

MARKETBEAT RETAIL 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. Among the companies expanding in Pittsburgh is Cigna Health. The company, which currently employs more than 1,400 in the region, plans to grow by 10% in 2014, adding approximately 150 new management, training and customer service positions to its regional post in Pittsburgh's Parkway West submarket. This is great news for retailers in the area also known as the Airport Corridor, which has been a mecca for retail for several decades. In recent years though, retailers have struggled to survive here, as the submarket suffered from over-development and the decline of the airline industry. However, energy and healthcare have brought new life and new development to the area over the past 36 months and retail has begun to respond with new hotel construction and a new assortment of retailers aimed at serving the growing office and residential population.

RETAIL MARKET OVERVIEW

Pittsburgh's retail market saw little change in 2013, ending the year with a vacancy of just over 4.0%, down 0.9 percentage points from the same period 2012. Leasing activity dropped 19% to 1.9 million square feet (msf) year-to-date, but net absorption increased 47.5% over 2012, finishing the year at 1.2 msf. Overall asking rental rates remained in the \$16 to \$40 triple net range throughout the year, ending the Q4 2013 at \$19.94 per square foot (psf). Asking rents at most new developments are upwards of \$35 psf triple net, while existing available space is closer to \$25 psf triple net in neighborhood and mixed-use developments. The largest lease signed in Q4 2013 was for Shop 'n Save at the Village of Murrysville in the Westmoreland County submarket. The regional grocer signed for 26,000 square feet (sf) at the new strip development. In nearby Norwin, Planet Fitness signed for 25,000 sf at Norwin Towne Square while Galaxy Fitness executed a lease for 15,237 sf at Norwin Hills Shopping Center. North of the city in Cranberry Township, Butler County submarket, the Cranberry Crossroads mixed-use

development continued to progress. Among the latest retail tenants are Anthony's Coal-Fired Pizza, Sears and La-Z-Boy Furniture. Only 2,500 sf remains available in the 30,000-sf existing building. In Pittsburgh's CBD, the retail focus has shifted to hospitality conversion and expansion. 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 upper 11 floors of the iconic Henry W. Oliver Building are being converted to an Embassy Suites hotel.

OUTLOOK

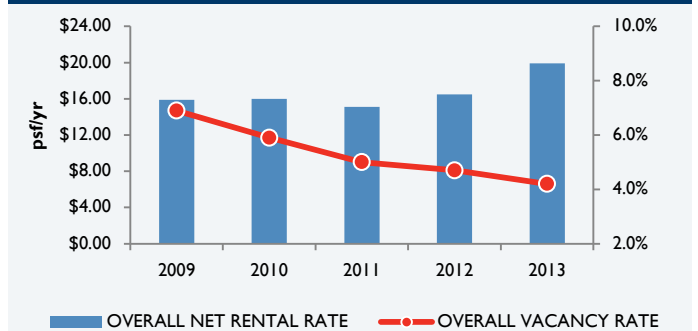
With substantial growth predicted in national consumer spending and retail sales, the Pittsburgh market should follow suit. Expanding retailers are beginning to notice the region's economic stability and renewed population growth and new concepts are expected to enter the market in 2015.

ECONOMIC INDICATORS

NATIONAL	2012	2013F	2014F
GDP Growth	2.8%	1.9%	3.2%
CPI Growth	2.1%	1.5%	2.0%
Consumer Spending Growth	2.2%	2.1%	3.4%
Retail Sales Growth	5.3%	4.4%	5.8%
REGIONAL	2012	2013F	2014F
Household Income	\$49,392	\$50,701	\$52,476
Population Growth	0.03%	0.12%	0.18%
Unemployment	7.2%	7.0%	6.3%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



Source: CoStar Group