

MARKETBEAT

PITTSBURGH RETAIL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



YEAR-END 2010

ECONOMIC OVERVIEW

Pittsburgh continued its climb toward recovery throughout 2010, ending the year with an unemployment rate of 8%, remaining below the state average of 8.6% and the national average near 10%. Though construction jobs were lost in the fourth quarter due to a slow-down in residential projects, the region saw an increase of more than 8,000 positions in private industry in 2010.

The region recently ranked No. 5 in “The Growth 40,” a list of the country’s top markets to open eateries focusing on fast food or fast-casual dining concepts compiled by QSR Magazine, a trade publication. Pittsburgh’s high ranking can be attributed to the area’s relatively stable economy and main-street culture. National chains that have recently capitalized on this stability include Chipotle Mexican Grill, Five Guys’ Burgers and Fries and Dunkin’ Donuts.

Though the overall Pittsburgh retail market appears to be improving, many new developments have stalled or have been canceled altogether. In fact, REIS recently reported that more than 7.0 million square feet (msf) of retail projects that were slated for completion in 2010 were delayed or canceled. Among them was Manor Development Group II’s Market at Twenty-two project.

Manor Development spent several years assembling numerous farmland parcels in Murrysville, located in Pittsburgh’s Westmoreland County submarket, to create a 550,000-square-foot (sf) town center retail development only to put it on the market after failing to land a big box retailer to kick off the project. The group hopes to yield \$7.2 million or approximately \$64,000 per acre for the land.

BEAT ON THE STREET

“Without a doubt, we are at the state of a rebound as evidenced by lenders putting more on the table to finance solid projects and concepts. Retailers focused on intelligent growth will be able to take advantage of local financial offerings and government stimulus programs currently in place.”

—J. R. Yocco, Retail Brokerage & Leasing Manager

ECONOMIC INDICATORS

NATIONAL	2009	2010F	2011F
Real GDP Growth	-2.6%	2.8%	2.8%
CPI Growth	-0.3%	1.6%	1.5%
Consumer Spending Growth	-1.2%	1.7%	2.7%
Retail Sales	-6.3%	5.9%	5.0%

REGIONAL			
Household Income	\$42,902	\$45,630	\$47,000
Population	2,351,192	2,304,169	2,257,145
Unemployment	5.3%	7.5%	8.8%

Source: Moody’s | Economy.com

KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
294 Lincoln Highway	Goodwill of Southwest PA	95,500
1258 Hoffman Blvd.	Rose’s	72,202
Chippewa Center	Dunham’s Sports	43,754
Ross Towne Center	Ross Dress for Less	32,104

KEY INVESTMENT TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
Settler’s Ridge	Michael’s/AT&T/Ross	600,000
1000 Calsteel Drive	N/A	259,455
301 S. Hills Village	Target/Dick’s	226,000

PRIME RETAIL RENTS – 4Q10

LOCATION	RENT sq.ft/yr	RBA	Vacant SF	vacant %
Butler County	\$19.85	3,167,108	43,582	6.7%
CBD	\$22.29	3,020,221	139,094	4.4%
Greater Downtown	\$17.57	5,820,270	138,220	2.4%
Monroeville	\$17.95	2,002,509	138,220	7.8%
North Pittsburgh	\$23.25	6,419,567	281,938	4.4%
Northeast Pittsburgh	\$18.27	4,490,230	94,814	2.1%
Oakland	\$24.57	1,911,029	9,800	0.5%
Parkway East	\$16.82	8,724,785	519,549	6.0%
Parkway West	\$17.25	2,893,382	115,811	4.0%
South Pittsburgh	\$18.37	9,804,365	462,745	4.71%
Washington County	\$16.17	3,630,620	242,581	6.7%
West Pittsburgh	\$18.08	1,370,826	59,156	4.3%
Westmoreland Co.	\$15.74	7,466,115	256,189	3.4%

RETAIL MARKET OVERVIEW

Since bottoming out in early to mid-2009, Pittsburgh's retail market has been experiencing a slow but steady growth period. The current vacancy rate for the central business district (CBD) and fringe area is just above 4%, with less than 500,000 sf available for lease. The suburban vacancy rate is slightly higher, hovering around 6% with approximately 6.7 msf currently available. The Pittsburgh metro has experienced little variance in vacancy over the past 12 months, and though the market has experienced the loss of a number of national retailers, their exits have opened opportunities for local and regional retailers to enter or expand in the area.

Rental rates, on the other hand, vary greatly from submarket to submarket. In the CBD, typical asking rental rates range from \$20 - \$30 per square foot triple net (psf/NNN), but in redevelopment projects like Market Square, tenants are paying rates in the high \$30s/psf. The same holds true for suburban markets. In the eastern part of the area, tenants may pay single digit rates for space, while those tenants electing to enter the higher-demand markets to the north and west are paying high \$20s to low \$30s psf for space. Typically, the suburban markets trend in the high teens to low \$20s psf for rental rates with concessions.

For the past 18 months, the majority of retail investment activity has been playing out with freestanding stores, particularly drugstores such as Walgreen's and Rite Aid. Many are purchased as

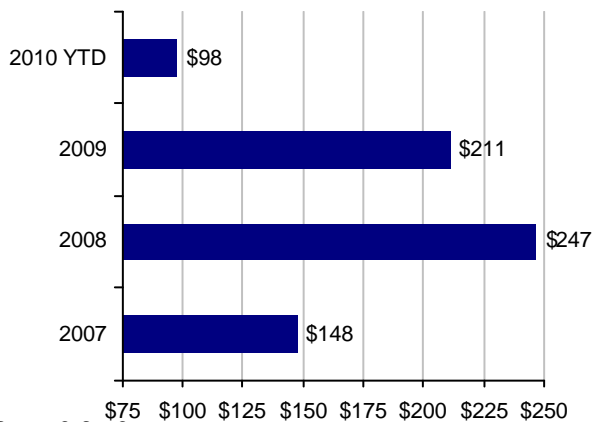
part of a portfolio of investment properties. The most significant retail transaction that is expected to have a prominent impact on the south submarkets is Simon Property Group's acquisition of the former Boscov's department store at South Hills Village Mall. An announcement recently was made that the space will be configured as a two-story, 85,600-sf "flagship" store for Dick's Sporting Goods and a 145,600-sf Target. Both stores are expected to open by July 2012. Trader Joe's also recently announced plans to open a second Pittsburgh location just up the road from South Hills Village in a space currently occupied by Pier One Imports. Plans for the 12,000-sf store are currently under review by local planning commissioners.

Construction in the region has picked up. AdVenture Development LLC, developers of McCandless Crossing, a 130-acre, mixed-use project located north of the city along Route 19, announced that LA Fitness will construct a new facility on a 5.08-acre parcel at the site, while Widewaters McCandless LLC, based in Syracuse, NY, completed an agreement of sale for a 3.58-acre parcel on which to build a 132-room Hilton Homewood Suites. Both businesses would join Lowe's Home Improvement and Fidelity Bank who already have opened locations at the site.

OUTLOOK

The Pittsburgh market should continue to show determined momentum in growth and sustainable economic recovery throughout 2011.

INVESTMENT SALES PRICE (\$PSF)



NOTABLE TRANSACTIONS



The Walgreen's at 4900 Library Road sold for \$6.3 million during the fourth quarter 2010. Rose's signed a five-year lease for 72,202 square feet of space at Kennywood Shops on Hoffman Blvd. in West Mifflin. Both properties are located within the South Pittsburgh submarket.



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.
The Grant Building, Suite 1550
310 Grant Street
Pittsburgh, PA 15219
(412) 391-2600
www.gsa-cw.com

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.

©2011 Cushman & Wakefield, Inc. All rights reserved.

Please consider your environmental responsibility before printing this report.