

Industrial Q4 2023

5.3%
Vacancy Rate

YoY Chg



12-Mo. Forecast



1.5M
Net Absorption, SF



\$7.76
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2023

1.2M
Pittsburgh Employment

YoY Chg



12-Mo. Forecast



3.4%
Pittsburgh Unemployment Rate



3.7%
U.S. Unemployment Rate



Source: BLS

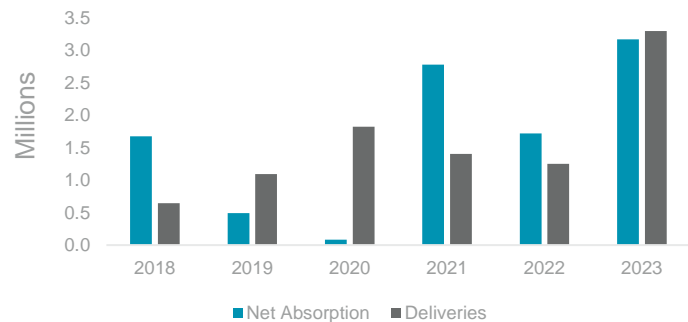
Economic Conditions

From red hot inflation to a major autoworker strike, 2023 was full of challenges causing economic uncertainty. Despite these precarious situations, the consumers remained steadfast, for the moment staving off recession. Inflation continued to drop, with headline inflation registering 3.1% year-over-year (YOY) in November 2023, a far cry from the peak of 8.5%. The cooling of inflation also implies the eventual retreat of interest rates – even as early as 2024. At the very least, a pause in interest rate hikes allows the capital markets to stabilize. Moreover, the unemployment rate remains low at 3.7% nationally, and 3.4% in Pittsburgh. Despite seemingly optimistic indicators, a recession is still possible, if not probable. Debt markets remain tight, loan delinquency is on the rise, oil prices are volatile, and global conflicts threaten the stability of supply chains. If any of these situations sour, it could be enough to weaken consumer confidence, thereby causing a recession. As such, the economic outlook for 2024 is, at best, still one of caution.

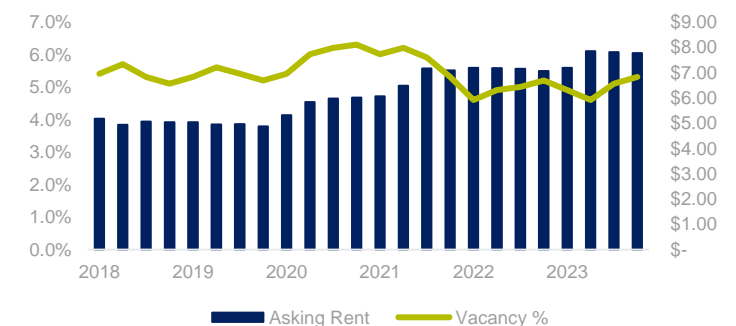
Supply and Demand

A record 1.6 million square feet (msf) of industrial product delivered in the fourth quarter, 1.5 msf of which was Warehouse Distribution (W/D) facilities. This mass delivery of W/D centers marks the end of the “warehouse boom” in Pittsburgh experienced across the U.S. immediately following the pandemic. Only 595,000 sf is actively under construction, and developers continue to delay breaking ground on proposed speculative projects due to all-time high construction costs and the high vacancy rates of recently delivered product. Though not explicitly industrial product, Carnegie Mellon University’s Robotics Innovation Center (RIC) broke ground in the fourth quarter. Slated to deliver in May of 2025, this 150,000-sf specialty building will provide a launch pad for advanced robotics companies. In the short term, it could compete with the industrial sector, as robotics firms typically occupy warehouse and flex spaces. However, long term, the space will help develop Pittsburgh’s Robotics industry, which requires ancillary industries such as parts manufacturers and distribution companies. The vacancy rate increased 30 basis points (bps) quarter-over-quarter (QOQ), to 5.3% at year end. The rise in vacancy is mostly attributable to the delivery of vacant space. This is most apparent in the Parkway West, which had nearly 520,000 sf of vacant W/D space deliver since the third quarter of 2023, causing the vacancy rate to rise from 4.8% to 10.6%. Net absorption for the quarter was nearly 1.5 msf, bringing the 2023 total to just shy of 3.2 msf, the highest total in more than 15 years. This unprecedented level of absorption is almost exclusively due to the delivery of new occupied W/D product in the second half of 2023.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q4 2023

MARKET STATISTICS

Submarket	Inventory (SF)	Overall Vacant (SF)	Overall Vacancy Rate	Current QTR Overall Net Absorption (SF)	Under Cnstr (SF)	Deliveries (SF)	Overall Weighted Avg NNN Rent (MF)	Overall Weighted Avg NNN Rent (W/D)	Overall Weighted Avg NNN Rent (FLX)
Armstrong County	1,625,107	50,399	3.1%	-7,520	30,000	0	-	-	\$6.48
Beaver County	10,040,025	519,520	5.2%	-117,720	0	0	\$5.38	\$5.81	-
Butler County	14,358,386	809,441	5.6%	-34,924	0	0	\$3.03	\$10.37	\$12.86
Fayette County	3,412,831	23,800	0.7%	0	0	0	-	\$6.95	\$12.00
Greater Downtown	9,429,097	567,379	6.0%	-125,859	0	0	\$5.95	\$9.13	\$16.86
Monroeville	2,760,436	49,435	1.8%	6,485	0	0	-	\$5.27	\$6.06
North Pittsburgh	14,323,295	682,726	4.8%	-89,382	0	0	\$4.97	\$7.80	\$9.41
Northeast Pittsburgh	15,220,835	494,082	3.2%	-117,818	0	0	\$4.50	\$13.46	\$12.00
Oakland	294,185	12,000	4.1%	0	0	0	-	-	\$15.92
Parkway East	12,380,693	1,597,355	12.9%	-4,647	60,000	0	\$1.89	\$4.49	\$10.83
Parkway West	11,867,127	1,253,527	10.6%	58,268	0	128,000	\$6.35	\$8.79	\$12.97
South Pittsburgh	15,557,481	267,233	1.7%	81,017	100,000	0	\$4.68	\$5.95	\$7.88
Washington County	10,010,646	433,712	4.3%	7,038	0	0	\$5.08	\$4.00	-
West Pittsburgh	15,253,827	509,641	3.3%	331,201	250,000	386,551	\$7.50	\$7.18	\$9.27
Westmoreland County	28,119,182	1,440,911	5.1%	1,477,173	155,000	1,120,000	\$6.36	\$6.88	\$6.95
Total	164,653,153	8,711,161	5.3%	1,463,312	595,000	1,634,551	\$5.44	\$7.83	\$9.88

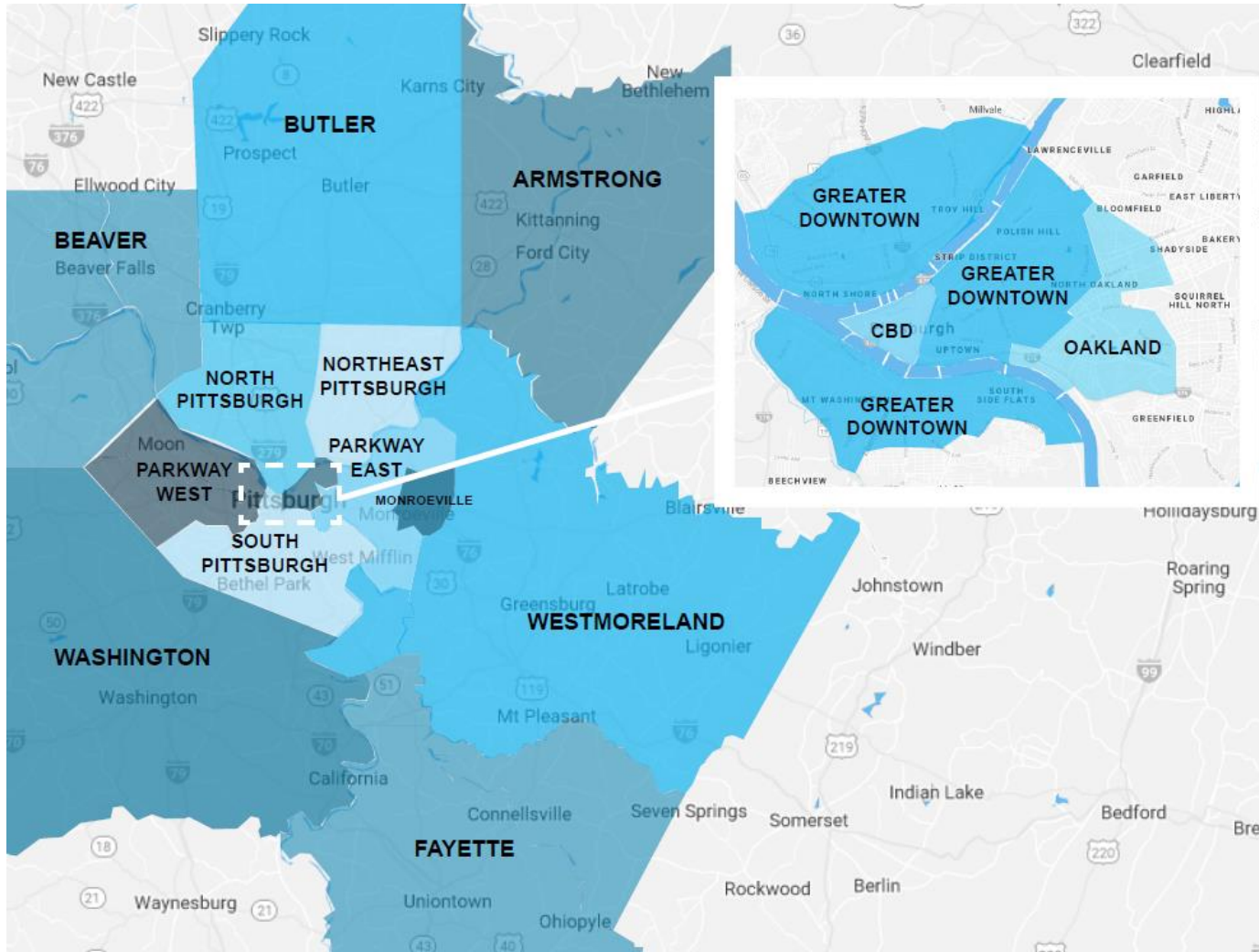
KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF LEASED	LEASE TYPE
251 Solar Dr	Parkway West	Hormann-Flexon	57,784	Direct / New Lease
402 E Main St	Westmoreland County	Wyatt Cell Fuel	39,153	Direct / Renewal
2267 Todd Rd	Beaver County	Undisclosed Tenant	38,500	Direct / New Lease
150 Crown Ct	Parkway West	Supply Technologies	19,500	Direct / Renewal

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	BUILDING SIZE	PRICE / \$ PSF
10 40 th St	Greater Downtown	Undisclosed / Carnegie Mellon University	80,000	\$1,500,000 / \$18.75
1576 Arona Rd	Westmoreland County	Kennametal, Inc. / Anex Warehouse Company	68,000	\$2,100,000 / \$30.88

INDUSTRIAL SUBMARKETS



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