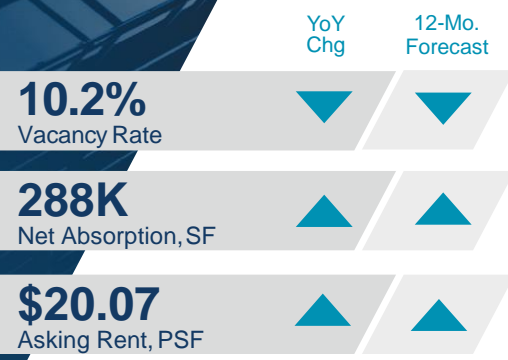


# MARKETBEAT PITTSBURGH

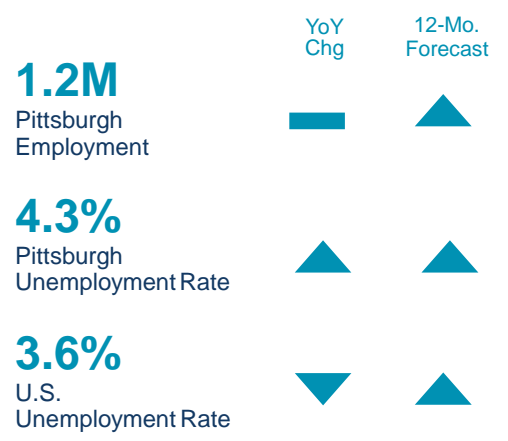


Office Q4 2019



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q4 2019



Source: BLS

## ECONOMIC OVERVIEW: Unemployment Increases Modestly

Pittsburgh's unemployment rate finally found a bottom after an unprecedented run, reaching the lowest point in 40 years just two quarters ago. However, in the fourth quarter of 2019, the unemployment rate ticked up, and the 40-basis-point (bps) increase to 4.3% suggests a loosening labor market. The trend is slightly concerning since the U.S unemployment rate continued to decrease. However, prolonged investments by Big Tech, ancillary jobs built around the Shell Cracker Plant, and new impending specialty hospitals for healthcare giant UPMC support a healthy economy with a promising future.

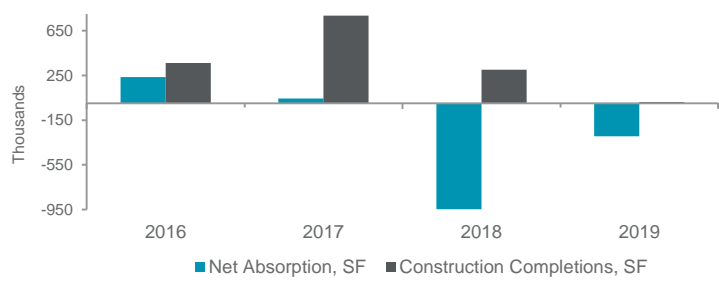
## SUPPLY AND DEMAND: Absorption Finally Turns Positive

In a welcomed sign for the region, absorption in the fourth quarter of 2019 turned positive to 288,000 square feet (sf), finally challenging a five-quarter trend. This was largely driven by the Greater Downtown/Strip District submarket. Absorption in the CBD was still negative, even as supply was static, due to tenant downsizing and the continued migration of younger companies to fringe markets. The demand for tech-friendly, amenitized space in fringe markets was playing out as expected for local developers like Oxford. Interest in these markets showed no signs of waning, with exciting impending deliveries like the Brickworks and 1600 Smallman slated to come online in 2020. Adding to deliveries is a 24-story office tower that will house the new First National Bank HQ at the former Civic Arena site in the Lower Hill District. After nearly a decade of delays for redeveloping the former arena site, the 400,000 sf, \$200-million tower will alter the complexion of the Pittsburgh skyline. This will be the first new high-rise office tower in nearly a decade.

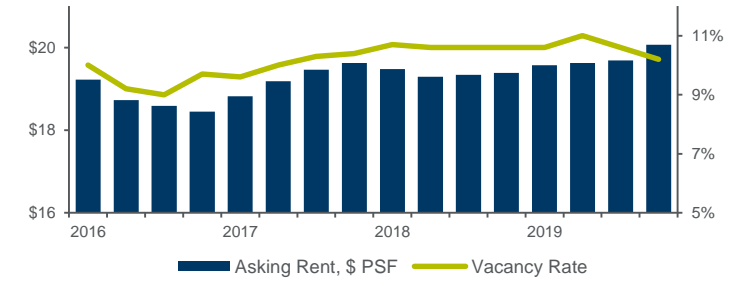
## PRICING: Rents Continue to Trend Up

Asking rents in the region continued to trend up, modestly in the CBD, but at a more pronounced pace in some of the more active submarkets. Gross asking rents in some of these submarkets such as Oakland have reached \$50 per square foot (psf). This seems like an incredible number for Pittsburgh, but height restrictions and coveted university research synergies have led to premiums in the area. Newer Class A product in the Strip District is commanding rates closer to \$35 psf, 18% compared to a year ago. These rate gains coupled with a decreasing vacancy rate bodes well for Pittsburgh moving into 2020.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Armstrong County	123,367	0	0	0.0%	0	21,400	0	0	\$8.58	\$8.58
Beaver County	1,201,455	0	149,868	12.5%	51,992	(8,997)	10,433	0	\$17.43	N/A
Butler County	4,696,201	5,675	198,204	4.3%	(33,909)	(81,330)	88,512	0	\$22.36	\$24.59
CBD	26,281,109	298,079	3,357,463	13.9%	(43,901)	(297,008)	282,673	0	\$26.62	\$29.69
Fayette County	630,275	0	0	0.0%	0	0	0	0	\$12.00	N/A
Greater Downtown	12,291,492	111,735	920,018	8.4%	226,845	259,207	209,706	581,708	\$24.93	\$31.72
North Pittsburgh	6,373,978	1,495	506,760	8.0%	7,317	(126,310)	123,325	135,000	\$20.33	\$24.30
Northeast Pittsburgh	2,536,135	0	112,137	4.4%	1,020	17,073	8,071	0	\$18.72	\$21.24
Oakland	3,153,502	0	33,868	1.1%	(4,594)	30,953	27,007	399,067	\$22.90	N/A
Parkway East	10,400,548	19,668	1,095,131	10.7%	(43,538)	(40,791)	121,976	453,833	\$20.28	\$21.61
Parkway West	10,149,967	102,225	1,151,707	12.4%	164,585	70,653	384,055	296,380	\$22.50	\$24.24
South Pittsburgh	6,059,686	3,226	413,637	6.9%	(8,371)	(97,004)	46,181	0	\$18.40	\$21.69
Washington County	5,072,139	57,339	611,493	13.2%	(22,495)	(67,689)	241,704	0	\$21.67	\$26.40
Westmoreland County	3,149,693	0	219,418	7.0%	(6,534)	26,726	49,859	0	\$16.22	\$29.77
<b>PITTSBURGH TOTALS</b>	<b>92,119,547</b>	<b>599,441</b>	<b>8,769,704</b>	<b>10.2%</b>	<b>288,417</b>	<b>-293,117</b>	<b>1,593,502</b>	<b>1,865,988</b>	<b>\$20.07</b>	<b>\$23.98</b>

\*Rental rates reflect gross asking \*\*Does not include renewals

## KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6000 Park Lane Dr	Parkway West	Care Form	105,000	New Lease
1400 Lebanon Church Rd	South Pittsburgh	Quick Med Claims	36,500	New Lease
2 Allegheny Center E	Greater Downtown	Confidential	23,837	New Lease
2 Allegheny Center E	Greater Downtown	Confidential	23,833	New Lease

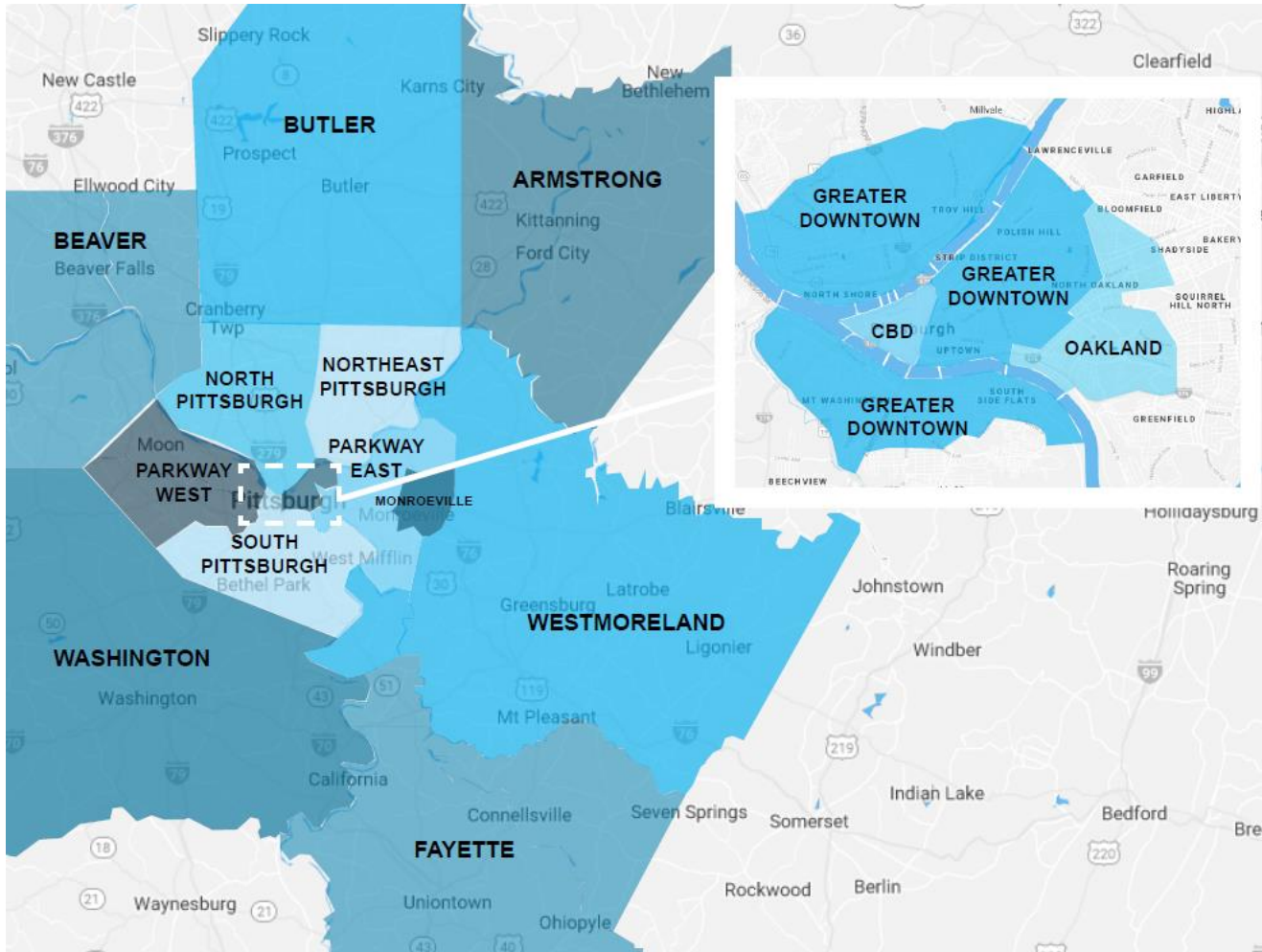
## KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
2000 Park Lane Dr	Parkway West	Myla / Park Lane Property	234,59	\$41,400,000 / \$176
2027 Lebanon Church Rd (Health America)	South Pittsburgh	Trumbull Corp / Atkins Companies	26,174	\$6,000,000 / \$229
5816 Forbes Ave	Parkway East	Forbes Ave Partners / Panda Supermarket	16,800	\$2,200,000 / \$131

## KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
2315 Liberty Ave	Greater Downtown	Iron Workers Union	13,290	Iron Workers Union / NA

**OFFICE SUBMARKETS**



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