

## Office Q4 2023

**16.1%**  
Vacancy Rate



**-504.2K**  
Net Absorption, SF



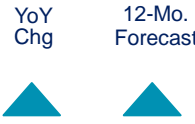
**\$25.95**  
Asking Rent, PSF



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q4 2023

**1.2M**  
Pittsburgh Employment



**3.4%**  
Pittsburgh Unemployment Rate



**3.7%**  
U.S. Unemployment Rate



Source: BLS

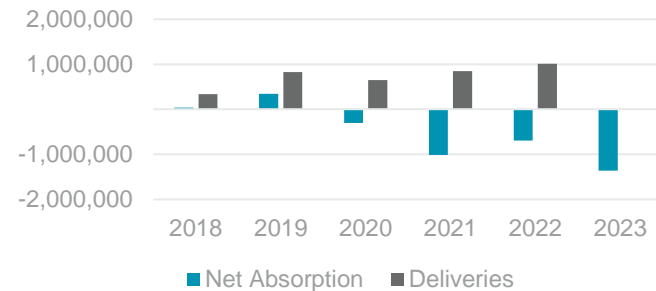
### Economic Conditions

Despite the stubbornness of the U.S. macroeconomy in 2023, warning signs still point to a mild recession in 2024. Rising auto loan delinquencies and the previously seen inversion of the treasury yield curve are tried-and-true predictors of recession. Moreover, the global economy is precariously balanced atop several high profile socioeconomic and geopolitical situations. Oil prices, labor strikes, government deficits, and global conflicts all threaten to send the global economy careening toward the depths of a recession. To date, almost miraculously, the U.S. macroeconomy has avoided catastrophe in these regards. However, it does not take much imagination to see the souring of one (or multiple) of the aforementioned issues weakening consumer confidence, thereby tilting the scales toward recession. Nonetheless, consumers remained resilient throughout all of 2023, defying expert expectations and staving off a recession. Inflation continues to drop, GDP growth remains strong, and interest rates are unlikely to increase further. In short, a soft landing is becoming increasingly possible (though not probable). Therefore, the current forecast is one of cautious, maybe slightly naïve, optimism.

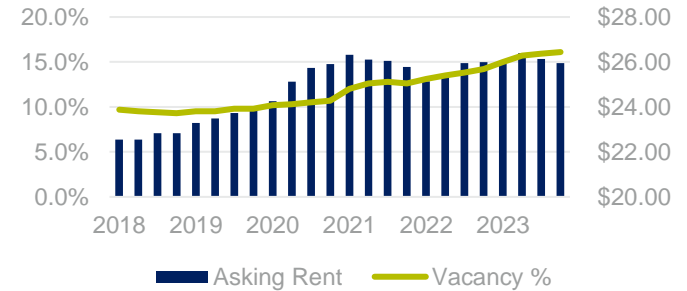
### Supply and Demand

No new product delivered during the fourth quarter of 2023. However, the FNB Financial Center and Diamond Ridge continue to near completion, likely delivering in the first half of 2024. Also of note, though not traditional office space, development in Hazelwood Green continued with the university of Pittsburgh's BioForge and Carnegie Mellon University's Robotics Innovation Center (RIC) breaking ground. These facilities have specialty uses, slated as Life Science and Robotics centers, respectively. The continued development and maturity of Life Science and Robotics industries solidifies and affirms Pittsburgh's global position as an innovation hub. Almost certainly, an inflow of Life Science and Robotics companies brings support workers, thereby revitalizing demand for office space and utilization. The woes of the Pittsburgh office market persisted in the fourth quarter of 2023. For the eighth consecutive quarter, the overall vacancy increased by 20 basis points or more. At year end, overall vacancy stood at 16.1%. The Central Business District (CBD), Parkway West, and West Pittsburgh submarkets all had near record vacancy rates of 19.2%, 24.0%, and 29.0%, respectively. Net Absorption for the year was just south of -1.3 million square feet (msf), falling even lower than absorption during the height of the pandemic. The fourth quarter registered a net absorption of -504,198 sf, with much of the damage occurring in the CBD and Greater Downtown submarkets. New leasing activity for the quarter tapered off, coming in just under 320,000 sf, driven in large part by a single 100,000-sf lease signed by Giant Eagle at the eleventh hour. Of all new leases, 73.1% was Class A product, giving continued credence to the Flight-to-Quality trend. Total leasing for 2023 was just over 1.7 msf, a sharp decline compared to the post pandemic yearly average of 3.1 msf. Rents dropped for the second consecutive quarter, albeit only by a modest 0.2%. This is consistent with expectations, as landlords are struggling to finance concessions due to the high cost of borrowing. Therefore, as demand drops - evidenced by declines in leasing activity - landlords are forced to decrease asking rents to remain competitive.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



## Office Q4 2023

## MARKET STATISTICS

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	Overall Vacancy Rate	Current Qtr Overall Net Absorption (SF)	YTD Overall Net Absorption (SF)	YTD Leasing Activity**	Under Cnstr (SF)	Overall Avg Gross Rent	Overall Avg Gross Rent (A)
Armstrong County	150,472	0	0	0.0%	0	0	0	0	-	-
Beaver County	1,177,610	107,143	0	9.1%	2,458	5,726	0	0	\$16.18	\$15.13
Butler County	3,914,424	445,908	65,086	13.1%	39,258	114,762	251,724	0	\$22.43	\$24.14
CBD*	26,706,241	4,854,563	281,181	19.2%	-81,561	-771,663	384,190	462,268	\$27.95	\$29.26
East End	3,600,645	610,408	82,126	19.2%	-25,250	-83,469	80,772	0	\$37.21	\$40.29
Fayette County	661,826	0	0	0.0%	-18,000	-18,000	0	0	-	-
Greater Downtown*	12,622,974	1,541,156	438,286	15.7%	-112,279	-60,403	164,197	0	\$28.14	\$36.11
Monroeville	2,449,713	520,004	0	21.2%	-29,156	-123,357	32,714	0	\$18.14	\$18.98
North Pittsburgh	6,399,069	732,563	80,580	12.7%	-12,939	6,480	171,027	0	\$22.20	\$24.75
Northeast Pittsburgh	2,483,907	262,031	0	10.5%	-66,322	-70,754	40,943	0	\$16.55	\$24.00
Oakland	3,513,690	273,412	0	7.8%	-11,604	-7,650	11,890	0	\$31.51	\$45.48
Parkway East	4,961,226	586,292	0	11.8%	1,100	24,486	22,726	0	\$25.21	\$29.61
Parkway West	8,643,850	1,771,679	302,714	24.0%	-54,650	-79,861	144,687	0	\$22.84	\$23.72
South Pittsburgh	4,989,895	262,682	24,576	5.8%	-55,644	-2,396	183,083	0	\$19.30	\$22.00
Washington County	5,784,088	720,135	174,253	15.5%	-59,118	-236,222	126,103	0	\$19.23	\$22.42
West Pittsburgh	2,931,976	759,598	90,202	29.0%	-22,411	-50,574	9,668	224,621	\$22.63	\$24.83
Westmoreland County	3,218,138	170,857	0	5.3%	1,920	-10,340	5,746	0	\$14.87	-
<b>Total Market</b>	<b>94,209,744</b>	<b>13,618,431</b>	<b>1,539,044</b>	<b>16.1%</b>	<b>-504,198</b>	<b>-1,363,235</b>	<b>1,629,470</b>	<b>686,889</b>	<b>\$25.95</b>	<b>\$28.47</b>

## KEY LEASE TRANSACTIONS Q4 2023

\*CBD plus Greater Downtown submarkets equals the Greater CBD market

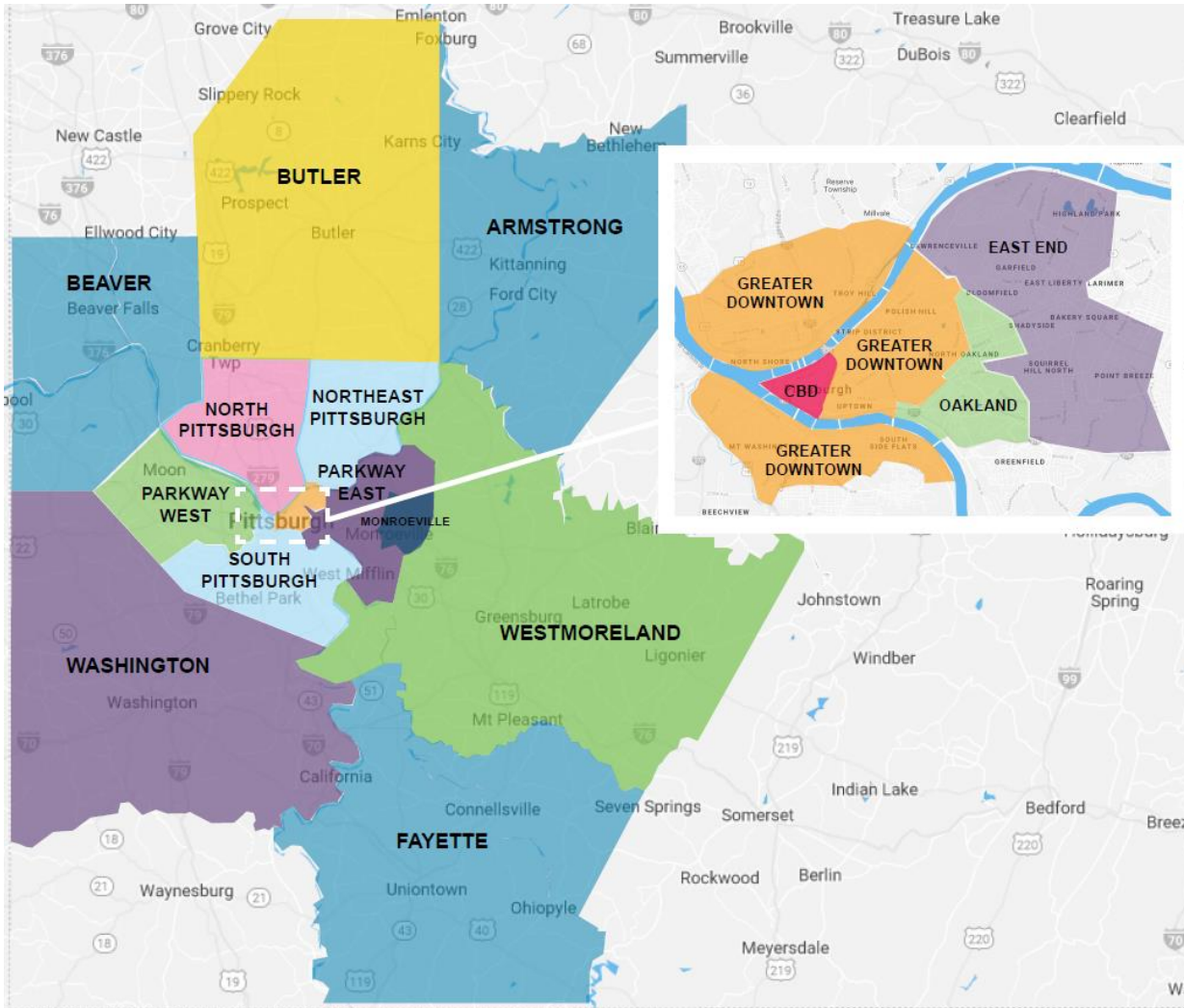
PROPERTY	SUBMARKET	TENANT	SF	TYPE
700 Cranberry Woods Dr**	Butler County	Giant Eagle	107,033	Direct / New Lease
11 Stanwix St**	CBD	Carneuse Lime, Inc	45,277	Direct / Renewal
141 South St. Clair St	East End	DuoLingo	27,846	Direct / New Lease
2545 Railroad St	Greater Downtown	Baird	11,694	Sublease / New Lease

## KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
300 Oxford Dr	Monroeville	Oxford Development Co. / Lakeland West Capital LLC	90,966	\$2,523,500 / \$27.74
101 W Main St	Parkway West	Carol Beil / Anova Home Health Care Services	15,000	\$1,000,000 / \$66.67

\*\*These leases are not reflected in the Cushman &amp; Wakefield National MarketBeat statistics.

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