## MARKETBEAT

# BIRMINGHAM, AL

Industrial Q3 2023



YoY 12-Mo. Forecast

435K YTD Net Absorption, SF



Overall, Net Asking Rent

Vacancy Rate

## ECONOMIC INDICATORS Q3 2023

**562.6K**Birmingham-Hoover Employment

12-Mo.

Forecast

YoY

Chg

2.0%
Birmingham-Hoover Unemployment Rate



3.7% U.S. Unemployment Rate



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

2023 Q3 data are based on latest available data.

U.S. unemployment rate for Q3 2023 is the average of July (3.5%) and August (3.8%)

### **ECONOMIC OVERVIEW**

Alabama's economy remains stable and currently maintains a record-low unemployment rate of 2.1%. According to the Alabama Department of Labor, this rate remains lower than the current national rate of 3.7% and is well-below Alabama's August 2022 rate of 2.6%. The state's improving job growth can be largely attributed to its business-friendly environment and ongoing, focused economic development efforts including "The Game Plan" bill package that was passed by the Alabama legislature earlier this year.

### **DEMAND AND SUPPLY**

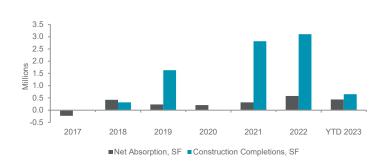
Birmingham's multi-tenant industrial market ended Q3 2023 with 299,614 square feet (sf) of overall absorption, a continued positive trend from Q2 2023. Overall vacancy, which includes sublease space, ended the quarter at 11.2%, down slightly from 11.3% in the previous quarter. Direct vacancy fell to 7.7%, a slight improvement from 7.9%. Vacancy in Birmingham's Eastern and Southwestern submarkets fell to historic lows as occupancy reached 100%. Leasing activity increased by 86.9% quarter-over-quarter, recording 504,806 sf of transactions signed in Q3 2023. This activity consisted primarily of two large deals positively impacting absorption and leasing activity.

In development news, construction was completed on Academy Logistics Center, a 311,900-sf class A speculative industrial warehouse in the Southwestern submarket. Given the current economic environment, no new speculative construction starts are forecasted for the remainder of 2023.

### **PRICING**

Following the national trend, Birmingham's industrial rental rates continued to steadily rise. The overall average weighted net asking rate for all property types increased to \$6.47 per square foot (psf), up slightly from \$6.43 psf at the end of Q2 2023. Bulk distribution/warehouse space continues to be the most desired of all product types, ending the quarter with an average overall asking rate of \$6.15 psf, up from \$6.08 psf in Q2 2023. It is expected that rates will continue to climb modestly as supply tightens throughout the remainder of the year.

### SPACE DEMAND / DELIVERIES



### **OVERALL VACANCY & ASKING RENT**



## MARKETBEAT

# BIRMINGHAM, AL

Industrial Q3 2023

### **MARKET STATISTICS**

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Central	4,682,734	620,391	13.2%	-2,875	266,909	0	225,000	n/a	\$9.50	\$6.33
Eastern	2,588,906	0	0.0%	3,900	-374,090	0	0	n/a	\$10.00	\$5.50
Oxmoor Valley	3,069,885	266,830	8.7%	-6,331	-36,344	0	0	n/a	\$9.50	\$7.35
Southern	4,164,319	441,019	10.6%	-118,963	155,057	0	0	n/a	\$9.93	\$5.91
Southwestern	2,845,128	0	0.0%	423,883	423,883	0	423,883	n/a	\$7.00	\$5.20
BIRMINGHAM TOTALS	17,350,972	1,328,240	7.7%	299,614	435,415	0	648,883	n/a	\$9.66	\$6.47

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

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

### **KEY LEASE TRANSACTIONS Q3 2023**

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Academy Logistics Center	Southwestern	NQE, LLC	311,900	New
1 McAshan Drive – Building B	Southwestern	MOBIS US Alabama*	111,983	New
3217 Messer Airport Highway	Central	Creative Polymer Solutions	76,250	New
Daniel Payne Corporate Center	Central	Irby	30,000	New

<sup>\*\*</sup>Represented by Cushman & Wakefield / EGS

### **KEY SALES TRANSACTIONS Q3 2023**

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1532 Midfield Industrial Boulevard	Southern	Joe Piper Inc. / Ackerman & Co	307,200	\$25.5M / \$83
1400 Red Hollow Road	Eastern	Industrial Dev Bd of Tarrant / Salco	143,911	\$5.9M / \$41

### **KEY CONSTRUCTION COMPLETIONS Q3 2023**

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Academy Logistics Center	Southwestern	NQE, LLC	311,900	Graham & Company

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