

MARKETBEAT INDUSTRIAL SNAPSHOT



BIRMINGHAM, AL

A Cushman & Wakefield Alliance Research Publication

Q4 2014



ECONOMIC OVERVIEW

The long-term trend in Alabama's unemployment rate remains positive. Recent employment gains resulted in Alabama's unemployment rate falling to 5.7% in December, down from 6.1% twelve months prior. According to the Alabama Department of Labor, this is the lowest unemployment rate the state has seen since 2008.

BIRMINGHAM INDUSTRIAL MARKET

During the fourth quarter of 2014, Birmingham's industrial market experienced 411,094 square feet (sf) of direct positive absorption, bringing the total for the year to 860,215 sf. Direct vacancy fell to 12.4%, down from 15.2% in the third quarter. Overall vacancy, which includes sublease space, also improved, ending the year at 13.1%, down from 15.9% in the third quarter.

SUBMARKETS

The Central submarket ended the fourth quarter with only slight positive absorption of 705 sf, however, total absorption for the year was positive 84,170 sf. Direct vacancy remained unchanged from the third quarter at 17.4%.

The Eastern submarket saw improvement with 114,000 sf of positive absorption during the fourth quarter, compared with negative 9,050 sf in the third quarter. This absorption was driven by Cardinal Health's expansion into an additional 90,000 sf of bulk distribution space at 3950 Valley East Industrial Drive. As a result, direct vacancy decreased significantly to 5.8%, down from 13.2% in the third quarter.

Direct fourth quarter absorption for the Oxmoor Valley submarket was 39,140 sf, continuing a positive trend for the year. Direct vacancy fell slightly to 13.5%, down from 14.8% in the third quarter. Leasing activity for the quarter included Safe Start's lease of 16,800 sf of bulk distribution space and Residex's lease of 16,500 sf of bulk distribution space at Oxmoor South Industrial Park, in Building II and Building V, respectively.

The Southern submarket also experienced positive absorption during the fourth quarter with 109,549 sf, bringing the total for the year to 285,094 sf, the highest amount of absorption of all the submarkets. Contributing to this absorption was Extruflex's lease of 20,000 sf of bulk distribution space at Valleydale Business Center and Roto Rooter's lease of 15,000 sf of office/warehouse space at Cahaba Valley Business Park. Direct vacancy ended the quarter at 8.2%, down from 10.9% in the third quarter.

The Southwestern submarket experienced growth with 147,000 sf of positive absorption during the fourth quarter, primarily due to ASTRA/CFX Manufacturing LLC's lease of 122,400 sf of bulk

distribution space at Perimeter Industrial Park. This lease was the largest transaction of the quarter and represents new automotive business entering the Birmingham market. Direct vacancy fell to 13.9%, down from 21.2% in the third quarter.

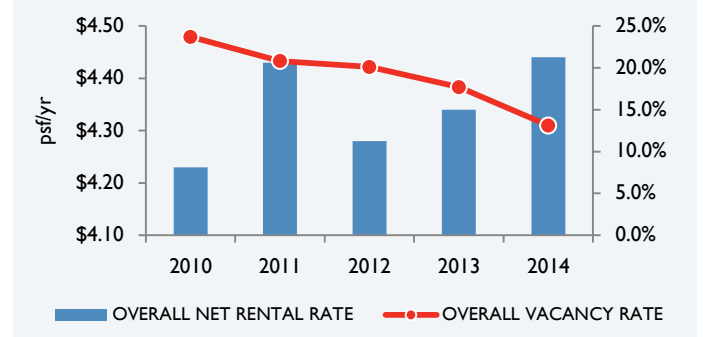
OUTLOOK

Overall, Birmingham's industrial market experienced steady growth throughout 2014. Leasing activity continued at a healthy pace ending the year with a total of 1,702,432 sf, the highest amount since 2011. As Alabama's healthcare, automotive, housing and aerospace industries gain momentum, vacancy levels are expected to tighten across Birmingham's industrial market throughout 2015. As a result, asking rents should experience a gradual increase in most submarkets.

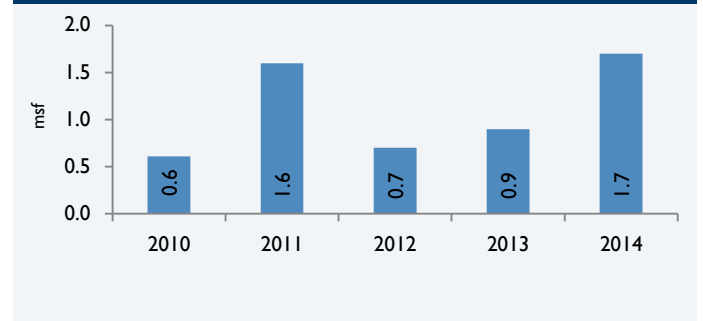
STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	17.7%	13.1%	-4.6 pp	▼
Direct Asking Rents (psf/yr)	\$4.34	\$4.44	2.3%	▲
YTD Leasing Activity (sf)	917,854	1,702,432	85.5%	▲

OVERALL RENTAL VS. VACANCY RATES



LEASING ACTIVITY



The market terms and definitions in this report are based on NAIOP standards. No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.
© 2015 Cushman & Wakefield, Inc. All rights reserved.

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	OS	DIRECT WEIGHTED AVERAGE NET RENTAL RATE W/D
CENTRAL	4,180,504	17.4%	251,167	47,670	0	0	84,170	83,031	\$7.04	\$2.88
EASTERN	1,548,300	5.8%	241,350	75,144	0	0	197,350	197,350	\$7.00	\$4.34
OXMOOR VALLEY	2,666,564	13.5%	232,182	90,059	0	0	137,361	151,986	\$6.85	\$4.96
SOUTHERN	3,948,003	8.2%	727,533	19,200	0	0	285,094	270,344	\$7.50	\$5.13
SOUTHWESTERN	2,040,677	13.9%	250,200	0	0	0	156,240	161,240	\$7.00	\$4.42
TOTALS	14,384,048	12.4%	1,702,432	232,073	0	0	860,215	863,951	\$6.94	\$4.00

* RENTAL RATES REFLECT ASKING \$PSF/YEAR OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
3280 Highway 31	Southern	Pradco Outdoor Brands	Bulk Warehouse	263,000
3536 Highway 31	Southern	Plantation Patterns, LLC	Bulk Warehouse	247,000
4905 - 4983 Perimeter Parkway	Southwestern	ASTRA/CFX Manufacturing, LLC	Bulk Warehouse	122,400
1401 Gadsden Highway	Eastern	FedEX Ground Packaging System	Bulk Warehouse	92,500
3950 Valley East Industrial Drive	Eastern	Cardinal Health	Bulk Warehouse	90,000
4905 - 4983 Perimeter Parkway	Southwestern	Gestamp	Bulk Warehouse	80,000
289 Cahaba Valley Parkway	Southern	Bimbo Bakeries	Bulk Warehouse	61,188
1401 Meadowcraft Road	Eastern	A588 Steel	Bulk Warehouse	60,000
3500 6 th Avenue South	Central	Alabama Industrial Development Training	Bulk Warehouse	56,000
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
2 41 st Street South	Central	RJ Building LLC	\$1,275,000 / \$5	275,000
18 W Oxmoor Road	Vulcan/Oxmoor	Mayco Alabama LLC	\$1,500,000 / \$18	85,330
3340 Vanderbilt Road	Central	Commodore Investments	\$2,075,000 / \$27	77,415
524 37 th Street North	Central	Hendricks Commercial Properties	\$1,300,000 / \$17	76,040
8220 Dunnavant Road	Eastern	Engineered Plastic Components	\$1,550,000 / \$21	75,144
513 25 th Street South	Eastern	Shea Brothers LLC	\$1,235,000 / \$20	63,000
201 Sunbelt Parkway	Oxmoor Valley	Infinity Property and Casualty Corporation	\$3,500,000 / \$56	62,808
155 Cleage Drive	Eastern	Royal Cup Coffee	\$530,000 / \$10	53,000
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				