



Pittsburgh Office Market

Transitions and Decisions

What is going to bring employees back to the office? While many companies have taken a hybrid-work approach, there are still several factors that are preventing employees from choosing to be in an office environment. One major post-COVID-19 variable is the cost of gas. That, coupled with the price of parking and increased inflation for most other services, has many employees considering how to manage rising economic costs.

Companies are also continuing to evaluate office space use and space density needs, with many yet to roll out a permanent solution. Whether that means moving to a new office, taking less space or reconfiguring current office space, many companies are waiting to see how the employment market and general economy plays out before landing on a final decision.

Tenants are looking for amenity-rich properties. They are interested in creating a positive company culture that attracts employees back to the office. Tenant requirements are now including collaboration areas, ample outdoor space, onsite fitness centers, dining options and tenant lounges to add social elements to the workplace.

Current Conditions

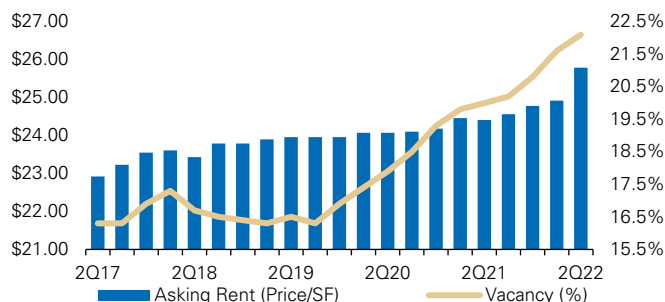
- The vacancy rate for the overall Pittsburgh office market increased in the second quarter of 2022, increasing from 21.6% to 22.1%.
- Sublease availability decreased by 263,401 square feet, down from 2,289,314 square feet. The Central Business District, the region's largest submarket, maintains the highest sublease availability, with 737,375 square feet.
- Net absorption in the CBD was modestly negative this quarter, with negative 50,382 square feet. In contrast, net absorption in the Fringe was at a favorably high 120,328 positive square feet, further solidifying company movement into Fringe area submarkets.

Market Summary

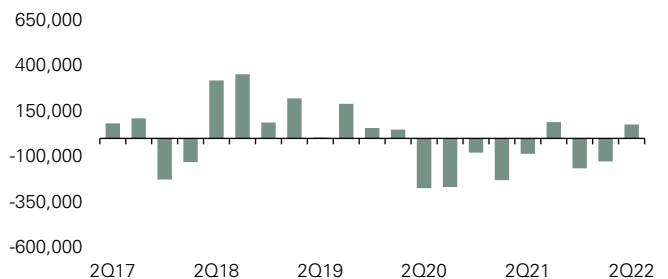
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	57 MSF	57 MSF	56 MSF	↑
Vacancy Rate	22.1%	21.6%	20.0%	↑
Quarterly Net Absorption (SF)	76,703	-127,542	-85,114	↓
Average Asking Rent/SF	\$25.79	\$24.92	\$24.41	↔
Under Construction (SF)	926,000	1,233,561	903,853	↓
Deliveries (SF)	478,561	0	0	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH Q2 2022

The vacancy rate for the overall Pittsburgh office market increased in the second quarter of 2022, increasing from 21.6% to 22.1%. On a positive note, sublease availability decreased by 263,401 square feet, down from 2,289,314 square feet. The Central Business District, the region's largest submarket, maintains the highest sublease availability, with 737,375 square feet.

Net absorption in the CBD was modestly negative this quarter, with negative 50,382 square feet. In contrast, net absorption in the Fringe was at a favorably high 120,328 positive square feet, further solidifying company movement into Fringe area submarkets.

The Central Business District

One of the biggest announcements this quarter is the pending move of former Gateway Health (now Highmark Wholecare) from Four Gateway Center to Highmark's master-leased Penn Avenue Place. Highmark Wholecare will be vacating its 180,000 square-foot space to consolidate into Highmark's underutilized Downtown office space just a block away. In other related news, the law firm of Dickie McCamey & Chilcote announced it will be leaving its longtime office at Six PPG Place and taking a smaller 80,000-square-foot presence in the former Gateway Health space at Four Gateway Center. The move is slated for 2025.

Also in the CBD, Tristate Capital Bank revealed it will be taking an entire floor at 11 Stanwix, more than 22,000 square feet. The Glenmade Trust Company will be expanding its presence from Philadelphia to Pittsburgh by committing to an 8,000-square-foot office in the Union Trust Building.

Urban Markets Outside the CBD

There was continued activity in the urban submarkets this quarter. One notable transaction took place in Northside's

Nova Place, where the Houston-based company Castle Biosciences took more than 44,000 square feet. In Eastside's Bakery Square, the U.S. Army is subleasing 13,000 square feet of office space from Carnegie Mellon University. Also in Pittsburgh's Eastside, construction on the 246,561-square-foot Liberty East was completed, with its first tenant, Duolingo, taking 38,000 square feet of space. In an attempt to downsize, Philips Respironics is subletting 37,082 square feet of its former office space in Bakery Square's Bakery Office Three.

Expansion in the Strip District shows no sign of slowing down. The newly constructed Vision on Fifteenth was completed this quarter, adding 232,000 square feet of office space to the market. Argo AI announced its increase in space at its headquarters in the Riverfront West building at 3 Crossings. The self-driving car startup is taking the entire second floor and additional parts of the first and third floors. The Southwestern Pennsylvania Commission will be downsizing its office by moving from Two Chatham Center to the Strip District Terminal, where the agency is set to take 17,960 square feet this Fall.

In neighboring Lawrenceville, the tech industry continues to boom, with Agility Robotics taking 13,500 square feet in RIDC's Chocolate Factory.

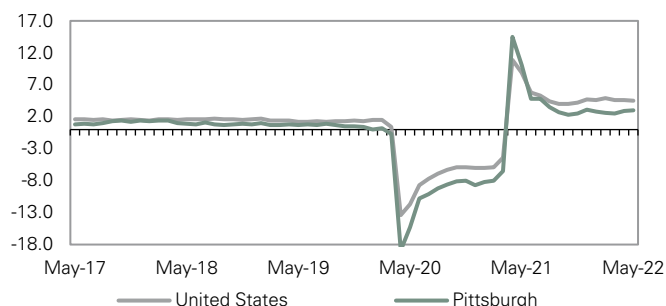
Coworking space COhatch confirmed its third location in the Pittsburgh region will be opening in the Southside Works, with other locations already established in Shadyside and Homestead.

Suburban Submarkets

Montauk Renewables inked a new office deal in the Parkway West submarket to suit its expansion needs. The company will be moving into 24,000 square feet at Marquis Corporate Center II.

Payroll Employment

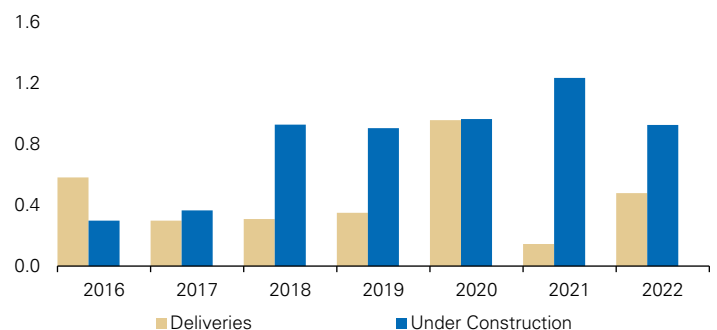
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Construction And Deliveries

SQUARE FEET, MILLIONS



RESEARCH Q2 2022

In Parkway West construction news, Burns Scalo's Diamond Ridge began development this quarter. Located in Moon Township, the three-building campus will offer more than 500,000 square feet of space.

Looking Ahead

With inflation on the rise and continued market uncertainty, tenants remain hesitant on making decisions regarding future office needs. Until there is an influx of employees returning to the office, the market will likely remain slow; however, Pittsburgh has historically been a resilient city when faced with economic challenges, and the overall outlook is optimistic for the region's future.

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)
CBD	19,905,574	475,000	4,210,169	21.2%	-50,382	-7,412	\$29.96	\$22.83
Fringe	7,970,072	0	1,918,340	24.1%	120,328	19,974	\$35.75	\$21.95
Oakland/East End	3,785,283	280,000	886,997	23.4%	10,605	21,654	\$47.10	\$22.29
City Of Pgh Total	31,660,929	755,000	7,015,506	22.2%	80,551	34,216	\$34.51	\$22.51
East	3,324,559	0	861,831	25.9%	22,005	-33,097	\$21.22	\$15.63
North	7,748,782	0	1,507,723	19.5%	-39,839	9,499	\$24.91	\$21.04
Parkway West	9,302,317	171,000	2,357,905	25.3%	21,317	-60,577	\$23.75	\$19.90
South	5,321,686	0	943,954	17.7%	-7,331	-880	\$22.18	\$19.33
Suburban Total	25,697,344	171,000	5,671,413	22.1%	-3,848	-85,055	\$23.31	\$19.74
Pittsburgh	57,358,273	926,000	12,686,919	22.1%	76,703	-50,839	\$29.15	\$21.35

For more information:

Pittsburgh Office

210 Sixth Ave
Pittsburgh, PA 15225
T 412-281-0100

Gerard McLaughlin

Executive Managing Director
gerard.mclaughlin@nmrk.com

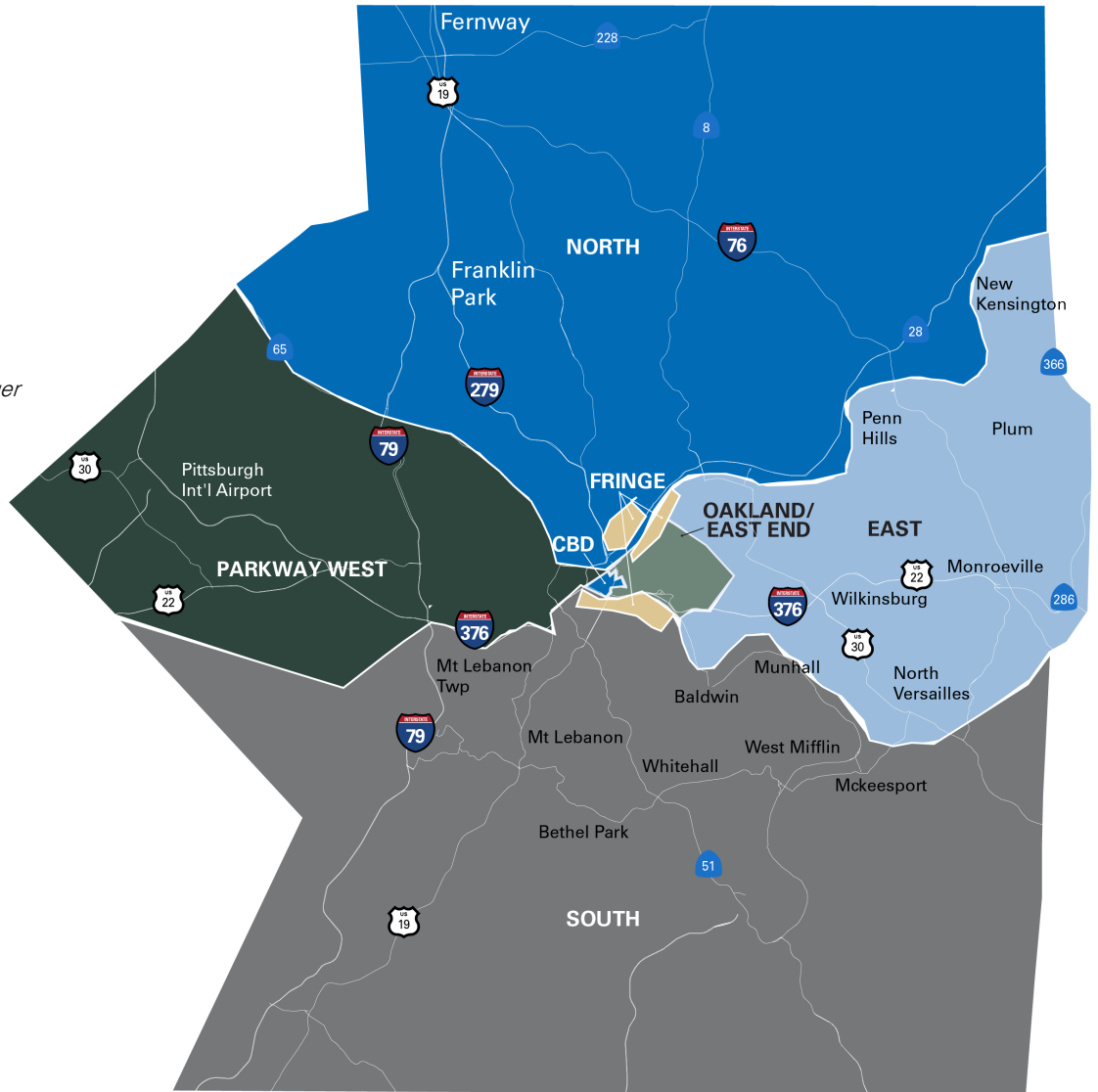
Louis Oliva, CCIM, SIOR

Executive Managing Director
louis.oliva@nmrk.com

Jessica McKinney

Research & Marketing Manager
jessica.mckinney@nmrk.com

nmrk.com



Licensed in Pennsylvania as Newmark Real Estate

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.