

MARKETBEAT PITTSBURGH

Industrial Q3 2020

	YoY Chg	12-Mo. Forecast
6.7% Vacancy Rate	▲	▼
90K Net Absorption, SF	▼	▲
\$6.11 Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
1.1M Pittsburgh Employment	▼	▲
14.2% Pittsburgh Unemployment Rate	▲	▼
8.8% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMIC OVERVIEW: Unemployment Decreases as Inflection Point Reached

Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#). On the local front, Pittsburgh's unemployment rate ticked down 170 basis points (bps) this quarter as expected, after peaking in the second quarter. Pittsburgh lost 200,000 jobs, mostly in retail and hospitality, however the city's economy has weathered downturns in the past and should recovery steadily.

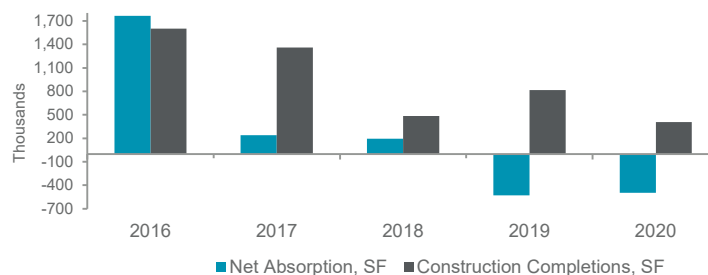
SUPPLY AND DEMAND: Absorption Up, Signaling Resiliency

At the close of the third quarter of 2020, quarterly absorption turned positive, from -496,000 square feet (sf) to 89,565 sf. Leasing activity has also ticked up, from 220,052 sf last quarter, to 294,467 sf this quarter. There is more than 1.5-million-square-foot (msf) of industrial inventory under construction, and ample demand is evident. New speculative product continues to be delivered in desirable submarkets, which is a signal to prospective tenants and landlords alike that the market remains healthy, with 235,000 sf completed this quarter. There is also a flurry of high-quality product coming online in the coming quarters in the airport corridor; they feature 30+ clear heights and a surplus of dock doors, with developers like Scannell, Buncher and Al Neyer leading the charge. This will add almost 400,000 sf to the West Pittsburgh submarket. One submarket to pay close attention to is Beaver County, as leasing activity is expected to pick up significantly as users reposition themselves for proximity to the Shell Cracker Facility. One negative aspect affecting market dynamics is an increase in subleasing activity, as companies quietly downsize their footprints. However, e-commerce growth and a robust pipeline of coveted warehouse/distribution space will keep the market strong.

PRICING: Rents Remain Stable

Rents held steady in the third quarter of 2020, even in the face of the pandemic. From the beginning of the year until now, rents moved from \$6.02 per square foot (psf) to \$6.11 psf. Local industrial demand seems largely unaffected, and the market appears insulated from adverse effects. Tech flex product is becoming more prominent in the region, with asking rents for newer product in the \$25.00-\$30.00 psf range, inflating average asking rents. Pricing on newer logistics assets in the airport corridor remain static with asking rents above \$7.00 psf, and Amazon is recently rumored to be looking in that submarket for even more space. In addition, developers building product close to the Cracker Plant could will up the market, as ancillary business interest continues to ramp up.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q3 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	82,626	4.2%	-35,000	-42,700	0	0	-	\$7.00	\$4.00	\$7.00
Beaver County	11,167,806	1,118,014	10.0%	-66,106	-89,576	105,000	0	\$4.30	-	\$7.10	-
Butler County	16,400,544	1,261,105	7.7%	176,220	41,151	0	0	\$6.88	-	\$4.05	-
Fayette County	4,226,648	141,715	3.4%	11,926	388,926	20,500	0	\$5.00	-	\$6.50	-
Greater Downtown	12,333,600	999,100	8.1%	42,708	-474,778	0	0	\$9.60	\$9.60	\$6.57	\$7.00
Monroeville	2,452,581	51,370	2.1%	-18,840	1,064	0	0	\$6.00	\$10.84	\$8.95	-
North Pittsburgh	15,631,123	694,173	4.4%	31,797	34,176	0	0	\$3.75	\$9.22	\$6.24	\$8.25
Northeast Pittsburgh	18,028,857	630,600	3.5%	-18,323	-175,049	0	0	-	\$11.23	\$5.80	\$11.23
Oakland	352,192	-	0.0%	0	0	0	0	-	-	-	-
Parkway East	13,251,773	605,390	4.6%	-188,117	-166,701	21,782	70,000	\$4.00	-	\$4.95	-
Parkway West	11,667,640	1,038,968	8.9%	6,154	166,729	1,000,000	0	\$4.95	\$6.11	\$6.99	-
South Pittsburgh	17,289,816	1,108,487	6.4%	3,128	7,039	0	0	\$5.00	-	\$5.20	-
Washington County	13,214,014	1,606,953	12.2%	-13,540	-270,090	29,000	165,000	\$4.47	\$7.15	\$6.16	-
Westmoreland County	31,973,817	2,221,307	6.9%	51,963	-23,643	0	0	\$5.54	\$6.81	\$4.84	\$6.80
West Pittsburgh	15,327,652	801,108	5.2%	105,595	105,595	383,873	0	-	\$10.75	\$6.70	-
PITTSBURGH TOTAL	185,298,256	12,360,916	6.7%	89,565	-497,857	1,560,555	235,000	\$4.99	\$8.75	\$6.00	\$8.06

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

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
866 Avenue A	North Pittsburgh	Hemp Synergistics	51,870	New Lease
1050 Ohio Ave	South Pittsburgh	Royal Oak Recycling	50,000	New Lease

KEY SALES TRANSACTIONS Q3 2020

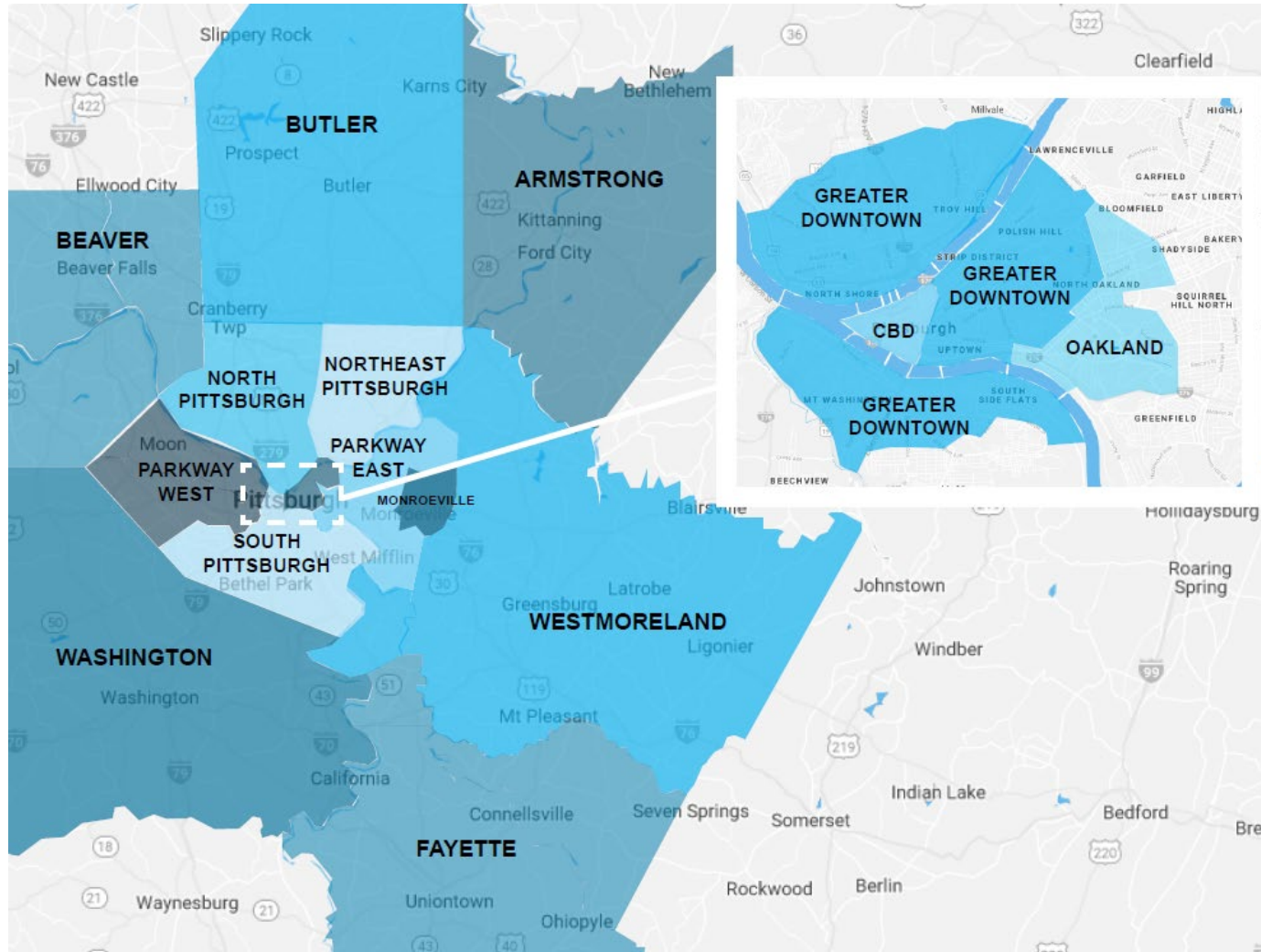
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
535 Keystone Dr	North Pittsburgh	Pittsburgh Tribune-Review / NA	143,295	\$7,500,000 / \$52.34

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
55 Hickory St	Washington County	NA	165,000	Crossgates Inc



INDUSTRIAL SUBMARKETS



Justin Brown

Pittsburgh Director of Research

Tel: +1 412 697 6557

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 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 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.