

YoY Chg 12-Mo. Forecast

19.6%

Vacancy Rate



-252K

YTD Net Absorption, SF



\$20.90

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

YoY Chg 12-Mo. Forecast

557.0K

Birmingham-Hoover Employment



2.4%

Birmingham-Hoover Unemployment Rate



3.7%

U.S. Unemployment Rate



Source: BLS, Moody's Analytics, AL Department of Labor, www.madeinalabama.com; Birmingham Business Alliance; CoStar, Real Capital Analytics

2022Q4 data are based on latest available data.

ECONOMIC OVERVIEW

Market fundamentals remain steady throughout Alabama despite ongoing economic uncertainties. At the close of 2022, Alabama's unemployment rate held steady at 2.7% in November, which is well below November 2021's rate of 3.1% and below the U.S. rate of 3.7%. Additionally, wage and salary employment set a new record high with over 2,119,800 total jobs recorded in Alabama as of November 2022. On a local level, 2022 brought a flurry of activity to Birmingham with the opening of several new downtown amenities, including Protective Stadium, the newly renovated Legacy Arena, CityWalk BHAM, and Mercantile on Morris. This positive momentum is expected to continue in 2023, as there are several multi-family and mixed-use projects in the development pipeline throughout the Birmingham area that will have a positive impact on Birmingham's commercial real estate market.

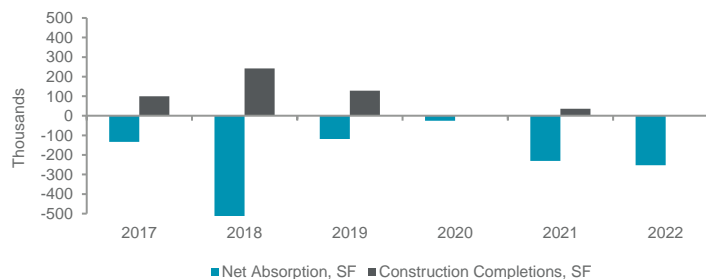
DEMAND AND SUPPLY

Birmingham's multi-tenant office market recorded overall negative absorption of 252,343 square feet (sf) at the close of the year. This negative absorption is primarily due to several mid-size blocks of office space becoming vacant due to relocations within the market, along with several new blocks of sublease space coming online in fourth quarter. As a result, overall vacancy, which includes sublease space, ended the year at 19.6%, up from 19.2% in third quarter, and up from 18.0% this same time last year. At the same time, commercial leasing activity remained steady with 641,941 sf leased in 2022 with Class A transactions accounting for 463,848 sf of the total. While new construction remains limited throughout Birmingham's office market, there are several smaller, multi-tenant office redevelopments currently underway in the Central Business District (CBD) and Midtown submarkets, which are expected to deliver new supply in 2023.

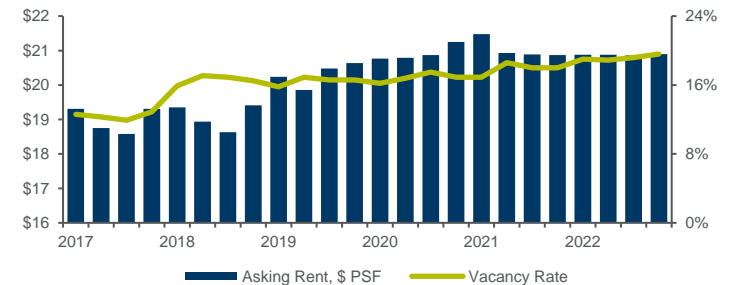
PRICING

The overall weighted average gross asking rate for Birmingham's office market ended the year at \$20.90 per square foot (psf), which was slightly above 2021's rate of \$20.87 psf. At the same time, the overall weighted average Class A rate rose \$0.20 psf to \$22.93 psf. Birmingham's CBD submarket experienced the largest overall rent increase year-over-year ending the year at \$23.90 psf, which is the highest overall rental rate across all submarkets. The Midtown submarket followed closely behind ending the year with an overall rate of \$23.66 psf. Additional rent growth is expected to continue in 2023, however, the pace of increase is forecast to be more modest.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT 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	5,375,243	61,736	742,725	13.8%	-11,763	-36,133	92,407	48,750	\$23.90	\$25.32
Midtown	4,217,718	25,063	327,008	7.8%	26,217	33,738	176,783	55,000	\$23.66	\$25.57
280/Southern	5,669,320	217,622	1,103,142	19.5%	-99,769	-217,615	197,232	0	\$21.66	\$22.09
Hoover/Riverchase	1,961,284	28,770	345,524	17.6%	-5,346	-21,762	133,034	0	\$18.23	\$21.75
Vulcan/Oxmoor	1,844,563	322,776	570,351	30.9%	7,206	-10,571	41,738	0	\$17.10	\$21.50
BIRMINGHAM TOTALS	19,068,128	655,967	3,088,750	16.2%	-83,455	-252,343	641,194	103,750	\$20.90	\$22.93

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

KEY LEASE TRANSACTIONS 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Concord Center**	CBD	Cadence Bank	54,742	Renewal*
Meadow Brook 500	280/Southern	Lake Homes Realty	45,142	New
Synovus Center	Midtown	Wallace Jordan	27,800	Renewal*
600 University Park	Midtown	Prepaid Technologies	25,598	Sublease
Lakeshore Park Plaza	Midtown	LIV Development	18,270	Renewal*
Shipt Tower	CBD	RSM	17,220	New
Beacon Ridge Tower	Vulcan/Oxmoor	State of AL Medicaid	16,964	New
Concourse at Riverchase 100	Hoover/Riverchase	Wayne's Pest Control	16,269	New
1927 1st Avenue N (Woodward Bldg)	CBD	Total Skin & Beauty	13,800	New
Synovus Center	Midtown	Hare Wynn	12,767	New
Urban Center 1500	280/Southern	Northwestern Mutual**	11,236	New

*Renewals not included in leasing statistics

**Represented by Cushman & Wakefield / EGS

KEY SALE TRANSACTIONS 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
757 Tom Martin Drive	Vulcan/Oxmoor	Southern Research Institute / Marie Medow	102,000	\$17.9M / \$176
200 Cahaba Park Circle	280/Southern	Arcis Investments / T Allen Henry	77,614	\$6.0M / \$77
3000 and 4000 Meadow Lake Drive	280/Southern	Meadow Lake BP LLC / Pgp Meadow Lake 1 LLC	69,001	\$4.5M / \$65
400 20th Street North (The Clark Bldg)	CBD	The Clark Building LLC / Ruffner Mountain Mgmt	34,888	\$7.8M / \$222

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