

MARKETBEAT

Pittsburgh, PA

Industrial Q2 2019



CUSHMAN & WAKEFIELD



GRANT STREET ASSOCIATES, INC.

PITTSBURGH INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Pittsburgh Employment	1.18M	1.19M	▲
Pittsburgh Unemployment	4.3%	3.8%	▼
U.S. Unemployment	3.9%	3.6%	▼

Numbers above are quarterly averages

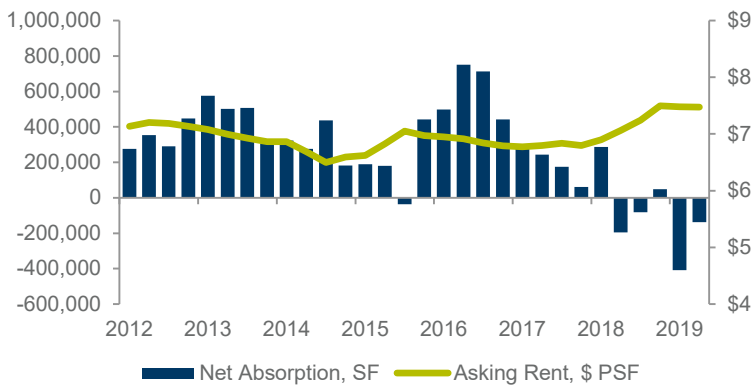
Market Indicators (Overall, All Property Types)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	6.1%	6.1%	▲
YTD Net Absorption (sf)	103k	-726k**	▼
Under Construction (sf)	163k	530k	▲
Average Asking Rent*	\$7.59	\$7.57	■

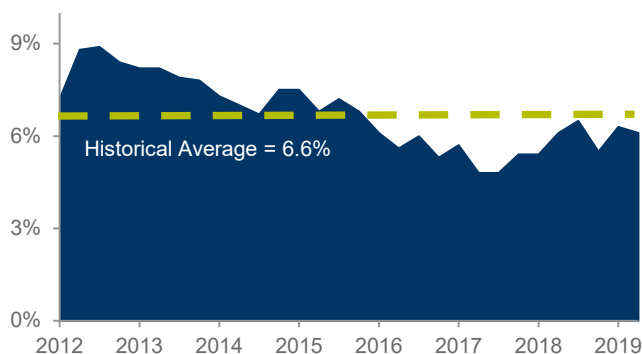
*Rental rates reflect net asking \$psf/year
 **Statistic not reflective of U.S MarketBeat table

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Employers in Western Pennsylvania continued to boost their payrolls and headcounts in the second quarter of 2019, but at a slower pace than 2018. Although employment numbers are still strong, job growth has lagged in the industrial sector. Pittsburgh lags significantly in establishing itself as a shipping hub, which is integral to warehouse and distribution success, due to its less-than-desirable terrain. Pittsburgh also lags in manufacturing, where jobs in Pittsburgh fell by 2.0% year-over-year, while nationally they rose at a rate of 1.7%. The region has spent a generation transitioning away from its industrial roots, where it has shed 50,000 manufacturing jobs since 2000.

Market Overview

The overall vacancy rate was flat year-over-year, and continued to be healthy, but this is misleading due to a lack of new supply. There was a large decline in net absorption, as a handful of major move-ins have not been enough to offset multiple move-outs and demolitions. Square feet (sf) under construction continued to tick up, driven by Butler County and Parkway East, the latter of which includes a large distribution space for Aptiv. Asking rents were flat year-over-year, but have increased slightly quarter-over-quarter, reflecting recent interest and activity from out-of-state developers who are starting to test the Pittsburgh waters.

Outlook

Moving forward, Pittsburgh's industrial market will be driven by R&D for AI and robotics (High Tech). High Tech space currently makes up a small percentage of total inventory, but there will be a shift in the number of users in the coming quarters, and a successful startup within the burgeoning High Tech scene could transform the city. The plastics industry will also continue to see growth due to Western Pennsylvania's central location within the Marcellus shale formation. Additionally, Royal Dutch Shell is currently constructing a \$6 billion cracker facility in Beaver County, which when completed in early 2020, will naturally attract ancillary industries. Adding to construction activity is AI Neyer, a top tier Cincinnati-based operator, who was recently selected to build four buildings at the 30-acre McClaren Business Park in Parkway West, a piece of land controlled by the Allegheny Airport Authority. Neyer is also in the process of developing five buildings in Clinton Commerce Park. After years of stagnant inventory, the flurry of industrial activity is a welcomed sign for the region and will push new construction up, with high tech rents rising and other sectors remaining relatively flat. Due to a robust pipeline of new inventory, vacancy rates will continue to increase in the short term.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	**YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (HT)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (WD)
Armstrong County	36	1,980,193	0	4.7%	-9,153	0	\$7.00	\$0.00	\$7.00	\$2.50
Beaver County	159	11,037,806	30,000	9.9%	-466,815	0	\$0.00	\$4.50	\$7.00	\$3.75
Butler County	249	16,132,731	70,616	7.0%	-10,292	267,813	\$14.25	\$2.98	\$16.75	\$4.33
Fayette County	86	4,226,648	0	6.1%	308,000	0	\$21.00	\$2.00	\$0.00	\$4.94
Greater Downtown	270	12,333,600	13,000	4.3%	-118,559	0	\$12.00	\$0.00	\$12.00	\$8.94
Monroeville	70	2,452,581	54,331	5.4%	39,980	0	\$0.00	\$6.00	\$10.84	\$8.95
North Pittsburgh	347	15,571,123	0	4.0%	-322,239	60,000	\$8.25	\$0.00	\$11.63	\$5.83
Northeast Pittsburgh	258	18,028,857	49,368	3.3%	22,966	0	\$9.00	\$0.00	\$9.00	\$6.33
Oakland	12	352,192	0	0.0%	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Parkway East	261	13,086,773	0	5.6%	-46,437	165,000	\$0.00	\$4.00	\$10.25	\$4.88
Parkway West	224	11,567,740	159,000	8.0%	-10,139	25,900	\$0.00	\$5.65	\$12.51	\$5.92
South Pittsburgh	329	17,289,816	0	3.4%	-73,725	0	\$0.00	\$5.00	\$12.48	\$4.41
Washington County	239	13,038,014	26,471	8.0%	78,356	11,000	\$0.00	\$6.35	\$9.00	\$6.54
Westmoreland County	424	31,973,817	0	8.3%	-117,945	0	\$0.00	\$0.00	\$0.00	\$4.90
PITTSBURGH TOTALS	2,964	169,071,891	402,786	6.1%	-726,002	529,713	\$10.35	\$3.34	\$11.28	\$5.31

*Rental rates reflect asking \$psf/year **Statistics not reflective of U.S MarketBeat table HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex WD = Warehouse/Distribution

	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING	UNDER CONSTRUCTION (SF)	DIRECT WEIGHTED AVG. NET RENT	OVERALL WEIGHTED AVG. NET RENT
Warehouse/Distribution	1,917	87,123,489	402,786	6.2%	-531,564	933,793	233,713	\$5.35	\$5.31
Manufacturing	437	54,067,110	0	5.1%	563,397	21,083	0	\$3.34	\$3.34
Flex	482	21,389,149	0	8.5%	-145,203	252,256	236,000	\$11.28	\$11.28

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
400 Crown Ct	40,000	700 Valve Supply	New Lease	Parkway West
2301 Duss Ave	30,400	N/A	New Lease	Beaver County

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
410 Keystone Drive, Cranberry	180,000	Opus / STAG Industrial	\$16,500,000 / \$92	Butler County

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