

MARKETBEAT PITTSBURGH

Office Q3 2021

	YoY Chg	12-Mo. Forecast
15.1% Vacancy Rate	▲	▲
-219K Net Absorption, SF	▲	▲
\$20.16 Asking Rent, PSF	▬	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
1.1M Pittsburgh Employment	▲	▲
6.4% Pittsburgh Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMIC OVERVIEW: Economy Continues to Recover as Population Finally Increases

On the local front, Pittsburgh's unemployment rate ticked down 780 basis points (bps) on a year-over-year basis, to 6.4%. The difference should be taken with a grain of salt, as the incredibly high unemployment rate a year ago came at peak-COVID. Allegheny County's population growth stole the headlines this quarter, where new 2020 census data showed the area grew 2.2% in the last decade. Although these gains are not massive, when you consider historical trends and forecasted expectations, this is a watershed moment. In the seven-county MSA, the population grew by 0.6%. The region has seen large job gains in construction (11.9% YoY) and leisure and hospitality (19.5% YoY), while health services (1.4% YoY) and government (-1.2% YoY) jobs continue to lag.

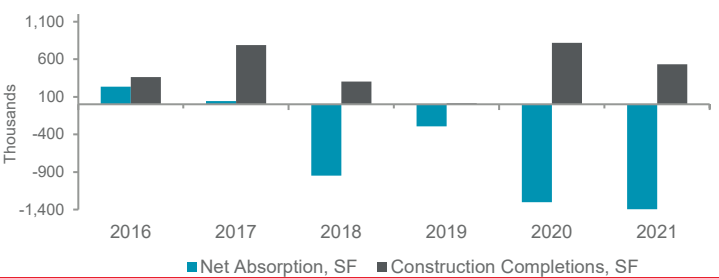
SUPPLY AND DEMAND: Leasing Activity Ticks Up as Back to Office Plans Materialize

Absorption in the third quarter of 2021 was negative again, but less so than in the second quarter, sitting at -218,688 square feet (sf). Market fundamentals are gradually shifting, as evidenced by the 440,350 sf of signed leases this quarter. There were several HQ lease announcements this quarter, with GNC officially announcing their HQ at Oxford's new 75 Hopper Place in Greater Downtown which will be delivering by the end of the year. In addition, Civil & Environmental Consultants are moving their HQ to the Parkway West at 700 Cherrington, one of the larger office deals in that submarket. Lastly, Allegheny Technologies Inc announced they will be moving to The Vision on 15th, Burns & Scalco's new building in the Strip District. The lease is a great signal for the Class A fringe office market moving forward and represents some much-needed momentum. Aurora also announced their Pittsburgh location at 1600 Smallman St will be their corporate HQ. Outside of Walnut cancelling their Innovation Research Tower in Oakland and selling the land to Pitt for a similar use, as well as a continued softening of the CBD, sentiment has improved on a macro level. One interesting wrinkle is that the "flight to quality" amongst higher tier tenants has left unrenovated office buildings empty and ripe for conversion. In the CBD alone, buildings like the old GNC HQ, The Allegheny Building, The Pittsburgher, and the YWCA have all been targeted for conversion to multifamily or hospitality use. This is a trend worth monitoring in the coming quarters.

PRICING: Rents Remain Stable

Asking rents for all office classes remained stable in the third quarter of 2021, down just \$0.05 on a link quarter basis and flat on a year-over-year basis, to \$20.16. Class A rents have dropped off a bit, where certain landlords have been anxious to fill buildings, lowering their asking rents and raising concessions. The real story continues to be this steady climb of concessions, with TI figures eclipsing \$45.00 and free rent of 4-5 months on a 5 year term for a credit tenant in a Class A building. New product and spec developments in coveted submarkets like Oakland, the East End and Greater Downtown have largely been unaffected, where rents have remained in the \$40's. With tour activity picking up and office market dynamics stabilizing, rents will likely be flat for the remainder of 2021.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Office Q3 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%	-	-	3,400	-	\$8.58	\$8.58
Beaver County	1,201,455	0	152,716	12.7%	-	1,227	13,603	-	\$19.61	\$23.00
Butler County	4,696,201	247,503	310,765	11.9%	(36,298)	(77,217)	53,407	-	\$22.13	\$24.43
CBD	27,785,123	629,124	4,485,942	18.4%	(43,349)	(404,909)	163,682	387,000	\$25.45	\$28.75
Fayette County	630,275	0	18,409	2.9%	-	(18,409)	7,125	-	\$11.10	\$17.50
Greater Downtown	11,212,686	373,005	1,141,033	13.5%	(37,375)	(119,759)	331,602	507,000	\$31.02	\$39.56
North Pittsburgh	6,453,478	53,282	684,868	11.4%	(46,072)	(107,273)	158,265	-	\$23.59	\$25.26
Northeast Pittsburgh	2,536,135	0	228,170	9.0%	(1,748)	(99,032)	8,516	-	\$18.80	\$25.60
Oakland	3,253,502	0	167,856	5.2%	(4,350)	(41,233)	22,286	510,000	\$27.21	\$41.00
East End	3,433,472	24,298	334,605	10.5%	(7,445)	(39,379)	21,225	281,649	\$25.50	\$30.57
Parkway East	7,397,580	9,267	1,165,276	15.9%	(17,018)	(186,974)	70,143	-	\$19.40	\$21.42
Parkway West	7,499,695	109,383	1,384,557	19.9%	62,584	(181,520)	143,844	-	\$21.51	\$27.68
West Pittsburgh	2,886,272	13,153	633,677	22.4%	(69,106)	(52,832)	189,114	-	\$21.15	\$24.21
South Pittsburgh	6,059,686	10,452	469,817	7.9%	(14,594)	(16,605)	77,808	-	\$18.15	\$23.00
Washington County	5,112,139	396,037	793,931	23.3%	(1,823)	(57,549)	94,183	-	\$20.78	\$24.38
Westmoreland County	3,149,693	7,500	306,222	10.0%	(2,094)	9,498	24,782	-	\$17.60	\$18.80
PITTSBURGH TOTALS	93,405,759	1,873,004	12,280,144	15.1%	-218,688	-1,391,966	1,382,985	1,866,149	\$20.16	\$24.90

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

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
75 Hopper Pl	Greater Downtown	GNC	75,000	New/Direct
The Vision on 15 th	Greater Downtown	Allegheny Technologies Inc	18,875	New/Direct
Penn Center East	Parkway East	Ibex	32,529	New/Direct

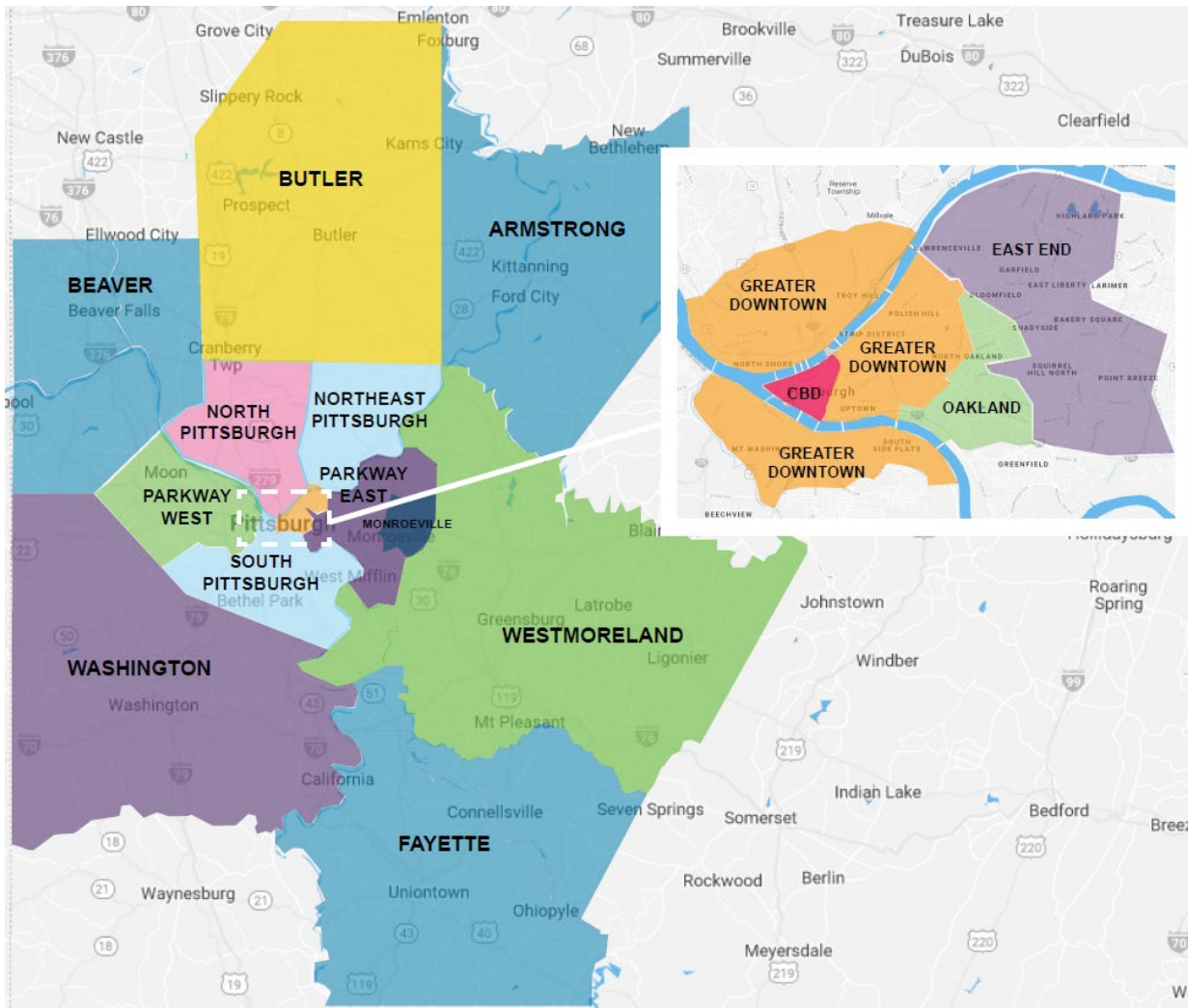
KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
370 Southpointe Blvd	Washington County	Southpointe Miller / Nokomis	65,000	\$8,444,000 / \$129

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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