

YoY Chg 12-Mo. Forecast

20.3%

Vacancy Rate



-162K

YTD Net Absorption, SF



\$21.26

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

YoY Chg 12-Mo. Forecast

557.6K

Birmingham-Hoover Employment



2.5%

Birmingham-Hoover Unemployment Rate



3.5%

U.S. Unemployment Rate



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

2023Q1 data are based on latest available data.

ECONOMIC OVERVIEW

Following a year of economic uncertainty, Alabama's economy remained stable during the first quarter of 2023. According to the Alabama Department of Labor, Alabama's unemployment rate dropped to 2.5% in February, down slightly from January 2023's rate of 2.6%. Employment increased by 15,900 jobs in February over the prior month with notable gains in the professional and business services sector (+3,800), the government sector (+3,500), the leisure and hospitality sector (+3,400), and the private education and health services sector (+3,200), among others.

DEMAND AND SUPPLY

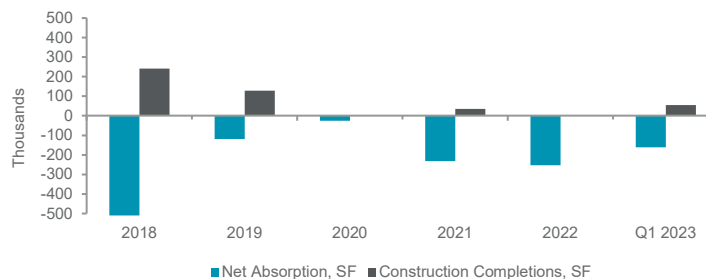
Despite generally positive news regarding Alabama's economy, Birmingham's multi-tenant office market recorded overall negative absorption of 161,614 square feet (sf) during first quarter of 2023, a continued negative trend from fourth quarter 2022. This negative absorption is primarily due to a combination of relocations within the market, downsizing and the continued impact of economic uncertainties facing business owners. As a result, overall vacancy, which includes sublease space, ended first quarter at 20.3%, up from 19.6% in fourth quarter. At the same time, commercial leasing activity started off at a steady pace with 194,749 sf leased, surpassing fourth quarter 2022's total by 47%. Class A transactions accounted for 72% of the total leased in first quarter, an indicator that the flight-to-quality movement taking place nationwide is also trending in the Birmingham market.

In development news, construction was completed on 2222 Arlington, a 55,000-sf office redevelopment in Birmingham's Midtown submarket, while construction continued on The Hardwick, an adaptive reuse project that is expected to deliver approximately 40,000 sf of office space to Birmingham's Central Business District (CBD) in 2024. It is expected that any new office construction will remain limited for the foreseeable future.

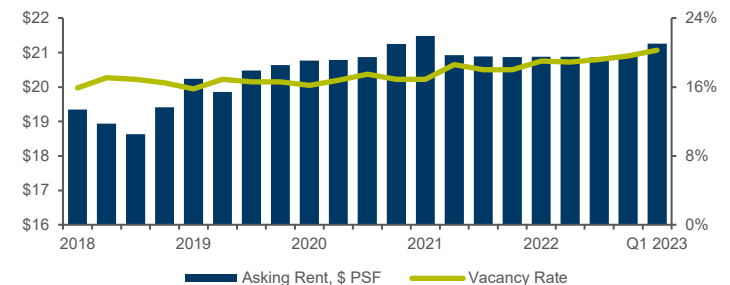
PRICING

The overall weighted average gross asking rate for Birmingham's office market rose \$0.36 per square foot (psf) to \$21.26 psf in first quarter. The overall weighted average Class A rate ended first quarter at \$23.56 psf, up from \$22.93 psf in fourth quarter. Birmingham's Midtown submarket ended first quarter with the highest rental rate across all submarkets, with an average overall rate of \$24.65 psf. Birmingham's CBD and 280/Southern submarkets followed closely behind ending first quarter with an overall rate of \$22.97 psf and \$22.38 psf, respectively. 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	5,592,588	70,153	842,919	15.1%	-59,348	-59,348	66,608	48,750	\$22.97	\$24.64
Midtown	4,302,232	14,200	347,916	8.1%	-30,139	-30,139	23,797	0	\$24.65	\$26.51
280/Southern	5,669,320	208,552	1,143,860	20.2%	-31,648	-31,648	66,815	0	\$22.38	\$23.24
Hoover/Riverchase	1,961,284	20,617	384,067	19.6%	-41,700	-41,700	36,454	0	\$18.70	\$21.76
Vulcan/Oxmoor	1,844,563	322,776	569,130	30.9%	1,221	1,221	1,075	0	\$17.11	\$21.50
BIRMINGHAM TOTALS	19,369,987	636,298	3,287,892	17.0%	-161,614	-161,614	194,749	48,750	\$21.26	\$23.56

*Rental rates reflect gross asking \$psf/year, and are not reflective of U.S. Office MarketBeat.

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1901 Sixth Avenue	CBD	Baker Donelson	36,370 SF	New
Offices at the Summit	280/Southern	Morgan & Morgan**	25,973 SF	New
1901 Sixth Avenue	CBD	Northwestern Mutual**	18,185 SF	Renewal*
Two North Twentieth	CBD	Regional Planning Commission	11,620 SF	Renewal*
1901 Sixth Avenue	CBD	Swift Currie	9,746 SF	New
1800 International Park	280/Southern	Undisclosed	7,543 SF	Sublease
2715 18 th Place South	Midtown	Cushman & Wakefield Sunbelt Multifamily Advisory Group**	4,965 SF	New

*Renewals not included in leasing statistics

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