

	YoY Chg	12-Mo. Forecast
20.2% Vacancy Rate	▲	▼
-146K YTD Net Absorption, SF	▼	▲
\$20.92 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
560.9K Birmingham-Hoover Employment	▲	▲
2.0% Birmingham-Hoover Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	■	▲

Source: Alabama Business Confidence Index (ABC), BLS, Moody's Analytics, AL Department of Labor, www.madeinalabama.com; Birmingham Business Alliance; CoStar, Real Capital Analytics

2023Q2 data are based on latest available data.

ECONOMIC OVERVIEW

Alabama's economy remains stable and currently maintains a record-low unemployment rate of 2.2%. According to a recent survey conducted by the Alabama Center for Business and Economic Research, overall business confidence in Alabama grew slightly in Q2 2023, indicating a mildly positive outlook for continued economic improvement throughout the remainder of the year. Birmingham continues to be an attractive destination for growing businesses, as evidenced by Austin, Texas-based Tquila Automation's announcement to expand its presence to the Birmingham area and create 200 high-tech jobs over the next five years.

DEMAND AND SUPPLY

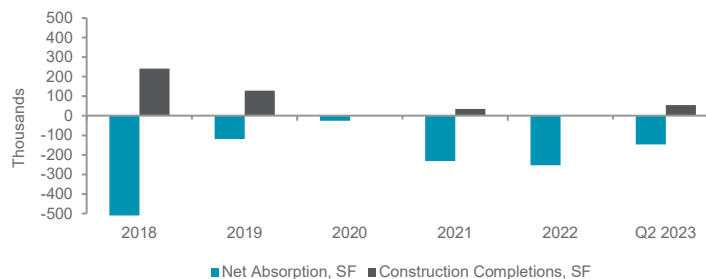
Activity in Birmingham's multi-tenant office market remained relatively flat in Q2 2023, recording overall absorption of 15,422 square feet (sf). As a result, overall vacancy, which includes sublease space, improved slightly to 20.2%, down from 20.3% in Q1 2023. The direct vacancy rate for Birmingham's office market remained unchanged at 17.0%. Birmingham's Central Business District (CBD) experienced the highest amount of overall absorption, recording 46,192 sf, followed by the Midtown submarket with 34,534 sf absorbed in Q2 2023. Commercial leasing activity continued at a modest pace with 170,766 sf leased, bringing the mid-year total to 365,515 sf. Class A transactions accounted for 77% of the total leased in Q2 2023, an indicator that the flight-to-quality movement taking place nationwide is also trending in the Birmingham market.

In development news, construction continued on The Hardwick, an adaptive reuse project that is expected to deliver approximately 40,000 sf of office space to Birmingham's 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 ended Q2 2023 at \$20.92 per square foot (psf), down slightly from \$21.26 psf in Q1 2023. Birmingham's Midtown submarket ended Q2 2023 with the highest rental rate across all submarkets, with an average overall rate of \$24.17 psf. Birmingham's CBD and 280/Southern submarkets followed closely behind ending Q2 2023 with an overall rate of \$23.26 psf and \$21.50 psf, respectively. With no new speculative construction on the horizon, competition for quality office space should increase, which will put modest upward pressure on overall asking rates.

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	60,135	806,745	14.4%	46,192	-13,156	118,357	48,750	\$23.26	\$24.25
Midtown	4,302,232	14,200	321,185	7.5%	34,534	4,395	83,897	0	\$24.17	\$26.17
280/Southern	5,669,320	214,952	1,194,703	21.1%	-57,243	-88,891	1,117,652	0	\$21.50	\$22.17
Hoover/Riverchase	1,961,284	20,617	381,865	19.5%	2,202	-39,498	44,534	0	\$18.79	\$21.81
Vulcan/Oxmoor	1,844,563	322,776	579,393	31.4%	-10,263	-9,042	1,075	0	\$17.10	\$21.50
BIRMINGHAM TOTALS	19,369,987	632,680	3,283,891	17.0%	15,422	-146,192	365,515	48,750	\$20.92	\$22.96

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

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Urban Center 1500	280 / Southern	ProxysRX**	17,368	Renewal* / Expansion
1800 International Park Drive**	280 / Southern	State of AL	17,170	Sublease
820 Shades Creek Parkway	Midtown	Nelson Brothers, Inc.	16,912	Renewal*
3800 Colonnade Parkway	280 / Southern	Store Ease	14,069	Sublease
600 Luckie Drive**	Midtown	Eventive Sports Properties	13,467	New
1801 5 th Avenue North	CBD	Montgomery Transport	13,155	Sublease
The Gray Building	CBD	Farris, Riley & Pitt, LLC	10,000	New
505 20 th Street North	CBD	GSA	9,631	New
500 Century Park	Hoover / Riverchase	WFR Behavioral One	9,445	New

*Renewals not included in leasing statistics

**Represented by Cushman & Wakefield / EGS

KEY SALE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
3980 Colonnade Parkway	280 / Southern	Corporate Realty / Physicians Realty Trust	75,350	\$28M / \$372
Meadow Brook Corporate Park	280 / Southern	Brogdon Group Inc / Kris Towns	16,500	\$2.9M / \$176

AUDRA WILLINGHAM

Vice President of Marketing

+1 205 314 5556 / awillingham@egsinc.com

BLAIR KELLY

Marketing Coordinator

+1 205 314 5517 / bkelly@egsinc.com

egsinc.com | cushmanwakefield.com

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