

MARKETBEAT

Birmingham, AL

Office Q3 2018



BIRMINGHAM OFFICE

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.

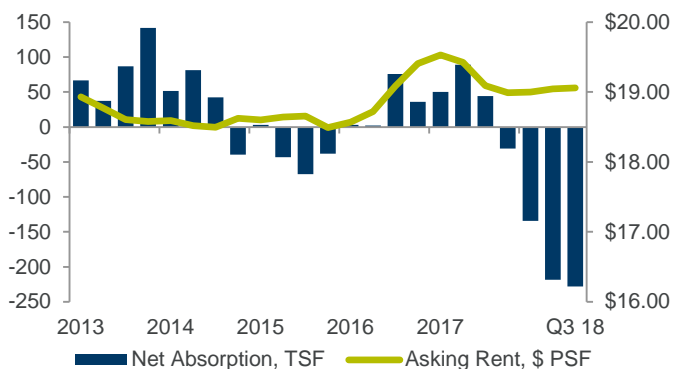
Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	12.0%	16.9%	▼
YTD Net Absorption (sf)	138k	-642k	▲
Under Construction (sf)	300k	138k	■
Average Asking Rent*	\$18.58	\$18.63	▲

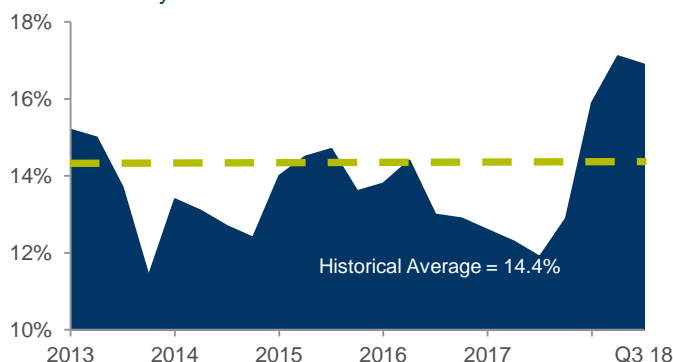
*Rental rates reflect gross asking \$psf/year

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

Birmingham's multi-tenant office market recorded positive overall absorption of 38,965 square feet (sf) in the third quarter of 2018, an improvement over the negative 292,768 sf in the second quarter. Overall vacancy, which includes sublease space, improved to 16.9%, down slightly from 17.1% quarter-over-quarter. Birmingham's midtown submarket experienced the highest amount of absorption, recording 66,465 sf, followed by the U.S. Highway 280 / Southern submarket with 42,365 sf absorbed in third quarter. Leasing activity continued at a steady pace with 194,983 sf of transactions signed during third quarter; Class A transactions accounted for 150,737 sf of the total. Rental rates remained steady across most submarkets with an overall weighted asking rental rate of \$18.63 per square foot (psf) for the Birmingham market and \$19.83 psf for Class A space.

Outlook

The positive momentum behind Alabama's economy continues to foster a healthy demand for office space. While overall absorption was modest in the third quarter, year-to-date leasing activity for Birmingham's office market is slightly above 2017's activity at this same time. Regarding the construction pipeline, a continuation of the current local trends is foreseeable in the future. There are several smaller multi-tenant office developments currently underway that appear to be in response to pent up demand in the office market. However, any significant new construction is expected to continue to be generated by build-to-suit projects or with significant pre-leasing in place. A sector to watch is the technology industry, which is quickly emerging as a dynamic growth area for the Birmingham office market.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)**	OVERALL AVERAGE ASKING RENT (CLASS A)**
CBD	6,025,374	108,244	740,929	14.1%	-54,855	-245,004	100,574	60,000	\$21.04	\$25.97
Midtown	4,181,896	87,937	284,442	8.9%	66,455	1,002	194,278	40,000	\$16.07	\$13.90
280/Southern	5,669,320	185,388	796,802	17.3%	42,365	-370,689	175,205	0	\$18.79	\$18.84
Hoover/Riverchase	2,000,584	16,352	317,531	16.7%	-24,906	2,843	53,333	38,000	\$18.34	\$21.27
Vulcan/Oxmoor	1,964,563	81,392	737,826	41.7%	9,906	-29,668	37,968	0	\$17.24	\$21.50
BIRMINGHAM TOTALS	19,841,737	479,313	2,877,530	16.9%	38,965	-641,516	561,358	138,000	\$18.63	\$19.83

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

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	13,565,051	353,285	1,904,334	16.6%	38,673	-585,822	349,666	138,000	\$21.54	\$19.83
Class B	5,451,021	126,028	920,081	19.2%	-4,591	-94,915	164,077	0	\$16.67	\$16.07
Business Park	825,665	0	53,115	6.4%	4,883	39,221	47,615	0	\$14.21	\$18.21

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Pump House Plaza	27,656	Huie, Fernambucq & Stewart LLP	New	280 / Southern
Lakeshore Park Plaza	25,926	Milo's Tea Company, Inc.	New	Midtown
600 University Park	7,302	Alabama Insurance Guaranty Association	New	Midtown
500 Office Park	7,025	Miller, Christie & Kinney, PC	New	Midtown
The Plaza	6,631	People's Bank of Alabama	New	CBD
Riverchase Center	5,356	BSN Sports	New	Hoover / Riverchase
Offices at Riverchase 3000	4,260	C.H. Robinson	New	Hoover / Riverchase
Renasant Place	4,208	Wyatt Haskell	Renewal*	CBD

*Renewal - not included in Leasing Activity Statistics

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
700 39 th Street North	23,865	Diamond Express / UAB	1,180,000 / \$49	Eastside
Corporate Center	15,646	Shannon Waltchack / Ruffner Mountain Management	\$4,200,000 / \$268	Midtown

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