

FIGURES | PITTSBURGH INDUSTRIAL | Q1 2023

Industrial speculative construction pipeline reaches 1.92 million sq. ft.



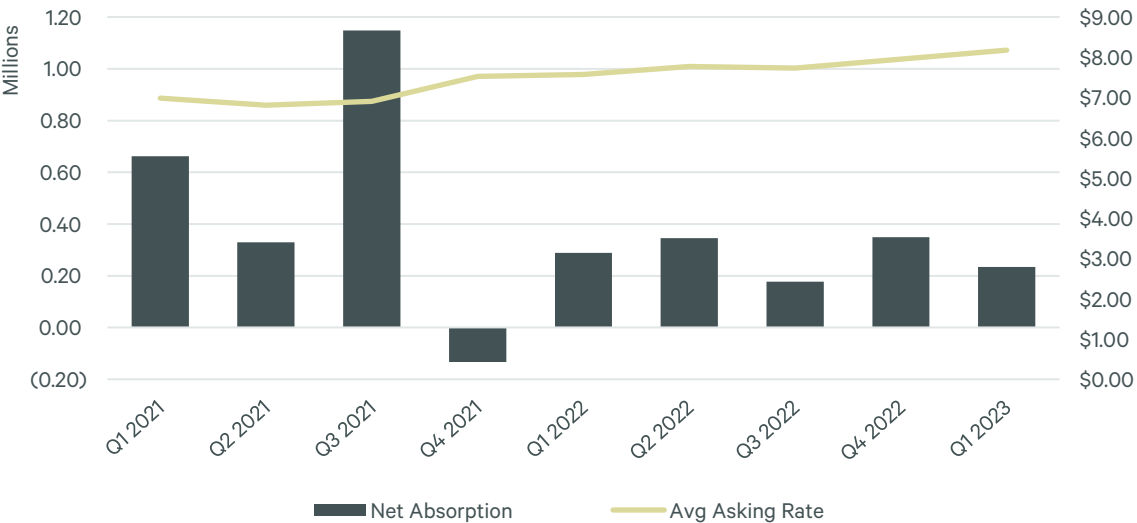
Note: Arrows indicate change from previous quarter.

Market Summary

- The Pittsburgh industrial market totaled over 410,000 sq. ft. in leasing activity throughout the first quarter of 2023, netting positive absorption of 375,358 sq. ft.
- Vacancy begins to stabilize as it posts 4.2% in the first quarter, down 90 basis points from the first quarter of 2022. The market wide availability rises to 5.2% from 5.0% the previous quarter, but down 130 basis points year-over-year.
- Industrial average asking lease rates increase \$0.22 per sq. ft from the previous quarter to \$8.18 per sq. ft., an 8% year-over-year increase. R&D/Flex subtype asking rates rise to \$16.34 per sq. ft., up 12% year-over-year.

The Pittsburgh industrial market nets positive absorption for the fifth consecutive quarter as demand for industrial space remains strong. The current construction pipeline has roughly 3.4 million sq. ft. of industrial space underway with a record 1.9 million sq. ft in speculative construction. Of the 3.4 million sq. ft. underway, 1.65 million is being constructed in the West submarket.

FIGURE 1: Net Absorption vs Asking Rates



Source: CBRE Research, Q1 2023

Market Activity

The Pittsburgh industrial market remains active in the first quarter as leasing velocity totals nearly 414,000 sq. ft. Roughly 71% of all leasing activity are new leases as renewals account for the remaining 29%. Warehouse, Manufacturing, and Other Industrial subtypes posted positive metrics with over 230,000 sq. ft. of positive absorption and a decrease in vacancy to 3.7% market wide. R&D/Flex subtype posts a 7.4% vacancy as asking rates rise to \$16.34 in the first quarter of the year.

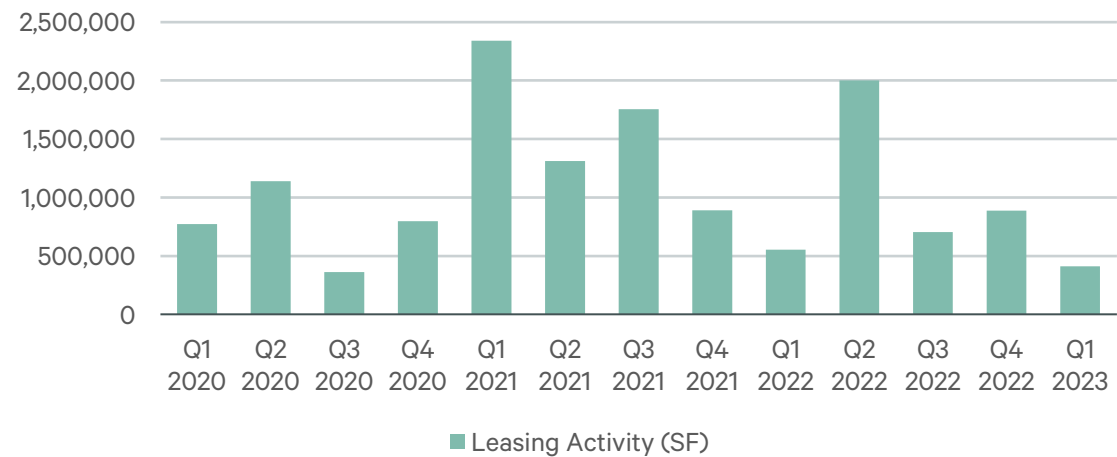
The most active submarkets throughout the first quarter are Westmoreland County, accounting for 31% of all lease transactions and Northeast totaling 32% of area leased. Westmoreland County continues to post positive fundamental statistics as it nets positive absorption of over 100,000 sq. ft. throughout the first quarter.

CBC Latrobe Acquisition (City Brewery) leased 111,500 sq. ft. at RIDC Westmoreland’s manufacturing facility at 1001 Technology drive, expanding their total footprint to nearly 370,000 sq. ft. Packaging Corporation of America signed a renewal for their 109,000 sq. ft. space at the Allegheny Distribution Center in the Northeast submarket.

The City of Pittsburgh submarket posts a 4.8% vacancy rate as rents fall to \$9.80 per sq. ft. down \$0.08 from the end of 2022. YKK AP reached a five-year deal with the RIDC at Mill 19 of the Hazelwood Green redevelopment project. The company will occupy over 7,500 sq. ft. in the new class A site of the City of Pittsburgh submarket. Bayer healthcare occupied the newly constructed 60,000 sq. ft. building at 1100 S Noah Drive. That building, in Butler County submarket, delivered in February of 2023.

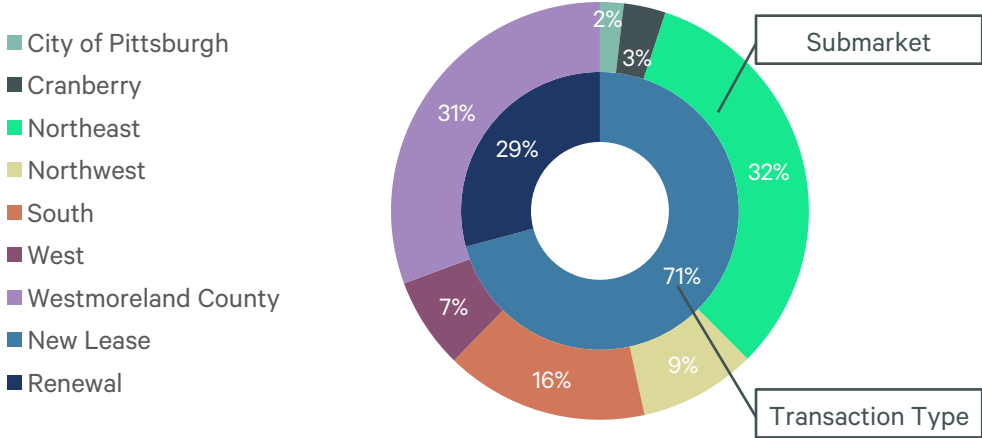
The South submarket of Pittsburgh continues to be an active location as leasing remains steady. 540 Mayer Street in the South submarket traded in January of this year. The former General Electric building totaled nearly 170,000 sq. ft. and was bought for occupancy by Bridgeville Warehouse LLC. South Hills Movers signed to take 20,000 sq. ft. at the new Alpine Point project in the South submarket of Pittsburgh. This newly constructed building on Energy Drive has 20,000 sq. ft. remaining available.

FIGURE 2: Historical Leasing Activity (SF)



Source: CBRE Research, Q1 2023

FIGURE 3: Leasing Activity Snapshot



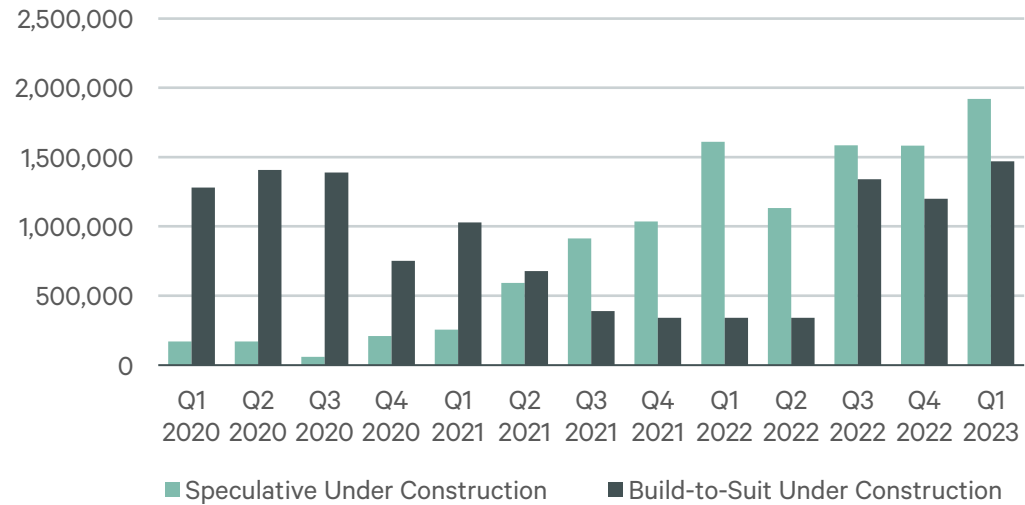
Source: CBRE Research, Q1 2023

Development

The Pittsburgh industrial pipeline remains steady as nearly 3.4 million sq. ft. is currently underway. A record high of roughly 2 million sq. ft. of speculative construction is in the pipeline with the remaining 1.4 million sq. ft. involving build-to-suit projects. Only about 18% of the current speculative construction under development is pre-leased.

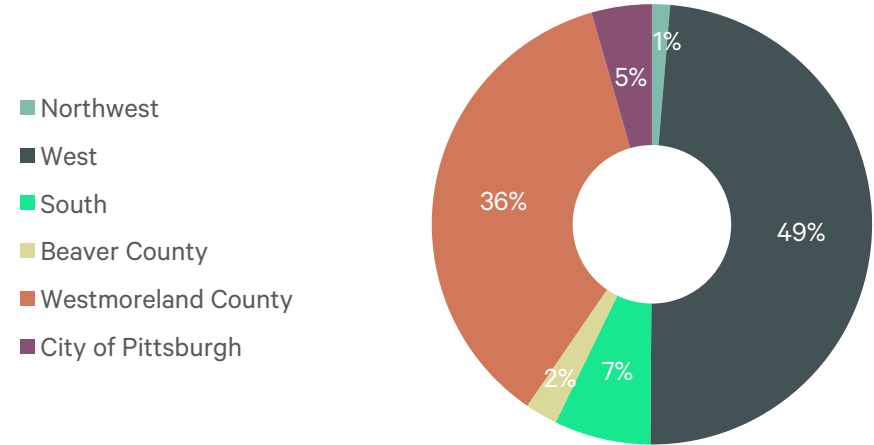
The largest site currently underway is the 131.6-acre site where SunCap Property Group is developing a 1 million sq. ft. build-to-suit warehouse for an undisclosed tenant. The site is in the New Stanton neighborhood of the Westmoreland County submarket. Other developments of notable size include Frank B Fuhrer’s 350,000 sq. ft. warehouse at 2430 Bouquet Drive in Westmoreland County and the two buildings at Skyview Business Park in the West submarket. The first speculative building is expected to deliver over 280,000 sq. ft. of class A warehouse space in July 2023 and the neighboring building will deliver 109,000 sq. ft. in the second quarter of 2023.

FIGURE 4: Under Construction



Source: CBRE Research, Q1 2023

FIGURE 5: Construction by Submarket



Source: CBRE Research, Q1 2023

Employment Update

The Pittsburgh workforce remains relatively steady in terms of year-over-year job growth in most sectors through February 2023. Despite economic uncertainty that has persisted as the recovery from the pandemic continues.

February unemployment increased to 4.9%, slightly higher than the national unemployment rate of 3.6%. The Pittsburgh unemployment rate is up from 4.8% posted in January, but down 20 basis points year-over-year. The overall labor force in the Pittsburgh market stabilizes at just under 1.2 million, falling to 1.18 million in February of 2023 which is up from 1.6 million since February of 2022.

Total industrial jobs in the Pittsburgh labor force total nearly 337,000, accounting for nearly 30% of all active jobs. Manufacturing jobs net over a 5% growth year-over-year which is second only to professional and business services.

FIGURE 6: Submarket Statistics

	Inventory (SF)	Total Vacant (SF)	Vacancy Rate (%)	Total Available (SF)	Availability Rate (%)	Q1 2023 Net Absorption (SF)	Overall Asking (\$)
Beaver County							
R&D/Flex	201,810	13,000	6.4%	13,000	6.4%	0	NA
Warehouse/Manufacturing	11,301,314	599,700	5.3%	786,869	7.0%	(6,400)	\$5.16
Butler County							
R&D/Flex	112,500	0	0.0%	0	0.0%	0	NA
Warehouse/Manufacturing	8,649,499	349,700	4.0%	358,894	4.1%	60,000	\$4.07
City of Pittsburgh							
R&D/Flex	1,357,010	227,947	16.8%	290,874	21.4%	(26,654)	\$16.54
Warehouse/Manufacturing	14,400,959	388,570	2.7%	485,345	3.4%	(40,000)	\$7.90
Cranberry							
R&D/Flex	1,779,344	234,295	13.2%	246,312	13.8%	13,422	\$20.11
Warehouse/Manufacturing	7,274,227	10,000	0.1%	27,896	0.4%	0	NA
East							
R&D/Flex	1,721,093	41,644	2.4%	50,364	2.9%	0	\$10.15
Warehouse/Manufacturing	8,908,740	1,125,561	12.6%	1,152,826	12.9%	0	\$5.46
Northeast							
R&D/Flex	3,113,603	215,154	6.9%	218,154	7.0%	0	\$17.29
Warehouse/Manufacturing	11,118,447	52,510	0.5%	404,338	3.6%	0	\$7.70
Northwest							
R&D/Flex	578,486	54,776	9.5%	59,418	10.3%	0	\$9.19
Warehouse/Manufacturing	6,094,888	74,550	1.2%	252,938	4.2%	37,324	\$8.00*
South							
R&D/Flex	1,172,433	17,250	1.5%	10,661	0.9%	0	NA
Warehouse/Manufacturing	9,981,551	42,000	0.4%	69,420	0.7%	234,741	\$6.50
Washington County							
R&D/Flex	1,023,226	40,000	3.9%	78,894	7.7%	0	\$11.00
Warehouse/Manufacturing	12,024,034	402,548	3.3%	456,548	3.8%	0	\$6.37
West							
R&D/Flex	3,697,295	289,806	7.8%	328,844	8.9%	(8,575)	\$16.94
Warehouse/Manufacturing	19,124,756	347,904	1.8%	350,904	1.8%	0	\$7.53
Westmoreland County							
R&D/Flex	591,529	0	0.0%	0	0.0%	0	NA
Warehouse/Manufacturing	24,009,908	1,532,456	6.4%	1,949,764	8.1%	111,500	\$5.71

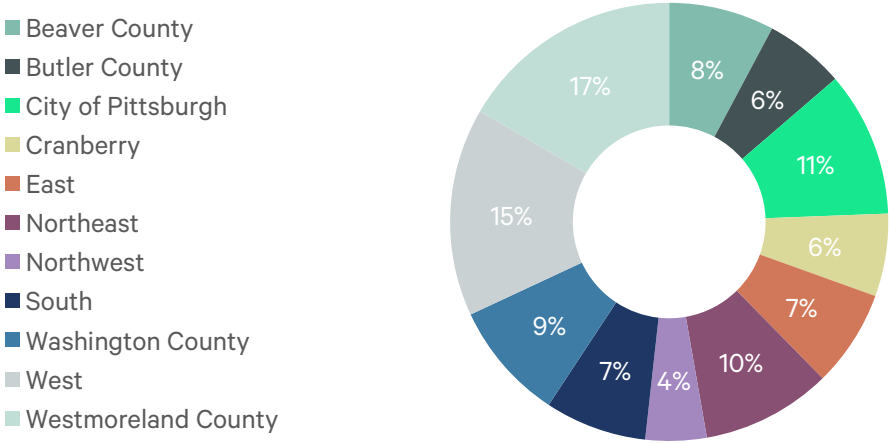
Source: CBRE Research, Q1 2023 | *Estimates

FIGURE 7: Statistics by Market Rentable Area

Market Rentable Area (SF)	Inventory	Vacancy Rate (%)	Availability Rate (%)	Q1 2023 Net Absorption (SF)	Overall Asking Rate (\$)
<20,000	7,843,604	1.0%	2.2%	6,425	11.0
20,000 - 49,999	20,779,185	3.3%	4.4%	(47,208)	9.7
50,000 - 99,999	25,378,731	2.9%	4.5%	52,576	10.8
100,000 - 499,999	63,920,134	4.3%	5.1%	35,324	6.7
500,000+	30,534,028	6.5%	7.3%	159,641	9.4

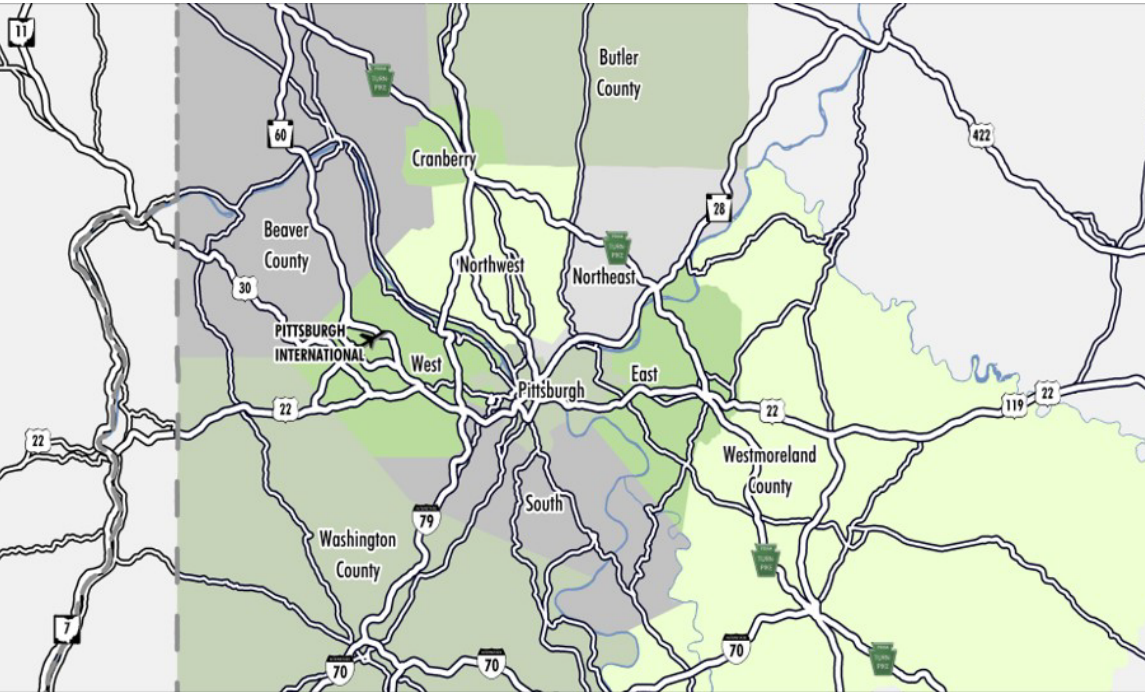
Source: CBRE Research, Q1 2023

FIGURE 8: Inventory by Submarket



Source: CBRE Research, Q1 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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