COMMERCIAL REAL ESTATE

Midtown office market boasting high occupancy rates

The Crescent Building, a Class A office building located at 2311 Highland Ave., has been 100% leased since it was initially developed over 15 years ago.

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IN THIS ARTICLE

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The Midtown office sector continues to see high occupancy rates and one of the highest rental rates per square foot in the greater Birmingham area.

According to a report released by Graham & Co., the rental rate for Midtown averages at $23.40 per square foot, making it the highest average in the area and also the sharpest increase from 2021.

“It is a vibrant space where the rents are growing, where space is tight and where tenants really want to be and people somewhat fall over themselves to try and get into that sub market,” said Michael Reilly of the FiveStone Group.

It’s no secret that it’s all about location, multiple access points to surrounding neighborhoods and walkability for this area as people continue to return to the office and commit to hybrid work models. Stretching from parts of the Southside, through Homewood, Mountain Brook and down Interstate 459 to The Summit and southern boundary of the beltway, the area is supported by a professional work environment.

According to David Silverstein of the FiveStone Group, The Crescent Building, a Class-A office building located at 2311 Highland Ave., has been 100% leased since it was initially developed more than 20 years ago.

“There hasn’t been really an abundance of Class A office space available in this sub-market,” Silverstein said.

“Coming out of Covid, there’s been increased demand … for mid-rise office buildings and our Midtown submarket just happens to have predominantly mid-rise office buildings,” Reilly said.

Midtown’s appeal is semi-urban, but also very residential according to Evan Watts of D&A Cos., and the lower-rise structures are easy to get in and out of, making tenants and professionals feel more grounded within the surrounding area as opposed to big towers.

The area continues to hover between 90 and 95% occupied. According to the report released by Graham & Co., the overall rental rate in Midtown spiked 2.78% from the previous year, and according to Reilly, that will continue to increase.

“There’s a high demand for the available spaces, but also, as we have seen over the past 12 to 18 months, construction pricing has been such that landlords are having to contribute more than they really ever have to office space which causes the effective rental rates to trend upwards,” Reilly said.

Along with a Class-A product like 2222 Arlington, slated for completion in early 2023, the Midtown market is awaiting residential products like Maiden Heights and The Tramont to come online, which will contribute to the already dense population.

“I think that these projects, coupled with existing commercial buildings and commercial base, really reflect the evolution of the neighborhood as a mixed-use district and I think that makes nightlife, the daylife and the pedestrian activity all the richer,” said Evan Watts of D&A Cos.