

MARKETBEAT

Birmingham, AL

Industrial Q3 2018



BIRMINGHAM INDUSTRIAL

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Birmingham-Hoover Employment	530k	537k	▲
Birmingham-Hoover Unemployment	3.7%	3.7%	▼
U.S. Unemployment	4.4%	3.9%	▼

Numbers above are quarterly averages.

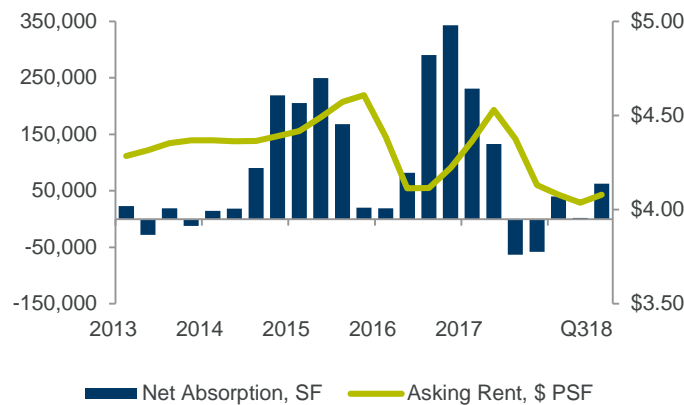
Market Indicators (Overall, All Property Types)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	10.8%	9.8%	▼
YTD Net Absorption (sf)	-286k	197k	▲
Under Construction (sf)	240k	2.9M	■
Average Asking Rent*	\$4.09	\$4.26	▲

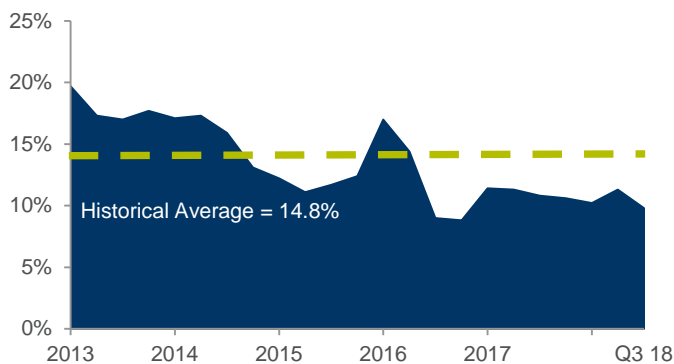
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Alabama's economy continued to strengthen, posting healthy job growth throughout the third quarter of 2018. According to the Alabama Department of Labor, Alabama's employment reached a record high in August 2018, breaking the previous employment record for the fourth consecutive month. The state's unemployment rate remained unchanged at 4.1%. Confidence in the state's economic climate as a whole is evident, as *Area Development* magazine ranked Alabama No. 3 in its 2018 "Top States for Business" survey.

Market Overview

During the third quarter of 2018, Birmingham's multi-tenant industrial market experienced overall positive absorption of 284,495 square feet (sf), a significant reversal from the negative 173,230 sf recorded in the second quarter. Overall vacancy fell to 9.8% in the third quarter, down from 11.3% in the second quarter. All submarkets, with the exception of the Oxmoor Valley submarket, experienced a decline in vacancy. Vacancy in the Southwestern submarket fell to a historic low as occupancy reached 100%. Leasing activity increased by 177% quarter-over-quarter, recording 385,190 sf of transactions signed in the third quarter. This activity consisted of a large number of small-to-mid-sized deals positively impacting absorption and leasing activity. The overall average weighted net asking rental rate for all property types increased to \$4.26 per square foot (psf) in the third quarter, up from \$4.06 psf in the second quarter. In development news, construction was completed on Oxmoor Logistics Center, a speculative 112,500-sf Class A multi-tenant industrial warehouse in the Oxmoor Valley submarket. Approximately two-thirds of this space was leased at the end of the third quarter. Nearly 2.9 million square feet (msf) of build-to-suit product is currently 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 \$325-million fulfillment center in Jefferson County.

Outlook

Birmingham's multi-tenant industrial market continues to tighten. With only 1.37 msf of space available out of 14.7 msf, options are becoming limited for tenants seeking quality space. Supply constraints are expected to push rental rates, property values, and land prices higher, which may again spur limited development of new industrial product. Manufacturing, automotive and aerospace activity remains strong throughout the state and will continue to serve as the key driver of growth for Birmingham's industrial 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%	-115,523	0	172,710	\$9.06	\$3.26
Eastern	19	2,056,060	75,515	17.6%	217,925	0	104,400	\$7.00	\$2.70
Oxmoor Valley	48	2,779,064	96,987	7.6%	26,339	80,000	177,561	\$8.67	\$6.10
Southern	77	3,948,003	31,300	4.9%	-4,975	100,000	136,425	\$7.98	\$7.09
Southwestern	24	2,094,245	19,400	0.0%	72,900	2,730,000	72,900	\$7.00	\$4.82
BIRMINGHAM TOTALS	229	14,730,458	249,307	9.8%	196,666	2,910,000	663,996	\$8.65	\$3.93

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

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

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Birmingham Food Terminal	52,100	Americas Thrift Store	New	Central
Lyon Lane Distribution Center	48,600	Voestalpine	New	Oxmoor Valley
Oxmoor Logistics Center	33,750	J.R. Simplot	New	Oxmoor Valley
Birmingham Food Terminal	30,625	Hood Industries	New	Central
Birmingham Food Terminal	30,240	Lambert Transfer	New	Central
8 th Avenue North Warehouse	24,000	Snider Tire	New	Central
Perimeter Industrial Park	22,950	TekPak, Inc.	New / Expansion	Southwestern

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Oxmoor Industrial Park (451 Industrial Lane)	234,630	Superior Mason Products, LLC / Latium USA Trading, LLC	\$5,993,000 / \$26	Oxmoor Valley
3300 Industrial Parkway	95,050	Fontaine Engineered Products / Rick Lake Weighing Systems, Inc.	\$2,650,000 / \$28	Walker County
Oxmoor Industrial Park (345 Industrial Lane)	81,736	Art Bindery / Fletcher Property Group, LLC	\$2,875,000 / \$35	Oxmoor Valley

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)	Q4 18

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