

Industrial Q1 2024

6.0%
Vacancy Rate



-369.3K
Net Absorption, SF



\$7.73
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2024

1.2M
Pittsburgh Employment



3.3%
Pittsburgh Unemployment Rate



3.8%
U.S. Unemployment Rate



Source: BLS

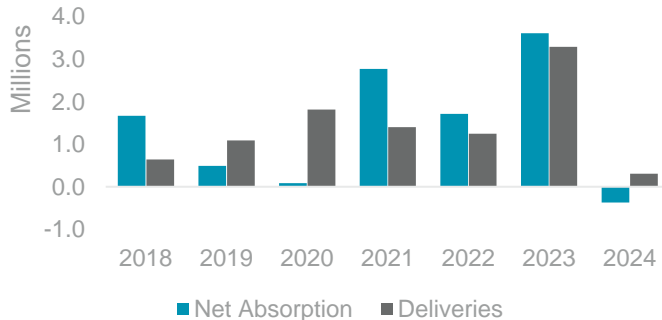
Economic Conditions

For the second quarter in a row the Federal Reserve (Fed) held the federal funds rate constant, signifying an end to the near constant rate hikes experienced in 2022 and 2023. Currently, the target federal funds rate is 5.25-5.5%. The Fed has also indicated that before the end of 2024, there will likely be 75 basis points (bps) worth of cuts. The closure of the Port of Baltimore is likely to have downstream effects on the Pittsburgh local economy. Many northeastern ports (Baltimore in particular) route cargo through Pittsburgh on its way to Midwestern markets. The closure of the port of Baltimore causes distributors to reroute shipments to other ports along the eastern seaboard. This rerouting of cargo could potentially circumvent Pittsburgh as an intermediary market, thereby decreasing economic activity in the region.

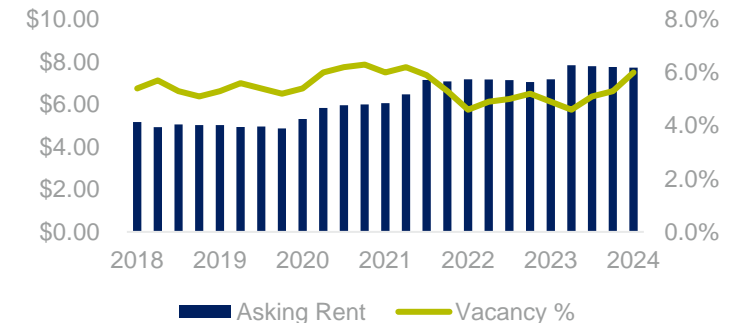
Supply and Demand

The warehouse distribution (W/D) development boom climaxed last quarter, as over 1.0 million square feet (msf) of W/D product delivered. Much of the remaining product delivered preleased this quarter, leaving only 207,500 sf of space still under construction. Construction on Carnegie Mellon University's (CMU) Robotics Innovation Center (RIC) continues, after breaking ground last quarter. Though not explicitly industrial space, the development will relieve some pressure for research and development (R&D) space to act as a launch point for tech startups. Mature tech and tech adjacent companies traditionally require more industrial leaning space. As such, the RIC could act as a future catalyst for activity in the industrial market. The vacancy rate climbed 70 bps to 6.0% for the entire market. Most affected was the West Pittsburgh submarket, where the vacancy rate climbed 350 bps. The vacancy rate has continually climbed the past year, with a 110-bps year-over-year (YOY) increase for the entire market. This climbing vacancy rate is primarily because of large swaths of speculative W/D buildings delivering vacant. Essentially, demand has not matched developer expectations. Net absorption was deeply negative at -369,290 sf, despite 305,000 sf of fully occupied buildings delivering. This negative absorption is primarily due to several large vacancy blocks coming online. Despite rising vacancy and the turning of the tide for absorption, leasing demand remains afloat. Touring activity remains healthy in the marketplace as there is almost 1.4 msf of industrial space requirements which will likely impact future leasing activity this year. When considering tenants with a more flexible timetable, the amount of space desired increases to almost 6.0 msf. In line with historical trends, the most sought-after locations are in the Airport Corridor (Parkway West and West Pittsburgh submarkets) and along the I-79 corridor. The Parkway West submarket has an all-time high vacancy rate of 10.3%. As such, plenty of space exists to meet this demand.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q1 2024

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	134,842	8.3%	0	0	0	-	\$2.25	\$6.48
Beaver County	10,088,060	396,901	3.9%	-42,881	0	0	\$5.38	\$6.30	-
Butler County	14,246,916	888,196	6.2%	16,609	0	0	\$3.03	\$11.12	\$12.95
Fayette County	3,408,994	23,800	0.7%	0	0	0	-	\$6.95	\$12.00
Greater Downtown	9,407,499	554,131	5.9%	-21,689	0	0	\$5.95	\$9.13	\$16.86
Monroeville	2,717,868	55,135	2.0%	0	0	0	-	\$5.27	\$6.06
North Pittsburgh	14,173,717	698,560	4.9%	-50,305	0	0	\$6.23	\$8.88	\$10.33
Northeast Pittsburgh	14,986,763	523,898	3.5%	-154,816	30,000	0	\$4.50	\$13.46	\$11.06
Oakland	294,185	12,000	4.1%	0	0	0	-	-	\$15.92
Parkway East	12,645,806	1,694,942	13.4%	-75,966	60,000	0	\$1.34	\$4.48	\$12.84
Parkway West	11,974,371	1,202,245	10.0%	87,069	117,500	0	\$6.35	\$8.64	\$11.17
South Pittsburgh	15,490,434	349,955	2.3%	-12,473	0	0	\$6.98	\$6.68	\$7.71
Washington County	9,852,129	425,312	4.3%	8,400	0	0	\$5.24	\$4.00	\$12.00
West Pittsburgh	15,388,523	1,049,712	6.8%	-261,489	0	150,000	\$7.50	\$6.88	\$9.27
Westmoreland County	28,263,842	1,811,278	6.4%	138,251	0	155,000	\$6.34	\$7.00	\$6.95
Total*	164,564,214	9,820,907	6.0%	-369,290	207,500	305,000	\$5.27	\$7.17	\$12.37

KEY LEASE TRANSACTIONS Q1 2024

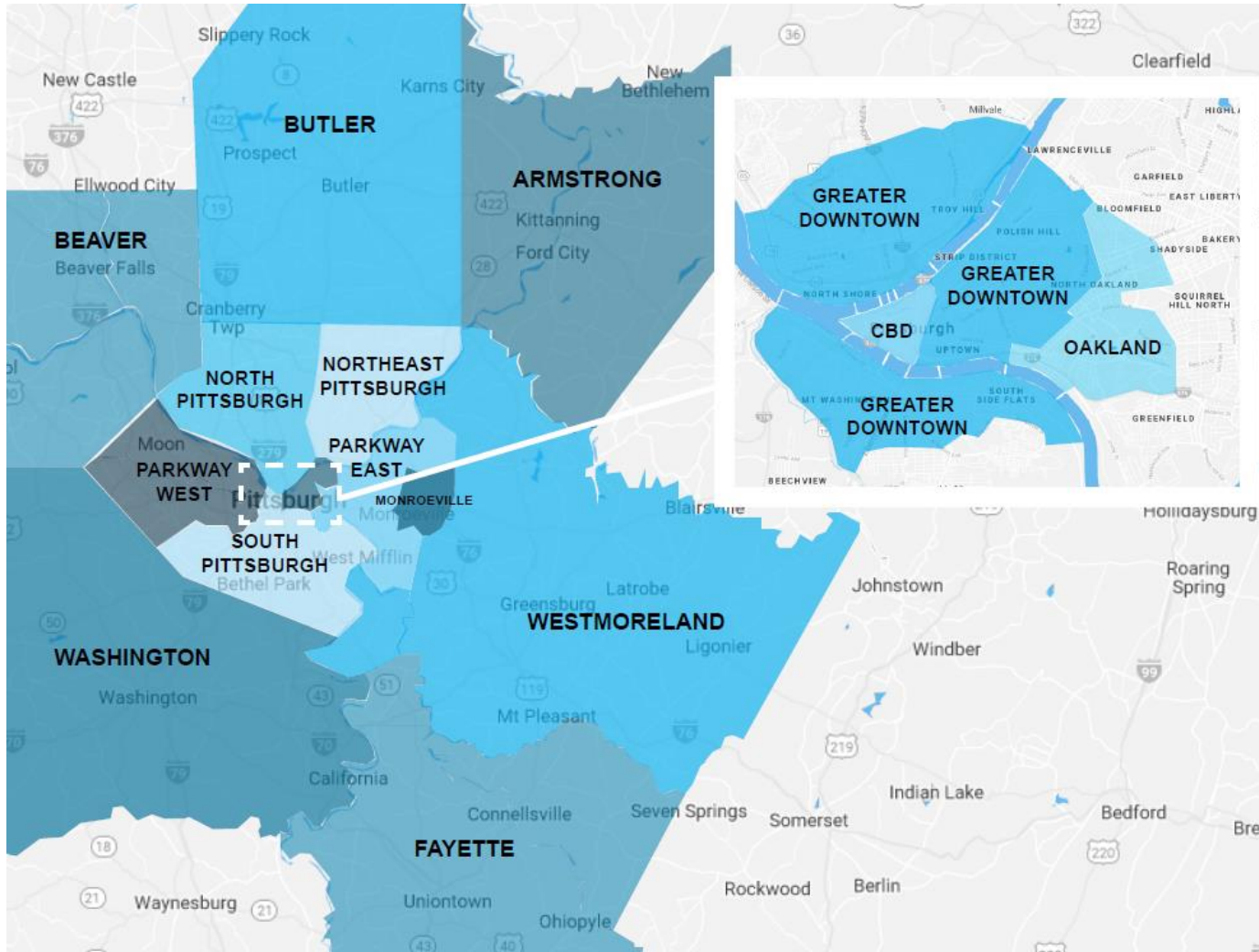
*Statistics do not match US MarketBeat totals

PROPERTY	SUBMARKET	TENANT	SF LEASED	LEASE TYPE
6815 Hamilton Ave	Parkway East	Wheel Mill	79,559	Direct / New Lease
2400 Sweeney Dr	West Pittsburgh	AirGround Express	59,450	Direct / New Lease
670 Pennsylvania Ave	Beaver County	Green Ridge Metals	50,000	Direct / New Lease
615 McMichael Rd	Parkway West	Dream Center Education Holdings	43,510	Direct / New Lease

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	BUILDING SIZE	PRICE / \$ PSF
601 Linden St	Parkway East	Operio Group / AIC Ventures	58,431	\$3,060,000 / \$52.37
615 McMichael Rd	Parkway West	Sampson Morris Group / Ardent Data Centers	43,510	\$7,142,563 / \$164.16

INDUSTRIAL SUBMARKETS



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