

# MARKETBEAT

# Birmingham, AL

## Industrial Q3 2019



### BIRMINGHAM INDUSTRIAL

#### Economic Indicators

	Q3 18	Q3 19*	12-Month Forecast
Birmingham-Hoover Employment	539k	547k	▲
Birmingham-Hoover Unemployment	3.5%	3.0%	▲
U.S. Unemployment	3.8%	3.7%	▲

\*2019 Q3 data based on the latest available data.  
Source: BLS, Moody's Analytics, Cushman & Wakefield Research

#### Market Indicators (Overall, All Property Types)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	9.8%	7.6%	▼
YTD Net Absorption (sf)	209k	70k	▲
Under Construction (sf)	2.9M	2.8M	■
Average Asking Rent*	\$4.26	\$4.48	▲

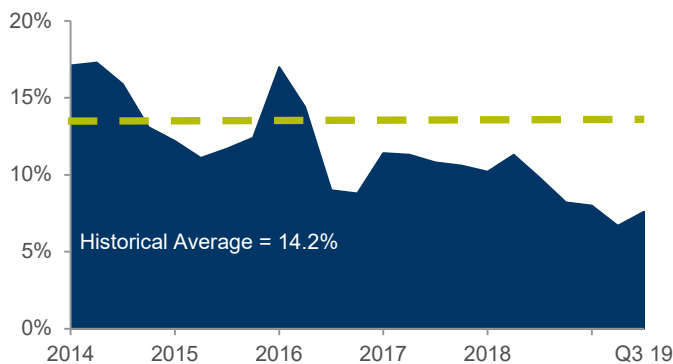
\*Rental rates reflect net asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



## Economy

During the third quarter of 2019, Alabama reached a new record low unemployment rate. The state's September rate fell to 3.0%, down from 3.1% in August and 3.8% the year prior in September. According to the Alabama Department of Labor, Alabama has gained 55,900 jobs to date this year, which is more than double what economists predicted. Confidence in the state's economic climate as a whole is evident as *Area Development* magazine ranked Alabama No. 4 in its 2019 "Top States for Business" survey.

## Market Overview

Birmingham's multi-tenant industrial market ended the third quarter of 2019 with overall negative absorption of 164,295 square feet (sf), compared to positive 188,696 sf in second quarter of 2019. The majority of this negative absorption occurred in the Southern submarket as a result of a 225,496-sf block of bulk/distribution space becoming available at Shelby Commerce Park IV. As a result, overall vacancy increased to 7.6%, up from 6.7% in second quarter. However, leasing activity totaled 163,341 sf in third quarter, bringing the year-to-date total to 702,678 sf, a 5.5% increase over this same time last year.

In development news, build-to-suit activity remains the driver of new development in the area. Nearly 2.8 million square feet (msf) of build-to-suit product is under construction in Birmingham's seven-county region that includes MBUSI's North American sales hub and a Battery Plant in Bibb County and Amazon's \$325 million fulfillment center in Jefferson County.

## Outlook

Birmingham's multi-tenant industrial market continues to tighten. With just under 1.0 msf feet of space available out of 14.6 msf, options are becoming limited for tenants seeking quality space. As available space is expected to decline throughout the remainder of 2019, the market is positioned to see rental rates continue to increase, which may spur the development of new industrial product in the Birmingham market. 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	60	3,831,266	195,317	7.5%	191,454	0	278,363	\$9.04	\$3.75
Eastern	19	2,056,060	249,361	14.3%	120,950	0	174,900	\$7.00	\$2.90
Oxmoor Valley	45	2,641,064	0	8.0%	(66,331)	0	59,579	\$8.32	\$5.53
Southern	77	3,948,003	0	8.3%	(175,867)	0	71,836	\$8.05	\$4.82
Southwestern	24	2,094,245	169,115	0.0%	0	2,750,000	118,000	\$7.00	\$4.76
<b>BIRMINGHAM TOTALS</b>	<b>225</b>	<b>14,570,638</b>	<b>613,793</b>	<b>7.6%</b>	<b>70,206</b>	<b>2,750,000</b>	<b>702,678</b>	<b>\$8.45</b>	<b>\$4.05</b>

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

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

### Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
BN Park	40,000	Simpson Door	New / Expansion	Central
516 35 <sup>th</sup> Street North	21,600	Mayer Electric	New Lease	Central
Birmingham Food Terminal (Bldg 6)	17,800	Commercial Express	Expansion	Central
516 35 <sup>th</sup> Street North	15,000	S&B Technical Products	New Lease	Central
Academy Business Park (Bldg 900)	10,000	FANUC America Corp	New Lease	Southwest

\*Renewal – not included in Leasing Activity Statistics

### Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
4441 N Ruby Carson Boulevard	45,540	JLMM AL Holdings, LLC / Jay Industrial Repair	\$2,400,000 / \$53	Eastern
940 Alton Parkway	24,042	Herrington Realty Group / Adams Design Associates	\$806,500 / \$34	Eastern

### Significant Projects Under Construction

PROPERTY	SF	TYPE OF CONSTRUCTION	SUBMARKET	TARGET DELIVERY
MBUSI North American Sales Hub	1,300,000	Build-to-suit	Southwestern (Bibb County)	Q2 20
Amazon Fulfillment Center	850,000	Build-to-suit	Southwestern	Q1 20
MBUSI Battery Plant	600,000	Build-to-suit	Southwestern (Bibb County)	Q4 21

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