

2Q24

# Pittsburgh Industrial Market Overview



**NEWMARK**



# Market Observations

## Economy

- Despite the addition of jobs, the national unemployment rate rose ever so slightly from 3.9% in February 2024 to 4.0% in May 2024. While the Pittsburgh MSA continued to see a decrease of 0.5% over the same period to 3.2%.
- US industrial sector cap rates have been relatively steady ending May 2024 at 6.1%.
- While the national and local economy remained relatively stable, there are still increased concerns about geopolitical risk.
- As Allegheny County continues to grant property assessment reduction appeals, it raises concerns about the negative impact on local government and school districts reliant on property tax revenue.

## Major Transactions

- Batesville Logistics signed a lease for 90,000 SF at 260 Solar Drive in the West submarket.
- Steelite International USA signed a lease extension at 1750 Shenango Road.
- Benshaw renewed their 121,010 SF lease at 615 Alpha Drive in the RIDC O'Hara Industrial Park.
- An undisclosed tenant signed a lease for 191,000 SF at 270 Solar Drive.

## Leasing Market Fundamentals

- Overall vacancy remained relatively stable in the second quarter of 2024 while overall Class A vacancy reduced slightly to 6.3% from 6.5% in first quarter of 2024.
- New inquiries, tours and request for proposals increased in second quarter over first quarter 2024.
- While leveling off, tenant improvement costs continue to be a headwind for leases in new Class A inventory.
- Landlords are holding steady on asking rents.

## Outlook

- Vertical construction is starting on a 100,000 SF speculative building in Washington County with 2025 delivery.
- The market should continue to record positive net absorption through the end of 2024.
- Larger users will be forced to consider build-to-suit options for larger requirements due to lack of available inventory.
- Investor interest remains strong despite limited available inventory.

1. Economy
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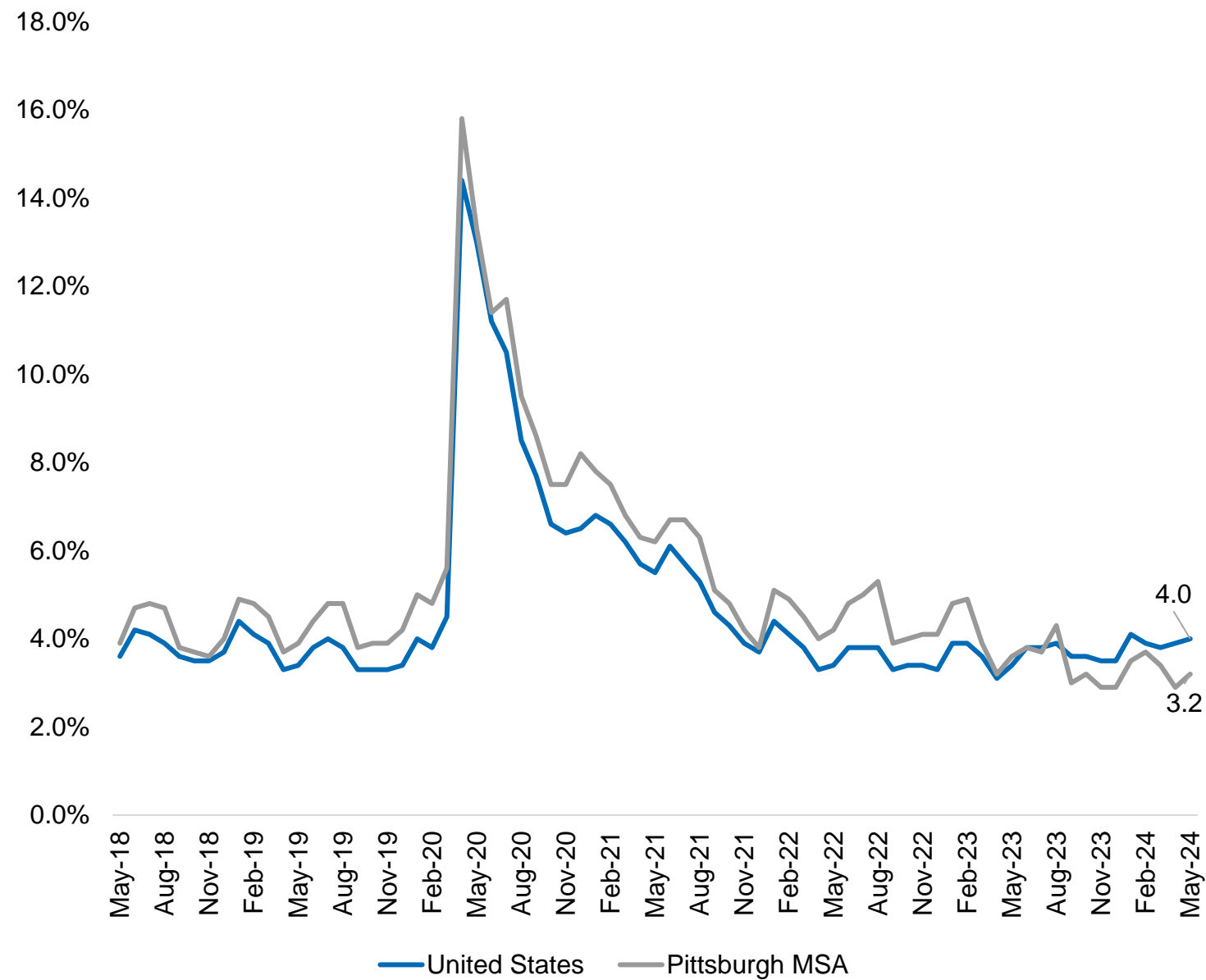
# Economy



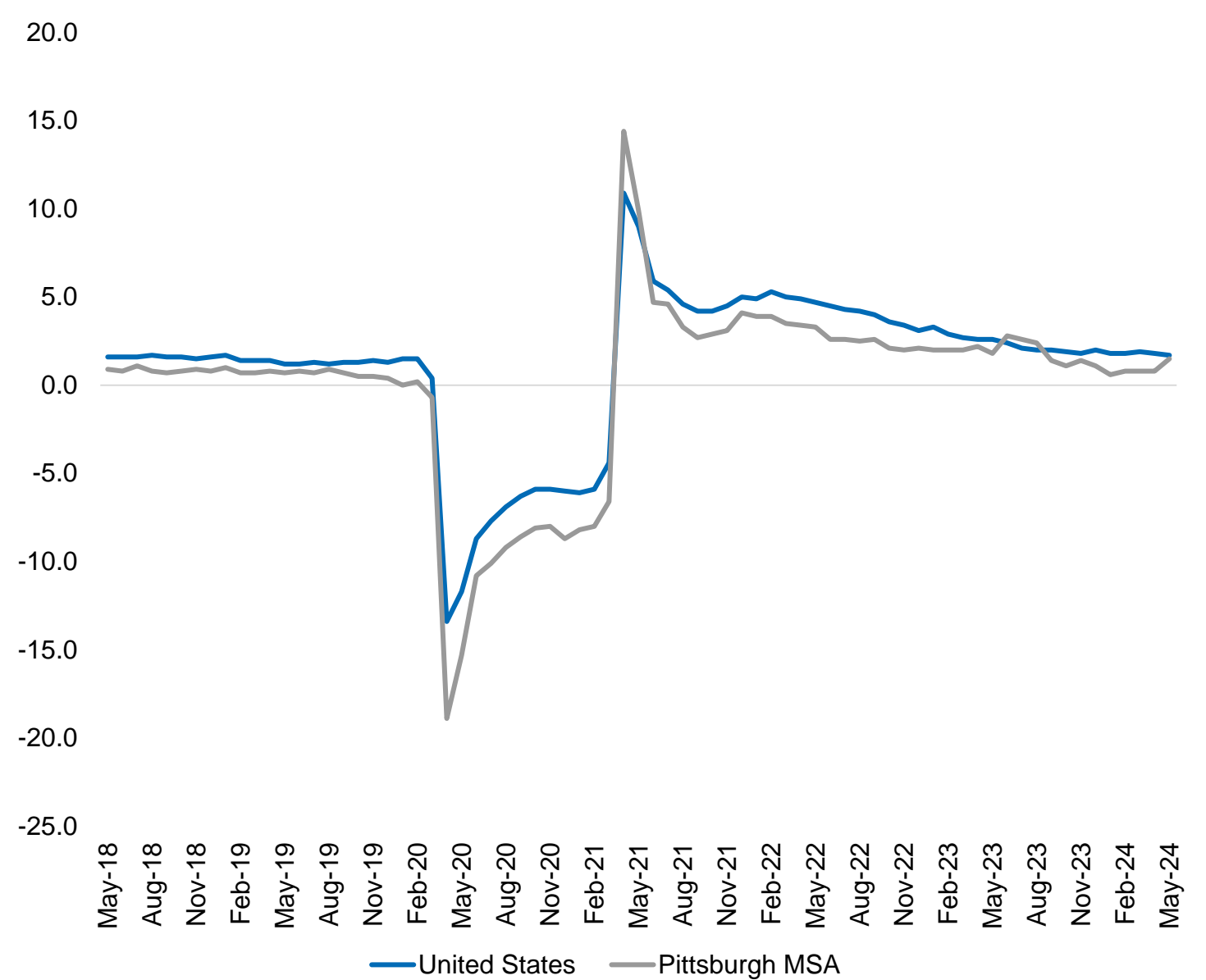
# Pittsburgh Unemployment Remains Below National Rate

Despite the addition of jobs, the national unemployment rate rose ever so slightly from 3.9% in February 2024 to 4.0% in May 2024. While the Pittsburgh MSA continued to see a decrease of 0.5% over the same period to 3.2%

Unemployment Rate, Not Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics, Pittsburgh MSA



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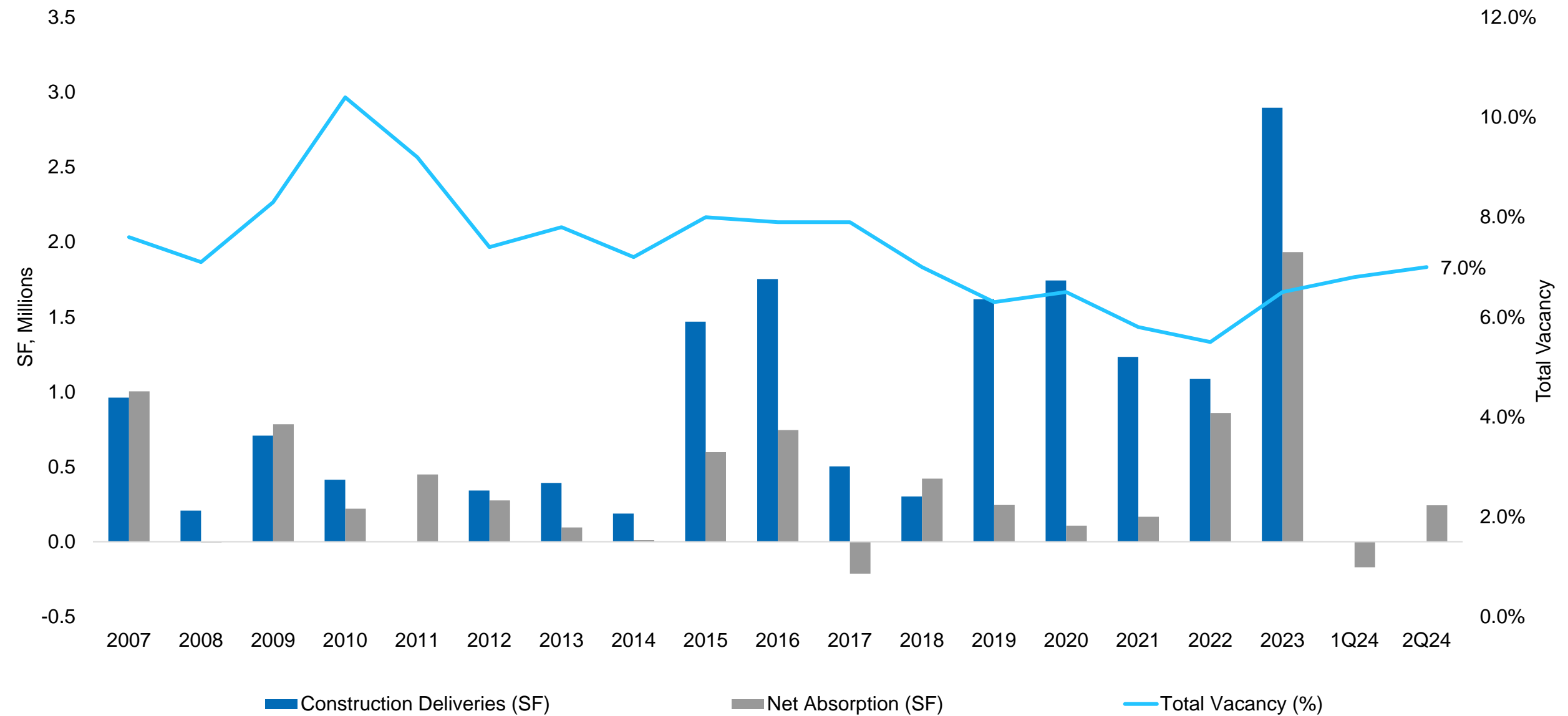
# Leasing Market Fundamentals



# Renewed Strength In The Market

The second quarter of 2024 showed renewed strength in the market, recording 243,121 SF of positive absorption, with this trend expected to continue the remainder of 2024.

## Historical Construction Deliveries, Net Absorption, and Vacancy

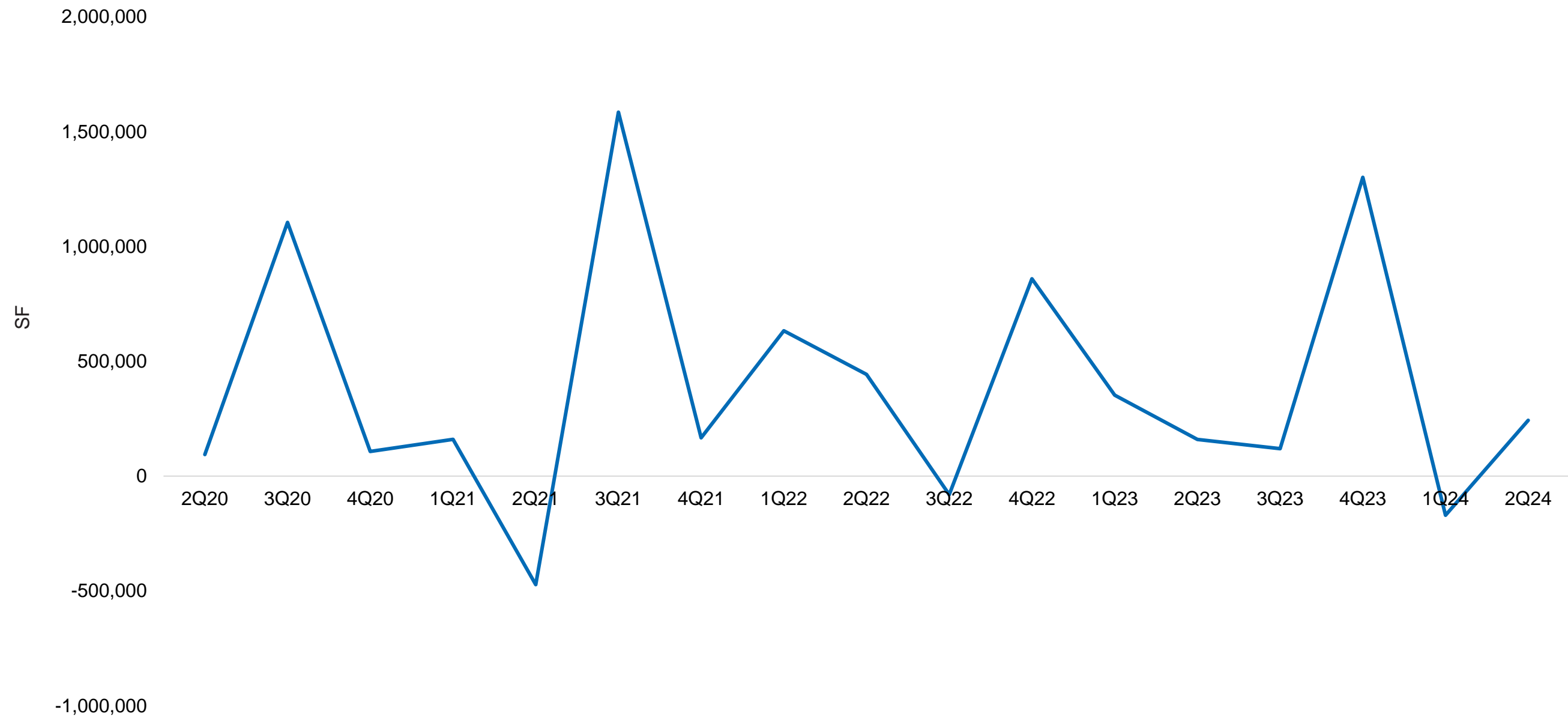


Source: Newmark Research

# Pittsburgh Industrial Back On Track

The Pittsburgh industrial market performed better in the second quarter 2024 and if absorption continues into third and fourth quarter, the lack of new construction will continue to constrain supply in 2025.

## Total Absorption (SF)



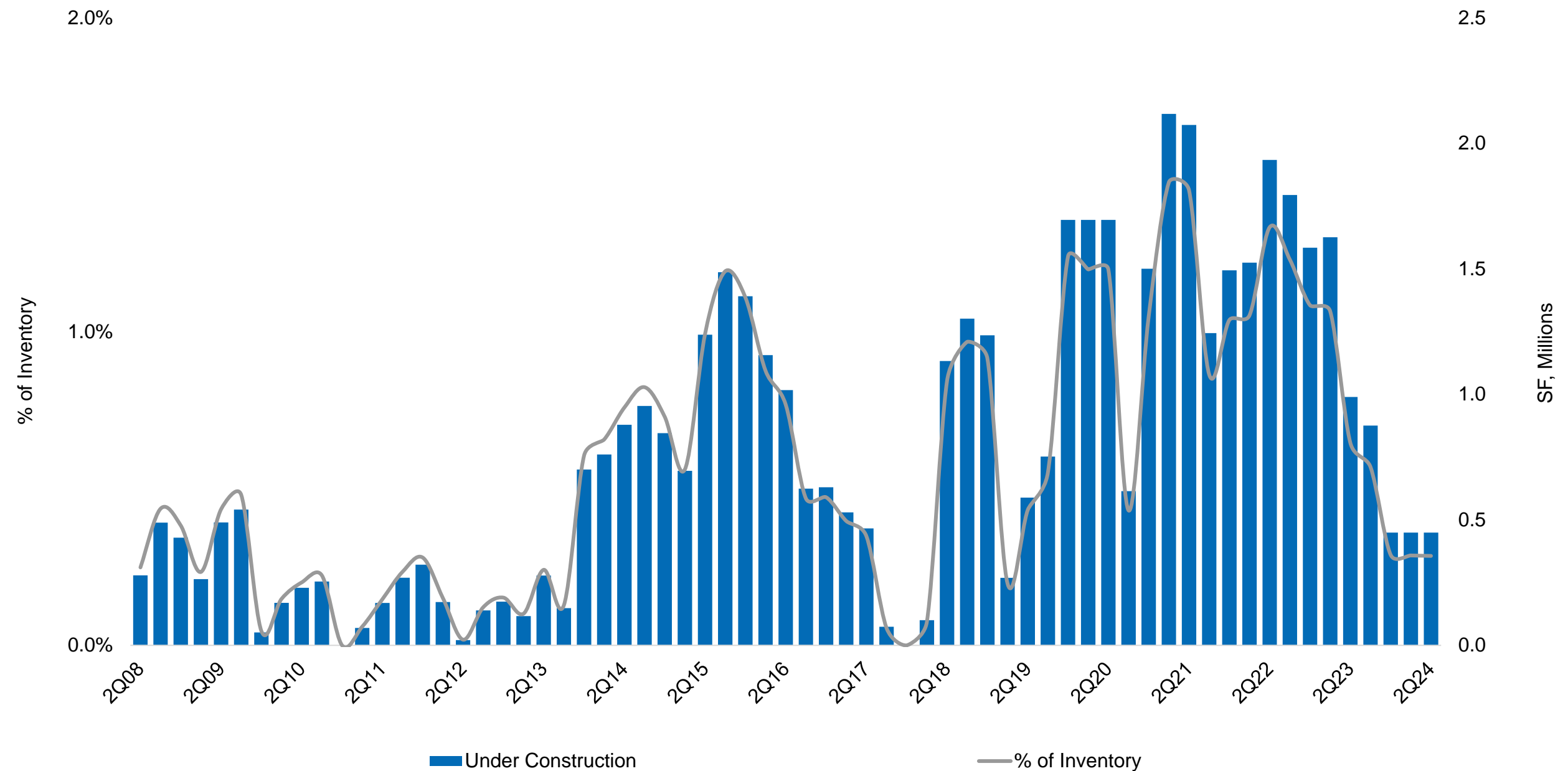
Source: Newmark Research, CoStar



# New Construction Remains Limited

The Industrial market has seen no new construction since the record-high construction deliveries at the end of 2023. However, construction is expected to begin on a speculative building in the Washington submarket with delivery anticipated in 2025.

## Industrial Under Construction and % of Inventory

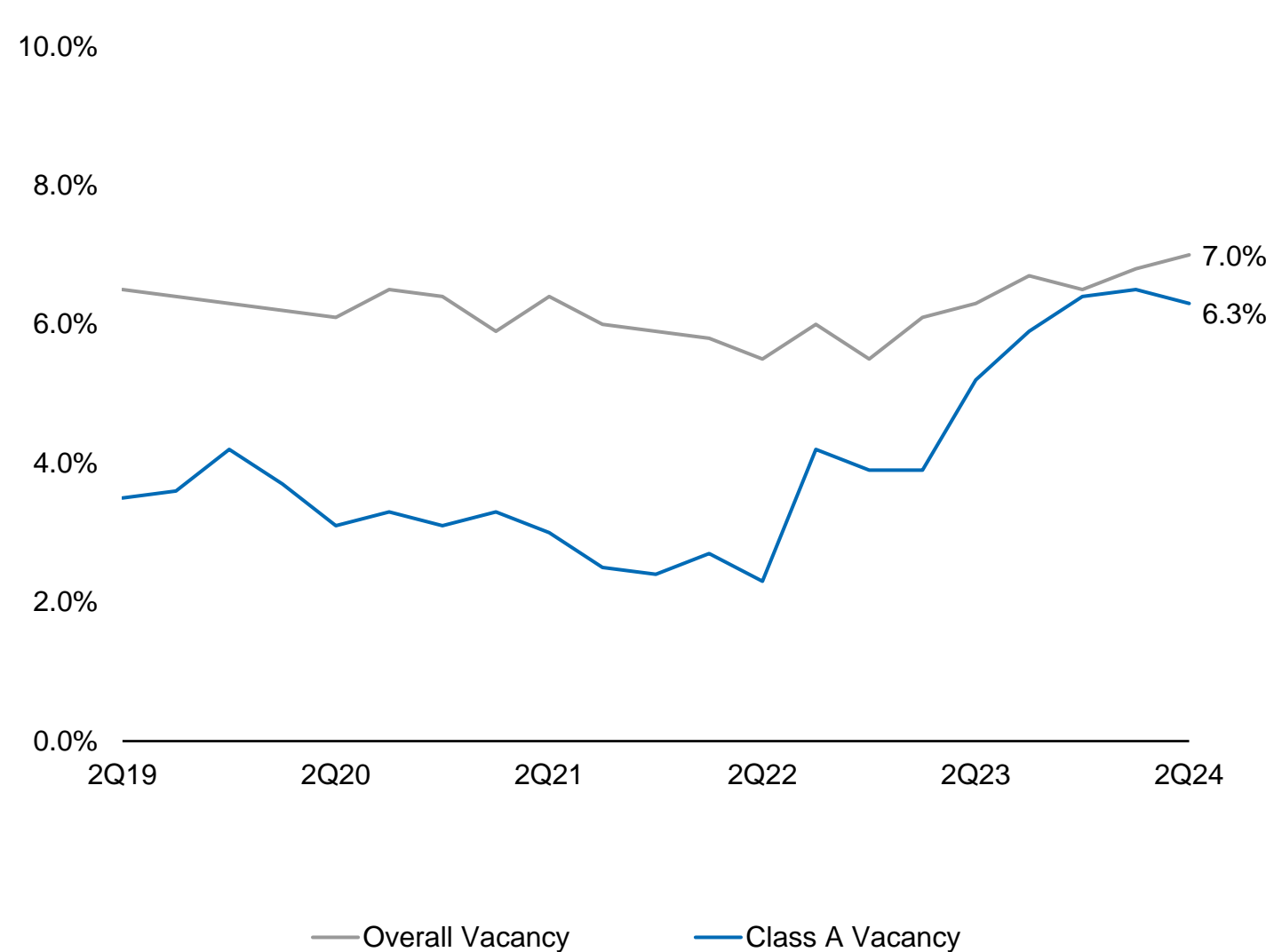


Source: Newmark Research

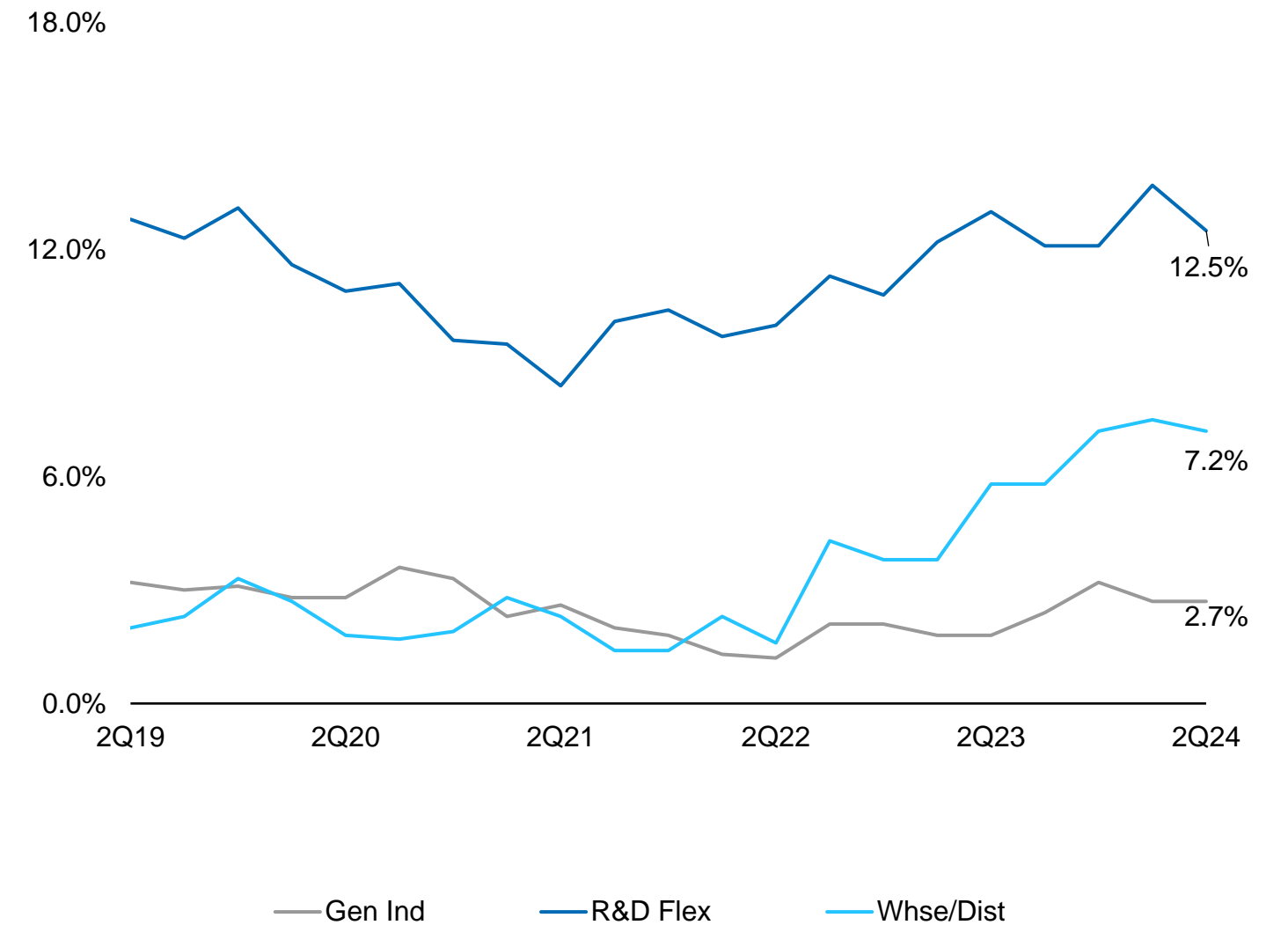
# Class A Space Continues to Outperform

Overall vacancy remained relatively stable in the second quarter of 2024 while overall Class A vacancy reduced slightly to 6.3% from 6.5% in first quarter of 2024 . The positive outlook is that we are seeing a reduction in vacancy percentage in all subtypes even with significant amount of new inventory that hit the market in 2023.

Vacancy Overall vs Class A



Class A Vacancy By Subtype





# Notable 2Q24 Lease Transactions

Leasing activity continued to see significant increase in the second quarter of 2024, not only renewals and expansions but also new leases particularly in the Northwest submarket.

## Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Undisclosed Tenant	270 Solar Dr	West	New Lease	191,000
Steelite International USA	1750 Shenango Rd	Beaver	Lease Extension	121,369
Benshaw	615 Alpha Dr	Northeast	Renewal	121,010
Batesville Logistics	Westport Ridge #2 – 260 Solar Dr	West	New Lease	90,613
Curtis-Wright Corporation	616 Hite Rd	Northeast	New Lease	85,400
Formosa Operations	625 Avenue D	Northwest	Lease Renewal	60,000
Vestis Services LLC - ARAMARK	193 Thorn Hill Rd	Northwest	New Lease	32,994
Formosa Operations	625 Avenue D	Northwest	Lease Expansion	28,045
Patterson Dental Supply	765 Commonwealth Dr	Northwest	New Lease	10,000

Source: Newmark Research, CoStar

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# Submarket Overview







Please reach out to your  
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