

MARKETBEAT

PITTSBURGH INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



1Q10

ECONOMY

In the first quarter of 2010, we began to see economic conditions in the Pittsburgh market begin to strengthen, mirroring trends seen throughout the rest of the nation. Manufacturing firms reported a boost in production and are optimistic that sales will increase at a moderate rate moving into the second half of the year. There was an increase in job openings in the region as manufacturers began recalling previously laid off workers as a result of elevated production levels. Pittsburgh continues to maintain greater stability than markets of similar size and demographics.

The Marcellus Shale industry promises to be a major employment generator as it has created 80,000 jobs to date and could create up to 110,000 more by the end of 2010. Among these companies is Talisman Energy, a Canadian company which will move into 52,500 square feet (sf) at the newly constructed Pennwood Commons in the second quarter. As a result of increased Marcellus Shale gas drilling, the steel industry could also see a substantial influx of jobs into the market.

OVERVIEW

Pittsburgh's industrial market saw a 1% increase in the combined average asking rental rate which rose to \$5.05 per square foot triple net (psf/NNN). Leasing activity increased 31% over the first quarter of 2009 to 1.1 million square feet (msf) and the vacancy rate decreased slightly from 11.2% one year ago to 10.5% with less than 9.5 msf vacant and available. Net absorption totaled a positive 14,317 sf.

Several Sales took place throughout the quarter, with the most significant being the \$3,850,000 million sale of 160 Beta Drive to Emerson Process Management Power & Water Solutions. The company strengthens its ties to the Western Pennsylvania region as it will now control 282,423 sf of industrial space. The company currently supports more than 40% of the electrical generating capacity in North America.

The efforts of several economic development groups continue to bring new business to the area. FLABEG Solar US Corporation constructed a \$30.0 million solar mirror plant in Clinton Commerce Park, West Pittsburgh submarket that will create at least 200 clean energy jobs. Also in the airport corridor, robotic leader SEEGRID Corporation has expanded its regional operations into 30,150 sf in the RIDC Park West, moving some of its manufacturing operations from Massachusetts to Pittsburgh.

FORECAST

While job growth and economic recovery will continue to be slow and steady, we expect leasing activity to begin increasing as economic incentives lure companies to the region. Rental rates will also begin to increase and absorption will remain positive throughout 2010. New construction starts will be very limited due to a tight lending environment.

BEAT ON THE STREET

"Prospective tenants seeking industrial space have been on a gradual increase over the past several months. This influx of new interest in the area is being fueled by energy related companies looking to service the Marcellus Shale industry. We can expect to see a further downward trend in the industrial vacancy rate, currently at 10.5%."


—John Lisowski, Industrial Brokerage Manager

ECONOMIC INDICATORS


National	2009	2010F	2011F
GDP Growth	-2.4%	2.8%	3.7%
CPI Growth	-0.3%	1.9%	2.1%
Regional			
Unemployment	7.5%	7.8%	7.1%
Employment Growth	-2.3%	-0.1%	0.8%

Source: Moody's | Economy.com

MARKET FORECAST

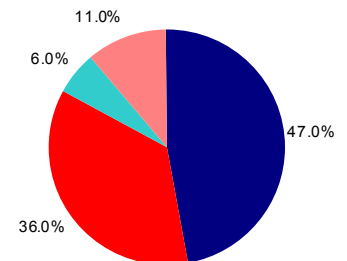
LEASING ACTIVITY is expected to continue to rise throughout 2010 following a 31% increase in the first quarter. 

DIRECT ABSORPTION should increase as new businesses enter the region. 

CONSTRUCTION: A lack of available funding for speculative projects will prevent an increase in new construction projects in 2010. 

INVENTORY BY PROPERTY TYPE

■ Warehouse/Distribution ■ Manufacturing ■ High Tech ■ Office Service



MARKET/SUBMARKET STATISTICS

MARKET/SUBMARKET	INVENTORY**	NO. OF BLDGS.	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
								HT	MF	OS	W/D
Fayette County	2,057,469	32	11.9%	17,900	0	0	17,900	N/A	N/A	N/A	\$3.69
Monroeville	1,673,151	20	10.9%	29,000	0	0	(10,500)	N/A	N/A	\$6.75	\$6.89
Northeast Pittsburgh	12,417,127	200	3.1%	126,011	0	0	(6,190)	\$8.30	\$3.45	\$8.30	\$6.84
Oakland	273,572	9	4.7%	0	0	0	0	N/A	N/A	N/A	N/A
Parkway East	6,104,496	111	8.4%	41,176	0	0	8,376	N/A	\$3.33	\$4.50	\$6.83
Westmoreland County	10,496,687	168	8.7%	102,067	0	45,000	54,767	\$7.00	\$3.23	\$6.23	\$4.57
Pittsburgh East	33,022,502	540	8.0%	316,154	0	45,000	64,353	\$7.65	\$3.34	\$6.45	\$5.76
Beaver County	4,868,926	55	14.8%	86,300	0	0	(104,400)	N/A	N/A	N/A	\$4.99
Parkway West	5,047,473	55	17.6%	10,000	0	0	10,000	\$8.92	\$4.25	\$8.01	\$5.07
West Pittsburgh	8,205,943	90	8.3%	89,418	0	0	(17,000)	N/A	\$4.50	\$9.25	\$5.51
Pittsburgh West	18,122,342	200	13.6%	185,718	0	0	(111,400)	\$8.92	\$4.38	\$8.63	\$5.19
Butler County	7,305,610	102	8.6%	60,604	75,000	0	(109,796)	\$10.60	N/A	\$11.20	\$5.85
Greater Downtown	8,310,303	255	10.9%	66,772	0	0	11,269	N/A	N/A	N/A	\$4.19
North Pittsburgh	9,744,622	242	7.0%	132,067	0	0	127,766	\$10.00	\$3.91	\$11.49	\$5.34
Pittsburgh North	25,360,535	599	8.8%	259,443	75,000	0	29,239	\$10.30	\$3.91	\$11.35	\$5.13
South Pittsburgh	8,498,634	107	12.0%	68,825	0	0	49,325	\$8.17	\$3.65	\$8.34	\$3.94
Washington County	4,603,580	76	11.5%	103,956	129,917	0	(17,200)	\$5.55	N/A	\$9.00	\$4.30
Pittsburgh South	13,102,214	183	11.8%	172,781	129,917	0	32,125	\$6.86	\$3.65	\$8.67	\$4.12
TOTAL	89,607,593	1,522	10.5%	934,096	204,917	45,000	14,317	\$8.43	\$3.82	\$8.77	\$5.05

*RENTAL RATES REFLECT \$PSF/YEAR

**Inventory reported includes properties that are 10,000 square feet or greater in size and excludes government and medical buildings.

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

MARKET HIGHLIGHTS

SIGNIFICANT 1Q10 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Pennwood Commons - Phase 1	Butler County	Talisman Energy	52,500	Flex
625 Pittsburgh-McKeesport Boulevard	Parkway East Corridor	Trib Total Media	30,000	Warehouse
Center Drive	Westmoreland County	Shotts Industrial Metals	23,000	Manufacturing

SIGNIFICANT 1Q10 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Imperial Business Park	West Pittsburgh	Terry Palmer	187,000	\$9,000,000
Weyerhaeuser Warehouse	Washington County	Weyerhaeuser Company	100,000	N/A
Former Fortco Plastics Building	Northeast Pittsburgh	Pittsburgh Civic Light Opera	68,000	\$1,100,000

SIGNIFICANT 1Q10 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
106 Turnberry Circle	Westmoreland County	N/A	45,000	1Q10

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Four Coins Drive	Washington County	N/A	57,700	3Q10
Pennwood Commons - Phase 1	Butler County	Talisman Energy	52,500	2Q10
Northpointe Technology Center II	Armstrong County	N/A	30,000	4Q10
7225 North Noah Drive	Butler County	BeamOne	25,000	4Q10



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*Market terms & definitions based on BOMA and NAIOP standards.

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