

# MARKETBEAT OFFICE SNAPSHOT



## PITTSBURGH, PA

A Cushman & Wakefield Research Publication

Q2 2015



### ECONOMIC OVERVIEW

Job numbers in Q2 2015 showed that the Pittsburgh economy continues its steady growth, posting 57,900 new jobs and equaling the benchmark average. Unemployment in the region remains below the national average, ending the quarter at just 5.1%, the lowest reported this year. The area's labor force also has grown, adding 12,800 people seeking employment or entering the workforce, according to the Pennsylvania Department of Labor and Industry.

Commercial and institutional construction activity jumped 24.3% in the first half of 2015, reaching \$1.38 billion. Among the largest projects to kick off this year is Carnegie Mellon University's (CMU) 425,000-square-foot (sf) mixed used development located on a two-acre parcel in Oakland, Pittsburgh's tightest office submarket. With a current vacancy rate of just 3.1% and class A asking rental rates exceeding \$30 per square foot (psf), Oakland is the center of Pittsburgh's "eds and meds" activity and the location of several of the region's latest high-end multi-family developments. The university plans to construct new office space for industry, government and non-profit partners seeking to establish or further their footprints with CMU. The project, which caps a campus building boom expected to total more than 750,000 sf, also will feature a hotel with conference center, shops, restaurants and flexible meeting spaces for students, faculty and staff collaboration.

### SOUTHPOINTE DOMINATES SUBURBAN LEASING

Southpointe, the 589-acre business park located in Cecil Township, Washington County, continues to lead the region in suburban office construction and leasing activity. Posting year-to-date (YTD) leasing activity of more than 250,000 sf and positive net absorption of nearly 100,000 sf, Southpointe is home to CONSOL Energy, Mylan Pharmaceuticals and now, Rice Energy, which signed a lease for its 150,000-sf headquarters. The company will take occupancy of the third building in the Zenith Ridge campus located within Southpointe in Q1 2016. In addition, Primetals Technologies signed a ten-year lease for 52,000 sf at Stealth Technologies Building II within the park.

Though Southpointe is located within the Washington County submarket, it is considered by many to be its own submarket, now boasting an inventory of 3.5 million square feet and a vacancy rate of just 7.7%. Nearly 400,000 sf of new product has been delivered to the park in the last twelve months, with another 150,000 sf currently under construction. With average rental rates at \$24.00 psf, the park continues to expand its retail, hospitality and residential components to better meet the needs of its expanding workforce.

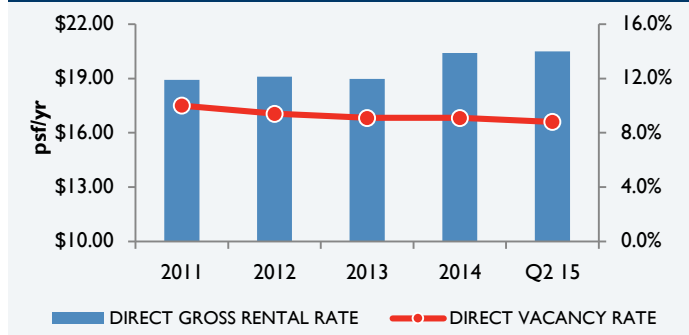
### OUTLOOK

YTD leasing activity will continue to lag behind 2014 totals as many office tenants jockey relocations options, particularly in the CBD. Overall rental rates should remain stable, though high-demand submarkets such as Southpointe and Oakland are expected to edge closer to \$25.00 psf by year-end.

### STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.3%	9.1%	-0.2 pp	↕
Direct Asking Rents (psf/yr)	\$19.46	\$20.49	5.3%	↕
YTD Leasing Activity (sf)	1,690,793	1,369,567	-19.0%	↕

### DIRECT GROSS RENTAL VS. DIRECT VACANCY RATES



### LEASING ACTIVITY

