

Industrial Q2 2024

	YoY Chg	12-Mo. Forecast
6.1% Vacancy Rate	▲	▼
-27.4K Net Absorption, SF	▼	▲
\$7.86 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
1.2M Pittsburgh Employment	▲	▲
3.3% Pittsburgh Unemployment Rate	▬	▲
4.1% U.S. Unemployment Rate	▲	▲

Source: BLS

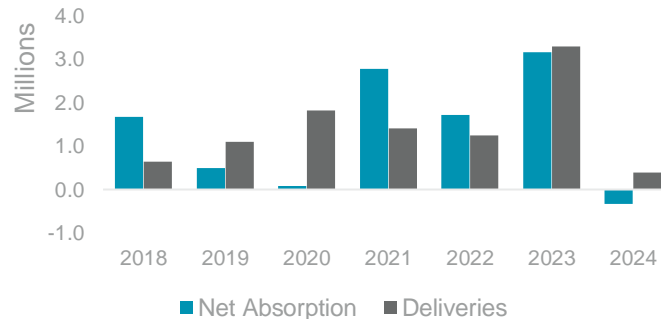
Economic Conditions

The Federal Reserve (Fed) elected to keep the benchmark interest rate constant for the third consecutive quarter. At the onset of 2024, three separate cuts, totaling 75 basis points (bps), were expected before year end. However, sticky inflation has led the Fed to adopt a more cautious approach, revising expectations to only one rate cut before the conclusion of 2024. Of note for the regional economy, the Port of Baltimore reopened. Pittsburgh is a direct transportation route downstream of the Port of Baltimore, acting as gateway city to the Midwest. As such, the stabilization of shipping patterns in Baltimore will consequently alleviate any disruptions in the transportation sector in Pittsburgh caused by the initial closure.

Supply and Demand

The development boom in Pittsburgh has all but come to a complete halt, as only 168,000 square feet (sf) of built-to-suit (BTS) projects remain under construction. The Armstrong Innovation Center (30,000 sf) and the Carrie Furnace Building (60,000 sf), which were the last of the speculative spaces under construction from the development boom, delivered this quarter. Further development in industrial adjacent product continues with Carnegie Mellon University's (CMU) Robotics Innovation Center (RIC), which has an expected delivery date in the second quarter of 2025. Though not expressly industrial, the space will help to foster a more mature robotics industry in the Pittsburgh area. As industrial manufacturers often go hand in hand with robotics companies, a more developed robotics industry only furthers the industrial market's cause in Pittsburgh. Overall net absorption was negative for the quarter at -27,387 sf. This marks the first time the market has recorded back-to-back quarters of negative absorption since early 2020. This signifies a softening of a previously tight Pittsburgh industrial market. Alongside the persistent negative absorption, the vacancy rate rose 10 bps quarter-over-quarter (QOQ), marking the fifth consecutive quarter the rate has increased. Despite indicators suggesting the softening of demand, several large leases in excess of 80,000 sf carried new leasing activity for the quarter. These leases occurred in big box warehouse distribution (W/D) facilities, the historical driver of activity in the Pittsburgh industrial market. Moreover, touring activity in the market remains promising, with at least 1.0 million square feet (msf) of tenants seeking occupancy within one year. When considering tenants with a more flexible timetable, the amount of space desired increases to 6.4 msf. Much of this sought after space is in the Parkway West WD product, which can meet this demand as it currently has an unprecedentedly high vacancy rate due to the recent deliveries of the post pandemic development boom.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q2 2024

MARKET STATISTICS

Submarket	Inventory (SF)	Overall Vacant (SF)	Overall Vacancy Rate	Current Qtr Overall Net Absorption (SF)	YTD Overall Net Absorption (SF)	YTD Leasing Activity (SF)*	Under Construction (SF)	YTD Deliveries (SF)	Overall Avg Net Rent (MF)	Overall Avg Rent (FLX)	Overall Avg Rent (WD)
Armstrong County	1,655,107	164,842	10.0%	0	0	0	0	30,000	-	\$9.64	\$2.25
Beaver County	10,088,060	306,901	3.0%	50,000	47,119	100,400	0	0	\$5.38	-	\$6.90
Butler County	14,399,065	928,755	6.5%	39,776	56,385	142,034	0	0	\$2.97	\$12.50	\$11.13
Fayette County	3,508,994	123,800	3.5%	0	0	36,000	0	0	-	\$12.00	\$10.60
Greater Downtown	9,071,499	592,610	6.5%	-42,452	-64,141	0	0	0	\$5.95	\$16.43	\$9.13
Monroeville	2,717,868	62,191	2.3%	-7,056	-7,056	0	0	0	-	\$6.06	\$5.27
North Pittsburgh	14,173,717	722,347	5.1%	-38,873	-74,092	204,482	0	0	\$6.23	\$9.27	\$8.88
Northeast Pittsburgh	14,986,763	548,566	3.7%	-24,668	-179,484	95,593	0	0	\$4.50	\$11.16	\$13.46
Oakland	294,185	12,000	4.1%	0	0	0	0	0	-	\$21.92	-
Parkway East Corridor	12,705,806	1,767,309	13.9%	-11,827	-88,333	88,379	0	60,000	\$1.34	\$13.50	\$4.63
Parkway West Corridor	11,983,353	1,174,541	9.8%	10,740	103,309	186,273	80,000	0	\$6.35	\$11.49	\$8.57
South Pittsburgh	15,490,434	348,755	2.3%	1,200	-11,273	22,000	0	0	\$8.79	\$5.99	\$6.74
Washington County	9,937,129	498,572	5.0%	-73,260	-64,860	22,000	0	0	\$5.26	\$12.00	\$4.85
West Pittsburgh	15,388,523	995,952	6.5%	53,760	-207,729	67,250	88,000	150,000	\$7.50	\$9.27	\$7.78
Westmoreland County	28,263,842	1,796,005	6.4%	15,273	153,524	16,200	0	155,000	\$6.25	\$6.95	\$7.35
Total	164,664,345	10,043,146	6.1%	-27,387	-336,631	980,611	168,000	395,000	\$5.32	\$12.69	\$7.36

KEY LEASE TRANSACTIONS Q2 2024

*Renewals not included in statistics

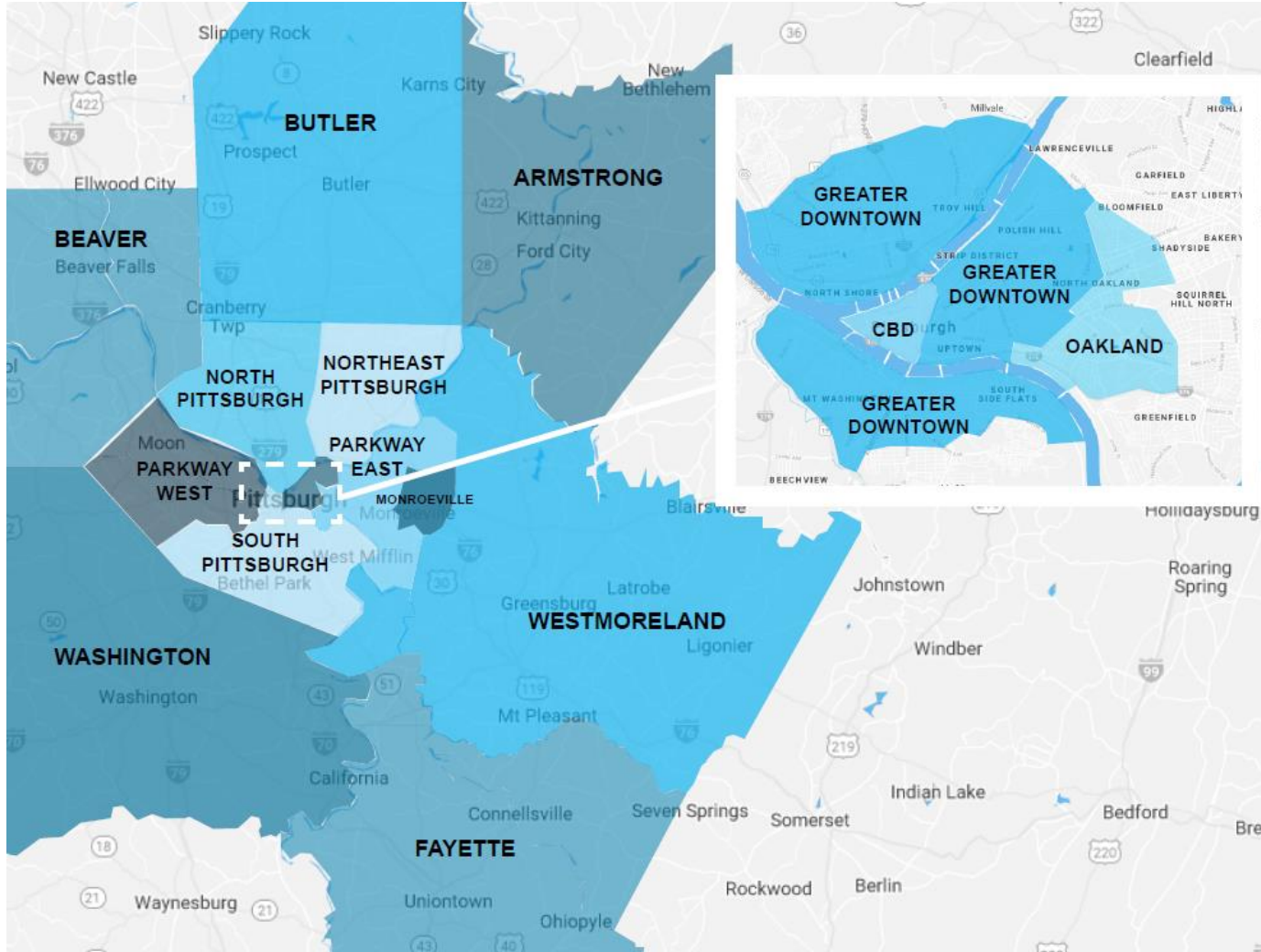
PROPERTY	SUBMARKET	TENANT	SF LEASED	LEASE TYPE
1750 Shenango Rd	Beaver County	Steelite USA	121,369	Renewal*
625 Avenue D	North Pittsburgh	Formosa Operations LLC	89,604	Expansion
616 Hite Rd	Northeast Pittsburgh	Curtis-Wright Corporation	85,400	New Lease
193 Thorn Hill Rd	Butler County	Vestis Corporation	40,000	New Lease

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	BUILDING SIZE	PRICE / \$ PSF
2968 South Hermitage Rd	Mercer County**	Scannell Properties / Columbia Property Investors	250,955	\$43,447,000 / \$173.13
460 Rodi Rd	Parkway East Corridor	West Shore Home / Undisclosed Buyer	28,600	\$4,700,000 / \$164.34

**Outside of the Pittsburgh MSA

INDUSTRIAL SUBMARKETS



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