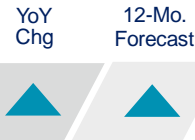


Office Q2 2024

17.3%
Vacancy Rate



11.6K
Net Absorption, SF



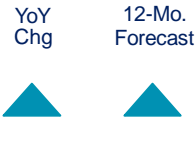
\$24.95
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2024

1.2M
Pittsburgh Employment



3.3%
Pittsburgh Unemployment Rate



4.1%
U.S. Unemployment Rate



Source: BLS

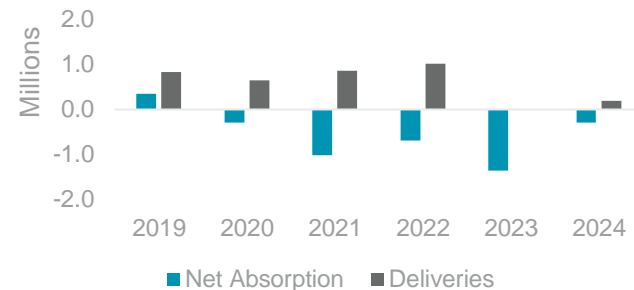
Economic Conditions

For the third consecutive quarter, the Federal Reserve (Fed) kept the target federal funds rate constant at 5.00 – 5.25%. At the onset of the year, the Fed predicted three rounds of cuts in 2024, likely totaling 75 basis points (bps). However, stubborn inflation has pushed the Fed to revise its outlook to just one cut for the year, with some board members speculating no cuts will occur. The Fed's altered outlook directly correlates with sticky headline inflation, which has oscillated between 3.0% and 3.7% since June 2023, remaining above the long-term target rate of 2.0 – 2.5%. Cutting rates too soon in the face of persistent, elevated inflation risks a rebound in inflation, and the loss of all progress made by rate hikes thus far. As such, the Fed has elected to remain cautious in its approach to the benchmark borrowing rate. The regional economy still stares down the barrel of the downtown property reassessments occurring in late 2023 and early 2024. In total, the value of the Pittsburgh office stock was slashed by more than \$400 million, directly resulting in \$9.4 million less in tax revenue for the city. Less valuable office product and less tax revenue could combine to be a major drag on the regional economy, the full extent of which remains to be seen.

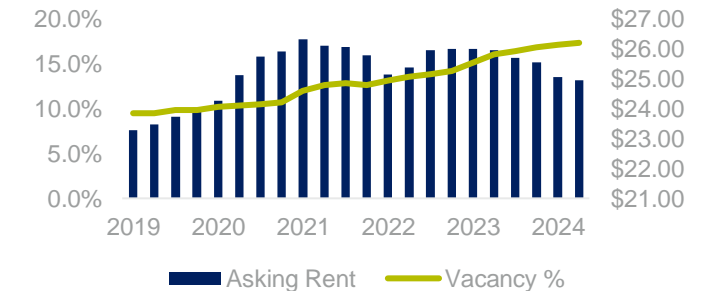
Supply and Demand

The Pittsburgh office stock expanded in the second quarter, as NAI Burns Scalo's Diamond Ridge delivered. The new delivery injects over 150,000 square feet (sf) of vacant space into the market, only further exacerbating the high vacancy rate in West Pittsburgh and the broader Pittsburgh MSA. Moreover, developer financing obstacles continue to stymie office to residential conversion projects in the Central Business District (CBD). The conversion movement held the promise of removing obsolete office space from the inventory, consequently helping to alleviate the high vacancy rate in the CBD. To bridge the financing gap, the city council unanimously passed a new tax abatement program this quarter. Despite the glimmer of good news, developers are still running into financing hurdles, delaying projects that were once all but guaranteed. As such, for the moment, these vacancy riddled buildings proposed for conversion remain in the office inventory. Despite the shocks on the supply side only exacerbating the high vacancy rate, positive demand side indicators continued to emerge. Quarterly absorption was positive, at 11,561 sf, a reversal of the recent norm in the office market. This positive absorption was primarily driven by the move-ins downstream of the recent uptick in large leases signed, as well as the delivery of occupied space at Diamond Ridge. Overall new leasing activity remained healthy, bringing the year-to-date (YTD) total to nearly 1.3 million square feet (msf). Large deals continue to act as a catalyst for the market, with several noteworthy deals north of 20,000 sf. These include Pantherx's 65,000-sf lease and Titan Robotics' 34,000-sf deal in the Parkway West. The Parkway West, historically a submarket with a glut of vacant space, carried leasing activity for the quarter with over 205,000 sf of new deals inked.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Office Q2 2024

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 (SF)*	Under Construction (SF)	Overall Avg Asking Rent	Overall Avg Asking Rent (A)
Armstrong County	150,472	1,500	0	1.0%	0	-1,500	0	0	\$16.50	N/A
Beaver County	1,177,610	84,585	0	7.2%	0	11,813	0	0	\$15.14	\$15.13
Butler County	3,914,424	381,556	29,270	10.5%	121,000	72,270	56,106	0	\$21.60	\$23.72
CBD	26,706,241	4,929,084	353,427	19.8%	-71,132	-93,694	188,426	462,268	\$27.65	\$29.06
East End	3,600,645	593,599	109,645	19.5%	3,037	-15,942	119,934	0	\$35.13	\$38.77
Fayette County	661,826	3,000	0	0.5%	0	0	0	0	N/A	N/A
Greater Downtown	12,962,616	1,854,106	399,003	17.4%	-97,235	-165,005	186,110	0	\$27.69	\$35.42
Monroeville	2,449,713	583,240	0	23.8%	0	-26,683	5,364	0	\$17.72	\$18.91
North Pittsburgh	6,399,069	948,254	69,421	15.9%	-65,027	-65,897	96,571	0	\$22.60	\$24.84
Northeast Pittsburgh	2,483,907	318,065	800	12.8%	21,135	-54,460	36,547	0	\$16.74	\$21.52
Oakland	3,513,690	274,908	0	7.8%	19,167	6,837	63,857	0	\$25.33	\$34.00
Parkway East Corridor	4,961,226	814,292	0	16.4%	588	-55,312	7,662	0	\$20.21	\$29.90
Parkway West Corridor	8,643,850	1,936,767	231,545	25.1%	22,397	-1,856	280,680	0	\$22.53	\$23.74
South Pittsburgh	5,008,063	306,322	24,305	6.6%	9,641	23,141	55,054	0	\$19.41	\$23.09
Washington County	5,784,088	744,535	61,691	13.9%	15,756	93,244	98,747	0	\$19.03	\$22.42
West Pittsburgh	3,112,597	969,924	79,000	33.7%	35,744	45,936	45,458	0	\$22.54	\$24.35
Westmoreland County	3,218,138	242,050	0	7.5%	-3,510	-69,726	32,863	0	\$18.97	\$22.99
Totals	94,748,175	14,985,787	1,358,107	17.3%	11,561	-296,834	1,273,379	462,268	\$24.95	\$27.93

KEY LEASE TRANSACTIONS Q2 2024

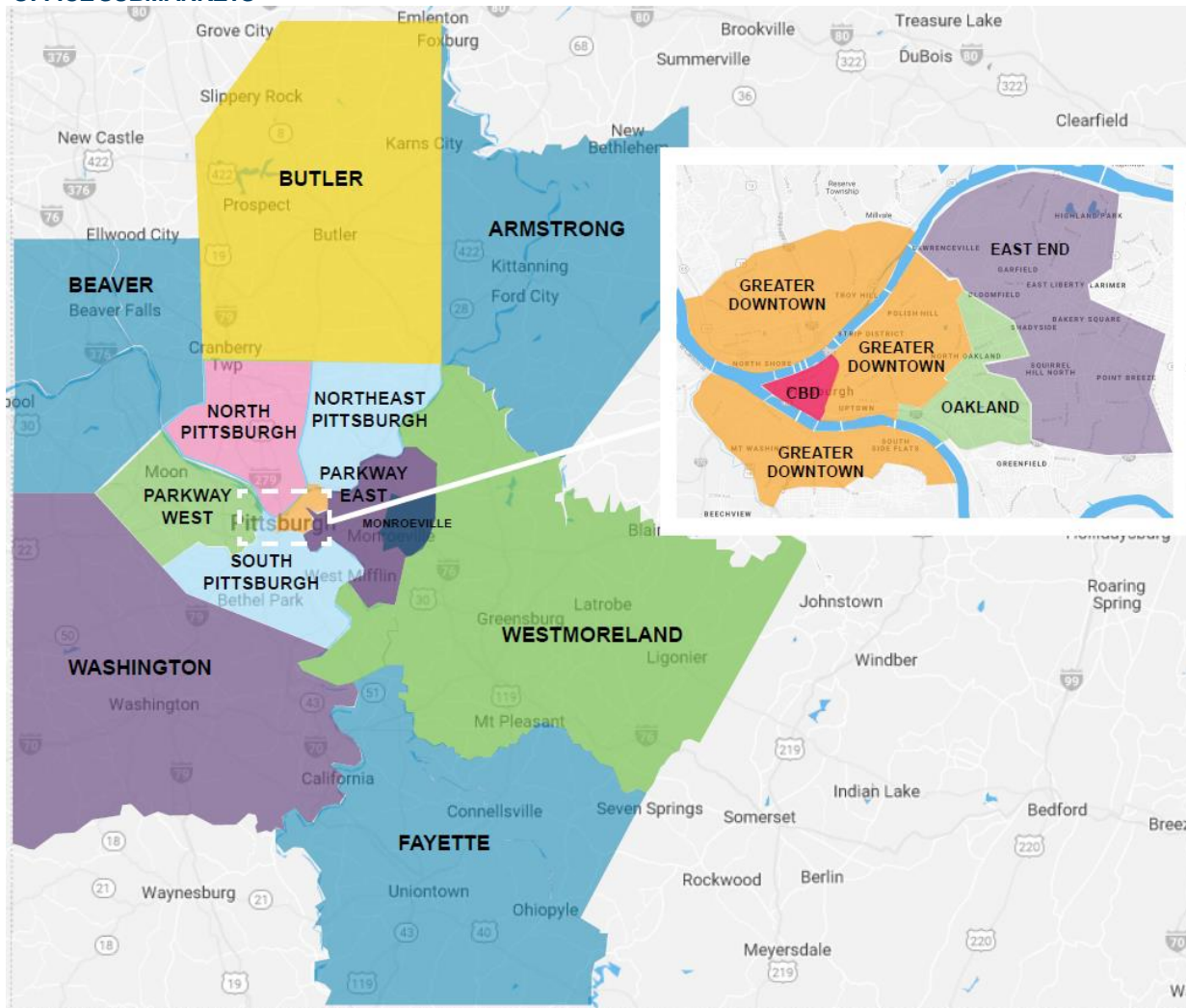
PROPERTY	SUBMARKET	TENANT	SF	TYPE
121 Bayer Rd	Parkway West Corridor	Pantherx	65,000	New Lease
625 Liberty Ave	CBD	EQT	53,686	Renewal*
400 Lindbergh Dr	Parkway West Corridor	Titan Robotics	34,300	New Lease
6 PPG PI	CBD	Fox Rothschild LLP	22,248	New Lease
225 N Shore Dr	Greater Downtown	Edgar Snyder & Associates	21,354	New Lease

KEY CONSTRUCTION COMPLETIONS YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
2400 Market Place Blvd (Diamond Ridge)	West Pittsburgh	Assured Partners	180,621	NAI Burns Scalco

*Renewals are not included in leasing statistics

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