Pittsburgh

2022 metrics fall short of record highs seen in 2021 signaling a market slowdown

- Leasing in 2022 was 1.5 million s.f., 52% lower than 2021.
- The market experienced a slowdown in 2022 with absorption falling 96% compared to 2021.
- Over 1 million s.f. of new construction was added to the industrial inventory in 2022, 30% less than 2021.
- With nearly 2 million s.f. of construction in the pipeline, expect vacancies to remain stable with a gradual rise in rents throughout 2023.

Leasing activity in Q4 demonstrated over a 300% increase in volume over Q3 totals; however, leasing for the year was only 1.5 million s.f., 52% lower than last year. While absorption in 2022 remained positive at 115,380 s.f., the market experienced a noticeable slowdown relative to the record-high growth seen in 2021. Absorption in 2022 was 96% lower compared to 2021, which ended the year with over 2.7 million s.f. of positive absorption.

The Pittsburgh market added over 1 million s.f. of new construction in 2022, a notable increase; however, this level of supply was 30% less than 2021 totals. The largest projects that delivered in Q4 were Commerce Crossing Business Center in Westmoreland County, a 250,000-s.f. distribution facility developed by Al. Neyer and 301 Deer Run Road (100,000 s.f.) located at the I-79 North Industrial Park; the warehouse delivered 70% pre-leased and is owned and occupied by Mygrant Glass.

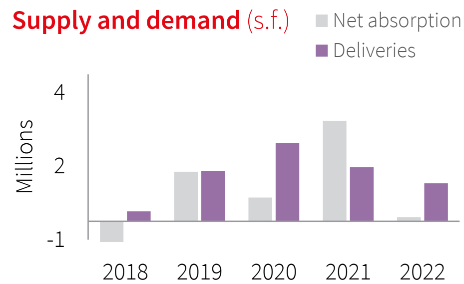
Outlook

With nearly 2 million s.f. of active construction in the pipeline anticipated to deliver in 2023, expect vacancies to remain stable with a gradual rise in asking rents. The current construction pipeline makes up only 1% of the total existing inventory, signaling that upcoming supply will not oversaturate the market in the near-term.

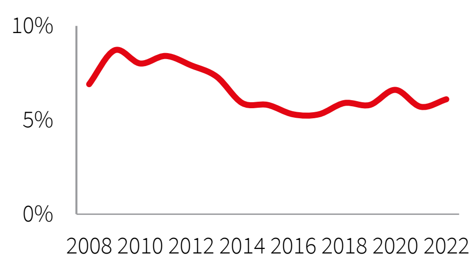
Although leasing metrics have slowed, the next 12-18 months show promise of attracting new businesses as evidenced by waning supply chain issues and a transition to a more build-to-suit rather than speculative development approach from owners. Given the region's rolling hills, topography will always pose a challenge to develop in Western PA, demonstrating why efforts by local development corporations such as WCIDC are critical to the future prosperity of the region. With state funding support from a $2 million RACP grant and a $2.3 million PIDA loan, WCIDC broke ground on a $6.3 million initiative to add three new pad-ready sites as part of Phase Two of Westmoreland Distribution Park North, allowing for more accessible options for occupiers in the coming quarters.

Fundamentals		Forecast
YTD net absorption	115,380 s.f.	▲
Under construction	1,752,667 s.f.	▲
Total vacancy	6.1%	▶
Sublease vacancy	54,477 s.f.	▶
Direct asking rent	$5.88 p.s.f.	▲
Sublease asking rent	$5.57 p.s.f.	▶
Concessions	Stable	▶

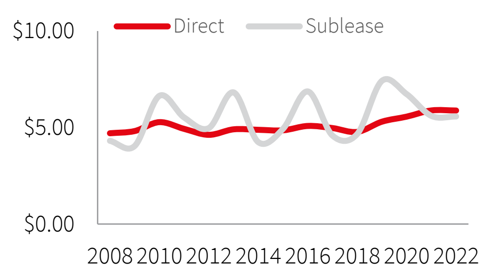
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



For more information, contact: Caitlin Fadgen | Caitlin.Fadgen@jll.com

Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent ($ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Pittsburgh total										
Warehouse & Distribution	93,382,119	414,119	269,232	0.3%	6.1%	7.1%	$6.45	311,000	899,526	1,681,794
Manufacturing	54,559,543	136,404	-153,852	-0.3%	6.2%	6.0%	$5.03	100,000	135,000	70,873
Overall Total	**147,941,662**	**550,523**	**115,380**	**0.1%**	**6.1%**	**6.7%**	**$5.89**	**411,000**	**1,034,526**	**1,752,667**
Beaver County										
Warehouse & Distribution	5,771,832	334,870	315,085	5.5%	9.4%	9.3%	$5.97	60,800	60,800	0
Manufacturing	4,358,977	0	-26,000	-0.6%	10.0%	10.0%	$4.09	0	0	0
Overall Total	**10,130,809**	**334,870**	**289,085**	**2.9%**	**9.6%**	**9.6%**	**$4.93**	**60,800**	**60,800**	**0**
Butler County										
Warehouse & Distribution	4,397,989	-8,750	193,590	4.4%	9.0%	7.4%	$6.02	0	40,000	60,000
Manufacturing	3,564,378	-14,995	-78,692	-2.2%	8.8%	8.8%	$4.44	0	0	0
Overall Total	**7,962,367**	**-23,745**	**114,898**	**1.4%**	**8.9%**	**8.0%**	**$5.23**	**0**	**40,000**	**60,000**
Downtown										
Warehouse & Distribution	18,246,975	-28,134	110,639	0.6%	3.9%	5.7%	$6.58	0	0	150,000
Manufacturing	4,509,933	-3,000	53,000	1.2%	4.3%	4.5%	$6.28	0	0	0
Overall Total	**22,756,908**	**-31,134**	**163,639**	**0.7%**	**4.0%**	**5.5%**	**$6.53**	**0**	**0**	**150,000**
East										
Warehouse & Distribution	6,083,050	-10,832	-700,493	-11.5%	14.9%	12.7%	$5.02	0	0	141,386
Manufacturing	3,637,644	0	-7,500	-0.2%	5.3%	5.3%	$3.97	0	0	0
Overall Total	**9,720,694**	**-10,832**	**-707,993**	**-7.3%**	**11.3%**	**10.0%**	**$4.82**	**0**	**0**	**141,386**
Northeast										
Warehouse & Distribution	6,137,623	23,465	41,469	0.7%	1.3%	1.1%	$10.69	0	49,500	0
Manufacturing	6,880,307	0	-52,000	-0.8%	2.4%	2.6%	$5.61	0	0	0
Overall Total	**13,017,930**	**23,465**	**-10,531**	**-0.1%**	**1.9%**	**1.9%**	**$6.97**	**0**	**49,500**	**0**
Northwest										
Warehouse & Distribution	10,588,712	-1,300	52,609	0.5%	5.9%	6.1%	$9.36	0	0	0
Manufacturing	3,252,012	48,794	48,794	1.5%	2.8%	0.9%	$0.00	100,000	100,000	0
Overall Total	**13,840,724**	**47,494**	**101,403**	**0.7%**	**5.2%**	**4.9%**	**$9.36**	**100,000**	**100,000**	**0**
South										
Warehouse & Distribution	5,568,059	2,000	122,874	2.2%	2.8%	1.9%	$4.93	0	0	0
Manufacturing	7,963,749	67,560	5,430	0.1%	5.4%	3.3%	$5.98	0	0	0
Overall Total	**13,531,808**	**69,560**	**128,304**	**0.9%**	**4.3%**	**2.7%**	**$5.68**	**0**	**0**	**0**
Washington County										
Warehouse & Distribution	6,665,546	-7,000	25,309	0.4%	8.2%	10.3%	$5.22	0	0	0
Manufacturing	4,809,480	0	31,675	0.7%	2.3%	1.7%	$5.88	0	35,000	0
Overall Total	**11,475,026**	**-7,000**	**56,984**	**0.5%**	**5.7%**	**6.7%**	**$5.33**	**0**	**35,000**	**0**
West										
Warehouse & Distribution	15,115,957	-34,232	67,396	0.4%	4.7%	10.5%	$6.72	0	348,994	980,408
Manufacturing	3,135,905	38,045	42,237	1.3%	1.4%	3.2%	$5.75	0	0	70,873
Overall Total	**18,251,862**	**3,813**	**109,633**	**0.6%**	**4.1%**	**9.3%**	**$6.67**	**0**	**348,994**	**1,051,281**
Westmoreland County										
Warehouse & Distribution	14,806,376	144,032	40,754	0.3%	6.9%	5.7%	$5.90	250,200	400,232	350,000
Manufacturing	12,447,158	0	-170,796	-1.4%	11.2%	11.7%	$5.10	0	0	0
Overall Total	**27,253,534**	**144,032**	**-130,042**	**-0.5%**	**8.9%**	**8.4%**	**$5.32**	**250,200**	**400,232**	**350,000**