

# MARKETBEAT INDUSTRIAL SNAPSHOT

## PITTSBURGH, PA

A Cushman & Wakefield Research Publication



Q2 2015



### ECONOMIC OVERVIEW

Named one of twelve new "manufacturing communities" that are part of the U.S. Department of Commerce's Investing in Manufacturing Community Partnership (IMCP), Pittsburgh is poised to lead the country in specialty metals manufacturing. IMCP was created to help accelerate the resurgence of manufacturing in the U.S. and encourages communities to strengthen their competitive edge in order to attract global manufacturers and supply chains. For six of the past eight years, manufacturing has been the region's most active sector with regard to business investment deals.

In fact, Pittsburgh has been ranked among the top ten American cities for direct foreign investment by *fDi Magazine* and is home to more than 390 foreign-owned firms. The region benefits from more than \$3 billion in R&D investment annually from Tier I academic to corporate to government sourcing.

Despite a retrenchment in the oil and gas industry that included a 25% decline in the number of drilling rigs within the region, Pittsburgh's economic outlook remains positive. Unemployment fell to 5.1% in June – the lowest recorded year-to-date (YTD) – and the labor force increased by nearly 13,000. Shell Chemical moved one step closer to finalizing plans for a petrochemical cracker plant at the former Horsehead site in Beaver County when it closed on its purchase of the property and received approval on its air-quality plan from the Department of Environmental Protection.

### NEW CONSTRUCTION ACTIVITY ACCELERATES

YTD construction completions within the industrial sector have nearly doubled total-year projects for 2014, hitting 691,522 square feet (sf) at the close of Q2 2015. The majority of new construction has come in the form of build-to-suit projects, the largest of which for Gordon Food Services' 420,000-sf facility at Findlay Industrial Park near Pittsburgh International Airport. The new distribution center is one of 16 U.S. operations for the company, which currently employs 200 workers and intends to hire another 100 within the next three to five years. The Airport Corridor is also home to a 112,000-sf manufacturing facility for Cellone's Bakery. The company outgrew its former 58,000-sf facility and moved its operations to the new site in May. Serving 250 grocery stores and more than 1,500 restaurants in Pennsylvania, Ohio and West Virginia, the Bakery plans to expand its workforce to 190 within the next few years. Oxford Development broke ground on its 250 Industry Drive project, a new \$13-million,

88,000-sf flex and office complex near the Airport that will be anchored by Under Armour. The company has been scouting the area near Dick's Sporting Goods headquarters for several years and plans to open a new product showroom upon completion.

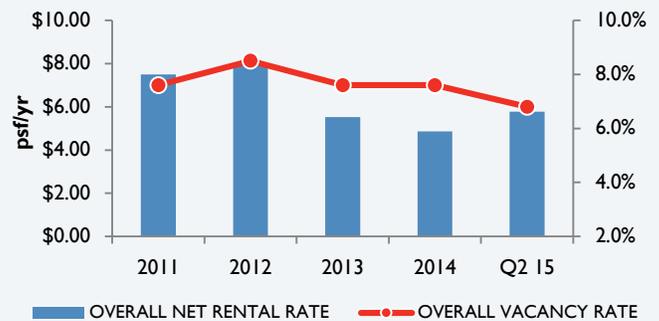
### OUTLOOK

With a direct vacancy rate of just 6.6% and only 153,250 sf of new space under construction, the warehouse/distribution sector continues to suffer from a lack of large blocks of speculative product. Leasing activity will continue to trail 2014 as asking rents gradually increase through the next twelve months.

### STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.1%	6.8%	-0.3 pp	◀▶
Direct Asking Rents (psf/yr)	\$5.86	\$5.74	2.0%	▲
YTD Leasing Activity (sf)	1,605,146	558,731	-65.2%	▼

### OVERALL RENTAL VS. VACANCY RATES



### OVERALL OCCUPIER ACTIVITY

