

MARKETBEAT INDUSTRIAL SNAPSHOT



BIRMINGHAM, AL

A Cushman & Wakefield Alliance Research Publication

Q3 2014



ECONOMIC OVERVIEW

Alabama's economy continues to stabilize and currently maintains an unemployment rate of 6.9%. Our state's business-friendly economic climate continues to attract attention, and most recently, helped Alabama maintain the number

four spot overall for the second year in a row in the "Top States for Doing Business" survey published annually by *Area Development Site and Facility Planning* magazine. The report specifically mentions Alabama's continued success in the transportation and aerospace manufacturing industry as a reason for this ranking.

BIRMINGHAM INDUSTRIAL MARKET

Birmingham's industrial market experienced 311,891 square feet (sf) of direct positive absorption in the third quarter of 2014, an improvement over the negative 31,722 sf reported in the second quarter. Direct vacancy fell to 15.2%, down from 16.5% in the second quarter. The overall vacancy rate, which includes sublease space, also experienced a drop from 17.3%, to 15.9% at the end of the third quarter.

SUBMARKETS

Despite two mid-sized bulk distribution spaces returning to the market, Birmingham's Central submarket ended the third quarter with 5,375 sf of direct positive absorption. This absorption is primarily due to three transactions totaling 33,175 sf of space at the Birmingham Food Terminal and Distribution Center. Direct vacancy therefore essentially remained flat, going from 17.5%, to 17.4% at the end of the third quarter.

The Eastern submarket experienced direct negative absorption of 9,050 sf, a reversal from the positive 82,500 sf in the second quarter. This change can be attributed to Peak Season vacating a combined total of 34,000 sf of bulk distribution and office/warehouse space at Commerce Square Business Park. As a result, direct vacancy increased to 13.2% in the third quarter, up from 12.6%.

The Oxmoor Valley submarket continued to experience growth with direct positive absorption of 52,186 sf, as compared with positive 22,483 sf in the second quarter. A number of smaller lease transactions occurred at various properties, bringing the direct vacancy rate to 14.8%, down from 17.0% in the second quarter.

Direct absorption for the Southern submarket was also positive with 263,380 sf, an improvement over the negative 84,185 sf in second quarter. This absorption was driven by Plantation Patterns's lease of 247,000 sf of bulk distribution space in Phase II of Shelby Commerce Park. This submarket now maintains the lowest vacancy rate of the Birmingham market at 10.9%.

Lastly, activity in the Southwestern submarket remained flat during the third quarter with no change in absorption. The direct vacancy rate remained at 21.2%.

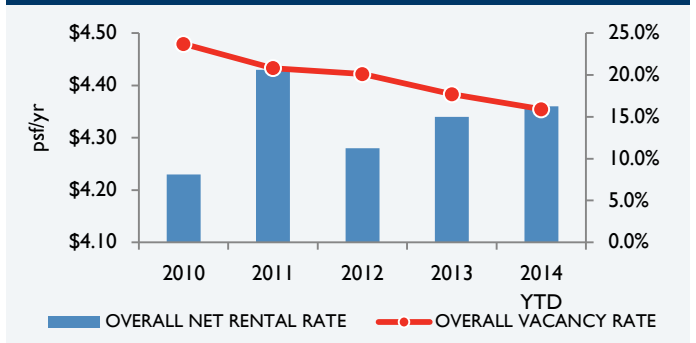
OUTLOOK

The positive momentum behind Alabama's automotive, aerospace, healthcare and housing industries will continue to have a positive impact on Birmingham's industrial market as a whole. As Alabama's economy continues to strengthen, market conditions should continue to show steady signs of improvement. Any additional activity throughout the remainder of 2014 should improve vacancy levels across the industrial market, as there is no new construction planned for the near term.

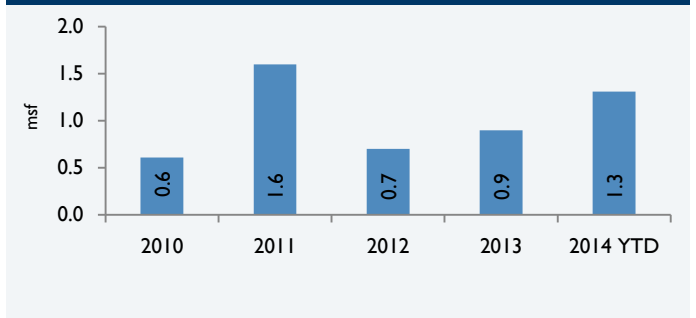
STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	17.0%	15.9%	-1.1pp	▼
Direct Asking Rents (psf/yr)	\$4.35	\$4.36	.23%	◄►
YTD Leasing Activity (sf)	900,746	1,312,035	46.0%	▲

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	17.4%	288,365	47,670	0	0	83,465	5,375	N/A	N/A	\$6.69	\$2.88
EASTERN	1,548,300	13.2%	127,350	75,144	0	0	83,350	(9,050)	N/A	N/A	\$7.00	\$4.27
OXMOOR VALLEY	2,666,564	14.8%	189,162	90,059	0	0	103,896	66,811	N/A	N/A	\$6.82	\$4.93
SOUTHERN	3,948,003	10.9%	678,556	19,200	0	0	175,545	255,380	N/A	N/A	\$7.74	\$5.13
SOUTHWESTERN	2,040,677	21.2%	102,500	0	0	0	8,540	0	N/A	N/A	\$7.00	\$4.11
TOTALS	14,384,048	15.2%	1,312,035	232,073	0	0	454,796	318,516	N/A	N/A	\$6.85	\$4.04

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

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
3536 Highway 31	Southern	Plantation Patterns, LLC	Bulk Warehouse	247,000
289 Cahaba Valley Parkway	Southern	Bimbo Bakeries	Bulk Warehouse	61,188
1301 1 st Avenue	Central	14 th Street Baking Company of Birmingham, LLC	Flex/R&D	23,491
3000 Pinson Valley Parkway	Eastern	Undisclosed	Light Industrial	14,075
1508 4 th Avenue	Central	DDR	Light Industrial	13,500
353 Finley Avenue W	Central	Splawn Construction	Warehouse/Distribution	12,600
1510 – 1520 Simmsville Road	Southern	Central Woodwork, Inc	Light Industrial	10,940
130 26 th Avenue W	Central	AllSouth Appliance Group, Inc.	Warehouse/Distribution	10,575
3101 3 rd Avenue S	Southern	European Collection, Inc.	Light Industrial	10,049
2525 3 rd Place W	Central	Birmingham Dairy Products	Warehouse / Distribution	10,000
SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
3340 Vanderbilt Road	Central	Commodore Investments	\$2,075,000 / \$27	77,415
37 West Park Circle	Oxmoor	Signature Holdings, LLC	\$505,000 / \$33	15,251
100 Cahaba Valley Parkway	Southern	DAR Holdings, LLC	\$600,000 / \$42	14,167
3029 3 rd Avenue South	Central	Bretwood, LLC	\$550,000 / \$41	13,542
3000 3 rd Avenue South	Central	Sloss Real Estate	\$450,000 / \$41	11,035
2900 Powell Avenue	Central	JFB Properties	\$273,000 / \$25	10,715
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