

BIRMINGHAM CITY CENTER MASTER PLAN UPDATE

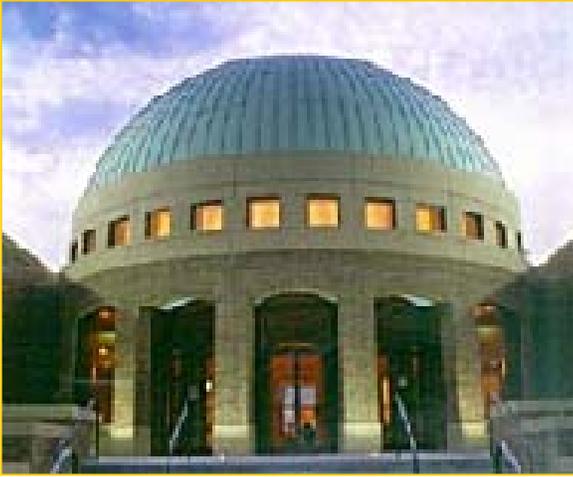
Prepared for the City of Birmingham, Alabama

Commercial Market Analysis

Submitted by Economics Research Associates

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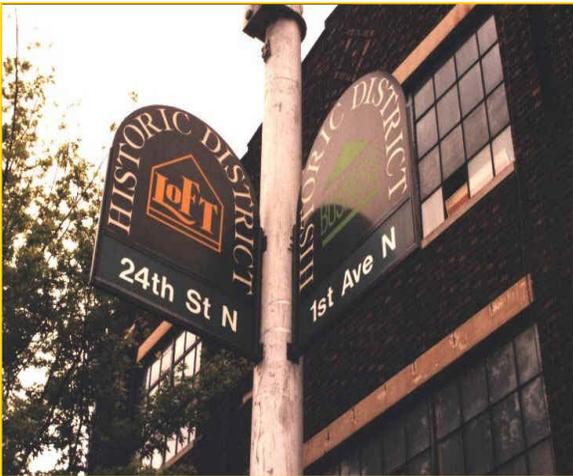
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Commercial Market Analysis
**Birmingham Center City
Master Plan Update**

Prepared for
**Urban Design Associates
Pittsburgh, PA**

On behalf of
**City of Birmingham, Department of
Planning, Engineering & Permits
Birmingham, AL**



Submitted by
Economics Research Associates
Washington, D.C.

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I. Summary: Commercial Opportunities

Introduction

Economics Research Associates (ERA) of Washington, D.C. was retained by Urban Design Associates (UDA) of Pittsburgh, on behalf of the City of Birmingham in August 2003 to prepare a market analysis of commercial development opportunities as part of an update of the Center City Master Plan for Downtown Birmingham.

The commercial market analysis is designed to serve as an independent assessment of real estate market dynamics as they affect the economic potential for various uses, including workplace (e.g., office), supporting services (e.g., convenience and service retail) as well as destination or specialty uses (e.g., restaurants and entertainment). This study identifies the depth of potential market support for these uses.

Specifically, the market analysis is designed to:

- Understand those market forces affecting the competitive position of Downtown Birmingham and how these advantages and disadvantages will inform appropriate revitalization strategies
- Test the economic potential and market support for a variety of commercial uses
- Provide a “roadmap” that will help guide future investment and redevelopment efforts by both the public and private sectors
- Identify specific catalyst opportunities that will reinforce previous successful revitalization efforts in key downtown locations
- Outline the economic/financial conditions necessary to support commercial uses that are envisioned by both the City and private-sector interests

Study Methodology

As the basis for this analysis and recommendations, ERA completed the following tasks:

- Profiled demographic and economic characteristics to **identify fundamental drivers of demand** for the various uses identified above. We examined demographic and economic conditions in Downtown Birmingham and surrounding neighborhoods, the remainder of the City, and in the counties comprising the metropolitan area, and reviewed growth trends and forecasts for specific factors such as population, households, age composition, employment, household incomes, retail sales and other appropriate economic indices;
- Conducted **stakeholder interviews** to gather information from a cross-section of residents, property owners, retailers, businesses, real estate brokers, developers and others to gather a range of market and physical information and to ensure that these recommendations have the broadest possible public and institutional support;

- Examined market conditions among commercial uses in the downtown area and the region based on data from various sources, including the City of Birmingham and real estate experts, to evaluate the existing commercial mix and to inform subsequent testing of market opportunities;
- Evaluated potential market support for various commercial uses and identified the conditions necessary—such as public funding to leverage private investment—to position these uses in the competitive marketplace; and
- Documented all findings and recommendations in a final project report, including demographic characteristics and estimates of supportable demand.

This summary details these key findings and recommendations. Supporting tables and analysis are contained at the end of each chapter of this Technical Report, which is organized into the following sections—Summary, Demographic and Economic Profile, Real Estate Market Conditions, and Commercial Market Potentials.

Commercial Market Potentials

ERA’s program recommendations are highlighted below and illustrated in the attached summary tables.

Office

From a regional perspective, future employment growth and market demand for office space are closely linked. In addition, a critical determinant of both future employment growth and market demand is the degree to which a community or specific site is competitive. Factors defining this competitive positioning include local and regional access; overall physical characteristics, such as street or highway frontage and visibility; proximity to economic activity, such as business retention and expansion and job creation; and fixed costs such as property and other business taxes.

Office uses also require access to a qualified labor pool, contemporary floorplates/building configurations, adequate (and oftentimes the provision of extra) parking, nearby convenience and supporting retail and services and pedestrian-scale amenities.

ERA reviewed the vacant building inventory prepared by Operation New Birmingham (ONB) to assist the planning team in understanding whether commercial development potentials could be best accommodated in either existing (converted) buildings or in new construction in selected locations of Center City. (As future redevelopment opportunities arise, significant effort will be required to evaluate the physical and functional obsolescence and adaptability of this inventory).

- As of February 2004, there are an estimated **2.6 million sq. ft.** of vacant commercial space in more than 125 buildings in Downtown Birmingham.
- Vacant inventory include roughly 226,000 sq. ft. of “pure” office space; 118,000 sq. ft. of retail-swing space; and 97,000 sq. ft. of warehouse space. The lion’s share of

vacant space is in properties that ONB classifies as “mixed-use”, and includes 2.1 million sq. ft. of both street-level and upper-floor space.

ERA notes that the vacant inventory is *declining* as a result of an increasing number of building conversions/removals, such as the *Phoenix Building* to residential lofts. Conversions notwithstanding, this is a significant overhang of vacant commercial stock in Downtown Birmingham that, barring any large-scale changes to the region’s economic outlook, is likely to remain largely vacant for the foreseeable future.

Opportunities to convert vacant commercial buildings into residential, or renovate/upgrade for continued commercial uses are appropriate and should be strongly encouraged. The pace and scale at which this occurs, however, is likely to be incremental and driven by the amount of new job growth and other successful economic expansion activities in the CBD.

Other market indicators are highlighted below:

- With the completion of *Concord Center* and *One Federal Place* in 2002-03, **Downtown Birmingham’s share of the region’s office market has remained steady—in the range of 30%**—with a total inventory of about 3.6 million sq. ft. of space according to Southpace Properties. This is downtown’s current *fair share*.
- Current vacancy rates in the downtown office market have reportedly climbed—from 9.5% in 2000 to 17% in 2002, declining to 14% in 2003, as a result of the addition of new, multi-tenant space with these two new buildings. According to Southpace Properties, almost 497,000 sq. ft. of office space is vacant.
- *Net absorption* (i.e., the amount of office space actually leased over specific periods of time) is a critical barometer of the overall health of an office market. **The CBD has averaged 88,400 sq. ft. of net absorption on an annual basis since 2000**, accounting for almost 45% of the region’s total absorption. By comparison, City Planning staff review of historic absorption trends based on the *Wilhelm Reports* data indicates that **downtown absorbed an average of roughly 79,000 sq. ft. per year between 1988-2001**.

In order to estimate future market potentials for office space, ERA utilized employment forecasts prepared by Woods & Poole, Inc., a demographic forecasting service based in Washington, D.C. This analysis is summarized below and illustrated in Tables 32 and 33 in Section IV of this report:

- Between 2005 and 2015, Woods & Poole forecasts that **metropolitan area employment will increase by approximately 40,000 new jobs**—a compound annual rate of growth of **0.78%**. By comparison, the *actual* compound annual growth rate in employment in the metropolitan area between 1990-2004 was **0.96%** per year. Thus, Woods & Poole forecasts are slightly conservative as compared to historic trends over the past 15 years.
- Presuming that Downtown Birmingham *maintains its competitive position* (i.e., fair share) of the region’s office inventory at roughly **30%** yields future demand for approximately **750,000 sq. ft.** allocated to the downtown. In other words, this analysis

PROGRAM SUMMARY

Birmingham Center City Master Plan Update

USE	Stabilized Year (Year 8)	
	Fair Share	Induced
COMMERCIAL (Rounded)		
Multi-tenant Office		
Sq. Ft.	761,000	839,000
Research & Development		
Sq. Ft.	211,000	317,000
Lodging		
No. of Rooms	48	158
Assumed Sq. Ft. Per Room	(1) 750	750
Subtotal - Lodging:	36,200	118,700
Retail (Sq. Ft.)		
General Retail	19,800	32,400
Food & Beverage	16,300	25,400
Leisure & Entertainment	25,000	34,900
Subtotal - Retail:	61,100	92,700
Cinema		
No. of Screens	7	7
Assumed Sq. Ft. Per Screen	3,300	3,300
Subtotal - Cinema:	22,000	22,000
TOTAL PROGRAM (Sq. Ft.):	1,091,300	1,389,400

(1) *Inclusive of circulation, public areas, etc.*

Source: *Economics Research Associates, updated May 2004.*



assumes that the downtown *remains as competitive in 2015 as it is today* as compared to other office submarkets in the area.

The next step in a commercial market analysis is to estimate the impact of public-sector efforts such as City-sponsored incentives, ongoing planning initiatives, and infrastructure improvements that could be expected to enhance opportunities for specific uses. This is known as *inducing* demand. ERA concludes that the City's downtown revitalization efforts—assuming commitments to provide financial incentives as well as fund specific initiatives such as infrastructure improvements—will enhance the overall marketability of Downtown Birmingham **over the long-term** as a more desirable location for office tenants and other businesses.

However, given competitive pressures from outlying locations (e.g., lower-cost land, proximity to population growth), ERA does not believe—at least in the near-term—that the downtown could materially *increase* its potential capture of future employment growth. As key employment anchors such as financial institutions or single users expand over time, spin-off demand for associated employment such as professional services firms is also likely to grow.

Thus, a planning target of 700,000 to 800,000 sq. ft. of office space over the next 10 years assumes that redevelopment sites offer strong visibility, provide adequate levels of on-site or nearby parking, and that concomitant physical improvements such as plantings and streetscape will enhance overall marketability.

2005-2015 Planning Target:
700,000 to 800,000 Sq. Ft. of Office Space

Research & Development

There is significant discussion underway among many players in Downtown Birmingham regarding opportunities to increase the amount of space devoted to research and development, medical and/or biotechnology uses. As a rule, demand for such space is generated primarily by employment in key sectors such as Manufacturing, Transportation/Communications/Public Utilities, and Services. In the case of Downtown Birmingham, educational, medical and other health-related employment is categorized primarily in the Services sector.

Given the critical importance of economic activity generators—principally the University of Alabama at Birmingham—as well as the very strong presence of major hospitals and other medical institutions in the downtown—suggests that careful examination of such potentials should be undertaken.

To that end, ERA has conducted a *preliminary* analysis using an employment-based methodology similar to that conducted for office demand potentials above. This is illustrated in Table 34 in Section IV. Assuming that the metropolitan area gains 40,000 new jobs between 2005-2015 suggests that future employment growth among R&D-using sectors could be expected to generate demand for roughly **200,000 to 300,000 sq. ft. of general research and development space** by 2015.

2005-2015 Planning Target:
200,000 to 300,000 Sq. Ft. of R&D Space

ERA concludes that significantly more detailed research is necessary to more fully understand demand potentials for such space. This includes such factors as growth among UAB-related research activities, the degree to which research grants and other funding sources are obtained, the history of spin-off activities such as incubators or other contractors, and the downtown’s ability to retain such employment.

Hotel/Lodging

Given current market dynamics and significant difficulties in the capital markets for hotel development, near-term opportunities for new hotels in Downtown Birmingham will be limited. As a rule, the capital markets today require average annual occupancies of 70% or greater before consideration is given to financing new hotel development. This would suggest that public investment in economic “drivers” that generate new office development as well as visitor and tourism-related traffic to Downtown Birmingham are critical.

Specifically, efforts to expand the Birmingham-Jefferson County Civic Center could be expected to enhance market opportunities for new hotel development. This is a key economic activity generator. ERA’s hotel demand analysis is illustrated in Table 35 in Section IV. An office program of 700,000 to 800,000 sq. ft. as well as 200,000 to 300,000 sq. ft. of research and development uses could be expected to generate additional incremental demand for hotel room-nights—ranging from roughly **50 to 150 hotel rooms**.

However, given current hotel market conditions (e.g., combined annual occupancies in selected properties ranges from 54% to 59%), demand from future growth in the CBD’s office and R&D sectors can be currently met among existing unoccupied rooms at both full- and limited-service properties in the hotel inventory.

Retail/Food & Beverage/Leisure

Retail uses require a concentration of disposable income (from nearby residents, employees and/or visitors), strong visibility and extensive frontage, adequate parking, and a clear competitive role and market identity. Moreover, supporting tenants oftentimes require an anchor tenant to generate traffic.

ERA’s retail and entertainment demand analyses estimate **opportunities for new retail development in Downtown Birmingham will be driven primarily by growth in both employment and new downtown residents.** The model (Table 36 in Section IV) illustrates the impact of future growth in these market segments for general retail (convenience, service), restaurants and leisure & entertainment (e.g., cinema) uses assuming new office and R&D space and housing units are built in selected locations under two scenarios—fair share and induced.

Importantly, this analysis suggests that new retail uses need to be very strategically located in the downtown—concentrated in those locations that create synergy, or spin-off, from other catalyst uses. For example, the “theater district” anchored by the *Alabama Theater* is

an appropriate location for new retail and restaurant uses that could capitalize on traffic generated by the theater and *McWane Center*.

The amount of new commercial space in each scenario assumes full development in a stabilized year (2015), as illustrated below:

<u>If.....</u>	<u>Office Space</u>	<u>R&D Space</u>	<u>Housing</u>
Fair Share	761,000 Sq. Ft.	211,000 Sq. Ft.	1,300 Units*
Induced	839,000 Sq. Ft.	317,000 Sq. Ft.	1,300 Units*

*These reflect five-year housing unit projections from Zimmerman Volk Associates through 2010.

Key assumptions in the retail model are summarized below:

- The model assumes that new households have median household incomes of \$50,000 per year today with real growth in incomes of 2% per year by 2015. Current annual spending patterns, which are held constant in the model, range from 18% on general retail to 16% on food & beverage to 11% on leisure & entertainment. The model assumes that the proportion of spending in each of these retail categories does not change over time (i.e., future spending patterns in these categories are similar to what is spent today).
- Consistent with national trends in secondary markets like Birmingham, new office employee spending ranges from \$200 per year on leisure & entertainment to \$450 per year for general retail to \$1,200 per year for food & beverage. Assuming an average of 177 sq. ft. of space per both office and R&D employee, **roughly 5,500 new jobs could be created in Downtown Birmingham if 750,000+ sq. ft. of office and 200,000+ sq. ft. of R&D space were built.** Under an induced scenario, as many as 6,500 new jobs may be generated if the downtown is successful in attracting 800,000+ sq. ft. of new office and 300,000+ sq. ft. of new R&D space during this period.
- Annual productivity is the estimated minimum annual sales performance required by all retailers. Sales range from \$200 per sq. ft. for general retail to \$300 per sq. ft. for food & beverage to \$150 per sq. ft. for leisure & entertainment uses. While these sales levels are below those required for many national retailers, they generally reflect current rental rates in Downtown Birmingham—which, as a rule, are typically about 10% of annual sales.
- Under the induced scenario, the model assumes that judicious public investment in such things as streetscape improvements improves the overall physical appearance of selected locations across the downtown. In addition, an overall economic development strategy should include targeted marketing and business recruitment strategies designed to produce an increase in shopper traffic and additional sales.

Key Results: Fair Share vs. Induced Demand

- Under the fair share scenario, 1,300 new households and 5,500 new employees—at capture rates ranging from 5% to 20%—could be expected to produce demand for approximately **20,000 sq. ft. of general retail, 16,000 sq. ft. of food & beverage, and 25,000 sq. ft. of leisure & entertainment uses**. (Of course, continued growth in downtown households between 2010 and 2015 will also add to these demand estimates).
- Under an induced scenario, 1,300 new households, 6,500 new employees, and momentum generated by both private investment and public improvements could be expected to enhance the capture of expenditures. This should increase the amount of supportable space to roughly **32,000 sq. ft. of general retail, 25,000 sq. ft. of food & beverage, and 35,000 sq. ft. of leisure & entertainment uses**.
- ERA notes this includes additional demand that could be created as part of “inflow” if demand can be induced. In this case, an improved physical environment and greater shopper choice with new retailers results in the ability to capture additional expenditures from other market segments such as daytime employees outside of the downtown, visitors to the area, and the like.
- Moreover, these results suggest careful consideration for locating new retail development in Downtown Birmingham. Planning parameters include “100% corner” locations that provide strong visibility, proximity to nearby and adequate parking, and opportunities to cluster retailers such that synergy is created between them as well as nearby office employees and residents.

ERA’s retail planning targets for 2015 are summarized below:

Retail Type	Fair Share	Induced
General Retail	19,800	32,400
Food & Beverage	16,300	25,400
Leisure & Entertainment	<u>25,000</u>	<u>34,900</u>
TOTAL (Sq. Ft.):	61,100	92,700

Cinema/Entertainment

- ERA’s preliminary cinema analysis yields an average of 94 supportable screens in the 0-10 mile trade area. Netting out the near-term addition of 15 new screens at the Rave Theater complex suggests that the primary market is under-supplied by about seven screens.
- Based on this *preliminary* cinema demand analysis, ERA concludes that additional detailed study is necessary. For example, near-term regional demand is likely to be impacted by the proposed opening of the Rave Theater multi-plex near *Riverchase Galleria*. ERA suggests that any opportunities to enhance the entertainment venues in Downtown Birmingham will be affected by competitive supply as well as uses in the



entertainment complex proposed as part of the BJCC expansion currently under study. These factors reinforce the preliminary recommendation that additional analysis on cinema opportunities examine such concepts as an art house venue, foreign film institute and/or Sundance Theaters that target specific market segments and would complement the existing entertainment offerings in the theater district.

General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible. These data are believed to be reliable. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the market and the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent and representatives or any other data source used in preparing or presenting this study.

No warranty or representation is made by Economics Research Associates that any of the projected values or results contained in this study will actually be achieved.

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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

II. Demographic & Economic Profile

Introduction

As the basis for evaluating redevelopment opportunities in Birmingham’s Center City, ERA examined demographic and economic conditions in the City of Birmingham, the counties comprising the original metropolitan area during the 1990s (Jefferson, Blount, St. Clair, and Shelby) as well as the three counties that were added to the metropolitan area’s definition in 2003 (Bibb, Chilton and Walker Counties). ERA reviewed growth trends and forecasts for specific factors such as population, households, age composition, employment, household incomes, retail sales and other appropriate economic indices.

This profile focuses on those variables that “drive” demand for various uses such as commercial office and retail space; we note that this analysis informed subsequent testing of specific commercial uses. This section of the report synthesizes key findings based on research from public and private data sources.

Relevant data are detailed in Tables 1 through 14 and accompanying graphics in this chapter.

Population & Household Characteristics (Tables 1-6)

In 1990, the Birmingham Metropolitan Area (MA) was comprised of Blount, Jefferson, St. Clair, Shelby and Walker Counties. In 2000, Walker County was dropped from the Birmingham MA. In 2003, the metropolitan area was redefined as the Birmingham-Hoover MA and three jurisdictions, including Bibb, Chilton and Walker Counties, were added. Historical population and household data (1990 through 2000) examines the four county MA for purposes of consistency while current conditions (2003) and forecasts (2003-2008) for demographics (and 2005-2015 for employment projections) reflect the redefined geography. Key demographic findings are highlighted below:

1990-2000

- Between 1990 and 2000, the metropolitan area’s population increased by approximately 81,000 residents, representing a moderate rate of growth of 9.6%, for a total population of more than 921,000 in 2000. Thus, demographic analysts would consider the Birmingham-Hoover MA to be a smaller, third-tier metropolitan market.
- **Population growth during the 1990s was not evenly distributed** across the region; in fact, the majority of new growth occurred in the outlying jurisdictions of Blount, St. Clair and Shelby Counties, as land was both less expensive and more readily available for residential development. Notably, each of these jurisdictions exhibited overall growth rates ranging from 30% to 44% during the past 10 years.
- By comparison, Jefferson County—the region’s most populous—experienced modest growth, adding only 10,500 new residents (a 1.6% rate) during the decade. By contrast, the **City of Birmingham’s population declined by more than 23,000 residents** between 1990 and 2000—a decrease of almost 9%. This occurred, in part,

as a result of out-migration to nearby suburban jurisdictions, repeating similar trends in many large cities across the United States. In 2000, the City’s population was **242,800**. Compared to Jefferson County’s 10,500-increase, Blount added almost 11,800 new residents, while St. Clair added more than 14,700. The biggest gain, by far, occurred in Shelby County, which added more than 43,000 new residents during the 1990s.

**Birmingham’s Population Declined By More Than
23,000 Between 1990 & 2000**

- Notably, Birmingham’s share of Jefferson County’s population also *declined*. In fact, the City’s proportion of the County’s population dropped from 41% in 1990 to about 36% in 2000. In effect, Birmingham now comprises a smaller share of a larger “pie”.

Table 2 highlights household changes across the Birmingham metropolitan area.

- The number of households in the entire MA increased from roughly 319,800 in 1990 to 361,300 in 2000, a jump of 13%. By comparison, the number of households in Jefferson County increased from about 251,500 in 1990 to 263,300 in 2000, representing a much smaller growth rate of 4.7%.
- Consistent with the City’s population decline, **Birmingham has lost more than 6,600 households over the past 10 years**. In 2000, the City contained about 98,800 households, a decrease of 6% from 1990. As a result, City households comprised about 37.5% of the County’s total households in 2000.
- In the region’s higher-growth jurisdictions, the number of households in Blount, St. Clair and Shelby Counties increased at substantially stronger rates, growing by 32%, 37%, and 52% respectively, between 1990 and 2000.

These demographic trends—particularly in the City of Birmingham—reinforce the critical importance of a carefully crafted strategy to build new housing in Downtown Birmingham that can effectively out-compete similar product elsewhere in the metropolitan area in terms of price point, unit quality, and amenities. Moreover, it also speaks to equally important measures to grow the job base of the Central Business District, thus strengthening its role as the economic center of the region.

Table 3 illustrates U.S. Census data for households by age of householder for the City of Birmingham and Jefferson County for 1990 and 2000.

- With the exception of the “Under 25” and the “45 to 54 years” cohorts, Birmingham and Jefferson Counties *lost* population among all other age cohorts. Birmingham also lost population in the “35 to 44” cohort—this includes the prime workforce population about to enter their peak earning years.
- Interestingly, those ages 45 to 54—typically referred to as empty nesters—**increased in the City of Birmingham by more than 41% during the 1990s—to almost 18,900**. As is the experience of many cities around the country today, ERA notes that **this may bode well for downtown housing prospects as these households seek to**

downsize from larger, ‘suburban’ style housing to high quality, smaller units in downtown or in-town locations .

An Increase in Empty Nester Households Bodes Well for Downtown Housing Opportunities

Table 4 illustrates trends in median household incomes in both Birmingham and Jefferson County.

- Notably, household incomes increased *significantly* from 1990 to 2000, with **median household incomes in the City of Birmingham growing by 39% over the past 10 years**. In 2000, median annual income among City households was more than \$26,700.
- Median household incomes in Jefferson County also increased—from roughly \$25,900 in 1990 to **\$36,900** in 2000—a sizable jump of 43%. ERA notes that these figures are not inflation-adjusted; nonetheless, the rate of increase in household incomes during this 10-year period was *higher* than overall inflation.
- Like many metropolitan areas nationwide, these income trends in Birmingham corresponded with a sizable increase in the area’s retail supply and spending, as higher incomes provided greater disposable income for consumer expenditures.

2003-2008

Table 5 profiles demographic forecasts for the Birmingham-Hoover MA and Jefferson County for 2003-2008 as prepared by Woods & Poole, Inc., a demographic forecasting service based in Washington, D.C.

- The seven counties comprising the metropolitan area contain a 2003 population of more than 941,000 residents and 371,200 households; median household income estimates are solidly middle income—at \$46,400.
- Over the next five years, Woods & Poole forecasts a 4% rise in the metropolitan area’s population—roughly 35,000 new residents—to **976,400**. Like many areas around the United States, the composition of the region’s population is also diversifying, with significantly greater rates of growth forecast in both Asian and Hispanic segments. Median household income growth is expected to outpace inflation—with a forecast increase of 13%—to **\$52,400**.
- By comparison, Jefferson County’s population is expected to decline slightly—from 659,400 today to **654,800** in 2008. The creation of additional new households, however, is expected to result in a slight increase of about 2,000, to 265,700 households in the County by 2008. Household income growth is expected to parallel that of the metropolitan area as a whole—from \$43,900 in 2003 to **\$49,400** in 2008.

Table 6 illustrates these same demographic characteristics for 2003-2008 for the geography comprising the Center City master plan update. ERA notes that Woods & Poole uses highly complex economic modeling to prepare their demographic forecasts that are supported by multiple factors ranging from natural demographic characteristics (such as births, deaths, immigration) to proposed transportation improvements, public policy considerations and the like.

- In the geography comprising Birmingham’s Center City, Woods & Poole forecasts suggest ‘status quo’, in that little change in population is expected between 2003-2008. While Woods & Poole forecasts a slight gain in the number of households (1.5%), population is expected to remain stable—in the range of **6,700** residents. Median household incomes, on the other hand, are expected to rise by about 9%, to about **\$21,000** by 2008.
- ERA notes that City staff dispute these income forecasts in light of the pending construction of a new Hope VI project that will replace *Metropolitan Gardens*, a 910-unit, blighted public housing complex at the edge of downtown Birmingham, with 637 new, mixed-income units. This will include a significant number of market-rate rental units, which are expected to attract higher-income residents to downtown Birmingham. Identifying annual household incomes for these new market-rate units at Metropolitan Gardens is difficult and will, in large part, be tied to market rents or sale prices. (As discussed in the next section, for purposes of our retail demand modeling, ERA has assumed an average household income of \$50,000 per year).
- ERA concludes that, while any new, market-rate housing in downtown Birmingham is laudable (including 200± market-rate units at Metropolitan Gardens), it is likely to take a far larger number of new market units in the downtown to significantly raise median household income levels in the near-term.

Trade Area Consumer Expenditures (Tables 7-9)

An important barometer of retail potentials in any market analysis is measured in the amount that households in a given trade area spend annually on various consumer items. Typical retail categories analyzed in a market study include groceries, food away from home (including alcoholic beverages), apparel and accessories, home furnishings, and leisure and entertainment. Tables 7 through 9 illustrate 2003 consumer expenditure patterns for households within the Birmingham-Hoover MA, Jefferson County and the Center City Master Plan Update boundaries. Findings are highlighted below:

- Reflecting the lower income levels of households in Center City, downtown residents spend an average of **\$6,800 per year** on consumer retail goods. ERA notes that this is **substantially below the averages for the seven-county metropolitan area (\$17,800), Jefferson County (\$19,900), and the United States (\$24,200)**.
- On the other hand, despite the fact that individual household spending is below average, population densities of downtown Birmingham are sufficient to produce an aggregate annual buying power of about \$16 million (this is still, however, only 0.3%

of the total estimated buying power in Jefferson County). This represents retail dollars that can be spent in downtown businesses, or anywhere in the “universal” retail market, including the Internet.

- Consumer spending patterns of Center City residents are typical of inner city communities elsewhere in the country, with the greatest retail spending devoted to food (both groceries and eating out). Smaller amounts are spent on discretionary items such as entertainment and apparel. Center City household retail spending is distributed as follows: Food & Beverage (37%); Apparel (18%); Leisure & Entertainment (24%); and Home Furnishings (21%). Interestingly, while lower-income households spend less on these discretionary retail categories, the proportion of spending (as a percentage of total expenditures) actually exceeds that of higher-income households, which have greater discretionary income to spend.

Employment Trends & Projections (Tables 10-14)

A key objective of the master plan for Center City Birmingham is to increase downtown’s role as a regional *destination*. This is intended to take several forms—including increasing the number of downtown residents, strengthening the CBD’s role as a regional employment center, expanding tourism opportunities to draw additional visitors and the like.

Expanding Center City’s Role as a Regional Destination is Critical

As such, **a critical barometer in evaluating demand for commercial real estate is employment growth.** The following highlights employment trends and forecasts for the Birmingham-Hoover metropolitan area as provided by various sources, including the U.S. Department of Commerce, the U.S. Census, and Woods & Poole, Inc. In addition, ERA examined employment trends at the *University of Alabama-Birmingham* as a means of understanding potential impacts and demand on commercial uses for those locations proximate to the university campus. The university’s Office of Human Resources Management Information Systems provided this information.

These findings are illustrated in Tables 10 through 14 and summarized below:

- Overall job growth in the Birmingham during the 1990s was solid. In fact, between 1990-2000, **the four counties comprising the metropolitan area (at this time) added more than 67,000 new jobs**—an annual growth rate of 1.5% per year. By 2000, the region contained more than 482,900 wage and salary jobs in the seven non-agricultural employment sectors and agricultural/farm employment.
- Three sectors added a significant number of new jobs in the metropolitan area during the 1990s. These include: Wholesale/Retail Trade; Finance/Insurance/Real Estate (FIRE), a sector that is a key determinant of demand for office space; and Services, which is a broad category that includes employment in medical, professional services, lodging and tourism.

- Job growth was greatest during the latter half of the 1990s—as the national economic boom during this period fueled corporate and business expansion. (In fact, the metropolitan area added more than 36,000 new jobs between 1995-2000—an **annual growth rate of 1.64%**). As noted, the largest job gains occurred in Retail Trade and Services—paralleling similar patterns of expansion in these sectors across the United States. In the Birmingham metropolitan area, almost 75% of the job growth occurred in these two employment sectors. Other notable gains occurred in Finance, Insurance, and Real Estate, which added 7,500 jobs, reflecting the importance of the banking industry on Birmingham’s economy. Not surprisingly, Manufacturing suffered a loss of more than 3,000 jobs during the late 1990s.

Table 11 illustrates “At-Residence” employment trends in the Birmingham MA for 1990 and 2000. (At-Residence employment refers to jobs held by residents who live within the jurisdiction but may be employed outside of it). From 1990 to 2000, the number of employees in the metropolitan area increased by more than 16,700. During that same period, however, **the City of Birmingham lost more than 11,500 employed residents**—a decline of almost 11%—fueled largely by the City’s population declines during this period. As a result, Birmingham’s share of metropolitan employment decreased. In 1990, City residents comprised 27% of metropolitan area employment; by 2000, however, this share fell to 23%, as suburban resident employment expanded.

In addition, to take into account the impacts of the economic recession and so-called “jobless recovery” the state and country have experienced since late 2000, the City’s Planning Department requested that ERA also examine metropolitan area employment data from 2002 to 2004, as compiled by the Alabama Department of Industrial Relations in cooperation with the Bureau of Labor Statistics.

- Consistent with a weakening of both the state and national economies in late 2000 and 2001, **the metropolitan area lost more than 6,800 jobs between 2000 and 2004—an annual loss of roughly 0.4%**. As illustrated in Table 12, employment gains in 2002 and 2003 were insufficient to offset reported steep job losses of more than 12,000 jobs in 2003-2004 in Transportation/Public Utilities and Services. In 2004, the metropolitan area job base totaled 472,000.
- Interestingly, job losses were steepest in both the Retail Trade and FIRE sectors as a result of consolidations, mergers, and layoffs in these industries. These findings reflect Birmingham’s predominant, but increasingly uncertain role as a leading banking center in the Southeast. For example, in 2000, FIRE employment accounted for 11% of the metropolitan area’s job base. By 2004, however, this had declined to about 8%. This position has been exacerbated recently by the uncertainties associated with mergers in the banking industry, with *Southtrust Bank* having recently been acquired by Wachovia, which is expected to result in the transfer of executive headquarters jobs from Birmingham to both Atlanta and Charlotte.

Compound annual growth rates (CAGR) for the Birmingham-Hoover Metropolitan Area are illustrated in the chart below for the period covering 1990 through the second-quarter of 2004.

Compound Annual Employment Growth Rates	
Birmingham-Hoover MA, 1990-2004	
1990 – 2000	1.49%
1995 – 2000	1.59%
2000 – 2004	(0.36%)
1995 – 2004	0.72%
Annual % Rate (1990 – 2004):	0.96%

Table 12 illustrates employment forecasts for the Birmingham-Hoover metropolitan area for 2005-2015 as forecast by Woods & Poole, Inc., a demographic forecasting service based in Washington, D.C. These forecasts, which serve as the basis of ERA’s demand estimates for commercial uses such as office space, are highlighted below.

- Between 2005 and 2015, Woods & Poole forecasts that **metropolitan area employment will increase by approximately 40,000 new jobs**—a compound annual rate of growth of **0.78%**. By comparison (as illustrated in the chart above), the *actual* compound annual growth rate in employment in the metropolitan area between 1990-2004 was **0.96% per year**. Thus, Woods & Poole forecasts are slightly conservative. If these employment forecasts hold true, the metropolitan area job base will total about 539,000 in 2015.

40,000 New Jobs Forecast in the Metropolitan Area Between 2005-2015

- Forecasts in specific sectors suggest continued declines in Manufacturing as well as Mining & Construction. These losses, however, should be offset by significant job gains in Services (39,400) and Retail Trade (12,800)—suggesting continued economic growth fueled, in part, by consumer spending.
- Among office-using sectors, job growth in Finance/Insurance/Real Estate (FIRE) is expected to remain flat; however, gains in Services should fuel demand for office space, particularly from professional services employment such as accounting and legal.
- According to the Birmingham Chamber of Commerce, the **University of Alabama-Birmingham (UAB) is the region’s largest employer, with almost 16,300 employees**. Interestingly, the metropolitan area’s largest employers are predominantly public, and include the Federal government, State of Alabama, and the Jefferson County Board of Education. Large private employers include Bell South, Bruno’s, Inc. (grocery stores), and the Baptist Health System.

- Employment at UAB increased more than 7% between 1994 and 2002, with the addition of almost 1,200 jobs concentrated primarily in the Provost/Academic and Medical Hospital sectors. UAB Central Administrative staff employment has declined by almost 30%.

ERA concludes that opportunities to expand street-level commercial uses such as convenience and service retail surrounding UAB will be largely dictated by several critical factors. These include continued growth in UAB employment, planning considerations such as proximity to demand generators, visibility, etc. and, importantly, whether UAB limits or expands any university-sponsored service uses such as employee cafeterias, dry cleaners, banks and the like that are typically oriented to on-site/internal users.

Birmingham Center City Master Plan Update

Demographic Profile

Table 1
Population Trends & Projections, By Jurisdiction, 1990-2015
Birmingham Center City Master Plan Update

JURISDICTION	1990	2000	CHANGE: 1990-2000		2003	Woods & Poole Forecasts		
			No.	%		2005	2015	% Change
	(1)		(2)			(3)		
Alabama	4,040,587	4,447,100	406,513	10.1%	4,534,228	4,637,547	5,034,943	8.6%
Birmingham MA	840,140	921,106	80,966	9.6%	1,075,889	1,100,218	1,199,776	9.0%
Jefferson County	651,525	662,047	10,522	1.6%	659,418	665,076	675,656	1.6%
As % of State	16.1%	14.9%	-1.2%		14.5%	14.3%	13.4%	-6.4%
As % of MA	77.5%	71.9%	-5.7%		61.3%	60.4%	56.3%	-6.8%
City Birmingham	265,968	242,820	(23,148)	-8.7%	N/A			
As % of County	40.8%	36.7%		-4.1%				
Blount	39,248	51,024	11,776	30.0%				
As % of State	1.0%	1.1%	0.2%					
As % of MA	4.7%	5.5%	0.9%					
St. Clair	50,009	64,742	14,733	29.5%				
As % of State	1.2%	1.5%	0.2%					
As % of MA	6.0%	7.0%	1.1%					
Shelby	99,358	143,293	43,935	44.2%				
As % of State	2.5%	3.2%	0.8%					
As % of MA	11.8%	15.6%	3.7%					

(1) Data for 1990 & 2000 reflects the four-county metropolitan area: Blount, Jefferson, St. Clair, and Shelby Counties.

(2) Data are included to exhibit trends in the same jurisdictions.

(3) Data for 2003-2015 reflects the seven-county metropolitan area, including Bibb, Chilton and Walker Counties.

Source: U.S. Census Bureau; Woods & Poole, Inc.; ESRI Business Solutions; Economics Research Associates, updated May 2004.

Table 2
Household Trends & Projections, by Jurisdiction, 1990-2015
Birmingham Center City Master Plan Update

JURISDICTION	1990	2000	CHANGE: 1990-2000		2003	Woods & Poole Forecasts		
			No.	%		2005	2015	% Change
	(1)		(2)			(3)		
Alabama	1,506,790	1,737,080	230,290	15.3%	1,783,784	1,838,290	2,015,440	9.6%
Birmingham MA	319,774	361,304	41,530	13.0%	423,827	436,960	480,520	10.0%
Jefferson County	251,479	263,265	11,786	4.7%	263,783	267,710	273,510	2.2%
<i>As % of State</i>	16.7%	15.2%	-1.5%		14.8%	14.6%	13.6%	-6.8%
<i>As % of MA</i>	78.6%	72.9%	-5.8%		62.2%	61.3%	56.9%	-7.1%
City Birmingham	105,437	98,782	(6,655)	-6.3%	N/A			
<i>As % of County</i>	41.9%	37.5%		-2.9%				
Blount	14,644	19,265	4,621	31.6%				
<i>As % of State</i>	1.0%	1.1%	0.1%					
<i>As % of MA</i>	4.6%	5.3%	0.8%					
St. Clair	17,666	24,143	6,477	36.7%				
<i>As % of State</i>	1.2%	1.4%	0.2%					
<i>As % of MA</i>	5.5%	6.7%	1.2%					
Shelby	35,985	54,631	18,646	51.8%				
<i>As % of State</i>	2.4%	3.1%	0.8%					
<i>As % of MA</i>	11.3%	15.1%	3.9%					

(1) Data for 1990 & 2000 reflects the four-county metropolitan area: Blount, Jefferson, St. Clair, and Shelby Counties.

(2) Data are included to exhibit trends in the same jurisdictions.

(3) Data for 2003-2015 reflects the seven-county metropolitan area, including Bibb, Chilton and Walker Counties.

Source: U.S. Census Bureau; Woods & Poole, Inc.; ESRI Business Solutions; Economics Research Associates, updated May 2004.

Table 3
Households By Age in Occupied Housing Units
In Birmingham and Jefferson County, 1990-2000 (1)
Birmingham Center City Master Plan Update

Age of Householder	CITY OF BIRMINGHAM			JEFFERSON COUNTY		
	1990	2000	%	1990	2000	%
Under 25 (1)	6,479	7,083	9.3%	12,236	14,579	19.1%
25 to 34 Years	22,825	18,822	-17.5%	51,374	46,099	-10.3%
35 to 44 Years	21,553	20,331	-5.7%	54,591	56,089	2.7%
45 to 54 Years	13,291	18,866	41.9%	36,845	53,020	43.9%
55 to 64 Years (2)	14,317	11,603	-19.0%	35,560	34,064	-4.2%
65 and Over	26,972	22,077	-18.1%	60,873	59,414	-2.4%
TOTAL:	105,437	98,782	-6.3%	251,479	263,265	4.7%

(1) The Under 25 age cohort is underrepresented because many are not householders.

Source: U.S. Bureau of the Census; Economics Research Associates, February 2004.

Table 4
Median Household Incomes By Jurisdiction
In Jefferson County, 1990-2000 (1)
Birmingham Center City Master Plan Update

Jurisdiction	MEDIAN HH INCOME (2)		CHANGE: 1990-2000	
	1990	2000	No.	%
Alabama	\$ 23,597	\$ 34,135	10,538	45%
Jefferson County	\$ 25,858	\$ 36,868	11,010	43%
<i>As % of State</i>	109.6%	108.0%		
City of Birmingham	\$ 19,193	\$ 26,735	7,542	39%
<i>As % of County</i>	74.2%	72.5%		

(1) Census figures reflect income during the year prior to the Census.

(2) Median household incomes have not been adjusted for inflation.

Source: U.S. Bureau of the Census; Economics Research Associates, February 2004.

Table 5
Demographic Characteristics for the Birmingham-Hoover MA & Jefferson County, 2003 & 2008
Birmingham Center City Master Plan Update

	Birmingham-Hoover MA			Jefferson County		
	2003	2008	% Change	2003	2008	% Change
Demographic Characteristics						
Population	941,081	976,448	3.8%	659,418	654,810	-0.7%
Households	371,237	390,635	5.2%	263,783	265,686	0.7%
Average Household Size	2.5	2.4	-1.3%	2.4	2.4	-1.4%
Race						
White	626,810	643,355	2.6%	371,738	353,915	-4.8%
Black	285,337	296,233	3.8%	267,502	275,813	3.1%
American Indian, Eskimo, or Aleutian Isla	2,750	3,405	23.8%	1,610	1,924	19.5%
Asian or Pacific Islander	9,615	12,394	28.9%	7,338	9,194	25.3%
Other	8,569	12,148	41.8%	5,565	7,801	40.2%
Hispanic Origin	22,409	31,849	42.1%	13,862	19,269	39.0%
Median Age	37.0	38.5	3.9%	37.2	38.6	3.7%
Income Characteristics						
Median Household Income	\$ 46,418	\$ 52,429	13.0%	\$ 43,919	\$ 49,359	12.4%
Average Household Income	\$ 60,103	\$ 69,020	14.8%	\$ 57,632	\$ 65,845	14.2%
Housing Characteristics						
Owner-occupied Units	264,912	281,563	6.3%	176,483	178,566	1.2%
As % of Total	71.4%	72.1%		66.9%	67.2%	
Renter-occupied Units	106,325	109,072	2.6%	87,299	87,119	-0.2%
As % of Total	28.6%	27.9%		33.1%	32.8%	
Total Housing Units:	371,237	390,635		263,783	265,686	

Source: ESRI Business Information Solutions; Economics Research Associates, January 2004.

Table 6
Demographic Characteristics for the
Master Plan Area Boundaries, 2003-2008
Birmingham Center City Master Plan Update

	2003	2008	% Change
<i>Demographic Characteristics</i>			
Population	6,722	6,697	-0.4%
Households	2,276	2,311	1.5%
Average Household Size	1.7	1.7	-2.1%
Race			
White	1,595	1,534	-3.8%
Black	4,458	4,481	0.5%
American Indian, Eskimo, or Aleutian Isl	24	27	12.5%
Asian or Pacific Islander	524	529	1.0%
Other	34	38	11.8%
Hispanic Origin	111	123	10.8%
Median Age	31.4	31.5	0.3%
<i>Housing Characteristics</i>			
Owner-occupied Units	78	81	3.8%
<i>As % of Total</i>	3.4%	3.5%	
Renter-occupied Units	2,198	2,230	1.5%
<i>As % of Total</i>	96.6%	96.5%	
Total Housing Units:	2,276	2,311	

Source: ESRI Business Information Solutions; Economics Research Associates, updated May 2004.

Birmingham Center City Master Plan Update

Trade Area Consumer Expenditures

Table 7
Annual Household Consumer Expenditures, 2003
Birmingham-Hoover MA
Birmingham Center City Master Plan Update

2003			
Demographic Profile			
Population	1,075,889		
Households	423,827		
Median Household Income	\$44,714		
Average Household Income	\$57,902		
Consumer Retail Expenditures			
	Annual Total	Per Household	% Distribution
Food & Beverage			
Food At Home	\$ 1,811,999,873	\$ 4,275	59.8%
Food Away From Home	1,041,930,931	\$ 2,458	34.4%
Alcoholic Beverages	174,636,378	\$ 412	5.8%
Subtotal - Food & Beverage:	\$ 3,028,567,182	\$ 7,146	40.1%
Apparel & Accessories			
Apparel & Services	\$ 1,121,657,818	\$ 2,646	79.0%
Footwear	198,730,133	469	14.0%
Watches & Jewelry	98,543,481	233	6.9%
Subtotal - Apparel:	\$ 1,418,931,433	\$ 3,348	18.8%
Leisure & Entertainment			
Entertainment	\$ 1,207,668,850	\$ 2,849	72.9%
Pets & Supplies	131,501,469	310	7.9%
Sporting Goods	92,825,071	219	5.6%
Toys & Games	94,870,772	224	5.7%
Video Rental	26,188,123	62	1.6%
Reading Materials	103,161,638	243	6.2%
Subtotal - Entertainment:	\$ 1,656,215,924	\$ 3,908	21.9%
Household Furnishings			
Any Household Furnishings	\$ 906,083,803	\$ 2,138	62.4%
Major Appliances	109,440,542	258	7.5%
Home Electronics	436,258,444	1,029	30.0%
Subtotal - Home Furnishings:	\$ 1,451,782,790	\$ 3,425	19.2%
TOTAL ANNUAL HH EXPENDITURES:	\$ 7,555,497,328	\$ 17,827	100.0%
Comparison to U.S.:		\$ 24,241	
<i>Difference between U.S. and Trade Area</i>			-26.5%

Source: ESRI Business Information Solutions; Economics Research Associates, updated May 2004.

Annual Household Consumer Expenditures, 2003
Birmingham-Hoover MA
Birmingham Center City Master Plan Update

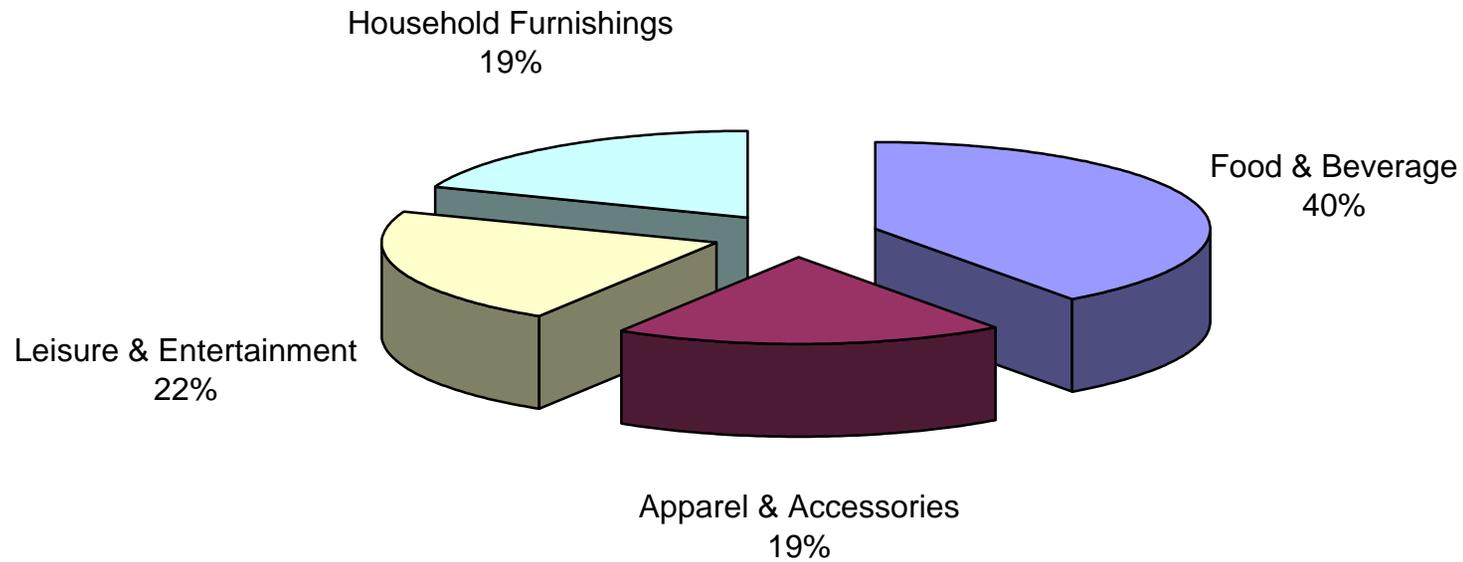


Table 8
Annual Household Consumer Expenditures, 2003
Jefferson County
Birmingham Center City Master Plan Update

2003			
Demographic Profile (2003)			
Population		659,418	
Households		263,783	
Median Household Income	\$	43,919	
Average Household Income	\$	57,632	
Consumer Retail Expenditures			
	Annual Total	Per Household	% Distribution
Food & Beverage			
Food At Home	\$ 1,114,908,372	\$ 4,227	59.6%
Food Away From Home	645,302,518	2,446	34.5%
Alcoholic Beverages	111,462,241	423	6.0%
Subtotal - Food & Beverage:	\$ 1,871,673,131	\$ 7,096	35.6%
Apparel & Accessories			
All Apparel	\$ 707,917,497	\$ 2,684	78.9%
Footwear	125,334,242	475	14.0%
Watches & Jewelry	63,672,060	241	7.1%
Subtotal - Apparel:	\$ 896,923,800	\$ 3,400	17.1%
Leisure & Entertainment			
Entertainment	\$ 739,991,746	\$ 2,805	57.2%
Pets & Supplies	77,102,130	292	6.0%
Sporting Goods	56,141,109	213	4.3%
Toys & Hobbies	58,382,162	221	4.5%
Video Rental	16,159,116	61	1.2%
Musical Instruments/Accessories	280,633,718	1,064	21.7%
Reading Materials	64,751,637	245	5.0%
Subtotal - Entertainment:	\$ 1,293,161,617	\$ 4,902	24.6%
Household Furnishings			
Any Household Furnishings	\$ 271,932,733	\$ 1,031	22.8%
All Appliances	65,946,932	250	5.5%
Furniture	782,610,815	2,967	65.5%
Home Electronics	74,029,798	281	6.2%
Subtotal - Home Furnishings:	\$ 1,194,520,277	\$ 4,528	22.7%
TOTAL ANNUAL HH EXPENDITURES:	\$ 5,256,278,825	\$ 19,927	100.0%

Comparison to U.S.:

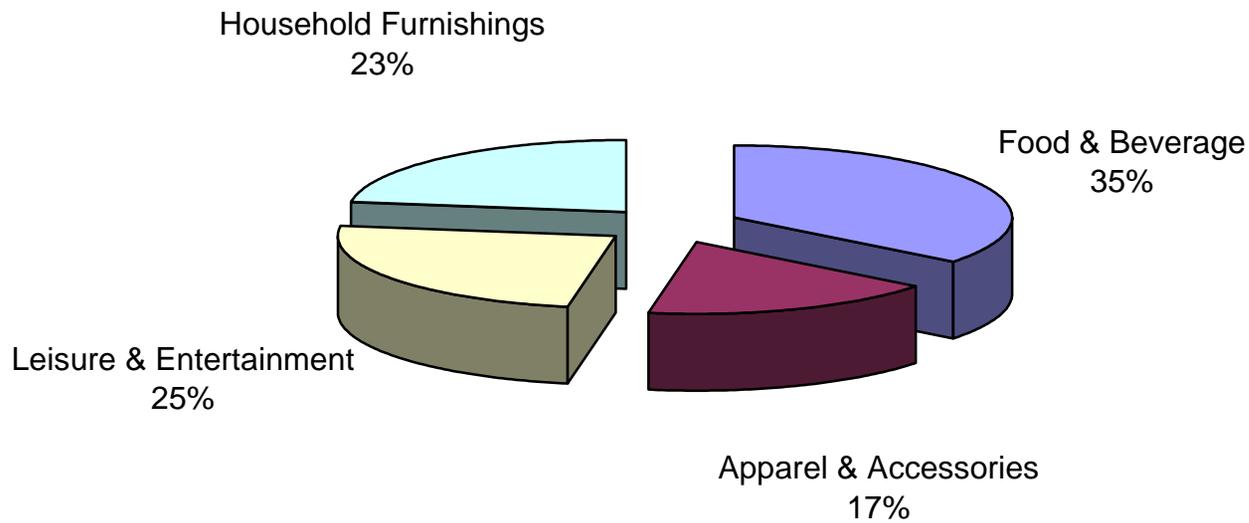
Difference between U.S. and Trade Area

\$24,241

-17.8%

Source: ESRI Business Information Solutions, Inc.; Economics Research Associates, updated May 2004.

Annual Household Consumer Expenditures, 2003
Jefferson County
Birmingham Center City Master Plan Update



Annual Household Consumer Expenditures, 2003
Master Plan Area Boundaries
Birmingham Center City Master Plan Update

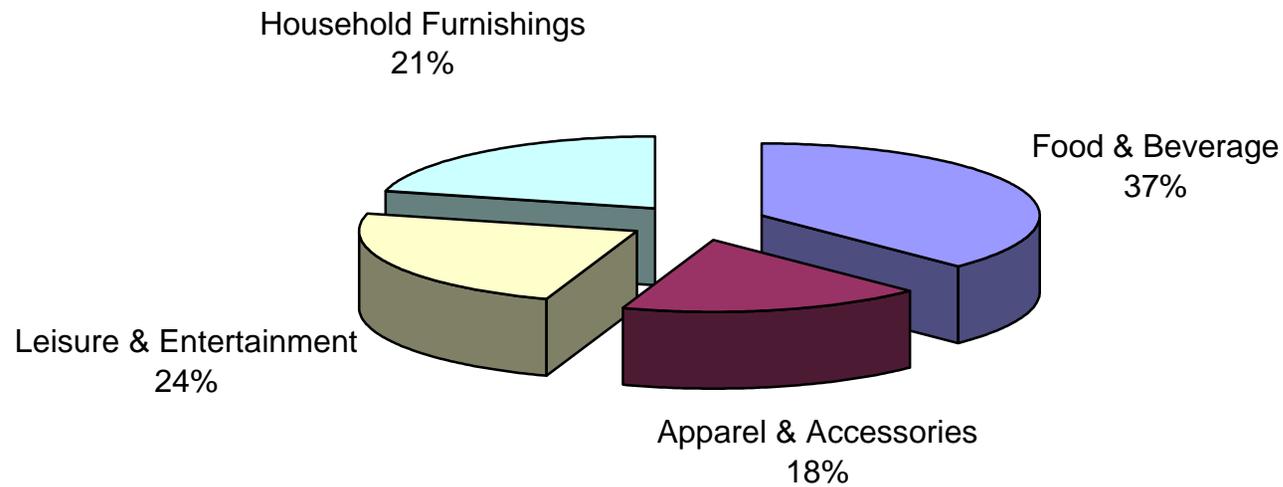


Table 9
Annual Household Consumer Expenditures, 2003
Master Plan Area Boundaries
Birmingham Center City Master Plan Update

2003			
Demographic Profile (2003)			
Population		6,722	
Households		2,276	
Median Household Income	\$	15,243	
Average Household Income	\$	19,173	
Consumer Retail Expenditures			
		Annual Total	Per Household
			% Distribution
Food & Beverage			
Food At Home	\$	3,501,255	\$ 1,538 60.4%
Food Away From Home		1,931,785	849 33.3%
Alcoholic Beverages		366,773	161 6.3%
Subtotal - Food & Beverage:	\$	5,799,813	\$ 2,548 37.4%
Apparel & Accessories			
All Apparel	\$	2,168,794	\$ 953 78.4%
Footwear		420,047	185 15.2%
Watches & Jewelry		176,232	77 6.4%
Subtotal - Apparel:	\$	2,765,073	\$ 1,215 17.8%
Leisure & Entertainment			
Entertainment	\$	2,047,122	\$ 899 55.5%
Pets & Supplies		192,124	84 5.2%
Sporting Goods		156,098	69 4.2%
Toys & Hobbies		162,448	71 4.4%
Video Rental		54,023	24 1.5%
Musical Instruments/Accessories		898,265	395 24.3%
Reading Materials		179,407	79 4.9%
Subtotal - Entertainment:	\$	3,689,487	\$ 1,621 23.8%
Household Furnishings			
Any Household Furnishings	\$	754,230	\$ 331 23.1%
All Appliances		179,509	79 5.5%
Furniture		2,110,401	927 64.7%
Home Electronics		218,633	96 6.7%
Subtotal - Home Furnishings:	\$	3,262,773	\$ 1,434 21.0%
TOTAL ANNUAL HH EXPENDITURES:	\$	15,517,146	\$ 6,818 100.0%
Comparison to U.S.:			\$24,241
<i>Difference between U.S. and Trade Area</i>			-71.9%

Source: ESRI Business Solutions, Inc.; Economics Research Associates, updated
 May 2004.

Birmingham Center City Master Plan Update

Employment Trends & Projections

Table 10
Employment Trends By Sector for the Four-County Birmingham MA, 1990-2001
Birmingham Center City Master Plan Update

CATEGORY	1990	1995	2000	2001	CHANGE: 1990-2000		
					No.	%	CAGR
All Full- & Part-time Employment				(1)			
Wage & Salary Employment	372,693	399,364	427,519	423,887	54,826	14.7%	1.4%
Proprietors							
Farm Proprietors	516	498	480	480	(36)	-7.0%	-0.7%
Non-farm Proprietors	42,680	46,168	54,986	57,622	12,306	28.8%	2.6%
Subtotal - Proprietors:	43,196	46,666	55,466	58,102	12,270	28.4%	2.5%
TOTAL:	415,889	446,030	482,985	481,989	67,096	16.1%	1.5%
<i>Average Annual % Change</i>		1.4%	1.7%	-0.2%			
Farm Employment	600	560	539		(61)	-10.2%	-1.1%
Non-farm Employment	415,289	445,470	482,446		67,157	16.2%	1.5%
Employment by Sector							
Mining & Construction	28,070	28,118	32,605		4,535	16.2%	1.5%
Manufacturing	43,620	42,424	39,643		(3,977)	-9.1%	-1.0%
Transportation & Public Utilities	30,308	29,482	31,394		1,086	3.6%	0.4%
Wholesale & Retail Trade	94,334	103,562	109,806		15,472	16.4%	1.5%
Finance/Insurance/Real Estate	37,253	38,365	46,637		9,384	25.2%	2.3%
Services	118,243	137,152	156,207		37,964	32.1%	2.8%
Government	61,201	63,500	62,790		1,589	2.6%	0.3%
Subtotal - Non-Agricultural:	413,029	442,603	479,082		66,053	16.0%	1.5%
Agricultural Services	2,260	2,867	3,364		1,104	48.8%	4.1%
Farm Employment	600	560	539		(61)	-10.2%	-1.1%
Subtotal - Agricultural:	2,860	3,427	3,903		1,043	36.5%	3.2%
TOTAL EMPLOYMENT:	415,889	446,030	482,985		67,096	16.1%	1.5%

(1) Data for 2002 and 2003 are not available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis; Economics Research Associates, updated May 2004.

Employment Trends in Birmingham 4 County MA, 1990-2000
Birmingham Center City Master Plan Update

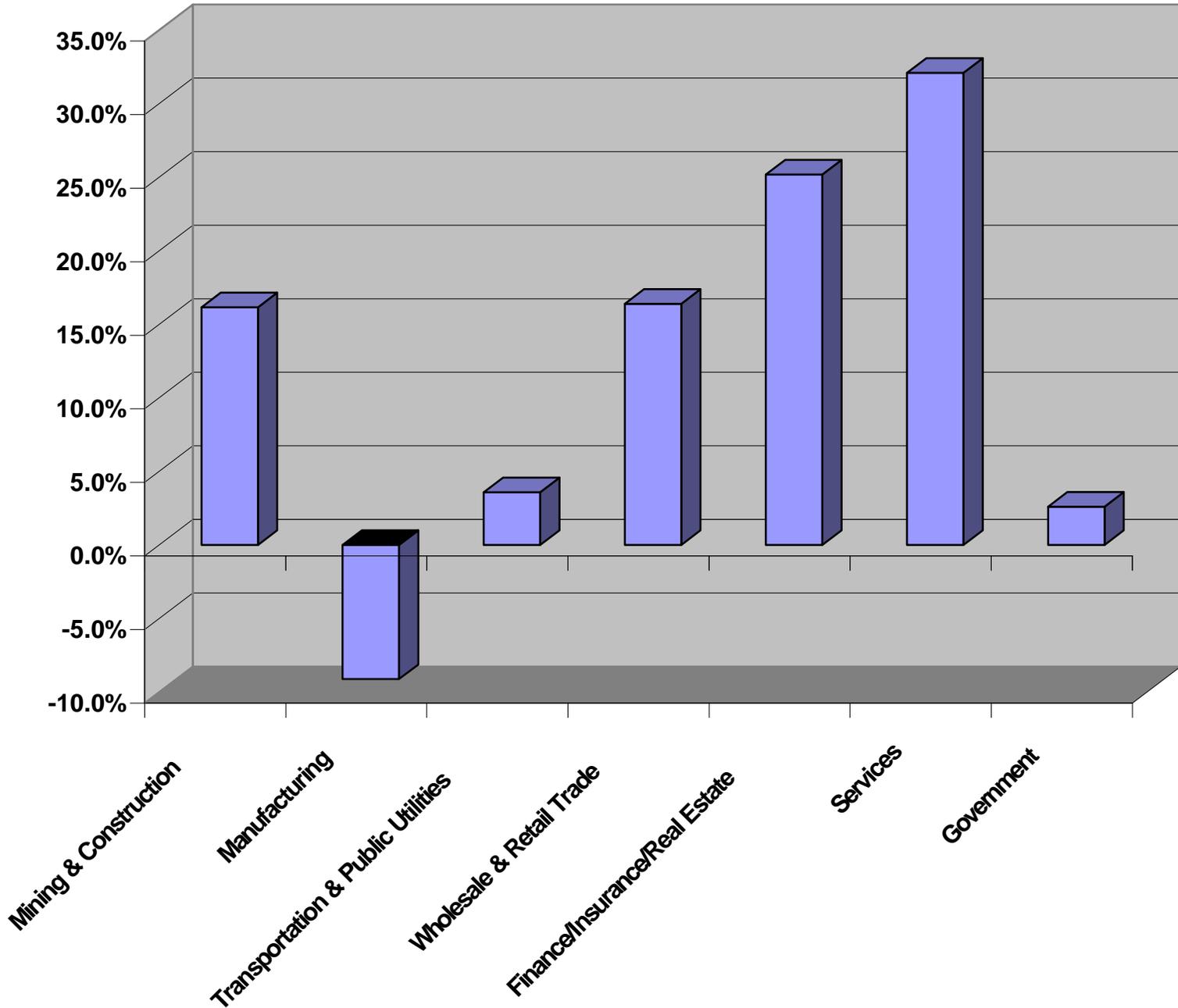


Table 11
Employment Trends in the Four-County Birmingham MA, 1990-2000
Birmingham Center City Master Plan Update

JURISDICTION	EMPLOYMENT		CHANGE: 1990-2000		% OF MSA TOTAL		% OF MSA GROWTH
	1990	2000	No.	%	1990	2000	
<i>By Place of Residence</i>							
City of Birmingham	110,156	98,574	(11,582)	-10.5%	27.1%	23.3%	-69.2%
Suburbs (1)	295,759	324,067	28,308	9.6%	72.9%	76.7%	169.2%
Birmingham MSA:	405,915	422,641	16,726	4.1%	100.0%	100.0%	100.0%

(1) Suburban data are defined as the total for the Birmingham MA less the sum of data for the City of Birmingham.

Source: U.S. Bureau of the Census; Economics Research Associates, updated May 2004.

Table 12
Employment Trends & Projections for the Birmingham-Hoover MA, 1995-2015
Birmingham Center City Master Plan Update

CATEGORY	Bureau of Labor Statistics					Woods & Poole, Inc. (1)		
	1995	2000	2002	2003	2004	2005	2010	2015
Mining & Construction	28,118	31,910	31,100	30,400	31,600	32,138	31,869	31,763
Manufacturing	42,424	39,038	42,200	38,900	39,200	36,829	35,476	34,574
Transp/Comm/Public Utilities	29,482	30,632	33,400	33,600	30,700	31,762	32,354	32,983
Wholesale & Retail Trade	103,562	111,387	87,000	86,700	84,800	115,258	119,507	124,182
Finance/Insurance/Real Estate	38,365	45,934	39,600	39,600	39,200	47,314	48,403	49,700
Services	137,152	156,083	177,500	181,600	172,500	169,141	181,642	195,467
Government	63,500	63,850	71,000	73,400	74,000	66,282	68,361	70,484
TOTAL:	442,603	478,834	481,800	484,200	472,000	498,724	517,612	539,153
Net Gain/(Loss):		36,231	2,966	2,400	(12,200)	26,724	517,612	40,429
Average Annual (1995-2004):					3,266			
Average Annual (2005-2015):								1,371
Compound Annual % Growth Rate (CAGR):								
1995 - 2000 Actual		1.59%						
2000 - 2004 Actual					-0.36%			
2005 - 2015 Forecast								0.78%

(1) Forecasts prepared by Woods & Poole Economics, Inc.; figures include part-time and self-employed.

(2) Data for 2002-2004 supplied by Alabama Department of Industrial Relations in cooperation with the Bureau of Labor Statistics.

Source: Woods & Poole Economics, Inc.; Bureau of Labor Statistics; Economics Research Associates, updated May 2004.

Table 13
Largest Employers in the
Birmingham MA, 2002
Birmingham Center City Master Plan Update

	Employer	No.
1.	University of Alabama at Birmingham	16,271
2.	U.S. Government	9,690
3.	BellSouth	7,500
4.	State of Alabama	6,784
5.	Baptist Health System	6,000
6.	Bruno's, Inc.	5,374
7.	Jefferson County Board of Education	5,000
8.	Birmingham Public Schools	4,555
9.	City of Birmingham	4,500
10.	Wal-Mart	4,320
11.	Jefferson County Government	4,191
12.	HealthSouth Corporation	3,960
13.	AmSouth Bancshares	3,624
14.	Southern Company Services	3,207
15.	SouthTrust Bank	3,094
16.	Alabama Power Company	3,000
17.	Regions Financial Corporation	3,000
18.	Drummond Company	2,900
19.	Children's Health System	2,800
20.	Blue Cross-Blue Shield of Alabama	2,750
21.	Shelby County Board of Education	2,734
22.	UAB Health Services Foundation	2,500
23.	American Cast Iron Pipe	2,400
24.	U.S. Steel Group/USX Corporation	2,400
25.	Carraway Methodist Health System	2,900

**Source: Birmingham Chamber of Commerce; Economics
Research Associates, February 2004.**

Table 14
Employment Trends at the University of Alabama-Birmingham, 1994-2002
Birmingham Center City Master Plan Update

AREA	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	CHANGE: 1994-2002	
									No.	%
Central Administration	3,165	3,144	2,456	2,766	2,351	2,225	3,443	2,241	(924)	-29.2%
Hospital	5,689	5,647	4,955	5,595	5,806	5,758	5,833	6,065	376	6.6%
Provost/Academics	6,438	6,249	7,954	7,468	7,861	7,692	6,851	8,145	1,707	26.5%
Unknown	2	4	5	4	4	-	-	-	(2)	100.0%
TOTAL:	15,294	15,044	15,370	15,833	16,022	15,675	16,127	16,451	1,157	7.6%
Annual % Change	-	-1.6%	2.2%	3.0%	1.2%	-2.2%	2.9%	2.0%		

Source: Office of Human Resource Management Information Systems, University of Alabama-Birmingham; Economics Research Associates, March 2004.

III. Real Estate Market Conditions

Introduction

ERA examined market conditions and characteristics across a range of commercial uses, including workplace (e.g., office, research & development), lodging, convenience and destination retail, and leisure/entertainment (cinema). This section of the report analyzes commercial inventory, rental and vacancy rates, historical development and absorption trends, new construction, and other appropriate potential supply and demand factors as they affect commercial development opportunities in Center City Birmingham.

Information on the downtown building inventory came from a variety of sources. This information includes such variables as building and/or parcel size (in sq. ft.), use, vacancy rates, and the like. Sources of property data include interviews with individual property owners and developers, commercial real estate surveys such as the Wilhelm Report and Southpace Properties' Office Market Report, Operation New Birmingham (ONB), City Planning Department, Smith Travel Research, and Nielson Entertainment Data, Inc. As geographic definitions of various submarkets differ between data sources (e.g., Midtown), ERA utilized Southpace Properties' reports, which provided consistent data for the 2000-2003 period. In addition, as a means of understanding historic market characteristics prior to 2000, City Planning staff prepared a summary memorandum on office inventory and absorption activity based on limited available data to 1985.

Relevant information is illustrated in Tables 15 through 31 and accompanying graphics at the end of this chapter.

Commercial Development Patterns (Tables 15-31)

ERA examined historic and current market conditions among these various commercial uses across specific geographic areas (e.g., Center City, suburban locations, etc.) in order to identify market opportunities that could be expected to strengthen downtown's role as a viable business location and regional destination. ERA examined commercial development patterns, including building permit activity, historic absorption, employment growth, rental and pricing trends, hotel occupancy trends and the like. These findings are presented, by use, in greater detail below.

Office (Tables 15-17)

From a regional perspective, future employment growth and market demand for office space are closely linked. In addition, a critical determinant of both future employment growth and market demand is the degree to which a community or specific site is competitive. Factors defining this competitive positioning include local and regional access; overall physical characteristics, such as street or highway frontage and visibility; proximity to economic activity, such as business retention and expansion and job creation; and fixed costs such as property and other business taxes.

Office uses also require access to a qualified labor pool, contemporary floorplates/building configurations, adequate (and oftentimes the provision of extra) parking, nearby convenience and supporting retail and services and pedestrian-scale amenities.

Vacant Commercial Building Inventory

Operation New Birmingham (ONB) compiles an annual profile of the current vacant commercial building stock in Center City as a marketing tool designed to assist developers and brokers and to solicit development interest. As part of the commercial market analysis, ERA reviewed this inventory to assist the planning team in understanding whether commercial development potentials could be best accommodated in either existing (converted) buildings or in new construction in selected locations of Center City. The existing vacant building inventory is illustrated in Table 15 and summarized below:

- As of February 2004, **there are an estimated 2.6 million sq. ft. of vacant commercial space** in more than 125 buildings in Downtown Birmingham.
- Vacant inventory include roughly 226,000 sq. ft. of “pure” office space; 118,000 sq. ft. of retail-swing space; and 97,000 sq. ft. of warehouse space, which represents about 18% of the CBD’s vacant stock.
- However, the lion’s share of vacant space is in properties that ONB classifies as mixed-use, and includes 2.1 million sq. ft. of both street-level and upper-floor space.

ERA notes that the vacant inventory is *declining* as a result of an increasing number of building conversions/removals over the past several years. These include the pending conversion of the 139,250 sq. ft. *Phoenix Building* to residential lofts; conversion of the 78,000 sq. ft. *1710 Building* into the City’s new Police Headquarters; and removal of the 65,000 sq. ft. *Commerce Center* from the inventory.

Conversions notwithstanding, this is a significant overhang of vacant commercial stock in Downtown Birmingham that, barring any large-scale changes to the region’s economic outlook, is likely to remain largely vacant for the foreseeable future. Opportunities to convert some portion of this space into residential, or renovate/upgrade for continued commercial uses are appropriate and should be strongly encouraged. The pace and scale at which this occurs, however, is likely to be incremental and driven by the amount of new job growth and other successful economic expansion activities in the CBD.

Historic Office Development—1980s and 1990s

Driven by job growth associated with the economic boom of the 1980s, the Birmingham metropolitan area’s office market expanded significantly. Approximately 4.7 million sq. ft. of office space was built in 72 buildings between 1985-1989, resulting in a regional inventory of 10.5 million sq. ft. by decade’s end. Downtown Birmingham also benefited—as six new office buildings were built—adding more than 2.2 million sq. ft. of Class-A office space to the CBD. These buildings included *Park Place Tower*, *Financial Center*, *Energen Plaza*, *Southtrust Tower*, *AmSouth-Harbart Plaza* and Alabama Power’s headquarters expansion.

	CBD Inventory (SF)	Vacant Space (SF)	% Vacant
1989	3,765,100	662,800	17.6%
2001	4,737,300	571,400	12.1%
% Change	25.8%	(13.8%)	(31.2%)

Source: Wilhelm Reports; City of Birmingham, June 2004

During the early 1990s, the savings and loan crisis as well as the national economic downturn of the first Bush administration severely curtailed commercial office development across the country as well as in Birmingham. In fact, **between 1990 and 2000, only one building was added to the CBD office inventory**—the 229,000 sq. ft. *Medical Forum* building constructed as part of the Birmingham-Jefferson Civic Center Office Park, which was financed by BJCC bond funds. According to City staff, this building required several years to fully lease despite attractive subsidies, including heavily discounted rents.

The majority of new office development in the 1990s occurred in outlying suburban locations, as approximately 1.3 million sq. ft. of multi-tenant office space was developed in suburban submarkets such Highway 280 South during this period.

Recent Activity—2000 to 2003 (year-end)

The early 2000s have seen a **renewed interest in downtown and suburban office development across metropolitan Birmingham**. Approximately 1.6-million sq. ft. of new office space has been built across the metropolitan area since 2000—fueled largely by job growth and the availability of capital in 2000 and 2001 prior to the economic downturn of 2002. In Center City Birmingham, this includes the construction of two new Class-A, speculative office buildings (the first new commercial development in the CBD in 10 years) as well as several building renovations and conversions to other uses. New development includes the 150,000 sq. ft. *Concord Center* completed in 2002 and the 310,000 sq. ft. *One Federal Place* completed in 2003. Renovations include, among others, *Two North Twentieth*.

- With the completion of Concord Center and One Federal Place in 2002-03, **Downtown Birmingham’s share of the region’s office market has remained steady—in the range of 30%**—with a total inventory of about 3.6 million sq. ft. of space—according to Southpace Properties. As noted, this is the downtown’s current *fair share*.
- Current vacancy rates in the downtown office market have reportedly climbed since 2000—from 9.5% at that time to 17% in 2002 to 14% in 2003, primarily a

result of the addition of new, multi-tenant space with these two new buildings. According to Southpace Properties, almost 497,000 sq. ft. of office space are vacant, a 64% jump from the 302,000 sq. ft. of vacant space in 2000.

- *Net absorption* (i.e., the amount of office space actually leased over specific periods of time) is a critical barometer of the overall health of an office market. These data indicate that **the CBD has averaged 88,400 sq. ft. of net absorption on an annual basis since 2000**, accounting for almost 45% of the region’s total absorption. By comparison, City Planning staff review of historic absorption trends based on the Wilhelm office data indicates that downtown absorbed an average of roughly **79,000 sq. ft. per year between 1988-2001**.

**Annual Office Absorption in Downtown Averages
Between 79,000 & 88,000 Sq. Ft.**

- As illustrated in Table 16, Southpace Properties estimates that the entire metropolitan area averaged **221,000** sq. ft. of net absorption; Midtown and the CBD captured the lion’s share of leasing activity during this period—in the range of 40% to 45% each. Weakened market conditions in outlying suburban locations such as Riverchase resulted in negative net absorption between 2000-2003.

In the short-term (i.e., over the next three to five years), the CBD is unlikely to see any new, multi-tenant office construction. Moreover, Wachovia Bank’s acquisition of Southtrust Bank will likely add to the uncertainty regarding occupancy and/or disposition of its downtown headquarters tower, which could potentially add a sizable amount of space to the vacant inventory. This reinforces the overall importance of a carefully crafted economic development strategy for the downtown (and the City as a whole) that focuses on job retention and business recruitment.

Hotel (Tables 18-29)

In general, lodging uses require a nearby concentration of office and industrial employment, strong visibility and access from nearby roadways, a strong tourism economy or meeting destination, and/or supporting amenities, including retail and a “sense of place”. ERA examined trends and characteristics in Birmingham’s lodging market among selected full- and limited-service facilities as a means of gauging the overall health of this property sector. Key findings are summarized below and detailed in Tables 18-29 and accompanying charts.

Full-service Hotels

ERA selected seven full-service hotels in or surrounding Downtown Birmingham to evaluate market conditions in this property sector. A full-service hotel is defined as one that provides on-site amenities such as a restaurant and/or meeting/function space. These seven properties contain 2,016 rooms; the largest properties include the Sheraton Hotel Birmingham (770 rooms), Radisson Hotel Birmingham (298 rooms), and Marriott Birmingham (295 rooms). Other full service hotels are national chains such as Crowne

Plaza, Embassy Suites and Wyndham. The last property is a local operator, the Villager Lodge Civic Center at the University of Alabama-Birmingham. Market characteristics are summarized in Table 18 and highlighted below:

- Over the past five years, occupancy levels have fluctuated between 53.9% and 57.5% per year. Seasonally, the strongest occupancies tend to be in the spring, with another peak in the early fall. **ERA notes that these occupancy levels are significantly below what the capital markets would require before financing new hotel development.**
- Not surprisingly, the weakened economy since 2000 has resulted in a decline in overall occupancies, with a decline in 2001 by 3% and again in 2002 by 3.4%. A slightly improved economy resulted in a modest, upward bump of 0.2% in 2003, to **54.0%**.
- While occupancies have declined, average daily rates (ADRs) achieved in these full-service properties have increased, from about \$89 in 1999 to more than \$95 in 2003, an average annual growth rate of 1.3%. Revenue per available room, which is the best measure of year-to-year growth because it considers simultaneous changes in both room rate and annual occupancy levels, exhibited only moderate increases between 1999-2003 of 0.5% per year.

**The Region's Hotel Sector is Soft:
Annual Occupancies Range from 54% to 59%**

Limited-Service Hotels

Limited-service hotels are typically defined as those with only limited services and no restaurant. As a rule, limited-service properties cater to a price-sensitive market such as leisure travelers and interstate traffic. In Birmingham, ERA selected five properties containing 609 rooms, including: Comfort Inn (155 rooms), Hampton Inn (133 rooms), Marriott Courtyard (122 rooms), Howard Johnson Express Inn (100 rooms), and Park Inn (99 rooms). Market characteristics are summarized in Table 24 and highlighted below:

- Over the last five years, annual occupancy rates for limited-service properties peaked in 1999 at 65.5%, fell to 54.6% in 2002, and rose to 59% at year-end 2003 with an improving economy. Seasonally, the strongest occupancies tend to be in the spring, with another peak in the early fall.
- The rate of decline in annual occupancy levels in these limited-service properties was almost 10% between 1999 and 2003.
- While occupancies declined, average daily rates (ADRs) achieved in the limited-service properties increased, from \$62 in 1999 to more than \$65 in 2003, an average annual growth rate of 1.0%. Revenue per available room, on the other hand, declined by 1% per year during this period.

- ERA notes that the supply of limited-service roomnights increased by more than 3% per year over the last five years, as new properties were delivered to the market in 2000. By comparison, available supply in the area’s full-service properties increased by less than 1% during this period.

Cinema (Tables 30 & 31)

A number of cities across the United States have successfully attracted multi-plex or thematic cinemas as a means of supplementing downtown revitalization efforts with other destinational uses such as cultural attractions, entertainment, food & beverage and the like.

As such, ERA examined characteristics and conditions in the region’s cinema market to understand the potential for this use to serve as a catalyst for commercial revitalization in Center City Birmingham. Relevant trends are summarized below and detailed in Tables 30 and 31:

- Three “trade areas” comprise the Birmingham cinema market—a primary (0 to 10 miles from Center City), secondary (10-20 miles), and a tertiary (20+ miles). These submarkets consider general behavioral patterns of moviegoers, competitive offerings, and geographic distance to Center City.
- There are 134 screens in the Birmingham marketplace; 72 screens (54%) are located within a 10-mile ring, including Birmingham and Vestavia Hills. Another 48 screens (36%) are located in the secondary submarket, including Birmingham, Trussville and Jasper. The remaining 14 screens (10%) are located more than 20 miles from Downtown Birmingham, including Gadsden, Cullman and Talladega.
- The 72 screens comprising the primary market generated more than **\$13.0 million** in gross ticket revenues in 2003, a 5.1% *increase* over 2002 performance based on data provided by Nielsen Entertainment. The overall market share of the primary market increased from 60% in 2002 to 63.5% in 2003.
- By comparison, gross revenues in both the secondary and tertiary markets *declined* between 2002 and 2003. In the 10-20 mile ring, gross revenues decreased from \$6.7 million to less than \$6.1 million, a 9.4% decline. Similarly, gross revenues also dropped in the outlying/tertiary market—from roughly \$1.6 million to about \$1.4 million.
- Gross revenue in the total market was down almost 1% between 2002 and 2003, from \$20.7 million to \$20.6 million.

ERA also examined construction trends in the cinema market in greater Birmingham. The *Rave Theater* in the Patton Creek Shopping Center, located near the Riverchase Galleria and the I-459/U.S. 31 interchange, is adding 15 new screens to the primary market, which will bring the total primary supply to 87 screens by 2005. According to City staff, patrons who support the Regal Cinema’s *Galleria 10* complex are concerned about the level of competition that the new theater—with its stadium seating and other proposed amenities—will bring to the area. The Galleria 10 complex captures a niche market of filmgoers with independent features that are not offered at other primary market theaters. Notably, ticket

revenues at the Galleria 10 facility *declined* by 28% between 2002 and 2003—from \$1.9 million to about \$1.3 million. This suggests that additional competition will further strain revenues generated by ticket sales at this facility.

In addition, while no specific information is available on the number of screens or the operator, a 50,000 sq. ft. cinema complex is slated to open in Alabaster, located in the tertiary market, as part of a larger, 800,000 sq. ft. retail center. This center, located approximately 11 miles south of the I-65/I-459 interchange, is expected to include a Lowe's home improvement store, a Wal-Mart Super Center and a Belk's department store. This proposed multi-plex theater is expected to be the only one convenient to south Shelby County residents.

ERA concludes that the near-term opening of the 15-screen Rave Theater complex at Patton Creek—located in the primary market within proximity of Center City Birmingham—could be expected to affect opportunities for development of a multi-plex cinema complex in the downtown area. A more detailed analysis of cinema demand potentials is illustrated in Section IV of this report.

Cultural Attractions

The economy of metropolitan Birmingham has clearly transitioned from its historic industrial roots to a service-based economy over the past 25 years. In addition, the metropolitan area serves as Alabama's cultural heart with a range of attractions that draw patrons and visitors to multiple cultural venues throughout the metropolitan area. Importantly, several of these institutions and attractions are located in Center City, thus reinforcing the downtown's role as a regional (and statewide) visitor destination.

Visitors to Center City Birmingham represent an important component of potential market support for uses such as cultural attractions and retail. However, ERA did not examine visitor counts for these facilities as it is difficult to accurately determine the actual number of annual visitors to the downtown area (i.e., double-counting of the same visitor to multiple attractions).

Key visitor attractions located in the downtown area include:

- The *Birmingham Museum of Art*, the largest municipal museum in the Southeast, contains 21,000 works of art, a 340-seat auditorium, sculpture garden, café, and meeting rooms. After a \$21 million expansion/renovation in 1992, the museum today comprises 180,000 sq. ft.;
- The *McWane Center*, located in the heart of Center City, is the region's premier science museum that includes a six-story, 280-seat IMAX theatre and 10 permanent thematic sections of the museum;
- The *Birmingham-Civil Rights Institute*, founded in 1992 and located across from Kelly Ingram Park, tells the story of the civil rights struggles of the 1950s and 1960s in Birmingham and across the South. The facility includes seven galleries, two theaters, and permanent, traveling and changing exhibits, and meeting rooms. The facility serves as a depository for civil rights archives and documents.

- The *Alabama Theater* is an historic movie palace built in 1927 by Paramount at Third Avenue and 18th Street in Downtown Birmingham. It contains the largest Wurlitzer pipe organ in the South. The facility was used primarily as a movie palace for 55 years. In 1987, ownership declared bankruptcy, and the theater was purchased by Birmingham Landmarks, Inc., a non-profit corporation. In 1998, the facility underwent a complete restoration. Today, the facility is a full performing arts center containing approximately 2,000 seats, and hosting more than 300 annual events. Annual attendance is reported at 500,000.
- The *Birmingham-Jefferson County Convention Complex (BJCC)* is a full-service exhibition and convention meeting facility containing multiple components and managed and operated by the BJCC Authority, a joint City-County authority. Facilities include a 220,000 sq. ft. exhibit hall, 100,000 sq. ft. of meeting space in 74 rooms, a 19,000 seat arena, a 3,000 seat concert hall, a 1,000 seat theater, 770 hotel rooms in the adjacent Sheraton Birmingham Hotel, and the Alabama Sports Hall of Fame. In addition, the complex also includes the 364,000 sq. ft. Medical Forum, a 10-story, multi-purpose facility offering classroom, meeting, and conference and office space. (The BJCC complex borders the study area boundaries at the northern end of Center City).
- Other cultural attractions include more than 50 art galleries located across the metropolitan area exhibiting the works of local and international arts, nine performing arts venues, including the *Birmingham Children's Theater*, and over 20 dance and music venues and organizations, including the *Alabama Symphony Orchestra*, a professional opera company and contemporary dance ensemble.

Birmingham Center City Master Plan Update

Office Market Conditions

Table 15
Existing Vacant Building Stock in Downtown Birmingham (1)
Birmingham Center City Master Plan Update

Type	No. of Buildings	Vacant Space (Sq. Ft.)	% Distribution	
			By Bldg. Type	Total
Office				
Street Level	6	22,057	9.7%	
Upper Floors	15	204,480	90.3%	
Total:	21	226,537	100.0%	8.8%
Mixed-use				
Street Level	14	178,050	8.3%	
Upper Floors	48	1,956,678	91.7%	
Total:	62	2,134,728	100.0%	82.9%
Retail--Swing Space				
Street Level	-	-	0.0%	
Upper Floors	32	118,087	100.0%	
Total:	32	118,087	100.0%	4.6%
Warehouse				
Street Level	-	-	0.0%	
Upper Floors	11	97,125	100.0%	
Total:	11	97,125	100.0%	3.8%
TOTAL (SQ. FT.):	126	2,576,477		100.0%

(1) This represents existing vacant commercial buildings in Downtown Birmingham as estimated by Operation New Birmingham as of February 2004. ERA notes that the vacant inventory is declining as a result of an increasing number of building conversions (e.g., Phoenix Building to loft residential, 1710 Building to Police Headquarters, etc.).

Source: Operation New Birmingham, Fall 2003 & Winter 2004 Surveys; Economics Research Associates, updated May 2004.

Table 16
Office Market Trends, By Selected Submarket, 2000-2003 (1)
Birmingham Center City Master Plan Update

	In Sq. Ft. (000s)		VACANCY RATE	In Sq. Ft. (000s)	
	RENTABLE SPACE	VACANT SPACE		NET ABSORPTION	ANNUAL GROWTH
Central Business District (2)					
2000	3,189.0	302.4	9.5%	57.7	-
2001	3,156.4	291.6	9.2%	10.8	(32.6)
2002	3,606.8	609.3	16.9%	132.7	450.4
2003	3,609.1	496.8	13.8%	152.5	2.2
% Change:	13.2%	64.3%	45.2%		
Average Annual Absorption (000s):				88.4	
Midtown (3)					
2000	2,414.3	130.4	5.4%	53.1	-
2001	2,571.9	143.6	5.6%	146.8	157.6
2002	2,862.0	208.7	7.3%	132.7	290.0
2003	2,871.0	175.3	6.1%	32.5	9.0
% Change:	18.9%	34.5%	13.1%		
Average Annual Absorption (000s):				91.3	
Riverchase					
2000	785.2	69.7	8.9%	(42.0)	-
2001	806.6	67.3	8.3%	21.5	21.3
2002	806.6	87.1	10.8%	(19.7)	-
2003	838.6	103.6	12.4%	(10.6)	32.0
% Change:	6.8%	48.7%	39.2%		
Average Annual Absorption (000s):				(12.7)	
Highway 280					
2000	4,628.3	323.2	7.0%	182.2	-
2001	4,841.2	393.4	8.1%	76.6	157.6
2002	4,855.4	439.2	9.0%	(66.8)	290.0
2003	4,855.4	411.6	8.5%	24.6	9.0
% Change:	4.9%	27.3%	21.4%		
Average Annual Absorption (000s):				54.2	

Table 16
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Birmingham Center City Master Plan Update

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	RENTABLE SPACE	VACANT SPACE		NET ABSORPTION	ANNUAL GROWTH
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Average Annual Absorption (000s):				91.3	
Riverchase					
2000	785.2	69.7	8.9%	(42.0)	-
2001	806.6	67.3	8.3%	21.5	21.3
2002	806.6	87.1	10.8%	(19.7)	-
2003	838.6	103.6	12.4%	(10.6)	32.0
% Change:	6.8%	48.7%	39.2%		
Average Annual Absorption (000s):				(12.7)	
Highway 280					
2000	4,628.3	323.2	7.0%	182.2	-
2001	4,841.2	393.4	8.1%	76.6	157.6
2002	4,855.4	439.2	9.0%	(66.8)	290.0
2003	4,855.4	411.6	8.5%	24.6	9.0
% Change:	4.9%	27.3%	21.4%		
Average Annual Absorption (000s):				54.2	

Birmingham Center City Master Plan Update

Hotel Market Conditions

Table 18
Annual Performance Indicators
Birmingham Area Full-Service Hotel Market, 1999-2003 (1)
Birmingham Center City Master Plan Update

	1999	2000	2001	2002	2003	AVG. ANN'L GROWTH 1999-2003
Available Roomnights (Supply)	705,958	700,703	731,825	735,840	735,840	0.83%
Occupied Roomnights (Demand)	395,523	403,157	407,350	396,397	396,504	0.05%
Annual Occupancy	56.3%	57.5%	55.8%	53.9%	54.0%	(0.8%)
Average Daily Rate	\$ 89.42	\$ 91.62	\$ 91.73	\$ 93.52	\$ 95.27	1.3%
Revenue/Available Room	\$ 50.22	\$ 53.00	\$ 51.32	\$ 50.51	\$ 51.50	0.5%
YEAR-TO-YEAR % GROWTH						
Annual Occupancy	-	2.1%	(3.0%)	(3.4%)	0.2%	
Average Daily Rate	-	2.5%	0.1%	2.0%	1.9%	
Revenue/Available Room	-	5.5%	(3.2%)	(1.6%)	2.0%	
FACILITY	ROOMS	%				
Marriott Birmingham	295	14.6%				
Sheraton Hotel Birmingham	770	38.2%				
Radisson Hotel Birmingham	298	14.8%				
Crowne Plaza Birmingham The Redmont	114	5.7%				
Embassy Suites Birmingham	242	12.0%				
Wyndham Hotels Grand Hotel Tutwiler	147	7.3%				
Villager Lodge Civic Center UAB	150	7.4%				
TOTAL ROOM INVENTORY:	2,016	100.0%				

(1) Revenue per available room is the best measure of year-to-year growth because it considers simultaneous changes in both room rate and annual occupancy levels.

Source: Smith Travel Research; Economics Research Associates, updated May 2004.

Table 19
Available Roomnights (Supply)
Birmingham Area Full-Service Hotel Market, 1999-2003 (1)
Birmingham Center City Master Plan Update

	1999	2000	2001	2002	2003	AVG. ANN'L GROWTH
	(2)					
January	61,442	58,621	62,155	62,496	62,496	1.6%
February	55,496	52,948	56,140	56,448	56,448	1.6%
March	58,621	58,621	62,155	62,496	62,496	1.3%
April	60,150	56,730	60,150	60,480	60,480	0.1%
May	62,155	58,621	62,155	62,496	62,496	0.1%
June	60,150	56,730	60,150	60,480	60,480	0.1%
July	58,621	58,621	62,155	62,496	62,496	1.3%
August	58,621	58,621	62,155	62,496	62,496	1.3%
September	56,730	56,730	60,150	60,480	60,480	1.3%
October	58,621	62,155	62,155	62,496	62,496	1.3%
November	56,730	60,150	60,150	60,480	60,480	1.3%
December	58,621	62,155	62,155	62,496	62,496	1.3%
Annual:	705,958	700,703	731,825	735,840	735,840	0.8%
Annual % Change:	-	-0.7%	4.4%	0.5%	0.0%	

(1) Supply equals 2016 rooms.

(2) 1999 data for January and February was annualized based on subsequent year performance for those two months.

Source: Smith Travel Research; Economics Research Associates, updated May 2004.

Table 20
Occupied Roomnights (Demand)
Birmingham Area Full-Service Hotel Market, 1999-2003 (1)
Birmingham Center City Master Plan Update

	1999	2000	2001	2002	2003	AVG. ANN'L GROWTH
	(2)					
January	29,082	26,050	29,922	29,717	30,640	3.3%
February	34,924	30,210	39,582	35,282	34,621	2.8%
March	33,835	40,297	40,885	36,800	36,422	1.5%
April	36,181	35,359	37,609	37,299	33,958	(1.3%)
May	31,517	30,068	35,607	33,282	30,360	(0.7%)
June	34,119	30,051	33,968	36,587	33,673	(0.3%)
July	33,530	34,349	36,920	35,510	36,691	1.8%
August	30,283	30,170	35,446	33,904	32,364	1.3%
September	31,657	33,918	25,865	28,405	35,577	2.4%
October	37,695	44,016	37,833	37,241	37,608	(0.0%)
November	32,988	39,173	30,193	29,400	28,769	(2.7%)
December	29,712	29,496	23,520	22,970	25,821	(2.8%)
Annual:	395,523	403,157	407,350	396,397	396,504	0.0%
Annual % Change:	-	1.9%	1.0%	-2.7%	0.0%	

(1) Supply equals 2016 rooms.

(2) 1999 data for January and February was annualized based on subsequent year performance for those two months.

Source: Smith Travel Research; Economics Research Associates, updated May 2004.

Table 21
Room Revenue
Birmingham Area Full-Service Hotel Market, 1999-2003 (1)
Birmingham Center City Master Plan Update

	1999	2000	2001	2002	2003	AVG. ANN'L GROWTH
	(2)					
January	\$ 2,612,189	\$ 2,230,804	\$ 2,715,368	\$ 2,712,002	\$ 2,790,581	4.6%
February	3,264,136	2,716,704	3,699,078	3,336,037	3,304,723	4.0%
March	2,779,036	3,777,607	3,862,368	3,369,200	3,581,172	5.2%
April	3,384,657	3,384,658	3,752,409	3,688,197	3,505,643	0.7%
May	2,777,380	2,785,649	3,318,661	3,133,929	2,858,590	0.6%
June	3,143,450	2,750,360	3,015,838	3,402,474	3,155,088	0.1%
July	2,925,316	3,035,918	3,224,737	3,175,997	3,488,345	3.6%
August	2,548,776	2,741,558	3,193,502	3,087,003	2,990,496	3.2%
September	2,803,331	3,166,193	2,301,550	2,711,105	3,578,336	5.0%
October	3,672,707	4,536,964	3,810,076	3,808,037	3,717,545	0.2%
November	2,965,303	3,491,390	2,656,243	2,706,969	2,596,665	(2.6%)
December	2,579,652	2,519,467	2,004,494	2,034,700	2,327,797	(2.0%)
Annual:	\$ 35,455,932	\$ 37,137,272	\$ 37,554,324	\$ 37,165,650	\$ 37,894,981	1.3%
Annual % Change:	-	4.7%	1.1%	-1.0%	2.0%	

(1) Supply equals 2016 rooms.

(2) 1999 data for January and February was annualized based on subsequent year performance for those two months.

Source: Smith Travel Research; Economics Research Associates, updated May 2004.

Table 22
Annual Occupancies By Month
Birmingham Area Full-Service Hotel Market, 1999-2003 (1)
Birmingham Center City Master Plan Update

	1999	2000	2001	2002	2003	AVG. ANN'L GROWTH
	(2)					
January	47.3	44.4	48.1	47.6	49.0	2.0%
February	62.8	57.1	70.5	62.5	61.3	1.5%
March	57.7	68.7	65.8	58.9	58.3	0.2%
April	60.2	62.3	62.5	61.7	56.1	-1.4%
May	50.7	51.3	57.3	53.3	48.6	-0.9%
June	56.7	53.0	56.5	60.5	55.7	-0.4%
July	57.2	58.6	59.4	56.8	58.7	0.5%
August	51.7	51.5	57.0	54.2	51.8	0.0%
September	55.8	59.8	43.0	47.0	58.8	1.1%
October	64.3	70.8	60.9	59.6	60.2	-1.3%
November	58.1	65.1	50.2	48.6	47.6	-3.9%
December	50.7	47.5	37.8	36.8	41.3	-4.0%
Annual:	56.3%	57.5%	55.8%	53.9%	54.0%	-0.8%
Annual % Change:	-	2.1%	-3.0%	-3.4%	0.2%	

(1) Supply equals 2016 rooms.

(2) 1999 data for January and February was annualized based on subsequent year performance for those two months.

Source: Smith Travel Research; Economics Research Associates, updated May 2004.

Table 23
Average Daily Rate
Birmingham Area Full-Service Hotel Market, 1999-2003 (1)
Birmingham Center City Master Plan Update

	1999	2000	2001	2002	2003	AVG. ANN'L GROWTH
	(2)					
January	\$ 89.68	\$ 85.64	\$ 90.75	\$ 91.26	\$ 91.08	1.2%
February	93.35	89.93	93.45	94.55	95.45	1.2%
March	82.13	93.74	94.47	91.55	98.32	3.7%
April	93.55	95.72	99.77	98.88	103.23	2.0%
May	88.12	92.64	93.20	94.16	94.16	1.3%
June	92.13	91.52	88.78	93.00	93.70	0.3%
July	87.24	88.38	87.34	89.44	95.07	1.7%
August	84.17	90.87	90.09	91.05	92.40	1.9%
September	88.55	93.35	88.98	95.44	100.58	2.6%
October	97.43	103.08	100.71	102.25	98.85	0.3%
November	89.89	89.13	87.98	92.07	90.26	0.1%
December	86.82	85.42	85.23	88.58	90.15	0.8%
Annual:	\$ 89.42	\$ 91.62	\$ 91.73	\$ 93.52	\$ 95.27	1.3%
Annual % Change:	-	2.5%	0.1%	2.0%	1.9%	

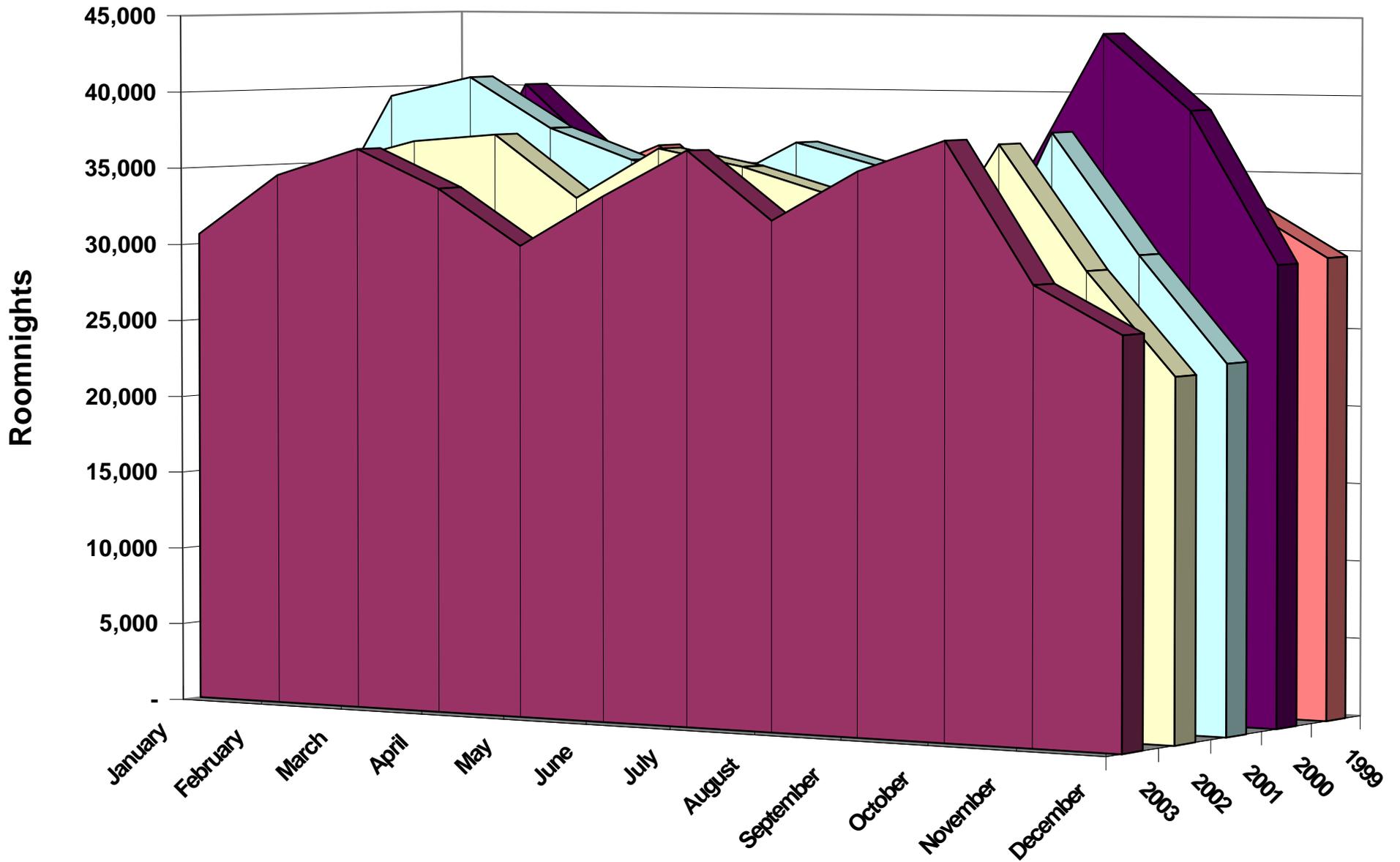
(1) Supply equals 2016 rooms.

(2) 1999 data for January and February was annualized based on subsequent year performance for those two months.

Source: Smith Travel Research; Economics Research Associates, updated May 2004.

Seasonality of Demand

Full Service Hotel Market-Birmingham, AL 1999-2003



Annual Change in Market Characteristics

Full Service Hotel Market-Birmingham, AL 1999-2003

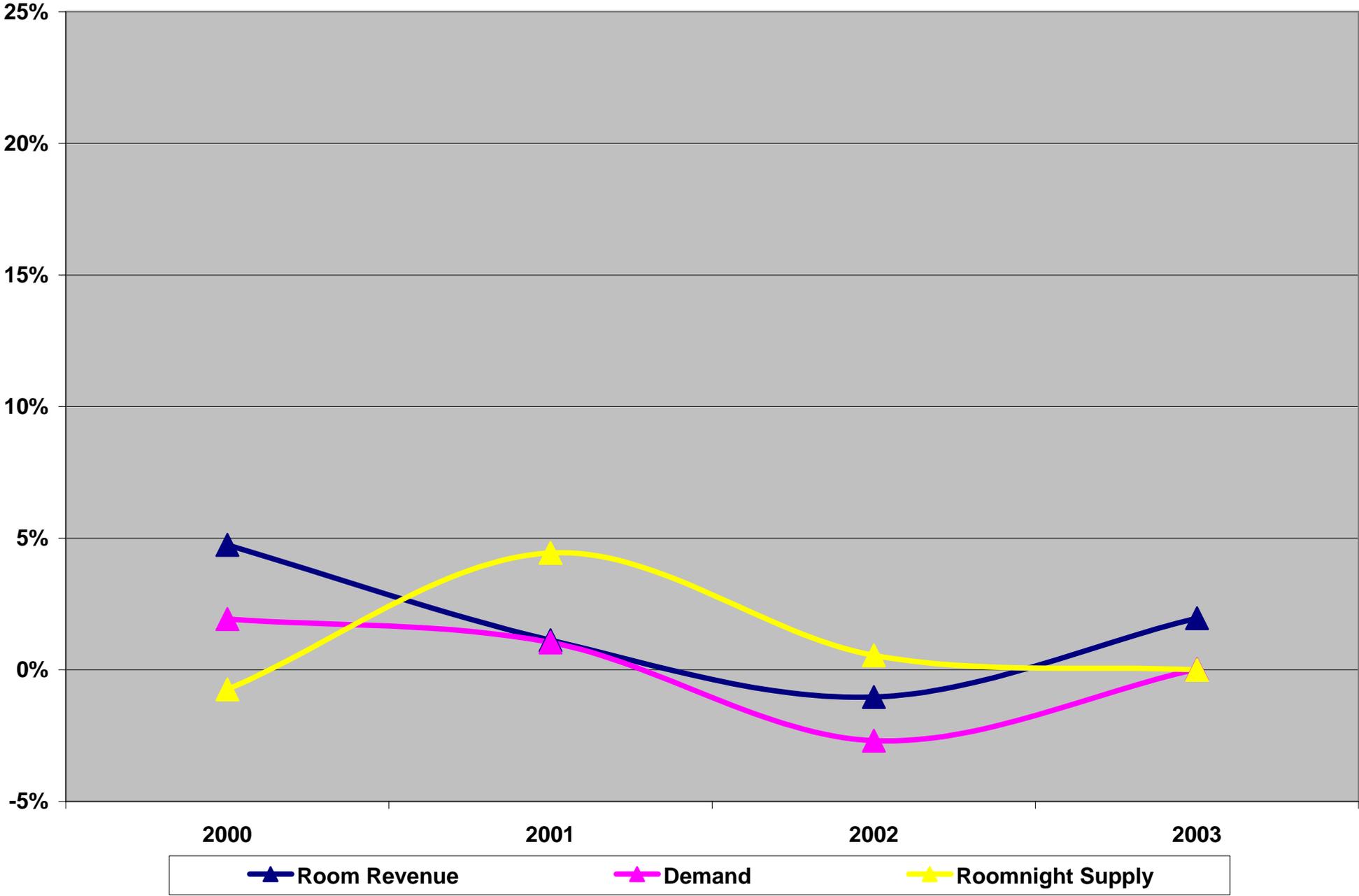


Table 24
Annual Performance Indicators
Birmingham Area Limited-Service Hotel Market, 1999-2003 (1)
Birmingham Center City Master Plan Update

	1999	2000	2001	2002	2003	AVG. ANN'L GROWTH 1999-2003
Available Roomnights (Supply)	189,219	222,285	222,285	222,285	222,285	3.3%
Occupied Roomnights (Demand)	123,415	132,959	127,034	121,289	131,236	1.2%
Annual Occupancy	65.5%	59.8%	57.2%	54.6%	59.0%	(2.1%)
Average Daily Rate	\$ 62.10	\$ 61.24	\$ 65.07	\$ 66.17	\$ 65.41	1.0%
Revenue/Available Room	\$ 40.54	\$ 36.67	\$ 37.26	\$ 36.19	\$ 38.63	(1.0%)

YEAR-TO-YEAR % GROWTH

Annual Occupancy	-	(8.7%)	(4.3%)	(4.5%)	8.1%
Average Daily Rate	-	(1.4%)	6.2%	1.7%	(1.2%)
Revenue/Available Room	-	(9.6%)	1.6%	(2.9%)	6.7%

FACILITY	ROOMS	%
Howard Johnson Express Inn Birmingham	100	16.4%
Hampton Inn Birmingham Colonnade	133	21.8%
Courtyard Birmingham Colonnade	122	20.0%
Comfort Inn Birmingham	155	25.5%
Park Inn Birmingham	99	16.3%
TOTAL ROOM INVENTORY:	609	100.0%

(1) Revenue per available room is the best measure of year-to-year growth because it considers simultaneous changes in both room rate and annual occupancy levels.

Source: Smith Travel Research; Economics Research Associates, February 2004.

Table 25
Available Roomnights (Supply)
Birmingham Area Limited-Service Hotel Market, 1999-2003 (1)
Birmingham Center City Master Plan Update

	1999	2000	2001	2002	2003	AVG. ANN'L GROWTH
January	15,810	18,879	18,879	18,879	18,879	4.5%
February	14,280	17,052	17,052	17,052	17,052	4.5%
March	15,810	18,879	18,879	18,879	18,879	4.5%
April	15,300	18,270	18,270	18,270	18,270	4.5%
May	15,810	18,879	18,879	18,879	18,879	4.5%
June	15,300	18,270	18,270	18,270	18,270	4.5%
July	15,810	18,879	18,879	18,879	18,879	4.5%
August	15,810	18,879	18,879	18,879	18,879	4.5%
September	15,300	18,270	18,270	18,270	18,270	4.5%
October	15,810	18,879	18,879	18,879	18,879	4.5%
November	15,300	18,270	18,270	18,270	18,270	4.5%
December	18,879	18,879	18,879	18,879	18,879	0.0%
Annual:	189,219	222,285	222,285	222,285	222,285	4.1%
Annual % Change:	-	17.5%	0.0%	0.0%	0.0%	

(1) Supply equals 609 rooms.

Source: Smith Travel Research; Economics Research Associates, February 2004.

Table 26
Occupied Roomnights (Demand)
Birmingham Area Limited-Service Hotel Market, 1999-2003 (1)
Birmingham Center City Master Plan Update

	1999	2000	2001	2002	2003	AVG. ANN'L GROWTH
January	9,451	8,272	9,016	8,624	8,673	1.0%
February	8,928	10,493	10,660	9,571	10,121	(0.7%)
March	11,663	12,723	12,262	11,348	13,464	2.9%
April	11,368	11,924	10,946	11,351	10,740	(1.1%)
May	10,276	11,364	11,992	10,497	11,391	2.1%
June	11,031	12,141	12,229	11,308	11,629	1.1%
July	11,786	12,901	11,245	11,323	12,315	0.9%
August	10,604	11,957	10,965	10,745	11,162	1.0%
September	9,799	11,278	9,305	9,124	11,059	2.4%
October	10,644	12,175	11,830	10,896	11,445	1.5%
November	8,510	9,476	8,754	8,759	9,446	2.1%
December	9,355	8,255	7,830	7,743	9,791	0.9%
Annual:	123,415	132,959	127,034	121,289	131,236	1.2%
Annual % Change:	-	7.7%	-4.5%	-4.5%	8.2%	

(1) Supply equals 609 rooms.

Source: Smith Travel Research; Economics Research Associates, February 2004.

Table 27
Room Revenue
Birmingham Area Limited-Service Hotel Market, 1999-2003 (1)
Birmingham Center City Master Plan Update

	1999	2000	2001	2002	2003	AVG. ANN'L GROWTH
January	\$ 558,861	\$ 516,581	\$ 564,654	\$ 563,426	\$ 558,157	1.6%
February	579,984	628,021	681,599	616,530	649,913	0.7%
March	711,893	756,961	770,266	719,302	861,253	3.9%
April	752,084	804,893	806,565	832,186	818,078	1.7%
May	642,323	699,980	782,922	684,367	738,569	2.8%
June	684,910	716,709	758,783	708,640	742,856	1.6%
July	694,779	748,666	713,357	724,247	773,973	2.2%
August	655,088	720,552	697,535	712,979	705,139	1.5%
September	609,410	678,942	598,861	602,147	799,233	5.6%
October	753,118	823,713	855,198	824,090	752,973	(0.0%)
November	535,368	579,978	576,389	571,485	595,985	2.2%
December	493,797	475,639	476,667	484,371	590,555	3.6%
Annual:	\$ 7,671,615	\$ 8,150,635	\$ 8,282,796	\$ 8,043,770	\$ 8,586,684	2.3%
Annual % Change:	-	6.2%	1.6%	-2.9%	6.7%	

(1) Supply equals 609 rooms.

Source: Smith Travel Research; Economics Research Associates, February 2004.

Table 28
Annual Occupancies By Month
Birmingham Area Limited-Service Hotel Market, 1999-2003 (1)
Birmingham Center City Master Plan Update

	1999	2000	2001	2002	2003	AVG. ANN'L GROWTH
January	59.8	43.8	47.8	45.7	45.9	1.0%
February	62.5	61.5	62.5	56.1	59.4	-0.7%
March	73.8	67.4	65.0	60.1	71.3	-0.7%
April	74.3	65.3	59.9	62.1	58.8	-4.6%
May	65.0	60.2	63.5	55.6	60.3	-1.5%
June	72.1	66.5	66.9	61.9	63.7	-2.5%
July	74.5	68.3	59.6	60.0	65.2	-2.6%
August	67.1	63.3	58.1	56.9	59.1	-2.5%
September	64.0	61.7	50.9	49.9	60.5	-1.1%
October	67.3	64.5	62.7	57.7	60.6	-2.1%
November	55.6	51.9	47.9	47.9	51.7	-1.5%
December	49.6	43.7	41.5	41.0	51.9	0.9%
Annual:	65.5%	59.8%	57.2%	54.6%	59.0%	-2.1%
Annual % Change:	-	-8.7%	-4.3%	-4.5%	8.1%	

(1) Supply equals 609 rooms.

Source: Smith Travel Research; Economics Research Associates, February 2004.

Table 29
Average Daily Rate
Birmingham Area Limited-Service Hotel Market, 1999-2003 (1)
Birmingham Center City Master Plan Update

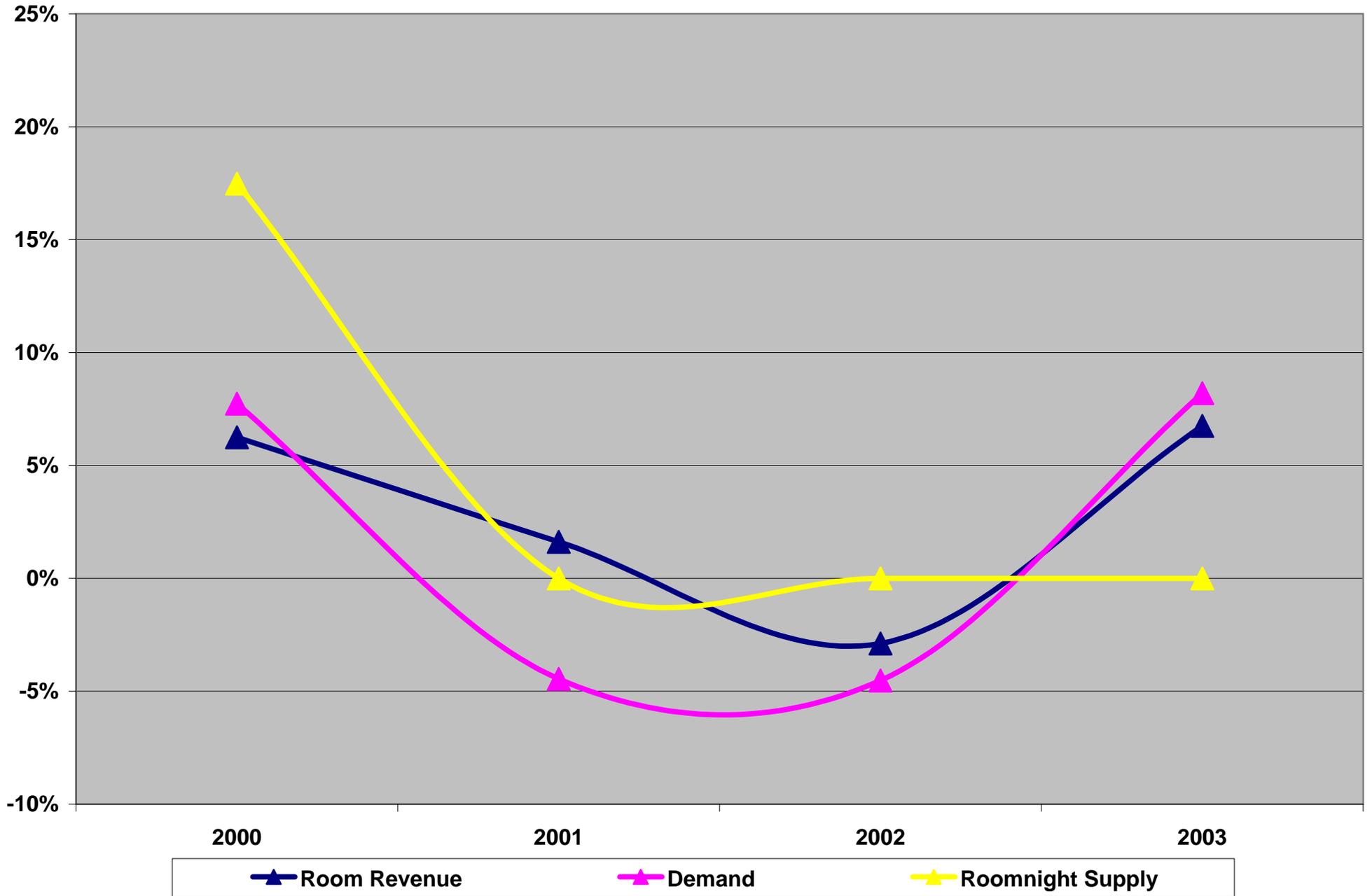
	1999	2000	2001	2002	2003	AVG. ANN'L GROWTH
January	\$ 59.13	\$ 62.45	\$ 62.63	\$ 65.33	\$ 64.36	0.6%
February	64.96	59.85	63.94	64.42	64.21	1.4%
March	61.04	59.50	62.82	63.39	63.97	0.9%
April	66.16	67.50	73.69	73.31	76.17	2.9%
May	62.51	61.60	65.29	65.20	64.84	0.7%
June	62.09	59.03	62.05	62.67	63.88	0.6%
July	58.95	58.03	63.44	63.96	62.85	1.3%
August	61.78	60.26	63.61	66.35	63.17	0.4%
September	62.19	60.20	64.36	66.00	72.27	3.0%
October	70.76	67.66	72.29	75.63	65.79	-1.4%
November	62.91	61.20	65.84	65.25	63.09	0.1%
December	52.78	57.62	60.88	62.56	60.32	2.7%
Annual:	\$ 62.10	\$ 61.24	\$ 65.07	\$ 66.17	\$ 65.41	1.0%
Annual % Change:	-	-1.4%	6.2%	1.7%	-1.2%	

(1) Supply equals 609 rooms.

Source: Smith Travel Research; Economics Research Associates, February 2004.

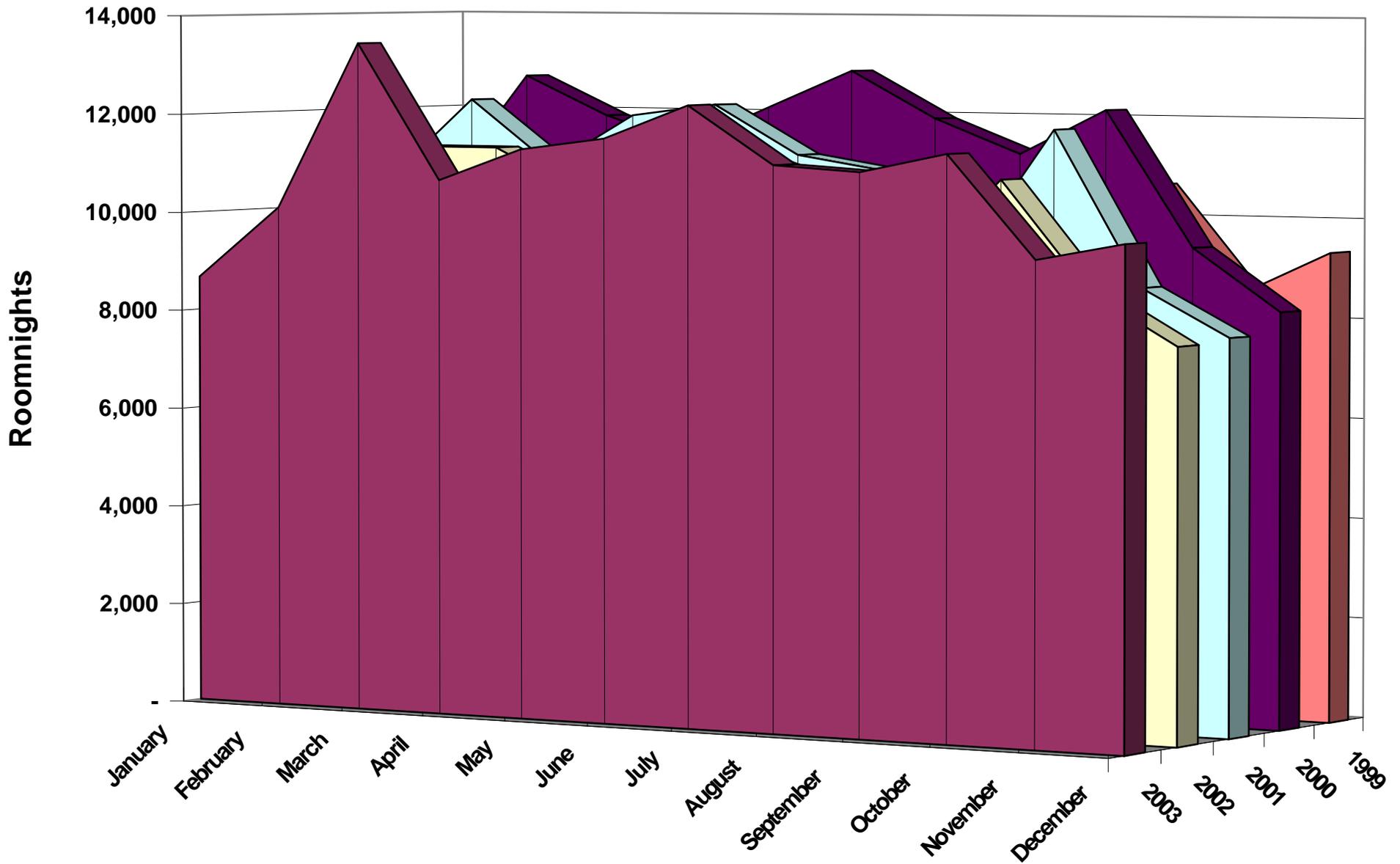
Annual Change in Market Characteristics

Limited Service Hotel Market-Birmingham, AL 1999-2003



Seasonality of Demand

Limited Service Hotel Market-Birmingham, AL 1999-2003



Birmingham Center City Master Plan Update

Cinema Market Conditions

Table 30
Cinema Market Trends in the Birmingham Area, 2002-2003 (1) (2)
Birmingham Center City Master Plan Update

Operator	Mkt Rank	Theatre Name	No. of Screens	Location	Market Share	Gross Revenues				Miles from CBD
						2002	2003	\$ Change	% Change	
Primary Market (0-10 Miles)										
Regal Entertainment Group	4	Wildwood 14	14	Birmingham	8.3%	\$ 1,995,853	\$ 1,713,316	\$ (282,537)	-14.2%	4
Carmike Cinemas	8	Wynnsong 12	12	Birmingham	4.1%	1,572,592	853,716	(718,876)	-45.7%	4
Carmike Cinemas	1	Summit 16	16	Birmingham	24.1%	5,365,706	4,964,292	(401,414)	-7.5%	7
Rave Motion Picture Cinemas	2	Vestavia Hills 10	10	Vestavia Hills	16.9%	599,655	3,492,029	2,892,374	482.3%	7
Regal Entertainment Group	6	Galleria 10	10	Birmingham	6.5%	1,862,849	1,339,914	(522,935)	-28.1%	7
Carmike Cinemas	9	Carmike 10	10	Birmingham	3.5%	1,063,221	727,811	(335,410)	-31.5%	7
Total-Primary Submarket:			72			\$ 12,459,876	\$ 13,091,078	\$ 631,202	5.1%	
<i>As % of Market</i>			53.7%			60.0%	63.5%			
Secondary Market (10-20 Miles)										
Regal Entertainment Group	7	Festival 18	18	Birmingham	6.4%	\$ 1,620,685	\$ 1,311,197	\$ (309,488)	-19.1%	10
Regal Entertainment Group	3	Trussville 16	16	Trussville	14.4%	3,095,334	2,971,370	(123,964)	-4.0%	12
Regal Entertainment Group	5	Brook Highland 10	10	Birmingham	6.5%	1,523,543	1,344,656	(178,887)	-11.7%	12
Cobb Theaters	12	Movies 4	4	Jasper	2.3%	484,199	464,908	(19,291)	-4.0%	20
Total-Secondary Submarket:			48			\$ 6,723,761	\$ 6,092,131	\$ (631,630)	-9.4%	
<i>As % of Market</i>			35.8%			32.4%	29.5%			
Tertiary Market (Greater than 20 Miles)										
Ashurst Booking Serving	10	Rainbow 8	8	Gadsden	3.5%	830,164	726,987	(103,177)	-12.4%	40
Carmike Cinemas	11	Town Square 3	3	Cullman	2.4%	\$ 523,328	\$ 491,442	\$ (31,886)	-6.1%	50
Carmike Cinemas	13	Martin Triple	3	Talladega	1.1%	222,693	221,287	(1,406)	-0.6%	50
Total-Tertiary Submarket:			14			\$ 1,576,185	\$ 1,439,716	\$ (136,469)	-8.7%	
<i>As % of Market</i>						7.6%	7.0%			
TOTAL MARKET:			134		100.0%	\$ 20,759,822	\$ 20,622,925	\$ (136,897)	-0.7%	

(1) Submarket boundaries determined by distance from Downtown Birmingham

(2) This inventory and performance data excludes a new 15-screen Rave Motion Picture Cinema complex nearing completion in the primary market at the new Patton Creek Shopping Center, which is located near the Riverchase Galleria and the I-459/U.S. 31 interchange.

Source: 2004 Nielsen Entertainment Data, Inc.; Economics Research Associates, updated May 2004.

Table 31
Performance Comparison between Primary Submarket & Total Market, 2002-2003 (1)
Birmingham Center City Master Plan Update

Operator	Mkt Rank	Theatre Name	No. of Screens	Location	GROSS REVENUES					AVG. TICKETS/SCREEN	
					2002	2003	\$ Change	% Change	\$/Screen	@ \$6.25 Per	@ \$6.00 Per
Carmike Cinemas	1	Summit 16	16	Birmingham	\$ 5,365,706	\$ 4,964,292	\$ (401,414)	-7.5%	\$ 310,268	49,643	51,711
Rave Motion Picture Cinemas	2	Vestavia Hills 10	10	Vestavia Hills	599,655	3,492,029	2,892,374	482.3%	349,203	55,872	58,200
Regal Entertainment Group	4	Wildwood 14	14	Birmingham	1,995,853	1,713,316	(282,537)	-14.2%	122,380	19,581	20,397
Regal Entertainment Group	6	Galleria 10	10	Birmingham	1,862,849	1,339,914	(522,935)	-28.1%	133,991	21,439	22,332
Carmike Cinemas	8	Wynnsong 12	12	Birmingham	1,572,592	853,716	(718,876)	-45.7%	71,143	11,383	11,857
Carmike Cinemas	9	Carmike 10	10	Birmingham	1,063,221	727,811	(335,410)	-31.5%	72,781	11,645	12,130
Total-Primary Submarket:			72		\$ 12,459,876	\$ 13,091,078	\$ 631,202	5.1%	\$ 181,821	29,091	30,303
TOTAL MARKET:			134		\$ 20,759,822	\$ 20,622,925	\$ (136,897)	-0.7%	\$ 153,902	24,624	25,650

(1) This inventory and performance data excludes a new 15-screen Rave Motion Picture Cinema complex nearing completion in the primary market at the new Patton Creek Shopping Center, which is located near the Riverchase Galleria and the I-459/U.S. 31 interchange.

Source: 2004 Nielsen Entertainment Data, Inc.; Economics Research Associates, updated May 2004.

IV. Commercial Market Potentials

Introduction

Various methodologies were used to estimate prospective market support for various commercial uses in Center City Birmingham. Using available data gathered and analyzed in previous tasks and selected primary and secondary research, these findings and recommendations reflect a set of assumptions that guide what may reasonably occur, and forecasts of demand are intended as a reasonable, third-party examination of overall market opportunities for commercial development in Birmingham.

Market Demand Models (Tables 32-40)

Our program recommendations are highlighted below and illustrated in the summary tables at the end of this chapter.

Office

From a regional perspective, future employment growth and market demand for office space are closely linked. In addition, a critical determinant of both future employment growth and market demand is the degree to which a community or specific site is competitive. Factors defining this competitive positioning include local and regional access; overall physical characteristics, such as street or highway frontage and visibility; proximity to economic activity, such as business retention and expansion and job creation; and fixed costs such as property and other business taxes.

Office uses also require access to a qualified labor pool, contemporary floorplates/building configurations, adequate (and oftentimes the provision of extra) parking, nearby convenience and supporting retail and services and pedestrian-scale amenities.

ERA reviewed the vacant building inventory prepared by Operation New Birmingham (ONB) to assist the planning team in understanding whether commercial development potentials could be best accommodated in either existing (converted) buildings or in new construction in selected locations of Center City. (As future redevelopment opportunities arise, significant effort will be required to evaluate the physical and functional obsolescence and adaptability of this inventory).

- As of February 2004, there are an estimated **2.6 million sq. ft.** of vacant commercial space in more than 125 buildings in Downtown Birmingham.
- Vacant inventory include roughly 226,000 sq. ft. of “pure” office space; 118,000 sq. ft. of retail-swing space; and 97,000 sq. ft. of warehouse space. The lion’s share of vacant space is in properties that ONB classifies as “mixed-use”, and includes 2.1 million sq. ft. of both street-level and upper-floor space.

ERA notes that the vacant inventory is *declining* as a result of an increasing number of building conversions/removals, such as the *Phoenix Building* to residential lofts. Conversions notwithstanding, this is a significant overhang of vacant commercial stock in

Downtown Birmingham that, barring any large-scale changes to the region's economic outlook, is likely to remain largely vacant for the foreseeable future.

Opportunities to convert vacant commercial buildings into residential, or renovate/upgrade for continued commercial uses are appropriate and should be strongly encouraged. The pace and scale at which this occurs, however, is likely to be incremental and driven by the amount of new job growth and other successful economic expansion activities in the CBD.

Other market indicators are highlighted below:

- With the completion of *Concord Center* and *One Federal Place* in 2002-03, **Downtown Birmingham's share of the region's office market has remained steady—in the range of 30%**—with a total inventory of about 3.6 million sq. ft. of space according to Southpace Properties. This is downtown's current *fair share*.
- Current vacancy rates in the downtown office market have reportedly climbed—from 9.5% in 2000 to 17% in 2002, declining to 14% in 2003, as a result of the addition of new, multi-tenant space with these two new buildings. According to Southpace Properties, almost 497,000 sq. ft. of office space is vacant.
- *Net absorption* (i.e., the amount of office space actually leased over specific periods of time) is a critical barometer of the overall health of an office market. **The CBD has averaged 88,400 sq. ft. of net absorption on an annual basis since 2000**, accounting for almost 45% of the region's total absorption. By comparison, City Planning staff review of historic absorption trends based on the Wilhelm Reports data indicates that **downtown absorbed an average of roughly 79,000 sq. ft. per year between 1988-2001**.

In order to estimate future market potentials for office space, ERA utilized employment forecasts prepared by Woods & Poole, Inc., a demographic forecasting service based in Washington, D.C. This analysis is summarized below and illustrated in Tables 32 and 33 in Section IV of this report:

- Between 2005 and 2015, Woods & Poole forecasts that **metropolitan area employment will increase by approximately 40,000 new jobs**—a compound annual rate of growth of **0.78%**. By comparison, the *actual* compound annual growth rate in employment in the metropolitan area between 1990-2004 was **0.96%** per year. Thus, Woods & Poole forecasts are slightly conservative as compared to historic trends over the past 15 years.
- Presuming that Downtown Birmingham *maintains its competitive position* (i.e., fair share) of the region's office inventory at roughly **30%** yields future demand for approximately **750,000 sq. ft.** allocated to the downtown. In other words, this analysis assumes that the downtown *remains as competitive in 2015 as it is today* as compared to other office submarkets in the area.

The next step in a commercial market analysis is to estimate the impact of public-sector efforts such as City-sponsored incentives, ongoing planning initiatives, and infrastructure improvements that could be expected to enhance opportunities for specific uses. This is



known as *inducing* demand. ERA concludes that the City’s downtown revitalization efforts—assuming commitments to provide financial incentives as well as fund specific initiatives such as infrastructure improvements—will enhance the overall marketability of Downtown Birmingham **over the long-term** as a more desirable location for office tenants and other businesses.

However, given competitive pressures from outlying locations (e.g., lower-cost land, proximity to population growth), ERA does not believe—at least in the near-term—that the downtown could materially *increase* its potential capture of future employment growth. As key employment anchors such as financial institutions or single users expand over time, spin-off demand for associated employment such as professional services firms is also likely to grow.

Thus, a planning target of 700,000 to 800,000 sq. ft. of office space over the next 10 years assumes that redevelopment sites offer strong visibility, provide adequate levels of on-site or nearby parking, and that concomitant physical improvements such as plantings and streetscape will enhance overall marketability.

2005-2015 Planning Target:
700,000 to 800,000 Sq. Ft. of Office Space

Research & Development

There is significant discussion underway among many players in Downtown Birmingham regarding opportunities to increase the amount of space devoted to research and development, medical and/or biotechnology uses. As a rule, demand for such space is generated primarily by employment in key sectors such as Manufacturing, Transportation/Communications/Public Utilities, and Services. In the case of Downtown Birmingham, educational, medical and other health-related employment is categorized primarily in the Services sector.

Given the critical importance of economic activity generators--principally the University of Alabama at Birmingham—as well as the very strong presence of major hospitals and other medical institutions in the downtown—suggests that careful examination of such potentials should be undertaken.

To that end, ERA has conducted a *preliminary* analysis using an employment-based methodology similar to that conducted for office demand potentials above. This is illustrated in Table 34 in Section IV. Assuming that the metropolitan area gains 40,000 new jobs between 2005-2015 suggests that future employment growth among R&D-using sectors could be expected to generate demand for roughly **200,000 to 300,000 sq. ft. of general research and development space** by 2015.

2005-2015 Planning Target:
200,000 to 300,000 Sq. Ft. of R&D Space

ERA concludes that significantly more detailed research is necessary to more fully understand demand potentials for such space. This includes such factors as growth among UAB-related research activities, the degree to which research grants and other funding sources are obtained, the history of spin-off activities such as incubators or other contractors, and the downtown's ability to retain such employment.

Hotel/Lodging

Given current market dynamics and significant difficulties in the capital markets for hotel development, near-term opportunities for new hotels in Downtown Birmingham will be limited. As a rule, the capital markets today require average annual occupancies of 70% or greater before consideration is given to financing new hotel development. This would suggest that public investment in economic “drivers” that generate new office development as well as visitor and tourism-related traffic to Downtown Birmingham are critical.

Specifically, efforts to expand the Birmingham-Jefferson County Civic Center could be expected to enhance market opportunities for new hotel development. This is a key economic activity generator. ERA's hotel demand analysis is illustrated in Table 35 in Section IV. An office program of 700,000 to 800,000 sq. ft. as well as 200,000 to 300,000 sq. ft. of research and development uses could be expected to generate additional incremental demand for hotel room-nights—ranging from roughly **50 to 150 hotel rooms**.

However, given current hotel market conditions (e.g., combined annual occupancies in selected properties ranges from 54% to 59%), demand from future growth in the CBD's office and R&D sectors can be currently met among existing unoccupied rooms at both full- and limited-service properties in the hotel inventory.

Retail & Entertainment

Retail and entertainment uses require a concentration of disposable income (from nearby residents, employees and/or visitors), strong visibility and extensive frontage, adequate parking, and a clear competitive role and market identity. Moreover, supporting tenants oftentimes require an anchor tenant to generate traffic.

ERA's retail and entertainment demand analyses estimate **opportunities for new retail development in Downtown Birmingham will be driven primarily by growth in both employment and new downtown residents.** The model (Table 36 in Section IV) illustrates the impact of future growth in these market segments for general retail (convenience, service), restaurants and leisure & entertainment (e.g., cinema) uses assuming new office and R&D space and housing units are built in selected locations under two scenarios—fair share and induced.

Importantly, this analysis suggests that new retail uses need to be very strategically located in the downtown—concentrated in those locations that create synergy, or spin-off, from other catalyst uses. For example, the “theater district” anchored by the *Alabama Theater* is an appropriate location for new retail and restaurant uses that could capitalize on traffic generated by the theater and *McWane Center*.

The amount of new commercial space in each scenario assumes full development in a stabilized year (2015), as illustrated below:

<u>If....</u>	<u>Office Space</u>	<u>R&D Space</u>	<u>Housing</u>
Fair Share	761,000 Sq. Ft.	211,000 Sq. Ft.	1,300 Units*
Induced	839,000 Sq. Ft.	317,000 Sq. Ft.	1,300 Units*

*These reflect five-year housing unit projections from Zimmerman Volk Associates through 2010.

Key assumptions in the retail model are summarized below:

- The model assumes that new households have median household incomes of \$50,000 per year today with real growth in incomes of 2% per year by 2015. Current annual spending patterns, which are held constant in the model, range from 18% on general retail to 16% on food & beverage to 11% on leisure & entertainment. The model assumes that the proportion of spending in each of these retail categories does not change over time (i.e., future spending patterns in these categories are similar to what is spent today).
- Consistent with national trends in secondary markets like Birmingham, new office employee spending ranges from \$200 per year on leisure & entertainment to \$450 per year for general retail to \$1,200 per year for food & beverage. Assuming an average of 177 sq. ft. of space per both office and R&D employee, **roughly 5,500 new jobs could be created in Downtown Birmingham if 750,000+ sq. ft. of office and 200,000+ sq. ft. of R&D space were built.** Under an induced scenario, as many as 6,500 new jobs may be generated if the downtown is successful in attracting 800,000+ sq. ft. of new office and 300,000+ sq. ft. of new R&D space during this period.
- Annual productivity is the estimated minimum annual sales performance required by all retailers. Sales range from \$200 per sq. ft. for general retail to \$300 per sq. ft. for food & beverage to \$150 per sq. ft. for leisure & entertainment uses. While these sales levels are below those required for many national retailers, they generally reflect current rental rates in Downtown Birmingham—which, as a rule, are typically about 10% of annual sales.
- Under the induced scenario, the model assumes that judicious public investment in such things as streetscape improvements improves the overall physical appearance of selected locations across the downtown. In addition, an overall economic development strategy should include targeted marketing and business recruitment strategies designed to produce an increase in shopper traffic and additional sales.

Key Results: Fair Share vs. Induced Demand

- Under the fair share scenario, 1,300 new households and 5,500 new employees—at capture rates ranging from 5% to 20%—could be expected to produce demand for approximately **20,000 sq. ft. of general retail, 16,000 sq. ft. of food & beverage, and 25,000 sq. ft. of leisure & entertainment uses**. (Of course, continued growth in downtown households between 2010 and 2015 will also add to these demand estimates).
- Under an induced scenario, 1,300 new households, 6,500 new employees, and momentum generated by both private investment and public improvements could be expected to enhance the capture of expenditures. This should increase the amount of supportable space to roughly **32,000 sq. ft. of general retail, 25,000 sq. ft. of food & beverage, and 35,000 sq. ft. of leisure & entertainment uses**.
- ERA notes this includes additional demand that could be created as part of “inflow” if demand can be induced. In this case, an improved physical environment and greater shopper choice with new retailers results in the ability to capture additional expenditures from other market segments such as daytime employees outside of the downtown, visitors to the area, and the like.
- Moreover, these results suggest careful consideration for locating new retail development in Downtown Birmingham. Planning parameters include “100% corner” locations that provide strong visibility, proximity to nearby and adequate parking, and opportunities to cluster retailers such that synergy is created between them as well as nearby office employees and residents.

ERA’s retail planning targets for 2015 are summarized below:

Retail Type	Fair Share	Induced
General Retail	19,800	32,400
Food & Beverage	16,300	25,400
Leisure & Entertainment	<u>25,000</u>	<u>34,900</u>
TOTAL (Sq. Ft.):	61,100	92,700

Multi-plex Cinema

Over the past 20 years, the number of indoor movie screens in the United States has increased by more than four percent per year. Movie ticket sales have essentially matched population growth, growing at approximately one percent per year. According to the Motion Picture Association of America (MPAA), per capita ticket sales for the entire U.S. have remained fairly constant over the past 20 years, fluctuating between 5.2 and 6.2 tickets sold per person per year. While the number of tickets sold appears firmly fixed to population levels, ticket sales revenues have risen at an average annual rate of about 5%, easily outstripping the rate of inflation. Sales per screen, however, have remained relatively flat, indicating a highly competitive environment where product differentiation is important in achieving a competitive edge. As a result, a focus of movie theater product

differentiation has been the addition of more screens. This has evolved from the four-plex, to the 10-plex, 12-plex, and now the so-called mega-plex, a large movie complex of up to 30, but more typically 18 to 24 screens.

As such, the movie theater business is emerging from the multiplex building boom of the mid- to late 1990s that forced many exhibitors into bankruptcy. This has allowed exhibitors to divest unprofitable theaters, exit high-cost leases and get out of heavy debt loads. Growth in the number of new movie screens has outweighed increases in the number of cinema admissions, and increases in box office gross revenues can be primarily attributed to increases in ticket prices. A general consensus among the industry is that the U.S market is still over-screened.

From an exhibitor's perspective, success factors in today's highly competitive marketplace include focusing on market share. Many exhibitors focus on the number of sites and total screens as indicators of their overall health and stability. In actuality, market share should be the primary focus. Those exhibitors with the highest market share within their respective markets are those that are performing well. Examples include Century Theaters, which has a small market share on a nationwide scale, but has a high market share in those markets it dominates.

In addition, when conducting more detailed testing of the market potential for a multi-plex cinema in Downtown Birmingham, a theater's location is the most important criteria in the success of a movie theater operation. Questions and issues that any potential exhibitor must address are as follows:

- Where is the site and what are the surrounding improvements?
- What are the surrounding demographics of the area (i.e. a high percentage of teenagers and young adults would be preferable for a commercial multiplex, while a high percentage of adults middle age and older would be consistent with the demographics of an art house theater)?
- Will it be a regional draw?
- Is it easily accessible?
- Is ample parking available?
- Is the surrounding market over-screened?
- What is the operation's management expertise and marketing techniques?
- Are the facilities state-of-the-art? In today's competitive environment this includes amenities such as stadium seating and top sound quality
- Are parking charges prohibitive? Ample, secure and inexpensive parking are always key.
- The quality of conveniences such as ample concession stands, bathrooms, and box office booths

The relationship between ordinary population and motion picture attendance is well documented. As noted, MPAA surveys consistently indicate the United States population averages approximately 5 to 6 movies per person per year over the past 20 years. Thus, examining population facts and trends provide a simple method to test demand levels within a given area.

Teenagers and young adults are the most frequent moviegoers; people tend to see fewer and fewer movies, as they get older. This relationship provides the opportunity to apply participation rates to specific populations and thus estimate a market's demand potential.

ERA estimated ticket sales in the primary market area (0-10 miles) by applying participation rates to selected population age groups (Tables 37 and 38). Participation rates were gathered from the *Incidence of Motion Picture Attendance Among the Adult and Teenage Public* produced for the MPAA. These participation rates were used to derive a range of expected ticket sales in the primary trade area for the 2003-2008 period, by age group.

- The methodology in Table 37 would suggest that the number of annual ticket sales in the 0-10 mile trade area could be expected to remain flat over the next five years, primarily a result of a decrease in the primary movie-going age cohorts (e.g., 25-29 years), in the range of **2.3 to 2.4 million** in annual ticket sales.
- Alternatively, the methodology in Table 38 incorporates models developed by applying the frequency and participation rates by age group over the 2003-2008 period to provide a more specific estimate of trade area ticket sales demand based on these factors. This analysis illustrates the greater weight that frequent moviegoers contribute to potential market demand. In this case, annual ticket sales increases in the trade area to approximately **2.6 million** tickets per year.
- The third method in Table 39 applies the MPAA industry average of 5.8 movies per year to the 455,000 or so residents in the primary trade area, producing annual demand for about **2.6 million** in ticket sales per year.
- The next step in this analysis is to translate estimated ticket demand into supportable screens. As illustrated in Table 40, this is calculated by dividing the average number of tickets sold from each of the three methodologies above—in this case 2.6 million per year—into estimated demand levels. As illustrated in Table 31, the primary market averages about 25,000 annual ticket sales per screen.
- As a more conservative measure given the industry's uncertain recovery from overbuilding as well as the pending addition of another 15 screens in the primary market area, ERA has assumed minimum required ticket sales of **27,000 to 30,000 tickets per screen**. While top-producing theaters may sell more, ERA believes that this range provides for a reasonable basis to determine equilibrium supply levels.
- As illustrated in Table 40, this analysis yields an average of **94 supportable screens** in the 0-10 mile trade area. Netting out the near-term addition of 15 new



screens at the Rave Theater complex suggests that **the primary market is *under-supplied* by about seven screens .**

**The Primary Market is Under supplied
By 7 Movie Screens**

Based on this *preliminary* cinema demand analysis, ERA concludes that additional detailed study is necessary. For example, near-term regional demand is likely to be impacted by the proposed opening of the Rave Theater multi-plex near *Riverchase Galleria*. ERA suggests that any opportunities to enhance the entertainment venues in Downtown Birmingham will be affected by competitive supply as well as uses in the entertainment complex proposed as part of the BJCC expansion currently under study. These factors reinforce ERA's preliminary recommendation that additional analysis on cinema opportunities examine such concepts as an art house venue, foreign film institute and/or Sundance Theaters that target specific market segments and would complement the existing entertainment offerings in the theater district.

Birmingham Center City Master Plan Update

Demand Models

Table 32
Employment Trends & Projections for the Birmingham-Hoover MA, 1995-2015
Birmingham Center City Master Plan Update

CATEGORY	Bureau of Labor Statistics					Woods & Poole, Inc. (1)		
	1995	2000	2002	2003	2004	2005	2010	2015
Mining & Construction	28,118	31,910	31,100	30,400	31,600	32,138	31,869	31,763
Manufacturing	42,424	39,038	42,200	38,900	39,200	36,829	35,476	34,574
Transp/Comm/Public Utilities	29,482	30,632	33,400	33,600	30,700	31,762	32,354	32,983
Wholesale & Retail Trade	103,562	111,387	87,000	86,700	84,800	115,258	119,507	124,182
Finance/Insurance/Real Estate	38,365	45,934	39,600	39,600	39,200	47,314	48,403	49,700
Services	137,152	156,083	177,500	181,600	172,500	169,141	181,642	195,467
Government	63,500	63,850	71,000	73,400	74,000	66,282	68,361	70,484
TOTAL:	442,603	478,834	481,800	484,200	472,000	498,724	517,612	539,153
Net Gain/(Loss):		36,231	2,966	2,400	(12,200)	26,724	517,612	40,429
Average Annual (1995-2004):					3,266			
Average Annual (2005-2015):								1,371
Compound Annual % Growth Rate (CAGR):								
1995 - 2000 Actual		1.59%						
2000 - 2004 Actual					-0.36%			
2005 - 2015 Forecast								0.78%

(1) Forecasts prepared by Woods & Poole Economics, Inc.; figures include part-time and self-employed.

(2) Data for 2002-2004 supplied by Alabama Department of Industrial Relations in cooperation with the Bureau of Labor Statistics.

Source: Woods & Poole Economics, Inc.; Bureau of Labor Statistics; Economics Research Associates, updated May 2004.

Table 33
Demand Potentials & Fair Share Analysis
to Downtown Birmingham, 2005-2015

MULTI-TENANT OFFICE

Birmingham Center City Master Plan Update

CATEGORY	% OF OFFICE USERS	SQ. FT. PER OFFICE USER	DEMAND FOR NEW SPACE (In Sq. Ft.) <i>Estimates</i>	
			1995-2004	2005-2015
Demand: Birmingham-Hoover Metropolitan Area		(1)		
Mining & Construction	10%	150	52,230	(5,625)
Manufacturing	20%	150	(96,720)	(67,650)
Transp/Comm/Public Utilities	40%	200	97,440	97,680
Wholesale & Retail Trade	15%	175	(492,503)	234,255
Finance/Insurance/Real Estate	80%	225	150,300	429,480
Services	30%	175	1,855,770	1,382,115
Government	50%	175	918,750	367,675
Total (Rounded):	35%	179	2,485,000	2,438,000

Estimates

Plus:

Vacancy Adjustment	(2)	62,125	60,950
Cumulative Replacement Demand	(3)	124,250	121,900

TOTAL OFFICE SPACE DEMAND (Sq. Ft., Rounded):	2,671,000	2,621,000
Average Annual	297,000	262,100

Fair Share: Downtown Birmingham

<i>Fair Share Capture</i>	(4)	29.0%	29.0%
Total Demand (In 000s Sq. Ft.)		775,000	761,000
<i>Induced Capture: Say</i>			32.0%
Total Demand (In 000s Sq. Ft.)			839,000

- (1) Reflects office-using employees in each employment sector requiring office space.
- (2) This allows for a 2.5% "frictional" vacancy rate in new space delivered to the market.
- (3) This represents new space required by existing businesses to replace obsolete or otherwise unusable space. This is assumed to represent 5% of total demand.
- (4) This represents Downtown Birmingham's **fair share** of office space demanded by future employment growth. This analysis assumes that the CBD's fair share is held constant over time (i.e., Downtown is no more or less competitive in 2015 as compared to other office submarkets in the metropolitan area than it is today).

Table 34
Demand Potentials & Fair Share Analysis
to Downtown Birmingham, 2005-2015

RESEARCH & DEVELOPMENT

Birmingham Center City Master Plan Update

CATEGORY	% OF R&D USERS	SQ. FT. PER R&D USER	DEMAND FOR NEW SPACE (In Sq. Ft.) <i>Estimates</i>	
			1995-2004	2005-2015
Demand: Birmingham-Hoover Metropolitan Area		(1)		
Mining & Construction	5%	175	30,468	(3,281)
Manufacturing	20%	200	(128,960)	(90,200)
Transp/Comm/Public Utilities	25%	200	60,900	61,050
Wholesale & Retail Trade	5%	175	(164,168)	78,085
Finance/Insurance/Real Estate	5%	175	7,306	20,878
Services	20%	150	1,060,440	789,780
Government	10%	150	157,500	63,030
Total (Rounded):	14%	175	1,023,000	919,000

Estimates

Plus:

Vacancy Adjustment	(2)	51,150	45,950
Cumulative Replacement Demand	(3)	102,300	91,900

TOTAL R&D SPACE DEMAND (Sq. Ft., Rounded):	1,176,000	1,057,000
<i>Average Annual</i>	131,000	105,700

Fair Share: Downtown Birmingham

<i>Fair Share Capture (Estimate)</i>	(5)	20%	20.0%
Total Demand (In 000s Sq. Ft.)		235,000	211,000
<i>Induced Capture: Say</i>			30.0%
Total Demand (In 000s Sq. Ft.)			317,000

- (1) Reflects R&D-using employees in each employment sector requiring such space.
- (2) This allows for a 5% "frictional" vacancy rate in new space delivered to the market.
- (3) This represents new space required by existing businesses to replace obsolete or otherwise unusable space. This is assumed to represent 10% of total demand.
- (4) This represents Downtown Birmingham's **fair share** of R&D space demanded by future employment growth. This analysis assumes that the CBD's fair share is held constant over time (i.e., Downtown is no more or less competitive in 2015 as compared to other locations in the metropolitan area than it is today).

**Table 35
Demand Potentials to Downtown Birmingham, 2005-2015**

HOTEL/LODGING

Birmingham Center City Master Plan Update

		Fair Share	Induced
New Office Space (In Sq. Ft.)		761,000	839,000
Employment @	179 Sq. Ft. Per Employee	4,262	4,698
Annual Visitors (240 Workdays) @	20.0%	204,557	225,523
% of Hotel Stays	50.0%	102,278	112,762
Length of Stay	1.75 nights	178,987	197,333
Party Size		1.25	1.25
Annual Roomnights Generated		143,190	157,866
Subtotal-Rooms Demanded by New Office Employees:	(1)	275	303
New R&D Space (In Sq. Ft.)		211,000	317,000
Employment @	175 Sq. Ft. Per Employee	1,206	1,811
Annual Visitors (240 Workdays) @	35.0%	101,280	152,160
% of Hotel Stays	60.0%	60,768	91,296
Length of Stay	1.75 nights	106,344	159,768
Party Size		1.25	1.25
Annual Roomnights Generated		85,075	127,814
Subtotal-Rooms Demanded by New R&D Employees:		163	245
POTENTIAL HOTEL DEMAND:			
Gross Potential Room Demand		438	548
Less Existing Room Demand to Achieve 70% Occupancy	(2)		
- Full-service Properties		(323)	(323)
- Limited-service Properties		(67)	(67)
Net Potential Room Demand:		48	158

(1) Assumes annual occupancy of 70%.

(2) Represents existing excess (vacant) rooms in the metropolitan area's hotel inventory available to achieve occupancy levels of 70%.

Source: Economics Research Associates, updated May 2004.

Table 36 (Continued)
Demand Potentials to Downtown Birmingham, 2005-2015

RETAIL & RESTAURANTS

Birmingham Center City Master Plan Update

	Fair Share	Induced
SUPPORTABLE SPACE: FOOD & BEVERAGE		
Households		
Annual Expenditures	\$ 31,856,888	\$ 31,856,888
Estimated Capture Rate @	10.0%	15.0%
Captured Expenditures:	\$ 3,185,689	\$ 4,778,533
Required Productivity (2)	\$ 300	\$ 300
Subtotal - Households:	10,619	15,928
Plus Inflow Factor @ (3)	7.5%	12.5%
Subtotal - Inflow:	796	1,991
New Employees		
Annual Expenditures	\$ 6,597,818	\$ 7,846,788
Estimated Capture Rate @	20.0%	25.0%
Captured Expenditures:	\$ 1,319,564	\$ 1,961,697
Required Productivity (2)	\$ 300	\$ 300
Subtotal - Employees:	4,399	6,539
Plus Inflow Factor @ (3)	10.0%	15.0%
	440	981
Supportable Space - Food & Beverage:	16,254	25,439

SUPPORTABLE SPACE: LEISURE & ENTERTAINMENT

Households		
Annual Expenditures	\$ 22,180,435	\$ 22,180,435
Estimated Capture Rate @	15.0%	20.0%
Captured Expenditures:	\$ 3,327,065	\$ 4,436,087
Required Productivity (2)	\$ 150	\$ 150
Subtotal - Households:	22,180	29,574
Plus Inflow Factor @ (3)	10.0%	15.0%
Subtotal - Inflow:	2,218	4,436
New Employees		
Annual Expenditures	\$ 1,099,636	\$ 1,307,798
Estimated Capture Rate @	7.5%	10.0%
Captured Expenditures:	\$ 82,473	\$ 130,780
Required Productivity (2)	\$ 150	\$ 150
Subtotal - Employees:	550	872
Plus Inflow Factor @ (3)	5.0%	7.5%
	27	65
Supportable Space - Leisure & Entertainment:	24,976	34,947

- (1) Assumes growth in average household incomes of 2% per year.
- (2) Required productivity is the estimated minimum annual performance (in sales per sq. ft.) required by all retailers.
- (3) Represents potential expenditures from other market segments to Downtown Birmingham, such as visitors to downtown, strengthening the capture of other regional residents, etc.