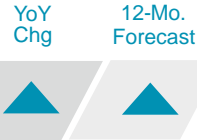


Office Q4 2020

12.2%
Vacancy Rate



-322K
Net Absorption, SF



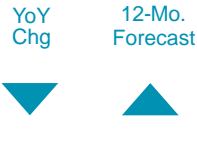
\$20.19
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

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. Education and medical jobs have come back, but at a slower pace than other sectors, with construction and finance faring better. The disruption of healthcare has taken its toll on the region, as has the tenuous situation with university attendance. 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.

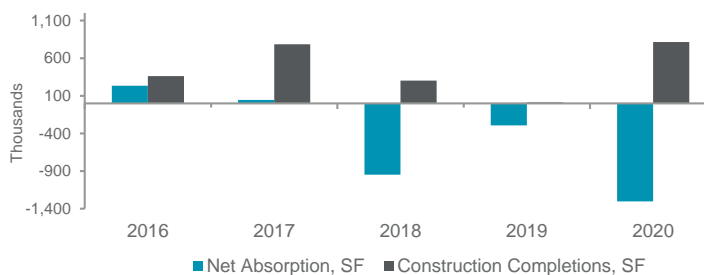
SUPPLY AND DEMAND: Vacancies Increase, Absorption Less Negative

Absorption in the fourth quarter of 2020 was negative again, from -426,294 square feet (sf) last quarter to -321,853 sf; a better result but still problematic. The full year 2020 absorption figure for the Pittsburgh region was -1.2 million square feet (msf), which is a record setting number, and quarterly absorption figures may remain in the red for a few more quarters. The robust uptick in sublease space highlights the drastic softening of the market, with over 500,000 sf available in the CBD alone. The vacancy rate also ticked up 40 basis points (bps) to 12.2%, as tenants begin consolidating into higher quality supply. Many of 2020's newsworthy leases were indeed concentrated in higher quality supply, such as the Riviera and Highline West. Driven by continued demand, developers like Oxford and Burns & Scalo continue to build, with their respective 3 Crossings expansion and Vision on Fifteenth moving forward. On the delivery front, Walnut Capital's Bakery Square Office 3 is completed, with Philips set to move in shortly. Walnut continues to build in the East End, with another Bakery Square expansion on the horizon and a food concept next to Office 1 set to open in 2021. COVID-19 has seemingly amplified troubles amongst less attractive submarkets and lower quality inventory, but also exposed the resiliency of more desirable submarkets and their trophy product.

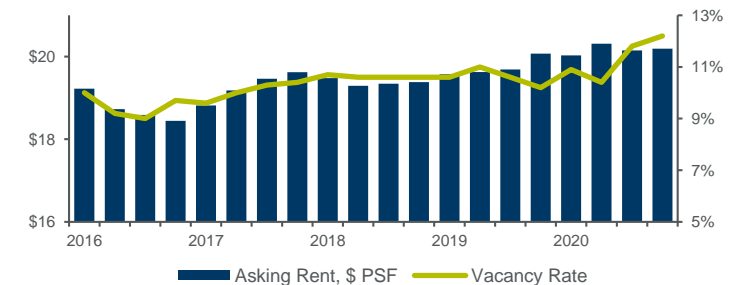
PRICING: Rents Still Stable

Asking rents again remained stable for office product in the fourth quarter, and were up \$0.04 on a link quarter basis, as rents for newer lab product in the fringe markets negated decreases on suburban campuses. Rents have held up well through 2020, but the increase in sublease space and challenging few quarters ahead could present issues. There continues to be slight drops in asking rents amongst some older Class A buildings, when landlords can afford to do so. The good news is that many of the elite tenants in Pittsburgh work in industries that require some form of employee presence, which should serve to sustain the market. Rents in the \$60 per square foot (psf) range are not uncommon for lab space, but the amount of lab space is limited.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Office Q4 2020

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%	-2,300	-2,300	0	-	\$ 8.58	\$ 8.58
Beaver County	1,201,455	0	171,943	14.3%	-24,465	-18,321	19,963	-	\$ 19.26	-
Butler County	4,696,201	271,442	277,703	11.7%	-19,396	-101,918	96,226	-	\$ 22.13	\$ 25.17
CBD	27,785,123	565,690	3,923,284	16.2%	6,854	-308,783	238,433	-	\$ 26.67	\$ 28.83
Fayette County	630,275	0	-	0.0%	-	-	0	-	\$ 12.00	\$ -
Greater Downtown	11,015,686	251,249	1,000,097	11.4%	-18,162	-243,195	205,120	478,217	\$ 27.64	\$ -
North Pittsburgh	6,453,478	55,327	535,644	9.2%	-7,486	-53,119	140,888	75,500	\$ 22.90	\$ 25.26
Northeast Pittsburgh	2,536,135	0	135,138	5.3%	2,467	-51,590	21,059	-	\$ 18.84	\$ 25.45
Oakland	3,153,502	0	67,100	2.1%	-36,294	-36,134	30,125	490,000	\$ 26.10	\$ 50.00
East End	3,309,301	25,816	204,694	7.0%	-87,212	-87,212	0	405,820	\$ 25.26	\$ 30.37
Parkway East	7,397,580	15,739	900,641	12.4%	-82,309	-57,965	143,083	-	\$ 19.08	\$ 20.91
Parkway West	7,389,695	125,659	839,981	13.1%	21,971	-46,473	120,529	280,380	\$ 21.66	\$ 23.40
West Pittsburgh	2,886,272	184,857	433,956	21.4%	-27,205	5,122	51,446	-	\$ 22.29	\$ 24.12
South Pittsburgh	6,059,686	16,452	353,411	6.1%	-12,509	-65,307	44,354	-	\$ 18.07	\$ 23.06
Washington County	5,112,139	91,805	685,711	15.2%	-18,092	-106,472	99,313	-	\$ 20.84	\$ 24.58
Westmoreland County	3,149,693	18,000	191,260	6.6%	-17,715	-41,170	36,783	-	\$ 16.79	\$ 30.73
PITTSBURGH TOTALS	92,899,588	1,622,036	9,722,863	12.2%	-321,853	-1,214,827	1,247,322	1,729,917	\$20.19	\$26.19

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

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
301 Grant St	CBD	PwC	15,156	New Lease
350 Technology Dr	Oakland	NeuBase Therapeutics	14,189	New Lease
The Highline	Greater Downtown	Bounteous	13,261	New Lease

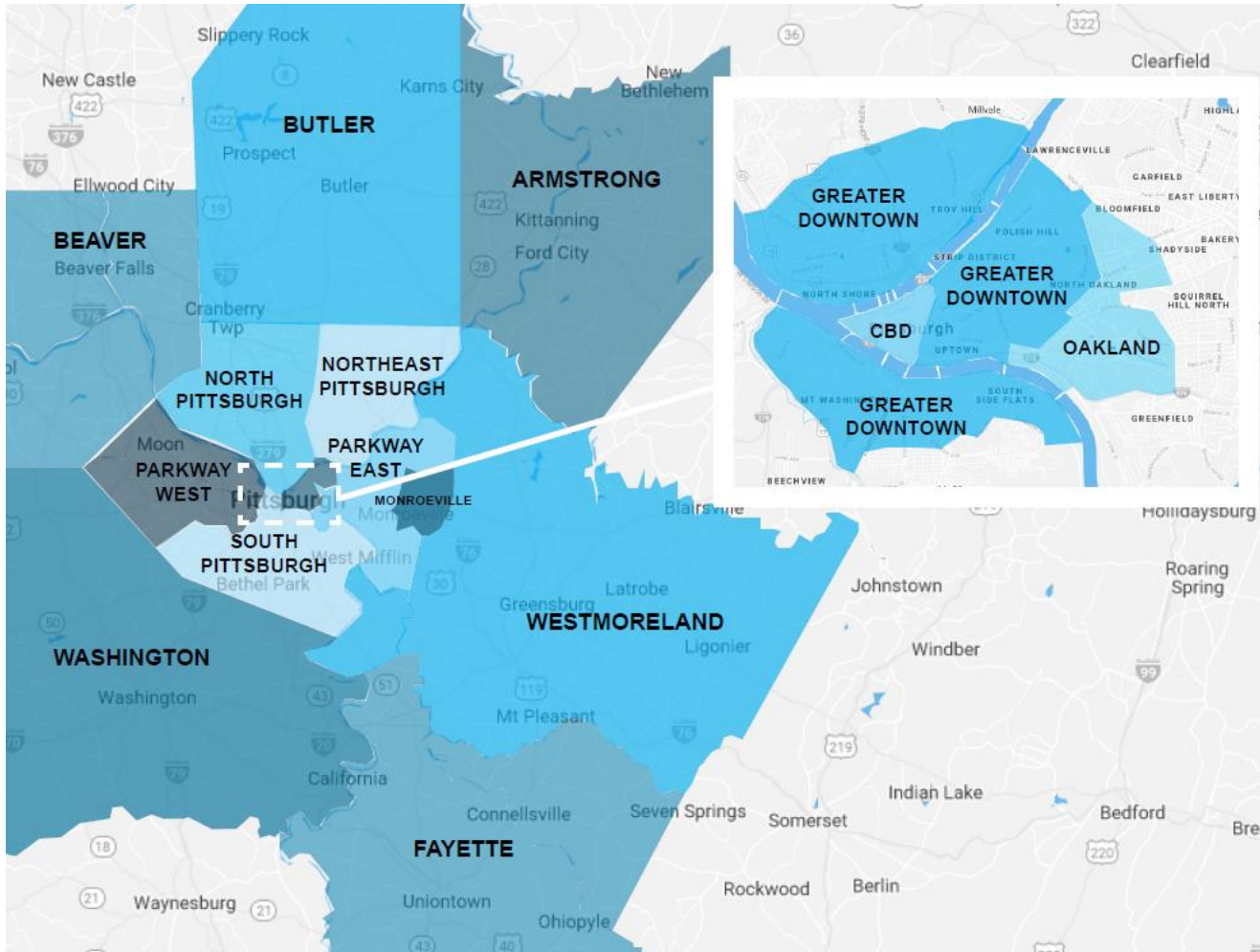
KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
300 Sixth Ave	CBD	GNC / Harbin	239,907	\$7,880,000 / \$32.85

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Bakery Square Office 3	East End	Phillips	306,333	Walnut Capital
1600 Smallman St	Greater Downtown	Aurora Innovation	120,000	McCaffery Interests

OFFICE SUBMARKETS



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