

YoY Chg 12-Mo. Forecast

5.87%

Vacancy Rate



1,009

Net Absorption, units



\$1,136

Effective Rent, PSF



(Seniors Excluded, All Property Classes)

ECONOMIC INDICATORS Q2 2021

YoY Chg 12-Mo. Forecast

1.1M

Pittsburgh Employment



7.0%

Pittsburgh Unemployment Rate



5.9%

U.S. Unemployment Rate



Source: BLS, Census Bureau

ECONOMIC OVERVIEW: Economy Continues to Improve Post COVID

On the local front, Pittsburgh's unemployment rate ticked down 890 basis points (bps) on a year-over-year basis, to 7.0%. Although we have not yet seen the spread between the U.S unemployment rate and Pittsburgh unemployment rate compress, we anticipate the spread closing by the end of 2021. With widespread vaccine distribution completed and federal stimulus packages received, sentiment has improved, and a return to the office for many corporate occupiers has lightened the tone considerably. There have also been dramatic gains in the construction and leisure/hospitality industries, pointing further to clear signs of a gradual recovery. Although still not back to pre-pandemic levels of employment and economic growth, consumer confidence has ticked up, and businesses feel more optimistic about the second half of 2021.

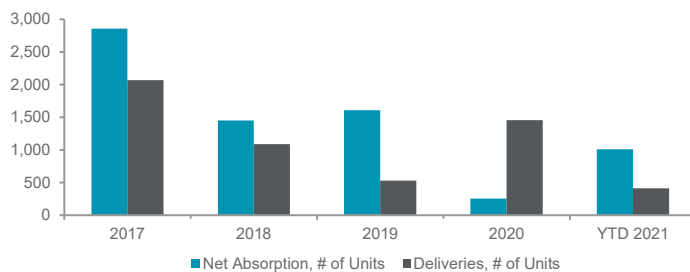
SUPPLY OR DEMAND: Development & Adaptive Reuse on the Rise

Development, construction, and delivery of new units remain robust and on-track for the remainder of 2021 and into 2022. The Strip District, Lawrenceville and Southside, which fall within the Greater Downtown submarket, have dominated new construction. The recent delivery of Glasshouse and Edge 1909 have changed the complexion of the Pittsburgh multifamily market and raised the bar on new construction, adding almost 700 new units with record setting asking rents and premium amenities. Several new higher-profile projects in the core submarkets set to deliver over the next three quarters include The District, Arsenal 201 Phase II, Connection @ Southside, and Helm on the Allegheny. These projects will add 1,285 units to Greater Downtown. In addition to new construction, adaptive reuse projects are dominating the Central Business District with the recent delivery of The Commonwealth, Terminal 21 and Kauffman's Grand. There are also noteworthy adaptive reuse projects that have entered the CBD development pipeline that include The Pittsburgher, The Allegheny Building, Smith & Fifth, and the YWCA by City Club Apartments, which will add over 1,000 new units to the submarket.

PRICING: Rent Growth Projected to Increase Steadily

Effective rents in the Pittsburgh market have increased 3.8% through the first half of 2021. This growth is projected to increase by an additional 0.5% in the second half of 2021 and 3.5% in 2022. Currently, effective rents throughout the Pittsburgh MSA average \$1,136/unit, however there is room to run, as rents are still about \$300 below the national average. An additional factor in the rent increase is the continued trend of new, higher-quality product delivering. The Strip District, Lawrenceville and Southside (Greater Downtown) lead when it comes to new, Class A deliveries, with The Strip District being the most expensive neighborhood in Pittsburgh as measured by effective rent per unit, coming in at almost \$2,300/unit.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & EFFECTIVE RENT



SUBMARKET	INVENTORY (BUILDINGS)	INVENTORY (UNITS)	UNDER CONSTR (UNITS)	YTD NET ABSORPTION (UNITS)	VACANCY RATE	YOY VACANCY RATE CHANGE (BPS)	AVG EFFECTIVE RENT/UNIT	AVG EFFECTIVE RENT PSF	YOY % EFFECTIVE RENT GROWTH
Cranberry/Mars	22	2,817	0	25	4.90%	-54	\$1,315.00	\$1.33	5.96%
CBD	32	3,088	140	132	14.80%	-188	\$1,464.00	\$1.73	-0.20%
Oakland	177	4,333	0	-7	5.70%	-48	\$1,322.00	\$1.85	1.30%
Parkway East	486	13,965	62	34	3.00%	-30	\$903.00	\$1.06	4.03%
Parkway West	178	8,918	0	190	4.50%	-57	\$1,170.00	\$1.26	4.65%
North Hills	366	12,252	0	121	4.80%	-51	\$1,076.00	\$1.21	5.39%
South Hills	511	18,303	0	176	5.00%	-51	\$979.00	\$1.19	3.60%
Greater Downtown	208	8,945	1,735	141	6.40%	-91	\$1,660.00	\$1.88	5.93%
East End	728	11,835	170	56	7.00%	-57	\$1,342.00	\$1.65	0.68%
CORE TOTAL	2,708	84,456	2,107	868	5.41%	-58	\$1,169.00	\$1.37	3.63%
Armstrong	15	336	0	1	22.70%	-231	\$723.00	\$0.63	0.00%
Butler	69	1,649	0	19	3.50%	-38	\$737.00	\$0.95	2.65%
Fayette	35	748	0	2	3.60%	-36	\$641.00	\$0.71	0.31%
Beaver	88	2,666	0	59	3.10%	-52	\$992.00	\$0.99	5.42%
Washington	94	3,688	129	24	12.00%	-95	\$1,143.00	\$1.23	6.33%
Westmoreland	190	6,511	0	36	9.50%	-107	\$754.00	\$0.78	6.65%
NON-CORE TOTAL	491	15,598	129	141	8.36%	-81	\$971.00	\$1.01	5.66%
GRAND TOTAL	3,199	100,054	2,236	1,009	5.87%	-64	\$1,136.00	\$1.30	3.84%

KEY SALES TRANSACTIONS 2021 YTD

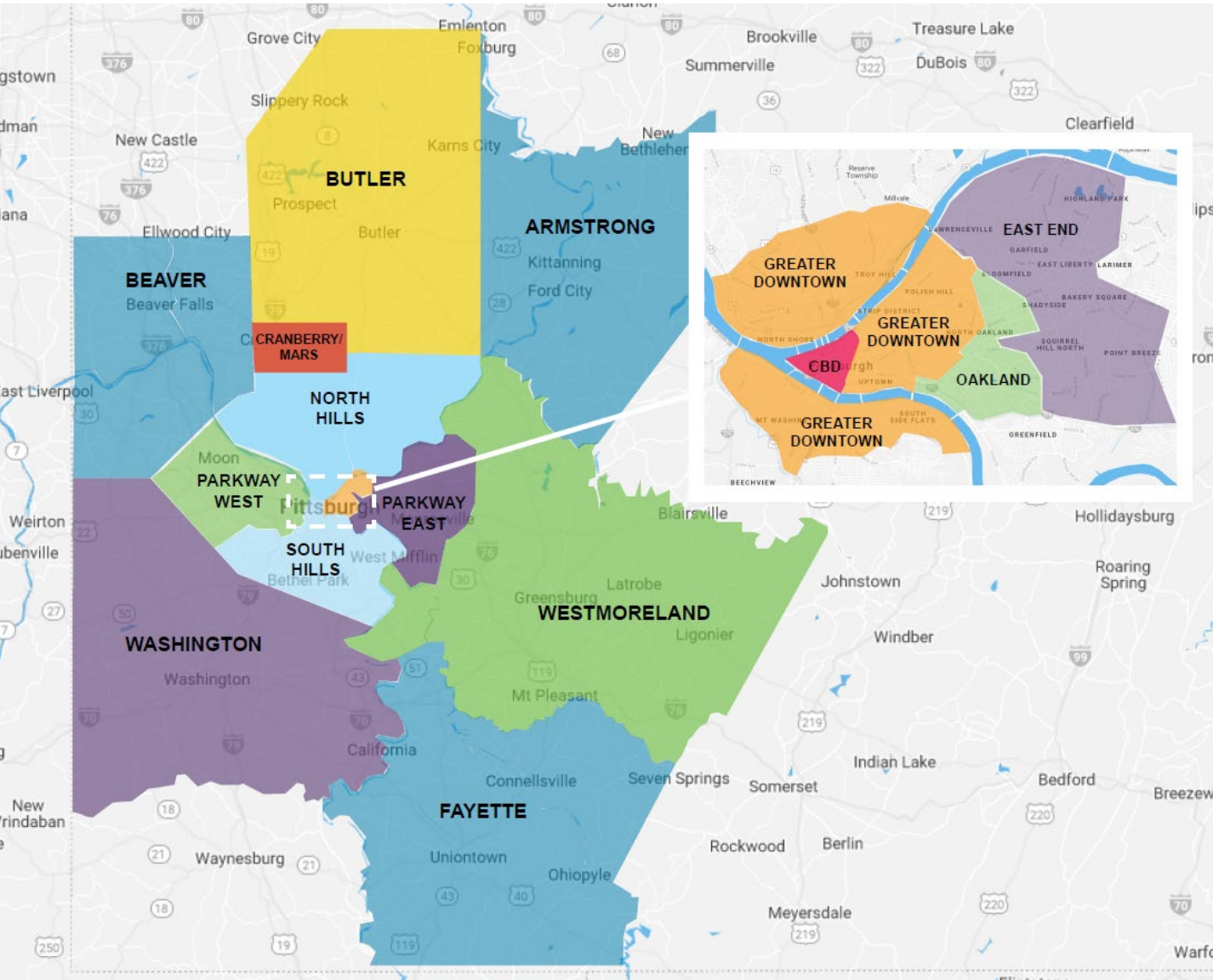
PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / \$ UNIT
The Encore on 7 th	CBD	AFL-CIO Inv Trust / McCaffery	151	\$41,000,000 / \$271,523
Flats on Fifth	Greater Downtown	Castlebrook / GCU	74	\$15,000,000 / \$202,703

CONSTRUCTION PIPELINE 2021 DELIVERIES

PROPERTY	SUBMARKET	DELIVERED	UNITS	OWNER / DEVELOPER
The Commonwealth	CBD	Q3 2021	140	JCS Development
Kaufmann's Grand	CBD	Q3 2021	311	Lubert Adler
Helm on the Allegheny	Greater Downtown (Strip)	Q3 2021	220	Oxford Development
The District	Greater Downtown (Strip)	Q4 2021	442	The NRP Group
Arsenal 201 Phase II	Greater Downtown (Strip)	Q4 2021	343	Milhaus / Franjo
Connection @ Southside	Greater Downtown (Southside)	Q4 2021	280	TWG Development

MARKET DRIVERS

- Demand for highly amenitized Class A product is driving both new construction and adaptive reuse deliveries, raising effective rents per unit.
- Absorption in the CBD/Greater Downtown will accelerate through the remainder of 2021, as migration to the urban core increases in the post-pandemic era.
- Live, work & play environment factoring into "renter by choice" phenomena driving tenants to popular, urban neighborhoods like the Central Business District (CBD), The Strip District and Southside (Greater Downtown).



Justin Brown
 Director of Research, Pittsburgh
 Tel: +1 412 697 6557
jbrown@gsa-cw.com

Bryan McCann
 Senior Vice President
 Tel: +1 412 697 6556
bmccann@gsa-cw.com

Leigh Poulton
 Vice President
 Tel: +1 412 860 9820
lpoulton@gsa-cw.com

Willis Croker
 Vice President
 Tel: +1 724 771 7898
wcroker@gsa-cw.com

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