

# MARKETBEAT INDUSTRIAL SNAPSHOT



## BIRMINGHAM, AL

A Cushman & Wakefield Alliance Research Publication

Q2 2014



### ECONOMIC OVERVIEW

Alabama's economy continued on a path of modest improvement following a slow first quarter of 2014. At the close of the second quarter, Alabama's unemployment rate remained at 6.8%, unchanged from May 2014's rate, continuing a long-term positive trend. On a local level, Birmingham's manufacturing employment growth continued to improve, earning the Birmingham metropolitan area national recognition worth noting. In a study published by *Forbes* magazine, Birmingham was ranked number six among the Top 10 U.S. cities leading an industrial revival in the U.S.

### BIRMINGHAM INDUSTRIAL MARKET

Birmingham's industrial market experienced direct negative absorption of 31,722 square feet (sf) in the second quarter, as compared to positive 167,697 sf in the first quarter. Direct vacancy increased slightly to 16.5%, up from 16.3% in the first quarter. The overall vacancy rate, which includes sublease space, was 17.3% at the end of the second quarter.

### SUBMARKETS

Birmingham's Central submarket experienced direct positive absorption of 11,440 sf in the second quarter, a continued positive trend from the positive 66,650 sf in the first quarter. Direct vacancy fell slightly to 17.5% in the second quarter, down from 17.8%, due in part to Cheap Flooring's lease of 30,000 sf of bulk distribution space at BN Park, along with a number of smaller lease transactions at various properties.

The Eastern submarket showed improvement with direct positive absorption of 82,500 sf, as compared with 9,900 sf in the first quarter. This absorption was driven by FedEx Ground Packaging's lease of 92,500 sf of bulk distribution space at Business Center East. Direct vacancy continued to trend downward, ending the second quarter at 12.6%, down from 17.9%.

The Oxmoor Valley submarket experience modest growth with direct positive absorption of 22,483 sf. Leasing activity totaled 86,270 sf and included Certex, Inc.'s lease of 26,520 sf of bulk distribution space at Oxmoor South Industrial Park and Latium USA's lease of 18,750 sf of bulk distribution space at The Distribution Center, among others. Direct vacancy fell slightly to 17.0%, down from 17.8%.

Direct absorption for the Southern submarket was negative 84,185, a continued negative trend from negative 3,650 sf in the first quarter. This absorption is primarily due to Owens and Minor closing its operation in Birmingham and vacating 80,450 sf of bulk distribution space at Cahaba Valley Business Park. As a result, the direct vacancy rate increased to 14.3% in the second quarter, up from 12.2%.

The Southwestern submarket also experienced direct negative absorption of 63,960 sf, a reversal from the positive 72,500 sf in the first quarter.

This can be attributed to a large block of space at JeffMet Park being vacated by G&B Global. Direct vacancy increased to 21.2%, up from 18.0% in the first quarter.

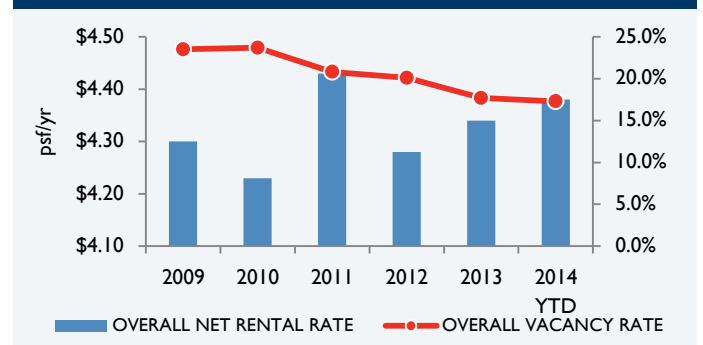
### OUTLOOK

While Birmingham's industrial market experienced direct negative absorption during the second quarter, year-to-date absorption remains positive. Several local companies announced expansion plans during the first half of 2014, demonstrating increased confidence in the overall Birmingham market. In addition, a number of major economic development projects are underway in Alabama that will continue to drive growth in our state's automotive, aerospace and manufacturing industries throughout the second half of 2014.

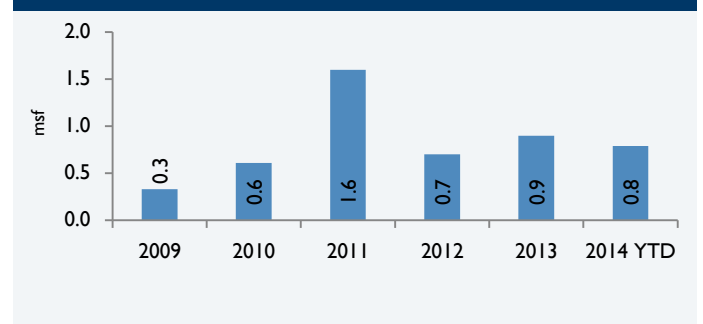
### STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	17.3%	17.3%	0.0pp	▼
Direct Asking Rents (psf/yr)	\$4.40	\$4.38	- .45%	◄
YTD Leasing Activity (sf)	743,739	796,440	7.1%	▲

### 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	17.5%	141,365	31,370	0	0	78,090	78,090	N/A	N/A	\$6.38	\$2.90
EASTERN	1,548,300	12.6%	102,400	75,144	0	0	92,400	92,400	N/A	N/A	\$7.00	\$4.08
OXMOOR VALLEY	2,666,564	17.0%	133,795	62,808	0	0	44,780	59,405	N/A	N/A	\$6.62	\$5.39
SOUTHERN	3,948,003	14.3%	316,380	19,200	0	0	(87,835)	(95,835)	N/A	N/A	\$7.73	\$4.80
SOUTHWESTERN	2,040,677	21.2%	102,500	0	0	0	8,540	8,540	N/A	N/A	\$7.00	\$4.11
<b>TOTALS</b>	<b>14,384,048</b>	<b>16.5%</b>	<b>796,440</b>	<b>188,522</b>	<b>0</b>	<b>0</b>	<b>135,975</b>	<b>142,600</b>	<b>N/A</b>	<b>N/A</b>	<b>\$6.63</b>	<b>\$4.08</b>

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

## MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
1401 Gadsden Highway	Eastern	FedEX Ground Packaging System	Bulk Warehouse	92,500
2700 13 <sup>th</sup> Street West	Central	Cheap Flooring	Bulk Warehouse	30,000
240-164 Oxmoor Court	Oxmoor Valley	Certex, Inc.	Bulk Warehouse	26,520
804 Labarge Drive	Southwest	DirectTV	Bulk Warehouse	23,250
227 Limestone Parkway	Southern	Charity Steel	Manufacturing	20,000
200 West Oxmoor Road	Oxmoor Valley	Latium USA	Bulk Warehouse	18,750
1110 Greenwood Crossing	Southwest	Shoals Ambulance	Light Industrial	15,400
912 31 <sup>st</sup> Street North	Central	Wingfoot Commercial Tire Systems	Light Industrial	15,000
SIGNIFICANT Q2 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
8220 Dunnavant Road	Eastern	Engineered Plastic Components	\$1,550,000 / \$21	75,144
201 Sunbelt Parkway	Oxmoor Valley	Infinity Property and Casualty Corporation	\$3,500,000 / \$56	62,808
118 Little Valley Court	Southern	Undisclosed	Undisclosed	19,200
908 13 <sup>th</sup> Street North	Central	Lee Ramey	\$321,000 / \$17	19,000
2728 1 <sup>st</sup> Avenue North	Central	Tracery Stone, Inc.	\$500,000 / \$29	17,182
622 9 <sup>th</sup> Street North	Central	Busa Bikes & Cars	\$375,000 / \$33	11,319
SIGNIFICANT 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				

\*RENEWAL – NOT INCLUDED IN LEASING ACTIVITY STATISTICS