

Office Snapshot Q4 2015

Birmingham, Alabama



BIRMINGHAM OFFICE

Economic Indicators

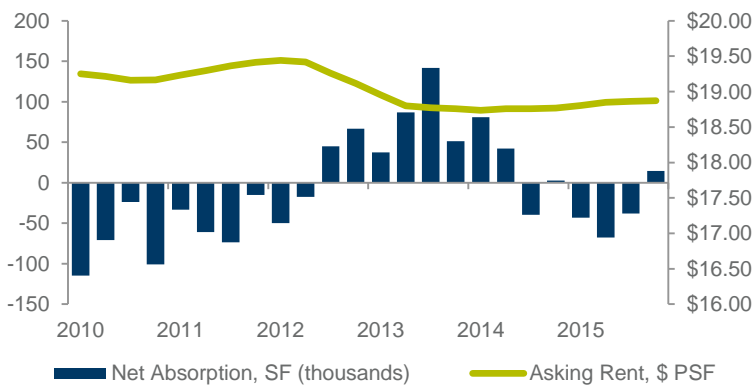
	Q4 14	Q4 15	12-Month Forecast
Birmingham-Hoover Employment	514k	524k	▲
Birmingham-Hoover Unemployment	5.7%	5.4%	■
U.S. Unemployment	5.7%	5.0%	▼

Market Indicators (Overall, All Classes)

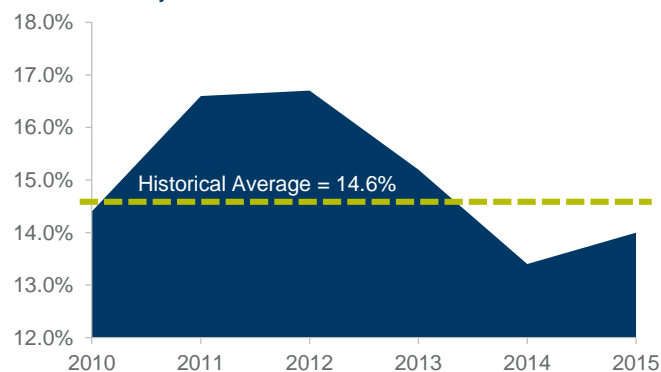
	2014	2015	12-Month Forecast
Vacancy	12.4%	13.6%	■
Net Absorption (sf)	(158k)	(152k)	▲
Under Construction (sf)	0	0	▲
Average Asking Rent*	\$19.09	\$18.44	■

*Rental rates reflect gross asking \$psf/year

Overall 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

The Birmingham office market recorded overall negative absorption for the second year in a row. Vacancy increased from 12.4% at the end of 2014 to 13.6% at the end of 2015. However, vacancy rates are still below the historical five-year average of 14.6%. Additionally, in the fourth quarter of 2015, leasing activity measured 234,177 square feet (sf) and overall absorption for the quarter was 187,914 sf. This strong close to the year could be a positive indicator that the market is on an upswing overall. Direct weighted average asking rates rose slightly from \$18.73 per square feet (psf) during 4Q 2014 to \$18.80 psf in 4Q 2015. In development news, two build-to-suit projects have been announced and could begin construction in 2016 with delivery in late 2017 or 2018, totaling 400,000 sf of class A office space. Additionally, investors continue to have confidence in the multi-tenant market. Over 900,000 sf of multi-tenant office buildings were purchased in the 4th quarter, ending the year with a total of 2.5 million square feet (msf) in multi-tenant sales.

Outlook

The office build-to-suit projects that were announced are the first significant new construction starts since 2008. These projects appear to be in response to pent up demand in the office market, specifically in the Midtown submarket. Adding new construction should also have the effect of continuing to increase asking market rents, particularly for class A buildings in Midtown. The CBD continues to see momentum with new retail and multi-family developments. We expect this activity to ultimately impact the multi-tenant office market as more companies relocate to capitalize on a growing workforce downtown.

MARKETBEAT

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Birmingham, Alabama



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	5,970,217	332,072	709,813	17.5%	(8,991)	(95,915)	105,707	0	\$18.85	\$19.29
Midtown	4,100,614	12,129	284,477	7.2%	47,430	14,108	112,299	0	\$19.82	\$20.92
280/Southern	5,427,945	71,238	563,083	10.4%	46,594	4,531	173,994	0	\$19.83	\$20.20
Hoover/Riverchase	2,000,584	67,785	249,823	15.9%	72,636	(82,915)	175,740	0	\$17.28	\$19.80
Vulcan/Oxmoor	1,136,591	0	251,815	22.2%	30,245	7,901	39,426	0	\$13.08	n/a
BIRMINGHAM TOTALS	18,635,951	483,224	2,059,011	13.6%	187,914	(152,290)	607,166	0	\$18.44	\$19.82

*Rental rates reflect gross asking \$psf/year

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	AVERAGE ASKING RENT OVERALL*	AVERAGE ASKING RENT DIRECT*
Class A	12,654,655	430,877	1,130,004	12.33%	177,834	(71,777)	408,937	0	\$19.82	\$20.83
Class B	5,155,631	52,347	835,397	17.22%	7,942	(111,582)	157,218	0	\$16.23	\$16.15
Business Park	825,665	0	93,610	11.34%	2,138	31,069	41,011	0	\$14.92	\$12.75

Key Lease Transactions 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
KBR Engineering	80,780	Galleria Office Tower	Lease	Hoover / Riverchase
Carr, Riggs & Ingram, LLC	35,000	3700 Colonnade	Lease	280 / Southern
Callidus Software	19,607	One Perimeter Park South	Lease	280 / Southern
AmWins Insurance	16,285	880 Building	Lease	Midtown
Medical Properties Trust	10,897	1000 Urban Center	Renewal / Expansion	280 / Southern
InterLinc Mortgage	9,748	10 Inverness Center	New Lease	280 / Southern
Tenet Healthcare	9,492	1500 Urban Center	Lease / Expansion	280 / Southern

Key Sales Transactions 2015

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Meadow Brook North Office Park	504,000	GCCFC 2005-GG5 Corp Pkwy, LLC / Matrix Birmingham, LLC	\$35,607,600/\$71	280/Southern
2000 International Park	129,467	BE&K, Inc. / IP 2000 International, LLC	\$6,050,000/\$47	280/Southern
2225 3 rd Avenue North	127,000	Concord Center II, LLC / Welch Guster Building, LLC	\$771,000/\$6	CBD
Meadow Brook 2700	98,892	LBP Meadowbrook, LLC / 2700 Corporate Drive, LLC	\$12,599,829/\$127	280/Southern
850 Shades Creek Parkway	50,000	Shades Cahaba, LLC / Oakworth Capital Bank	Not disclosed	Midtown

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