

MARKETBEAT

PITTSBURGH INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



3Q09

ECONOMY

While national unemployment reached 9.7%, its highest level in 26 years, the Pittsburgh market has been able to avoid the worst of the recession. There is relatively light exposure in the region to the most heavily affected automotive and housing industries, as the city continues to be largely dependent on the healthcare, services and education industries. This was further highlighted when Pittsburgh was chosen to be in the national spotlight as it hosted the G-20 Economic Summit, primarily because of its transformation from a “steel town” to a high energy, high efficiency economy.

Flabeg Solar US Corp, a new subsidiary of German glass finishing firm Flabeg GmBH, is building a 230,000 square foot (SF) plant in Clinto Commerce Park. The manufacturing facility is slated to open at the end of October and will create 200 green jobs in the region, and will employ up to 300 people when its running full-bore. The opening will help strengthen the Pittsburgh manufacturing sector which has continued to suffer the most in the current economic climate.

OVERVIEW

Solar Power Industries, the only solar cell manufacturer in the United States, leased 265,000 SF in Westmoreland County. This will be a major force in driving Pennsylvania’s Energy Independence strategy, which calls for \$665 million to spur the development of alternative and renewable energy sources and will also create 375 new jobs in the area.

Industrial rental rates increased in the third quarter to \$5.57 per square foot (psf) triple net (NNN) from \$5.46/psf NNN in the previous quarter, and the overall vacancy rate remains decreased slightly to 10.1%, down from 10.8% in the second quarter.

Overall absorption for the third quarter increased significantly as Pittsburgh has developed into an attractive set for the film industry. 20th Century Fox moved into 330,000 SF at Mogul Mind Studios in the Greater Downtown Market. Benschaw Advanced Controls and Drives moved into 183,295 SF at Alpha Drive in the Northeast Submarket, and Elliot Company took over 137,310 SF of space at I-70 Commerce Center. Net absorption for the market was a positive 628,073 SF, compared to -936,857 in the previous quarter.

FORECAST

The market should continue to see a decrease in both the vacancy rate and direct absorption as 2009 comes to a close. Economic uncertainty and tight credit markets will place new development and construction on hold until conditions improve.

BEAT ON THE STREET

“Despite rising industrial vacancies nationwide, Pittsburgh has fared well through this recessionary period. Recent industrial activity in the Pittsburgh market has markedly increased in recent months with numerous large lease signings, as well as, an uptick in inquiries and scheduled tours. In the short term, this activity bodes well for a further decline in the vacancy rates for the region.”

– John M. Lisowski, Industrial Brokerage Manager/Supply Chain Solutions Group

ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	1.1%	-3.0%	1.9%
CPI Growth	3.8%	-0.6%	2.2%
Regional			
Unemployment	5.3%	7.5%	8.8%
Employment Growth	0.1%	0.0%	0.02%

Source: Moody’s | Economy.com

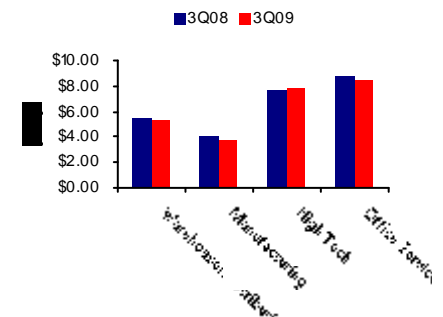
MARKET FORECAST

LEASING ACTIVITY will continue to increase through the end of 2009.

DIRECT ABSORPTION is expected to increase through 2009.

CONSTRUCTION: Uncertain economic conditions and tight credit markets will cause construction activity to stabilize through the end of the year.

RENTAL RATE COMPARISON



MARKET/SUBMARKET STATISTICS

MARKET/SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVER ALL ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
								HT	MF	OS	W/D
Fayette County	2,215,741	31	17.0%	0	0	0	66,000	N/A	N/A	N/A	\$3.20
Monroeville	1,394,098	38	8.4%	13,129	0	0	(9,581)	\$7.00	N/A	\$8.50	\$6.01
Northeast Pittsburgh	11,291,020	192	4.4%	198,581	0	0	(57,829)	\$8.30	\$4.25	\$8.30	\$6.08
Oakland	117,670	4	0.0%	0	0	0	0	N/A	N/A	N/A	N/A
Parkway East	4,813,056	86	6.2%	55,400	0	0	46,300	\$5.00	\$4.00	\$8.35	\$4.55
Westmoreland County	10,334,594	122	12.5%	262,524	0	0	(43,957)	N/A	\$3.09	\$4.47	\$3.72
Pittsburgh East	30,166,179	473	8.1%	529,634	0	0	933	\$6.77	\$3.78	\$7.41	\$4.71
Beaver County	4,241,826	37	14.5%	219,027	0	0	219,027	N/A	N/A	N/A	\$4.89
Parkway West	2,788,517	40	18.7%	126,473	0	0	(200,950)	\$8.13	\$3.20	\$7.50	\$5.00
West Pittsburgh	6,109,137	67	13.8%	130,250	0	0	37,850	N/A	N/A	\$7.00	\$6.67
Pittsburgh West	13,139,480	144	15.7%	475,750	0	0	55,927	\$8.13	\$3.20	\$7.25	\$5.52
Butler County	6,264,779	90	5.9%	113,474	0	0	48,662	\$9.35	\$3.14	\$8.63	\$4.78
Greater Downtown	8,909,240	217	10.4%	109,594	0	0	(32,113)	N/A	N/A	\$8.83	\$4.61
North Pittsburgh	10,567,372	220	5.0%	201,024	0	0	56,319	\$8.49	\$3.57	\$9.40	\$5.77
Pittsburgh North	25,741,391	527	7.1%	424,092	0	0	72,868	\$8.92	\$3.36	\$8.95	\$5.05
South Pittsburgh	8,545,881	74	13.2%	20,405	0	0	(913,934)	N/A	\$4.00	\$9.90	\$3.65
Washington County	3,433,003	52	11.7%	14,700	0	0	(86,651)	\$7.53	\$5.00	\$5.90	\$7.37
Pittsburgh South	11,978,884	126	12.5%	35,105	0	0	(1,000,585)	\$7.53	\$4.50	\$7.90	\$5.51
TOTAL	81,025,934	1,270	10.8%	1,464,581	0	0	-870,857	\$7.84	\$3.71	\$7.88	\$5.20

*Rental rates reflect \$psf/year

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HT = High Tech MF = Manufacturing OS = Office Service W/D = Warehouse/Distribution

MARKET HIGHLIGHTS

SIGNIFICANT 3Q09 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Mogul Mind Studies	Greater Downtown	20th Century Fox	330,000	Warehouse/Distribution
501 Mossdale Blvd.	Parkway East	BoltTech	74,732	Manufacturing
Keystone Commerce Center	Butler County	Derse	68,000	Warehouse/Distribution
SIGNIFICANT 3Q09 SALE TRANSACTIONS				
BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
12th Street @ Donner Avenue	Westmoreland Co.	Alumisource, LLC	294,955	\$1,300,000
1553 Arona Road	Westmoreland Co.	Sim Tec Property Management LP	50,915	\$1,100,000
One Alpha Drive	Northeast	Alpha Tennis Holding, LP	16,928	\$750,000
SIGNIFICANT 3Q09 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
4025 Alpha Drive	North Pittsburgh	N/A	36,363	9/09
11 Guttman Blvd.	Washington County	N/A	25,000	8/09
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Clinton Commerce Park	West Pittsburgh	Flabeg	228,940	12/09
150 Crown Court	Parkway West	N/A	100,000	3/10
Alta Vista Business Park	Washington County	N/A	51,325	12/09