

MARKETBEAT PITTSBURGH

Industrial Q2 2020

	YoY Chg	12-Mo. Forecast
6.6% Vacancy Rate	▲	▼
-496K Net Absorption, SF	▼	▲
\$6.92 Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2020

	YoY Chg	12-Mo. Forecast
980K Pittsburgh Employment	▼	▲
15.9% Pittsburgh Unemployment Rate	▲	▼
13.0% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMIC OVERVIEW: Unemployment Increases Markedly

Pittsburgh's unemployment rate ticked up markedly to 15.9%, with the U.S. up to 14.0%, an unprecedented upward trend that has recently plateaued. The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#). With a recent resurgence driven by loosening restrictions, Pittsburgh's manageable size and large healthcare system bode well for the future.

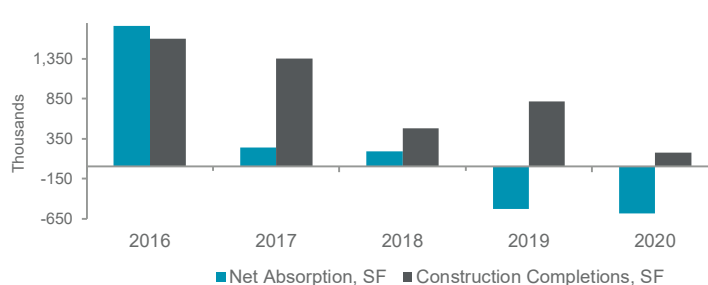
SUPPLY AND DEMAND: Absorption Down, But Inflection Point Coming

As the second quarter of 2020 drew to a close, the full impact of the coronavirus has still not been felt. Vacancies have climbed forty basis points (bps) to 6.6%, and absorption has decreased markedly, from -92,000 square feet (sf) to -496,000 sf. In the immediate future, vacancies will likely continue to climb and absorption will continue to tick down. Shipping will keep vacancies competitive, while manufacturing here will take a large hit. The regions largest employers are still in traditional manufacturing, but they were slowing down even pre-pandemic. However there are plenty of silver linings for Pittsburgh's industrial market. Construction has resumed on Shell's cracker plant in Beaver County, leading to a boost in shipping demand for the long term. Also, developers here like Al Neyer and Scannell have been cautious and strategic, so the risk of a surge in supply and accompanying vacancies is marginal. Although Amazon's massive built-to-suit development gets the most press, spec developers of other facilities here remain bullish on logistics growth and expect quick leasing. The leasing front was somewhat quiet this quarter, but spec developments will continue to be leased up quickly. Although no larger leases were signed this quarter, there is currently an influx of large users evaluating the Pittsburgh market for space.

PRICING: Rents Tick Up

Rents actually ticked up in the second quarter of 2020, with last quarter being a bit of an outlier. Flex and High Tech rents drove the increase. Pittsburgh still has a large stock of manufacturers, and they will be disproportionately hit by a regression in economic activity, which may cause a pronounced drop in rents. But as is always the case with Pittsburgh, lack of inventory is favorable in keeping rents competitive. The coronavirus situation is still very uncertain, 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 Q2 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	47,626	2.4%	-10,500	-7,700	0	0	-	\$7.00	\$4.00	\$7.00
Beaver County	11,167,806	940,908	8.4%	-65,545	-23,470	105,000	100,000	\$4.25	\$7.00	\$7.50	-
Butler County	16,400,544	1,439,825	8.8%	-66,975	-135,069	0	0	\$6.50	\$15.71	\$4.36	-
Fayette County	4,226,648	153,641	3.6%	0	377,000	20,500	0	\$5.00	-	\$7.09	-
Greater Downtown	12,333,600	1,265,431	10.3%	-157,986	-517,486	0	0	\$9.00	\$8.58	\$9.12	\$4.00
Monroeville	2,452,581	10,430	0.4%	11,404	19,904	0	0	\$6.00	\$10.84	\$8.95	-
North Pittsburgh	15,631,123	719,147	4.6%	-205,077	2,379	0	0	\$3.75	\$9.61	\$6.19	\$8.25
Northeast Pittsburgh	18,028,857	625,049	3.5%	-132,650	-156,726	0	0	-	\$11.23	\$5.80	\$11.23
Oakland	352,192	-	0.0%	0	0	0	0	-	-	-	-
Parkway East	13,181,773	309,078	2.3%	-581	21,416	91,682	0	\$4.00	-	\$4.95	-
Parkway West	11,667,640	1,008,010	8.6%	67,614	160,575	1,000,000	74,000	\$4.95	\$5.86	\$7.44	-
South Pittsburgh	17,289,816	1,080,841	6.3%	33,269	3,911	0	0	\$5.00	-	\$4.93	-
Washington County	13,049,014	1,416,043	10.9%	9,316	-256,550	194,000	0	\$4.47	-	\$5.97	-
Westmoreland County	31,973,817	2,248,770	7.0%	22,114	-75,606	0	0	\$5.54	\$6.81	\$4.68	\$6.80
PITTSBURGH TOTAL	169,735,604	11,264,799	6.6%	-459,597	-587,422	1,411,182	174,000	\$4.76	\$8.83	\$5.77	\$8.27

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

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
126 Barneys Rd	Fayette County	Tri State Wireless	27,000	New Lease
4777 Streets Run Rd	South Pittsburgh	Wise Foods	22,400	New Lease

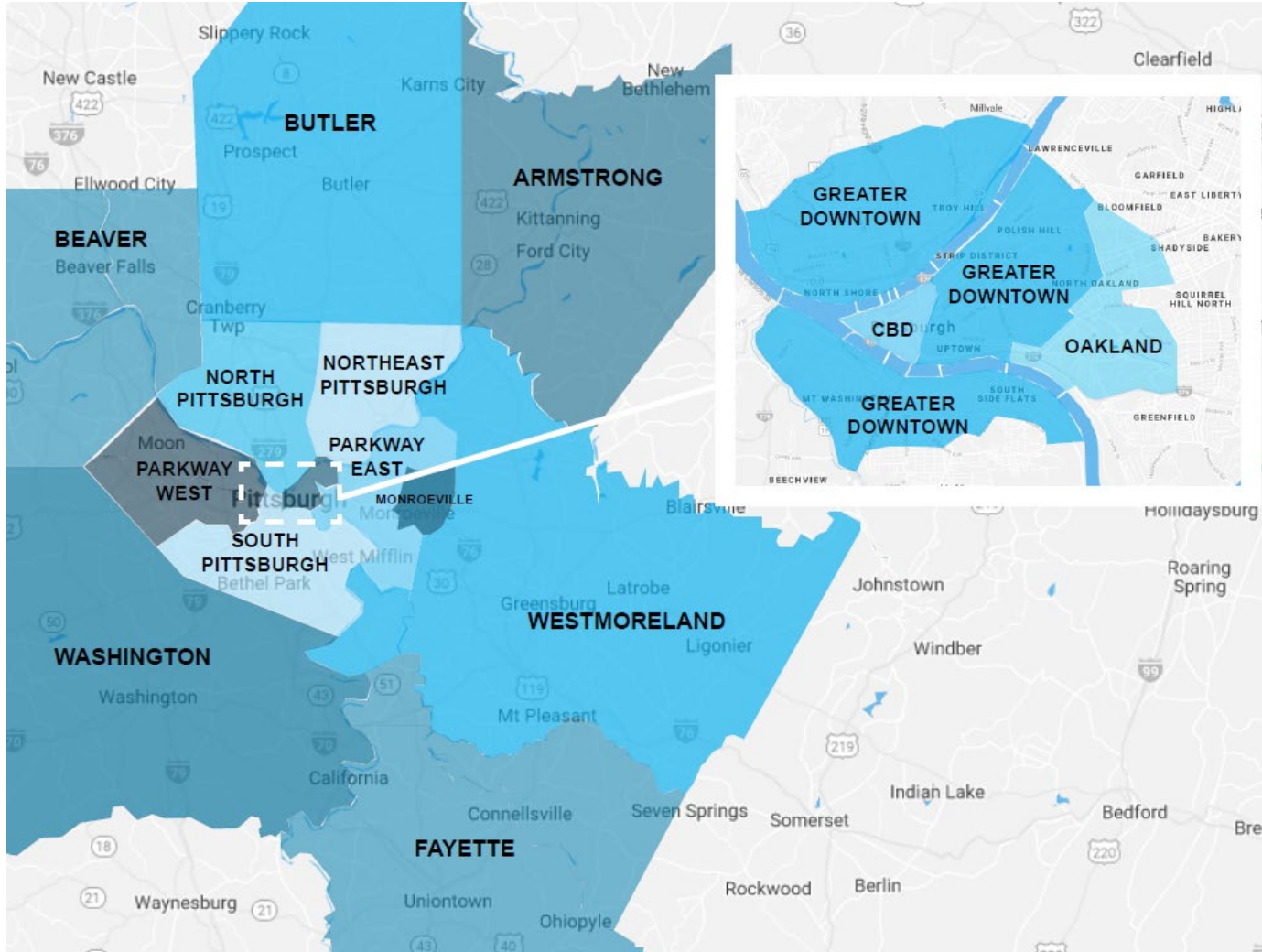
KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
1498 Evans City Rd	Butler County	Stallion Oilfield / NA	70,600	\$2,475,000 / \$35

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
2 Westgate Dr	Beaver County	NA	100,000	Beaver Count Corp of Econ Development
256 S Campus Dr	Parkway West	NA	74,000	Chapman Properties

INDUSTRIAL SUBMARKETS



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