

# MARKETBEAT

## Pittsburgh, Pa.

Industrial Q1 2017



### PITTSBURGH INDUSTRIAL

#### Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
Pittsburgh Employment	1.2M	1.2M	▲
Pittsburgh Unemployment	4.8%	5.4%	▼
U.S. Unemployment	4.9%	4.8%	▲

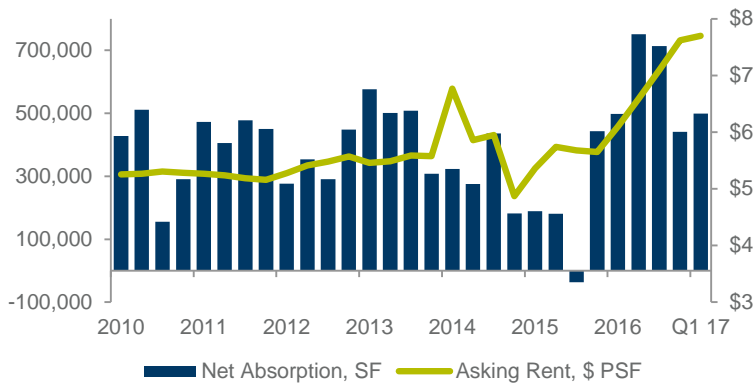
#### Market Indicators (Overall, All Property Types)

	Q1 16	Q1 17	12-Month Forecast
Vacancy	6.2%	5.7%	▼
YTD Net Absorption (sf)	873k	1.1M	▲
Under Construction (sf)	1.1M	470k	▲
Average Asking Rent*	\$7.21	\$7.54	▲

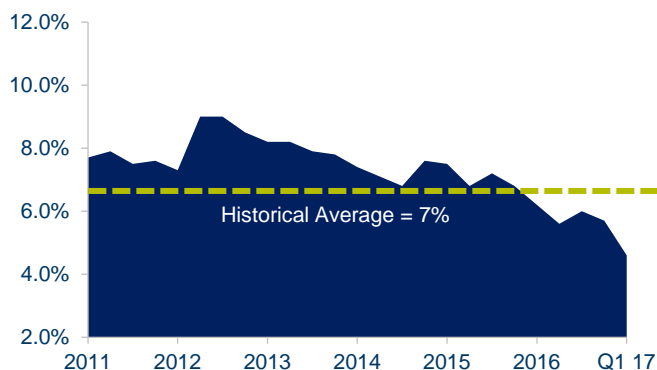
\*Rental rates reflect net asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

The unemployment rate in the seven-county Pittsburgh metro rose 0.6 percentage point year-over-year in Q1 2017, hitting 5.4%. The labor force decreased by 8,600 jobs during the same period while the number of unemployed rose by 3,000 from Q1 2016 to Q1 2017, according to the Pennsylvania Department of Labor Center for Workforce Information and Analysis. Total job growth for 2016 fell just short of 0.5%, landing Pittsburgh in the bottom third of the country's 381 metropolitan statistical areas (MSAs). The region's growth statistics are in contrast with national trends, implying that workers unable to secure jobs in Pittsburgh are moving on, limiting the local talent pool and potentially damaging long-term wage growth for existing employers. While the decline in population is less than desirable, it is offset by an influx of international relocations, many of which are fueled by the continued growth in the technology and advanced manufacturing sectors. Uber Technologies, Inc. announced that it would be adding 13,000-square feet (SF) to its testing facilities in Pittsburgh's Parkway East submarket, more than doubling its current facility and expanding its workforce. In the Monroeville submarket, Bechtel announced plans to expand its 180,000-SF facility by 90,000 SF, enough space to accommodate the addition of more than 200 new employees.

### Market Overview

The overall industrial vacancy rate in the Pittsburgh region continued its steady decline in Q1 2017, ending the quarter down 0.5 percentage point over Q1 2016. Rental rates responded to the tightening of the market with a 4.6% increase year-over-year in Q1 2017. The office service/flex sector reported the most substantial change, up 25.6% year-over-year, ending Q1 2017 at \$12.36 per square foot. Nearly 600,000 SF of new space was delivered to the market in Q1 2017, and though leasing activity was down 55.1% year-over-year, overall absorption topped 1.1 million SF, an increase of 26.2% over Q1 2016.

### Outlook

With only five industrial properties in the region posting availabilities greater than 200,000 SF and just over 430,000 SF of new speculative product under construction, Pittsburgh will continue to struggle to meet the demands of the growing e-commerce users. The region's proximity to more than half of the total U.S. population makes it a prime location for supply-chain and distribution channels, but difficult topography and a lack of investment by major industrial developers will challenge the market's competitiveness throughout 2017.

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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	31	1,690,651	0	1.4%	10	0	\$0.00	\$0.00	\$10.40	\$4.08
Beaver County	142	9,522,479	148,685	3.4%	59,120	43,000	\$12.50	\$4.25	\$0.00	\$5.00
Butler County	221	14,367,597	0	4.6%	-1,975	0	\$0.00	\$3.15	\$17.00	\$6.95
Fayette County	72	3,651,590	0	2.3%	29,950	0	\$0.00	\$0.00	\$0.00	\$3.00
Greater Downtown	294	12,684,301	0	2.0%	69,833	0	\$0.00	\$8.60	\$10.25	\$5.45
Monroeville	68	2,280,958	0	10.8%	5,050	0	N/A	\$0.00	\$11.35	\$6.40
North Pittsburgh	339	15,845,602	10,900	2.1%	448,460	0	\$11.00	\$4.68	\$16.00	\$6.35
Northeast Pittsburgh	259	17,155,826	10,500	2.6%	72,613	0	\$15.70	\$5.00	\$13.00	\$5.55
Oakland	12	342,192	0	0.0%	0	0	\$0.00	\$0.00	\$0.00	\$4.00
Parkway East	246	11,905,268	0	4.4%	-11,773	0	\$0.00	\$4.10	\$10.22	\$5.57
Parkway West	450	22,320,820	96,688	5.8%	-126,922	389,650	\$0.00	\$7.25	\$13.00	\$6.54
South Pittsburgh	324	16,170,514	10,000	1.7%	143,807	0	\$0.00	\$6.95	\$13.50	\$4.25
Washington County	217	11,701,291	15,800	9.6%	138,782	0	\$8.65	\$4.95	\$11.92	\$4.60
Westmoreland County	399	27,916,030	0	8.3%	275,323	37,500	\$0.00	\$3.50	\$9.35	\$5.75
<b>PITTSBURGH TOTALS</b>	<b>3,074</b>	<b>167,555,119</b>	<b>292,573</b>	<b>4.6%</b>	<b>1,102,278</b>	<b>470,150</b>	<b>\$11.96</b>	<b>\$5.24</b>	<b>\$12.36</b>	<b>\$5.25</b>

\*Rental rates reflect asking \$psf/year

FLEX = Flex Space HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING (SF)	UNDER CONSTRUCTION (SF)	DIRECT WEIGHTED AVG. NET RENT	OVERALL WEIGHTED AVG. NET RENT
Warehouse/Distribution	1,794	86,752,528	292,573	4.4%	542,255	173,180	470,150	\$4.89	\$5.25
Manufacturing	544	55,798,138	0	6.3%	372,514	15,000	0	\$5.06	\$5.24
Office Service/Flex	514	21,855,922	0	9.4%	138,149	68,004	0	\$11.38	\$12.36

### Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Tech Center Drive	260,000	Philips Respironics	Lease	Westmoreland County
Schreiber Industrial Park North, Bldg. 1	74,185	U. S. Liner Company	Renewal	Butler County
South Greensburg Commons Industrial Park	68,653	National Envelope Company	Lease	Westmoreland County
Schreiber Industrial Park North, Bldg. 1	44,694	Deepwell Services	Lease	Butler County

### Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Tech Center Drive	260,000	DHL Supply Chain / Capri EGM	\$17,800,000 / \$68	Westmoreland County
7544 Big Beaver Blvd.	148,685	Penn State Special Metals, LLC / Swagelok Processing Corp	\$3,500,000 / \$24	Beaver County
4777 Streets Run Road	80,400	Pittsburgh Mailing Co. / River Rod LP	\$1,821,000 / \$23	South Pittsburgh
100 Cardox Road	30,000	Behling Dixon Holdings, LP / Dennis Sluciak	\$3,300,000 / \$110	Washington County

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