

FIGURES | PITTSBURGH INDUSTRIAL | Q4 2023

Pre-leasing of New Construction Brings Another Quarter of Positive Net Absorption



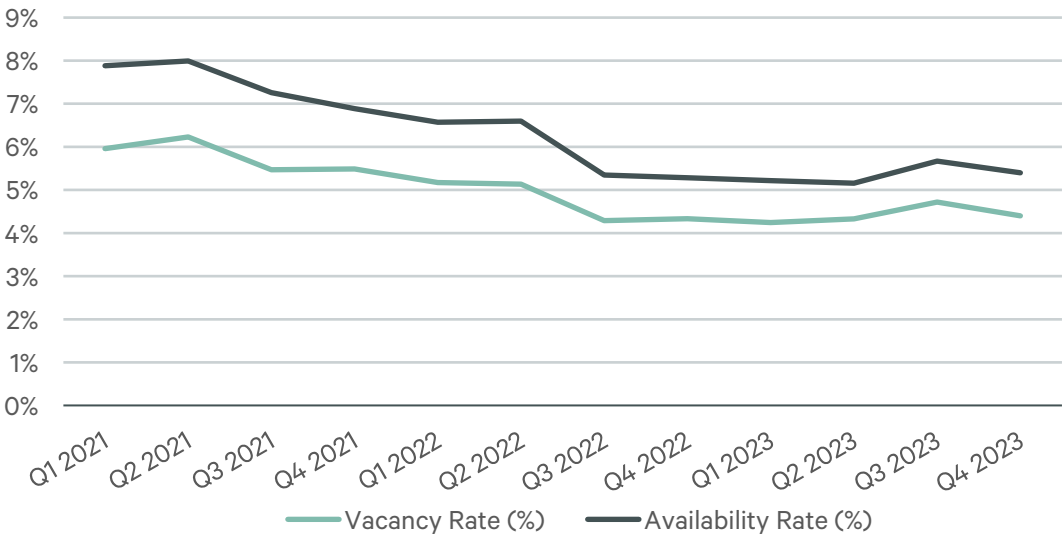
Note: Arrows indicate change from previous quarter.

MARKET SUMMARY

- The Pittsburgh industrial market posted 1,434,902 sq. ft of positive absorption market wide due to large tenants occupying recently delivered new product.
- Vacancy recorded a slight decrease of 30 basis points quarter-over-quarter to 4.4 percent as tenants pre-leased new construction.
- 1.5 million sq. ft. of construction delivered in the fourth quarter of 2023 with 1.1 million sq. ft. still underway. 814,067 sq. ft. of the current construction is on a speculative basis.
- Average asking rental rates increased to \$9.18, an 18 percent year-over-year increase. R&D/Flex asking rates climbed to \$16.95, up from \$16.60 in the third quarter.

The Pittsburgh industrial market remained active through the fourth quarter of 2023. A large pipeline of construction continued as a few significant projects delivered in the fourth quarter. New tenants absorbed the space as other large blocks of new construction remained vacant and available.

FIGURE 1: Historical Vacancy & Availability



Source: CBRE Research, Q4 2023

Market Activity

Leasing activity increased in the fourth quarter to 470,631 sq. ft., bringing year-to-date leasing activity to more than 2.1 million sq. ft. across all four quarters. Over 73 percent of deals completed this quarter were new leases. Overall demand is expected to pick up in coming quarters as larger occupiers are in the market for new space.

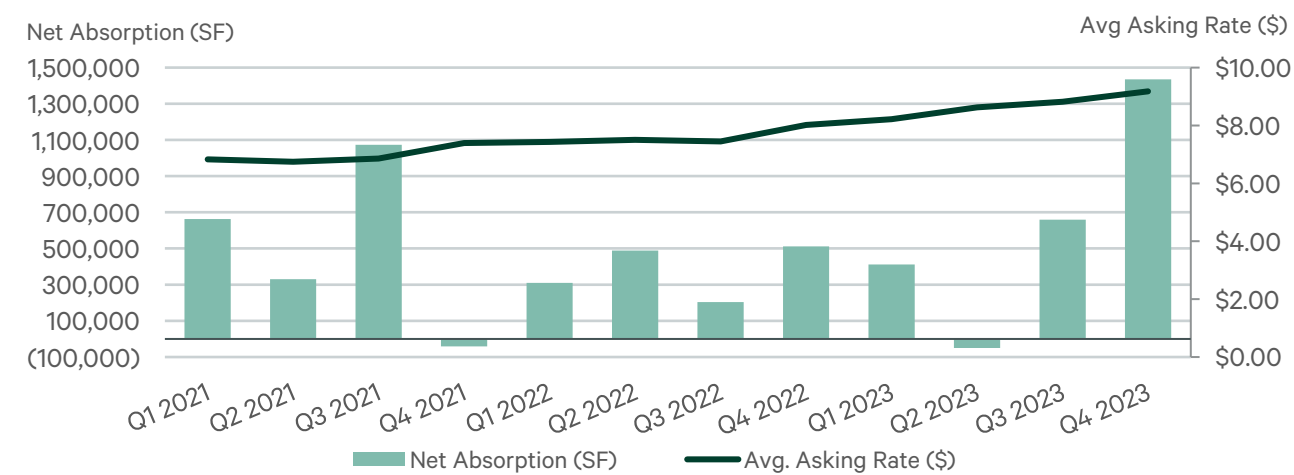
Market wide vacancy decreased 30 basis points year-over-year to 4.4 percent, mainly due to tenants occupying pre-leased space in newly completed construction. Availability also declined to 5.4 percent, down 30 basis points quarter-over-quarter. Asking rates continued to rise as new Class A inventory was added to the market. Market wide asking rates increased this quarter to \$9.18.

The Westmoreland County submarket was the most active submarket through the fourth quarter of the year. Absorption in the submarket netted positive 1.3 million sq. ft. and asking rates reached \$6.18. Westmoreland County currently has one project underway that will deliver 150,032 sq. ft. in coming quarters.

The largest lease of the quarter was Rexel USA renewing their 66,900 sq. ft. space at 450 Butler St in the Northwest submarket. Staples Contracting & Commercial also renewed for 30,000 sq. ft. at 4777 Streets Run Rd. in the South submarket.

Demand for industrial space in The City of Pittsburgh resulted in overall positive market fundamentals this quarter. Net absorption reached positive 17,672 sq. ft., with tenants such as United Garage Door Company occupying space there. Vacancy dropped 90 basis points this quarter to 3.7 percent, while asking rates increased to \$9.58 in this submarket.

FIGURE 2: Historical Absorption vs Asking Rates



Source: CBRE Research, Q4 2023

FIGURE 3: Key Transactions

Lease Type	Address	Tenant	Area Leased	Submarket
Renewal	450 Butler St	Rexel USA	66,900	Northwest
Renewal	4777 Streets Run Rd	Staples Contracting & Commercial	30,000	South
New Lease	2000 Energy Dr	Hartman and Hartman Construction	20,000	South
Renewal	150 159 Crown Ct	Supply Technologies	19,500	West
New Lease	144 Ferry St	American Carpet South	13,403	Northwest

Source: CBRE Research, Q4 2023

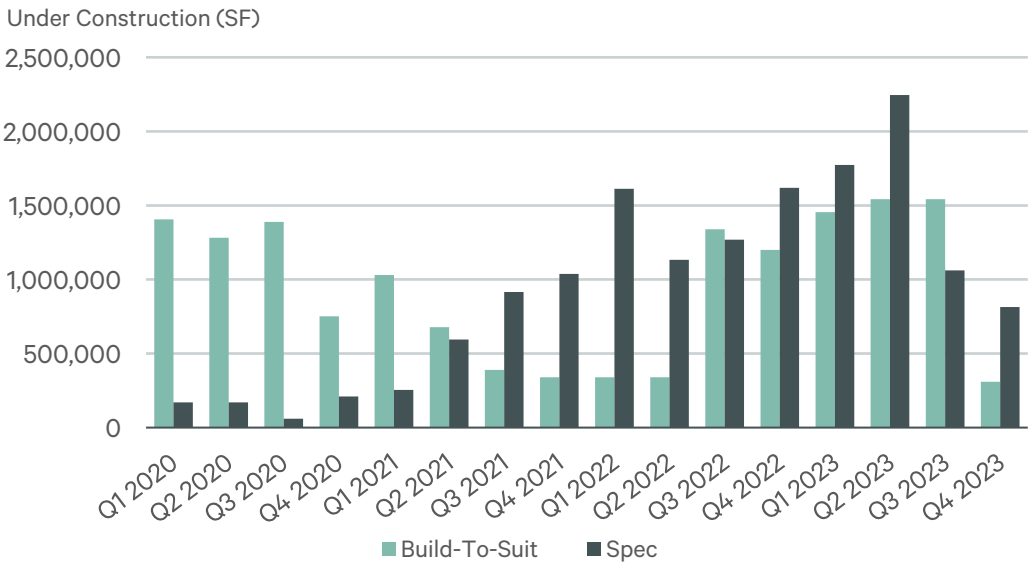
Development & Employment Update

Development

The industrial construction pipeline currently has 1.1 million sq. ft. underway across nine projects. 814,067 sq. ft. of construction consists of speculative projects, while the remaining 310,000 sq. ft. will be build-to-suit. Speculative developments await to see how new product performs before moving forward with construction plans.

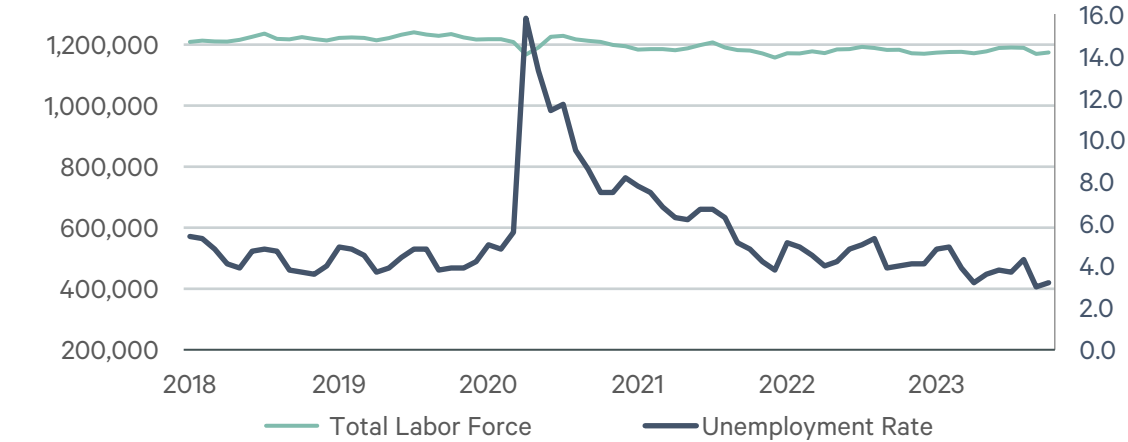
Nearly 765,000 sq. ft. of the current projects fall in the West submarket while 150,032 sq. ft. fall in the Westmoreland County submarket. The most notable property currently underway is RockPoint Industrial Building A, which will add 283,815 sq. ft. of product to the market.

FIGURE 4: Historical Construction by Type



Source: CBRE Research, Q4 2023

FIGURE 5: Historical Employment & Labor Force



Source: CBRE Research, Q4 2023

1.5 million sq. ft. of industrial projects delivered in the fourth quarter of the year. The largest completion was Amazon’s 1 million sq. ft. build-to-suit at the New Stanton Technology Park. Reinhardt Cold Storage also expanded 155,000 sq. ft. at their current location at 226 E. View Dr. in Mount Pleasant, PA. The Westmoreland I-70 Industrial Park also completed this quarter and was occupied by Wyatt Inc. 3051 Gulf Rd, Tull Complex, Alpine Point and Building 3 at 18 McClaren Rd were also finalized, for a combined 195,500 sq. ft. of space. Two construction projects are expected to complete in the first quarter of 2024, adding more Class A product to the market.

Employment

The Pittsburgh workforce remains resilient as companies continue to encourage employees to return to the office in the new year. The Pittsburgh unemployment rate stands at 3.2 percent in October 2023, an 80 basis point decline year-over-year. Pittsburgh unemployment lands below the national average of 3.7 percent.

The total labor force in the Pittsburgh market settles just over 1.2 million, holding steady across 2023. Total industrial using jobs were up to 350.1 thousand in the month of October. The strongest performing sectors include manufacturing, which is up 7.2 percent year-over-year.

FIGURE 6: Submarket Statistics by Property Type

Submarket & Property Subtype	Inventory (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Q4 2023 Net Absorption (SF)	Overall Avg. Asking Rate (\$)
Beaver County	11,563,278	3.8%	3.7%	(4,240)	\$6.76
R&D/Flex	201,810	0.0%	0.0%	0	NA
Warehouse/Distribution	11,361,468	3.9%	3.8%	(4,240)	\$6.76
Butler County	8,761,999	2.6%	3.8%	0	\$6.88
R&D/Flex	112,500	0.0%	0.0%	0	NA
Warehouse/Distribution	8,649,499	2.6%	3.8%	0	\$6.88
City of Pittsburgh	15,953,731	3.7%	4.9%	17,672	\$9.58
R&D/Flex	1,431,031	17.6%	18.8%	0	\$14.86
Warehouse/Distribution	14,522,700	2.3%	3.5%	17,672	\$8.15
Cranberry	9,053,571	2.7%	3.0%	21,944	\$18.98
R&D/Flex	1,779,344	10.7%	11.4%	7,947	\$18.98
Warehouse/Distribution	7,274,227	0.7%	1.0%	13,997	NA
East	10,629,833	10.6%	10.9%	(12,478)	\$5.86
R&D/Flex	1,721,093	0.7%	1.2%	9,600	\$14.40
Warehouse/Distribution	8,908,740	12.6%	12.8%	(22,078)	\$5.44
Northeast	14,251,231	2.0%	4.3%	0	\$13.82
R&D/Flex	3,132,784	6.8%	6.8%	0	\$20.19
Warehouse/Distribution	11,118,447	0.6%	3.6%	0	\$9.35
Northwest	6,829,794	2.6%	4.4%	112,420	\$9.93
R&D/Flex	578,486	7.7%	7.7%	0	\$8.72
Warehouse/Distribution	6,251,308	2.2%	4.1%	112,420	\$11.00
South	11,322,584	0.4%	1.4%	37,700	\$7.32
R&D/Flex	1,172,433	0.0%	0.4%	0	NA
Warehouse/Distribution	10,150,151	0.4%	1.5%	37,700	\$7.32
Washington County	13,127,260	4.4%	4.9%	0	\$7.42
R&D/Flex	1,023,226	0.0%	6.0%	0	\$11.00
Warehouse/Distribution	12,024,034	4.8%	4.8%	0	\$5.67
West	23,972,008	6.4%	7.4%	(24,745)	\$9.87
R&D/Flex	3,653,054	7.3%	9.7%	(31,025)	\$15.52
Warehouse/Distribution	20,318,954	6.2%	7.0%	6,280	\$7.24
Westmoreland County	26,243,629	5.5%	6.4%	1,286,629	\$6.18
R&D/Flex	591,529	0.0%	0.0%	0	NA
Warehouse/Distribution	25,652,100	5.5%	6.4%	1,286,629	\$6.18
Pittsburgh Total	151,708,918	4.4%	5.4%	1,434,902	\$9.18

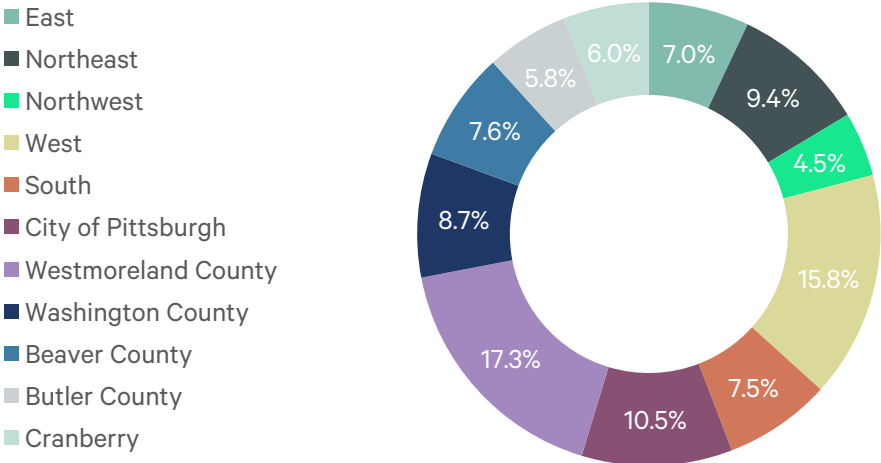
Source: CBRE Research, Q4 2023

FIGURE 7: Market Statistics by Property Size

Market Rentable Area (SF)	Inventory (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Q4 2023 Net Absorption (SF)	Overall Avg Asking Rate (\$)
<20,000	7,827,804	0.3%	1.2%	9,847	\$14.62
20,000 - 49,999	708,009	2.5%	3.2%	62,915	\$11.12
50,000 - 99,999	25,910,087	3.7%	5.1%	105,547	\$9.16
100,000 - 499,999	65,679,413	4.8%	5.7%	265,090	\$8.14
500,000+	31,583,605	6.3%	7.2%	991,503	\$11.55
Pittsburgh Total	151,708,918	4.4%	5.4%	1,434,902	\$9.18

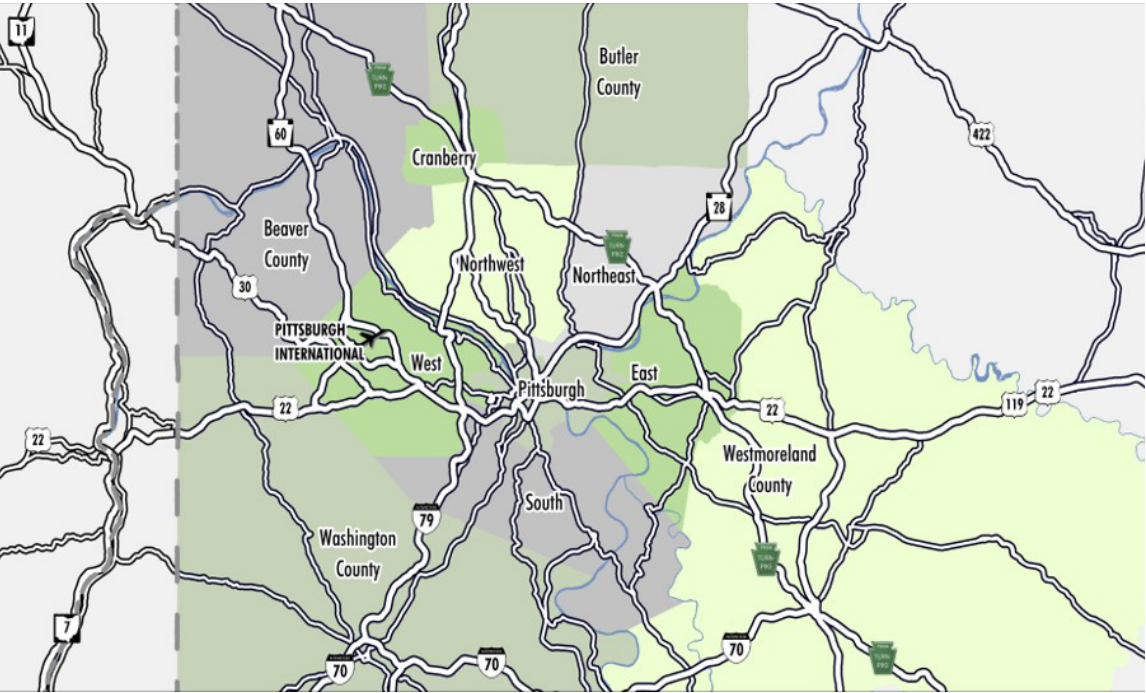
Source: CBRE Research, Q4 2023

FIGURE 8: Inventory by Submarket



Source: CBRE Research, Q4 2023

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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