

YoY Chg 12-Mo. Forecast

**11.2%**

Vacancy Rate



**435K**

YTD Net Absorption, SF



**\$6.47**

Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q3 2023

YoY Chg 12-Mo. Forecast

**562.6K**

Birmingham-Hoover Employment



**2.0%**

Birmingham-Hoover Unemployment Rate



**3.7%**

U.S. Unemployment Rate



Source: BLS, Moody's Analytics, AL Department of Labor, [www.madeinalabama.com](http://www.madeinalabama.com); 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



**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 CNSTR 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                              |
| <b>BIRMINGHAM TOTALS</b> | <b>17,350,972</b> | <b>1,328,240</b>   | <b>7.7%</b>         | <b>299,614</b>                          | <b>435,415</b>                  | <b>0</b>         | <b>648,883</b>             | <b>n/a</b>                         | <b>\$9.66</b>                      | <b>\$6.47</b>                       |

\*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  |

\*\*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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