

PITTSBURGH OFFICE

Economic Indicators

	Q3 16	Q3 17	12-Month Forecast
Pittsburgh Employment	1.2M	1.2M	■
Pittsburgh Unemployment	5.8%	5.1%	■
U.S. Unemployment	4.9%	4.4%	▼

Market Indicators (Overall, All Classes)

	Q3 16	Q3 17	12-Month Forecast
Vacancy	9.0%	10.3%	■
Net Absorption (sf)	239k	-831	▲
Under Construction (sf)	264k	546k	▼
Average Asking Rent*	\$18.11	\$19.23	■

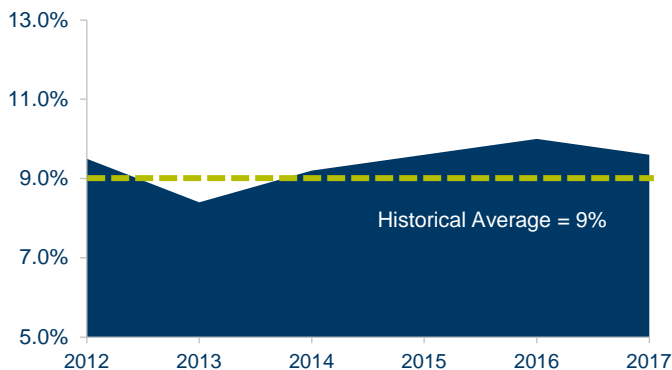
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Median household income increased locally over the past 10-year period while the national average stayed flat, according to the U.S. Census Bureau. The City of Pittsburgh reported an increase of 18.2% from 2006 to 2016 while Allegheny County was up 8.0%. In addition, the City of Pittsburgh grew its population by more than 11,000 residents during the same period. Among the most popular city neighborhoods experiencing growth are East Liberty and Lawrenceville which topped *Money Magazine's* list of the "10 Coolest Neighborhoods in America Right Now" based on a list compiled by Lonely Planet and released in Q3 2017. East Liberty is home to Google's regional HQ, while Lawrenceville now has been dubbed Pittsburgh's "Silicon Strip". This Greater Downtown neighborhood has successfully positioned itself as the area's new home for tech, landing such tenants as Uber, Robert Bosch and Microsoft in recent years. Argo AI, a company focused on self-driving car technology, and Wombat Security Technologies joined the group in Q3 2017.

Market Overview

Average overall asking rents in the region have settled in the \$19 to \$20 per square foot (psf) range for 2017. While the suburban market rents remained stagnant, CBD asking rents continued to experience incremental increases. Class A asking rents within the CBD increased 7.7% from Q3 2016 to Q3 2017 hitting \$30.15 psf at the close of the quarter. Overall asking rents within the CBD also improved year-over-year, ending Q3 2017 at \$26.57 psf, an increase of nearly 11.0% over the same period in 2016. Year-over-year leasing activity in the market was down 7.2% in Q3 2017, with the suburban markets suffering the greatest drop, down 7.5%. Net absorption for the quarter was positive 120,810 sf in the CBD, but the suburban markets pulled down the market total, posting negative 171,681 sf at the end of Q3 2017.

Outlook

The Airport Authority announced its plan to invest \$1.1 billion to modernize the Pittsburgh International Airport by adding a new landside terminal, expanding the security checkpoint and streamlining baggage retrieval by 2023. Expected to create more than 10,000 short-term jobs and add \$1.6 billion in economic activity, the Airport project coupled with the continued interest of e-commerce operators in the region should improve all metrics within the Parkway West submarket over the next several quarters.

MARKETBEAT

Pittsburgh, PA

Office Q3 2017



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Armstrong County	153,367	0	7,500	4.9%	-7,500	34,000	0	0	\$10.01	N/A
Beaver County	1,364,142	0	158,464	11.6%	33,107	13,007	14,547	0	\$23.00	\$17.00
Butler County	4,144,285	6,710	135,985	3.4%	4,233	70,487	115,835	0	\$22.74	\$23.15
CBD	24,728,307	104,590	2,869,115	12.0%	120,810	-171,681	623,471	0	\$25.88	\$29.30
Fayette County	626,698	0	54,052	8.6%	4,000	7,000	500	0	\$17.00	N/A
Greater Downtown	11,670,709	200,968	1,329,605	13.1%	-213,688	-373,198	320,896	37,500	\$23.91	\$25.60
North Pittsburgh	6,338,057	64,291	445,443	8.0%	27,280	23,671	169,945	274,421	\$19.04	\$23.82
Northeast Pittsburgh	2,204,706	2,847	171,295	7.9%	11,380	-30,935	22,449	0	\$19.41	\$26.00
Oakland	3,564,857	0	59,646	1.7%	-2,700	25,361	10,800	150,000	\$23.08	\$31.75
Parkway East	10,710,868	22,365	1,066,068	10.2%	-26,837	-5,874	222,694	24,000	\$18.28	\$22.32
Parkway West	10,369,901	43,274	1,337,811	13.3%	57,872	-51,315	316,446	0	\$21.66	\$23.28
South Pittsburgh	6,010,258	3,050	445,587	7.5%	13,380	74,677	164,011	0	\$18.02	\$22.00
Washington County	5,198,952	39,188	530,326	11.0%	-14,547	66,812	112,872	14,725	\$23.16	\$20.18
Westmoreland County	3,112,565	468	190,977	6.2%	-7,621	37,303	31,365	45,537	\$13.98	\$0.00
PITTSBURGH TOTALS	90,197,672	487,751	8,801,874	10.3%	-831	-280,685	2,125,831	546,183	\$19.23	\$23.90

*Rental rates reflect gross asking \$psf/year

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	32,747,112	389,561	3,685,712	12.3%	-153,526	-336,956	1,049,928	125,287	\$24.08	\$23.90
Class B	47,372,473	34,806	4,380,456	10.6%	130,953	42,435	989,473	420,896	\$21.22	\$21.16
Class C	10,078,087	63,384	735,706	8.0%	21,742	9,839	86,430	0	\$18.29	\$18.02

Key Lease Transactions Q3 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Keystone Summit Corporate Park	62,916	II-VI, Inc.	Sublease	North Pittsburgh
2545 Railroad Street / Riverfront West	51,690	Argo, AI	Lease	Greater Downtown
100 Technology Drive / Southpointe	28,400	Noveome Biotherapeutics	Lease	Washington County
400 Holiday Drive / Foster Plaza 0	27,260	Cadnetics	Lease	Parkway West
40 24 th Street / The Crane Building	23,850	Wombat Security Technologies	Lease	Greater Downtown
Penn Liberty Plaza I / 1200 Penn Avenue	20,000	Innovu, LLC	Lease	Greater Downtown

Key Sales Transactions Q3 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
401 Wood Street / Arrott Building	90,000	Batra Hospitality Group, Inc. / Confidential	\$5,100,000 / \$57	CBD
424 Craig Street	28,000	BBK / TMD Holdings LLC	\$1,075,000 / \$38	Oakland
4044 Route 130 / Stoney Ledge Centre Bldg. I	20,000	Vincent A. Nese Construction Co. / Atkins Companies	\$4,741,536 / \$237	Westmoreland County

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