

RETAIL MARKET

2017 Year-in-Review

Birmingham, Alabama



ECONOMIC INDICATORS

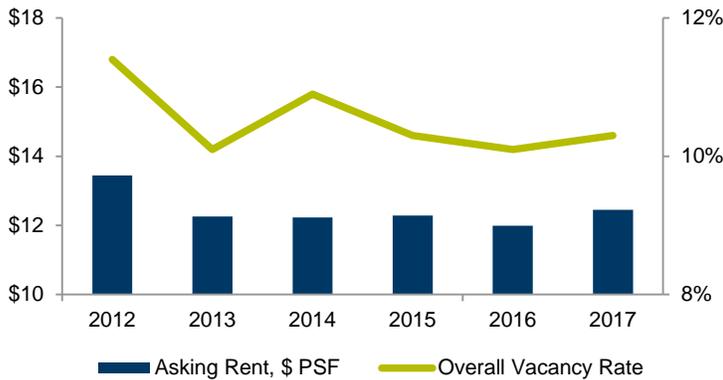
National	2016	2017*	12-Month Forecast*
GDP Growth	1.8%	2.3%	▲
CPI Growth	1.8%	2.0%	▲
Consumer Spending Growth	2.8%	2.6%	▼
Retail Sales Growth	3.7%	4.3%	▲

*Forecast by Cushman & Wakefield. Values represent year-over-year % change.

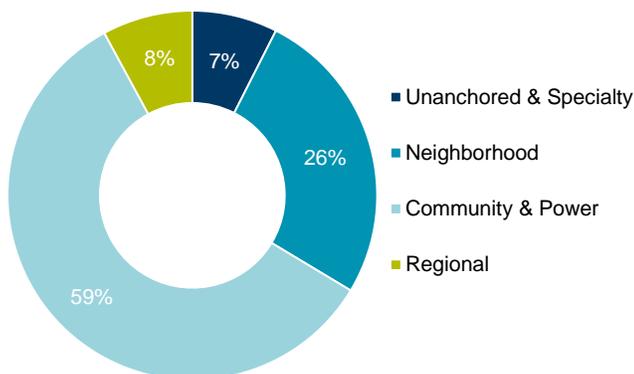
Regional	2016	2017	12-Month Forecast
Household Income	\$52,959	\$53,100	▲
Population Growth	0.19%	0.20%	▲
Unemployment (Avg.)	5.8%	3.2%	■

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

Current economic conditions throughout the U.S. have positively impacted consumer confidence on a national and local level. According to the Center for Economic Research at the University of Alabama, Alabama's economy expanded by 2.2 percent in 2017 and is expected to grow at a slightly higher pace of 2.4 percent in 2018. Additionally, Alabama's job market continues to show signs of improvement, adding just over 32,000 jobs in 2017. As overall market indicators remain positive, overall consumer spending will increase resulting in more demand for the retail sector as a whole.

Market Overview

Year-end absorption for Birmingham's retail market totaled negative 53,595 square feet (sf), compared with positive 57,323 sf in 2016. As a result, total vacancy for Birmingham's retail market increased slightly to 10.3%, up from 10.1%. Average weighted rental rates for the overall market increased from \$11.99 per square foot (psf) in 2016, to \$12.45 psf in 2017. While there were several closures of big box stores announced in 2017 that negatively impacted absorption, leasing activity remained steady and attracted several national and regional tenants to the Birmingham metro area. New-to-the-market retailers who leased space in 2017 included Warby Parker, Hanna Andersson, Floor and Décor, Tory Burch, among others. In more good news, Birmingham remains a desirable market to outside investors. In 2017, over 1.5 million sf of retail space changed hands including Cahaba Village in the Highway 280 submarket, Clay Marketplace in the Eastern submarket, and Vestavia City Center, Homewood Commons, and Edgemont Town Center, all located in the Central submarket.

Outlook

Overall, the retail climate for Birmingham remains healthy, a reflection of the continued renaissance and energy that has been seen in the downtown Birmingham area with the recent openings of the Pizitz Food Hall, Topgolf, 20 Midtown, and The Waites, among other new amenities. The outlook for Birmingham's retail market is positive with a foreseeable continuation of the current trends. Leasing activity is expected to continue at a steady pace, resulting in stable vacancy rates and rental rates for retail property owners. Retail construction will primarily consist of grocery-anchored retail centers, mixed-use developments and redevelopments of existing retail centers in desirable locations.