

Office Market Report

The Huntsville market has been at the center of both state and national attention during 2017 as major announcements included Aerojet's decision to relocate its Defense HQ to the area and Blue Origin's announcement that the Jeff Bezos-owned company also chose Huntsville. Net absorption was positive in 3Q17 with 45.9ksf with strong absorption being recorded in Huntsville's most prominent submarkets (Research Park approximately 30.9ksf and Downtown approximately 38.4ksf). Positive absorption is expected for the remainder of 2017 as many deals are either being formalized or are not yet announced. Although vacancy increased slightly, year over year, from 11.9% in 3Q16 to 12.0% in 3Q17, the momentum of the market remains very positive as overall asking rents have increased by 4.5% compared to 3Q16, with Class A Downtown rates at \$24.87 and Research Park at \$19.89. Both submarkets have shown steady increase in rents since 3Q16.

Although construction remains stagnant, smaller boutique-type developments are underway in the Downtown submarket which is adding energy and value. Downtown land prices are hovering in the \$35-\$40 per square foot range and the appetite for land and redevelopment seems to be increasing.

Finally, anecdotal evidence indicates that more activity is prevalent, the size of the activity is larger and the momentum of 2017 should carry into 2018.

Market Indicators

Market Indicators Relative to Prior Period	Market Q2 2017	Market Q3 2017
Vacancy	↑	↓
Net Absorption	↓	↑
Construction	↔	↔

Summary Statistics

Relative to Prior Period	Q2 2017	Q3 2017
Vacancy Rate (%)	12.1%	12.0%
Direct Net Absorption	(36,564) SF	45,951 SF

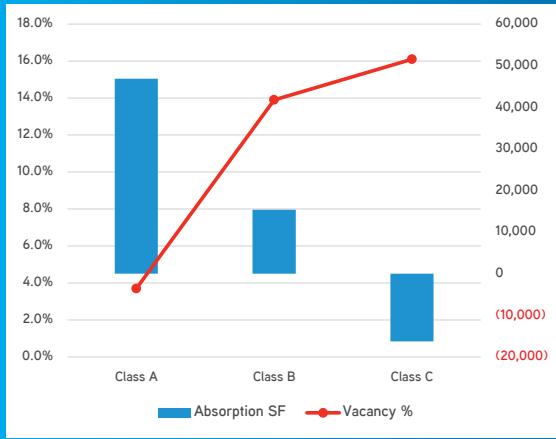
Asking Rents

Per Square Foot Per Year	
Class A Office	\$22.03 (+0.96%)
Class B Office	\$16.33 (+2.30%)
Class C Office	\$14.10 (-3.69%)

Year	Direct Vacancy	Direct Absorption
2015	2,699,095 SF	(13,506) SF
2016	2,718,283 SF	123,244 SF
2017(YTD)	2,619,189 SF	14,545 SF

Source: Xceligent

Q3 2017 Absorption & Vacancy



> Huntsville Ranked #1 Hottest City for Tech Jobs Now



> Huntsville is One of 7 cities Competing with Silicon Valley

Select Office Lease Transactions - Q3 2017

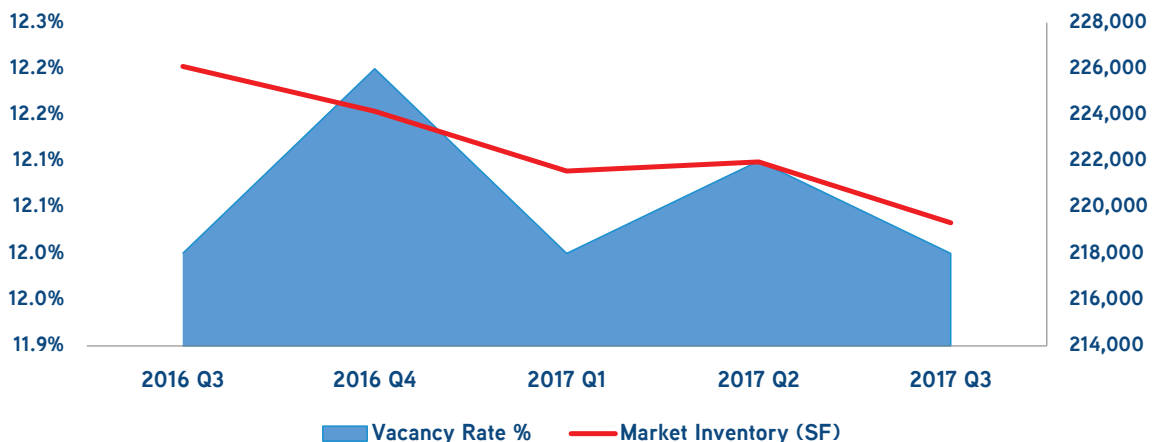
Tenant	Property Name	Submarket	Class	SF Leased	Asking Rate	Lease Date
AL Board of Pardons & Paroles	2801 Westcorp Blvd SW	Central	B	17,400	\$11.50	7/31/17
Textron	Park Place Office Park	CRP	B	13,506	\$17.50	9/20/17
Re/Max Unlimited	4205 Balmoral Drive	Downtown/Medical	A	9,000	\$15.00	9/18/17
Southern States Bank	415H Church Street	Downtown/Medical	B	6,174	\$18.00	9/20/17
Eikon Research	Discovery Center III	CRP	B	5,900	n/a	9/22/17
Geocent	Park Place Office Park	CRP	B	5,487	\$17.50	9/22/17

Significant Sales Transactions - Q3 2017

Sales Price	Property Name	Submarket	Sold SF	Yr Built	\$/SF	Buyer	Seller	Date Sold
\$53,250,000	Clearview Cancer Inst	Central	119,716	2006	\$444.80	DOC-3601 CCI Drive MOB, LLC	Martin Medical Prop., LLC	8/4/17
\$7,100,000	Executive Plaza	CRP	268,569	1982	\$26.44	Board of Trustees, Univ of AL	Country Life Ins Co	8/29/17
\$7,000,000	Madison Research Park	Madison	133,766	1968	\$52.33	JPMCC 2006-LDP9 Research Boulevard LLC	Jeffrey Madison LLC	7/14/17
\$5,100,000	Office Park South	Central	114,683	1986	\$44.47	Freedom R.E. & Capital LLC	Highpointe Investments	7/31/17
\$3,200,000	990 Explorer Blvd	CRP	42,000	1986	\$76.19	Intrepid Explorer LLC	Sydney Aust Randle Trust	9/10/17
\$1,650,000	310 Clinton Avenue W	Downtown/Medical	5,272	1979	\$312.97	Dynamic Huntsville LLC	Sherilyn B Hay	7/17/17

Source: Xceligent

Vacancy Rate and Inventory



Market Updates

	# OF BUILDINGS	INVENTORY (SF)	TOTAL AVAILABLE (SF)	SUBLEASE VACANT (SF)	VACANCY RATE CURRENT PERIOD	ABSORPTION CURRENT QUARTER (SF)	ABSORPTION YTD (SF)
CRP							
A	31	3,758,397	72,965	0	1.9%	22,935	74,901
B	133	5,556,110	962,644	11,055	17.3%	5,787	(115,249)
C	34	1,740,540	464,180	0	26.7%	2,193	(26,023)
Total	198	11,055,047	1,499,789	11,055	13.6%	30,915	(66,371)
DOWNTOWN/MEDICAL							
A	14	888,861	50,112	0	5.6%	28,109	35,843
B	175	2,547,989	170,723	100	6.7%	9,452	13,310
C	26	448,386	34,939	0	7.8%	936	936
Total	215	3,885,236	255,774	100	6.6%	38,497	50,089
NORTH							
A	2	19,353	11,381	0	58.8%	0	(1,587)
B	44	485,168	19,420	0	4.0%	0	4,520
C	5	64,962	0	0	0.0%	0	0
Total	51	569,483	30,801	0	5.4%	0	2,933
SOUTH							
A	2	38,524	0	0	0.0%	0	0
B	30	320,595	14,857	0	4.6%	(4,028)	669
C	5	117,624	25,146	0	21.4%	0	(150)
Total	37	476,743	40,003	0	8.4%	(4,028)	519
EAST							
B	24	195,629	20,799	0	10.6%	0	550
C	15	399,645	0	0	0.0%	0	0
Total	39	595,274	20,799	0	3.5%	0	550
CENTRAL							
A	2	175,716	14,732	0	8.4%	0	4,640
B	92	1,268,147	152,553	0	12.0%	8,043	(4,149)
C	17	396,703	87,831	0	22.1%	0	5,427
Total	111	1,840,566	255,116	0	13.9%	8,043	5,918
NW							
B	25	354,568	0	0	0.0%	0	0
C	6	54,786	8,000	0	14.6%	0	0
Total	31	409,354	8,000	0	2.0%	0	0
MADISON							
A	7	207,437	37,851	0	18.2%	(4,200)	(2,933)
B	87	1,390,739	321,518	0	23.1%	894	50,448
C	12	309,073	84,960	0	27.5%	0	0
Total	106	1,907,249	444,329	0	23.3%	(3,306)	47,515
DECATUR							
B	9	161,210	44,076	0	27.3	(4,757)	(11,476)
C	92	1,032,373	31,657	0	3.1%	(19,413)	(15,132)
Total	101	1,193,583	75,733	0	6.3%	(24,170)	(26,608)

Market Total

	# OF BUILDINGS	INVENTORY (SF)	DIRECT VACANCY (SF)	SUBLEASE VACANT (SF)	VACANCY RATE	ABSORPTION CURRENT QUARTER (SF)	ABSORPTION YTD (SF)
A	58	5,088,288	187,041	0	3.7%	46,844	97,049
B	619	12,280,155	1,695,435	11,155	13.9%	15,391	(30,315)
C	212	4,564,092	736,713	0	16.1%	(16,284)	(34,942)
Grand Total	889	21,932,535	2,619,189	11,155	12.0%	45,951	31,792

Source: Xceligent

Leaders in Global Real Estate in **68** countries

\$2.6B

in annual
revenue

2B

square feet
under management

15,000

professionals
and staff

\$105B

in total
transaction value

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