

MARKETBEAT INDUSTRIAL SNAPSHOT



BIRMINGHAM, AL

A Cushman & Wakefield Alliance Research Publication

Q4 2013



ECONOMIC OVERVIEW

Alabama's economy continues to see an improvement in overall stability. During the fourth quarter of 2013, Alabama's unemployment rate dropped to 6.1%, down from 6.8% this time last year. Despite this positive news, commercial leasing activity during the fourth quarter of 2014 was relatively flat across the Birmingham industrial market. Absorption was negative 98,409 square feet (sf), a significant reversal from the positive 77,117 sf absorbed in the third quarter. Direct occupancy dropped slightly to 83.1%, down from 83.8%. Overall occupancy rate, which includes sublease space, was 82.3% at the end of the fourth quarter.

SUBMARKETS

Several bulk distribution and office warehouse tenants vacated space in the Central submarket during the fourth quarter, resulting in a negative absorption of 43,375 sf. Supreme Beverage vacated 15,200 sf at 3rd Avenue North Warehouse and Lara's Food vacated 10,575 sf at The Birmingham Food Terminal and Distribution Center. This was a considerable change from the 47,385 sf of positive absorption that occurred in the third quarter. The direct occupancy rate dropped slightly from 81.9% to 80.9%.

The Eastern submarket ended the fourth quarter with slight negative absorption of 5,000 sf. This absorption brings the direct occupancy rate to 84.2%, down from 84.6% in the third quarter.

The Oxmoor Valley submarket experienced negative absorption of 23,194 sf, due in part to UPS Supply Solutions and Pool Supply vacating leased space at Oxmoor South Industrial Park and Birmingham #1, respectively. Direct occupancy dropped to 81.3%, as compared to 82.2% in third quarter. Total absorption at the end of 2013 was positive 81,818 sf, the best among the five submarkets.

Absorption for the Southern submarket was also negative with 26,840 sf, as compared to positive 11,285 sf in third quarter. This can primarily be attributed to BooksValue vacating 25,000 sf at Cahaba Valley Business Park. The direct occupancy rate dropped slightly to 87.9%, down from 88.6%. However, this submarket maintains the highest rate of all the submarkets in the Birmingham market.

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

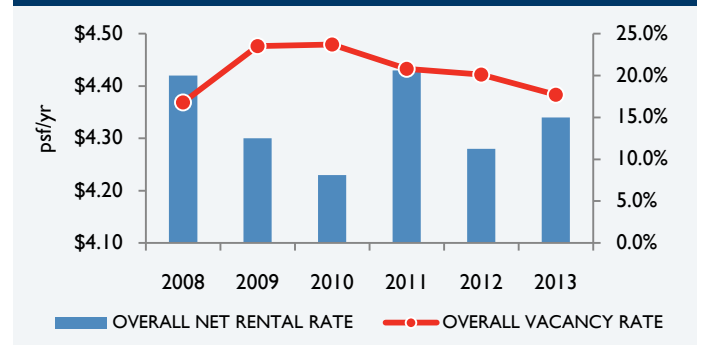
OUTLOOK

Until this quarter, Birmingham's industrial market conditions had been showing steady signs of improvement. Although leasing activity came to a halt this quarter, the market ended 2013 with a total of 917,854 sf of leasing activity, a 22.7% increase as compared with year-end 2012. As Alabama's economy continues to strengthen, the market is expected to gradually improve in 2014. Continued growth in Alabama's healthcare, automotive, housing and aerospace industries are expected to drive this improvement.

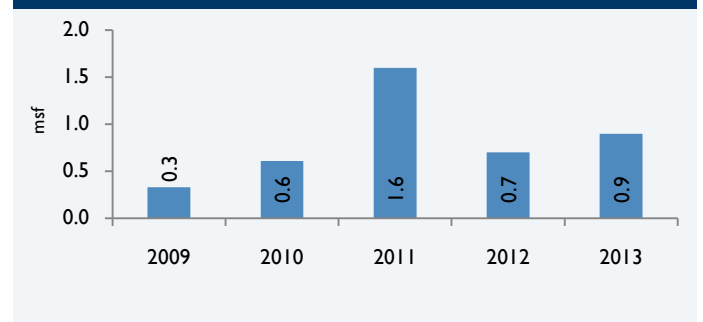
STATS ON THE GO

	Q4 2012	Q4 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	20.1%	17.7%	-2.4pp	▼
Direct Asking Rents (psf/yr)	\$4.28	\$4.34	1.4%	▲
YTD Leasing Activity (sf)	747,837	917,854	22.7%	▲

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			DIRECT WEIGHTED AVERAGE NET RENTAL RATE	
									HT	MF	OS	W/D
Central	4,180,504	19.1%	186,214	0	0	0	16,800	(43,375)	N/A	N/A	\$6.69	\$2.94
Eastern	1,247,100	15.8%	33,852	0	31,000	0	18,852	(33,600)	N/A	N/A	\$7.00	\$4.37
Oxmoor Valley	2,666,564	18.7%	154,843	0	0	0	81,818	(20,820)	N/A	N/A	\$6.63	\$5.22
Southern	3,948,003	12.1%	423,745	0	0	0	(115,734)	353,160	N/A	N/A	\$7.73	\$4.80
Southwestern	2,248,677	19.6%	119,200	0	0	0	(3,000)	(5,000)	N/A	N/A	\$7.00	\$3.93
TOTALS	14,290,848	16.9%	917,854	0	31,000	0	(1,264)	250,365	N/A	N/A	\$6.73	\$4.03

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

MARKET HIGHLIGHTS

SIGNIFICANT 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
3400 Highway 31	Southwestern	HD Supply	Bulk Warehouse	349,520
5950 Greenwood Parkway	Southwestern	Intertec Systems	Bulk Warehouse	123,631
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
4500 5 th Avenue South	Central	Jefferson County EMA	Bulk Warehouse	46,166
4905-4983 Perimeter Parkway	Southwestern	TekPak	Bulk Warehouse	40,000
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
3969 Valley East Industrial Drive	Eastern	Hose Power USA	Bulk Warehouse	25,216
SIGNIFICANT 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
3140 Pelham Parkway	Southern	City of Pelham	\$2,892,308 / \$7	429,615
3200 Pinson Valley Parkway	Eastern	Royal Cup, Inc.	\$2,200,200 / \$14	153,220
1143 1 st Avenue South	Central	1143 First Avenue South Co	\$2,500,000 / \$22	115,075
2630 5 th Avenue South	Eastern	Shaffer Sports and Events	\$1,650,000 / \$18	92,000
200 Kilsby Circle	Southwestern	Deshazo Crane Co LLC	\$2,100,000 / \$26	80,937
400 10 th Street South	Central	Board of Trustees of University of Alabama at Birmingham	\$14,000,000 / \$191	73,284
3350 Ball Street	Central	PTT Properties LLC	\$790,000 / \$11	70,268
901 2 nd Court W	Central	Jem Realty LLC	Undisclosed	68,190
SIGNIFICANT 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