

FIGURES | PITTSBURGH INDUSTRIAL | Q3 2024

Steady availability and construction activity reflect market resilience

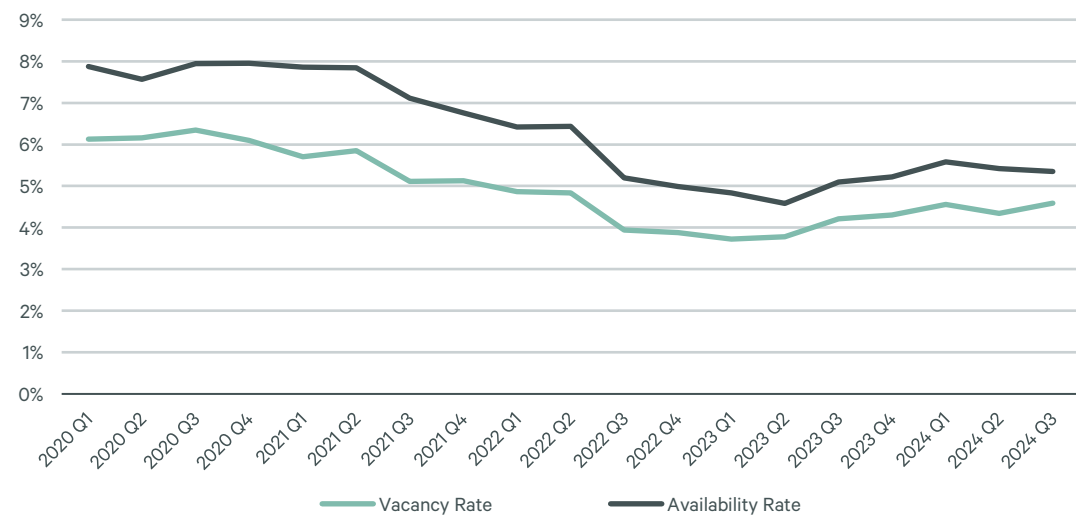


Note: Arrows indicate change from previous quarter.

MARKET SUMMARY

- Q3 leasing activity skewed smaller, with all deals under 50,000 sq. ft. Transaction activity was well distributed across submarkets, but the West continues to dominate. The largest new lease this quarter was Wholesale Millwork 49,110 sq. ft. at 2400 Sweeney Dr.
- The availability rate held steady from the previous quarter at 5.4%. Coupled with this quarter's steady leasing activity, this highlights the stability in the industrial market.
- Asking rates increased from \$9.18 to \$9.30. Continued demand and a tightening supply market signal there is growing confidence in the sector.
- Stable market fundamentals could indicate future growth in new construction. Only 400,000 sq. ft. of projects are currently underway, with the majority slated for delivery next year.

FIGURE 1: Historical Vacancy & Availability



Source: CBRE Research, Q3 2024

Market Activity

The Pittsburgh industrial market remains stable, despite experiencing a notable move-out at Airbrake Drive that contributed to a negative absorption of 418,185 sq. ft. This marks the first negative absorption since Q2 2023, though overall market fundamentals appear to remain stable. Vacancy rates remain low at 4.6%, reflecting continued demand for industrial space in the region.

New industrial construction remains stagnant with limited activity. Future speculative development remains a challenge as developers still face high construction costs and a challenging financing market.

Leasing activity this quarter remains subdued with Wholesale Millwork’s lease under 50,000 sq. ft. being the largest of the quarter. 75% of leases signed this quarter were new leases for a total of 243,100 sq. ft. compared to 60% last quarter or a total of 381,400 sq. ft.

Capital markets activity remained sluggish with the sale of one property at 2835 Darlington Rd, a 72,000 sq. ft. warehouse for approximately \$2.6 million.

FIGURE 3: Historical Absorption vs Asking Rates



FIGURE 4: Statistics, Building Size

	Net Rentable Area	Total Vacancy Rate	Total Availability Rate	Net Absorption	Avg Asking Lease Rate
< 20,000	7,783,204	0.5%	1.2%	(23,271)	\$12.62
20,000 - 49,999	20,719,589	1.5%	2.3%	44,169	\$9.30
50,000 - 99,999	26,041,453	5.4%	6.2%	(159,071)	\$9.40
100,000 - 499,999	65,405,383	4.5%	5.2%	(61,238)	\$8.62
500,000+	31,583,605	7.2%	8.1%	(218,774)	\$12.36
Grand Total	151,533,234	4.6%	5.4%	(418,185)	\$9.30

Source: CBRE Research, Q3 2024

FIGURE 2: Construction Activity

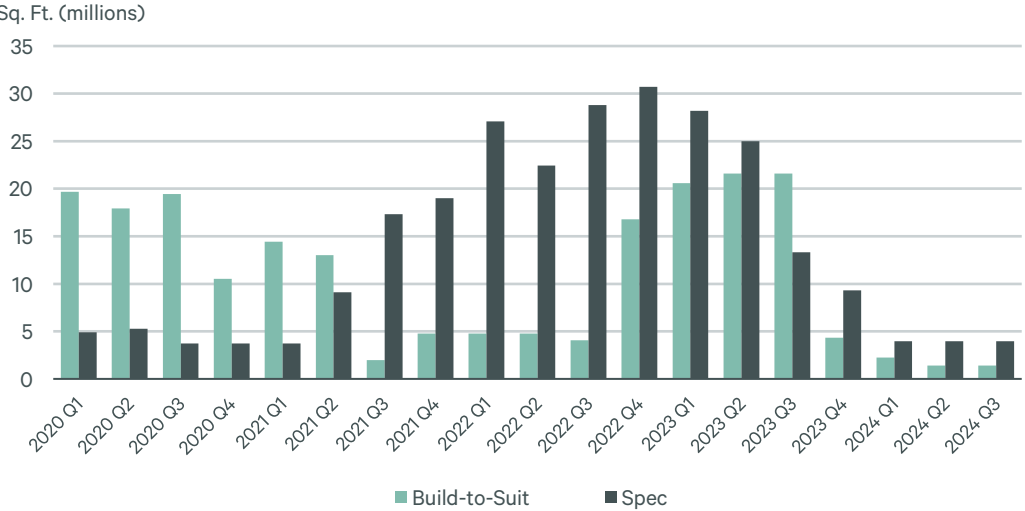


FIGURE 5: Submarket Statistics by Property Type

Submarket & Property Subtype	Net Rentable Area	Total Vacancy Rate	Total Availability Rate	Net Absorption	Avg Asking Lease Rate
Beaver County	11,560,671	3.2%	2.4%	(68,464)	\$6.00
Butler County	8,870,212	1.9%	2.5%	30,599	\$6.82
City of Pittsburgh	16,092,316	4.1%	6.6%	(69,769)	\$10.23
Cranberry	9,053,571	3.1%	3.6%	(17,086)	\$19.73
East	10,684,613	12.3%	13.1%	(157,056)	\$5.45
Northeast	14,251,231	2.7%	3.6%	(112,533)	\$15.32
Northwest	6,722,794	1.4%	3.3%	49,457	\$9.25
South	11,322,584	0.6%	2.1%	(4,464)	\$5.24
Washington County	12,642,026	3.7%	4.0%	(16,837)	\$6.54
West	24,016,355	6.6%	7.3%	55,301	\$9.77
Westmoreland County	26,316,861	5.9%	6.0%	(107,333)	\$6.27
Grand Total	151,506,714	4.5%	5.3%	(418,185)	\$9.30

Source: CBRE Research, Q3 2024

National Economic Outlook

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is steady and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a downturn in the labor market, although the recent bump in unemployment appears mainly driven by an increase in participation.

One reason for concern is the decline in the share of private industries that are creating jobs. The labor market has slowed but it is not slumping, and companies are not letting workers go at a particularly high rate.

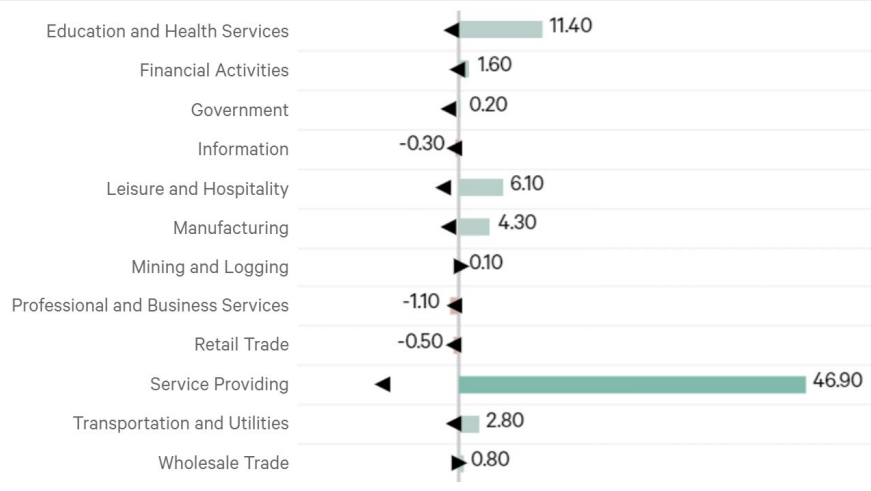
While many are focused on November’s election, the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

Source: CBRE Research

Pittsburgh Employment Update



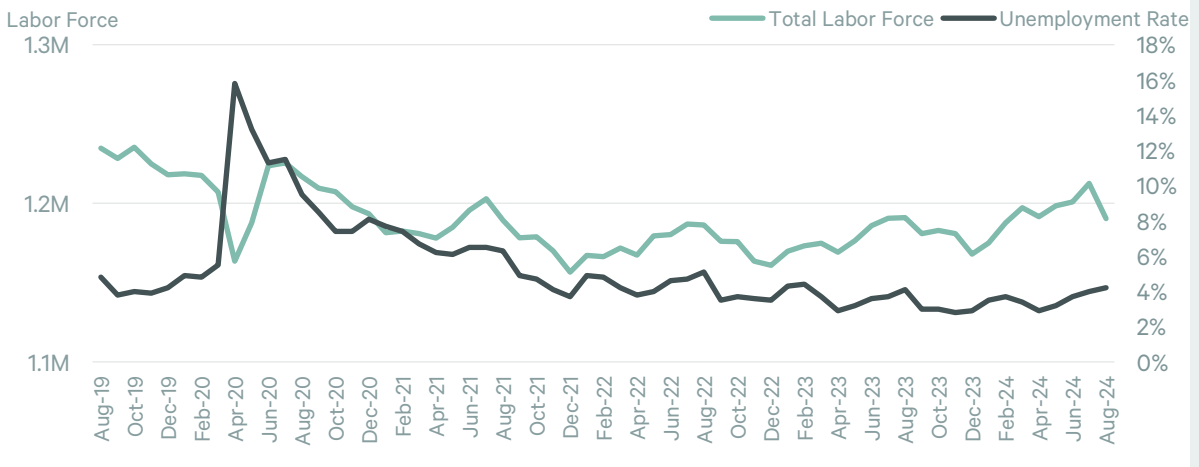
Employment Change by Sector – Yearly + Monthly
Bars indicate yearly trend, arrows indicate monthly trend



Note: Arrows indicate month-over-month change.

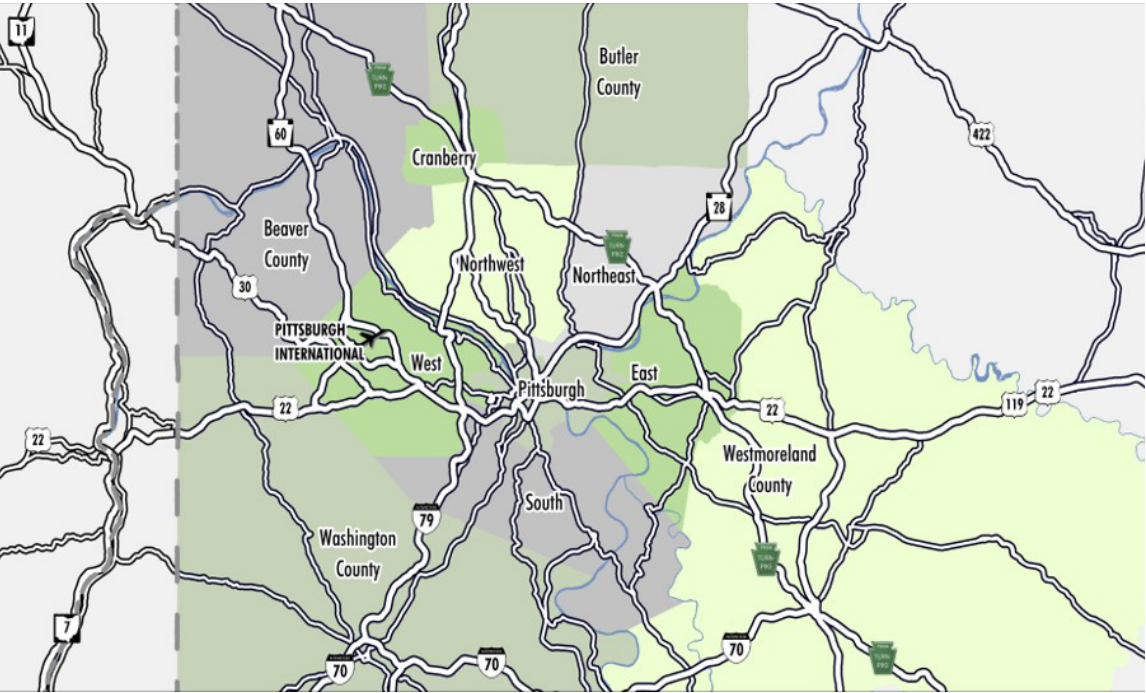
Source: US BLS, August 2024

Pittsburgh, PA Unemployment Rate and Labor Force Trends



Source: US BLS, August 2024

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Industrial buildings 10,000 sq. ft. or greater.

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