

MARKETBEAT

Birmingham, AL

Office Q2 2018



BIRMINGHAM OFFICE

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

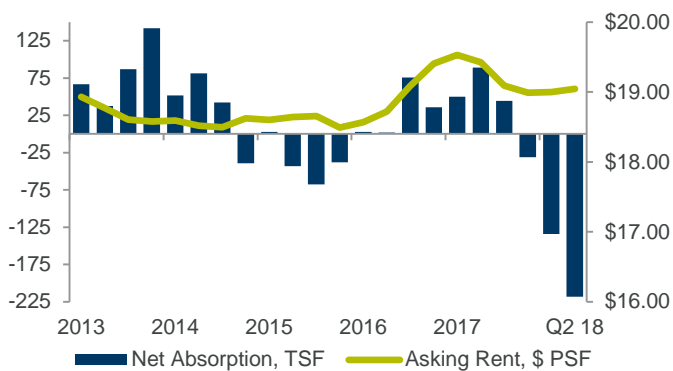
Market Indicators (Overall, All Classes)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	12.3%	17.1%	▼
YTD Net Absorption (sf)	69k	-680k	▲
Under Construction (sf)	300k	82k	■
Average Asking Rent*	\$18.75	\$18.94	▲

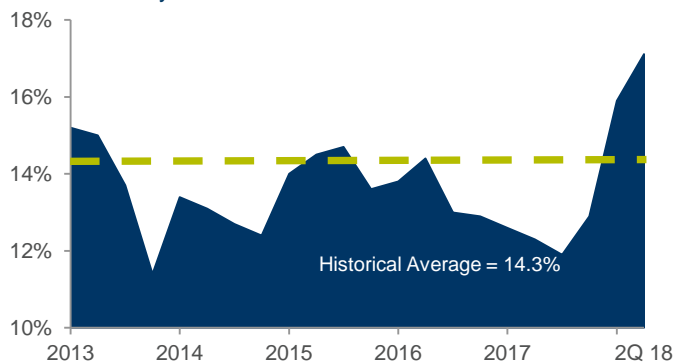
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Alabama's economy remains healthy and currently maintains an unemployment rate of 4.1%. The second quarter of 2018 brought with it several high-profile investment announcements that reflect the ongoing confidence in our state's economy. Facebook announced plans to invest \$750 million to build an Alabama data center in Huntsville, which is expected to create 100 jobs. Additionally, Atlanta-based DC BLOX announced plans to open a flagship data center in Birmingham with a projected investment of \$785 million over ten years.

Market Overview

Birmingham's multi-tenant office market recorded negative overall absorption of 292,768 square feet (sf) in second quarter of 2018. A large portion of this negative absorption can be attributed to Southern Company's phased relocation of 450,000 sf at Inverness Center 40, 42 and 44 in the U.S. Highway 280/Southern (280/Southern) submarket to its new 677,478-sf headquarters at Colonnade North and Colonnade South office buildings, putting these properties back into use after several years of being vacant. The overall vacancy rate, which includes sublease space, increased to 17.1% in second quarter, up from 15.9% in first quarter. While sublease activity is up slightly from first quarter, leasing activity continued at a steady pace with 172,328 sf of transactions signed during second quarter. Class A transactions accounted for 105,065 sf of the total. The overall weighted average asking rent for the Birmingham market fell slightly from \$19.35 per square foot (psf) in first quarter to \$18.94 psf in second quarter.

Outlook

The overall state of the Birmingham office market remains stable. Continued job growth, combined with increased confidence in Alabama's economy as whole, should contribute to a positive outlook for the second half of 2018. Birmingham continues to be an attractive destination for growing businesses, as evidenced by DC BLOX's previously mentioned announcement, as well as Shipt's announcement to expand its headquarters and create approximately 800 jobs in the metro area over the next few years. Leasing activity is expected to remain steady during the remainder of 2018 as businesses continue to lease space and expand their existing space. New construction is expected to continue to be generated by build-to-suit projects or with significant pre-leasing in place.

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Office Q2 2018



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	100,908	693,410	13.2%	18,245	-190,149	90,339	0	\$20.97	\$25.43
Midtown	4,181,896	77,237	361,597	10.5%	-62,814	-65,453	79,705	40,000	\$18.12	\$17.40
280/Southern	5,669,320	185,388	839,167	18.1%	-261,216	-413,054	123,939	42,000	\$19.28	\$19.35
Hoover/Riverchase	2,000,584	21,884	287,093	15.4%	20,504	27,749	49,434	0	\$18.37	\$21.78
Vulcan/Oxmoor	1,964,563	81,392	747,732	42.2%	-7,487	-39,574	22,958	0	\$17.21	\$21.50
BIRMINGHAM TOTALS	19,841,737	466,809	2,928,999	17.1%	-292,768	-680,478	366,375	82,000	\$18.94	\$20.26

*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	343,117	1,953,175	16.9%	-315,015	-624,495	198,929	82,000	\$21.87	\$20.26
Class B	5,451,021	123,692	917,826	19.1%	8,942	-90,324	128,273	0	\$16.71	\$16.10
Business Park	825,665	0	57,998	7.0%	13,305	34,338	39,173	0	\$13.63	\$17.63

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Concord Center	12,500	Not disclosed	New	CBD
Luckie Building	6,278	Bainbridge Mims Rogers & Smith	Renewal*	Midtown
Concord Center	6,262	Goldasich & Associates	Renewal* / Expansion	CBD
Chase Corporate Center	5,050	Trustmark	Renewal*	Hoover / Riverchase
Renasant Place	5,033	Jemison Investments	Renewal*	CBD
Urban Center 1400	4,457	Distribution Point	New	280 / Southern

*Renewal - not included in Leasing Activity Statistics

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
3500, 3700, 3800 Colonnade Parkway	419,387	DRA Advisors LLC / JFR Global Investments LLC	\$65,000,000 / \$155	280 / Southern
4000 Colonnade Parkway	29,576	Walter H. Stewart / Shannon Waltchack	\$3,900,000 / \$132	280 / Southern

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