

MARKETBEAT

PITTSBURGH INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



2Q09

ECONOMY

Though job growth in the Pittsburgh region fell below zero in the second quarter 2009, the local economy appears poised for stabilization in the second half of the year. The influx of energy-related companies, particularly in the oil and gas sector, has fueled local communities with investments of approximately \$4.5 billion per year. State economic development agencies estimate that the Marcellus Shale play has generated approximately 26,000 jobs in the past 12 months, and for each job created in the drilling fields there are 10 to 15 support positions created, as well.

The manufacturing sector continues to suffer most in the current economic climate; however, Allegheny Technologies Inc. affirmed its commitment to construct a \$1.16 billion hot strip mill and processing facility at its Brackenridge plant despite the global recession. ATI, which employs approximately 10,000 area workers, expects to complete the project in 2012.

OVERVIEW

Allegheny Center on Pittsburgh's North Side continues to be the gateway to the internet for area businesses. Expedient Communications moved into 18,000 square feet (sf) at the Center and constructed a multi-million dollar data center to support its local operations. The company also relocated its administrative headquarters from Norfolk, Va. to Pittsburgh.

Washington County Council on Economic Development announced that it is moving ahead with the next phase of Starpointe Industrial Park, a 1,200-acre site in Hanover and Smith Townships. Plans include the development of 90 pad-ready sites. The council has already sold five of the 12 lots in the first 148-acre phase, and at least one of the first tenants in the park has already expanded since the park's opening two years ago.

Overall industrial rental rates increased in the second quarter to \$5.46 per square foot (psf) triple net (NNN) from \$5.05/psf NNN in the previous quarter, and the overall vacancy rate remains stable at 10.8%, down slightly from 11.2% in the first quarter 2009. Though year-to-date overall absorption remains negative, several large tenants moved into new space during the second quarter. Among them were Respirationics, Inc. moving into 165,000-sf at Westmoreland Business Park; Elliott Company moving into 137,310-sf at I-70 Commerce Center and YRC Logistics moving into 120,800-sf at Turnpike Distribution Center One.

FORECAST

Leasing activity, direct absorption and new construction activity are expected to continue to climb upward in the second half of 2009. Local developers' response to the demand for quality warehouse/distribution and flex space will drive the market for the next 24 months.

BEAT ON THE STREET


"Despite the ongoing national and global recession, local Pittsburgh developers are forging ahead with plans for much needed class A warehouse & distribution parks, concentrated in the Airport Corridor, as well as in the I-79 and PA Turnpike interchange area. These new facilities will provide necessary alternatives for existing companies seeking to upgrade their space, in addition to new companies looking to establish a regional presence in the Western PA market." – **John M. Lisowski, Industrial Brokerage & Leasing Manager/Global Supply Chain Solutions**


ECONOMIC INDICATORS


National	2008	2009F	2010F
GDP Growth	1.1%	-3.0%	1.2%
CPI Growth	3.8%	-0.6%	1.7%
Regional			
Unemployment	5.3%	7.5%	8.8%
Employment Growth	0.1%	0.0%	0.01%

Source: Moody's | Economy.com

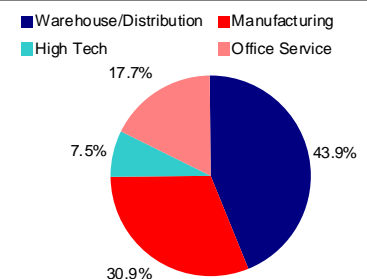
MARKET FORECAST

LEASING ACTIVITY will continue to pick up through the second half of 2009 and is expected to surpass 2.5 msf. 

DIRECT ABSORPTION is expected to stabilize through the second half of 2009 as build-to-suit projects reach completion. 

CONSTRUCTION: New projects by local developers will increase construction activity in the second half of the year. 

AVAILABLE SPACE BY TYPE



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	1,144,679	20	16.7%	0	0	0	0	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	29,095,117	462	8.0%	529,634	0	0	(65,067)	\$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	79,954,872	1,259	10.8%	1,464,581	0	0	-936,857	\$7.84	\$3.71	\$7.88	\$5.20

*Rental rates reflect \$psf/year

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

MARKET HIGHLIGHTS

SIGNIFICANT 2Q09 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Sony Technology Center	Westmoreland County	Solar Power Industries	265,000	Manufacturing
Blawnox Commons	Northeast Pittsburgh	Bradley's Books	90,550	Warehouse/Distribution
1817 Pennsylvania Avenue	Beaver County	Anchor Hocking	34,736	Warehouse/Distribution

SIGNIFICANT 2Q09 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Imperial Business Park	West Pittsburgh	Terry Palmer	187,000	\$9,000,000

SIGNIFICANT 2Q09 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Leetsdale Industrial Park Building 900	North Pittsburgh	Atlanta Precious Metals Resources	53,375	5/09
3510 Smallman Street	Greater Downtown	N/A	48,594	6/09
350 Presto Sygan Road	South Pittsburgh	N/A	20,000	4/09

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
PIT International Logistics Centre	West Pittsburgh	N/A	500,000	1/09
Fayette Business Park	Fayette County	Johnson Matthey	151,000	12/09
4800 Grand Avenue, Neville Island	North Pittsburgh	N/A	120,000	11/09



GRANT STREET
ASSOCIATES, INC.

For industry-leading intelligence to support your real estate and business decisions, go to Cushman & Wakefield's Knowledge Center at www.cushmanwakefield.com/knowledge

Grant Street Associates, Inc.
500 Grant Street, Suite 2350
Pittsburgh, PA 15219
(412) 391-2600
www.gsa-cw.com

Please consider your environmental responsibility before printing this report.

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

This report contains information available to the public and has been relied upon by Cushman & Wakefield on the basis that it is accurate and complete. Cushman & Wakefield accepts no responsibility if this should prove not to be the case. No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.

©2009 Cushman & Wakefield, Inc. All rights reserved.