

MARKETBEAT

RETAIL SNAPSHOT



BIRMINGHAM, AL

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ECONOMIC OVERVIEW

Following a bleak first quarter growth rate of -2.1% and a rebound 4.0% growth rate in the second quarter, the U.S. economy is forecasted to grow at a slightly faster pace in the second half of 2014, according to The University of Alabama's

Center for Business and Economic Research (CBER). If job growth continues at the current pace on the nation level, consumer spending is likely to increase by about 2.0%, the same rate as seen in 2013.

The latest report from CBER also reported that the state of Alabama gained 5,200 jobs from June 2013 to June 2014, while the unemployment rate rose from 6.5% to 6.8%. The Birmingham-Hoover area had the lowest metro unemployment rate at 6.2%. Alabama's GDP is estimated to expand by approximately 1.5% in 2014, a slightly higher pace than the 0.8% rate of growth in 2013.

RETAIL MARKET OVERVIEW

Birmingham's retail market experienced negative year-to-date absorption of 117,548 square feet (sf) at the end of the second quarter, a significant reversal to the positive 452,858 sf at the close of 2013. Total vacancy for the Birmingham market increased slightly to 11.0%, up from 10.1% at the close of 2013.

During the second quarter, all submarkets, with the exception of the Central and Eastwood/Irondale submarkets, experienced positive absorption. The largest amount occurred in the Highway 31 South submarket with positive 7,910 sf absorbed. This submarket continues to maintain the lowest vacancy rate in the Birmingham market at 3.1%, unchanged since the end of 2013.

The submarket that saw the most improvement in vacancy was the Western submarket with 21.0% at mid-year, down from 22.5% at the end of 2013. Leasing activity for the first half of 2014 included Save-A-Lot Food's lease of 18,400 sf at West Hills Plaza and The Village Thrift Store's lease of 45,000 sf at Midfield Shopping Center.

The Highway 280 submarket experienced positive absorption of 3,386 sf, a continued positive trend from 2013. Total vacancy increased slightly to 8.7% at mid-year, up from 8.5%. Notable lease transactions during the first half of 2014 included Orvis's lease of 4,358 sf and Athleta's lease of 4,264 sf at the Summit, Birmingham's popular mixed-use lifestyle center, and the Egg and I's lease of 4,650 sf at Arbor Place.

The largest increase in vacancy occurred in the Eastwood/Irondale submarket. The vacancy rate increased to 17.0% at mid-year, up from 4.1% at the end of 2013. This change in vacancy is primarily due to K-mart

vacating 101,000 sf at Eastwood Plaza; however, plans are currently underway to redevelop and re-tenant this community center.

The Highway 280 and Hoover/Riverchase submarkets, which include three of Birmingham's Power and Super Regional Centers, maintain the markets highest rental rates at \$17.40 per square foot (psf) and \$18.46 psf respectively.

OUTLOOK

While Birmingham's retail market remained relatively flat during the first half of 2014, the city is still considered an appealing market for national retailers, particularly along the U.S. Highway 31 and U.S. Highway 280 corridors. The Summit continues to attract high-profile tenants and a renovation is planned for Colonial Brookwood Village, the upscale enclosed mall located in Birmingham's Central submarket.

As Birmingham's unemployment rate continues on a long-term path of improvement, it is expected that overall leasing activity will continue at a modest pace throughout the remainder of 2014 as consumers benefit from increased demand.

ECONOMIC INDICATORS

NATIONAL	2013	2014F	2015F
GDP Growth	1.9%	1.7%	3.7%
CPI Growth	1.5%	1.9%	2.2%
Consumer Spending Growth	2.0%	2.4%	3.8%
Retail Sales Growth	4.2%	4.1%	5.8%
REGIONAL	2013	2014F	2015F
Household Income	\$47,242	\$48,174	\$49,652
Population Growth	0.5%	0.4%	0.6%
Unemployment	5.67%	5.44%	4.93%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES

