

MARKETBEAT PITTSBURGH

Industrial Q4 2020

YoY Chg 12-Mo. Forecast

6.6%
Vacancy Rate ▲ ▼

391K
Net Absorption, SF ▼ ▲

\$6.25
Asking Rent, PSF ▼ ▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

YoY Chg 12-Mo. Forecast

1.1M
Pittsburgh Employment ▼ ▲

7.1%
Pittsburgh Unemployment Rate ▲ ▲

6.7%
U.S. Unemployment Rate ▲ ▼

Source: BLS

ECONOMIC OVERVIEW: Unemployment Decreases Markedly

On the local front, Pittsburgh's unemployment rate ticked down 710 basis points (bps) in the fourth quarter of 2020, outperforming the national average change. With widespread vaccine distribution imminent in the coming quarters, optimism is justifiable, however COVID-19 has dampened the outlook. Eds/meds jobs have come back, but at a slower pace than other sectors, with construction and finance faring better. The disruption of healthcare has certainly taken its toll on the region, as has the tenuous situation amongst the universities. However, the economy has come a long way since entering a recession in March 2020, recording the worst decline in post-war history, and a gradual recovery driven by large-scale vaccinations is all but a certainty.

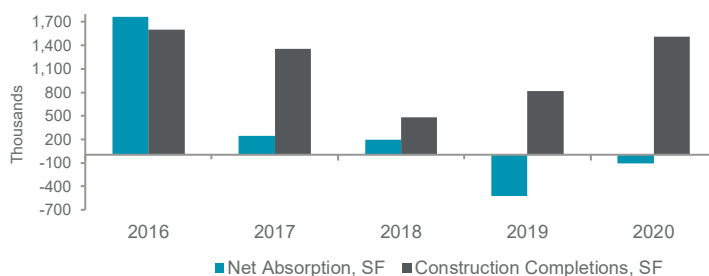
SUPPLY AND DEMAND: Absorption Up Considerably, As Is Supply

At the close of the fourth quarter of 2020, quarterly absorption continued to increase, from 89,565 square feet (sf) last quarter to 391,041 sf. The industrial market has continued to weather the storm better than all other real estate assets. Leasing activity has also ticked up, from 294,467 sf last quarter, to 465,422 sf this quarter. The activity was largely driven by Amazon expanding their footprint in the region, as well as a new Bayer distribution facility developed by SunCap. On the construction front, Amazon's 1 million square feet (msf) distribution center has finally been completed in the Parkway West, and traded this quarter to the tune of \$131,160,791. Amazon continues to scout for space in this submarket and is almost singlehandedly propping up the logistics market, but the construction of the Southern Beltway, a highway extension project near the airport, is certainly helping its attractiveness. Neighborhood 91, an additive manufacturing flex use Buncher development by the airport, is also garnering some interest, as Wabtec has already signed a lease there. Hillwood Development has also released plans for an 800,000 sf warehouse development in the Parkway East, potentially for Amazon. Shell's cracker plant in Beaver County should continue to drive positive industrial sentiment, as 75% of the output will be sold domestically within a day's drive, leading to demand for space.

PRICING: Rents Tick up

Rents again held steady in the fourth quarter of 2020, ending the year on a high note. Asking rents ticked up \$0.14 on a link quarter basis, from \$6.11 per square foot (psf) to \$6.25 psf, demonstrating the resiliency of the industrial market. Flex rents and High Tech rents, which make up a much smaller portion of the total industrial footprint, were up materially, largely driven by tech flex space in the fringe submarkets. Several new developments such as Factory 26 in the Strip District are catering to the needs of the burgeoning robotics scene, and this space type was pioneered by RIDC's Mill 19 development. Industrial rents will not be immune to the adverse effects that large blocks sublease space may have, but this has not yet fully materialized.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q4 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	70,126	3.5%	25,000	-17,700	-	-	-	\$7.00	\$4.00	\$7.00
Beaver County	11,272,806	1,070,951	9.5%	84,105	-5,471	-	105,000	\$4.30	-	\$7.50	-
Butler County	16,400,544	1,235,349	7.5%	42,806	83,957	-	-	\$6.88	-	\$3.65	-
Fayette County	4,226,648	164,315	3.9%	(28,500)	360,426	20,500	-	\$5.00	-	\$7.46	-
Greater Downtown	12,333,600	843,677	6.8%	29,325	-445,453	52,979	-	\$9.60	\$9.60	\$6.57	\$7.00
Monroeville	2,452,581	59,693	2.4%	22,418	23,482	-	-	\$6.00	\$10.84	\$8.95	-
North Pittsburgh	15,631,123	774,539	5.0%	(80,366)	-46,190	-	-	\$3.75	\$9.68	\$6.00	\$8.25
Northeast Pittsburgh	18,028,857	641,500	3.6%	(10,900)	-185,949	-	-	-	\$11.23	\$5.95	\$11.23
Oakland	352,192	-	0.0%	-	0	-	-	-	-	-	-
Parkway East	13,251,773	795,673	6.0%	(172,283)	-338,984	21,682	-	\$4.00	\$10.25	\$4.95	-
Parkway West	12,667,640	1,170,086	9.2%	865,202	1,031,931	-	1,000,000	\$4.95	\$9.85	\$7.20	-
South Pittsburgh	17,289,816	1,148,036	6.6%	(123,819)	-116,780	-	-	\$5.00	\$10.00	\$5.18	-
Washington County	13,214,014	1,586,303	12.0%	6,450	-263,640	29,000	-	\$4.47	\$8.47	\$6.17	-
Westmoreland County	31,973,817	2,096,932	6.6%	(423,689)	-447,332	-	-	\$5.42	\$6.88	\$5.06	\$6.80
West Pittsburgh	15,327,652	660,179	4.3%	155,292	260,887	686,690	-	-	\$10.75	\$7.53	-
PITTSBURGH TOTAL	186,403,256	12,317,359	6.6%	391,041	-106,816	810,851	1,105,000	\$4.98	\$9.30	\$6.16	\$8.45

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

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
27 51 st St (Former Sears)	Greater Downtown	Amazon	330,000	New Lease

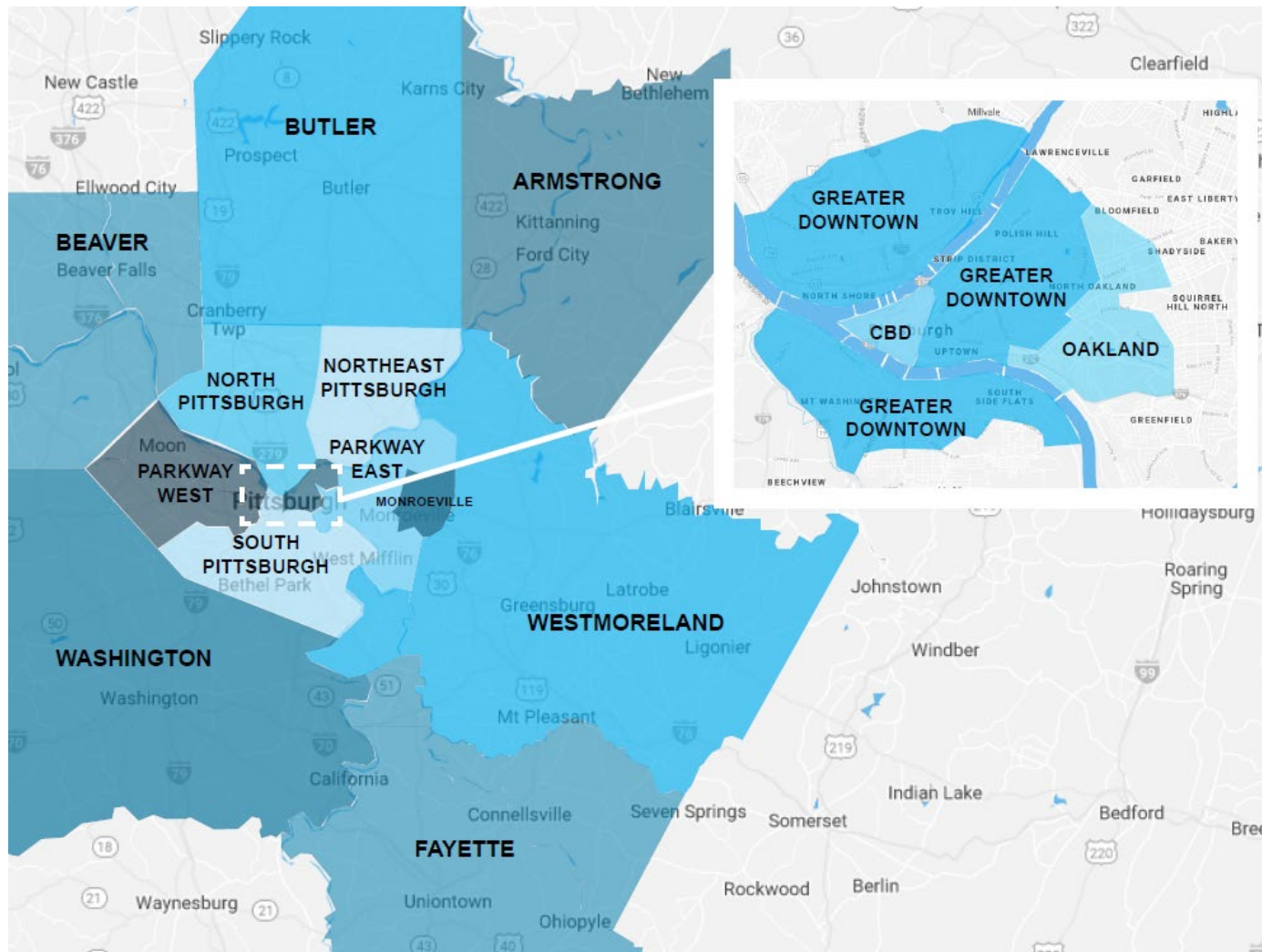
KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1200 Westport Rd (Amazon Dist. Center)	Parkway West	Hillwood Development / Stockbridge Capital	1,000,000	\$131,160,791 / \$131.16
51 Pennwood Pl	Butler County	Northwestern Mutual / Postal Realty Trust	430,613	\$47,000,000 / \$109.15

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1200 Westport Rd (Amazon Dist. Center)	Parkway West	Amazon	1,000,000	Stockbridge

INDUSTRIAL SUBMARKETS



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