

MARKETBEAT

Birmingham, AL

Industrial Q4 2017



BIRMINGHAM INDUSTRIAL

Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Birmingham-Hoover Employment	522k	525k	▲
Birmingham-Hoover Unemployment	5.7%	3.2%	▼
U.S. Unemployment	4.7%	4.1%	▼

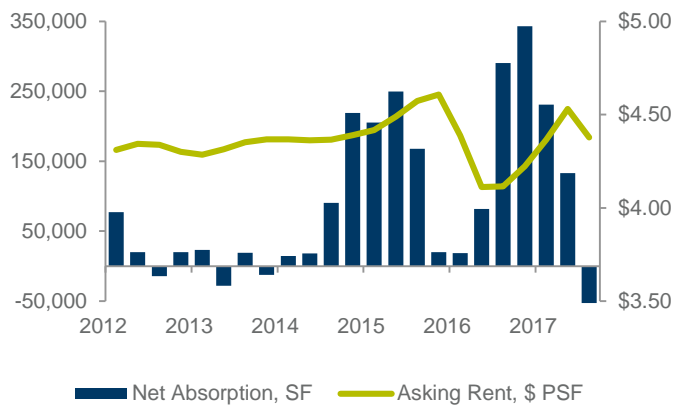
Market Indicators (Overall, All Property Types)

	Q4 16	Q4 17	12-Month Forecast
Vacancy	8.8%	10.6%	▼
YTD Net Absorption (sf)	1.4m	-232k	▲
Under Construction (sf)	260k	240k	■
Average Asking Rent*	\$5.01	\$4.02	▲

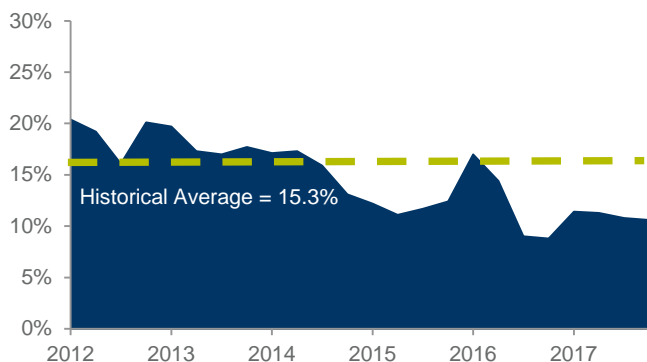
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The fourth quarter of 2017 brought positive news for Alabama's economy. According to the Alabama Department of Labor, Alabama's unemployment rate ended the year with a record low rate of 3.5%. This rate remains lower than the national rate of 4.1% recorded at year-end and is significantly lower than Alabama's December 2016 rate of 6.3%. Our state's improving job growth can be largely attributed to its business-friendly environment and ongoing, focused economic development efforts.

Market Overview

Overall net absorption for Birmingham's multi-tenant industrial market ended the year with negative absorption of 231,700 square feet (sf), compared with positive 1,371,779 sf absorbed in 2016. This negative absorption occurred primarily in the first quarter of the year as a result of a 500,000-sf warehouse, acquired by an owner-user in 2016, being put on the market for lease. Overall vacancy improved quarter-to-quarter throughout 2017, ending the year at 10.6%. Leasing activity slowed significantly in fourth quarter, however leasing activity for all of 2017 totaled 974,863 sf, which is slightly below the 1,116,071 sf recorded at year-end 2016. Notable development projects under construction include Truck & Wheel USA's 127,000-sf build-to-suit facility in the Southwestern submarket and Oxmoor Logistics Center, the 112,500-sf, Class A industrial speculative warehouse development in the Oxmoor Valley submarket.

Outlook

Overall, Birmingham's multi-tenant industrial market remains healthy and continues to tighten. As economic activity surrounding Alabama's automotive and aerospace industries continues to gain momentum, Birmingham's industrial market will benefit from increased demand in 2018. At the same time, developers are responding to the tightening industrial market conditions in Birmingham's seven-county region, as evidenced by the increase in new construction projects in the area. While most recent development projects have been build-to-suit facilities, the first speculative warehouse building in the Birmingham market since 2008 broke ground in 2017, indicating sustained confidence in local market conditions.

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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 (Q3)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Central	62	3,951,343	502,849	15.1%	601	0	206,161	\$12.03	\$3.31
Eastern	19	2,048,300	35,800	28.3%	-539,273	0	29,850	\$7.00	\$2.72
Oxmoor Valley	47	2,666,564	63,605	4.7%	59,166	112,500	109,708	\$8.19	\$5.93
Southern	77	3,948,003	3,000	4.7%	81,084	0	259,332	\$8.23	\$6.97
Southwestern	24	2,094,245	20,000	3.5%	166,722	127,000	369,812	\$7.00	\$5.16
BIRMINGHAM TOTALS	229	14,708,455	625,254	10.6%	-231,700	239,500	974,863	\$8.74	\$3.71

*Rental rates reflect asking \$psf/yr

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

Key Lease Transactions 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
400 Industrial Drive	425,000	Symbotic	Sublease	Oxmoor Valley
JeffMet Industrial Park - Phase II	240,240	Grupo Antolin	Lease	Southwest
3944 Valley East Industrial Drive	106,452	Z Modular	Sublease	Eastern
Birmingham Food Terminal & Distribution Center	92,800	Southern Tire Mart	Lease	Central
5500 Parkwest Drive	85,040	Deshazo Crane	Lease	Southwestern
Shelby Commerce Park I	70,070	Plantation Patterns	Lease	Southern
5551 Parkwest Drive	48,600	CTDI	Lease	Southwestern

*Renewal – not included in Leasing Activity Statistics

Key Sales Transactions 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Birmingham Food Terminal & Distribution Center	1,019,480	BFT Partners LLC / Birmingham Industrial Group LLC	\$10,000,000 / \$10	Central
41 North Industrial Drive	270,600	Graham & Company / Lumpkin Development LLC	\$8,250,000 / \$30	Southern
603 Tin Mill Road	218,210	Jarden Home Brands / Royal Oaks Enterprises	\$4,306,100 / \$20	Southwestern
1143 1 st Avenue	150,089	1143 First Avenue South Company LP / 1143 First Avenue South LP	\$3,900,000 / \$26	Central
2991 Shannon Oxmoor Road	99,900	BCP Birmingham LLC / HC Bham Industrial	\$7,913,000 / \$79	Oxmoor Valley
5500 Parkwest Drive	85,040	5500 Parkwest Drive LLC / GCP	\$3,412,500 / \$40	Southwest
100 Republic Street	70,995	M&A Supply Company Inc. / Interior/Exterior	\$2,350,000 / \$33	Central

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