

YoY Chg 12-Mo. Forecast

18.4%

Vacancy Rate



233K

YTD Net Absorption, SF



\$21.35

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2024

YoY Chg 12-Mo. Forecast

574.1K

Birmingham-Hoover Employment



2.8%

Birmingham-Hoover Unemployment Rate



4.1%

U.S. Unemployment Rate



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

2024 Q2 data are based on latest available data. U.S. Unemployment rate updated July 5th to reflect June's rate.

ECONOMIC OVERVIEW

At mid-year 2024, Alabama's economy remained stable. According to the Alabama Department of Labor, the state's unemployment rate fell to 2.9% in June, down slightly from May's revised rate of 3.0%. Alabama's attractive business climate has created an inviting and affordable environment for start-ups, spurring growth in Birmingham's tech sector. Notably, in second quarter, CModel Data, Inc., a tech startup from California, announced the relocation of its headquarters from San Francisco to Birmingham's Innovation Depot, creating 80 jobs as it expands its operations.

DEMAND AND SUPPLY

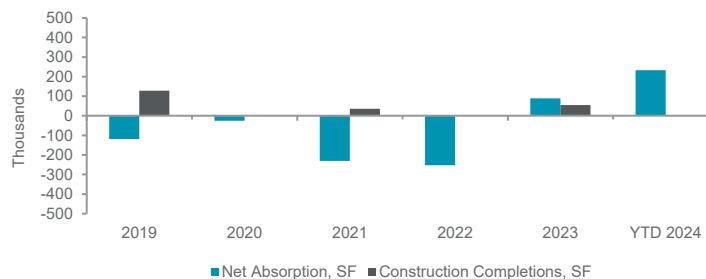
Birmingham's multitenant office market remained flat in Q2 2024, with no positive absorption (-323 square feet (sf)), a stark contrast to the positive 233,716 sf absorbed in Q1 2024. Consequently, the overall vacancy rate, which includes sublease space, remained unchanged at 18.4%. Direct vacancy fell slightly from 15.7% in Q1 2024 to 15.5%. Leasing activity during Q2 2024 totaled 116,316 sf, bringing the year-to-date total to a modest 269,839 sf. In development news, construction was completed on The Hardwick, a 63,000-sf mixed-use building, adding approximately 40,000 sf of office space to Birmingham's Central Business District (CBD). Given the current interest rate environment and construction costs, no new speculative construction projects are planned for the immediate future. Any new construction is expected to be driven by build-to-suit projects.

Despite a slow second quarter, the overall state of the Birmingham office market remains stable. Existing local companies, such as Coca Cola UNITED and Brasfield & Gorrie, are continuing to expand their current office footprints, reflecting increased confidence in local market conditions. Overall activity is expected to remain positive, albeit modest, throughout the second half of 2024 as business owners exercise caution until more is known about the economic landscape, particularly in light of the upcoming election and its potential impact on the business environment.

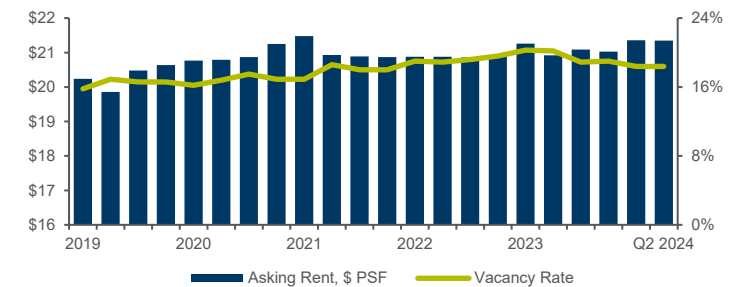
PRICING

Pricing trends in Birmingham's office market remained relatively stable in Q2 2024. The overall average weighted rental rate for the office market ended the quarter at \$21.35 per square foot (psf), down slightly from \$21.36 psf in the previous quarter, and above the \$20.92 psf rate recorded at the same time last year. Direct average weighted rental rates remained unchanged quarter over quarter at \$21.76 psf. Birmingham's Midtown submarket maintained the highest rental rate among all submarkets, ending Q2 2024 at \$24.20 psf, with the CBD submarket following closely behind at \$23.45 psf.

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	5,366,749	28,726	757,979	14.1%	11,725	142,833	37,078	48,750	\$23.36	\$23.80
Midtown	4,305,499	14,693	306,848	7.1%	-7,790	16,563	46,364	0	\$24.28	\$26.20
280/Southern	5,493,241	174,236	1,134,965	20.7%	32	-11,738	119,532	0	\$21.59	\$22.28
Hoover/Riverchase	1,935,330	7,322	399,831	20.7%	-8,926	-11,590	39,066	0	\$19.46	\$21.99
Vulcan/Oxmoor	1,596,182	324,211	299,901	18.8%	4,636	97,325	27,799	0	\$17.17	\$21.50
BIRMINGHAM TOTALS	18,697,001	549,188	2,899,524	15.5%	-323	233,393	269,839	48,750	\$21.35	\$23.01

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

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
801 Tom Martin Drive	Vulcan / Oxmoor	Kratos SRE, Inc.	43,001	New
The Grand	280 / Southern	Birmingham Obstetrics Gynecology P.C.	25,874	New
Shipt Tower	CBD	Ogletree Deakins	17,000	Renewal
31 Inverness Center	280 / Southern	B.A.S.S.	15,872	New
Intermark Building	CBD	Blackbox Logistics	14,409	New
800 Shades Creek Parkway	Midtown	Forvis Mazars	13,605	Renewal
Denham Building	CBD	Clayco	12,574	Relocation / Expansion
1800 International Park Drive	280 / Southern	Leadec	8,352	Renewal / Expansion
Lakeshore Crossings	Midtown	Vinebrook Homes	8,352	Renewal
The Grand	280 / Southern	Vera Ventures, LLC	7,359	Renewal / Expansion
SouthState Building	Midtown	Bainbridge Mims	6,238	Renewal
505 20th Street North	CBD	Gordon Rees Scully Mansukhani LLP	4,602	New

*Renewals not included in leasing statistics

KEY SALE TRANSACTIONS Q2 2024

SUBMARKET	SELLER / BUYER	SF	
1651 Independence Court	Midtown American Healthcare REIT / Veritas CRE	29,696	\$4.46 / \$150
2641 Rocky Ridge Lane	Hoover / Riverchase Jennifer B. Crump / 3H Management LLC	28,000	\$3.35M / \$120
1900 20th Avenue South	Midtown Leader Realty Co / Highline Real Estate Partners	22,992	\$1.2M / \$52

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