

MARKETBEAT

Birmingham, AL

Office Q3 2019



BIRMINGHAM OFFICE

Economic Indicators

	Q3 18	Q3 19*	12-Month Forecast
Birmingham-Hoover Employment	539k	547k	▲
Birmingham-Hoover Unemployment Rate	3.5%	3.0%	▲
U.S. Unemployment Rate	3.8%	3.7%	▲

*2019 Q3 data based on the latest available data.

Source: BLS, Moody's Analytics, Cushman & Wakefield Research

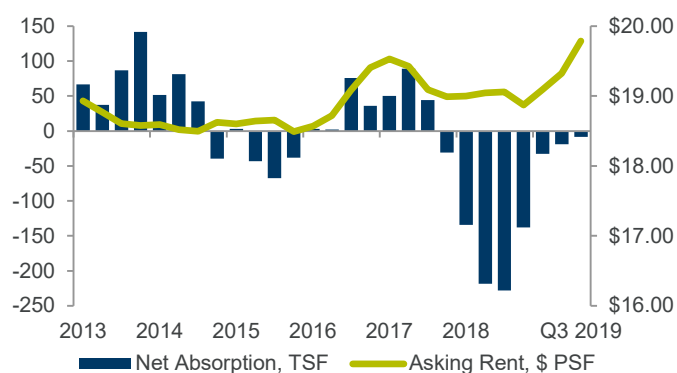
Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	16.9%	16.6%	▼
YTD Net Absorption (sf)	-642k	-122k	▲
Under Construction (sf)	138k	60k	■
Average Asking Rent*	\$18.63	\$20.48	▲

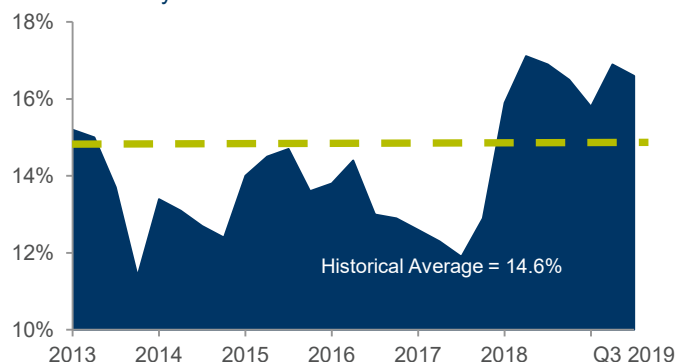
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

During the third quarter of 2019, Alabama reached a new record low unemployment rate. The state's September rate fell to 3.0%, down from 3.1% in August and 3.8% the year prior in September. According to the Alabama Department of Labor, Alabama has gained 55,900 jobs to date this year, which is more than double what economists predicted. Confidence in the state's economic climate as a whole is evident as *Area Development* magazine ranked Alabama No. 4 in its 2019 "Top States for Business" survey.

Market Overview

Birmingham's multi-tenant office market recorded 81,164 square feet (sf) of positive overall absorption in third quarter 2019, an improvement over the negative 209,841 sf in second quarter. As a result, overall vacancy, which includes sublease space, fell to 16.6%, down slightly from 16.9% in second quarter. Total leasing activity in the Birmingham market during third quarter of 2019 totaled 156,537 sf, up from the 120,967 sf leased in the second quarter of the year. The steady demand for office space in Birmingham's office market has exerted upward pressure on overall rents. Overall weighted average gross asking rents rose slightly to \$20.48 per square foot (psf), a 3.0% increase from second quarter and a 10.0% increase from one year ago.

Outlook

The positive momentum behind Alabama's economy is fostering a healthy demand for office space. While new construction remains limited throughout Birmingham's office market, the CBD continues to evolve as a number of older buildings are being renovated for office use and redeveloped for alternative uses such as retail and residential. Additionally, construction is now underway on the new \$174 million multipurpose stadium in the Uptown Birmingham Entertainment District, increasing excitement and momentum for the commercial real estate market as a whole. With no new speculative construction on the horizon, competition for quality office space should increase, which will continue to improve vacancy levels across the market and put upward pressure on overall asking rates. It is expected that overall market activity will remain steady throughout the remainder of 2019.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)**	OVERALL AVERAGE ASKING RENT (CLASS A)**
CBD	6,034,074	58,691	646,794	11.7%	121,641	64,301	154,366	60,000	\$22.40	\$22.76
Midtown	4,181,896	116,385	235,531	8.4%	-54,387	-3,782	73,181	0	\$20.02	\$20.42
280/Southern	5,669,320	33,000	1,143,209	20.8%	2,585	-187,855	123,687	0	\$21.78	\$21.94
Hoover/Riverchase	2,000,584	3,983	390,255	19.7%	70	-36,376	52,357	0	\$17.95	\$20.79
Vulcan/Oxmoor	1,964,563	43,000	628,208	34.2%	11,255	41,412	35,901	0	\$17.94	\$21.50
BIRMINGHAM TOTALS	19,850,437	255,059	3,043,997	16.6%	81,164	-122,300	439,492	60,000	\$20.48	\$21.85

*Does not include renewals. **Rental rates reflect gross asking \$psf/year.

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	13,565,051	130,641	2,113,101	16.5%	107,525	-41,069	288,985	60,000	\$22.15	\$21.85
Class B	5,459,721	124,418	863,956	18.1%	-26,819	-75,813	132,654	0	\$17.79	\$17.56
Business Park	825,665	0	66,940	8.1%	458	-5,418	17,853	0	\$14.46	\$18.02

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3595 Grandview Parkway	16,701	Grandview Medical Center	New	280/Southern
3700 Colonnade Parkway	15,000	RXBenefits Inc.	Expansion	280/Southern
417 North 20 th Street	12,009	Viva Health	Expansion	CBD
505 20 th Street North	9,472	Spotswood, Sansom & Sansbury, LLC	New	CBD
505 20 th Street North	7,894	Aerotek	New	CBD
31 Inverness Center Parkway	5,935	PeerLink	New	280/Southern
417 North 20 th Street	5,175	Department of Defense / DCMA	New	CBD

*Renewal - not included in Leasing Activity Statistics

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
2204 Lakeshore Drive	196,000	Greenfield Partners / Rachel H Franks	\$30,248,000 / \$154	Midtown
151 London Parkway	41,809	Stow Lakeshore / Hayhook/Howe LLC	\$5,450,000 / \$130	Vulcan/Oxmoor
400 Shades Creek Parkway	25,845	Barry Morton / Robins & Morton Properties LLC	\$4,800,000 / \$186	Midtown

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