

2Q24

# Pittsburgh Office Market Overview



# 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 office sector cap rates have been on a steady rise to 7.2% in May 2024.
- 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.

## Transactions

- University of Pittsburgh agreed to purchase the former Pittsburgh Athletic Association and the adjacent property for \$34 Million to expand their campus on Fifth Ave.
- New York Life is relocating their offices from 2000 Park Lane in the Parkway West taking 45,000 SF at Commerce Court in the Fringe submarket
- Titan Robotics has signed a 34,000 SF lease at Airside Business Park in Parkway West submarket.
- Fox Rothchild announced they will be leaving 500 Grant Street and relocating to Six PPG Place later next year or in 2026.
- FNB Corporation secured an additional three floors at FNB Financial Center, scheduled to complete before year end 2024 with approximately 60% preleasing completed.

## Leasing Market Fundamentals

- The overall vacancy rate remained relatively stable at 24.5% in the second quarter of 2024 with a modest increase from year end 2023 of 24.1%.
- The Suburban market experienced most of the new leasing activity in the Pittsburgh market.
- While Class A asking rates saw a slight decline in second quarter of 2024, Class B rates have been on a continual rise from \$21.86/SF in the second quarter of 2023 to \$22.23/SF in the second quarter 2024.
- The overall market experienced minimal negative absorption of -83,338 SF. While the Class A overall market had 33,219 SF of positive absorption for the second quarter 2024.

## Outlook

- There has been an uptick in the demand for smaller tenant requirements in the 5,000 to 10,000 SF range.
- Major companies continue to right size their footprints to meet the changing needs .
- Tenant preferences are focused on the Suburban office submarkets. New requirements will likely drive more demand outside of the CBD
- A number of large buildings that have been facing challenges are considering conversion to alternate use. (Few examples include Three Gateway Center and Gulf Tower).
- The future of the CBD remains to be seen with the most recent news that BNY may not renew at 500 Grant St as their lease nears expiration in 2028.

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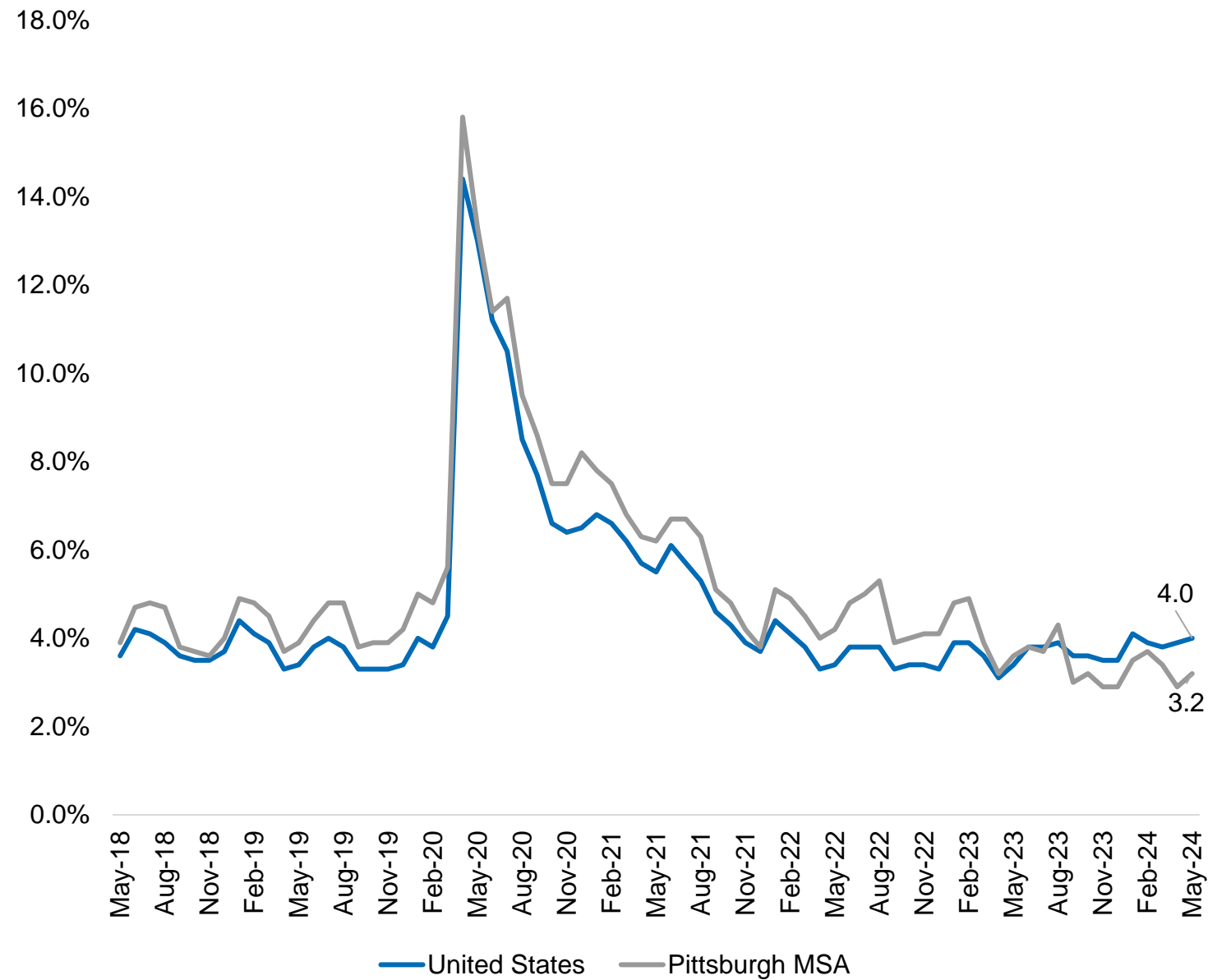
# Economy



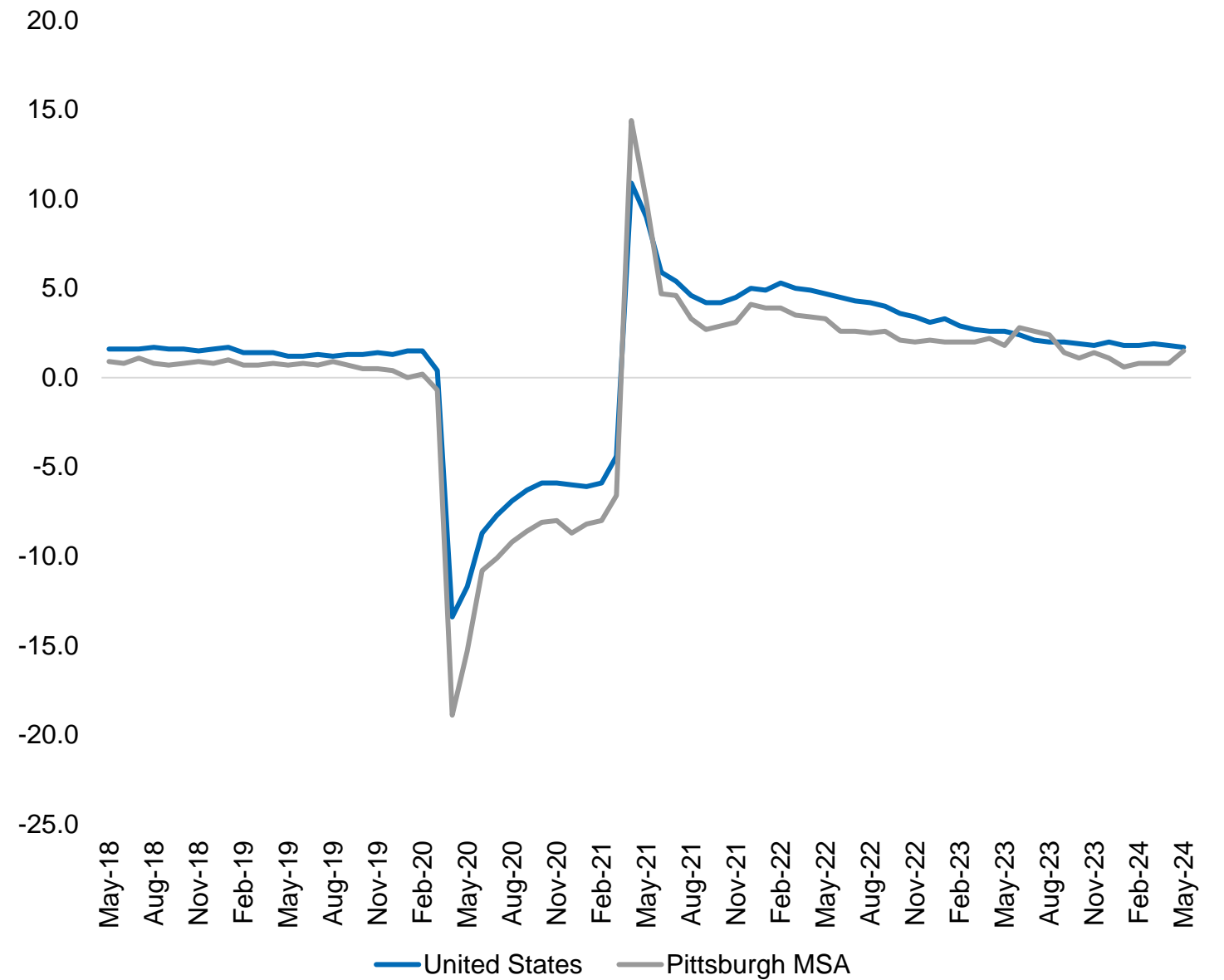
# Pittsburgh Unemployment Remains Below National Rate

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

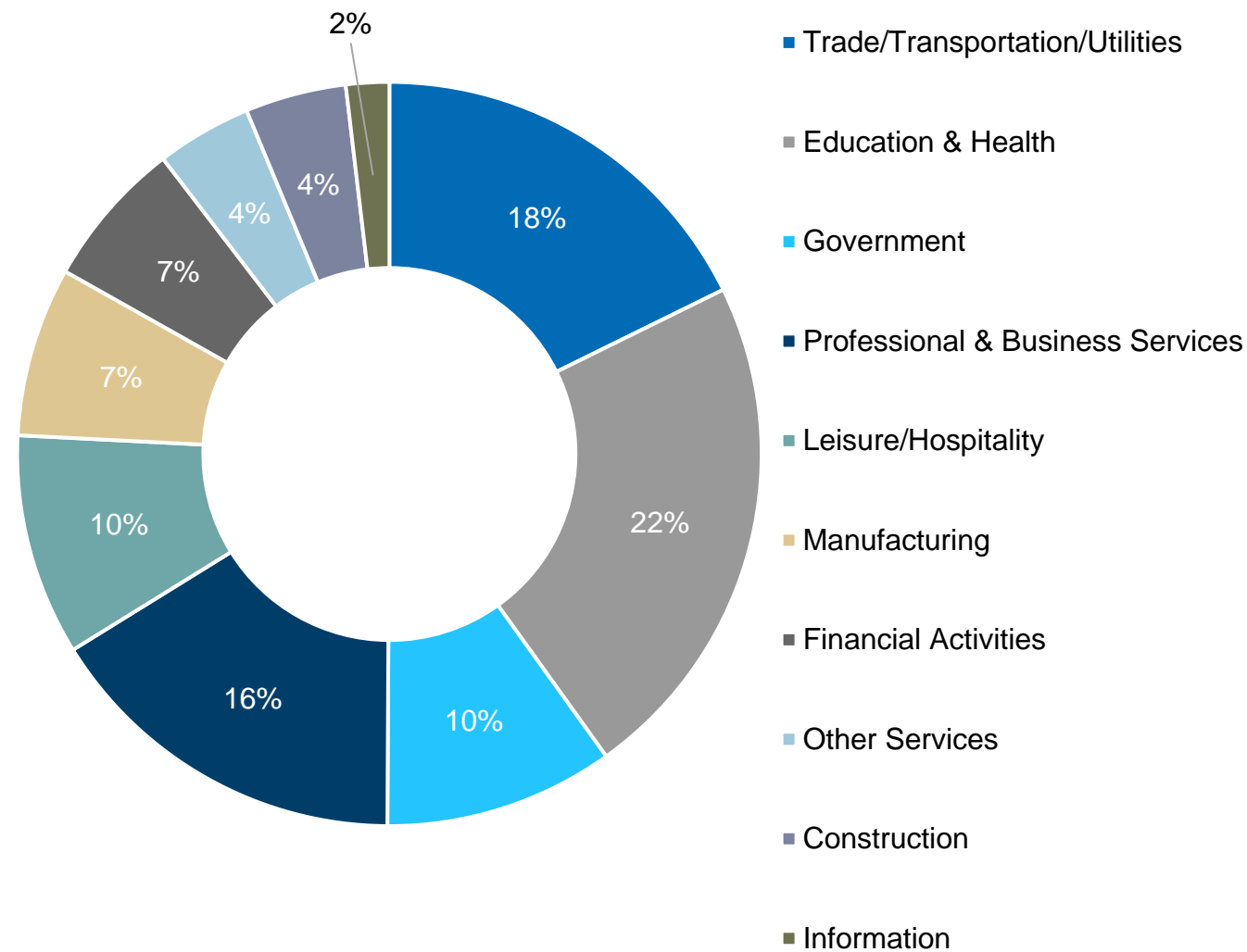


Source: U.S. Bureau of Labor Statistics, Pittsburgh MSA

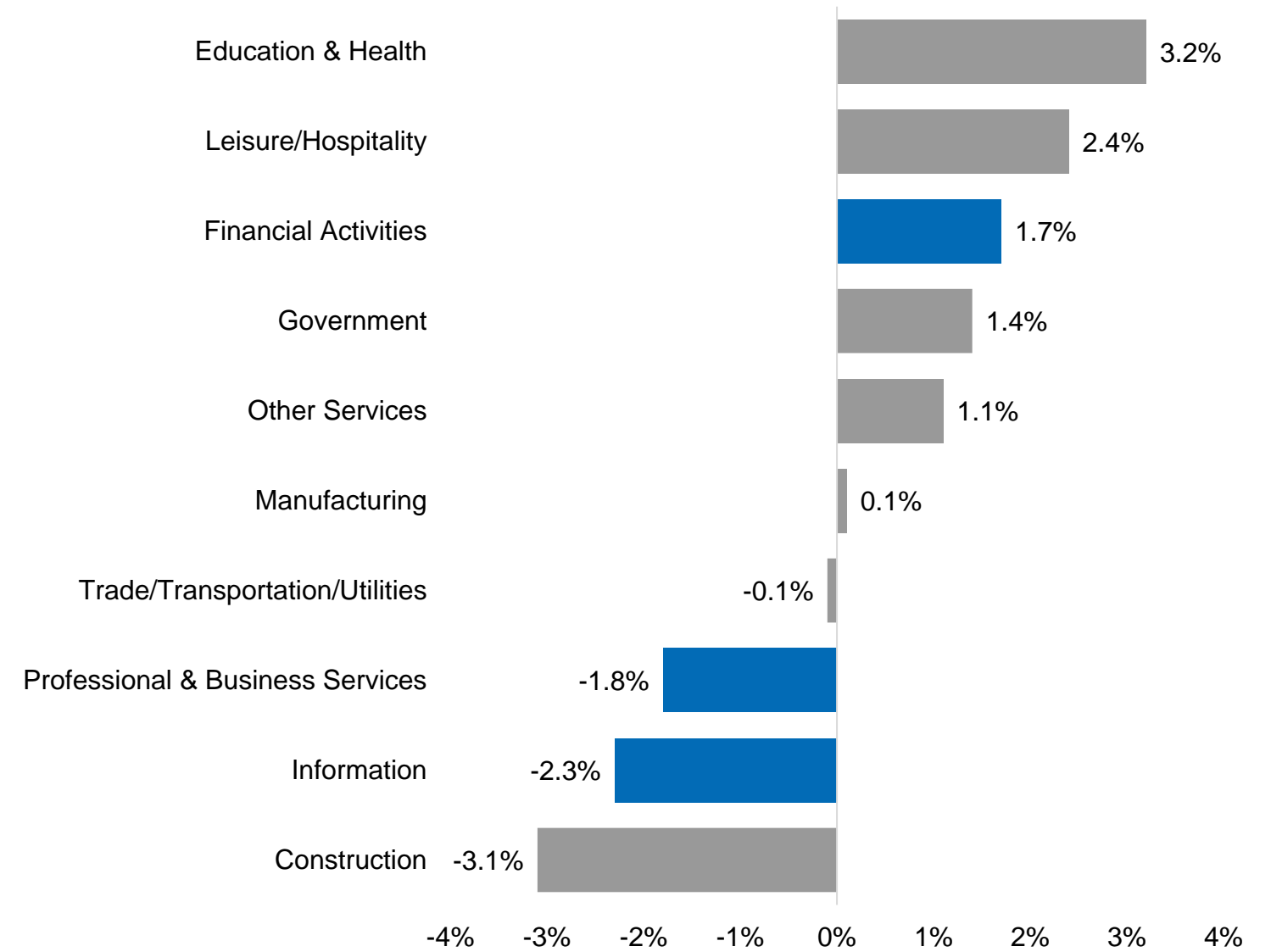
# Education and Health Employment Remain Strong

Our top-quality universities and health care centers continue to support the largest job-producing sector in the Pittsburgh MSA.

Employment by Industry



Employment Growth by Industry, 12-Month % Change, May 2024



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

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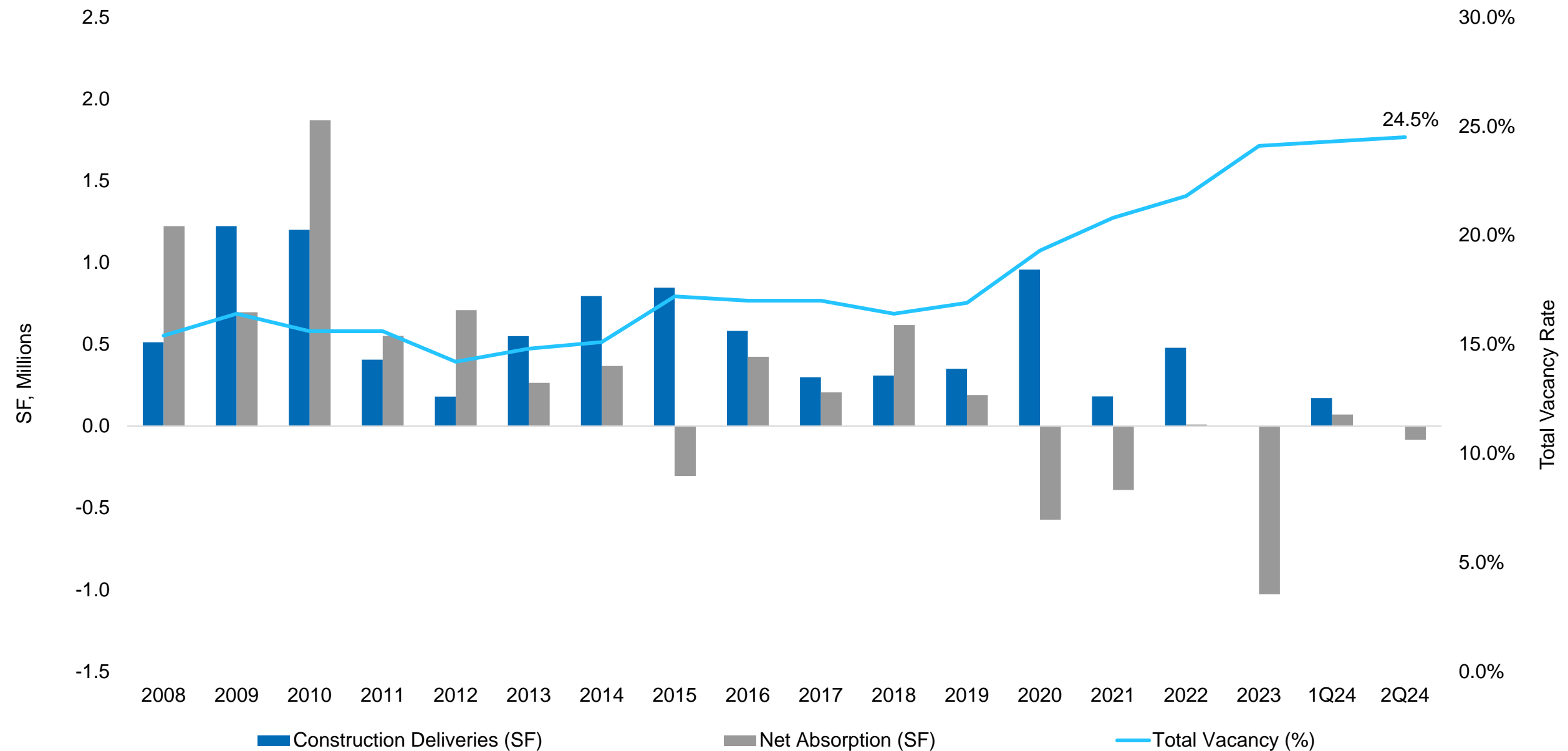
# Leasing Market Fundamentals



# Pittsburgh Market Showing Positive Signs

The lack of new inventory entering the market in the past year has helped to stabilize the overall vacancy rate in the Pittsburgh market. The overall market experienced minimal negative absorption of -83,338 SF. While the Class A overall market had 33,219 SF of positive absorption for the second quarter 2024

## Historical Construction Deliveries, Net Absorption, and Vacancy



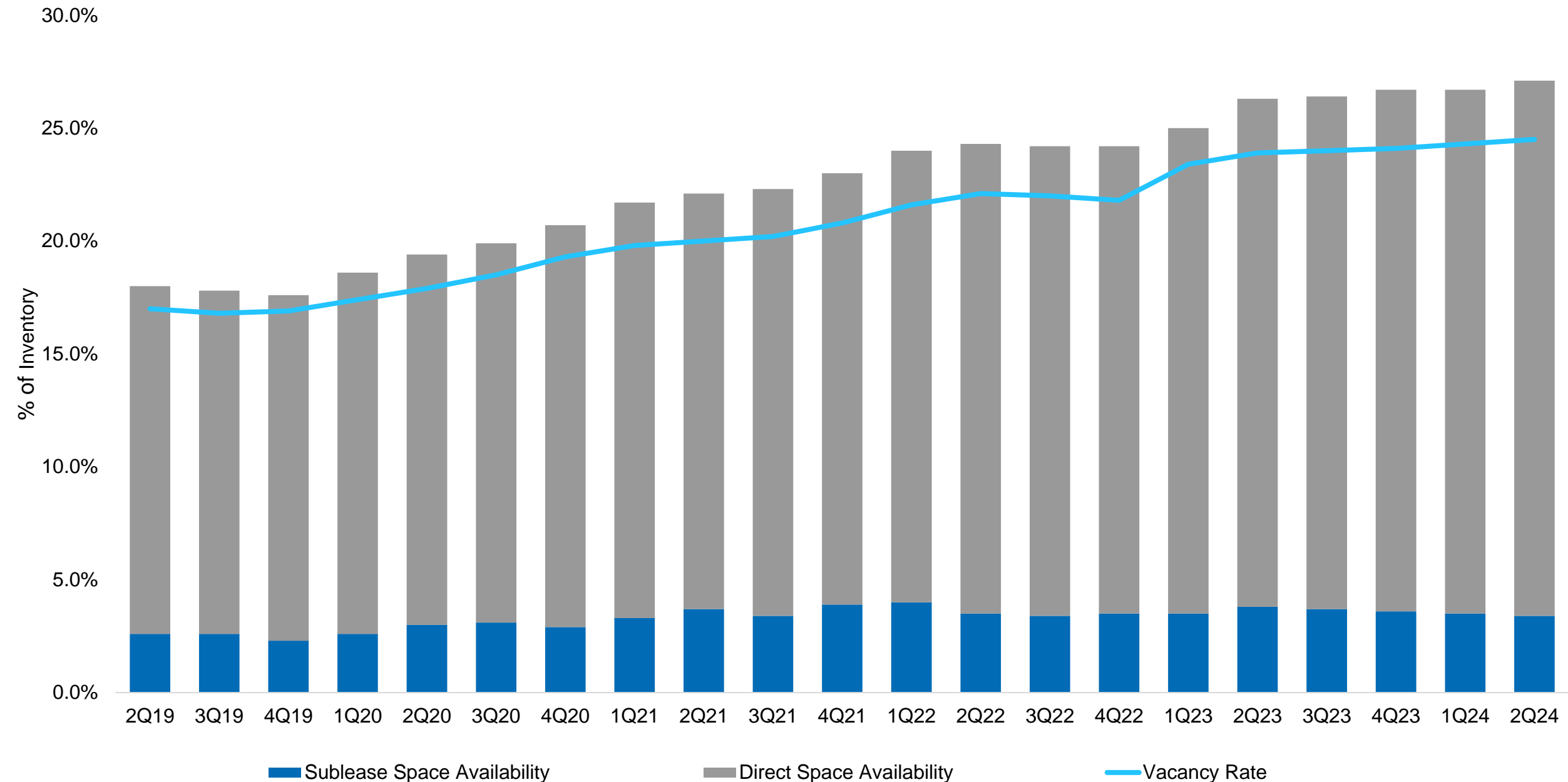
Source: Newmark Research, CoStar



# Sublease Availabilities Record Fourth Consecutive Quarter of Decline

Sublease availability once again showed a slight decrease in the second quarter of 2024 as some leases expired and reverted to the landlord as direct space. Tenants have also made the decision to take some space off the market and reoccupy their space.

## Available Space as Percent of Overall Market

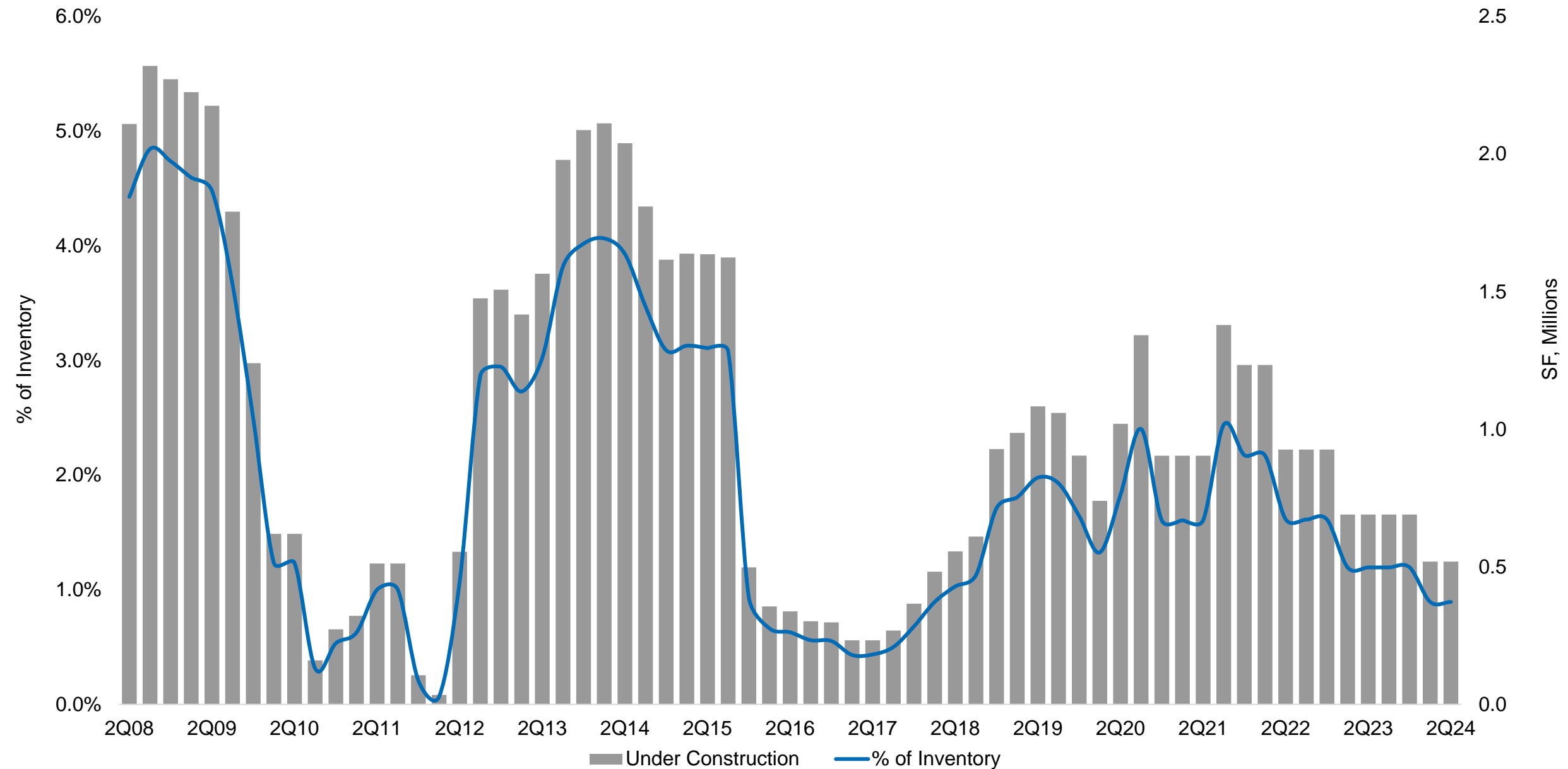


Source: Newmark Research, CoStar

# Proposed New Construction

In one of the tightest submarkets, Oakland/East End, Wexford Science & Technology Development has plans for a 125,000 SF building at 3440 Forbes Avenue as they recently announced 100% occupancy of their first building at 5051 Centre Avenue. This may be added to the construction pipeline in the near future. The current building in the pipeline, FNB Financial Center is scheduled to complete before end of 2024 with approximately 60% preleasing completed.

## Office Under Construction and % of Inventory

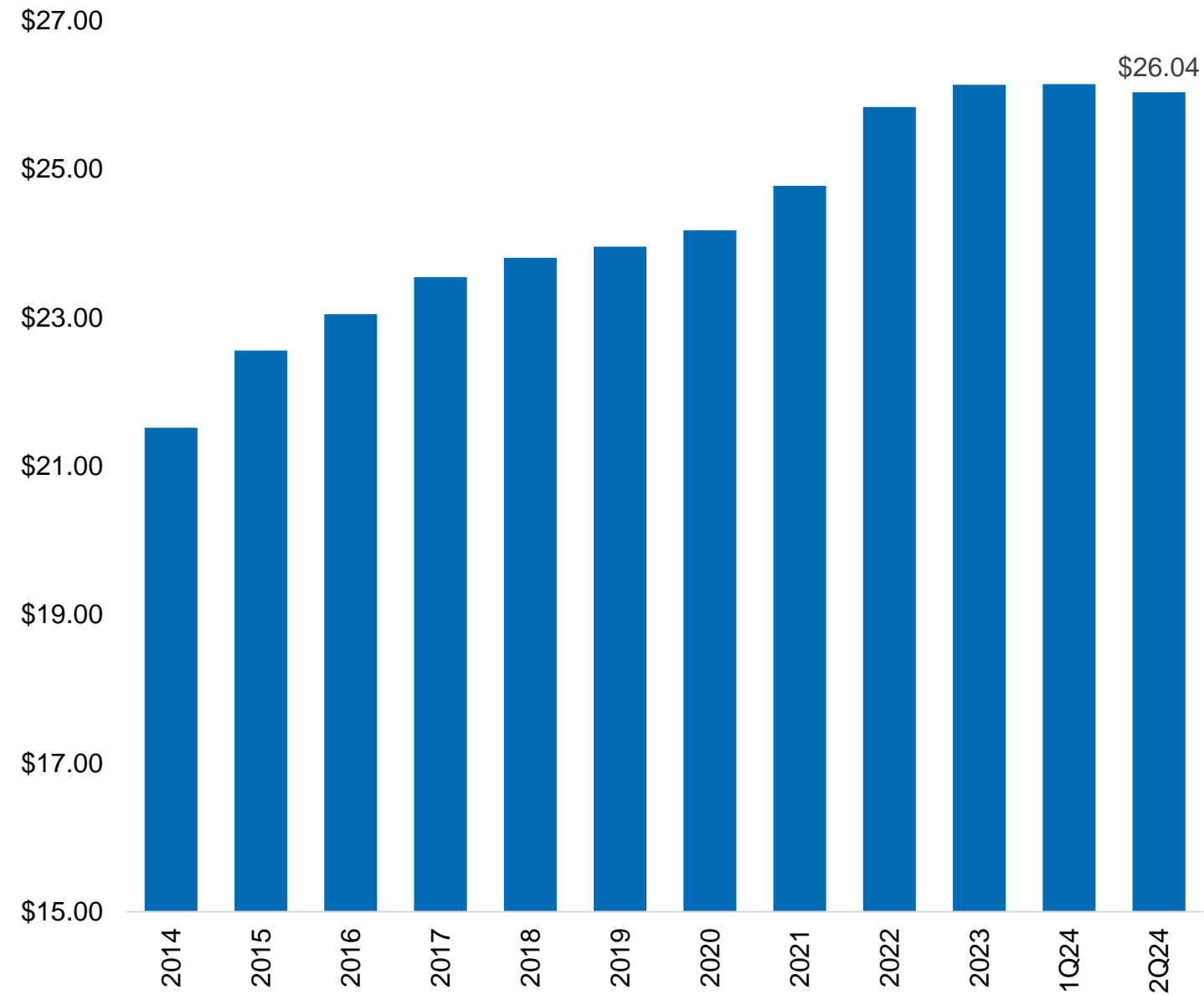


Source: Newmark Research, CoStar

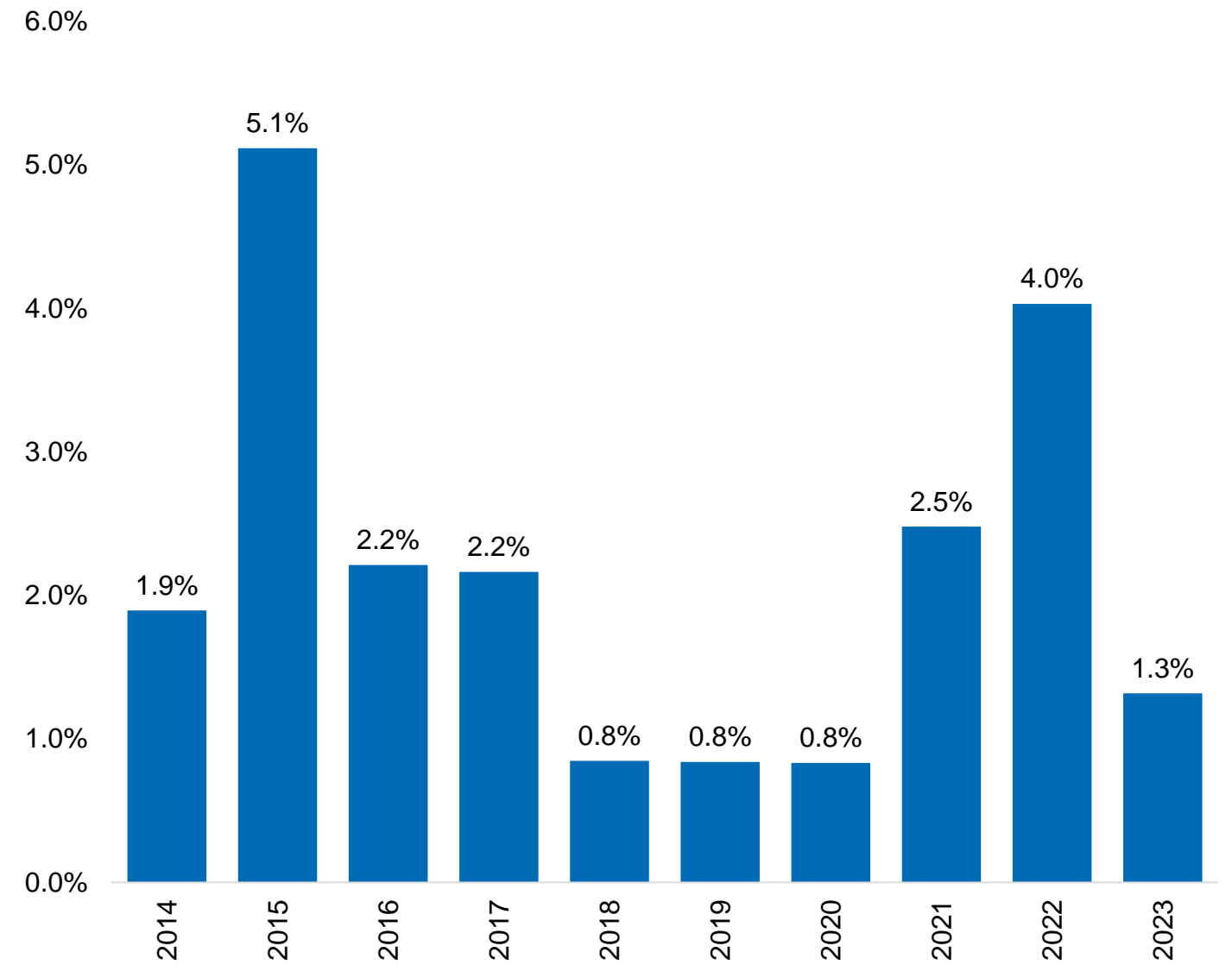
# Overall Average Asking Rents Remain Relatively Flat

Overall asking rates decreased slightly to \$26.04/SF from \$26.15/SF at the end of first quarter of 2024.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

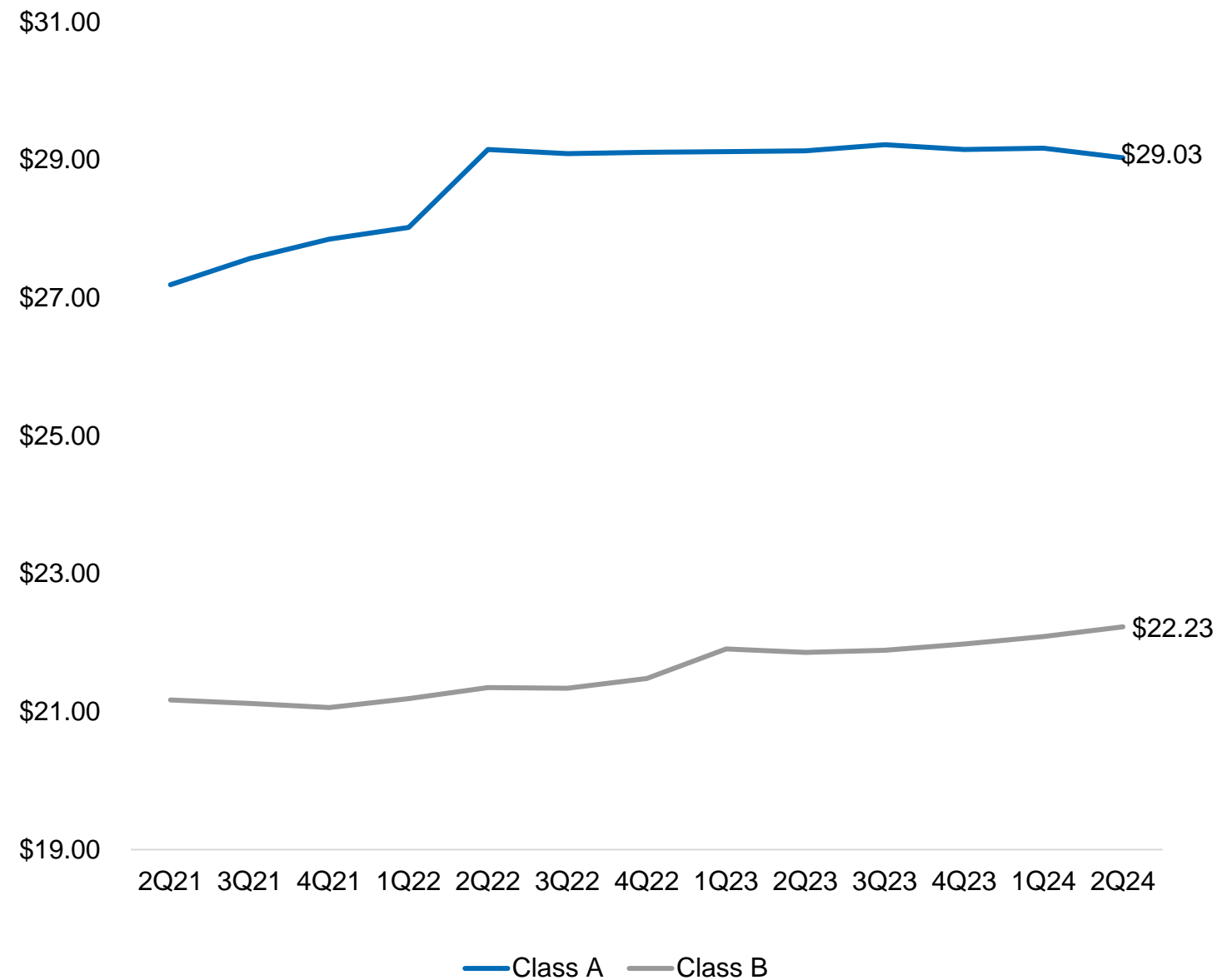


Source: Newmark Research, CoStar

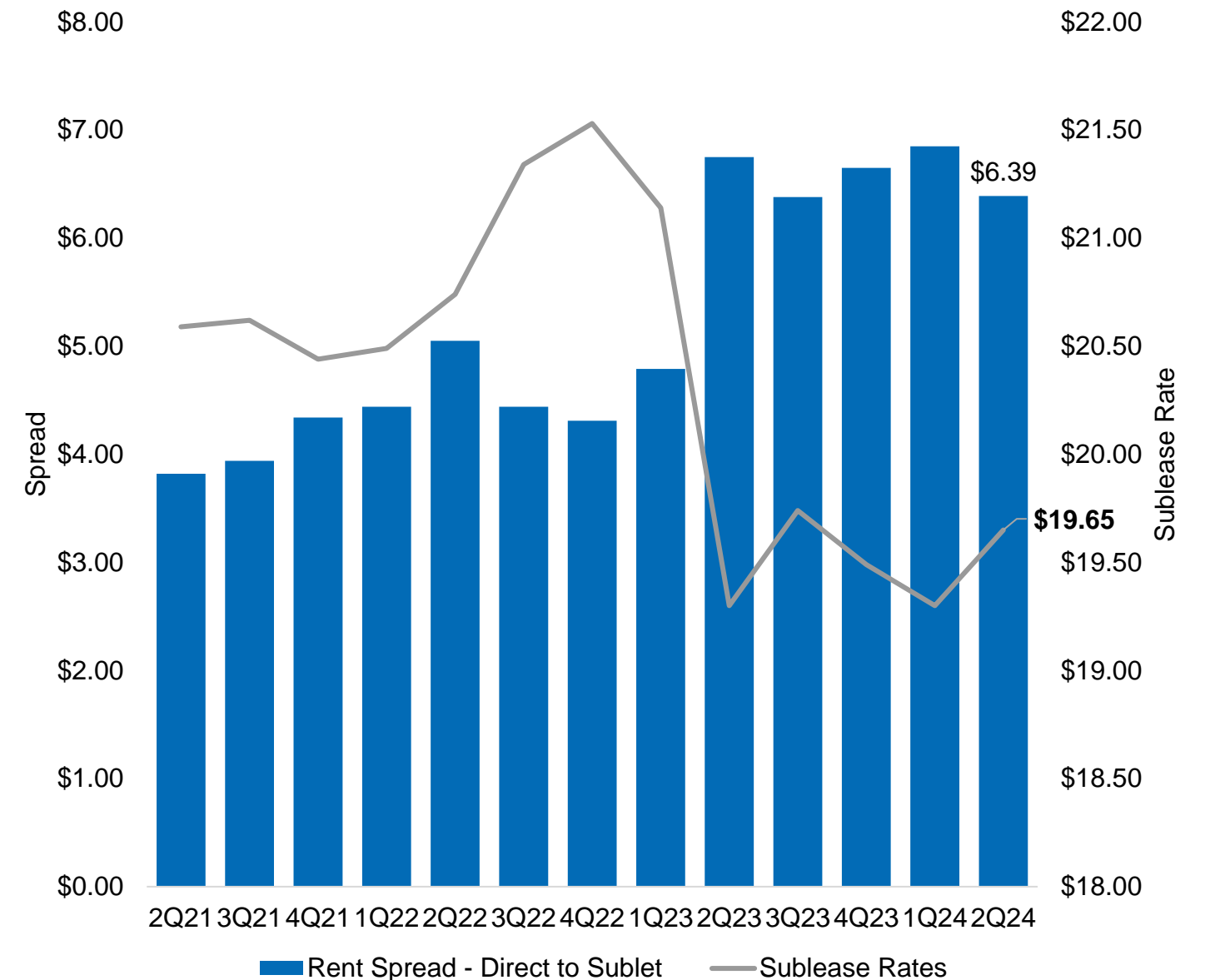
# Modest Increase Recorded in the Class B Asking Rents

While Class A asking rates saw a slight decline in second quarter of 2024, Class B rates have been on a continual rise from \$21.86/SF in the second quarter of 2023 to \$22.23/SF in the second quarter 2024. There was a slight decline in the rent spread between sublease and direct rates, as the average sublease asking rent increased from \$19.30/SF to \$19.65/SF this quarter and tightened the rent gap to \$6.39/SF

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

# 2Q24 Leasing Activity

Leasing activity continued to see significant increase in the second quarter of 2024, not only renewals but new leases particularly in the Parkway West.

## Notable 2Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Titan Robotics	Airside Business Park #400	Parkway West	New Lease	34,330
Patient Service Center	200 Industry Dr	Parkway West	New Lease	23,955
Edgar Snyder & Associates	The Cascade – 225 N Shore Dr	Fringe	New Lease	21,000
Wolfe Companies	Foster Plaza Ten	Parkway West	New Lease	20,471
Biohaven Pharmaceuticals	2100 Wharton St	Fringe	Renewal	19,769
Nelson Mullins Riley & Scarborough LLP	One PPG Place	CBD	New Lease	14,043
Strada Architecture	611 William Penn Place	CBD	Renewal	12,841
Smithfield Trust Company	20 Stanwix St	CBD	Renewal	12,271
RareMed Solutions	200 Industry Dr	Parkway West	Expansion	12,231

Source: Newmark Research, CoStar

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# Submarket Overview





Please reach out to your  
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