

FIGURES | PITTSBURGH INDUSTRIAL | Q2 2023

Industrial Development Pipeline Reaches 3.8 Million Sq. Ft.

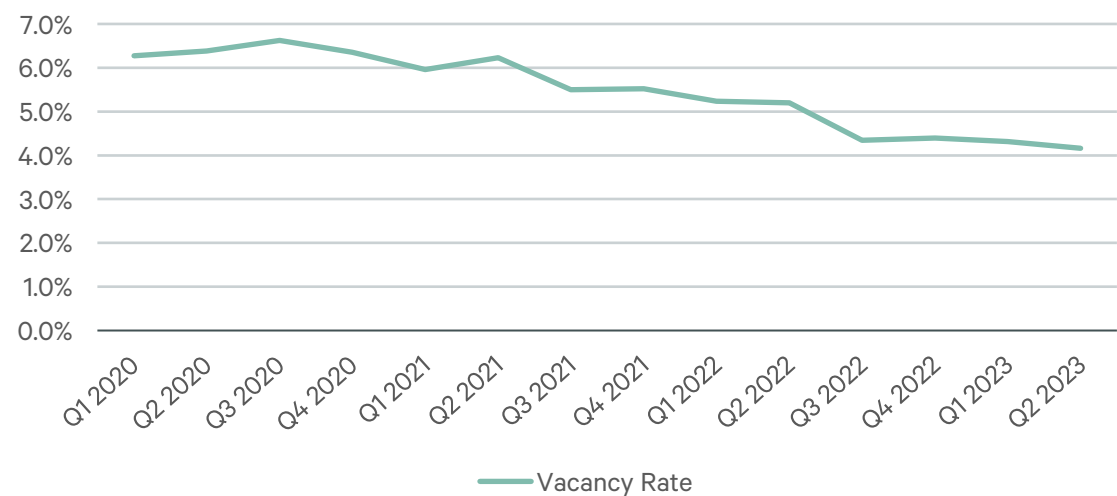


Note: Arrows indicate change from previous quarter.

Market Summary

- The Pittsburgh industrial market posts a 4.2 percent market wide vacancy, down 100 basis points year-over-year. Availability also fell to 5.0 percent in the second quarter, down 30 basis points quarter-over-quarter.
- Absorption netted positive 211,124 sq. ft. in the second quarter, the sixth consecutive quarter of positive absorption. The year-to-date absorption rose to positive 607,364 sq. ft. through the first half of 2023.
- The development pipeline in the Pittsburgh industrial market reaches over 3.8 million sq. ft., a record high, as speculative construction rises to nearly 2.3 million sq. ft.
- Asking rates in the industrial sector increase more than 90 basis points year-over-year to \$8.58 in the second quarter. R&D/Flex subtype posts average rates of \$16.70.

FIGURE 1: Historical Vacancy Rate



Source: CBRE Research, Q2 2023

Market Activity

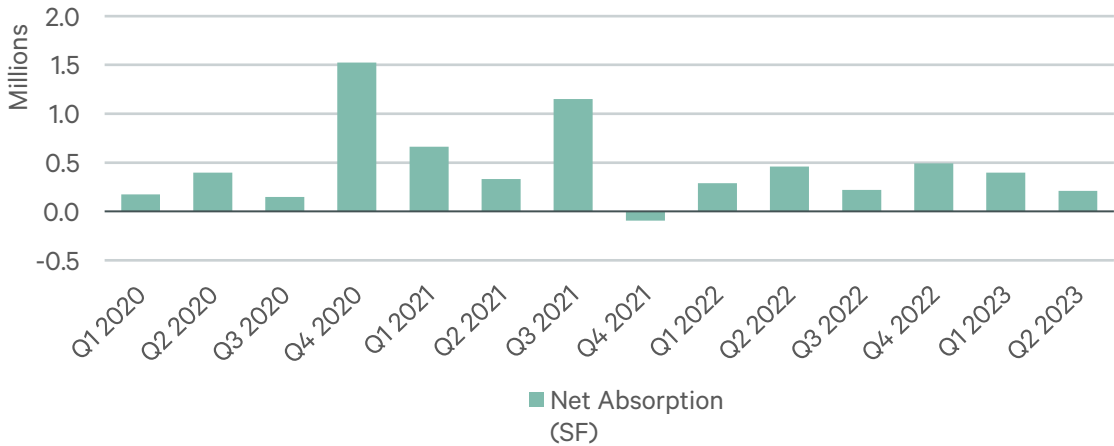
Industrial leasing velocity totaled over 735,000 sq. ft. in the second quarter of the year, bringing the year-to-date total to nearly 1.6 million sq. ft.. Nearly 65 percent of all area leased in the second quarter of the year was new leases. As demand in the industrial market begins to stabilize, vacancy settles at 4.2% and availability at 5.0%. Rates continue to rise through the first half of the year as a result of new inventory and R&D/Flex subtype increased rates. The industrial sector posts average asking rates of \$8.58 in the second quarter, up nearly 40 basis points quarter-over-quarter. Demand for high-quality industrial space has been put on hold as the market currently has over 3.8 million sq. ft. of new inventory in the pipeline

The Westmoreland County & West submarkets remain two of the most active submarkets as they account for more than half of all leasing velocity and netted positive absorption over 115,000 sq. ft.. The Westmoreland County submarket has less than 2 million sq. ft. available as rates stabilize at \$5.95. The West submarket posts a vacancy and availability rate of 2.8 percent as rates rise to \$9.58 in the second quarter.

The largest new deal of the quarter was Avalotis Corporation signing to occupy upwards of 110,000 sq. ft. at 500 Woodlawn Road of the Aliquippa Industrial Park. The only deal of the quarter that was larger was McCollister’s downsize in the 218,000 sq. ft. renewal at RIDC Westmoreland. Westinghouse also inked a deal to occupy the entire newly renovated flex project at 51 Bridge Street in Etna. Westinghouse will occupy the building at the end of the year. The City of Pittsburgh remained an active submarket through the second quarter, totaling nearly 100,000 sq. ft. of leasing activity. The largest lease signed in the City of Pittsburgh is a new tenant, Pittsburgh Mailing Systems, where they signed to occupy more than 33,000 sq. ft. at 720 E Lacock Street in the North Shore neighborhood.

As the market waits for the current 3.8 million sq. ft. underway to deliver over the coming quarters, large users put a pause on real estate decisions as they allow the economic headwinds to settle. Current activity in the industrial market consists of smaller users as the average transaction size in 2023 is just over 36,000 sq. ft. through the first half of the year.

FIGURE 2: Historical Net Absorption



Source: CBRE Research, Q2 2023

FIGURE 3: Available Sq. Ft. & Asking Rates

Transaction Type	Size (Sq. Ft.)	Tenant/Buyer	Submarket	Address
Sale	228,458	Phoenix Investors	Washington County	251 W Wylie Ave
Renewal*	218,000	McCollister's Transportation	Westmoreland County	1001 Technology Drive
New Lease	110,500	Avalotis Corporation	Beaver County	500 Woodlawn Drive
New Lease	87,420	Westinghouse Electric	Northwest	51 Bridge Street
New Lease	45,900	Undisclosed Tenant	Cranberry	119-131 Commonwealth Drive

*Renewal - Downsize

Source: CBRE Research, Q2 2023

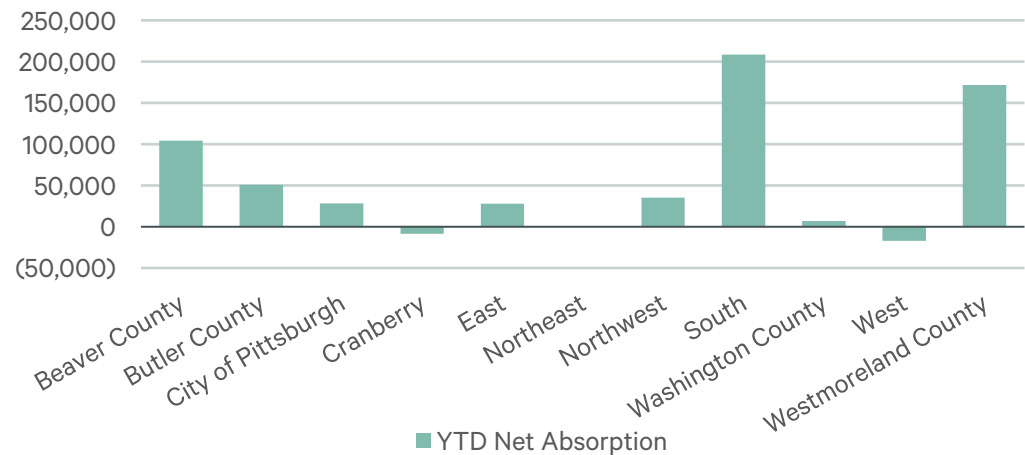
Development

A record high of 3.8 million sq. ft. is currently under construction in the Pittsburgh industrial pipeline, with 2.3 million sq. ft. on a speculative basis and the remaining 1.5 million sq. ft. being build-to-suit projects. Of all development currently in the pipeline, only about 40 percent of all speculative projects are pre-leased.

The West and Westmoreland County submarkets hold the bulk of development with 1.8 and 1.7 million sq. ft., respectively. The West submarket will welcome two buildings the Skyview Business Park in the second half of 2023. The first building, nearly half pre-leased, will bring 280,818 sq. ft. of class A industrial space to the market. The second building, with no tenants currently in place will deliver 109,000 sq. ft in the third quarter of the year. The Westmoreland County submarket holds the largest project underway where SunCap Property Group is developing a 1 million sq. ft. build-to-suit project in the New Stanton Technology Park.

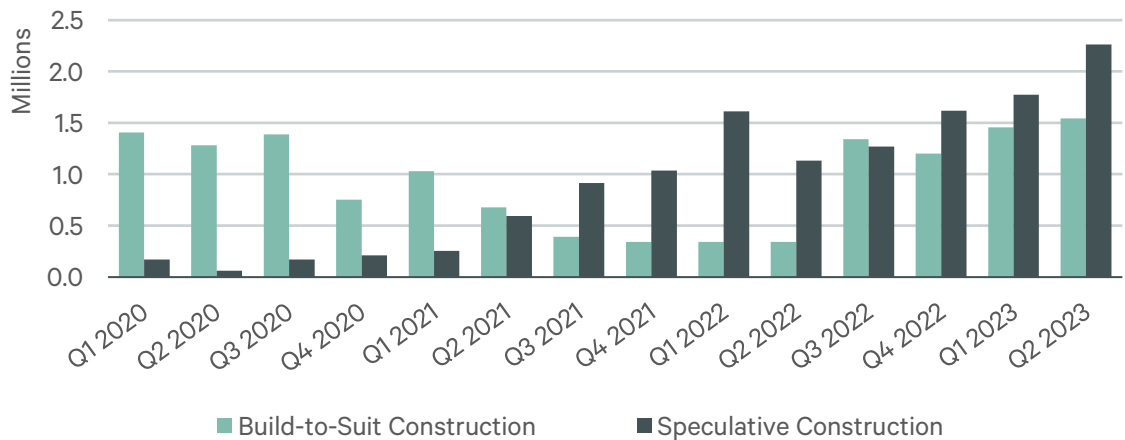
Source: CBRE Research, Q2 2023

FIGURE 4: Year-to-Date Net Absorption by Submarket



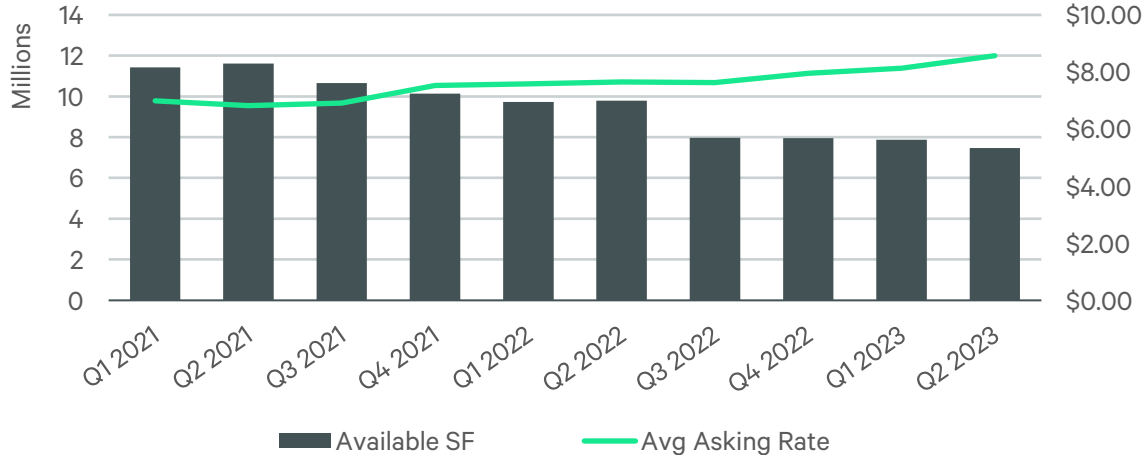
Source: CBRE Research, Q2 2023

FIGURE 5: Development History



Source: CBRE Research, Q2 2023

FIGURE 6: Available Sq. Ft. vs Asking Rates



Source: CBRE Research, Q2 2023

FIGURE 7 : Submarket Statistics

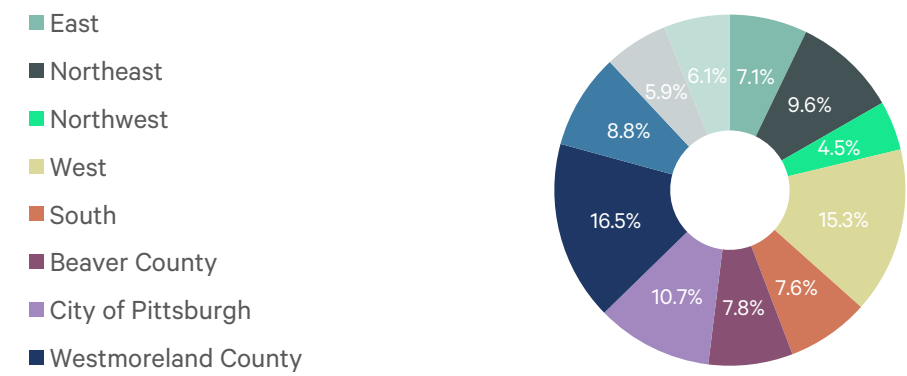
	Inventory (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Total Availability (SF)	Total Availability Rate (%)	Q2 2023 Net Absorption (SF)	Overall Avg Asking Rate (\$)
Beaver County	11,558,124	362,600	3.1%	498,400	4.3%	110,500	\$5.23
R&D/Flex	201,810	0	0.0%	0	0.0%	0	NA
Warehouse/Manufacturing	11,356,314	362,600	3.2%	498,400	4.4%	110,500	\$5.23
Butler County	8,761,999	358,894	4.1%	358,894	4.1%	(9,194)	\$4.07
R&D/Flex	112,500	0	0.0%	0	0.0%	0	NA
Warehouse/Manufacturing	8,649,499	358,894	4.1%	358,894	4.1%	(9,194)	\$4.07
City of Pittsburgh	15,945,291	682,613	4.3%	837,528	5.3%	57,776	\$11.07
R&D/Flex	1,429,302	255,947	17.9%	311,674	21.8%	15,000	\$15.52
Warehouse/Manufacturing	14,515,989	426,666	2.9%	525,854	3.6%	42,776	\$9.63
Cranberry	9,053,571	258,396	2.9%	230,392	2.5%	(21,898)	\$20.07
R&D/Flex	1,779,344	180,598	10.1%	180,598	10.1%	0	\$20.07
Warehouse/Manufacturing	7,274,227	77,798	1.1%	49,794	0.7%	(21,898)	NA
East	10,629,833	1,167,205	11.0%	1,211,550	11.4%	27,700	\$5.74
R&D/Flex	1,721,093	31,644	1.8%	40,364	2.3%	10,000	\$8.21
Warehouse/Manufacturing	8,908,740	1,135,561	12.7%	1,171,186	13.1%	17,700	\$5.49
Northeast	14,232,050	328,420	2.3%	683,248	4.8%	0	\$12.63
R&D/Flex	3,113,603	215,154	6.9%	218,154	7.0%	0	\$20.19
Warehouse/Manufacturing	11,118,447	113,266	1.0%	465,094	4.2%	0	\$8.38
Northwest	6,759,374	214,428	3.2%	288,072	4.3%	0	\$11.12
R&D/Flex	578,486	35,134	6.1%	35,134	6.1%	0	\$18.00
Warehouse/Manufacturing	6,180,888	179,294	2.9%	252,938	4.1%	0	\$8.72
South	11,322,584	82,300	0.7%	117,381	1.0%	(5,000)	\$7.15
R&D/Flex	1,172,433	0	0.0%	7,661	0.7%	0	NA
Warehouse/Manufacturing	10,150,151	82,300	0.8%	109,720	1.1%	(5,000)	\$7.15
Washington County	13,047,260	664,006	5.1%	721,600	5.5%	0	\$7.53
R&D/Flex	1,023,226	33,000	3.2%	66,094	6.5%	0	\$11.00
Warehouse/Manufacturing	12,024,034	631,006	5.2%	655,506	5.5%	0	\$5.90
West	22,777,810	627,734	2.8%	624,785	2.7%	6,240	\$9.16
R&D/Flex	3,653,054	290,470	8.0%	300,001	8.2%	0	\$15.18
Warehouse/Manufacturing	19,124,756	337,264	1.8%	324,784	1.7%	6,240	\$6.83
Westmoreland County	24,601,405	1,446,736	5.9%	1,902,121	7.7%	45,000	\$5.94
R&D/Flex	591,529	0	0.0%	0	0.0%	0	NA
Warehouse/Manufacturing	24,009,876	1,446,736	6.0%	1,902,121	7.9%	45,000	\$5.94
Grand Total	148,689,301	6,193,332	4.2%	7,473,971	5.0%	211,124	\$8.58

FIGURE 8 : Statistics by Market Rentable Area

Market Rentable Area (SF)	Inventory (SF)	Vacancy Rate (%)	Availability Rate (%)	Q2 2023 Net Absorption (SF)	Overall Asking Rate (\$)
<20,000	7,843,604	0.6%	1.9%	10,000	\$15.36
20,000-49,999	20,709,944	3.0%	4.0%	56,282	\$9.09
50,000-99,999	25,513,023	3.0%	4.2%	21,240	\$10.80
100,000-499,999	64,088,702	4.4%	5.1%	88,602	\$7.37
500,000+	30,534,028	6.3%	7.2%	35,000	\$10.66

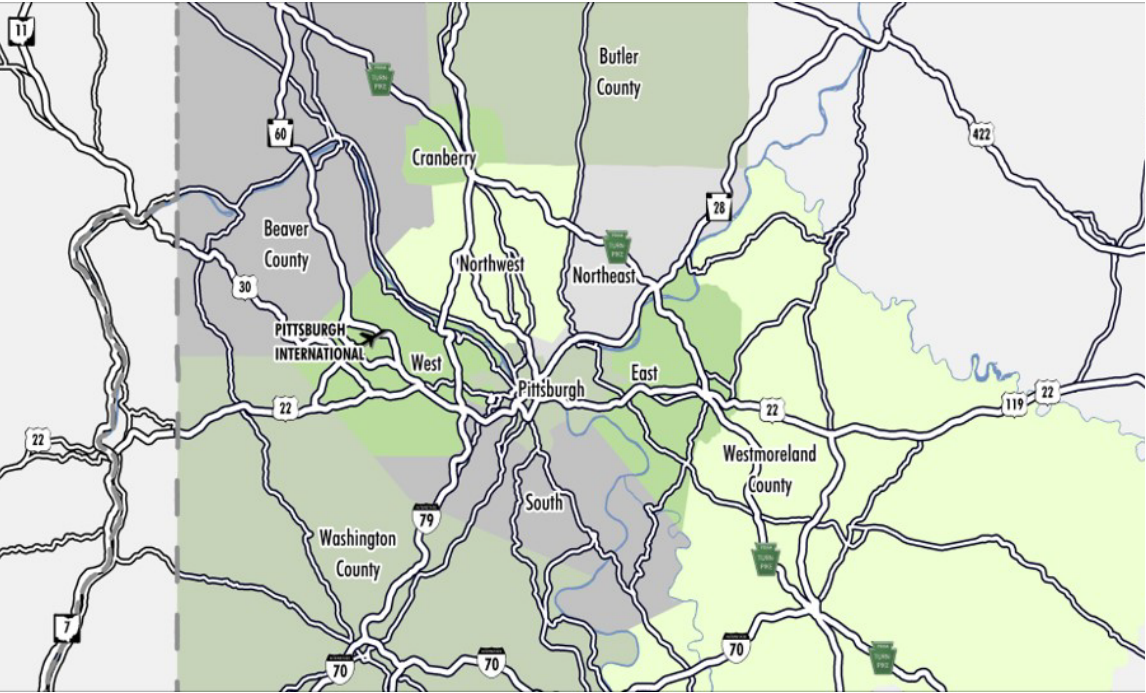
Source: CBRE Research, Q2 2023

FIGURE 9: Inventory by Submarket



Source: CBRE Research, Q2 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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