

MARKETBEAT

Birmingham, AL

Industrial Q2 2018



BIRMINGHAM INDUSTRIAL

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Birmingham-Hoover Employment	529k	524k	▲
Birmingham-Hoover Unemployment	4.2%	4.5%	▼
U.S. Unemployment	4.3%	3.8%	▼

Numbers above are quarterly averages; June 2018 data used to represent Q2 18 for Birmingham-Hoover

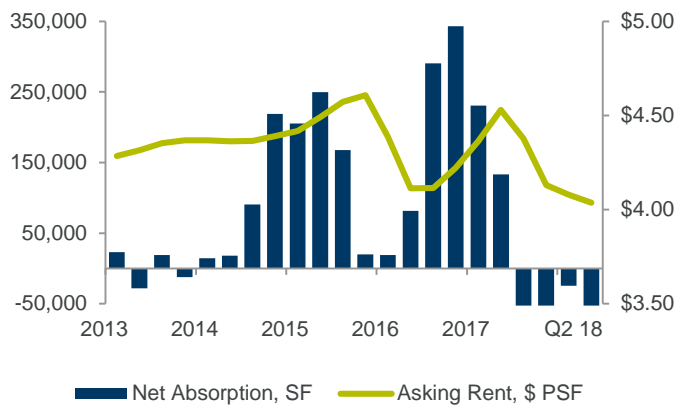
Market Indicators (Overall, All Property Types)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	11.3%	11.3%	▼
YTD Net Absorption (sf)	-328k	-122k	▲
Under Construction (sf)	127k	2.9M	■
Average Asking Rent*	\$4.23	\$4.06	▲

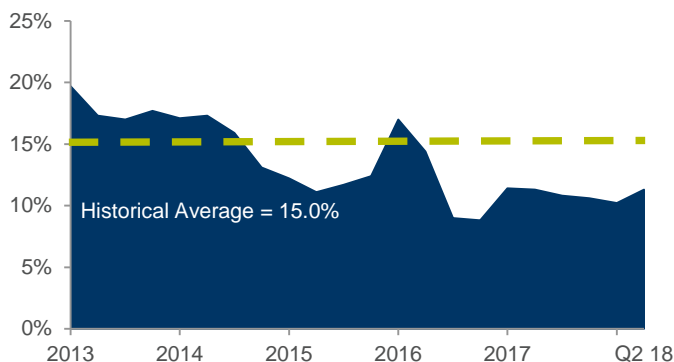
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Alabama's economy remains stable and currently maintains an unemployment rate of 4.1%. Our state's business-friendly economic climate continues to garner national attention, and most recently, helped Alabama earn the No. 1 ranking for Best Business Climate by *Business Facilities* magazine, a national economic development-focused publication. In more good news, second quarter of 2018 brought with it news of significant investments in Alabama. Most notable for the Birmingham market was Amazon's announcement to build a \$325 million fulfillment center in Jefferson County, which is expected to bring 1,500 full-time jobs to the area.

Market Overview

During second quarter of 2018, Birmingham's multi-tenant industrial market experienced overall negative absorption of 173,230 square feet (sf), compared to positive 73,651 sf in the first quarter of the year. The majority of this negative absorption occurred as a result of two mid-sized tenants vacating a combined total of 112,800 sf of bulk-warehouse space in Birmingham's Central submarket. As a result, overall vacancy for the Birmingham market increased slightly to 11.3%, up from 10.2% in first quarter. Leasing activity continued at a modest pace totaling 138,866 sf, with the bulk of the activity occurring in the Southern submarket. The overall average weighted net asking rental rate for all property types for second quarter was \$4.06 per square foot (psf), a slight increase from the \$3.98 psf rate recorded in first quarter.

In development news, construction is nearing completion on Oxmoor Logistics Center, a 112,500-sf Class A multi-tenant industrial warehouse in the Oxmoor Valley submarket. An additional 2.9 million sf of build-to-suit product is under construction in Birmingham's seven-county region that includes MBUSI's Global Logistics Center and North American sales hub in Bibb County and Amazon's previously mentioned facility in the Southwestern submarket.

Outlook

While Birmingham's multi-tenant industrial market experienced overall negative absorption in second quarter of 2018, the state of the market remains healthy. As economic activity surrounding Alabama's automotive, aerospace and manufacturing industries gains momentum, Birmingham's industrial market will benefit from increased demand. As available space continues to decline throughout 2018, the market is positioned to see rental rates continue to increase, which may spur the development of new industrial product in the Birmingham market.

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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 (OS)**	OVERALL WEIGHTED AVG. NET RENT (WD)**
Central	61	3,853,086	26,105	17.4%	-115,963	0	35,745	\$9.06	\$3.26
Eastern	19	2,056,060	62,000	26.2%	42,450	0	42,450	\$7.00	\$2.64
Oxmoor Valley	47	2,666,564	0	7.0%	-60,641	192,500	71,636	\$8.47	\$6.16
Southern	77	3,948,003	31,300	5.5%	-28,975	0	87,425	\$7.90	\$6.94
Southwestern	24	2,094,245	19,400	1.5%	41,550	2,730,000	41,550	\$7.00	\$4.99
BIRMINGHAM TOTALS	228	14,617,958	138,805	11.3%	-121,579	2,922,500	278,806	\$8.50	\$3.75

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

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

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Shelby West Commerce Center	59,400	Georgia Crown Distributing Co.	New	Southern
Oxmoor South Industrial Park	26,000	WorldPac, Inc.	*Renewal	Oxmoor Valley
Airport Highway Park	25,000	Trane	New	Central
Valleydale Business Center	25,000	Scholastic Book Fairs	*Renewal	Southern
Brooklane Business Center	16,250	Not disclosed	New	Southwestern
800 Powder Plant Road	10,000	Onin Staffing, LLC	New	Southwestern
Cahaba Valley Business Center	10,000	R.S. Hughes Company	*Renewal/Expansion	Southern

*Renewal – not included in Leasing Activity Statistics

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Oxmoor Commons	109,924	Arcis Investments / Crown Property Group	\$5,372,500 / \$49	Oxmoor Valley
Lakeshore Crossings Business Park	59,760	Arcis Investments / The Worsham Group	\$8,550,000 / \$143	Oxmoor Valley
Carroll Tire	52,000	REC Holdings Corp. / SCA Performance Inc.	\$900,000 / \$17	Eastern

Significant Projects Under Construction

PROPERTY	SF	TYPE OF CONSTRUCTION	SUBMARKET	TARGET DELIVERY
MBUSI North American Sales Hub	1,395,000	Build-to-suit	Southwestern (Bibb County)	Q2 20
Amazon Fulfillment Center	855,000	Build-to-suit	Southwestern	Q2 19
MBUSI Global Logistics Center	680,000	Build-to-suit	Southwestern (Bibb County)	Q3 18
Oxmoor Logistics Center	112,500	Speculative	Oxmoor Valley	Q3 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

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