

MARKETBEAT PITTSBURGH

Industrial Q4 2019

YoY Chg 12-Mo. Forecast

6.6%

Vacancy Rate



309K

Net Absorption, SF



\$7.13

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

1.2M

Pittsburgh Employment



4.3%

Pittsburgh Unemployment Rate



3.6%

U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW: Unemployment Increases Modestly

Pittsburgh's unemployment rate finally found a bottom after an unprecedented run, reaching the lowest point in 40 years in the second quarter of 2019. However, in the fourth quarter of 2019, the unemployment rate ticked up, and the 40-basis-point (bps) increase to 4.3% suggests a loosening labor market. The region should be able to contain further unemployment headwinds due to an imminent flattening of the population, as well as large-scale hiring by Amazon in its fulfillment center, and the potential for an "Appalachian Renaissance" driven by jobs that will accompany the Shell Cracker Plant.

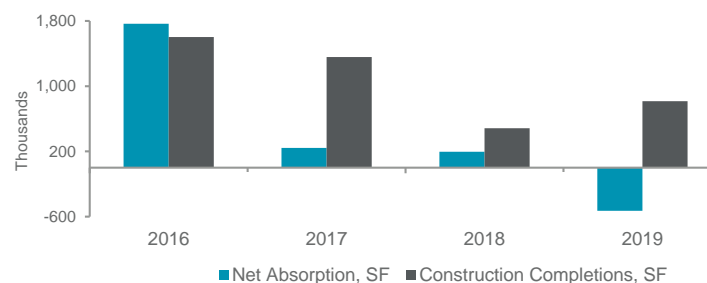
SUPPLY AND DEMAND: Absorption Turns Positive, Year-to-Date Still Negative

In a welcomed sign for the industrial market, absorption in the fourth quarter of 2019 turned positive to 309,000 square feet (sf), following three previous quarters of negative absorption. The strong demand and low vacancy rates have kept both regional and national developers busy working to deliver new product. Westmoreland County, which houses the most industrial stock, and the airport corridor have catalyzed the region. In the fourth quarter of 2019, 250,000 sf delivered, which is in line with past quarterly deliveries. But looking forward, 2020 is shaping up to be a fruitful year. Amazon's 1.0 million-square-foot (msf) fulfillment center will deliver in the Parkway West, as well as the second phase of RIDC's Mill 19 project, with autonomous vehicle operator Aptiv set to take 70,000 sf. Another sign of market strength are the institutional investors who are now taking a look at Pittsburgh's industrial assets for sale, like Imperial Business Park and South Hills Industrial Park. On the leasing front, Netflix signed a one-year, 264,000-sf lease in North Pittsburgh at a former American Eagle facility that the company occupied for the previous two years.

PRICING: Rents Down Slightly in MF and W/D

High tech and flex properties, which account for 20% of total inventory, have historically been higher than other property types. When omitted from the inventory, the remaining warehouse, manufacturing, and heavy industrial asking rents are averaging \$4.57 per square foot (psf) NNN, which is down slightly from last quarter. With a barrage of new Class A product coming online in 2020, asking rents should climb and keep pace with rising demand for the region. Hybrid "tech flex" space should also be a boon to rents.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (FLEX)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT (HT)
Armstrong County	1,980,193	55,126	2.8%	33,426	29,747	0	0	-	\$7.00	\$2.50	\$7.00
Beaver County	11,067,806	842,288	7.6%	5,354	-421,616	205,000	30,000	\$4.25	\$7.00	\$4.48	-
Butler County	16,400,544	1,256,507	7.7%	47,774	25,070	0	332,813	\$2.25	\$15.83	\$4.27	-
Fayette County	4,226,648	594,741	14.1%	-13,023	277,877	20,500	24,000	\$2.17	-	\$6.24	-
Greater Downtown	12,333,600	779,416	6.3%	-90,479	-298,759	0	0	-	\$13.48	\$8.43	\$12.00
Monroeville	2,452,581	52,904	2.2%	-2,900	37,822	0	0	\$6.00	\$10.84	-	-
North Pittsburgh	15,631,123	715,426	4.6%	-122,611	-409,782	0	117,000	-	\$9.54	\$6.10	\$8.25
Northeast Pittsburgh	18,028,857	468,323	2.6%	0	174,211	0	0	-	\$11.32	\$6.06	\$11.32
Oakland	352,192	0	0.0%	0	0	0	0	-	-	-	-
Parkway East	13,181,773	779,960	5.9%	155,072	199,610	70,000	95,000	\$4.00	\$10.25	\$5.73	-
Parkway West	11,593,640	1,001,057	8.6%	-27,781	-73,663	1,074,000	206,740	\$5.65	\$12.90	\$5.74	-
South Pittsburgh	17,289,816	1,260,889	7.3%	27,158	-422,388	0	0	\$5.00	\$12.48	\$4.88	-
Washington County	13,049,014	1,171,405	9.0%	93,734	150,130	0	11,000	\$5.13	-	\$5.79	-
Westmoreland County	31,973,817	2,243,762	7.0%	203,684	202,886	0	0	\$6.80	\$6.84	\$4.58	\$6.80
PITTSBURGH TOTAL	169,561,604	11,221,804	6.6%	309,408	-528,855	1,369,500	816,553	\$3.53	\$10.93	\$5.21	\$8.83

KEY LEASE TRANSACTIONS Q4 2019

MF = Manufacturing FLEX = Flex W/D = Warehouse/Distribution HT= High Tech

PROPERTY	SUBMARKET	TENANT	SF	TYPE
150 Thorn Hill Rd	North Pittsburgh	Netflix	263,521	New Lease

KEY SALES TRANSACTIONS Q4 2019

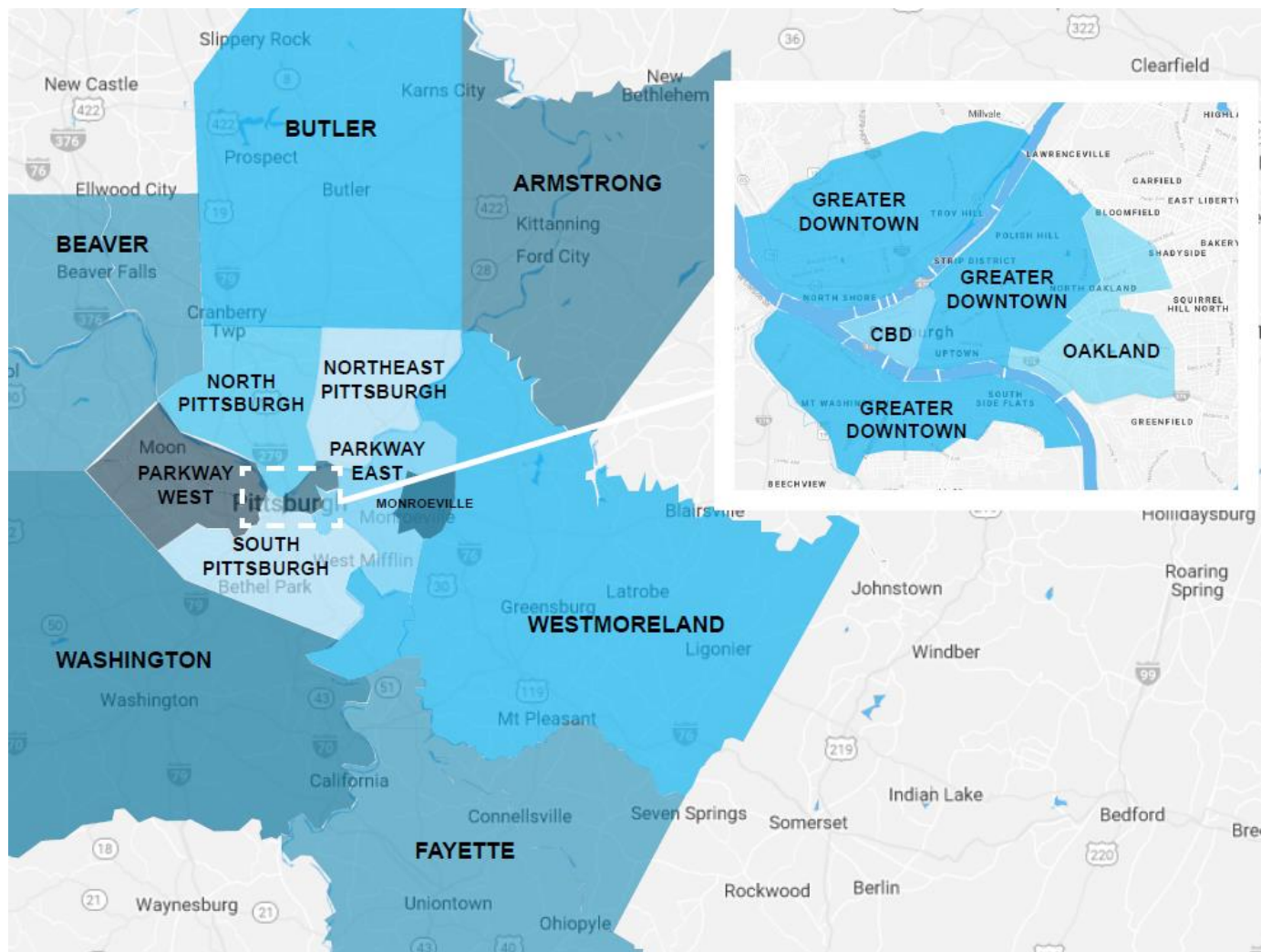
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1000 Energy Drive	South Pittsburgh	Al Neyer / William Acker	35,000	\$6.9M / \$197
4001 William Penn Hwy	Westmoreland	Francis Delallo / Rettger Real Estate	30,000	\$3.5M / \$117

KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
108 Tomlinson Dr	Butler County	Victory Packaging	220,000	Bell / Al Neyer
4000 2 nd Ave- Phase A	Parkway East	CMU	95,000	RIDC / RIDC



INDUSTRIAL SUBMARKETS

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