

MARKETBEAT PITTSBURGH

Industrial Q2 2021

YoY Chg 12-Mo. Forecast

7.2%
Vacancy Rate



161K
Net Absorption, SF



\$6.70
Asking Rent, PSF



(Overall, 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

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, it should happen by the close 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 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 growth, consumer confidence has ticked up, and businesses feel more optimistic about the second half of 2021.

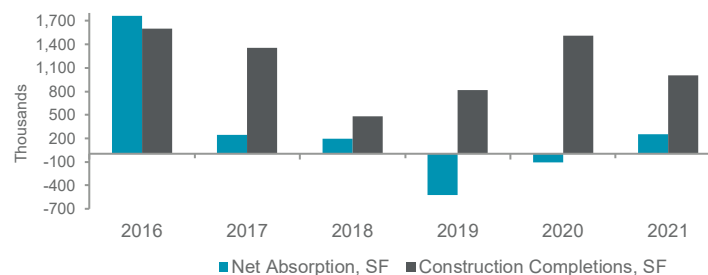
SUPPLY AND DEMAND: Absorption Stays Positive, Developers Remain Bullish

At the close of the second quarter of 2021, absorption remained positive for the fourth quarter in a row, from 92,349 square feet (sf) last quarter to 161,475 sf this quarter. The local industrial market is a force to be reckoned with, as a new building for Amazon being built by Trammell Crowe broke ground this quarter at the former Eastland Mall site in North Versailles, as well as a spec 100,000 sf tech-flex project in the North Pittsburgh submarket, an area which has not historically seen industrial development. Leasing activity slowed down this quarter, totaling 357,449 sf of new leases, down sharply from last quarter. Amazon continues to be a huge driver here, and their never-ending appetite for logistics space will see them occupying 140,000 sf at the aforementioned Eastland Mall Site in Parkway East, 150,000 sf at Hempfield Commerce Center in Westmoreland County, and 280,000 sf at Westport Woods in the Parkway West. There are several other Amazon developments in the rumor mill as well. On the sales front, there was an interesting trade this quarter in which a subsidiary of Atlanta-based Parallel (medical marijuana company) named Goodblend purchased Northside Commerce Center from The Buncher Company. Goodblend then did a sale leaseback with Innovative Industrial Properties for \$41,750,000 or \$175/sf.

PRICING: Rents Trending Up

Asking rents for all product types ticked up in the second quarter of 2021, ending the quarter at \$6.70 per square foot (psf), compared to \$6.58 psf last quarter. Although these modest gains may not stack up to shipping heavy eastern markets like Harrisburg, Pittsburgh does boast a disproportionate amount of high tech/tech flex product with more on the way, which represents significant rent gain upside. Recent large deliveries have been almost exclusively warehouse/distribution assets, with rents eclipsing \$7.00 psf in desirable submarkets and a robust pool of tenants vying for logistics space. Increased amount of space needed to fulfill e-commerce demands coupled with limited inventory, should lead to sustained rent growth.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q2 2021

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	80,526	4.1%	2,100	4200	-	-	-	\$7.00	\$4.00	\$7.00
Beaver County	11,272,806	943,454	8.4%	172,125	122,465	-	-	\$4.25	-	\$6.92	\$8.83
Butler County	16,400,544	1,307,917	8.0%	(145,570)	-65,872	-	-	\$6.50	-	\$5.35	\$15.35
Fayette County	4,226,648	146,479	3.5%	(29,084)	-27,984	-	-	\$5.00	\$8.00	\$9.50	-
Greater Downtown	12,389,152	943,194	7.6%	(78,108)	-83,108	81,000	55,552	\$9.00	\$9.60	\$5.60	\$20.00
Monroeville	2,452,581	133,208	5.4%	18,378	-78,515	-	-	-	-	\$8.95	-
North Pittsburgh	15,631,123	802,365	5.1%	104,897	87,340	100,000	-	\$3.75	\$9.16	\$6.82	\$8.25
Northeast Pittsburgh	18,028,857	613,196	3.4%	(65,436)	28,304	-	-	-	\$11.82	\$5.91	\$11.82
Oakland	352,192	-	0.0%	-	0	-	-	-	-	-	-
Parkway East	13,251,773	878,397	6.6%	(20,913)	-82,724	161,682	-	\$4.00	\$10.25	\$4.95	-
Parkway West	12,667,640	1,127,355	8.9%	(81,284)	62,021	380,000	-	\$4.95	\$9.85	\$8.12	\$9.85
South Pittsburgh	17,289,816	1,113,201	6.4%	183,258	8,355	-	-	\$5.00	\$10.00	\$5.58	-
Washington County	13,464,014	1,675,747	12.4%	(142,824)	-126,994	57,000	250,000	\$7.36	\$10.06	\$7.21	\$12.00
Westmoreland County	31,973,817	2,533,825	7.9%	258,946	525,654	150,000	-	\$5.42	\$6.86	\$5.65	\$6.80
West Pittsburgh	16,030,469	1,215,696	7.6%	(15,010)	-119,318	383,873	400,000	-	\$12.00	\$7.61	-
PITTSBURGH TOTAL	187,411,625	13,514,560	7.2%	161,475	253,824	1,313,555	705,552	\$5.22	\$9.66	\$6.58	\$11.38

KEY LEASE TRANSACTIONS Q2 2021

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

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2920 New Beaver Ave	North Pittsburgh	Goodblend	120,000	New Lease
220 Huff Ave	Westmoreland	AGI Group	119,000	New Lease

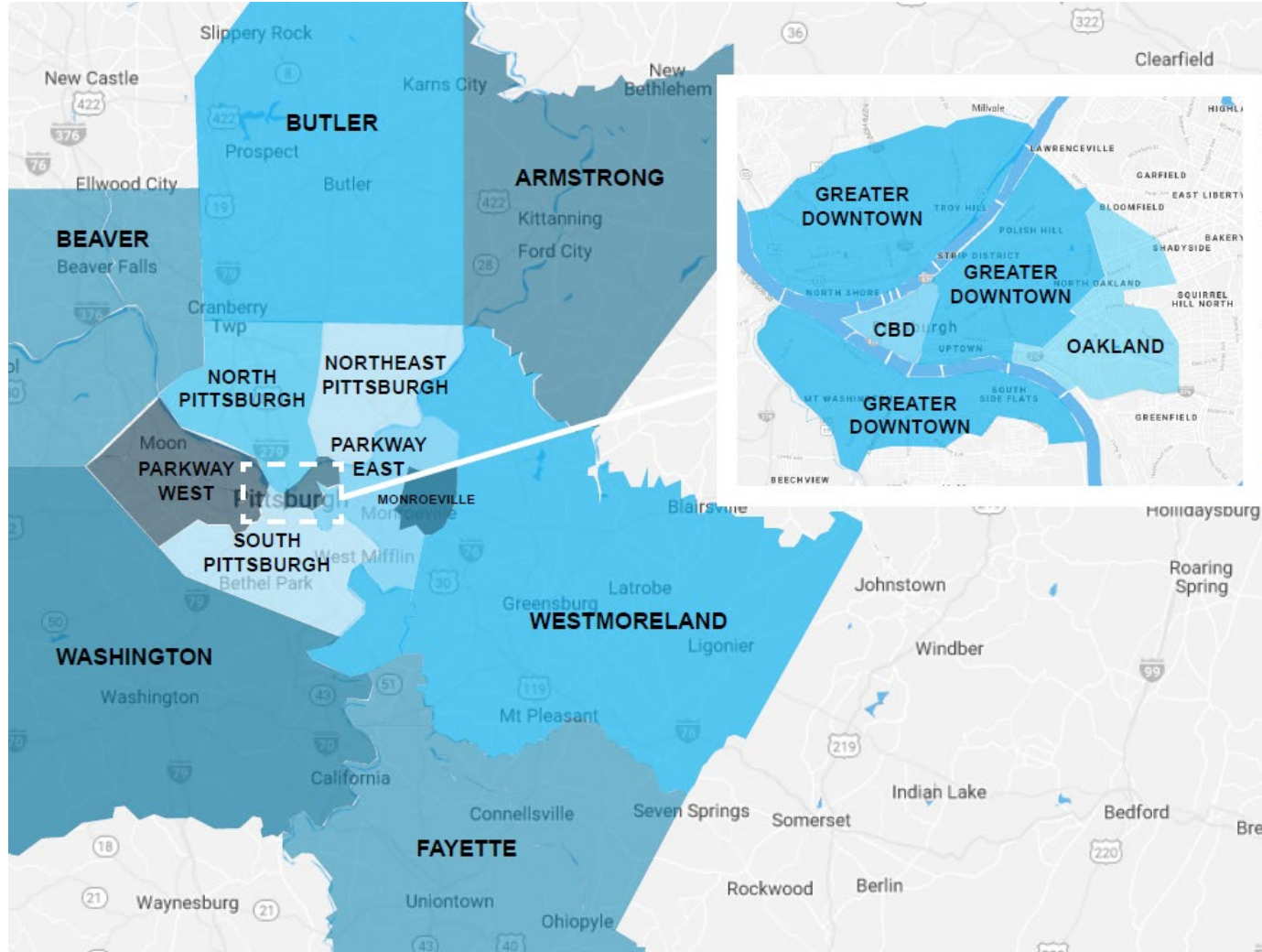
KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
2920 New Beaver Ave	North Pittsburgh	Parallel / Innovative Industrial Properties	239,000	\$41,750,000 / \$174.69
43 Century Dr	Beaver	Wolverine Plastics / Precision Components	428,789	\$23,522,451 / \$54.86

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Clinton Commerce Park- Bldg III	West Pittsburgh	Haemonetics	202,817	AI Neyer
Clinton Commerce Park- Bldg V	West Pittsburgh	NA	400,000	AI Neyer

INDUSTRIAL SUBMARKETS



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