

MARKETBEAT

Pittsburgh, PA

Industrial Q3 2018



CUSHMAN & WAKEFIELD



GRANT STREET ASSOCIATES, INC.

PITTSBURGH INDUSTRIAL

Economic Indicators

| | Q3 17 | Q3 18 | 12-Month Forecast |
|-------------------------|-------|-------|-------------------|
| Pittsburgh Employment | 1.2M | 1.2M | ▲ |
| Pittsburgh Unemployment | 4.9% | 4.1% | ▼ |
| U.S. Unemployment | 4.4% | 3.9% | ▼ |

Numbers above are quarterly averages

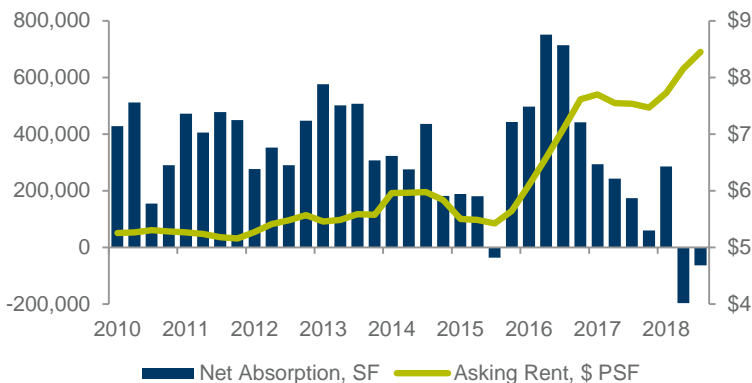
Market Indicators (Overall, All Property Types)

| | Q3 17 | Q3 18 | 12-Month Forecast |
|-------------------------|--------|--------|-------------------|
| Vacancy | 4.8% | 6.5% | ▲ |
| YTD Net Absorption (sf) | 398k | 103k | ▼ |
| Under Construction (sf) | 281k | 554k | ▲ |
| Average Asking Rent* | \$7.68 | \$8.88 | ▲ |

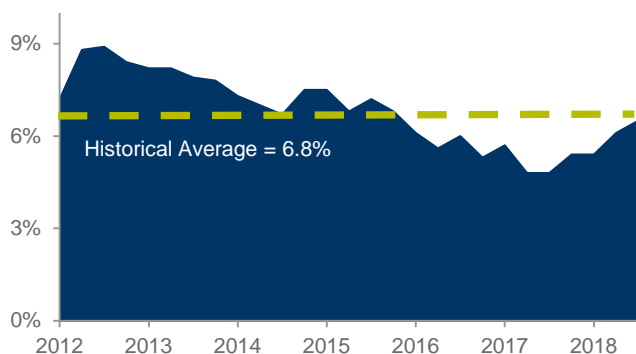
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Pittsburgh achieved 20.4% growth in gross metropolitan product (GMP) over a five-year period ending in 2017, earning it a spot among the top metro areas producing more than \$40 billion in goods and services last year, according to a report released in the third quarter 2018 by the U.S. Bureau of Economic Analysis. Not surprisingly, this growth has led to greater demand for a skilled workforce, with Pittsburgh's top 50 employers indicating they are looking to fill more than 12,000 job openings – from chemists to accountants – but Pittsburgh's 4.1% unemployment rate has narrowed the pool of qualified applicants, challenging aggressive growth initiatives within each of these companies.

Market Overview

Leasing activity in the third quarter 2018 was down 30.6% from the same period 2017, closing the quarter at 1.4 million square feet (msf). Net absorption also fell 74.2% from the 2017 year-to-date (YTD) total with just under 103,000 sf. Total YTD new construction deliveries in third quarter 2018 totaled just over 300,000 sf, substantially less than third quarter 2017 when total deliveries were more than 1.2 msf. In contrast, new construction starts are up nearly 100%, posting 554,000 sf under construction at the close of third quarter 2018. Among the most significant projects underway is the expansion of Clinton Commerce Park in the Parkway West submarket. Buildings III and VII totaling approximately 270,000 sf are under construction and are the first phase of the potentially 1.5-msf project.

Though YTD leasing activity is down from the same period 2017, both MRC Global, Inc. and Valley Tire Company announced expansions to their operations. MRC Global plans to expand its Westmoreland County distribution center by 87,000 sf, and Valley Tire is relocating from its current 13,000-sf facility in South Pittsburgh submarket to a new 57,000-sf build-to-suit, heavy-duty repair and warehouse facility in Washington County. The move also will result in a 150% increase in employment at the location.

Outlook

Completion of current construction projects is expected to boost fourth quarter 2018 leasing activity and subsequently, improve net absorption for the first half of 2019. Overall rental rates within the warehouse/distribution and manufacturing sectors will continue to rise as developers respond to increased demand for higher clearance heights and more energy-efficient construction.

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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 | 3.9% | 71,560 | 0 | \$0.00 | \$0.00 | \$10.00 | \$2.50 |
| Beaver County | 142 | 9,522,479 | 56,476 | 9.4% | -189,559 | 0 | \$5.34 | \$4.10 | \$7.77 | \$5.88 |
| Butler County | 226 | 14,607,294 | 37,283 | 7.8% | 28,703 | 0 | \$14.25 | \$3.22 | \$15.55 | \$4.99 |
| Fayette County | 72 | 3,715,590 | 47,852 | 15.5% | -68,134 | 0 | \$21.00 | \$2.00 | \$14.93 | \$6.00 |
| Greater Downtown | 295 | 12,684,301 | 0 | 2.4% | -26,241 | 0 | \$0.00 | \$0.00 | \$12.00 | \$7.11 |
| Monroeville | 68 | 2,280,958 | 0 | 7.1% | -81,214 | 0 | N/A | \$8.05 | \$11.07 | \$8.95 |
| North Pittsburgh | 339 | 15,845,602 | 84,320 | 1.9% | 149,419 | 60,000 | \$11.00 | \$4.50 | \$16.50 | \$6.81 |
| Northeast Pittsburgh | 259 | 17,155,826 | 0 | 4.0% | -212,459 | 0 | \$18.00 | \$4.67 | \$14.13 | \$6.27 |
| Oakland | 12 | 342,192 | 0 | 0.0% | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Parkway East | 246 | 11,905,268 | 0 | 7.1% | -79,655 | 116,000 | \$0.00 | \$7.25 | \$10.25 | \$8.56 |
| Parkway West | 456 | 22,896,390 | 44,924 | 7.0% | 435,747 | 367,400 | \$0.00 | \$5.91 | \$10.58 | \$5.87 |
| South Pittsburgh | 325 | 16,208,796 | 13,125 | 3.3% | -94,023 | 0 | \$14.00 | \$6.42 | \$12.37 | \$4.32 |
| Washington County | 217 | 11,701,291 | 163,719 | 15.1% | -165,856 | 11,000 | \$6.06 | \$6.75 | \$9.00 | \$4.70 |
| Westmoreland County | 404 | 28,095,096 | 40,332 | 7.3% | 334,611 | 0 | \$0.00 | \$4.60 | \$5.36 | \$5.78 |
| PITTSBURGH TOTALS | 3,092 | 168,651,734 | 488,031 | 6.5% | 102,899 | 554,400 | \$12.81 | \$5.22 | \$11.50 | \$5.98 |

*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 | 1,806 | 87,597,882 | 256,218 | 6.2% | 331,304 | 785,853 | 242,500 | \$5.97 | \$5.96 |
| Manufacturing | 545 | 55,872,058 | 145,558 | 6.6% | -406,364 | 286,275 | 0 | \$5.23 | \$5.22 |
| Office Service/Flex | 519 | 22,033,263 | 86,255 | 7.7% | 191,875 | 200,879 | 311,900 | \$11.96 | \$11.50 |

Key Lease Transactions Q3 2018

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|--------------------------------------|---------|---------------------------|------------------|--------------|
| 2300 Sweeney Drive Ext., Building II | 265,568 | Shell Chemical | New Lease | Parkway West |
| 200 Center Street, Manor I | 98,000 | American Textiles Company | New Lease | Parkway East |

Key Sales Transactions Q3 2018

| PROPERTY | SF | SELLER/BUYER | PRICE / \$PSF | SUBMARKET |
|--------------------------------------|---------|---|---------------------|---------------------|
| 2300 Sweeney Drive Ext., Building II | 265,568 | Al. Neyer / STAG Industrial Inc. | \$19,000,000 / \$72 | Parkway West |
| 115 Hunt Valley Road | 205,000 | C-III Capital Partners / STAG Industrial Inc. | \$11,000,000 / \$54 | Westmoreland County |
| 2200 N. Main Street | 108,275 | Mueller Industries, LLC / MNOP, Inc. | \$3,800,000 / \$35 | Washington County |

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About Cushman & Wakefield

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