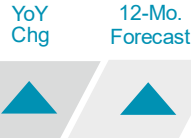


Office Q1 2021

13.8%
Vacancy Rate



-776K
Net Absorption, SF



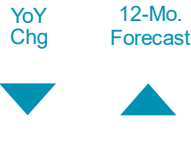
\$20.25
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

1.1M
Pittsburgh Employment



7.4%
Pittsburgh Unemployment Rate



6.0%
U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW: Vaccine Distribution Improving Outlook

On the local front, Pittsburgh's unemployment rate ticked up 30 basis points (bps) in the first quarter of 2021 to 7.4%, 140 bps higher than the national average and unfortunately trending in the opposite direction. With widespread vaccine distribution well underway, sentiment has improved dramatically from a year ago. Federal stimulus packages, as well as a recovery in financial services, health care, social services, and government jobs is a welcomed sign for the region, however manufacturing, construction and transportation jobs still lag considerably. Consumer confidence should return this summer, but overall, Pittsburgh's economy will likely lag the national pace of recovery, and negative effects could linger here a bit longer than some larger cities with more diverse economies. If the region can buck the trend of a shrinking labor force, Pittsburgh will be better positioned to exit this downcycle quicker.

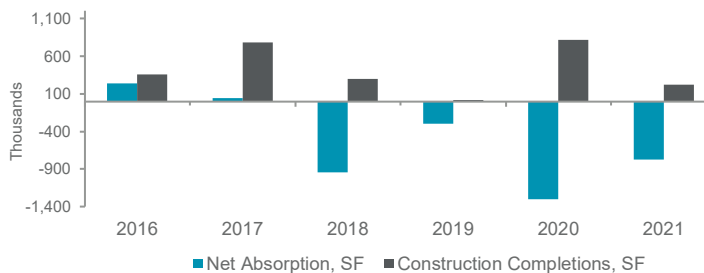
SUPPLY AND DEMAND: Vacancies Increase, Negative Absorption Trend Continues Into 2021

Absorption in the first quarter of 2021 was sharply negative again, from -321,853 square feet (sf) last quarter to -776,120 sf; a dramatic decline. Quarterly absorption was expected to remain in the red for several more quarters as the market is still reeling from the effects of COVID-19. Much of the absorption was driven by the CBD and Parkway West, which account for more than half of the negative absorption. The vacancy rate increased 160 bps, to 13.8%, as some landlords have had trouble filling their newer trophy product, and tenants downsize and eliminate footprints in suburban office parks. On the sublease front, Pittsburgh currently has over 1.6 million square feet (msf) of sublease space, and a recent decision by CNX to sublease 113,000 sf in their Southpointe campus in Washington County has further softened the market and changed the dynamic in that active submarket. Surprisingly though, developers are still bullish, and two exciting buildings delivered recently: The PAA in Oakland and Rockwell Park in the East End, totaling more than 224,000 SF. In leasing news, local startup Gecko Robotics signed a 67,897 sf lease at Nova Place on the North Shore, which falls into the Greater Downtown submarket. They more than doubled their space, and the deal represents a step in the right direction for Pittsburgh as the city cements its reputation as a desirable robotics hub.

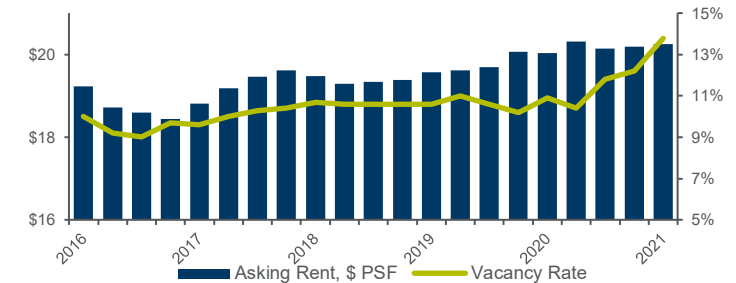
PRICING: Rents Still Stable

Asking rents for all classes again remained stable for office product in the first quarter of 2021, and were actually up \$0.06 on a link quarter basis, to \$20.25. Rents for newer product in the East End and Greater Downtown propped up the market and offset decreasing rents in the CBD of almost \$1.00 per square foot (psf). The resilience in asking rents might be short lived though, as landlords get less patient. There continues to be drops in asking rents amongst some older Class A buildings, but the real story has been increasing concessions. In some instances, there has been 6 months free rent on a 5 year term, with material TI figures.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Office Q1 2021

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT \$ (ALL CLASSES)*	OVERALL AVG ASKING RENT \$ (CLASS A)*
Armstrong County	123,367	0	2,300	1.9%	0	0	0	0	\$8.58	\$8.58
Beaver County	1,201,455	0	152,078	12.7%	-1,100	-1,100	2,965	0	\$19.26	\$0
Butler County	4,696,201	262,645	261,749	11.2%	-35,404	-35,404	34,991	0	\$22.01	\$25.18
CBD	27,785,123	611,094	4,079,850	16.9%	-164,642	-164,642	47,748	0	\$25.74	\$27.85
Fayette County	630,275	0	0	0.0%	0	0	7,125	0	\$12.00	\$0
Greater Downtown	11,015,686	201,462	1,154,111	12.3%	-37,014	-37,014	78,543	478,217	\$28.60	\$31.82
North Pittsburgh	6,453,478	51,283	579,064	9.8%	-5,050	-5,050	33,847	75,500	\$23.34	\$25.37
Northeast Pittsburgh	2,536,135	0	226,437	8.9%	-97,299	-97,299	0	0	\$20.05	\$25.60
Oakland	3,253,502	0	197,087	6.1%	-32,015	-32,015	3,670	390,000	\$27.10	\$49.99
East End	3,433,472	25,816	338,576	10.6%	-35,080	-35,080	1,840	281,649	\$25.26	\$30.37
Parkway East	7,397,580	10,544	1,126,251	15.4%	-135,332	-135,332	12,698	0	\$22.79	\$20.91
Parkway West	7,389,695	121,377	1,183,588	17.7%	-221,029	-221,029	24,932	280,380	\$20.31	\$22.40
West Pittsburgh	2,886,272	134,157	539,054	23.3%	-1,307	-1,307	10,303	0	\$20.29	\$24.12
South Pittsburgh	6,059,686	16,452	353,411	6.1%	-12,509	-12,509	10,567	0	\$18.07	\$23.06
Washington County	5,112,139	207,559	704,281	17.8%	7,061	7,061	20,236	0	\$19.84	\$24.58
Westmoreland County	3,149,693	18,000	303,302	10.2%	-5,400	-5,400	2,379	0	\$15.79	\$30.73
PITTSBURGH TOTALS	93,123,759	1,660,389	11,201,139	13.8%	-776,120	-776,120	291,844	1,505,746	\$20.25	\$26.06

*Rental rates reflect gross asking **Does not include renewals

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Nova Place	Greater Downtown	Gecko Robotics	67,897	New/Direct
220 W Kensing Dr	Butler County	ConnectWise	24,501	Renewal
11 Stanwix St	CBD	Whiteford Taylor Preston	16,186	Direct

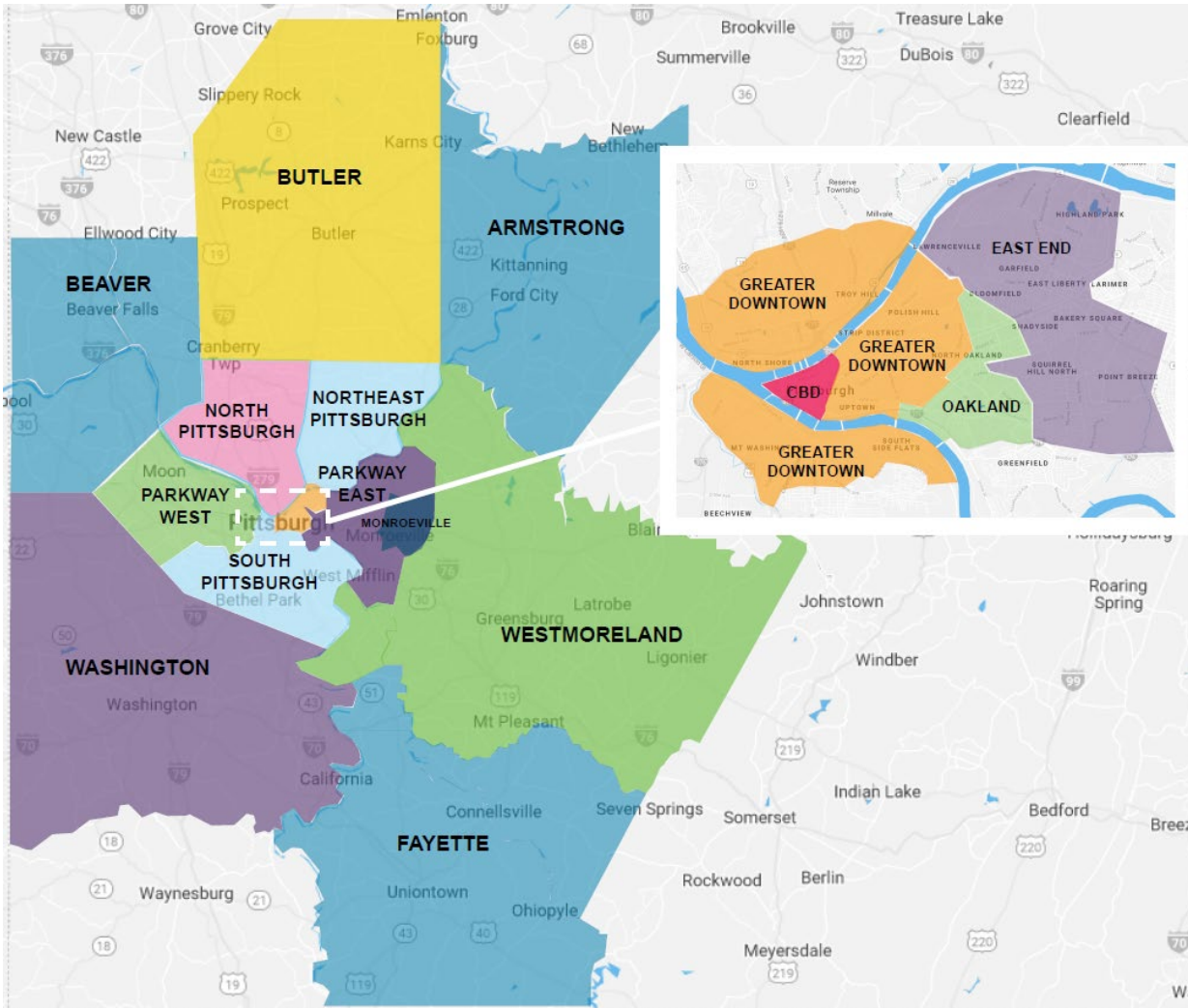
KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
162 E Bridge St	South Pittsburgh	MJ Wilkoff / Commonwealth Charter	140,000	\$28,500,000 / \$203.57

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Rockwell Park	East End	3M	124,000	Icon Development
Pittsburgh Athletic Association	Oakland	NA	100,000	Walnut Capital

OFFICE SUBMARKETS



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