

YoY Chg 12-Mo. Forecast

13.5%

Vacancy Rate



25K

YTD Net Absorption, SF



\$6.59

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2023

YoY Chg 12-Mo. Forecast

570K

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; Birmingham Business Alliance; CoStar, Real Capital Analytics

2023 Q4 data are based on latest available data.

ECONOMIC OVERVIEW

Market fundamentals remain steady throughout Alabama despite ongoing economic uncertainties. At the close of 2023, Alabama's unemployment rate was 2.6%, up slightly from November's rate of 2.4% and unchanged from the 2.6% recorded this same time last year. The state's favorable economic conditions can be largely attributed to its business-friendly environment and ongoing focused economic development efforts. Alabama's key industries are also experiencing positive growth generated by the Port of Mobile, which was recently ranked the second fastest-growing port in the U.S. over the past 10 years by *Forbes* magazine.

DEMAND AND SUPPLY

Birmingham's multi-tenant industrial market ended the year relatively flat with 25,612 square feet (sf) of positive absorption, although a continued positive trend from Q3 2023. Overall vacancy, which includes sublease space, ended the year at 13.5%, up from 11.2% in Q3 2023 and 7.3% at year-end 2022. This annual increase was mainly a result of speculative supply delivering throughout the market. In total, Birmingham's industrial market gained 648,883 sf of new product in 2023, with 83% of that space still on the market for lease. Given the current economic environment, no new speculative construction projects are planned for the foreseeable future.

While it appears that Birmingham's multi-tenant industrial market had a disappointing quarter from a statistical perspective, the overall market remains stable. Total leasing activity for 2023 totaled 1,647,754 sf, surpassing 2022's total of 1,198,511 sf. The Central and Southern submarkets attracted the majority of new deals signed in 2023, accounting for 64.5% of total activity in 2024. The Eastern submarket maintained a record-low vacancy rate of 0.0% in 2023, followed closely by the Oxmoor Valley submarket's year-end vacancy rate of 8.8%. Manufacturing, automotive and aerospace activity remains strong throughout the state and these industries will continue to serve as the key drivers of growth for Birmingham and Alabama's industrial markets in 2024.

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 ended 2023 at \$6.59 per square foot (psf), up from \$5.62 psf at year-end 2022. Additional rent growth is expected to continue in 2024, however, the rate of growth is expected to be moderate.

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	506,652	10.8%	83,739	350,648	0	225,000	n/a	\$8.09	\$6.34
Eastern	2,588,906	0	0.0%	92,500	-281,590	0	0	n/a	\$10.00	\$5.68
Oxmoor Valley	3,069,885	269,480	8.8%	-2,650	-38,994	0	0	n/a	\$9.50	\$7.51
Southern	4,164,319	712,511	17.1%	-271,492	-116,435	0	0	n/a	\$10.06	\$5.93
Southwestern	2,845,128	311,900	11.0%	-311,900	111,983	0	423,883	n/a	\$7.00	\$7.25
BIRMINGHAM TOTALS	17,350,972	1,800,543	10.4%	-409,803	25,612	0	648,883	n/a	\$8.96	\$6.51

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

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

KEY LEASE TRANSACTIONS 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Calera Distribution Center	Southern	Dwell Décor	270,600	New
Crossroads Commerce Center II	Central	UTZ	186,000	New / Expansion
1 McAshan Drive – Building B	Southwestern	MOBIS US Alabama	111,983	New
Sloss Docks & AB Docks Properties	Central	Buylow Warehouse	87,864	New
3217 Messer Airport Highway	Central	Creative Polymer Solutions	80,750	New
Calera Commerce Park	Southern	Univ of Montevallo AMSTI	54,000	New
240 George Roy Parkway	Southern	AGC Automotive	53,920	New
Oxmoor South Industrial Park	Oxmoor Valley	S&S Firestone	46,200	New

KEY SALES TRANSACTIONS 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
400 Industrial Drive	Oxmoor Valley	Highridge Provender / StepStone Real Estate	486,353	\$50.6M / \$104
2600 Morgan Road	Southwestern	CVS / Duff Real Estate	440,970	\$22M / \$50
1532 Midfield Industrial Boulevard	Southwestern	Joe Piper Inc. / Ackerman & Co	307,200	\$25.5M / \$83
516 36 th Street South	Central	Benerofe Properties / Coro Realty Advisors	263,369	\$21M / \$80
Riverchase Business Park	Southern	Arcis Investments / RealtyLink Development	178,287	\$18.4M / \$103
1400 Red Hollow Road	Eastern	Industrial Dev Bd of Tarrant / Salco	143,911	\$5.9M / \$41
141 Industrial Drive	Oxmoor Valley	Adams Opelika Properties LLC / Clydesdale's Eight LLC	98,194	\$6.8M / \$69

KEY CONSTRUCTION COMPLETIONS 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Academy Logistics Center	Southwestern	TBD	311,900	Graham & Company
CenterState Logistics Park One	Central	TBD	225,000	Cushman & Wakefield / EGS

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