MARKETBEAT

Pittsburgh, PA

Office Q2 2019

CUSHMAN & WAKEFIELD | GRANT STREET ASSOCIATES, INC.

PITTSBURGH OFFICE

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Pittsburgh Employment	1.18M	1.19M	▲
Pittsburgh Unemployment	4.3%	3.8%	▼
U.S. Unemployment	3.9%	3.6%	▼

*Q2 19 data based on the latest available data.
Source: BLS, Moody's Analytics, Cushman & Wakefield Research

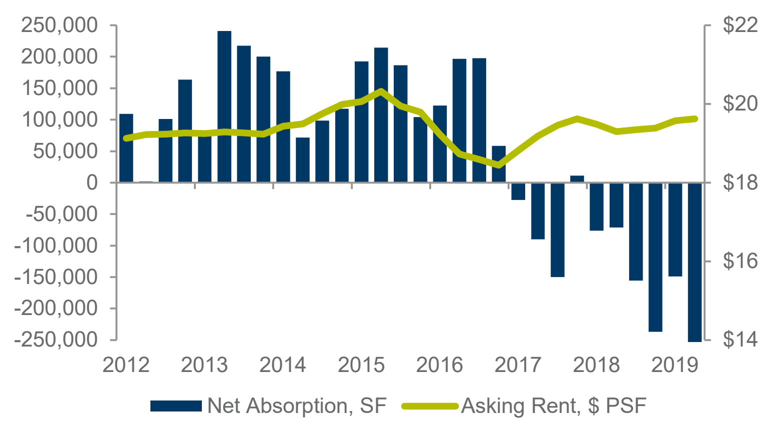
Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	11.0%	11.0%	▼
Net Absorption (sf)	140k	-279k	▬
Under Construction (sf)	856k	1.7M	▲
Average Asking Rent*	$19.20	$19.41	▲

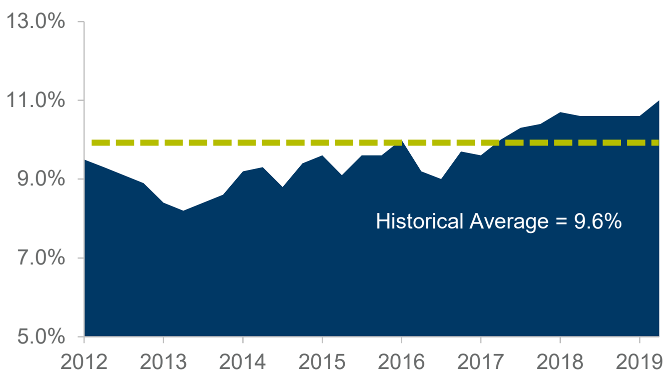
*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Pittsburgh's unemployment rate dropped to 3.8% in the second quarter of 2019, which is the lowest rate since 1976, but still lags modestly behind the national average. There were 8,900 new jobs created in the quarter, demonstrating a slight uptick year-over-year. Pittsburgh ranked number eight on Livability.com's "Top 100 Best Places to Live in America" in May of 2019, a large jump from number 34 in 2018. Local talent from top universities home to the region continue to drive the interest of tech companies. Even though the population size remained static, the composition is slowly shifting toward individuals of a higher socioeconomic status.

Market Overview

The Strip District, part of the Greater Downtown submarket, continued to drive interest from national developers. McCaffery broke ground on the redevelopment of the historic Produce Terminal this quarter. The Terminal is a five-block long building that will serve as a robust retail and restaurant hub. McCaffery also began work on 1600 Smallman Street which will offer 85,000 square feet (sf) of office space near the Produce Terminal and is expected to deliver by the second quarter of 2020. RDC announced its District 15 vBeta and is set to start construction this summer, adding approximately 203,000 sf of office space a block away from the Produce Terminal. The Strip District – known as the region's "Robotics Row" – has driven Class A asking rents to the highest in the region. The activity of modern companies in fringe markets like The Strip kept vacancy rates in the CBD 4.0% higher than the Greater Downtown submarket in 2019. City officials broke ground on the "Cap" Urban Connector Project this quarter, a three-acre park connecting the CBD to the redevelopment of the former Civic Arena site. The site will include retail, office space and residential units. This project is slated to be completed late 2021. The volume of construction activity in the Pittsburgh region is the highest its been since 1994. With Pittsburgh's new construction and redevelopment projects in the millions of square feet, vacancy remained stable, despite negative net absorption for the region. The negative net absorption trend is largely driven by these new developments, as well as SAP vacating space in the CBD.

Outlook

Looking forward, companies are becoming more comfortable and confident in expanding due to a stabilized economy. Increased demand for the region will lead to continued strength in the speculative construction pipeline. Healthy new leasing activity in major submarkets will drive the vacancy rate down and average asking rents up.

MARKETBEAT

Pittsburgh, PA

Office Q2 2019

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Armstrong County	123,367	0	0	0%	0	0	0	0	$8.58	$8.58
Beaver County	1,201,455	0	203,302	16.9%	-52,842	-66,239	7,120	0	$13.12	N/A
Butler County	4,696,201	12,289	202,155	4.6%	9,646	-57,067	33,450	0	$22.45	$23.53
CBD	**26,281,109**	**281,544**	**3,424,993**	**14.1%**	**-120,741**	**-210,047**	**241,109**	**0**	**$26.53**	**$29.40**
Fayette County	630,275	0	0	0%	0	0	0	0	$12.19	N/A
Greater Downtown	12,291,492	225,269	1,030,551	10.2%	-11,138	16,654	58,230	581,708	$25.01	$32.00
North Pittsburgh	6,373,978	1,495	500,713	7.9%	-46,310	-81,097	49,217	135,000	$20.44	$24.33
Northeast Pittsburgh	2,536,135	0	108,315	4.3%	3,300	9,750	4,861	0	$19.71	$25.46
Oakland	3,153,502	0	35,771	1.1%	17,887	34,842	13,087	399,067	$20.41	N/A
Parkway East	10,400,548	4,950	1,180,209	11.4%	40,092	89,523	79,151	453,833	$18.96	$21.08
Parkway West	10,149,967	179,847	1,395,522	15.5%	-173,153	-135,303	107,610	170,380	$22.02	$23.68
South Pittsburgh	6,059,686	35,027	521,865	9.2%	-23,071	-52,320	27,640	0	$17.77	$21.53
Washington County	5,072,139	7,466	567,919	11.3%	25,449	-8,130	180,723	0	$22.54	$24.70
Westmoreland County	3,149,693	0	208,802	6.6%	52,042	38,382	40,172	0	$14.73	$25.53
PITTSBURGH TOTALS	**92,119,547**	**747,887**	**9,380,117**	**11.0%**	**-278,839**	**-421,052**	**842,370**	**1,739,988**	**$19.41**	**$23.62**

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

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	31,809,885	436,802	4,115,052	14.6%	-164,614	-276,289	352,710	1,437,574	$23.62	$23.62
Class B	48,170,157	164,080	4,417,605	9.6%	-199,600	-205,534	375,488	302,414	$20.23	$20.20
Class C	12,139,505	93,911	847,460	7.0%	85,375	60,771	114,172	0	$15.68	$15.68

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6000 Park Land Drive (Boardwalk I)	106,000	ConnectivRX	New	Parkway West
30 Isabella Street	80,000	Wabtec	New	Greater Downtown
661 Andersen Drive	51,378	Tetra Tech	Renewal	Parkway West
301 Grant Street (One Oxford Centre)	35,000	SPACES by Regus	New	CBD

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER / BUYER	PRICE / $PSF	SUBMARKET
501 Technology Dr	98,314	Aztec Fund / Tusk Development	$22,315,668 / $227	Washington County
200 James Pl	34,000	James Place Medical / Isbir	$1,585,000 / $47	Monroeville
1022 N Main St	12,000	Russell Hearn / A & D Holding	$1,500,000 / $125	Butler
1010 Ohio River Blvd	12,000	Spring Way Center / 1010 ORB LLC	$1,102,500 / $92	North Pittsburgh

Grant Street Associates, Inc.
310 Grant Street, Suite 1825
Pittsburgh, PA 15219
cushmanwakefield.com

For more information, contact:
Justin Brown, Director of Research
Tel: +1 412 697 6557
jbrown@gsa-cw.com