

MARKETBEAT

OFFICE SNAPSHOT



BIRMINGHAM, AL

A Cushman & Wakefield Alliance Research Publication

Q2 2013



OVERVIEW

Commercial leasing activity remained steady throughout Birmingham's office market in the second quarter of 2013. Absorption was positive 10,195 square feet (sf), an improvement from 444 sf of negative absorption in the first quarter of 2013. Occupancy slightly improved from 88.0% in the first quarter to 88.6%. Rents held steady in most submarkets with an average weighted rental rate of \$18.84 per square foot (psf) for the Birmingham market and \$20.75 psf for Class A space.

CBD AND MIDTOWN MARKET

The Central Business District (CBD) experienced positive absorption of 16,736 sf, a significant improvement from 26,917 sf of negative absorption in first quarter of 2013. Occupancy increased to 90.1%, up from 88.2% in the first quarter. Notable transactions include Northwestern Mutual's sublease and lease of 18,185 sf in Regions Harbert Plaza and Jones and Hawley's lease of 3,960 sf at Park Place Tower.

The Midtown submarket ended the second quarter with slight negative absorption of 8,101 sf. However, this submarket continues to maintain the highest occupancy rate for Birmingham's office market at 91.4% and 93.0% for Class A space.

SUBURBAN MARKET

The 280/Southern submarket continued to experience growth with positive absorption of 11,448 sf in the second quarter of 2013, primarily in Class A space. The occupancy rate increased slightly to 88.8%, up from 88.6% in the first quarter of 2013. Recent transactions include ContinuumRX Services, Inc. which leased 8,292 sf at Meadow Brook 1200 and Stifel, Nicolaus and Company which leased 4,189 sf at Grandview II. Average weighted rental rates decreased slightly from \$20.35 psf, down from \$20.41 psf in the first quarter of 2013.

Absorption for the Hoover/Riverchase submarket was negative 22,640 sf, compared to positive 6,134 sf in the first quarter. Despite this negative absorption, this submarket still experienced 12,745 sf of leasing activity. As a result, rental rates increased from \$16.77 psf to \$16.98 psf in the second quarter of 2013.

The Vulcan/Oxmoor submarket continued to improve in the second quarter with 12,752 sf of positive absorption. Overall quarterly absorption, which includes sublease space, was positive 21,703 sf, up from 9,298 sf of positive absorption in the first quarter of 2013. As a result, occupancy increased slightly from 71.1%, to 72.6%. Average weighted rental rates saw a slight decrease from \$12.49 psf in the first quarter to \$12.15 psf in the second quarter of 2013.

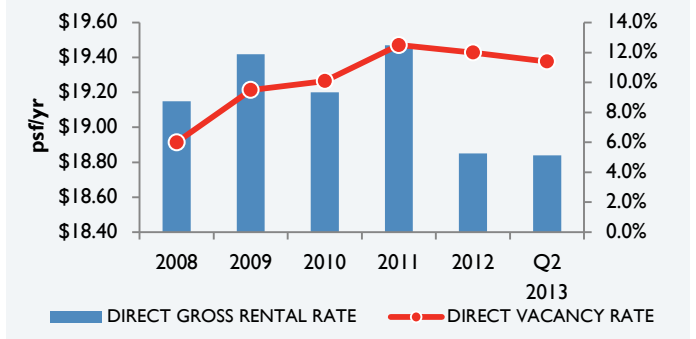
OUTLOOK

At the end of the second quarter, Alabama's unemployment rate dropped to 6.5%, down from 7.2% in the first quarter of 2013. As Alabama's economic conditions continue to improve, Birmingham's office market will continue to experience positive growth, albeit at a modest pace. We anticipate that leasing activity will remain steady throughout the remainder of 2013 as businesses continue to lease new space and expand their existing space. With this increased activity, the Birmingham market may see the development of some new office buildings, most likely in the Midtown submarket.

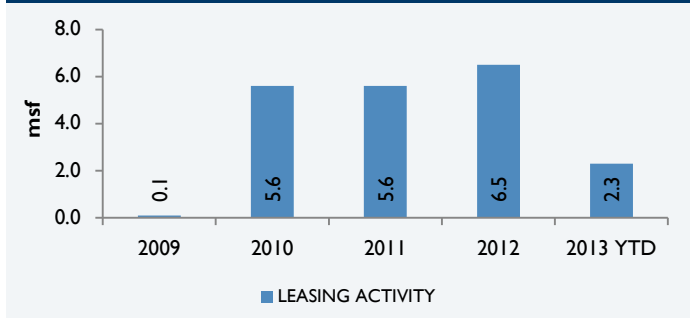
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	16.3%	15.0%	-1.3pp	▼
Direct Asking Rents (psf/yr)	\$19.49	\$18.84	-3.3%	▼
YTD Leasing Activity (sf)	218,809	234,285	7.0%	▲

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	12.1%	9.9%	53,999	0	0	(10,181)	(51,020)	\$19.66	\$20.91
Midtown	4,005,209	8.8%	8.6%	40,433	0	0	(4,712)	(3,342)	\$20.13	\$21.32
280/Southern	5,444,559	20.2%	11.2%	88,669	0	0	28,100	(8,147)	\$19.53	\$20.66
Hoover/Riverchase	1,961,284	15.6%	15.4%	31,642	0	0	(16,506)	(14,438)	\$17.00	\$19.23
Vulcan/Oxmoor	823,591	27.4%	27.4%	19,542	0	0	13,050	31,001	\$12.15	N/A
SUBURBAN	12,234,643	16.2%	12.1%	180,286	0	0	19,932	5,074	\$18.40	\$20.68
TOTALS	17,400,407	15.0%	11.4%	234,285	0	0	9,751	(45,946)	\$18.71	\$20.75

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
1901 Sixth Avenue North	CBD	Northwestern Mutual (Sublease)	A	18,185
2204 Lakeshore Drive	Midtown	Robins & Morton (Expansion)	A	13,678
1200 Corporate Drive	280/Southern	ContinuumRX Services, Inc.	A	8,292
153 Cahaba Valley Parkway	Hoover/Riverchase	Undisclosed	B	5,443
2100 Riverchase Center	Hoover/Riverchase	Hargrove & Associates (Expansion)	B	5,124
1804 7 th Avenue North	CBD	Booker T. Washington Insurance	B	5,000
2100 Data Park Drive	Hoover/Riverchase	Alabama Allergy & Asthma Center	B	4,800
3595 Grandview Parkway	280/Southern	Stifel, Nicolaus & Company	A	4,189
2001 Park Place	CBD	Jones & Hawley	A	3,960
SIGNIFICANT Q2 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
2311 Highland Avenue South	Southside	Privet Birmingham Crescent LLC	\$25,397,748.00 / \$181.48	139,948
2090 Columbiana Road	Hoover/Riverchase	Naphcare Inc.	\$7,500,000.00 / \$187.46	40,008
201 Summit Parkway	Vulcan/Oxmoor	HGI-Georgia, LLC	\$1,660,000.00 / \$53.80	30,850
121 West Park Drive	Vulcan/Oxmoor	BAM!	\$1,060,000.00 / \$37.23	28,469
8444 North 1 st Avenue	Northeast	Jian Sun	\$85,000.00 / \$6.62	12,834
727 Memorial Drive	Southwest	National Center for Pain Management	\$350,000.00 / \$33.46	10,460
1063 Narrows Way	280/Southern	LCT Investments LLC	\$745,250.00 / \$83.40	8,936
2201 Morris Avenue	CBD	Hollis & Wright	\$607,000.00 / \$73.56	8,250
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
N/A				

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS