

	YoY Chg	12-Mo. Forecast
16.6% Vacancy Rate	▲	▼
-119K YTD Net Absorption, SF	▲	▲
\$20.64 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
551M Birmingham-Hoover Employment	▲	▲
2.4% Birmingham-Hoover Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics, Birmingham Business Alliance, AL Department of Labor 2019 Q4 Data Based on Latest Available Data

ECONOMIC OVERVIEW

2019 was a strong year for Alabama's economy. According to the Alabama Department of Labor, the state maintained a record low unemployment rate of 2.7% at year-end, which is well below December 2018's rate of 3.8%, and also below the national rate of 3.6%. On a local level, economic development activity in Birmingham's seven-county region in 2019 included the announcement of 1,100 jobs and nearly \$492 million in capital investment. Additionally, construction is now underway on the new \$174 million multipurpose stadium in the Uptown Birmingham Entertainment District, increasing excitement and momentum for the commercial real estate market as a whole.

DEMAND AND SUPPLY

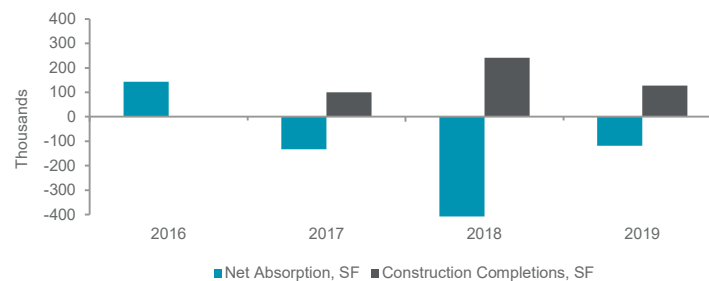
Overall absorption for Birmingham's multi-tenant office market totaled negative 118,569 square feet (sf) at year-end, an improvement from the negative 552,490 sf absorbed in 2018. Overall vacancy, which includes sublease space, ended the year at 16.6%, unchanged from third quarter 2019, and slightly above the 16.5% rate recorded at year-end 2018.

Regarding the construction pipeline, a continuation of the current local trends is expected for the foreseeable future. There were several smaller multi-tenant office developments completed in 2019 that appear to be in response to pent-up demand in the office market. 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.

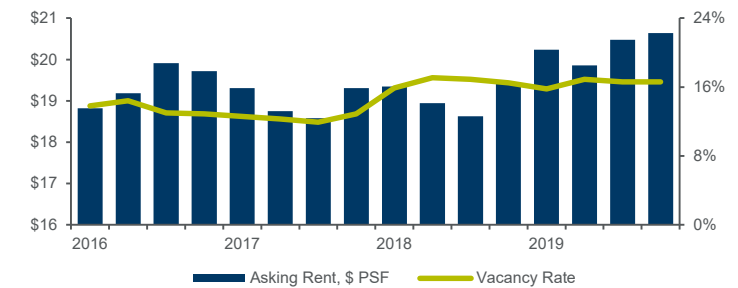
PRICING

The overall weighted average gross asking rate for the Birmingham market increased to \$20.64 per square foot (psf), up \$1.23 psf year-over-year, while the weighted average Class A rate rose \$1.14 psf to \$22.01 psf. The submarket experiencing the largest rent increase year-over-year was the 280/Southern submarket with a \$2.19 psf increase, followed by Birmingham's Central Business District (CBD) ending the year with a \$1.59 psf increase from 2018. With no new speculative construction on the horizon, competition for quality office space should increase, which will continue to improve vacancy levels across the market and put upward pressure on overall asking rates.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	6,034,074	58,691	661,318	11.9%	-14,524	49,777	154,366	0	\$22.54	\$22.97
Midtown	4,181,896	119,176	240,226	8.6%	-7,486	-11,268	87,811	0	\$20.69	\$21.60
280/Southern	5,669,320	33,000	1,111,990	20.2%	31,219	-156,636	164,510	0	\$21.79	\$21.96
Hoover/Riverchase	2,000,584	8,625	413,520	21.1%	-27,907	-64,283	75,232	0	\$18.27	\$20.99
Vulcan/Oxmoor	1,964,563	43,000	605,779	33.0%	22,429	63,841	59,506	0	\$18.00	\$21.50
BIRMINGHAM TOTALS	19,850,437	262,492	3,032,833	16.6%	3,731	-118,569	541,425	0	\$20.64	\$22.01

*Rental rates reflect gross asking \$psf/year.

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3500 Colonnade Parkway	280/Southern	Not Disclosed	12,343	New
201 London Parkway	Vulcan/Oxmoor	Memphis Pathology	9,568	New
200 Wildwood Parkway	Vulcan/Oxmoor	Children's Behavioral Health	8,559	New
One Independence Plaza	Midtown	Not Disclosed	5,682	New
Beacon Center	Vulcan/Oxmoor	Impact America	5,478	New

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
One Highland Place	Midtown	Elmington Capital / StoneRiver Company	71,540	\$7.2M/\$101
Land Title Building	CBD	JLR LLC / Sixty West	31,000	\$3.3M/\$106
The Narrows	280/Southern	Dr. Payson Daugherty / Sanders Capital Partners	30,427	\$5.3M/\$174
3928 Montclair Road	Midtown	Montclair Partners, LLC / Jacpur LLC	22,684	\$3.0M/\$132

KEY CONSTRUCTION COMPLETIONS 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Denham Building	CBD	N/A	86,000 (60k Office)	Third & Urban
2200 Magnolia Avenue South	Midtown	Retail Specialists	29,514	Mike Mouron

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