

MARKETBEAT INDUSTRIAL SNAPSHOT



PITTSBURGH, PA

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Q2 2014



ECONOMIC OVERVIEW

Though the region experienced virtually no job growth in 2013, the Pittsburgh metro has added 10,700 jobs between June 2013 and June 2014. Employment in the region rose to 1,175,200 in Q2 2014 and unemployment fell to 5.6%, down 1.4 percentage points (pp) from the same period 2013. Average wages in the market rose 1.8% over the previous year to \$49,170. Expectations for further job growth remain high as Shell Chemicals signed 10 third-party contracts related to its proposed ethane cracker in Monaca, Beaver County submarket, signaling forward motion toward the execution of its sale agreement on the site.

LEASING ACTIVITY SENDS MIXED MESSAGES

Despite lagging behind year-to-date (YTD) leasing activity in 2013 by more than 15%, 2014 has brought Pittsburgh one of the largest lease transactions it has seen in recent years. Cenveo, Inc., a Stamford, CT-based company that purchased competitor National Envelope out of bankruptcy earlier this year, announced that it would leave its 450,000-square foot (sf) facility in Scottdale, Fayette County, upon lease expiration later this year to move into 300,000 sf at the 2.8-million square foot (msf) RIDC Westmoreland Industrial building in Mount Pleasant. In addition, BFG Supply Company leased 176,000 sf at 460 Nixon Road in Northeast Pittsburgh submarket, and SDC Nutrition leased 60,000 sf at 170 Industry Drive in the Parkway West.

Transactions in the 50,000-sf to 100,000-sf range continue to drive leasing activity in the Pittsburgh market while prospects seeking spaces of 200,000 sf or greater struggle to identify viable options. In fact, only 13 class A and class B warehouse/distribution facilities of more than 200,000 sf with the preferred 30' ceiling heights exist within the region, and the vacancy rate among these properties as of Q2 2014 is 0%.

SPECULATIVE CONSTRUCTION CENTERS ON FLEX

The Elmhurst Group announced that it would move forward with the construction of a sister project for its fully-leased flex property at Thorn Hill Industrial Park. The building will consist of 48,400 sf of speculative flex product and will finish the 26-acre project near the entrance to the park. The company also plans to construct a 50,000-sf warehouse at its development near Pittsburgh International Airport.

Oxford Development Company announced plans to build up to 100,000 sf of speculative flex and office space near the new Thermo

Fisher facility. The company has not determined whether it will construct one or two one-story buildings.

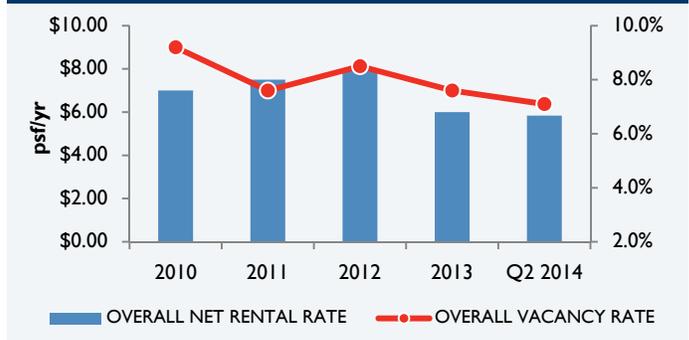
OUTLOOK

The stability of Pittsburgh's commercial market, low cost-of-living and accessibility to major roadways and rail is expected to continue drawing attention from major warehouse/distribution users; but, without the construction of new speculative product in excess of 250,000 sf, Pittsburgh will fail to meet this demand and will miss further opportunities for economic development.

STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.2%	7.1%	-1.1pp	▼
Direct Asking Rents (psf/yr)	\$5.77	\$5.86	1.56%	↕
YTD Leasing Activity (sf)	1,707,933	1,441,135	-15.6%	▼

OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY

