

	YoY Chg	12-Mo. Forecast
<b>7.3%</b> Vacancy Rate	▲	▼
<b>-107K</b> YTD Net Absorption, SF	▼	▲
<b>\$4.97</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

**ECONOMIC INDICATORS Q2 2020**

	YoY Chg	12-Mo. Forecast
<b>503K</b> Birmingham-Hoover Employment	▼	▲
<b>10.8%</b> Birmingham-Hoover Unemployment Rate	▲	▼
<b>13.0%</b> U.S. Unemployment Rate	▲	▼

Source: BLS, Moody's Analytics, AL Department of Labor

**ECONOMIC OVERVIEW**

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

On a local level, confidence in Alabama's economic climate as a whole is evident as *Business Facilities* magazine ranked the state No. 4 in overall business climate in its annual State and Metro Rankings Report. Birmingham was ranked the No. 1 mid-size metro area for business climate in the same report.

**DEMAND AND SUPPLY**

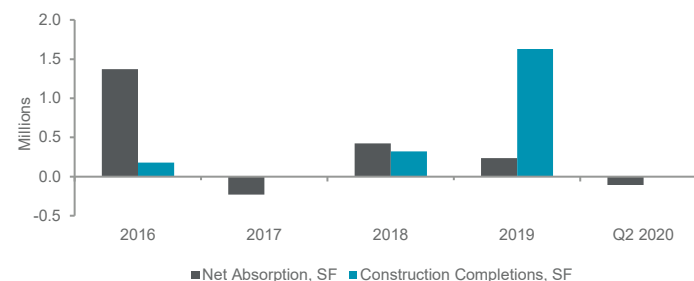
Birmingham's multi-tenant industrial market ended the second quarter of 2020 with overall negative absorption of 192,827 square feet (sf), a significant reversal from the 85,630 of positive absorption in first quarter. The majority of this negative absorption occurred as a result of Astra/CFX, a supplier to Mercedes-Benz, vacating 120,000 sf of bulk-warehouse space in Birmingham's Southwestern submarket. As a result, overall vacancy increased to 7.3%, up from 5.8% in first quarter.

In development news, build-to-suit projects remain the driver of new construction activity in the area. Nearly 2.1 million square feet (msf) of build-to-suit product is under construction in Birmingham's seven-county region. Projects currently underway include Mercedes-Benz's \$1.0 billion expansion project in Bibb County, Carvana's 200,000-sf distribution and fulfillment center and Samuel Associated Tube Group's 284,000-sf expansion, both of which are in Jefferson County.

**PRICING**

The overall average weighted net asking rate for all property types decreased slightly to \$4.97 per square foot (psf) in second quarter, down from \$5.04 psf in first quarter. However, warehouse/distribution average asking rents increased from \$4.38 psf to \$4.50 psf in second quarter due to tight market conditions. While overall market activity slowed following the onset of the pandemic, Birmingham's multi-tenant industrial market remains healthy. With just under 1.0 msf of space available out of 14.6 msf, quality options remain limited for tenants seeking new 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 in the near future.

**SPACE DEMAND / DELIVERIES**



**OVERALL VACANCY & ASKING RENT**



**MARKET STATISTICS**

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Central	3,831,266	296,536	7.7%	-8,940	30,817	0	0	n/a	\$8.67	\$4.19
Eastern	2,056,060	83,325	4.1%	1,950	1,950	284,000	0	n/a	\$8.50	\$3.81
Oxmoor Valley	2,641,064	192,856	7.4%	-2,190	24,469	0	0	n/a	\$8.46	\$5.69
Southern	3,948,003	312,602	7.9%	-8,497	10,717	0	0	n/a	\$9.38	\$4.66
Southwestern	2,094,245	175,150	8.4%	-175,150	-175,150	2,100,000	0	n/a	\$7.00	\$4.49
<b>BIRMINGHAM TOTALS</b>	<b>14,570,638</b>	<b>1,060,469</b>	<b>7.3%</b>	<b>-192,827</b>	<b>-107,197</b>	<b>2,384,000</b>	<b>0</b>	<b>n/a</b>	<b>\$8.76</b>	<b>\$4.50</b>

\*Rental rates reflect weighted net asking \$psf/year

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

**KEY LEASE TRANSACTIONS Q2 2020**

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2415 U.S. Highway 78	Eastern	Wal-Mart Stores, Inc.	155,766	New
108 Walter Davis Drive	Vulcan/Oxmoor	SIGMA Corp.	44,650	Renewal*
Avondale Commerce Park, Bldg 5	Central	Motion Industries	37,145	Renewal*
Avondale Commerce Park, Bldg 1	Central	M&A Supply Company	25,000	New
2700 Republic Blvd	Southwestern	Athens Paper	25,200	Renewal*

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**KEY SALES TRANSACTIONS Q2 2020**

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2700 Republic Blvd	Southwestern	Engel Realty Company LLC / Oxmoor Center Homewood LLC 94	64,400	\$2.05M / \$32
108 Walter Davis Drive	Vulcan/Oxmoor	Sigland Realty, LLC / Walter Davis Drive, LLC	47,100	\$1.48M / \$31

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