

PITTSBURGH OFFICE

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%	▼

Statistics above represent quarterly averages for Q4 2018 Pittsburgh region

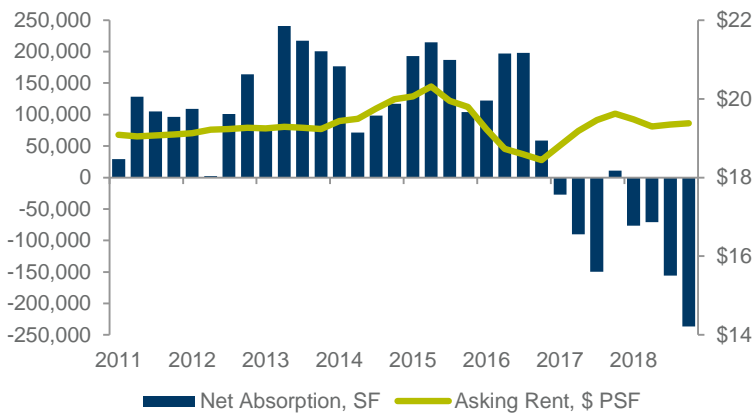
Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	10.4%	10.8%	▲
Net Absorption (sf)	-337k	-252k	▲
Under Construction (sf)	321k	1.6M	▲
Average Asking Rent*	\$20.38	\$19.92	▲

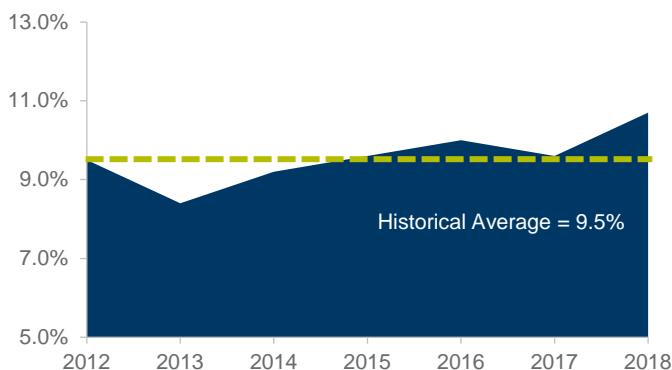
\*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

WalletHub.com ranked Pittsburgh 15th out of 182 metros on its 2019 list of “Best Cities for Jobs”. Fourth quarter 2018 metrics reflect substantial growth in education and health services – the lifeblood of the region’s economy since the demise of the iron and steel industries. The “eds and meds” sector broke a new record high peaking at 258,700 jobs at year-end. The Pennsylvania Department of Labor and Industry reported that construction added 400 jobs over the fourth quarter 2018 to reach a new record of 65,800 employed in the region. In November, trade, transportation and utilities experienced the largest month-to-month increase of any sector – 3,700 new positions – due to seasonal hiring.

Market Overview

The Greater Downtown / Fringe market continued to be the center of both leasing and development activity within the Pittsburgh region at the close of 2018. Total leasing activity within this submarket was just under 500,000 square feet (sf) at year-end, while new construction projects increased to more than 600,000 sf. Among the most prominent ground-breakings were Oxford Development’s latest phase of its Strip District project called the Stacks at 3 Crossings, which will consist of two, three-story, 55,415-sf office buildings scheduled for completion in early 2020. Additionally, Rugby Realty Company announced its intention to build a two-building, mixed-use development nearby at 21<sup>st</sup> and Smallman Streets. Construction on the 400,000-sf project begins the first quarter 2019. In nearby Oakland – the region’s university hub – both redevelopment and new construction came to life in 2018. From Murland Associates, LP’s Murdoch Building – a 95,000-sf new office project that is already fully-leased, to Walnut Capital’s recent \$8.0 million conversion of a former Cadillac dealership into 41,000 sf of office space, Oakland remains a focal point for investors and developers. In fact, of the 1.6 million square feet of new construction in the pipeline, nearly 60% of it is concentrated in these two submarkets.

Outlook

Net absorption should improve substantially in 2019 as new tenants to the market take occupancy of projects currently under construction. Overall average asking rents will remain near \$20.00 per square foot (psf) gross, but Class A will increase slightly in response to continued capital improvements among the region’s top office buildings.

# MARKETBEAT

## Pittsburgh, PA

Office Q4 2018



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	193,367	0	21,400	11.1%	0	-1,400	0	0	\$11.00	N/A
Beaver County	1,364,142	0	55,263	10.2%	83,250	96,851	12,721	0	\$15.43	\$0.00
Butler County	4,144,285	310,489	140,089	11.0%	2,149	14,809	93,030	0	\$22.74	\$24.57
<b>CBD</b>	<b>24,728,307</b>	<b>185,800</b>	<b>3,385,681</b>	<b>14.2%</b>	<b>-172,987</b>	<b>-658,182</b>	<b>639,873</b>	<b>0</b>	<b>\$26.32</b>	<b>\$30.20</b>
Fayette County	626,698	0	0	6.4%	38,139	46,039	38,139	0	\$0.00	N/A
Greater Downtown	11,815,597	269,998	1,016,661	12.4%	7,948	132,646	456,248	556,762	\$22.94	\$26.88
North Pittsburgh	6,683,562	2,695	453,454	6.8%	18,596	-4,437	213,347	135,000	\$19.97	\$25.85
Northeast Pittsburgh	2,204,706	560	17,505	5.5%	3,370	24,732	50,993	0	\$18.54	\$24.68
Oakland	3,564,857	0	70,613	3.1%	39,876	-6,836	51,808	372,067	\$23.52	\$39.84
Parkway East	10,710,868	11,530	1,176,795	10.0%	-112,326	-63,721	289,757	453,833	\$20.08	\$22.91
Parkway West	10,369,901	62,498	1,344,717	13.1%	-71,925	42,559	406,097	60,380	\$22.01	\$25.54
South Pittsburgh	6,022,031	42,044	470,757	9.5%	4,099	1,377	196,536	0	\$18.55	\$25.56
Washington County	5,240,677	25,279	513,077	10.2%	84,133	191,609	351,629	0	\$22.19	\$24.36
Westmoreland County	3,112,565	0	258,253	8.0%	-9,758	-67,737	19,197	0	\$15.68	\$20.53
<b>PITTSBURGH TOTALS</b>	<b>90,781,763</b>	<b>910,893</b>	<b>8,924,265</b>	<b>10.8%</b>	<b>-85,436</b>	<b>-251,691</b>	<b>2,819,375</b>	<b>1,578,042</b>	<b>\$19.92</b>	<b>\$26.45</b>

\*Rental rates reflect gross asking \$psf/year \*\*Does not include renewals

	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	32,995,287	461,609	3,881,522	13.2%	105,799	-43,456	1,301,021	1,488,838	\$26.45	\$26.45
Class B	45,625,591	354,834	4,554,171	10.8%	-68,697	-122,363	1,271,704	89,204	\$18.65	\$18.60
Class C	12,160,885	94,450	488,572	4.8%	-122,538	-85,872	246,650	0	\$14.73	\$14.73

### Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
100 Beecham Drive	50,500	Matrix PDM Engineering, Inc.	New	Parkway West
Westinghouse Building II	25,000	Ally Financial	Sublease	Butler County
610 Smithfield Street	17,500	Leibowicz Law, LLC	New	CBD

### Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
420 Boulevard of the Allies	154,000	M & J Wilkow, Ltd. / City of Pittsburgh	\$27,500,000 / \$179	CBD
333 Technology Drive / Southpointe	116,000	RS Stealth LLC / TS Stealth LLC	\$13,000,000 / \$112	Washington County
385 E. Waterfront Drive	85,000	Fremont Group / Fremont Dubois Associates, LLC	\$21,500,000 / \$253	South Pittsburgh
6998 Crider Road	30,000	MedExpress / IRA Realty Capital	\$9,500,000 / \$317	Butler County

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