

# MARKETBEAT



## PITTSBURGH INDUSTRIAL REPORT

2Q11

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

WWW.CUSHWAKE.COM/KNOWLEDGE

### Overview

The Pittsburgh area survived the recession better than many other parts of the country due in part to Marcellus Shale production. The burgeoning natural gas industry carried the natural resources and mining sectors through the recession, with mining businesses in the region growing 6.9% during the past two years. The number of employees in these sectors jumped 10.4% from 5,641 to 5,118 during the same period.

Additional increases included 2,400 jobs in the construction sector; 1,500 jobs in retail trade; and 4,600 jobs in leisure and hospitality. And though it was the most heavily hit sector during the recession, manufacturing has rebounded nicely in the second quarter, adding 800 jobs in the last month, totaling an increase of 2,500 total positions year over year to date.

At an unemployment rate of just over 7.0%, the region remains ahead of the state and national averages of 7.4% and 9.1% respectively, and analysts predict that employment numbers will return to pre-recession levels by early 2012.

### Leasing and Expansion

As the industrial vacancy rate in the Pittsburgh region continues to drop – nearly three percentage points year-over-year at the end of the second quarter 2011 – tenants are looking for opportunities to expand at their existing locations, as well as, exploring options for new build-to-suit projects to accommodate their growth projections.

Talisman Energy announced that it will absorb 22,000 square feet (sf) of the 100,000-sf second phase of Pennwood Commons in the Cranberry Township market. The company, who currently occupies the full first phase of the project, approximately 50,000 sf of flex,

said that the expansion will enable them to hire up to 100 additional employees in the future. Gardner Denver Inc., a publicly traded manufacturer of pumps and compressors, announced plans to construct a 100,000-sf operation at Alta Vista business park in Washington County. The company intends to relocate its local manufacturing operation, as well as its Connecticut headquarters and St. Louis distribution center to the new site.

The developers of Clinton Commerce Park in the West Pittsburgh submarket received approval to triple the size of the site, making way for 1.5 million square feet (msf) of warehouse and distribution facilities. Six buildings ranging in size from 60,000 sf to 400,000 sf are planned, with land preparation expected to start in the third quarter 2011. The 5-year-old park currently houses 729,000 sf in three buildings occupied by Flabeg Solar US, Knepper Press, American Tire Distributors and FedEx SmartPost.

Cranberry Business Park Associates and Chaska Property Advisors announced plans to add another 100,000 sf to the Cranberry Business Park following the completion of its latest 53,000-sf building at the site.

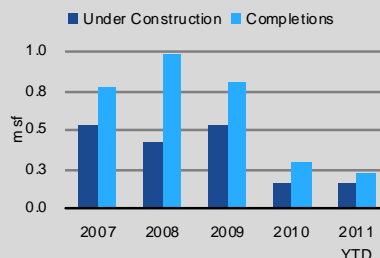
### Investment Activity

There has been little true investment activity in the industrial market with most sale transactions centering on owner/user opportunities and redevelopments funded by government grants. The Environmental Protection Agency (EPA) recently announced \$1.4 million in investments to assess abandoned industrial properties for potential redevelopment, particularly those sites considered brownfields. The EPA also delivered a \$1-million check to Trinity Commercial Development, who purchased 52 acres of the former P&LE railroad property in West Pittsburgh and plans to construct 385,000 sf of new flex and industrial space.

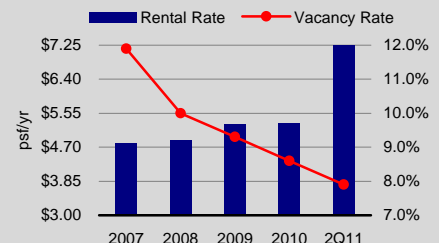
### Stats on the Go

	2Q10	2Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	9.9%	7.9%	-2.0 pp	◀▶
Direct Asking Rents	\$6.46	\$7.10	9.9%	▲
YTD Leasing Activity (sf)	1,771,536	835,187	-52.9%	▼

### Under Construction vs. Completions



### Overall Rental vs. Vacancy Rates



## Market/Submarket Statistics

Submarket	Inventory	Overall Vacancy Rate	YTD Leasing Activity	YTD User Sales Activity	Under Construction	YTD Construction Completions	YTD Direct Net Absorption	YTD Overall Net Absorption	Direct Weighted Average Net Rental Rate*			
									HT	MF	OS	W/D
Beaver County	10,327,239	10.5%	3,800	0	0	0	4,859	4,859	\$0.00	\$0.00	\$0.00	\$3.85
Butler County	10,789,391	6.8%	24,950	0	52,999	0	72,360	50,360	\$10.75	\$0.00	\$13.55	\$6.39
Fayette County	5,890,875	15.6%	5,100	0	0	0	(19,660)	(17,660)	\$0.00	\$0.00	\$0.00	\$3.21
Greater Downtown	12,815,670	8.9%	60,642	30,500	0	0	288,851	288,851	\$12.50	\$0.00	\$6.94	\$5.37
Monroeville	1,997,809	14.4%	52,762	0	0	0	1,650	1,650	\$10.50	\$0.00	\$10.50	\$5.27
North Pittsburgh	15,078,305	5.0%	100,920	58,636	0	0	145,650	145,650	\$10.00	\$4.33	\$12.00	\$5.35
Northeast Pittsburgh	14,327,125	3.0%	25,232	16,500	24,000	0	(114,800)	(114,800)	\$9.25	\$5.00	\$8.50	\$4.08
Oakland	270,460	4.2%	0	0	0	0	0	0	\$0.00	N/A	\$0.00	N/A
Parkway East	10,291,388	5.8%	28,680	26,000	0	0	(45,122)	(45,122)	\$8.00	\$0.00	\$9.42	\$3.64
Parkway West	9,466,414	8.6%	102,859	22,000	0	0	8,741	8,741	\$9.00	\$0.00	\$10.00	\$5.73
South Pittsburgh	11,585,124	6.0%	69,307	915,053	35,631	0	868,208	833,407	\$10.00	\$4.55	\$11.00	\$4.21
Washington County	7,365,695	8.8%	76,363	106,995	0	129,125	104,980	133,331	\$11.00	\$3.75	\$10.75	\$4.30
West Pittsburgh	10,213,118	6.3%	195,132	129,300	0	107,991	(2,318)	(2,318)	\$10.00	\$5.44	\$0.00	\$5.02
Westmoreland County	18,979,519	7.3%	89,440	75,784	52,000	0	20,192	103,733	\$0.00	\$3.09	\$6.32	\$3.66
<b>PITTSBURGH TO TAL</b>	<b>139,398,132</b>	<b>7.9%</b>	<b>835,187</b>	<b>1,380,768</b>	<b>164,630</b>	<b>237,116</b>	<b>1,333,591</b>	<b>1,390,682</b>	<b>\$10.10</b>	<b>\$4.36</b>	<b>\$9.90</b>	<b>\$4.62</b>

\* Rental rates reflect asking Spsf/year.

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

## Market Highlights

### SIGNIFICANT 2Q11 LEASE TRANSACTIONS

BUILDING	MARKET	TENANT	SQUARE FEET	PROPERTY TYPE
77 31st Street	Greater Downtown	Warner Brothers	57,000	Warehouse/Distribution
295 W. Steuben Street	West Pittsburgh	N/A	48,600	Warehouse/Distribution
Avenue B/Buncher Commerce Park	Westmoreland County	General Carbide	25,212	Warehouse/Distribution

### SIGNIFICANT 2Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
77 31st Street	Greater Downtown	Gateway Entertainment Studios LP	330,000	\$2,000,000
1000 Napor Blvd.	West Pittsburgh	CellOne	115,000	\$4,500,000
2900 Jacks Run Road	Parkway East	Washco Real Estate Holding I, LLC	26,000	\$1,300,000

### SIGNIFICANT 2Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
9 Morgan Road/Starpoint	Washington County	TD Williamson Services, Inc.	28,800	2Q11

### SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Pennwood Place Phase II	Cranberry Township	Talisman Energy	52,999	4Q11
55 Bay Hill Drive	Westmoreland County	N/A	52,000	1Q12



Grant Street Associates, Inc.

310 Grant Street, Suite 1550, Pittsburgh, PA 15219 (412) 391-2600

[www.gsa-cw.com](http://www.gsa-cw.com)

\* The market terms and definitions in this report are based on NAIOP standards. 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. © 2011 Cushman & Wakefield, Inc. All rights reserved.