

# RETAIL SNAPSHOT

## BIRMINGHAM, AL

### MID-YEAR 2013



#### ECONOMIC OVERVIEW

Following a 1.8 percent rate of growth in the first half of 2013, the U.S. economy is forecasted to grow by approximately 2.0 percent in the second half of the year, according to The University of Alabama's

Center for Business and Economic Research (CBER). While the economy will continue to add jobs in the coming months, the pace of job creation is expected to be sluggish. For the year 2013 as a whole, consumer spending, which accounts for almost two-thirds of the U.S. economy, is forecasted to grow by about 1.6 percent, compared to 2.2 percent in 2012.

The latest report from CBER also reported that the state of Alabama gained 14,400 jobs from June 2012 to June 2013, while the unemployment rate dropped from 7.6 percent to 6.5 percent. The unemployment rate for metropolitan Birmingham remains well below the average unemployment rate for the state at 5.9 percent. Total nonfarm employment for the state is forecasted to increase between 0.8 percent and 1.2 percent in 2013, with most gains occurring in transportation equipment, food services and drinking places, manufacturing, professional and business services, and health services. Alabama's GDP is estimated to expand by approximately 2.2 percent in 2013, the same pace as in 2012.

#### RETAIL MARKET OVERVIEW

Birmingham's Retail Market has seen significant momentum in 2013, experiencing positive year-to-date absorption of 330,357 square feet (sf) in 2013, as compared with positive 72,797 sf of absorption at mid-year 2012. Total occupancy for the Birmingham market is 89.4%, a slight increase from 88.6% at the end of 2012.

During the second quarter of 2013, all of the submarkets, with the exception of the Eastern submarket, experienced positive absorption. The largest amount of absorption occurred in the Hoover/Riverchase market, primarily due to Essex Bargain Hunt's lease of 51,945 sf at The Village at Lorna and Old Navy's lease of 15,000 sf at the Riverchase Galleria.

The submarket that experienced the highest increase in occupancy is the Eastwood/Irondale submarket with 95.9% at mid-year 2013, up from 91.8% at the end of 2012. This growth is primarily due to several new tenants occupying space at Crestwood Festival Center and Grants Mill Station.

The Highway 280 and Hoover/Riverchase submarkets, which include three of Birmingham's Regional & Super Regional Centers, maintain

the markets highest rental rates at \$18.75 psf and \$21.26 psf, respectively.

#### OUTLOOK

Overall, Birmingham's Retail Market is showing steady signs of improvement. In the first half of the year, several vacant boxes, including grocery store locations throughout Birmingham, were leased. Additionally, Target held its grand opening for the highly-anticipated 137,000 sf urban-style store at Colonial Brookwood Village, the first of its kind in Alabama. As Birmingham's unemployment rate continues to decline, Birmingham's Retail Market will benefit from increased demand. We expect that overall leasing activity will continue to increase; however, new construction activity will remain limited.

#### ECONOMIC INDICATORS

NATIONAL	2012	2013F	2014F
GDP Growth	2.2%	2.0%	3.4%
CPI Growth	2.1%	1.7%	2.1%
Consumer Spending Growth	1.9%	2.2%	3.5%
Retail Sales Growth	5.3%	3.5%	4.6%
REGIONAL	2012	2013F	2014F
Household Income	\$46,041	\$45,963	\$46,912
Population Growth	0.4%	0.6%	0.7%
Unemployment	6.4%	6.1%	5.0%

Source: Moody's Analytics

#### OVERALL RENTAL VS. VACANCY RATES

