

# MARKETBEAT OFFICE 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.

Commercial leasing activity across Birmingham's office market remained steady throughout the third quarter of 2014. Direct absorption was 62,399 square feet (sf), a continued positive trend from the 109,092 sf absorbed in the second quarter. As a result, direct vacancy dropped slightly to 10.3%, down from 10.6% last quarter. Rents held steady in most submarkets with an average weighted rental rate of \$18.73 per square foot (psf) for the Birmingham market and \$20.84 psf for class A space.

### CBD & MIDTOWN SUBMARKETS

Birmingham's Central Business District (CBD) experienced direct positive absorption of 13,426 sf in the third quarter, an improvement from the negative 46,249 sf in the second quarter. Two of the largest deals closed this quarter occurred in the CBD. Bressler, Amery & Ross, a law firm new to the Birmingham market, leased 19,879 sf and Rumberger Kirk & Caldwell leased 12,000 sf, both in Park Place Tower. Other recent transactions included Campbell, Guin, Williams, Guy & Gidiere's lease of 7,186 sf and Edgar's Bakery's lease of 3,735 sf in the Financial Center. Direct vacancy dropped slightly to 9.7% in the third quarter, down from 10.0%.

The Midtown submarket continued to experience growth with 20,328 sf of direct positive absorption, a continued positive trend from the 63,748 sf in the second quarter. Direct vacancy fell to 6.5%, down from 7.1% in the second quarter. In more good news, several class A office buildings totaling 441,293 sf changed hands during the third quarter, indicating increased confidence in this submarket as a whole. The largest investment sale transaction closed this quarter was Greenfield Partners's purchase of 2100 Southbridge Parkway.

### SUBURBAN SUBMARKETS

The 280/Southern submarket ended the third quarter with 15,964 sf of direct positive absorption, compared to positive 9,898 sf in the second quarter. Direct vacancy fell to 11.4%, down slightly from 11.7%.

The Hoover/Riverchase submarket experienced modest growth with 23,354 sf of direct positive absorption, compared to positive 77,682 sf in the second quarter. Direct vacancy dropped from 10.9%, to 9.7%.

The only submarket to experience direct negative absorption in the third quarter was the Vulcan/Oxmoor submarket with negative 10,673 sf absorbed. This absorption is primarily due to the Mine, Safety and Health

Administration vacating 14,230 sf of space at Barber Business Park. As a result, direct vacancy increased to 22.6%, up from 21.6% in the second quarter.

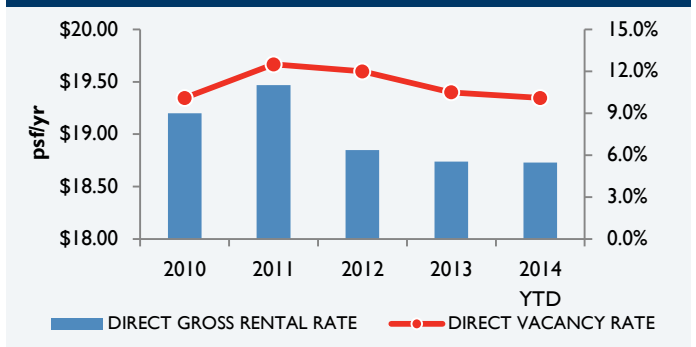
### OUTLOOK

At the end of the third quarter, year-to-date leasing activity totaled 572,734 sf, a 20.7% increase compared to the pace of activity reported one year ago. As Alabama's economy continues to strengthen, positive momentum will continue to build in Birmingham's office market. The market is positioned to see rental rates begin to increase, as vacant space declines, which may spur the development of new office buildings, most likely in the Midtown submarket.

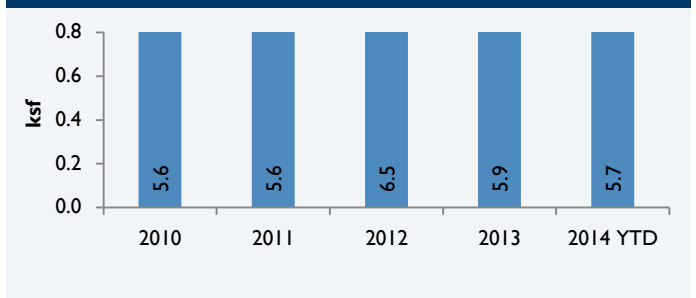
### STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	13.7%	12.7%	-1.0pp	▼
Direct Asking Rents (psf/yr)	\$18.64	\$18.73	0.5%	◆
YTD Leasing Activity (sf)	474,585	572,734	20.7%	▲

### 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	16.1%	9.7%	100,068	0	0	(25,821)	(293,799)	\$18.87	\$21.32
Midtown	4,149,505	6.9%	6.5%	147,158	0	0	49,905	57,219	\$19.40	\$19.83
280/Southern	5,444,559	12.1%	11.4%	152,668	0	0	(27,601)	(15,130)	\$20.34	\$20.84
Hoover/Riverchase	2,000,584	11.1%	9.7%	145,240	0	0	69,782	41,517	\$16.37	\$20.70
Vulcan/Oxmoor	1,136,591	22.8%	22.6%	27,600	0	0	(13,058)	(15,598)	\$12.70	N/A
<b>SUBURBAN</b>	<b>12,731,239</b>	<b>11.2%</b>	<b>10.5%</b>	<b>472,666</b>	<b>0</b>	<b>0</b>	<b>79,028</b>	<b>68,008</b>	<b>\$18.12</b>	<b>\$20.61</b>
<b>TOTALS</b>	<b>18,514,456</b>	<b>12.7%</b>	<b>10.3%</b>	<b>572,734</b>	<b>0</b>	<b>0</b>	<b>53,207</b>	<b>(225,791)</b>	<b>\$18.38</b>	<b>\$20.84</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
2001 Park Place	CBD	Bressler, Amery & Ross	A	19,879
2100 Riverchase Center	Hoover/Riverchase	Wide Orbit	B	14,607
10 Inverness Center	280/Southern	Temenos USA, Inc. (Sublease)	A	13,020
2001 Park Place	CBD	Rumberger Kirk & Caldwell	A	12,000
2001 – 2100 Southbridge Parkway	Midtown	Undisclosed	A	9,740
1901 6 <sup>th</sup> Avenue North	CBD	Undisclosed (Sublease)	A	9,561
501 Riverchase Parkway	Hoover/Riverchase	Hometown Lenders	B	9,000
3512 7 <sup>th</sup> Avenue South	Southside	Alethia House	C	7,200
505 20 <sup>th</sup> Street North	CBD	Campbell, Guin, Williams, Guy & Gidiere, LLC	A	7,186
One Perimeter Park South	280/Southern	American International Group	A	6,361
1500 Urban Center Drive	280/Southern	ProsysRx, LLC	A	5,995
SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
2100 Southbridge Parkway	Midtown	Greenfield Partners	\$24,200,000 / \$108	225,000
2204 Lakeshore Drive	Midtown	Lakeshore Property Owner LLC	\$25,000,000 / \$128	196,000
820 Tom Martin Drive	Vulcan/Oxmoor	ET Birmingham LLC	\$4,500,000 / \$68	66,500
1801 5 <sup>th</sup> Avenue North	CBD	Capstone RE Investments / Harbert Realty	\$1,400,000 / \$23	61,552
728 Shades Creek Parkway	Midtown	Fairway – Parkway Place LLC	\$3,060,000 / \$151	20,293
SIGNIFICANT Q3 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				