

MARKETBEAT INDUSTRIAL SNAPSHOT



BIRMINGHAM, AL

A Cushman & Wakefield Research Publication

Q2 2013



OVERVIEW

The Birmingham Industrial Market continued to stabilize in the second quarter of 2013. While the overall market experienced negative absorption of 40,749 square feet (sf) during the period, leasing activity significantly improved with 562,287 sf of new leases completed, as compared with new leases of 181,452 sf in the first quarter. The direct occupancy rate dropped slightly from 83.6% to 83.3%. The overall occupancy rate, which includes sublease space, was 82.7% at the end of the second quarter.

SUBMARKETS

The Central submarket experienced 51,464 sf of leasing activity in the second quarter of 2013, primarily driven by K2's lease of 36,800 sf at Birmingham Food Terminal. However, overall absorption was negative 9,910 sf, due in part to a tenant vacating space at 3rd Avenue North Warehouse and relocating to an acquired building in Pinson. As a result, the direct occupancy rate dropped slightly from 81.0% in the first quarter, to 80.8%.

The Eastern submarket showed improvement with 8,900 sf of positive absorption in the second quarter of 2013, as compared with negative 10,000 sf of absorption in the first quarter. The direct occupancy rate increased slightly from 81.9% to 82.6%. In more good news, SKF USA, Inc. announced that the company has signed a lease for 31,000 sf in a building to be constructed in Moody Commerce Park. This is one of very few build-to-suit projects announced in recent years.

The Oxmoor Valley submarket experienced 50,303 sf of leasing activity in the second quarter and an increase in occupancy to 82.5%, up from 80.9%. Total direct absorption was positive 41,086 sf in the second quarter with 111,517 sf absorbed year-to-date.

The Southern submarket experienced negative absorption of 32,825 sf, a continued trend from the negative 67,454 sf in first quarter of 2013. However, this submarket experienced a significant amount of leasing activity, primarily driven by HD Supply's lease of 372,420 sf of space at Shelby Commerce Park. This transaction is the largest lease completed year-to-date in the Birmingham metropolitan area, and involved a section of the building that was previously marketed as sublease space as well as a section made available by a recent tenant downsize. The Southern submarket direct occupancy rate decreased slightly to 88.3% in the second quarter, down from 89.1%.

The Southwestern submarket experienced a decline in occupancy in the second quarter with a negative absorption of 48,000 sf due in part to Double Eagle's purchase of a facility in Irondale, thus vacating 144,000 sf of leased space at Perimeter Industrial Park. However, the majority of the

vacated space has already been back-filled with the completion of a 79,200 sf lease and a 40,000 sf lease to two companies new to the Birmingham market.

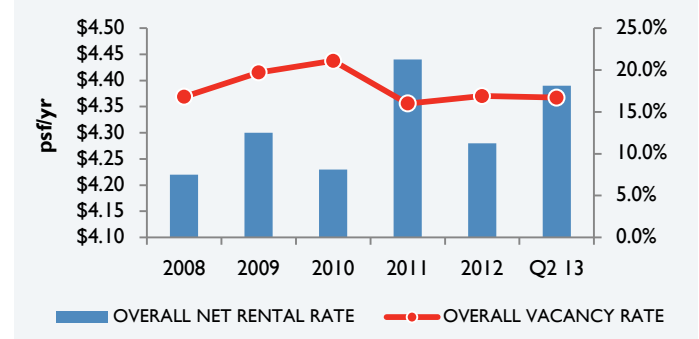
OUTLOOK

Overall, the results of the Birmingham Industrial Market in the second quarter of 2013 show signs of economic recovery in the local area. While the overall market experienced negative absorption in the second quarter, year-to-date absorption remains positive. Several major lease transactions, large property acquisitions, and the SKF USA, Inc. build-to-suit project in Moody all demonstrate increased confidence in the Birmingham market.

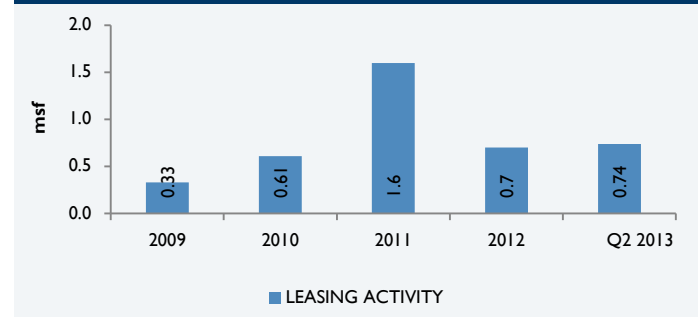
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	19.2%	17.3%	-1.9pp	▼
Direct Asking Rents (psf/yr)	\$4.28	\$4.40	-2.8%	▼
YTD Leasing Activity (sf)	584,643	743,739	27.2%	▲

OVERALL RENTAL VS. VACANCY RATES



LEASING ACTIVITY



ENTER MARKET NAME, STATE

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	DIRECT WEIGHTED AVERAGE NET RENTAL RATE			
									HT	MF	OS	W/D
CENTRAL	4,180,504	19.2%	112,914	0	0	0	12,790	(9,910)	N/A	N/A	\$7.53	\$2.93
EASTERN	1,247,100	17.4%	8,900	0	31,000	0	(1,100)	8,900	N/A	N/A	\$6.50	\$4.30
OXMOOR VALLEY	2,666,564	17.5%	130,305	0	0	0	111,517	41,086	N/A	N/A	\$6.83	\$5.31
SOUTHERN	3,948,003	11.7%	372,420	0	0	0	(100,279)	342,175	N/A	N/A	\$7.75	\$5.18
SOUTHWESTERN	2,248,677	19.6%	119,200	0	0	0	(3,000)	(48,000)	N/A	N/A	\$7.00	\$3.88
TOTALS	14,290,848	16.7%	743,739	0	0	0	19,928	334,251	N/A	N/A	\$7.05	\$4.08

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

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
3400 Highway 31	Southwestern	HD Supply	Bulk Warehouse	349,520
SW of Meadowcraft Road and AL Highway	Eastern	US Pipe and Steel	Manufacturing	90,000
4280 Pinson Valley Parkway	Eastern	Tubular Products Company	Manufacturing	80,092
4905 – 4983 Perimeter Parkway	Southwestern	ThyssenKrupp	Bulk Warehouse	79,200
NE of 5 th Avenue and 22 nd Street N	Southwestern	Eisenmann Group	Bulk Warehouse	48,300
305 26 th Avenue West	Central	K2	Warehouse / Distribution	36,800
2547 Commerce Circle	Eastern	Birmingham Packing LLC	Bulk Warehouse	30,660
3033 35 th Avenue North	Central	Joshua Mitchell	Bulk Warehouse	30,000
240 – 264 Oxmoor Ct	Oxmoor Valley	WorldPac	Bulk Warehouse	26,520
SIGNIFICANT Q2 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
3200 Pinson Valley Parkway	Eastern	Royal Cup, Inc.	\$2,200,200 / \$14.36	153,220
901 2 nd Court W	Central	Jem Realty LLC	Undisclosed	68,190
430 12 th Street South	Central	University of Alabama at Birmingham	\$6,700,000 / \$164.01	40,850
3150 Lee Street	Southern	Pelmar Ltd	\$400,000 / \$13.33	30,000
3101 Messer Airport Highway	Central	FR Usal LP	\$1,200,000 / \$40.00	29,998
SIGNIFICANT Q2 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.	Q4 2013	31,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS