

MARKETBEAT OFFICE SNAPSHOT



BIRMINGHAM, AL

A Cushman & Wakefield Alliance Research Publication

Q1 2014



ECONOMIC OVERVIEW

According to The University of Alabama Center for Economic Research, Alabama's economy is expected to grow by 2.4% in 2014, a slightly higher rate than the 1.9% rate of growth that occurred in 2013. Our state's seasonally-adjusted

unemployment rate increased to 6.7% at the end of the first quarter, which is slightly above March 2013's rate of 6.6%. However, the long-term trend in Alabama's unemployment rate remains positive.

Commercial leasing activity in Birmingham's office market continued at a steady pace with 115,287 square feet (sf) leased in the first quarter of 2014, as compared with 123,538 sf in the fourth quarter of 2013. Direct absorption for the first quarter was negative 114,394 sf, compared to negative 16,390 sf at year-end. Average weighted rental rates for the overall Birmingham office market and class A space increased slightly at the close of the first quarter to an average of \$18.81 per square foot (psf) and \$20.95 psf, respectively.

CBD & MIDTOWN SUBMARKETS

Birmingham's Central Business District (CBD) ended the first quarter with direct positive absorption of 7,002 sf, compared to negative 40,700 sf in the fourth quarter of 2013. Direct vacancy fell slightly to 9.2%, down from 9.9% at year-end. Overall absorption, which includes sublease space, was negative 244,998 sf, as a result of a large block of sublease space in the AT&T City Center office tower being put on the market for sublease.

The Midtown submarket experienced direct negative absorption of 35,733 sf, compared to positive 18,880 sf in the fourth quarter of 2013, primarily due to a mid-sized law firm dissolving its operations and vacating 43,988 sf of class A office space at Colonial Brookwood Center. Despite this negative absorption, the Midtown submarket continues to maintain the lowest direct vacancy rate in the Birmingham office market at 8.6%.

SUBURBAN SUBMARKETS

The 280/Southern submarket experienced 53,463 sf of direct negative absorption in the first quarter, a continued negative trend from the negative 13,495 sf at the close of 2013. However, this submarket saw several deals in the first quarter that positively impacted absorption and leasing activity, most notably Pradco's lease of 17,571 sf at MeadowBrook 2600. Direct vacancy increased slightly to 11.8%, up from 10.9%.

The Hoover/Riverchase submarket also ended the first quarter with direct negative absorption of 31,254 sf, compared to positive 41,998 sf in the fourth quarter of 2013. This can primarily be attributed to two tenants vacating a combined total of 24,292 sf of office space in this submarket. This absorption brings the direct vacancy rate to 14.8%, up from 13.5% at year-end.

Lastly, the Vulcan/Oxmoor submarket remained relatively flat with 962 sf of direct negative absorption. Direct vacancy fell from 28.6% at year-end, to 21.5%, as a result of a long-term owner occupant of a 313,000 sf class B office building entering into a sale/leaseback with an outside investor.

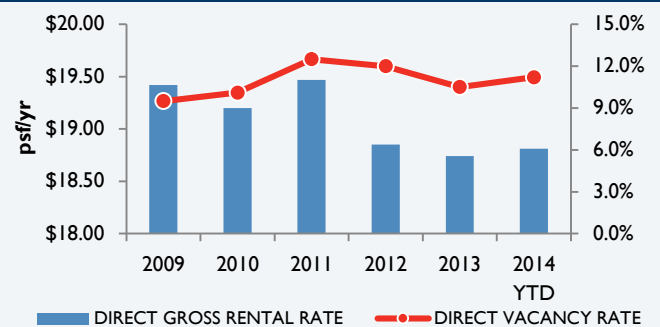
OUTLOOK

Due to severe winter weather conditions in January, many Alabama businesses got off to a slow start in 2014, resulting in slow economic growth. As the overall economy and job growth returns to a normal pace, Birmingham's office market is expected to regain momentum in the second quarter of 2014. Additionally, the continued resurgence of Birmingham's downtown will continue to positively affect Birmingham's commercial real estate market as a whole, spurring leasing activity in the CBD and surrounding areas.

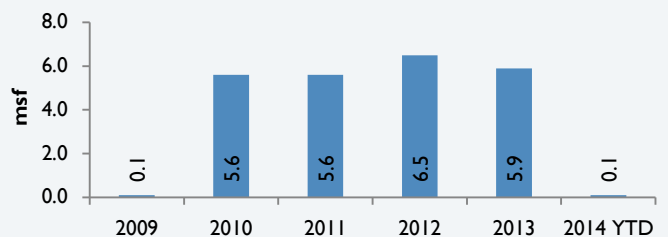
STATS ON THE GO

| | Q1 2013 | Q1 2014 | Y-O-Y CHANGE | 12 MONTH FORECAST |
|------------------------------|---------|---------|--------------|-------------------|
| Overall Vacancy | 15.2% | 13.4% | -1.8pp | ▼ |
| Direct Asking Rents (psf/yr) | \$18.87 | \$18.81 | -0.3% | ◀▶ |
| YTD Leasing Activity (sf) | 128,612 | 115,287 | -10.4% | ▲ |

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 | 5,783,217 | 15.2% | 9.2% | 21,142 | 0 | 0 | 7,002 | (244,998) | \$18.58 | \$21.04 |
| Midtown | 4,149,505 | 9.2% | 8.6% | 39,608 | 0 | 0 | (35,733) | (39,704) | \$20.18 | \$21.62 |
| 280/Southern | 5,444,559 | 12.2% | 11.8% | 40,849 | 0 | 0 | (53,463) | (22,773) | \$20.49 | \$20.83 |
| Hoover/Riverchase | 2,000,584 | 15.8% | 14.8% | 12,644 | 0 | 0 | (31,254) | (51,121) | \$17.10 | \$19.37 |
| Vulcan/Oxmoor | 1,136,591 | 21.5% | 21.5% | 1,044 | 0 | 0 | (962) | (6,398) | \$13.21 | N/A |
| SUBURBAN | 12,731,239 | 12.6% | 12.1% | 94,145 | 0 | 0 | (121,396) | (119,996) | \$18.63 | \$20.92 |
| TOTALS | 18,514,456 | 13.4% | 11.2% | 115,287 | 0 | 0 | (114,394) | (364,994) | \$18.61 | \$20.95 |

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

| SIGNIFICANT Q1 2014 LEASE TRANSACTIONS | SUBMARKET | TENANT | BUILDING CLASS | SQUARE FEET |
|--|---------------|-------------------------|------------------------|---------------------------------|
| 2600 Corporate Drive | 280/Southern | Pradco | A | 17,571 |
| 880 Montclair Road | Midtown | Momentum | A | 15,439 |
| 2001 Park Place | CBD | Hand Arendall | A | 8,664 |
| 2901 2 nd Avenue South | CBD | Hearst Communications | B | 5,930 |
| 3143 Pelham Parkway | South | Andrews Sports Medicine | B | 5,314 |
| 100 Corporate Parkway | 280/Southern | Liberty Mutual | A | 4,620 |
| SIGNIFICANT Q1 2014 SALE TRANSACTIONS | SUBMARKET | BUYER | PURCHASE PRICE / \$PSF | SQUARE FEET |
| 100 State Farm Parkway | Vulcan/Oxmoor | JDM Partners | \$36,515,391 / \$117 | 313,000 |
| 569 Brookwood Village | Midtown | Cypress Equities | \$37,000,000 / \$230 | 170,000 |
| 600 University Park Place | Midtown | Samford University | \$19,700,000 / \$161 | 122,629 |
| 3700 Cahaba Beach Road | 280/Southern | American Family Care | \$1,250,000 / \$40 | 30,975 |
| SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS | SUBMARKET | MAJOR TENANT | COMPLETION DATE | BUILDING SQUARE FEET (% LEASED) |
| N/A | | | | |
| SIGNIFICANT PROJECTS UNDER CONSTRUCTION | SUBMARKET | MAJOR TENANT | COMPLETION DATE | BUILDING SQUARE FEET (% LEASED) |
| N/A | | | | |