

MARKETBEAT

Pittsburgh, PA

Industrial Q1 2019



CUSHMAN & WAKEFIELD



GRANT STREET ASSOCIATES, INC.

PITTSBURGH INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Pittsburgh Employment	1.2M	1.2M	▲
Pittsburgh Unemployment	4.8%	4.1%	▼
U.S. Unemployment	4.1%	3.8%	▼

Numbers above are quarterly averages

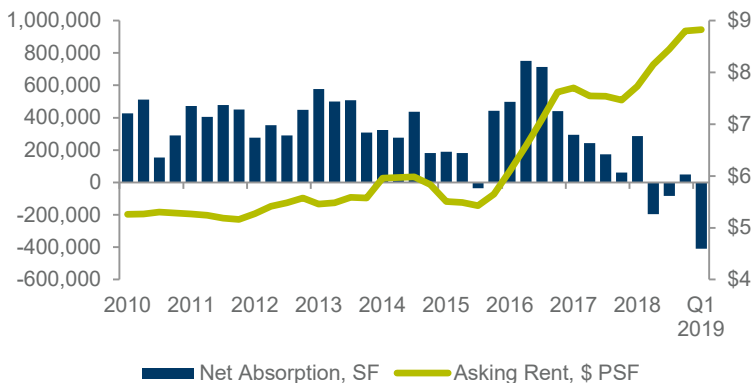
Market Indicators (Overall, All Property Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	5.4%	6.2%	▲
YTD Net Absorption (sf)	912k	-646k	▼
Under Construction (sf)	144k	749k	▲
Average Asking Rent*	\$8.59	\$8.68	▲

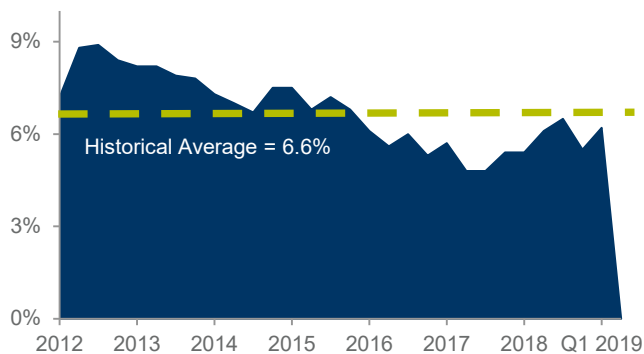
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The U.S. Department of Labor's Bureau of Labor Statistics reported that manufacturing employment in the Pittsburgh region was approximately 84,700 employees in February 2019, its lowest in a given month since 1990. Pittsburgh ranks 18th among all U.S. metros for jobs in fabricated metals manufacturing – a division that makes up approximately one-fifth of the total sector – but the lack of skilled workers has deterred growth with more than 90% of employers reporting an inability to find the right workers for their job openings. With Pittsburgh's unemployment rate reaching near historic lows in the first quarter 2019, employers have become more competitive, offering higher wages and more comprehensive benefits to secure top talent.

Market Overview

Year-over-year overall industrial vacancy rose approximately 80 basis points (bps) in first quarter 2019, with the most significant increase occurring in the office service sector at 230 bps. Despite a significant decline in overall net absorption, new construction projects increased an astounding 420% year-over-year and leasing activity for the quarter topped 1.0 million square feet (msf), up from just under 300,000 square feet (sf) in first quarter 2018. Butler County and the Parkway West continued to lead the region in new construction, with approximately 70% of the total 750,000 sf of projects underway located in those submarkets.

Pittsburgh's perpetually tight warehouse/distribution sector has caught the attention of major industrial investors over the past several quarters, particularly STAG Industrial, the 12th largest of industrial investor in the U.S., according to *National Real Estate Investor*. The company completed the purchase of its fourth industrial property in the Pittsburgh region in first quarter 2019, bringing its local inventory to just over 1.0 msf. STAG entered the Pittsburgh market in 2017 with the purchase of a 297,200-sf warehouse facility in Clinton Commerce Park that is fully leased to Berlin Packaging Company.

Outlook

The commencement of the \$700 million Southern Beltway – the last leg of a major infrastructure project designed to improve access from the south and east to the Airport Corridor – will substantially boost both construction and leasing activity in the South Pittsburgh and Washington County submarkets over the next 24 to 36 months. Leasing activity within these already tight markets will push vacancy into the low single digits.

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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 (W/D)
Armstrong County	31	1,690,651	0	5.0%	-21,513	0	\$0.00	\$0.00	\$8.00	\$2.50
Beaver County	142	9,522,479	30,000	11.2%	-348,798	0	\$0.00	\$4.00	\$7.00	\$5.00
Butler County	228	14,672,294	70,616	7.4%	91,434	231,313	\$14.25	\$3.31	\$14.20	\$4.54
Fayette County	75	3,865,590	0	15.0%	-15,000	0	\$21.00	\$2.00	\$0.00	\$4.94
Greater Downtown	295	12,684,301	13,000	3.5%	-113,731	0	\$0.00	\$0.00	\$12.00	\$7.70
Monroeville	68	2,280,958	10,331	7.5%	-1,660	0	N/A	\$6.00	\$10.84	\$8.95
North Pittsburgh	339	15,845,602	0	2.3%	-57,066	60,000	\$0.00	\$4.50	\$16.50	\$5.85
Northeast Pittsburgh	259	17,155,826	0	3.8%	-14,414	0	\$10.00	\$4.17	\$13.50	\$6.33
Oakland	12	342,192	0	0.0%	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Parkway East	246	11,905,268	0	5.8%	-56,385	95,000	\$0.00	\$4.25	\$11.00	\$8.56
Parkway West	458	22,996,390	159,000	6.3%	-22,802	295,104	\$0.00	\$6.00	\$14.98	\$6.05
South Pittsburgh	326	16,220,569	0	3.8%	-12,837	0	\$14.00	\$5.00	\$12.48	\$4.05
Washington County	217	11,701,291	15,000	8.4%	10,500	68,000	\$6.50	\$6.75	\$9.00	\$6.13
Westmoreland County	404	28,095,096	0	8.1%	-83,543	0	\$0.00	\$4.02	\$5.36	\$4.81
PITTSBURGH TOTALS	3,097	168,978,507	297,947	6.2%	-645,815	749,417	\$13.15	\$4.55	\$11.24	\$5.80

*Rental rates reflect asking \$psf/year

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	UNDER CONSTRUCTION (SF)	DIRECT WEIGHTED AVG. NET RENT	OVERALL WEIGHTED AVG. NET RENT
Warehouse/Distribution	1,810	87,912,655	297,947	5.5%	55,114	802,386	583,417	\$5.82	\$5.80
Manufacturing	546	55,872,058	0	6.2%	-172,792	0	0	\$4.55	\$4.55
Office Service/Flex	520	22,045,263	0	9.4%	-531,564	227,427	166,000	\$11.24	\$11.20

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
120 Starpointe Boulevard	455,000	Kenco Logistics	New Lease	Washington County
1024 Saw Mill Run Boulevard	24,000	Quality Granite	New Lease	Parkway West

Key Sales Transactions Q1 2019

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

Grant Street Associates, Inc.
310 Grant Street, Suite 1825
Pittsburgh, PA 15219
cushmanwakefield.com

For more information, contact:
Jack O'Donoghue, SIOR, Principal
Tel: +1 412 391 2621
jodonoghue@gsa-cw.com

About Cushman & Wakefield

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