

MARKETBEAT INDUSTRIAL SNAPSHOT



PITTSBURGH, PA

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Q4 2013



ECONOMIC OVERVIEW

Pittsburgh's unemployment rate fell to 6.6% in November, with the seven-county region posting an increase of 2,600 jobs in the same period. While most of these jobs were related to seasonal retail and transportation hiring, the region posted a year-over-year increase of more than 17,400 new jobs outside the seasonal adjustment. Among the most significant economic developments to occur within the 4Q 2013 was the passing of the Commonwealth of Pennsylvania's comprehensive transportation legislation that will invest \$2.3 to \$2.4 billion into the state's roads and bridges resulting in the creation of up to 50,000 new jobs and the retention of more than 12,000. The strategic plan to improve infrastructure will help to ensure the state's economic competitiveness for many years to come.

Despite a loss of 1,600 construction jobs in the region between October and November, the announcement that CSX Corporation has selected a site in McKees Rocks in the West Pittsburgh submarket as the location for a new \$50 million intermodal facility, and the extension of Shell's option to buy the Horsehead Corporation's zinc plant in Monaca, Beaver County submarket, point to significant job growth opportunities within the construction industry over the coming 36 to 48 months.

LIGHT MANUFACTURING ON THE RISE

Though Pittsburgh has aimed to shed its reliance on major manufacturing for economic stability throughout the past three decades, the emergence of specialized light manufacturing is spurring economic growth in the region once again. Overall vacancy within the manufacturing sector has dropped 1.6 percentage points year-over-year while leasing activity has increased 42.5%. Direct absorption year-to-date is positive 457,920 square feet (sf).

Among the companies expanding manufacturing operations recently are Chalmers & Kubeck, Inc., a safety valve repair and fabrication company that has purchased a 60,000-sf manufacturing facility in the Beaver County submarket. The company expects to create between 40 and 50 new jobs within the next three years. In addition, the National Robotics Engineering Center will expand and create 120 jobs within the next five years with the assistance of an \$803,000 grant from the Commonwealth of Pennsylvania.

The challenge for the region's economic development leadership is now the lack of qualified and available inventory to further entice mid-to large-scale light manufacturers to consider the Pittsburgh market as a viable option for expansion. With a vacancy rate of only 7.8% for

direct manufacturing and 6.3% for flex, Pittsburgh's industrial market is poised for new development.

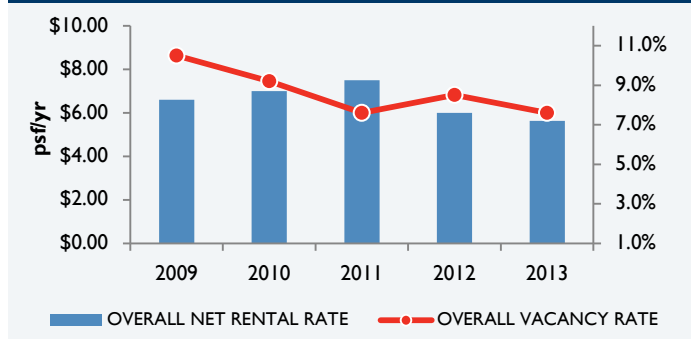
OUTLOOK

With just under 326,000 sf delivered to the market in 2013, Pittsburgh is in dire need of new speculative product across all sectors of the industrial market. Several new projects should come into the pipeline in 2014; however, due to the rising cost of materials and labor, higher asking rents will accompany all new offerings. Demand for quality product in blocks greater than 50,000 sf is high so the industrial market should see positive statistics in 2014.

STATS ON THE GO

	Q4 2012	Q4 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.5%	7.6%	-0.9pp	◀▶
Direct Asking Rents (psf/yr)	\$5.91	\$5.63	-4.7%	▶▶
YTD Leasing Activity (sf)	5,094,413	3,518,783	-31.0%	▼

OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY

