

Industrial Snapshot Q4 2015

Birmingham, Alabama



CUSHMAN & WAKEFIELD



BIRMINGHAM INDUSTRIAL

Economic Indicators

	Q4 14	Q4 15	12-Month Forecast
Birmingham Employment	514k	524k	▲
Birmingham Unemployment	5.7%	5.4%	■
U.S. Unemployment	5.7%	5.0%	▼

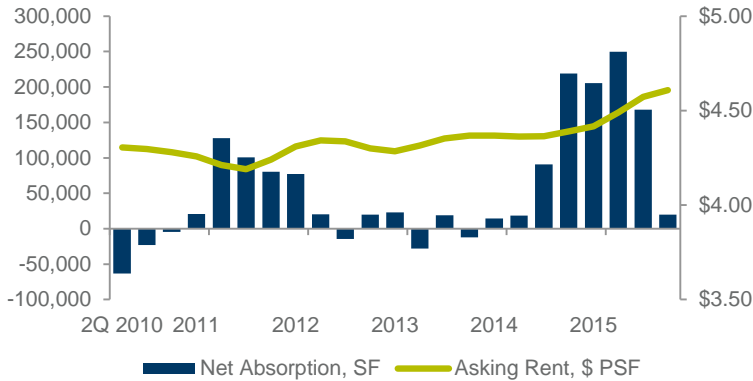
Market Indicators (Overall, All Product Types)

	2014	2015	12-Month Forecast
Vacancy	13.1%	12.4%	▼
Net Absorption (sf)	876k	80k	▲
Under Construction (sf)	0	0	■
Average Asking Rent*	\$4.44	\$4.58	▲

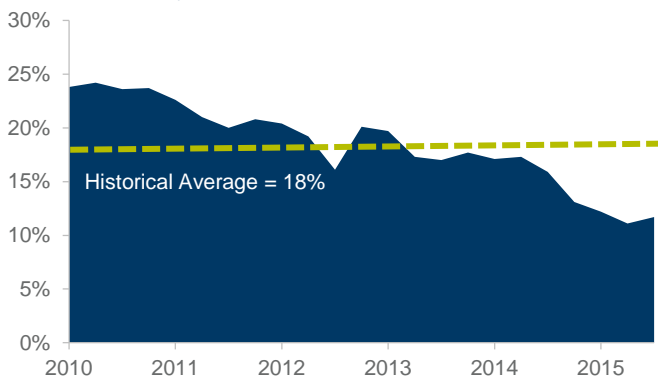
*Rental rates reflect net asking \$psf/year

Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The long-term trend in Alabama's unemployment rate remains positive. In December 2015, Alabama's unemployment rate fell to 5.4%, down from 5.7% twelve months prior. According to the Alabama Department of Labor, this is the lowest rate the state has reported since 2008. Continued job growth, combined with increased confidence in Alabama's economy as a whole, should contribute to a positive outlook for the coming year. Birmingham received several accolades throughout 2015, including Number 1 on *Forbes'* 2015 list of America's Most Affordable Cities, the Number One Next Hot Food City in America by *Zagat*, and one of Six Cities Where Millennials Can Afford to Pay Rent by *Bloomberg Business*.

Market Overview

Birmingham's industrial market has seen a tightening over the last several years. There has not been any new speculative construction, and only a few build-to-suit projects, leading to a good deal of absorption over the last 24 months. Although 2015 ended the year with a modest 80,235 square feet of overall absorption, there was over 1.0 million square feet of leasing activity during the year. Rental rates are increasing, with the average asking rental rate escalating from \$4.44 per square foot (psf) in the fourth quarter of 2014 to \$4.58 psf at the end of 2015. These factors are creating a favorable landlord market. Some of this market activity is being generated by a \$1.3-billion expansion currently underway at the Mercedes-Benz plant in the Southwestern submarket. The increased production capacity for Mercedes-Benz affects second- and third-tier suppliers, which translates into expansion projects or the leasing of additional square footage. Most of the other leasing activity has been organic growth from within individual companies as a result of the improving business climate.

Outlook

We expect a continuation of the current trends for the foreseeable future in Birmingham's overall industrial market. No new speculative buildings have been announced or are anticipated. It appears that any new construction will be build-to-suit projects. The areas most likely to attract these projects would be the Southwestern submarket, which would likely be more ancillary activity related to Mercedes-Benz, the Eastern submarket, which is in close proximity to the Honda plant, or in the Central submarket to take advantage of the new interchange with I-22, which is currently being constructed.

MARKETBEAT

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SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Central	4,158,004	351,639	533,335	16.3%	34,688	0	\$6.72	\$2.86
Eastern	1,548,300	53,600	290,125	6.3%	20,250	0	\$6.13	\$3.97
Oxmoor Valley	2,666,564	277,996	33,000	9.3%	114,217	0	\$7.44	\$5.36
Southern	3,948,003	129,756	15,300	13.5%	(197,498)	0	\$9.20	\$5.06
Southwestern	2,094,245	199,058	600,000	10.9%	108,578	0	\$7.00	\$4.45
BIRMINGHAM TOTALS	14,415,116	1,012,049	1,471,760	12.4%	80,235	0	\$7.35	\$4.09

*Rental rates reflect asking \$psf/year

OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions 2015

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
103 Shades Creek Circle	112,200	TSF Sportsware	Warehouse/Distribution	Oxmoor Valley
2514 3 rd Street W	82,800	Best Warehousing and Transportation Center	Warehouse/Distribution	Central
103 Shades Creek Circle	63,200	Merit Brass	Warehouse/Distribution	Oxmoor Valley
5960 Greenwood Parkway	53,568	Autobahn Indoor Speedway Birmingham	Warehouse/Distribution	Southwestern
116 Finley Ave W	52,360	Structural Steel Products	Warehouse/Distribution	Central
4759 Acton Court	28,600	Southern Performance Volleyball Academy	Warehouse/Distribution	Eastern

Key Sales Transactions 2015

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE/\$PSF	SUBMARKET
7200 Jefferson Metropolitan Parkway	600,000	Bizmart Inc./Publix Super Markets Inc.	Warehouse Distribution	\$23,000,000/\$38	Southwestern
6900 Jefferson Metropolitan Parkway	293,440	Bayshore Property Corp / OLP McCalla LLC	Manufacturing	\$16,750,000/\$57	Southwestern
Shelby Commerce Park, Phase III 3536 Highway 31	247,000	Graham Commercial Properties / Becknell Industrial	Warehouse Distribution	\$10,975,000/\$44	Southern
1200 1 st Avenue South	116,400	National Bakery Industrial Owner, LLC / Parkside 15 LLC	Warehouse Distribution	\$2,450,000/\$21	Central
4300 Coalburg Road	88,293	Fed Industrial XII, LLC / NLF Fe Birmingham, LLC	Warehouse Distribution	\$7,325,000/\$83	Central
575 37 th Street	76,040	Hendricks Commercial Properties, LLC / Realty Income	Warehouse Distribution	\$3,115,878/\$41	Central
2200 Pinson Valley Parkway	53,040	CMS06-3, LLC / Cummins Mid-South	Warehouse Distribution	\$3,267,891/\$62	Eastern

Cushman & Wakefield / EGS
505 20th Street North, Suite 700
Birmingham, AL 35203
www.cushmanwakefield.com
www.egsinc.com

For more information, contact:
Audra Willingham, Director of Marketing
Tel: +1 205 314 5556
awillingham@egsinc.com

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