

MARKETBEAT

Birmingham, AL

Industrial Q1 2018



BIRMINGHAM INDUSTRIAL

Economic Indicators

| | Q1 17 | Q1 18 | 12-Month Forecast |
|--------------------------------|-------|-------|-------------------|
| Birmingham-Hoover Employment | 523k | 534k | ▲ |
| Birmingham-Hoover Unemployment | 5.9% | 3.4% | ▼ |
| U.S. Unemployment | 4.7% | 4.1% | ▼ |

Numbers above are quarterly averages; Feb 2018 data used to represent Q1 18 for Birmingham-Hoover

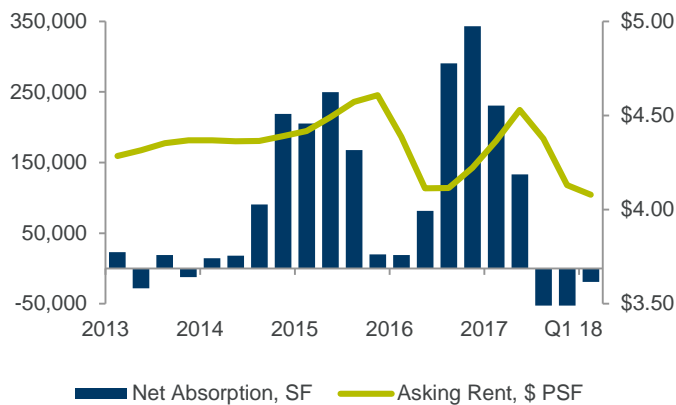
Market Indicators (Overall, All Property Types)

| | Q1 17 | Q1 18 | 12-Month Forecast |
|-------------------------|--------|--------|-------------------|
| Vacancy | 11.4% | 10.2% | ▼ |
| YTD Net Absorption (sf) | -341k | 74k | ▲ |
| Under Construction (sf) | 240k | 873k | ■ |
| Average Asking Rent* | \$4.18 | \$3.98 | ▲ |

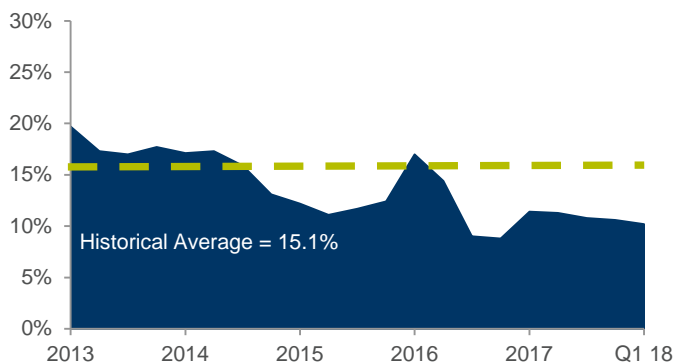
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Following a year of healthy growth, Alabama's economy continued its steady upward momentum in the first quarter of 2018.

According to the Alabama Department of Labor, the state's unemployment rate ended the quarter at 3.7%, down from 5.3% recorded this same time last year. In more good news, significant investment activity and expansion announcements by companies such as Google, Evonik, Stewart Industries, Toyota-Mazda and Kimberly-Clark reflect the ongoing confidence in the state's economy.

Market Overview

During the first quarter of 2018, Birmingham's multi-tenant industrial market reported 73,651 square feet (sf) of overall absorption, a continued positive trend from fourth quarter of 2017. Overall vacancy improved slightly to 10.2% in first quarter, down from 10.6% at year-end. All industrial submarkets, with the exception of the Southern submarket, reported a decline in direct vacancy, with the Oxmoor Valley and Southwestern submarkets ending the quarter with the lowest direct vacancy rates of 4.4% and 2.3%, respectively. Leasing activity continued at a modest pace, totaling 139,940 sf in first quarter, with the bulk of activity occurring in the Eastern and Oxmoor Valley submarkets. Overall average weighted net asking rents fell slightly to \$3.98 per square foot (psf), down from \$4.02 psf in fourth quarter of 2017.

In development news, construction continued on Oxmoor Logistics Center, the 112,500-sf Class A industrial warehouse located in the Oxmoor Valley submarket, with expected delivery in summer 2018. This project is the first speculative development in the Birmingham market in a number of years, and is a result of a tightening market and increased demand for bulk warehouse space.

Outlook

Despite a relatively slow first quarter, Birmingham's multi-tenant industrial market remains healthy and continues to tighten. There are a number of major economic development projects currently underway in Alabama that will continue to have a positive impact on Birmingham's industrial market as a whole. As available space continues to decline throughout 2018, the market is positioned to see rental rates begin to increase, which may spur the development of new industrial product in the Birmingham market.

MARKETBEAT

Birmingham, AL

Industrial Q1 2018



| SUBMARKET | TOTAL BLDGS | INVENTORY (SF) | YTD USER SALES ACTIVITY (SF) | OVERALL VACANCY RATE | YTD OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | YTD LEASING ACTIVITY (SF)* | OVERALL WEIGHTED AVG. NET RENT (OS)** | OVERALL WEIGHTED AVG. NET RENT (WD)** |
|--------------------------|-------------|-------------------|------------------------------|----------------------|---------------------------------|------------------|----------------------------|---------------------------------------|---------------------------------------|
| Central | 61 | 3,871,150 | 0 | 14.2% | 41,045 | 0 | 7,745 | \$8.59 | \$3.34 |
| Eastern | 19 | 2,056,060 | 0 | 26.2% | 42,450 | 0 | 42,450 | \$7.00 | \$2.64 |
| Oxmoor Valley | 47 | 2,666,564 | 0 | 5.5% | (21,300) | 192,500 | 52,145 | \$8.29 | \$6.07 |
| Southern | 77 | 3,948,003 | 0 | 5.1% | (13,844) | 0 | 12,300 | \$8.06 | \$6.74 |
| Southwestern | 24 | 2,094,245 | 19,400 | 2.3% | 25,300 | 680,000 | 25,300 | \$7.00 | \$5.22 |
| BIRMINGHAM TOTALS | 228 | 14,636,022 | 19,400 | 10.2% | 73,651 | 872,500 | 139,940 | \$8.28 | \$3.71 |

*Does not include renewals. **Rental rates reflect asking \$psf/yr

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

Key Lease Transactions Q1 2018

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|-------------------------------|--------|---------------------------|------------------|---------------|
| Old Leeds Distribution Center | 28,600 | EBSCO | Sublease | Eastern |
| 201-223 West Oxmoor Road | 24,070 | Midwest Veterinary Supply | New | Oxmoor Valley |
| 2700 Republic Boulevard | 11,000 | Athens Newspaper | Renewal* | Southwestern |
| 900 Powder Plant Road | 10,000 | Millennium Inc | New | Southwestern |

*Renewal – not included in Leasing Activity Statistics

Key Sales Transactions Q1 2018

| PROPERTY | SF | SELLER/BUYER | PRICE / \$PSF | SUBMARKET |
|-----------------------|--------|--------------------------------------|--------------------|-----------|
| 3501 1st Avenue South | 78,000 | Old Car Heaven LLC / M2 Ventures LLC | \$2,145,000 / \$28 | Central |

Significant Projects Under Construction

| PROPERTY | SF | TYPE OF CONSTRUCTION | SUBMARKET | TARGET DELIVERY |
|-------------------------------|---------|----------------------|----------------------------|-----------------|
| MBUSI Global Logistics Center | 680,000 | Built-to-suit | Southwestern (Bibb County) | Q3 18 |
| Oxmoor Logistics Center | 112,500 | Speculative | Oxmoor Valley | Q2 18 |

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

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

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm with 45,000 employees in more than 70 countries helping occupiers and investors optimize the value of their real estate. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$6 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

Copyright © 2018 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.