

MARKETBEAT

PITTSBURGH RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



MID-YEAR 2011

Economic Overview

The Pittsburgh region continued its steady recovery throughout the first half of 2011, marking an unemployment rate just over 7.0% at the end of the second quarter, trailing both the state and national averages at 7.4% and 9.1%, respectively. The retail sector added 1,500 jobs in the second quarter 2011 and 4,600 new positions in leisure and hospitality. While the bulk of the U.S. retail sector is expected to be in a recession through year-end 2012, according to the *PnC Real Estate Investor Survey*, Pittsburgh is one of only a handful of the 83 markets surveyed already considered to be in the recovery or expansion phase. The region experienced one of the stronger year-over-year declines in vacancy year-to-date, falling 140 basis points over the past year.

Leasing Activity

The eastern submarkets of Parkway East and Monroeville have seen a significant increase in leasing activity over the past six months. Penn Center East, a mixed-use complex with 310,000 square feet (sf) of retail space, has signed leases for all but two of its vacancies with new tenants, including hhgregg, who will occupy 26,348-sf in the former Comp USA location that has been vacant since 2007; and Tuesday Morning, who will open an 11,780-sf store where Golf HQ formerly operated. J.C. Penney has traded its current 190,000-sf Monroeville Mall site for 110,000 sf at the former Boscov's department store anchor site. In its place, mall owner CBL & Associates Properties Inc. announced a lease with Cinemark XD for a 12-screen, 48,000-sf movie theater set to open in 2013.

West of the city, a new recreational complex called Latitude 40 has signed a lease for the former Roomful Express Furniture store at The Pointe at North Fayette. The \$14 million facility will include a restaurant, a 24-lane bowling alley, an arcade and three theaters and is expected to open in spring 2012.

Investment Activity

The strip center and power center markets continue to stabilize and even prosper in some markets, including Pittsburgh with cap rates that are expected to hold steady over the next six to nine months. The Pine Tree Shoppes, a 73,723-sf strip center anchored by Arhaus Furniture is on the market with an asking price of \$176.98 per square foot (psf); and The Shoppes @ Adams Ridge, a 49,060-sf grocer-anchored strip just northeast of Cranberry Township, has hit the market at an asking price of \$10,450,000. Both are located north of the City of Pittsburgh.

ECONOMIC INDICATORS

NATIONAL	2010	2011F	2012F
GDP Growth	2.9%	2.7%	4.2%
CPI Growth	1.6%	3.0%	1.9%
Consumer Spending Growth	1.7%	2.7%	3.6%
Retail Sales	6.4%	8.1%	5.9%
REGIONAL			
Household Income	\$54,843	\$47,530	\$49,422
Population	2,353,910	2,353,560	2,353,230
Unemployment	8.03%	7.04%	6.52%

Source: Moody's | Economy.com

KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
Penn Center East	hhgregg	26,348
Great Southern	Bottom Dollar Foods	22,020
Cranberry Promenade	Aldi Foods	18,500
CONSOL Energy Center	T.G.I. Friday's	13,257

KEY INVESTMENT TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
Bethel Park Shopping Ctr.	Wal-Mart	218,714
Kennywood Shops	Giant Eagle	194,000
100 Cavasina Drive	Walgreen's	14,620
4111 William Penn Hwy.	Rite Aid	12,738

PRIME RETAIL RENTS – 2Q11

LOCATION	RENT		VACANT SF	VACANT %
	SQ.FT/YR	RBA		
Oakland	\$35.00	1,918,179	27,055	1.0%
Cranberry Twp.	\$30.00	3,017,057	118,735	4.0%
CBD	\$25.00	3,002,906	235,427	8.0%
North Pittsburgh	\$25.00	14,262,865	640,037	4.0%
Greater Downtown	\$22.00	7,751,984	243,850	3.0%

BEAT ON THE STREET

"Pittsburgh's retail market is expected to continue its recovery cycle with vacancy rates already under 10 percent in most submarkets. New retailers such as Bottom Dollar Foods and hhgregg have emerged successfully in the region and are expected to continue their expansion here. Development has resumed on major mixed-use projects such as McCandless Crossing in the north and Newbury Market south of the city that should bring another round of new retailers to the market."

-Jared Imperatore, Retail Leasing Manager



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