

# MARKETBEAT PITTSBURGH



Office Q3 2022

**13.7%**

Vacancy Rate

YoY  
Chg



12-Mo.  
Forecast



**-169.6K**

Net Absorption, SF



**\$25.46**

Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2022

**1.15M**

Pittsburgh  
Employment

YoY  
Chg



12-Mo.  
Forecast



**4.3%**

Pittsburgh  
Unemployment Rate



**3.5%**

U.S.  
Unemployment Rate



Source: BLS

## ECONOMIC OVERVIEW

Despite several recent interest rate hikes, core inflation remained high, 8.3%, year-over-year (YOY). This level of inflation is well above the Federal Reserve's (Fed) target rate of 2%. As such, on September 21, 2022, the Fed announced yet another 75-basis points (bps) increase in the national interest rate, the third interest rate increase in the last four months. The interest rate currently resides at the highest level since 2008, and the rapid rise in borrowing costs has caused investors and firms to be wary of large expenditure in the light of economic uncertainty. This heightened sense of caution has caused firms to evaluate, and consequently, tap the breaks on current itemized expenditures.

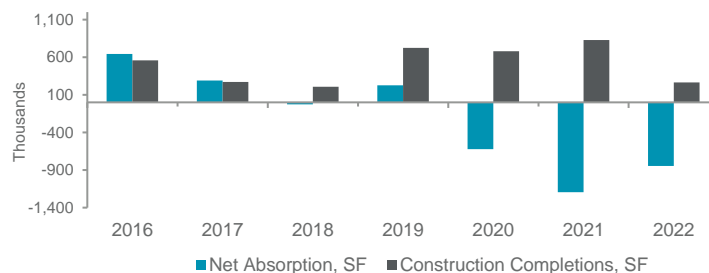
## SUPPLY AND DEMAND

Supply has remained constant, as no new properties were delivered in the quarter. Rising interest rates continue to cause economic uncertainty which has tempered leasing and investor activity. Quarter-over-quarter (QOQ), the market saw negative net absorption of 169,605 square feet (sf). However, this does not tell the full story of the market. Absorption in the Non-Central Business District (Non-CBD) submarkets is positive, standing at 71,584 sf. Conversely, absorption in the Central Business District (CBD), is largely negative (-241,189 sf). Vacancy tells a similar story. Overall market vacancy rose by 10 bps; however, when looking at the CBD and Non-CBD submarkets individually, vacancy increased by 80 bps and decreased by 20 bps, QOQ, respectively. Class A vacancy increased QOQ. The CBD saw a 160-bps increase in class A vacancy, rising to 20.1%, an all-time high. Class A vacancy in non-CBD submarkets decreased by 50 bps, to 22.3%. Given the economic uncertainty now mixing with the persistence of the hybrid-work model, right-sizing is and may continue to be a trend in the CBD market.

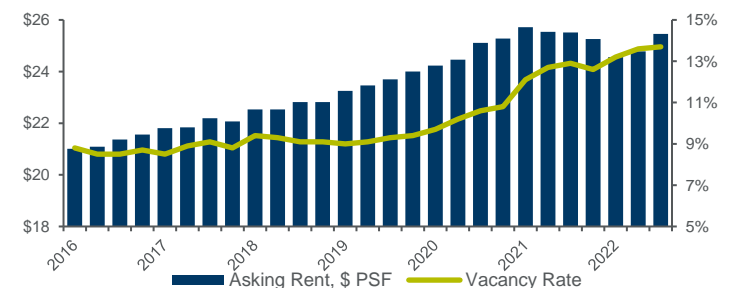
## OUTLOOK

Despite the worsening economic indicators and the decrease in office leasing activity, the outlook is not all doom and gloom. The leading cause for a reduction in office space demanded continues to be the hybrid work model. A post Labor Day return to the office push may help spark a rally in leasing activity as we push towards year-end. This quarter, 89.5% of the leasing activity in the CBD has been in Class A space. Likewise, the non-CBD submarkets has also seen a continued flight to quality with 62.1% of the leasing activity occurring in Class A space. The flight to quality trend is prevalent throughout many markets and has been a silver lining during the pandemic: that despite the possible need to right-size quantity, most tenants are not willing to compromise on the quality of their space.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT





## Office Q3 2022

## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT	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 AVG GROSS RENT \$ (ALL CLASSES)*	OVERALL AVG GROSS RENT \$ (CLASS A)*
Armstrong County	123,367	0	2,300	1.9%	0	0	0	0	-	-
Beaver County	1,200,496	0	124,299	10.4%	-59,729	-44,242	0	0	\$19.35	-
Butler County	3,929,331	101,206	318,159	10.7%	74,451	124,950	7,392	0	\$22.50	\$24.87
CBD	27,703,892	244,724	4,249,634	16.2%	-241,189	-444,308	81,347	472,000	\$27.21	\$29.26
East End	3,341,562	51,043	338,436	11.7%	52,898	15,580	2,987	281,649	\$24.72	37.71
Fayette County	661,826	0	29,449	4.4%	-11,040	-11,040	0	0	-	-
Greater Downtown	12,386,773	336,237	1,543,034	15.2%	-38,295	-28,934	22,386	105,00	\$30.59	\$38.67
North Pittsburgh	6,608,391	0	699,344	10.6%	-3,901	7,396	52,638	0	\$24.85	\$26.45
Northeast Pittsburgh	2,499,876	0	293,184	11.7%	12	-70,851	9,555	0	\$18.69	\$25.54
Oakland	3,023,091	0	206,687	6.8%	22,923	-24,820	8,423	353,000	\$25.89	-
Parkway East	7,362,813	0	896,114	12.2%	16,897	-309,385	8,928	0	\$18.14	\$19.72
Parkway West	9,098,657	103,467	1,490,915	17.5%	-10,961	-213,413	81,353	0	\$22.84	\$23.95
South Pittsburgh	5,089,787	0	316,921	6.2%	20,182	-70,807	15,440	0	\$19.97	\$23.58
Washington County	5,624,635	93,750	608,872	12.5%	-2,988	244,691	62,153	0	\$19.84	\$23.06
West Pittsburgh	2,861,159	160,898	568,769	25.5%	12,378	-37,292	5,294	0	\$22.32	\$23.53
Westmoreland County	3,145,472	0	158,480	5.0%	-1,243	2,899	18,236	0	\$16.62	\$25.53
<b>PITTSBURGH TOTALS</b>	<b>94,661,128</b>	<b>1,091,325</b>	<b>11,844,597</b>	<b>13.7%</b>	<b>-169,605</b>	<b>-859,576</b>	<b>376,132</b>	<b>1,211,649</b>	<b>\$25.46</b>	<b>\$28.22</b>

\*Rental rates reflect gross asking \*\*Includes Renewals

## KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5 Penn Center West	Parkway West	NVR Inc	37,066	New/Direct
2200 Energy Dr	Washington County	Lighthouse Electric	30,000	New/Sublease
2100 Georgetowne Dr	North Pittsburgh		19,026	New/Direct
300-310 Seven Fields Blvd	Butler County	Harsco Environmental	16,987	Renewal/Direct
333 Technology Dr	Washington County		15,667	New/Direct

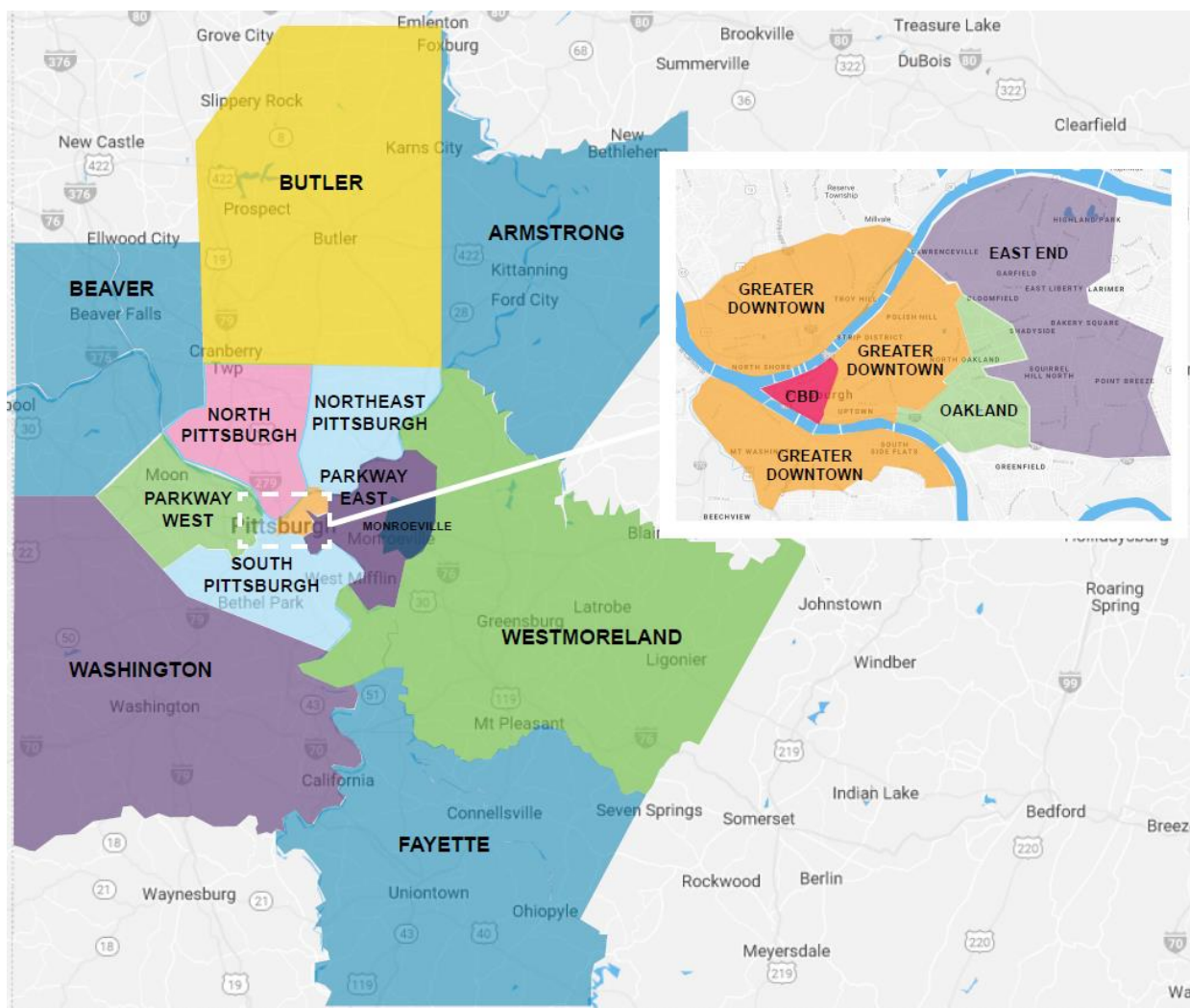
## KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1307 Federal St*	Washington	Healthcare Trust of America / Nuveen Global Cities REIT Inc	191,611	\$82,000,000 / \$427.95
333 Technology Dr	Washington County	Rs Stealth LLC / Burns Scalo Brokerage LLC	116,000	\$9,750,000 / \$84.05

\*Part of a 10 Property Portfolio



## OFFICE SUBMARKETS

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