slightly to 90.9%, up from 90.1% in the second quarter.

The Midtown submarket saw the highest amount of absorption in the third quarter of 2013 with positive 105,473 sf absorbed, primarily due to Baptist Health System's lease of 46,408 sf at Ridge Park Place. With an occupancy rate of 94.1%, this submarket continues to maintain the highest occupancy rate for Birmingham's office market.

### SUBURBAN SUBMARKETS

Absorption for the 280/Southern submarket was positive with 30,645 sf in the third quarter of 2013. Occupancy increased slightly to 89.4%, up from 88.8% in second quarter of 2013, while the average weighted rental rates remained virtually unchanged.

The Hoover / Riverchase submarket also experienced positive absorption of 3,259 sf in the third quarter of 2013. Overall absorption, which includes sublease space, was positive with 25,899 sf, a significant improvement from the negative 45,842 sf absorbed in the second quarter of 2013. As a result, the occupancy rate for this submarket increased slightly from 84.6% in the second quarter of 2013, to 85.9%.

The Vulcan/Oxmoor submarket continued to improve in the third quarter of 2013 with 26,059 sf of positive absorption, primarily in class B space. Recent transactions include Childcare Resources, Inc.'s lease of 9,000 sf at Sain Centre and Tri-State Computer Institute's expansion into 8,951 sf of additional space at Lakeshore Crossings.

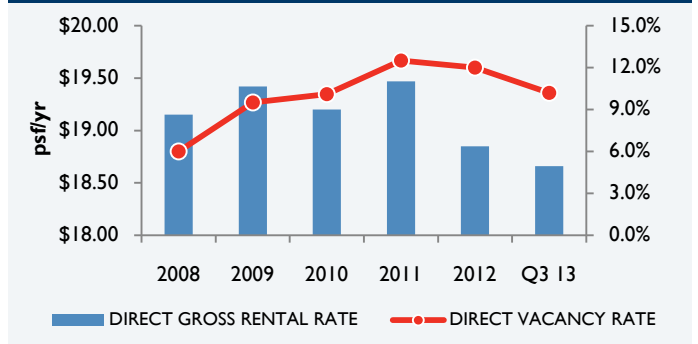
### OUTLOOK

Birmingham's office market is expected to grow further throughout the remainder of 2013. As vacant space continues to decline, the market is positioned to see rental rates begin to increase, which may spur the development of new office buildings, most likely in the Midtown submarket.

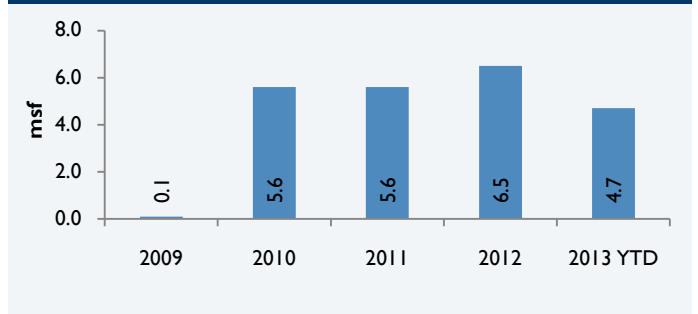
### STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	16.3%	13.6%	-2.7pp	▼
Direct Asking Rents (psf/yr)	\$19.25	\$18.66	-3.0%	▼
YTD Leasing Activity (sf)	373,358	474,585	27%	▲

### DIRECT RENTAL VS. VACANCY RATES



### LEASING ACTIVITY



## BIRMINGHAM, AL

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
CBD	5,165,764	11%	9.1%	107,707	0	0	29,582	3,432	\$19.54	\$20.90
Midtown	4,005,209	6.4%	5.9%	134,847	0	0	100,761	90,415	\$18.88	\$21.15
280/Southern	5,444,559	19.1%	10.6%	143,724	0	0	58,745	50,321	\$19.57	\$20.68
Hoover/Riverchase	1,961,284	14.2%	14.1%	39,369	0	0	9,393	11,461	\$16.94	\$19.25
Vulcan/Oxmoor	823,591	25.8%	25.8%	48,938	0	0	26,357	44,308	\$11.83	N/A
SUBURBAN	12,234,643	14.6%	10.7%	366,878	0	0	195,256	196,505	\$18.14	\$20.61
<b>TOTALS</b>	<b>17,400,407</b>	<b>13.6%</b>	<b>10.2%</b>	<b>474,585</b>	<b>0</b>	<b>0</b>	<b>224,838</b>	<b>199,937</b>	<b>\$18.49</b>	<b>\$20.69</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT Q3 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
1130 22 <sup>nd</sup> St S	Midtown	Baptist Health Systems	A	46,408
1800 International Park Drive	280/Southern	Tyco	A	25,412
950 22 <sup>nd</sup> St N	CBD	Community Law Office	A	18,558
420 20 <sup>th</sup> St N	CBD	Regus Executive Suites	A	14,035
3608 7 <sup>th</sup> Ct S	Midtown	Excell Communications, Inc.	B	12,375
3500 Blue Lake Dr	280/Southern	Undisclosed	A	10,232
244 W Valley Ave	Vulcan/Oxmoor	Child Care Resources, Inc.	B	9,000
100 London Pkwy	Vulcan/Oxmoor	Tri-State Computer Institute (Expansion)	B	8,951
210 Inverness Pkwy	280/Southern	Diamond Fortress Technologies	B	8,715
2145-2151 Highland Ave S	Midtown	HospiceLink	A	7,779
SIGNIFICANT Q3 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
505 20 <sup>th</sup> St N	CBD	Allegiance Realty Corporation	\$20,850,000.00 / \$66.99	311,201
2 20 <sup>th</sup> St N	CBD	PZZ TNT Property Owner LLC	\$19,075,000.00 / \$91.38	208,733
1631 2 <sup>nd</sup> Avenue N	CBD	TJ Tower LLC	\$1,000,000.00 / \$6.33	158,000
880 Montclair Road	Midtown	Montclair Office Partners LLC	\$2,300,000.00 / \$15.93	144,296
300 20 <sup>th</sup> St N	CBD	Ceca Holdings LLC	\$3,200,000.00 / \$106.66	30,000
85 Bagby Dr	Oxmoor	Bagby Drive LLC	\$401,500.00 / \$13.82	29,040
2188 Parkway Lake Drive	280/Southern	D.R. Horton Inc	\$2,150,000.00 / \$82.69	26,000
1280 Columbiana Road	Midtown	Cgp Greenway Mob LLC	\$2,850,000.00 / \$145.75	19,554
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
N/A				

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS