

MARKETBEAT PITTSBURGH

Office Q2 2021

14.2%
Vacancy Rate



-447K
Net Absorption, SF



\$20.21
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

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 the 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 economic growth, consumer confidence has ticked up, and businesses feel more optimistic about the second half of 2021.

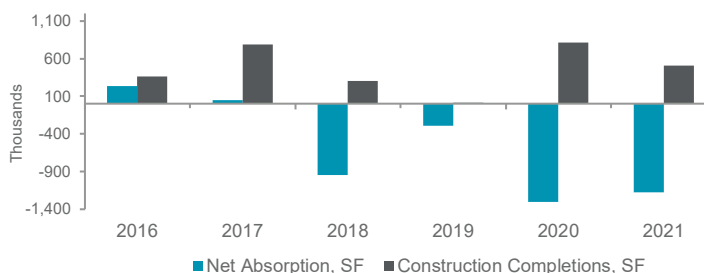
SUPPLY AND DEMAND: Vacancies Increase, Negative Absorption Trend Continues Into Q2

Absorption in the second quarter of 2021 was negative again, but less so than in the first quarter, sitting at -447,158 square feet (sf). Quarterly absorption was expected to remain deeply in the red for several more quarters, as occupiers reckon with the increased feasibility of remote work. Much of the absorption was again driven by the CBD and Parkway West, which account for roughly half of the negative absorption. The total vacancy rate increased 40 bps, to 14.2%, with some submarkets like West Pittsburgh and Washington County eclipsing 20% vacancy. On the sublease front, Pittsburgh currently has over 1.9 million square feet (msf) of sublease space, 611,094 sf concentrated in the CBD and 357,599 sf concentrated in Washington County. Nationally there has been a trend of large sublease blocks being withdrawn, but it remains to be seen if Pittsburgh will follow suit. Sustained demand from STEM tenants has led to continued development in the buzzier submarkets like Oakland, where two world class life science lab buildings are under construction, which will add 634,000 sf to the existing shallow inventory. The much-anticipated Wholey's building redevelopment in the Strip District has also picked up steam, which will add 537,000 sf of trophy office space in April of 2023. Lastly, GNC has announced it will be staying in Pittsburgh and moving its HQ to 3 Crossings, taking about 60,000 sf and hiring 100 more employees.

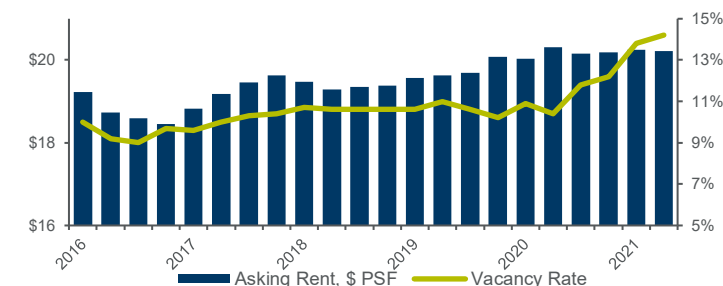
PRICING: Rents Still Stable

Asking rents for all classes again remained stable for office product in the second quarter of 2021, down just \$0.04 on a link quarter basis and \$0.10 on a year-over-year basis, to \$20.21. Rents amongst Class A product have also been steady, reflecting the resilience of newer trophy inventory in the STEM-heavy submarkets. High end lab space in these submarkets can lease around the mid-\$50.00 psf, with material TI figures on a 10 year term. On the opposite side of the spectrum are the struggling suburban office parks, where low rents and high concessions have failed to bolster leasing metrics, although there has been some activity in the Parkway West recently which is a welcomed sign for the region.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Office Q2 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%	-	-	-	-	\$8.58	\$8.58
Beaver County	1,201,455	0	152,716	12.7%	2,327	1,227	12,965	-	\$19.61	\$23.00
Butler County	4,696,201	262,645	278,735	11.5%	(5,515)	(40,919)	46,151	-	\$21.86	\$24.99
CBD	27,785,123	617,044	4,501,018	18.4%	(196,918)	(361,560)	59,506	-	\$25.26	\$27.45
Fayette County	630,275	0	18,409	2.9%	(18,409)	(18,409)	7,125	-	\$11.10	\$17.50
Greater Downtown	11,187,686	263,494	1,142,417	12.6%	(45,370)	(82,384)	140,822	544,500	\$28.75	\$36.82
North Pittsburgh	6,453,478	55,546	636,893	10.7%	(56,151)	(61,201)	83,955	-	\$23.42	\$25.25
Northeast Pittsburgh	2,536,135	0	235,422	9.3%	15	(97,284)	4,516	-	\$19.64	\$25.60
Oakland	3,253,502	0	102,513	3.2%	(4,868)	(36,883)	5,320	510,000	\$27.01	\$40.00
East End	3,433,472	28,431	234,788	7.7%	3,146	(31,934)	9,560	281,649	\$25.50	\$30.37
Parkway East	7,397,580	10,544	1,064,513	14.5%	(34,624)	(169,956)	20,473	-	\$19.26	\$20.91
Parkway West	7,499,695	110,307	1,165,541	17.0%	(73,075)	(244,104)	75,892	-	\$21.67	\$23.20
West Pittsburgh	2,886,272	168,263	437,956	21.0%	17,581	16,274	24,544	-	\$21.25	\$24.44
South Pittsburgh	6,059,686	10,452	364,704	6.2%	10,498	(2,011)	62,030	-	\$18.30	\$23.06
Washington County	5,112,139	386,608	701,256	21.3%	(62,787)	(55,726)	66,174	-	\$19.89	\$23.21
Westmoreland County	3,149,693	7,500	290,000	9.4%	16,992	11,592	11,079	-	\$17.60	\$30.73
PITTSBURGH TOTALS	93,405,759	1,920,834	11,329,181	14.2%	-447,158	-1,173,278	630,112	1,336,149	\$20.21	\$25.21

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

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2555 Smallman St- 3 Crossings	Greater Downtown	Edge Case	16,966	New/Direct
3 Penn Center West	Parkway West	Del Monte Foods	15,722	New/Direct
44 Abele Rd	South Pittsburgh	iHeartMedia	9,417	New/Direct

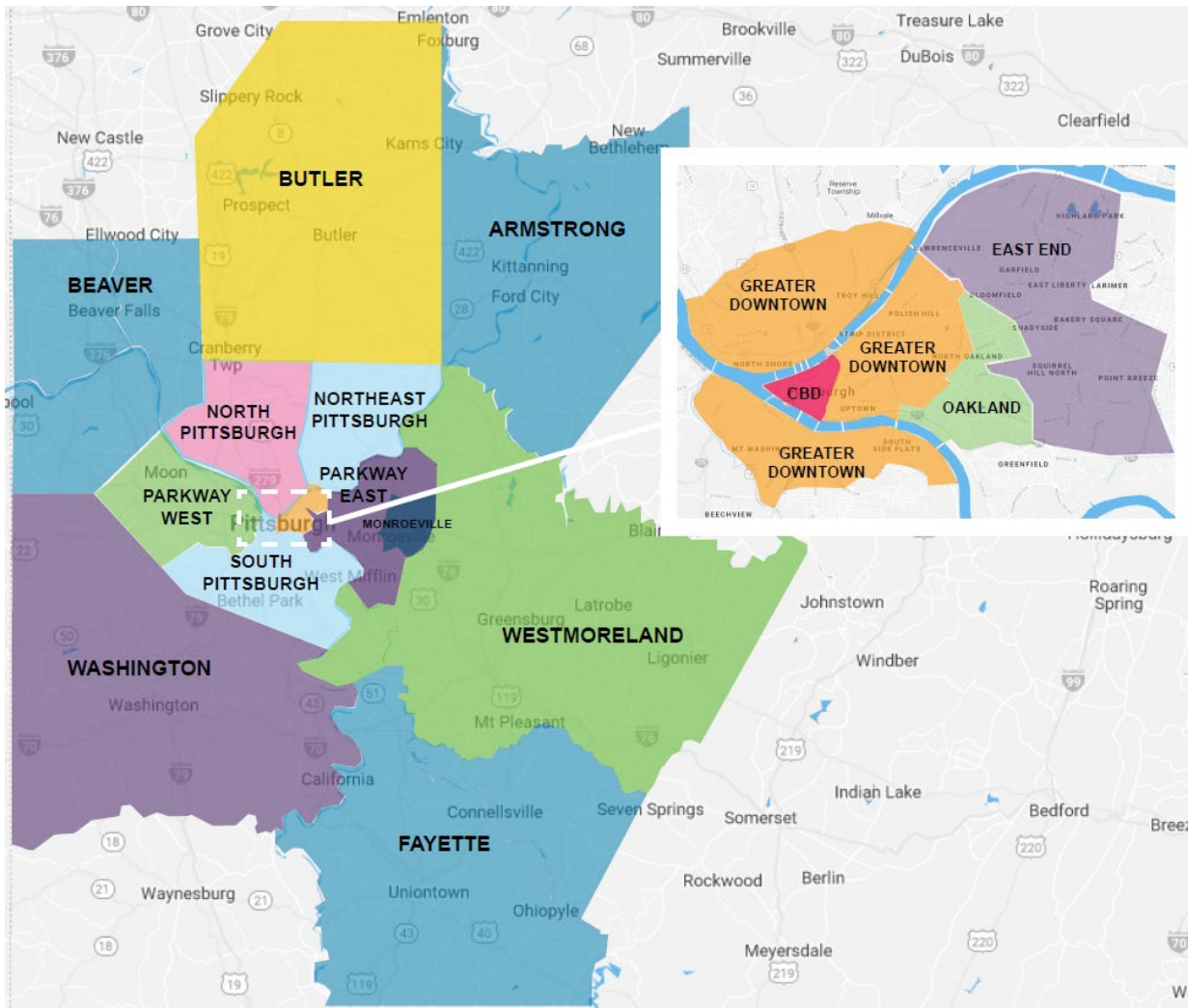
KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
313 Sixth Ave	CBD	Granite Building LLC / William Krahe	35,000	\$2,200,000 / \$62.86

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



Justin Brown

Director of Research, Pittsburgh

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 50,000 employees in 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow on @CushWake on Twitter.

©2021 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.