

MARKETBEAT

Pittsburgh, PA

Industrial Q4 2018



CUSHMAN & WAKEFIELD



GRANT STREET ASSOCIATES, INC.

PITTSBURGH INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Pittsburgh Employment	1.2M	1.2M	▲
Pittsburgh Unemployment	4.9%	4.1%	▼
U.S. Unemployment	4.1%	3.7%	▼

Numbers above are quarterly averages

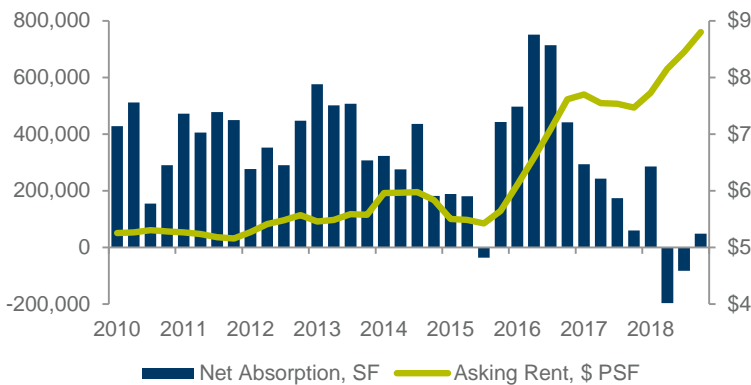
Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	5.4%	5.5%	▲
YTD Net Absorption (sf)	41k	196k	▲
Under Construction (sf)	397k	868k	▲
Average Asking Rent*	\$7.58	\$8.96	▲

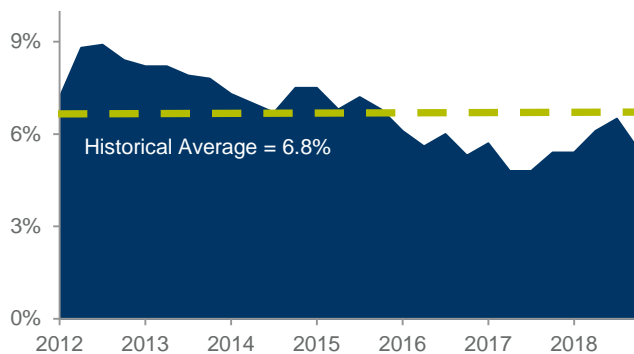
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

According to Reuters, 2014 marked the first time the number of private sector jobs in science and research and development (R&D) in the Pittsburgh region exceeded those in the iron and steel mills. By the close of 2018, there were 41% more jobs in R&D than at the mills, according to the Pennsylvania Center for Workforce Information and Analysis, further solidifying the economic shift in Western Pennsylvania from heavy to advanced manufacturing. The demand for high-tech and laboratory space has led to new development in nearly all submarkets of the Pittsburgh region, including the Parkway West corridor where site work on the Airport Innovation Campus has begun. The 195-acre site adjacent to the Pittsburgh International Airport will offer office, laboratory and advanced manufacturing space complemented by retail and restaurants upon its completion in 2023.

Market Overview

Though year-over-year overall industrial vacancy and leasing activity were virtually flat at the close of 2018, the market experienced a 373% increase in net absorption during the same period, spurring a substantial boost in new construction as a result. Up more than 180% year-over-year, new construction projects totaling nearly 900,000 square feet (sf) broke ground in 2018. Among the latest projects released in fourth quarter 2018 was a 100,000-sf build-to-suit manufacturing facility for APEX International. The company, which manufactures anilox, glue set and metering products, purchased a 12.95-acre parcel in the Alta Vista Business Park, Washington County submarket on which to construct its regional headquarters. Scheduled for completion in Q3 2020, the new building will house corporate offices, manufacturing and R&D operations.

Average asking triple net rental rates also saw year-over-year increases across all sectors in 2018, with warehouse/distribution space seeing a nearly 5% increase from \$5.55 per square foot (psf) to \$5.81 psf in fourth quarter 2018.

Outlook

Leasing activity in 2019 will keep pace with the past 24 months, as current speculative construction projects near completion. A lack of available Class A manufacturing product will drive further demand for build-to-suit opportunities in this sector, particularly among occupiers serving the natural gas and polymer industries.

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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	3.7%	124,463	0	\$0.00	\$0.00	\$10.00	\$2.50
Beaver County	142	9,522,479	56,476	9.2%	-164,500	0	\$0.00	\$4.35	\$7.77	\$5.86
Butler County	226	14,607,294	54,543	7.6%	48,708	296,313	\$14.25	\$3.22	\$14.63	\$4.54
Fayette County	73	3,853,590	47,852	14.4%	90,866	0	\$21.00	\$2.00	\$14.93	\$5.24
Greater Downtown	295	12,684,301	0	2.9%	-11,076	0	\$0.00	\$0.00	\$12.00	\$5.99
Monroeville	68	2,280,958	0	5.9%	-46,166	0	N/A	\$6.79	\$10.44	\$8.95
North Pittsburgh	339	15,845,602	84,320	2.0%	129,319	60,000	\$11.91	\$4.50	\$16.50	\$6.81
Northeast Pittsburgh	259	17,155,826	49,368	5.2%	-460,646	0	\$0.00	\$4.64	\$13.89	\$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	8.2%	-242,258	95,000	\$0.00	\$4.25	\$11.24	\$8.56
Parkway West	456	22,896,390	44,924	6.2%	633,379	348,717	\$0.00	\$5.91	\$15.02	\$5.87
South Pittsburgh	326	16,220,569	13,125	2.9%	-62,763	0	\$14.00	\$5.34	\$13.19	\$4.05
Washington County	217	11,701,291	208,769	9.0%	135,285	68,000	\$6.06	\$6.75	\$9.00	\$5.86
Westmoreland County	404	28,095,096	64,842	4.0%	21,621	0	\$0.00	\$4.23	\$5.51	\$5.06
PITTSBURGH TOTALS	3,094	168,801,507	624,219	5.4%	196,232	868,030	\$13.44	\$4.73	\$11.86	\$5.81

*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	1,807	87,747,655	347,356	5.1%	736,134	1,566,325	556,130	\$5.89	\$5.81
Manufacturing	546	55,872,058	190,608	4.8%	-415,922	388,442	0	\$4.73	\$4.73
Office Service/Flex	519	22,033,263	86,255	9.3%	-228,055	474,350	311,900	\$12.08	\$11.86

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
200 Solar Drive	83,000	Signode Industrial Group	New Lease	Parkway West
1001 Oakdale Road	52,464	Chartwell Pennsylvania	New Lease	Parkway West

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1001 E. Waterfront Drive	402,477	Marcegaglia USA, Inc. / STORE Capital	\$10,000,000 / \$25	South Pittsburgh
1501 Penn Avenue	320,000	1501 Penn Owner, LLC / Sampson Morris Group	\$8,100,000 / \$25	Greater Downtown
200 Simko Boulevard / Alta Vista Park	119,161	Two Thousand Eleven Alta Vista II, LP / STAG Industrial Holdings	\$15,250,000 / \$128	Washington County

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