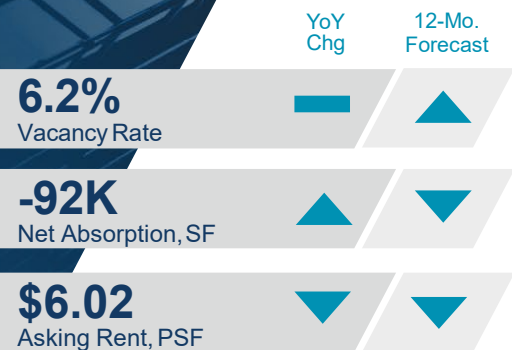


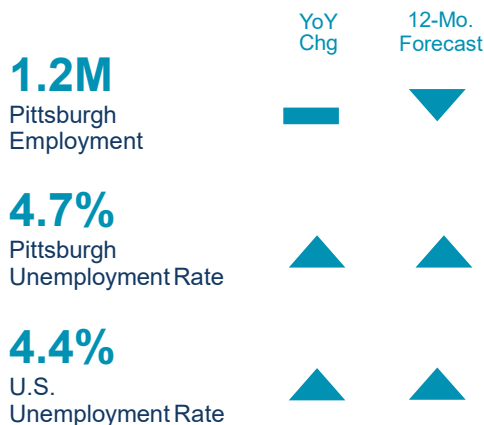
# MARKETBEAT PITTSBURGH

## Industrial Q1 2020



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q1 2020



Source: BLS

### ECONOMIC OVERVIEW: Unemployment Increases, But Only the Beginning of Downturn

Pittsburgh's unemployment rate ticked up markedly to 4.7%, with the U.S. up to 4.4%, but the upward trend is only beginning. Some are forecasting a peak of 15% U.S. unemployment and cumulative GDP contraction of 10%, which would mark the deepest recession on record, and nearly five times worse than the post-war average. Pittsburgh is in for a bumpy ride as the country rides out COVID-19, as local metrics have historically been worse than national averages. Pittsburgh is also exposed to Russia and Saudi Arabia's oil price war which has caused energy markets to implode, as energy represents a significant percentage of employment here. However, healthcare and tech do provide some protection once the COVID-19 curve flattens.

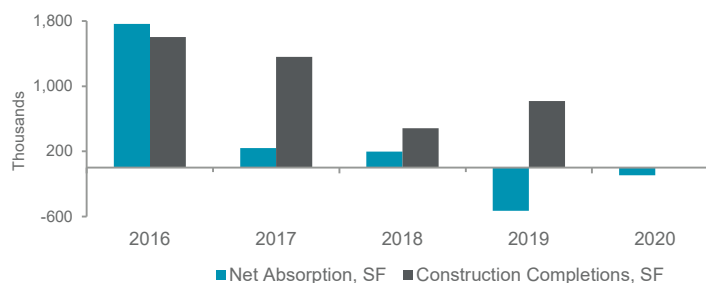
### SUPPLY AND DEMAND: Absorption Turns Negative, Future Uncertain

The industrial demand hot streak should unfortunately be coming to an abrupt halt, although the COVID-19 negative effects have not been fully baked in to the first quarter numbers. In the immediate future, vacancies will likely climb and absorption will continue to tick down. Shipping will keep vacancies competitive, but manufacturing here will take a large hit. The region's largest employers are still in traditional manufacturing, but they were slowing down even pre-pandemic. However, there are some silver linings for Pittsburgh's industrial market. Although we have not been able to capture a ton of the massive e-commerce fulfillment centers due to topographical challenges, COVID-19 and social distancing protocols may accelerate a trend towards smaller warehouse and distribution centers, and drive continued demand. This helps to shield the market here from headwinds. Logistics centers will likely weather the storm better than other assets, and the region is home to a surplus of those. Also, owners can rest easy knowing that there will not be a surge of supply arriving the next few quarters.

### PRICING: Rents Down Substantially

Rents took a large dip this quarter but that seems to be a bit of an outlier. Manufacturing rents dove sharply, driving down the weighted average asking rent. Rents will likely revert back to normal next quarter, but will be impacted materially on a go-forward basis. As always is the case with Pittsburgh, lack of inventory is favorable in keeping rents competitive. There are still so many factors at play that it is hard to determine how large the pricing drop will be, but Pittsburgh's industrial market is better positioned than other small-scale cities to weather the storm.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



## Industrial Q1 2020

## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (FLEX)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT (HT)
Armstrong County	1,980,193	55,126	2.8%	2,800	2,800	0	0	-	\$7.00	\$2.88	\$7.00
Beaver County	11,067,806	817,813	7.4%	42,075	42,075	205,000	0	\$4.25	\$7.00	\$7.50	-
Butler County	16,400,544	1,319,319	8.0%	-68,094	-68,094	0	0	\$2.25	\$15.71	\$4.16	-
Fayette County	4,226,648	188,641	4.5%	377,000	377,000	20,500	0	\$5.00	-	\$6.41	-
Greater Downtown	12,333,600	1,096,848	8.9%	-359,500	-359,500	0	0	\$9.00	\$9.75	\$9.91	\$4.00
Monroeville	2,452,581	21,834	0.9%	8,500	8,500	0	0	\$6.00	\$10.84	\$8.95	-
North Pittsburgh	15,631,123	511,570	3.3%	207,456	207,456	0	0	\$3.75	\$9.22	\$6.24	\$8.25
Northeast Pittsburgh	18,028,857	492,399	2.7%	-24,076	-24,076	0	0	-	\$11.32	\$5.80	\$11.32
Oakland	352,192	-	0.0%	0	0	0	0	-	-	-	-
Parkway East	13,181,773	408,397	3.1%	21,997	21,997	70,000	0	\$4.00	\$10.25	\$5.00	-
Parkway West	11,593,640	805,352	6.9%	92,961	92,961	1,074,000	0	\$4.95	\$5.86	\$6.97	-
South Pittsburgh	17,289,816	1,304,287	7.5%	-29,358	-29,358	0	0	\$5.00	\$12.48	\$4.90	-
Washington County	13,049,014	1,407,389	10.8%	-265,866	-265,866	29,000	0	\$4.29	\$9.00	\$5.42	-
Westmoreland County	31,973,817	2,065,292	6.5%	-97,720	-97,720	0	0	\$5.54	\$6.84	\$4.63	\$6.80
<b>PITTSBURGH TOTAL</b>	<b>169,561,604</b>	<b>10,494,267</b>	<b>6.2%</b>	<b>-91,825</b>	<b>-91,825</b>	<b>1,398,500</b>	<b>0</b>	<b>\$4.30</b>	<b>\$8.25</b>	<b>\$5.42</b>	<b>\$6.12</b>

MF = Manufacturing FLEX = Flex W/D = Warehouse/Distribution HT= High Tech

## KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
210-270 48 <sup>th</sup> St	Greater Downtown	IAM Robotics	30,000	New Lease
920 Second Ave	West Pittsburgh	Protek & Cargo	16,890	New Lease

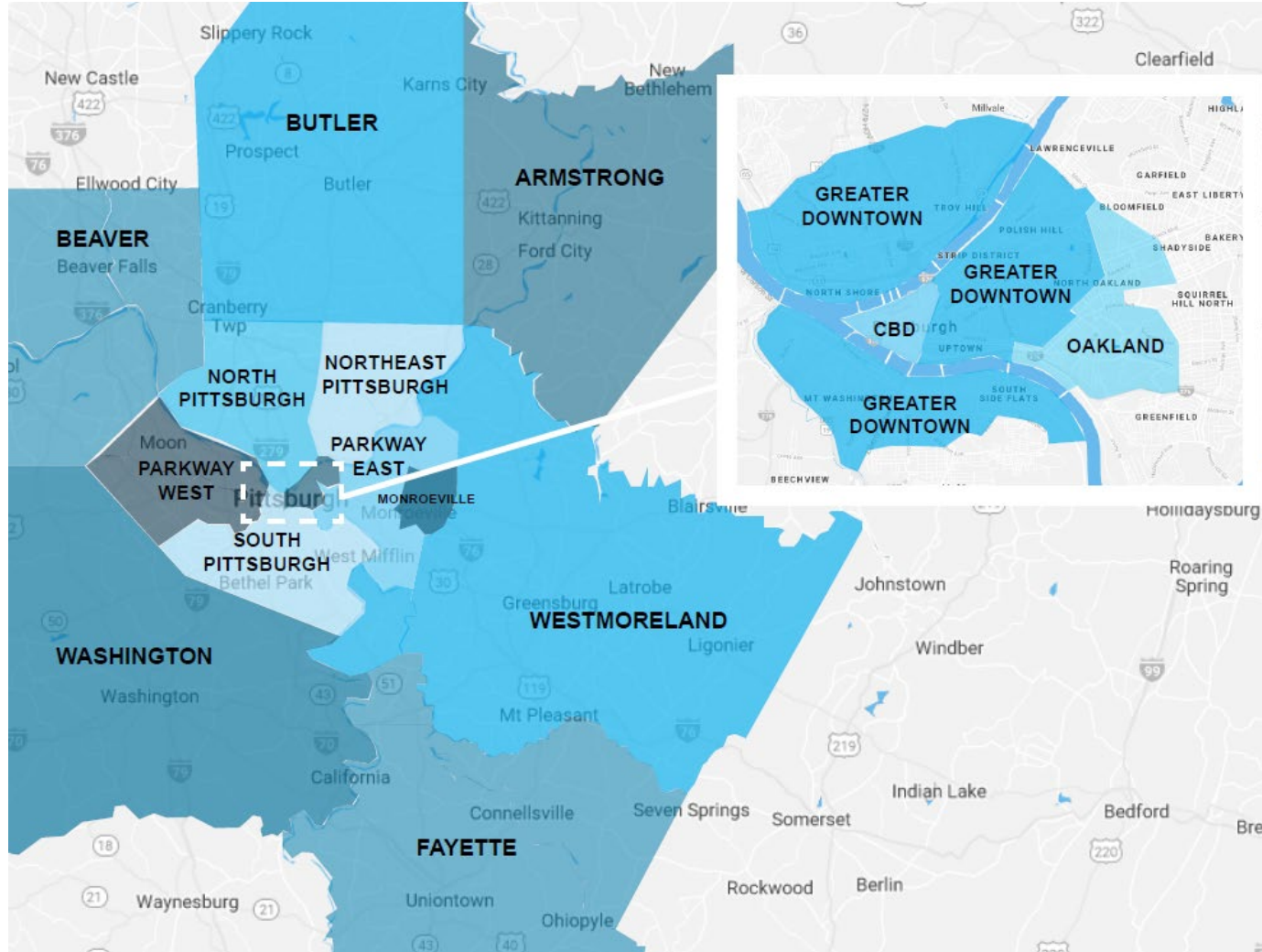
## KEY SALES TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
South Hills Industrial Park	South Pittsburgh	Specialty Group Industries / Phoenix Investors	625,000	\$10,000,000 / \$16

## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
----------	-----------	--------------	----	-------------------

INDUSTRIAL SUBMARKETS



**Justin Brown**  
Director of Research  
Tel: +1 412 697 6557  
[jbrown@gsa-cw.com](mailto:jbrown@gsa-cw.com)

**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

*©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.*