

MARKETBEAT OFFICE SNAPSHOT



BIRMINGHAM, AL

A Cushman & Wakefield Alliance Research Publication

Q4 2014



ECONOMIC OVERVIEW

The long-term trend in Alabama's unemployment rate remains positive. In December 2014, Alabama's unemployment rate fell to 5.7%, 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. Continued job growth, combined with increased confidence in Alabama's economy as a whole, has improved fundamentals across Birmingham's office market throughout 2014.

During the fourth quarter, direct absorption in Birmingham's office market was positive 76,089 square feet (sf), a continued positive trend from the 62,399 sf in third quarter. Direct vacancy improved to 9.9%, down from 10.3% in the third quarter. Average weighted rental rates for the overall Birmingham office market held steady across most submarkets with an average weighted rental rate of \$18.73 per square foot (psf) for the overall Birmingham market and \$20.83 psf for class A space.

CBD & MIDTOWN SUBMARKETS

Birmingham's Central Business District (CBD) ended the quarter with 30,029 sf of positive direct absorption, compared to positive 13,426 sf in the third quarter. Direct vacancy fell to 9.2%, down slightly from 9.7%. As a result, the direct average weighted rental rate in the CBD increased slightly to \$20.18 psf, up from \$19.95 psf.

Direct absorption for the Midtown submarket was positive 17,199 sf during the fourth quarter, bringing the total to positive 67,117 sf for the year. Direct vacancy declined to 6.1%, down from 6.5% in the third quarter, and continues to be the lowest vacancy rate in the Birmingham office market.

SUBURBAN SUBMARKETS

The 280/Southern submarket experienced the highest amount of absorption during the fourth quarter with positive 35,084 sf, an improvement over 15,964 sf in third quarter. Direct vacancy fell to 10.7%, down from 11.4%. Continuing the trend of increased investment activity, several class A office buildings totaling 914,843 sf changed hands during the fourth quarter. The largest sales transaction this quarter was PZ UC Building Owner LLC's purchase of Urban Center at Liberty Park for \$66 million.

The only submarket to experience negative absorption during the fourth quarter was the Hoover/Riverchase submarket with negative 6,747 sf, as compared to positive 23,354 sf in the third quarter. However, total absorption for the year was positive 63,005 sf. Direct vacancy increased slightly to 10.1%, up from 9.7% in the third quarter.

Direct vacancy for the Vulcan/Oxmoor submarket remained relatively flat going from 22.6% in third quarter, to 22.5% in fourth quarter.

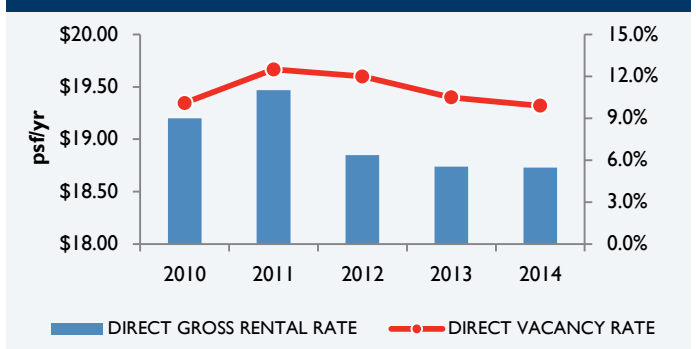
OUTLOOK

Overall, Birmingham's office market experienced steady growth during the fourth quarter of 2014. While commercial leasing activity slowed down at year-end, leasing activity for the year totaled 672,221 sf, the highest level in over five years. Commercial sales activity increased during the fourth quarter, signaling increased confidence in the market as a whole. As the economy builds momentum, Birmingham's office market is expected to experience healthy growth in 2015, which should improve vacancy levels in most submarkets throughout the year.

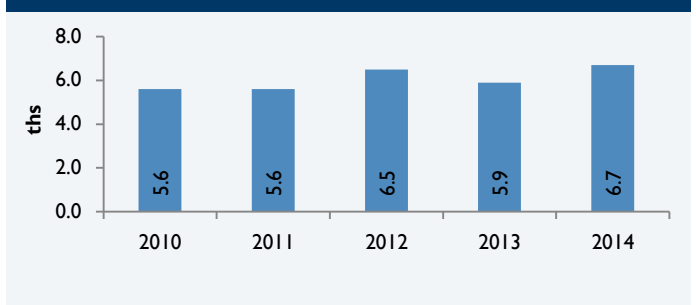
STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.4%	12.4%	1.0pp	▼
Direct Asking Rents (psf/yr)	\$18.74	\$18.73	0.1%	◄
YTD Leasing Activity (sf)	598,123	672,221	12.4%	▲

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	15.4%	9.2%	128,612	0	0	4,143	(253,290)	\$18.91	\$21.33
Midtown	4,149,505	6.5%	6.1%	157,571	0	0	67,117	74,220	\$19.40	\$19.85
280/Southern	5,444,559	11.7%	10.7%	189,944	0	0	7,483	5,632	\$19.34	\$20.83
Hoover/Riverchase	2,000,584	11.7%	10.1%	159,185	0	0	63,005	29,708	\$16.39	\$20.49
Vulcan/Oxmoor	1,136,591	22.5%	22.5%	36,909	0	0	(12,534)	(12,534)	\$12.83	N/A
SUBURBAN	12,731,239	11.0%	10.2%	543,609	0	0	128,978	95,481	\$17.66	\$20.58
TOTALS	18,514,456	12.4%	9.9%	672,221	0	0	133,186	(157,744)	\$19.09	\$20.83

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
1853 Data Drive	Hoover/Riverchase	Atherotech	A	48,284
569 Brookwood Village Lane	Midtown	Surgical Care Affiliates	A	47,870
2001 Park Place	CBD	Bressler, Amery & Ross	A	19,879
2200 Riverchase Center	Hoover/Riverchase	ProctorU, Inc.	B	19,192
2600 Corporate Drive	280/Southern	Pradco	A	17,571
569 Brookwood Village Lane	Midtown	PricewaterhouseCoopers	A	16,462
100 Concourse Parkway	Hoover/Riverchase	McLeod Software	A	16,269
880 Montclair Road	Midtown	Momentum	A	15,439
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
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1200 Urban Center Drive	280/Southern	PZ UC Building Owner LLC	\$66,297,481 / \$123	538,821
2100 Lakeshore Drive	Midtown	Samford University	\$58,000,000 / \$146	398,000
100 State Farm Parkway	Vulcan/Oxmoor	JDM Partners	\$36,515,391 / \$117	313,000
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
569 Brookwood Village	Midtown	Cypress Equities	\$37,000,000 / \$230	170,000
3500 Blue Lake Drive	280/Southern	ESJ Capital Partners LLC	\$20,800,000 / \$125	166,590
600 University Park Place	Midtown	Samford University	\$19,700,000 / \$161	122,629
3535 Grandview Parkway	280 / Southern	KBC, LLC	\$9,714,668 / \$85	114,552
2545 Rocky Ridge Lane	Hoover/Riverchase	CCIT II, Inc.	\$32,300,000 / \$283	114,035
One Independence Drive	Midtown	Shannon Waltchack	\$15,100,000 / \$142	106,555
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				