

# MARKETBEAT

## PITTSBURGH OFFICE REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



3Q09

### ECONOMY

During the third quarter of 2009, Pittsburgh's economy remained fairly stable with an unemployment rate well below the national average. Several major companies occupied new space throughout the quarter, including Westinghouse moving into the first of its four brand new buildings at Cranberry Woods Office Park. Bank of New York Mellon signed a lease and moved into 109,995 square feet (SF) at the former Westinghouse Energy Center.

The growing film industry added an influx of activity to the market with several major productions being filmed in various locations throughout the market. Pittsburgh has fared better than most major markets in the nation. The continued presence and growth of education, healthcare and technology centers has been a major factor in stabilizing the economy. Income growth in the region remains just above the national pace.

### OVERVIEW

Overall rental rates in the third quarter of 2009 remained stable around \$18.80 per square foot (psf) triple net (NNN). Three buildings were delivered to the market during the quarter for a total of 222,000. Construction on the 780,000 SF Three PNC Plaza, expected to be completed in the first quarter of 2010, and Westinghouse II, a 204,896 SF facility that is 100% pre-leased, are still ongoing. Absorption was a positive 292,853 SF for the quarter, bringing the yearly total to 686, 879 SF.

Several leases were signed throughout the quarter, with the largest being for 180,000 SF by The Commonwealth of Pennsylvania at Piatt Place in the Central Business District. The University of Pittsburgh signed a 144,000 SF deal at Bridgeside Point II in the Oakland Submarket.

Construction on the new \$321 Million Consol Energy Center is in progress and on schedule for an August 2010 completion. This project is the first step in reviving the Uptown neighborhood and will help draw visitors to the area along with the Rivers Casino, which opened its doors earlier this quarter.

### FORECAST

Difficult economic conditions and tight credit markets will keep new construction starts to a minimum in the foreseeable future. Vacancy rates should continue to decrease as absorption in the market increases and Class A space is not as largely available.

### BEAT ON THE STREET

"The third quarter brought an increase in leasing activity and rental rates in Pittsburgh. In addition, the market experienced positive net absorption for the second quarter in a row signaling a comeback from the current recessionary conditions. The overall vacancy rate has dropped below 12.0%, and leasing activity is expected to steadily increase through the end of 2009."

– Scott K. Astorino, Brokerage & Leasing Manager

### ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	1.1%	-3.0%	1.9%
CPI Growth	3.8%	-0.6%	2.2%
Regional			
Unemployment	5.3%	7.5%	8.8%
Employment Growth	0.1%	0.0%	0.02%

Source: Moody's | Economy.com

### MARKET FORECAST

**LEASING ACTIVITY** is expected to remain stable through the end of 2009.



**DIRECT ABSORPTION** is expected to increase as positive deals become available in the market.

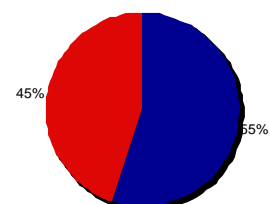


**CONSTRUCTION:** Economic uncertainty and tough credit markets will cause new construction starts to remain stable.



### 3Q09 CONSTRUCTION COMPETITIONS BUILD TO SUIT VS. SPECULATIVE

■ Build-to-Suit ■ Speculative



GRANT STREET ASSOCIATES, INC.

MARKET/ SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Central Business District	27,983,927	136	13.1%	12.3%	1,040,572	780,000	0	1,172,813	\$22.46
Greater Downtown	12,056,582	114	10.1%	8.5%	188,688	150,000	0	526,559	\$22.39
Downtown Total	40,040,509	250	11.6%	10.4%	1,229,260	930,000	0	1,699,372	\$22.43
Butler County	2,316,777	36	4.6%	4.6%	475,695	0	0	500,818	\$21.36
I-279/I-79 North	1,524,415	23	7.4%	6.0%	109,126	0	0	(93,349)	\$21.13
North Pittsburgh/Rte. 19	3,056,648	77	13.5%	14.1%	117,179	0	0	244,681	\$23.01
North Pittsburgh	6,897,840	45	8.5%	8.2%	702,000	0	0	652,150	\$21.83
South Pittsburgh/Rte. 19	2,721,402	50	21.4%	21.5%	33,864	0	0	45,756	\$22.00
South Pittsburgh/Rte. 51	1,148,175	29	10.7%	11.4%	38,193	0	0	61,034	\$17.00
South Pittsburgh/I-79	592,786	13	5.5%	5.9%	7,475	0	0	(7,627)	N/A
Fayette County	527,142	7	24.0%	24.0%	0	0	0	(26,711)	N/A
Washington County	3,959,097	65	10.4%	9.4%	145,333	0	0	85,620	\$19.55
South Pittsburgh	8,948,602	164	14.4%	14.4%	224,865	0	0	158,072	\$19.52
Monroeville	2,407,491	29	13.4%	13.3%	127,820	0	0	80,066	\$21.76
Northeast Pittsburgh	1,871,528	40	6.2%	7.2%	25,655	0	47,000	78,812	\$16.82
Oakland	3,620,677	41	1.4%	1.4%	6,345	0	0	96,176	N/A
Parkway East	5,791,169	99	15.8%	16.0%	138,414	0	0	(56,434)	\$22.51
Westmoreland County	2,059,484	49	8.0%	9.0%	32,279	0	0	108,497	N/A
East Pittsburgh	15,750,349	258	9.0%	9.4%	330,513	0	47,000	307,117	\$20.36
Beaver County	821,367	17	10.1%	10.1%	0	0	0	5,800	N/A
Parkway West	5,851,077	84	18.1%	19.8%	176,180	0	0	(185,178)	\$21.00
West Pittsburgh	2,852,573	36	10.8%	10.4%	176,785	0	0	18,941	\$19.10
West Pittsburgh	9,525,017	137	13.0%	13.4%	352,965	0	0	(160,437)	\$20.05
CBD	27,983,927	136	13.1%	12.3%	1,040,572	780,000	0	1,172,813	\$22.46
NON-CBD	53,178,390	718	11.0%	10.8%	1,799,031	150,000	47,000	1,483,461	\$20.64
PITTSBURGH TOTAL	81,162,317	854	12.0%	11.5%	2,839,603	930,000	47,000	2,656,274	\$21.55

\* Rental rates reflect \$psf/year

### MARKET HIGHLIGHTS

SIGNIFICANT 3Q09 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
Penn Liberty Plaza I	Greater Downtown	United States Steel Corporation	57,000	B
Liberty Center	Central Business District	Direct Energy Business	52,272	A
Penn Center West Five	Parkway West	Cabot Oil & Gas	30,925	A
SIGNIFICANT 3Q09 SALE TRANSACTIONS				
BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
Cranberry Woods Business Park	Butler County	McKnight Property Management	453,000	\$89,500,000
117 Fox Plan Road	Monroeville	Lilly Holdings, L.P.	17,000	\$1,435,500
9500 Brookstone Road	Route 19 North	KSB Recreation Ventures LLC	15,510	\$1,400,000
SIGNIFICANT 3Q09 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
SouthSide Works, Quantum III	Greater Downtown	American Eagle Outfitters	150,000	9/09
August Wilson Center	Central Business District	African American Culture	65,000	8/09
SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Three PNC Plaza	Central Business District	Reed Smith	780,000	2/10
Westinghouse II	Butler County	Westinghouse Energy	204,896	5/10
Westinghouse III	Butler County	Westinghouse Energy	204,896	5/10