

# MARKETBEAT PITTSBURGH



## Industrial Q1 2022

	YoY Chg	12-Mo. Forecast
<b>6.1%</b> Vacancy Rate	▼	▼
<b>463K</b> Net Absorption, SF	▲	▲
<b>\$6.92</b> Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

### ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
<b>1.13M</b> Pittsburgh Employment	▲	▲
<b>5.4%</b> Pittsburgh Unemployment Rate	▼	▼
<b>3.6%</b> U.S. Unemployment Rate	▼	▼

Source: BLS

### ECONOMIC OVERVIEW: Unemployment Continues Decline, Still Lags National

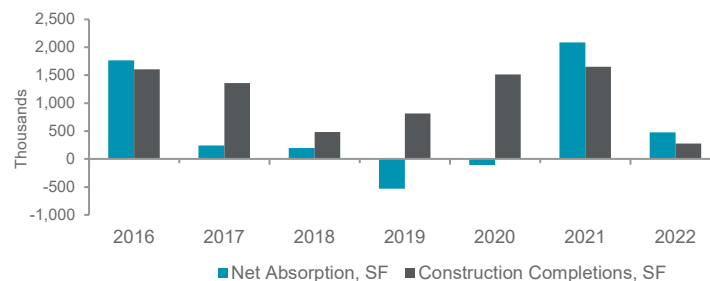
On the local front, Pittsburgh's unemployment rate ticked down 200 basis points (bps) on a year-over-year (YOY) basis, to 5.4%. COVID-19 concerns appear to be firmly in the rear-view mirror, although we have yet to see the delta close between the local unemployment rate and national unemployment rate. Subpar labor market conditions have not made things easier for the former Steel City, however labor shortages have encouraged wage growth locally in almost all sectors, specifically leisure and hospitality wages, which have risen over 10% YOY. With federal stimulus policies having ran their course and inflation hovering around 8%, Pittsburgh is still on track to grow in 2022, albeit slowly. Although the city is certainly an emerging tech center with a booming creative class, hell-bent on attracting educated young people, structural labor and population issues are still prevalent here.

### SUPPLY AND DEMAND: Absorption Continues to Outperform, Supply Can't Keep Up

At the close of the first quarter of 2022, absorption remained positive for the seventh quarter in a row. After closing 2021 with 2.1 million square feet (msf) of full year absorption, the market started off 2022 strong with 463,203 square feet (sf). The news of Amazon abandoning their massive 2.9 msf Churchill distribution center did not seem to impact the industrial narrative much in the region, as great tenants like Home Depot flocked to new product in the Parkway West like Westport Ridge 1. The development is best-in-class, and two more buildings totaling over 400,000 sf of modern logistics space are now underway. National developer NorthPoint bet big on airport corridor and leasing activity there has exceeded expectations, with no sign of slowing down. One interesting trend that is finally materializing after much speculation is that leasing activity in Beaver County has finally begun to tick up. The submarket houses the Royal Dutch Shell cracker plant in Monaca, which plans to open this year, and is over 80% done. With 8,000 workers still reporting to work on the site, Royal Dutch Shell will begin hiring 600 permanent on-site workers imminently. Downstream manufacturers and distributors hoping to capture plastics synergies have led to a flurry of activity in the space market within Beaver County. The annual economic impact on the Pittsburgh MSA is projected to be around \$3.3 billion dollars.

### PRICING: Rents Continue Upward Trend

Asking rents were up yet again in the first quarter of 2022, ending the quarter at \$6.92 per square foot (psf), compared to \$6.61 psf last quarter. The seemingly endless demand for logistics space, coupled with fast-paced absorption and a slow drip of new product delivering, has led to consistently increasing rates. New product in the form of Westport Ridge delivered this quarter, with 32' clear heights and asking rates between \$6.50 and \$7.00 psf triple net, with nets coming in around \$2.00. This space is already mostly spoken for, and NorthPoint has two other proposed buildings that are already generating interest and they will be priced similarly, if not slightly higher. With demand far outstripping supply, and 696,000 sf of warehouse/distribution leasing activity just in the first quarter, the pricing outlook remains bullish.



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## 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	32,275	1.6%	225	225	-	-	-	\$7.00	\$4.00	\$7.00
Beaver County	11,272,806	675,287	6.0%	150,325	150,325	-	-	\$4.25	-	\$6.31	\$8.83
Butler County	16,400,544	1,029,765	6.3%	149,381	149,381	-	-	\$3.25	\$9.00	\$6.50	\$19.50
Fayette County	4,226,648	59,695	1.4%	(28,784)	(28,784)	20,500	-	\$5.00	\$8.00	\$5.00	-
Greater Downtown	12,470,152	378,867	3.0%	51,912	51,912	-	-	\$9.00	\$20.00	\$5.00	\$20.00
Monroeville	2,452,581	77,210	3.1%	24,839	24,839	-	-	\$6.00	\$10.84	\$8.95	-
North Pittsburgh	15,631,123	1,050,245	6.7%	96,585	96,585	200,000	-	\$3.75	\$9.32	\$6.42	\$8.95
Northeast Pittsburgh	18,028,857	677,547	3.8%	(116,906)	(116,906)	-	-	-	\$12.79	\$6.00	\$13.52
Oakland	352,192	-	0.0%	-	-	-	-	-	-	-	-
Parkway East	13,251,773	1,103,437	8.3%	(68,379)	(68,379)	161,682	-	\$4.00	\$10.25	\$5.31	-
Parkway West	13,323,640	962,933	7.2%	9,365	9,365	701,400	276,000	\$6.00	\$11.00	\$8.91	\$18.00
South Pittsburgh	17,289,816	868,602	5.0%	162,900	162,900	-	-	\$5.00	\$10.00	\$5.40	-
Washington County	13,492,014	1,369,797	10.2%	107,535	107,535	29,000	-	\$6.93	\$7.15	\$6.65	\$12.00
Westmoreland County	32,123,817	2,099,046	6.5%	17,061	17,061	250,000	-	\$5.95	\$7.49	\$5.91	\$6.80
West Pittsburgh	16,030,469	1,115,757	7.0%	(92,856)	(92,856)	70,873	-	\$7.00	\$12.00	\$7.04	-
<b>PITTSBURGH TOTAL</b>	<b>188,050,625</b>	<b>11,500,463</b>	<b>6.1%</b>	<b>463,203</b>	<b>463,203</b>	<b>1,433,455</b>	<b>276,000</b>	<b>\$6.05</b>	<b>\$10.37</b>	<b>\$6.24</b>	<b>\$12.73</b>

## KEY LEASE TRANSACTIONS Q1 2022

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

PROPERTY	SUBMARKET	TENANT	SF	TYPE
251 Solar Dr- Westport Ridge	Parkway West	Home Depot	86,600	New Lease
121 Bay Hill Dr	Westmoreland County	Snyder Performance	63,000	New Lease

## KEY SALES TRANSACTIONS Q1 2022

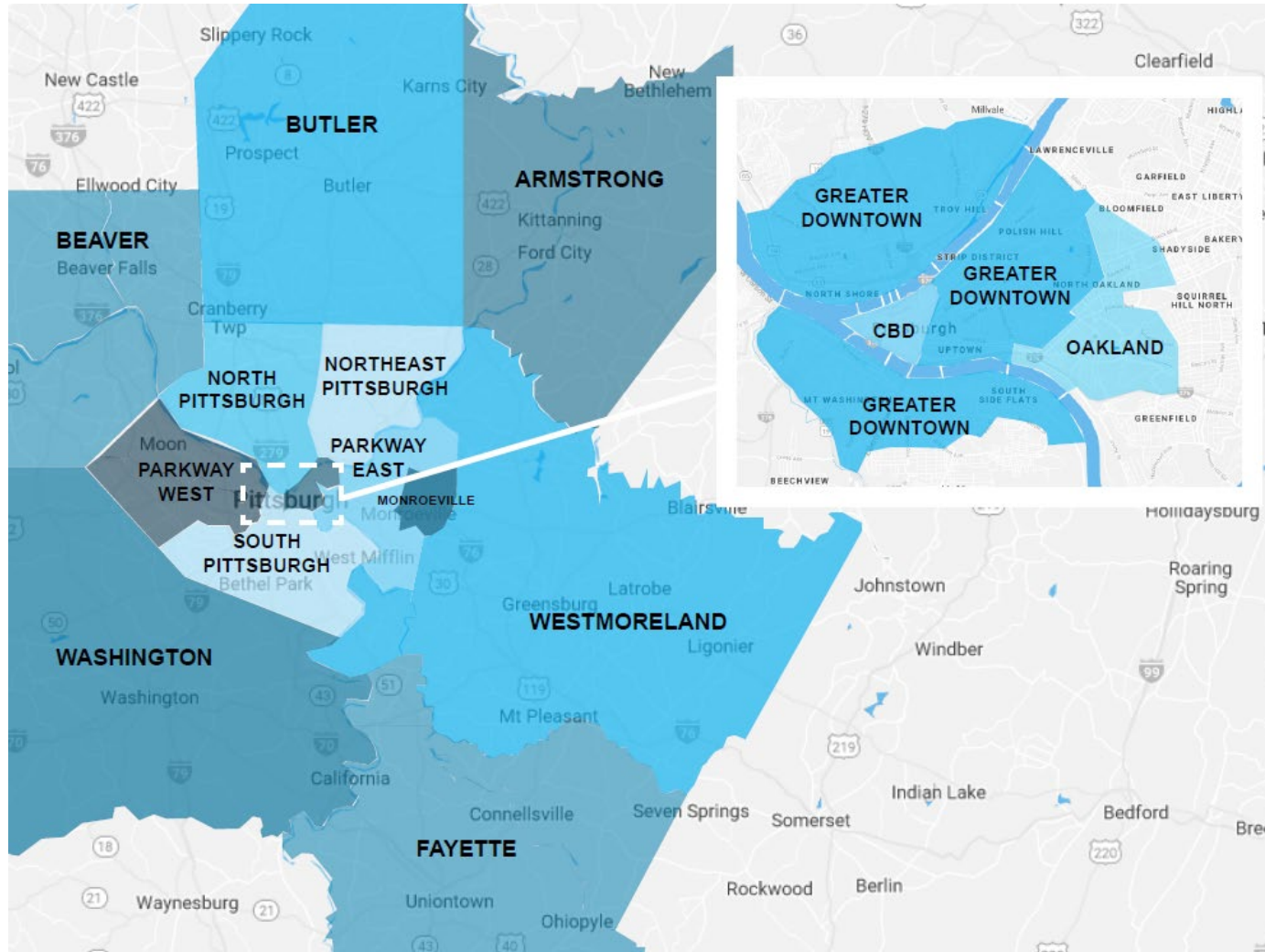
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
1729 Pennsylvania Ave	Beaver County	Monmouth Real Estate / Industrial Log. Prop. Trust	174,802	\$24,102,622 / \$137.89
100 Victory Rd	Butler County	SunCap / Omega Industrial	220,000	\$27,500,000 / \$125.00

## KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
251 Solar Dr- Westport Ridge	Parkway West	Home Depot	276,000	NorthPoint

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### INDUSTRIAL SUBMARKETS



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