

MARKETBEAT OFFICE SNAPSHOT



PITTSBURGH, PA

A Cushman & Wakefield Research Publication

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. Pittsburgh ranks among the Top 15 metropolitan areas for five-year private sector job growth according to *On Numbers Economic Index*. Possibly more impressive than the jobs themselves, the earnings growth in the region over the same five-year period was 24.3%, the highest increase in the U.S.

SUBTENANTS DRIVE LEASING ACTIVITY IN Q4 2013

Of the 692,445 square feet (sf) of office space leased in the Q4 2013, approximately 20% of it was for subleases. The Pittsburgh office market has tightened significantly over the past three years not only with direct availability, but also with regard to larger blocks of sublease opportunities. However, in 2013, the office sublease market saw a jump from less than 50,000 sf available to approximately 360,000 sf listed as vacant and available. Much of this can be attributed to the sale of H. J. Heinz Company and the subsequent reduction in local staff resulting in more than 260,000 sf of vacated space in Pittsburgh's CBD.

Among the more notable sublease transactions was Computer Sciences Corporation (CSC) for 57,201 sf at Penn Liberty Plaza. The global information technology services firm will take over space vacated by Education Management Corp. in the Greater Downtown submarket. The company plans to expand to approximately 120,000 sf and add up to 500 new jobs to the region within the next three years. In addition, Vorys, Sater, Seymour & Pease, LLP, one of largest legal services firms in the U.S., subleased approximately 11,200 sf from Pepper Hamilton, LLP. The firm will move from its temporary space in the Parkway West submarket to the 49th floor of BNY Mellon Center, Downtown, in Q1 2014.

CONVERSIONS LEAD CONSTRUCTION ACTIVITY

From PNC Bank converting the former Lord & Taylor store to an open concept call center to PMC Property Group shifting the top office floors of the Clark Building in the Cultural District to 144 apartments, conversion projects are driving construction activity in Pittsburgh's CBD. The low office vacancy, currently listed at 10.2%, has prompted multi-family and hotel developers to invest in Pittsburgh's core. The former Federal Reserve Building and the James Reed Building are being developed into a Drury Inn & Suites and a

Kimpton Hotel, respectively. In addition, the Henry W. Oliver Building, a Pittsburgh icon for more than 100 years, has reached 90% occupancy with the upper 11 floors being converted to an Embassy Suites hotel and nearly 50,000 sf of new office leases executed in the past 24 months.

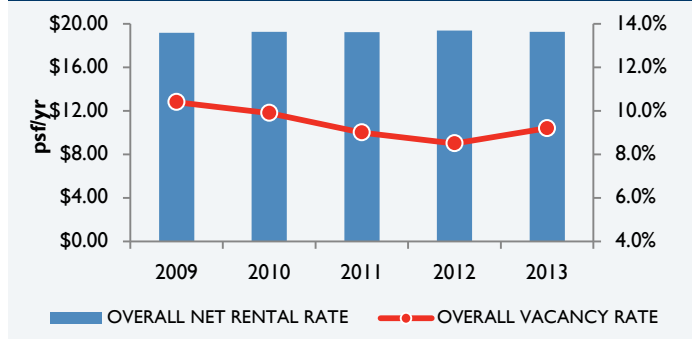
OUTLOOK

As demand for class A space continues to rise, so too will asking rental rates throughout the region. Little change in vacancy is expected in 2014, as several new projects add inventory to the market.

STATS ON THE GO

	Q4 2012	Q4 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.3%	9.2%	0.9pp	◀▶
Direct Asking Rents (psf/yr)	\$19.54	\$19.29	-1.3%	◀▶
YTD Leasing Activity (sf)	3,085,238	3,251,563	5.39%	▲

OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY

