



PITTSBURGH INDUSTRIAL MARKET REPORT

Q3 23

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222M
INVENTORY SF



5.1%
VACANCY RATE



\$8.30
ASKING RENT



7.1%
AVAILABILITY



15.7M
DIRECT SF



403K
SUBLET SF



Outlook

Q3 23 - Abundant reasons for optimism

Despite the ongoing softening the industrial market is experiencing at both the national and local levels, there are few reasons for pessimism regarding the long-term health of the sector.

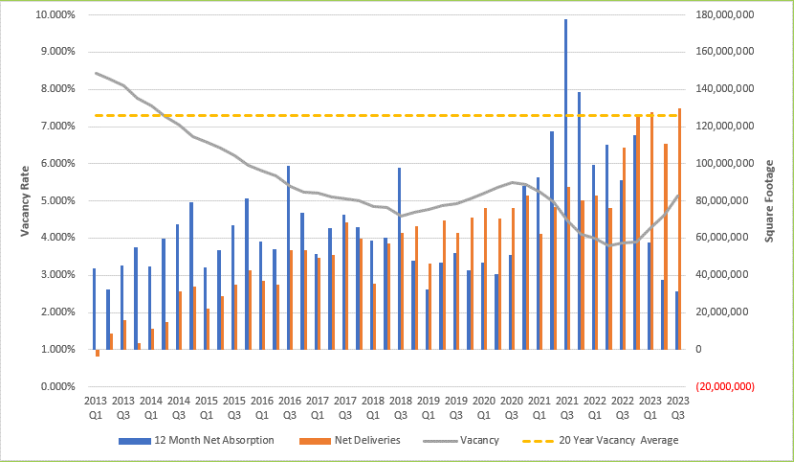
Numerous sources of data show leasing velocity slowing and vacancies climbing across the country, but in many ways this cooling represents a return to normalcy after years of pandemic related upheaval.

Indeed, there are abundant reasons for optimism.

For instance, CoStar data shows that despite the uptick in availability, national vacancy rates remain comfortably beneath the 20-year historic averages. Amazon is picking back up its leasing activity and many other industries are also making moves with over 20 large electric, battery, and semiconductor plants set to open in the next three years.

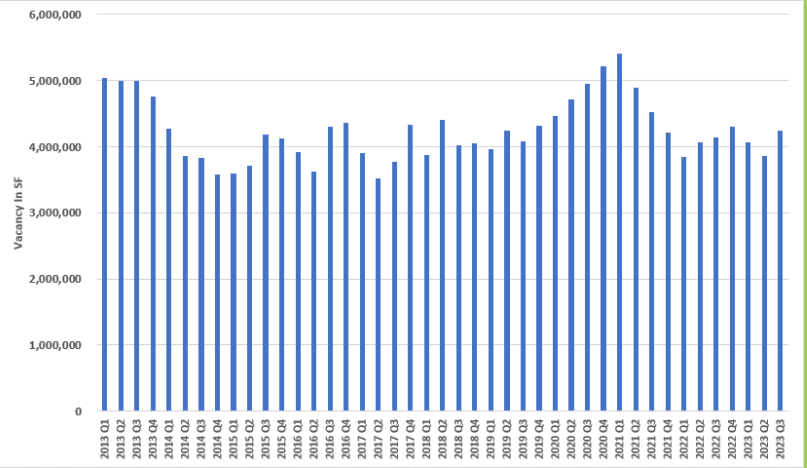
Pittsburgh's own data mirrors these national trends. CoStar has local vacancies hovering around 5%, with total net absorption of about 1.5 million SF. This represents a slight cooling of leasing activity but also indicates that demand is strong enough to support newer supply. (Graphs 1.1 & 1.2)

NATIONAL SUPPLY DEMAND VACANCY



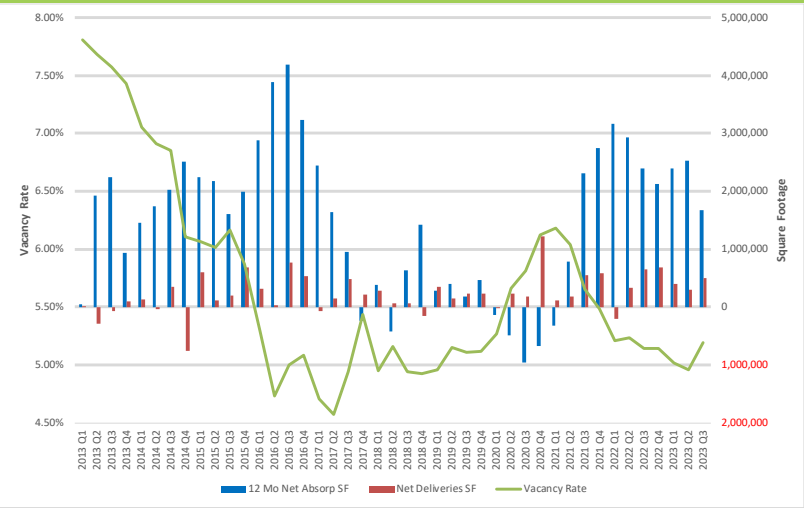
Graph 1.1

VACANCY IN SF



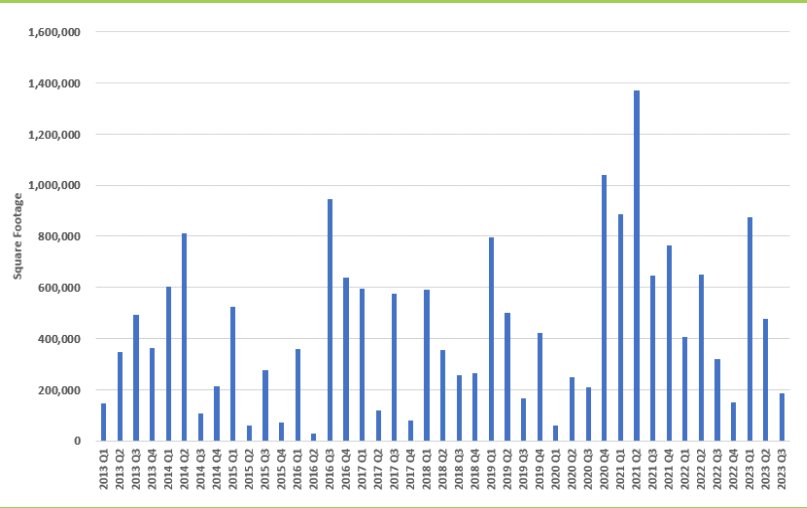
Graph 1.3

MARKET SUPPLY DEMAND VACANCY



Graph 1.2

LEASING ACTIVITY IN LARGE ASSETS (200K SF+)



Graph 1.4

These figures represent an incremental downtick when compared to the incredible leasing and rent growth surges seen during the pandemic, but the healthy overall vacancy remains remarkable as Pittsburgh saw its industrial inventory grow by over 6.5 million SF or nearly 3% since 2018. (Graph 1.3)

A deeper dive into CoStar's data provides additional insights for local businesses and owners attempting to navigate real estate options in such interesting times.

For instance, vacancies in Pittsburgh's smaller assets (10k-50k) are airtight.

These properties are over 97% occupied at Q3 and show no sign of softening at all. This gives landlords leverage when it comes to lease negotiations, and with almost no new construction underway this scenario is unlikely to change in the coming months.

In contrast, Pittsburgh's larger assets are where the slowdown is occurring.

In mid-sized facilities (50k-200k) YOY net absorption is down 15%, spurring a very slight drop in rents which now average \$7.75/SF. However, overall vacancies remain quite healthy, with less than 6% of this cohort unoccupied.

The most noticeable cooldown is in Pittsburgh's largest industrial assets (those over 200,000 SF). Though roughly 630,000 SF was absorbed over the past year, that figure represents a YOY decline of 50%. But even with this slowdown, vacancies remain healthy with nearly 6% of space currently empty. (Graph 1.4)

Submarkets
worth monitoring

There are also a few submarkets (Graphs 1.5 & 1.6) well worth monitoring, as they offer insight into local demand depth.

Beaver County is particularly interesting.

Close to a million SF is under construction in this rural region about an hour northwest of the city. Beaver County offers access to both I-376 and I-76 and is close to two growing drivers of business: Pittsburgh's International Airport and Shell's new Petrochemical facility. Of the nearly 200,000 SF to come online since 2018, over half has been leased, making Beaver County one of the most active submarkets through the first half of 2023.

The sustained success of Westmoreland County is also noteworthy. Though a bit distant from the city, it offers shippers direct access to I-70 which makes it easy to reach shipping nodes like Harrisburg or Columbus. Assets here fill quickly and the market is posting a 6% vacancy rate despite nearly a million SF of new supply delivering since 2018.

These regions along with the lease up activity in the market's newest assets will provide the best indicator of demand as we head in the final quarter of 2023.

While this year has seen a slowdown in leasing activity, the data provides no reason to anticipate a significant slowdown in industrial activity. Pittsburgh remains a solid market for industrial tenants, landlords, and investors.

6.6%

VACANCY RATE

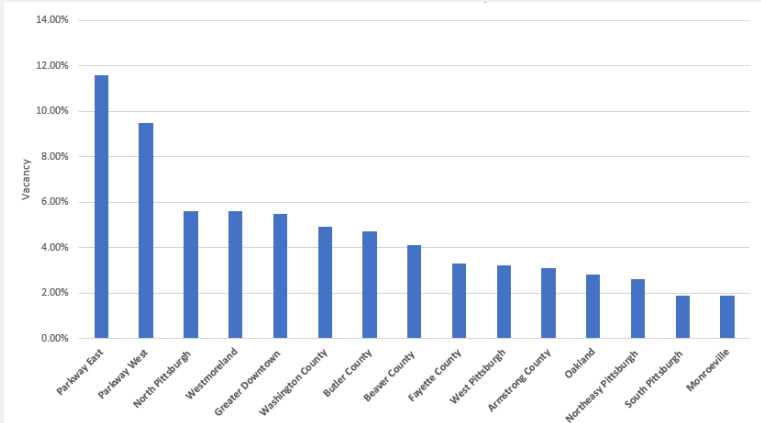
Westmoreland County

5.6%

VACANCY RATE

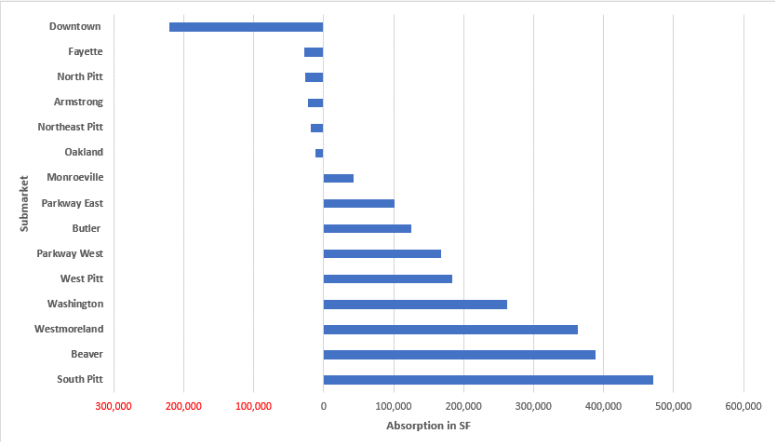
Beaver County

% OF SUBMARKETS VACANT AT Q3 23



Graph 1.5

YOY NET ABSORPTION BY SUBMARKET



Graph 1.6

Overall Statistics
by submarket

Market	Vacancy Rate	Availability Rate	Inventory SF	Available SF Direct	Available SF Sublet	Available SF Total	Market Rent/SF	Under Constr SF
Pittsburgh	5.2%	7.0%	222,653,952	15,512,624	347,137	15,859,761	\$8.25	3,022,950
Westmoreland County	5.6%	6.7%	38,256,830	2,601,129	13,405	2,614,534	\$7.07	424,481
South Pittsburgh	1.9%	3.1%	20,541,246	610,867	31,500	642,367	\$9.29	80,000
West Pittsburgh	3.2%	6.2%	17,440,968	1,125,357	1,750	1,127,107	\$7.96	70,842
Butler County	4.7%	6.3%	20,782,654	1,281,333	23,869	1,305,202	\$8.87	69,000
North Pittsburgh	5.6%	7.3%	18,915,015	1,382,982	0	1,382,982	\$8.78	75,000
Northeast Pittsburgh	2.6%	5.4%	18,362,030	982,707	0	982,707	\$9.47	8,000
Parkway West Corridor	9.5%	12.2%	13,841,039	1,633,577	293,113	1,736,178	\$9.23	752,235
Parkway East Corridor	11.5%	15.7%	16,346,758	2,582,820	0	2,582,820	\$7.52	106,040
Washington County	4.9%	6.4%	17,109,251	1,090,098	15,000	1,105,098	\$9.04	38,099
Beaver County	4.1%	6.4%	15,734,093	1,069,848	0	1,069,848	\$6.31	39,892
Greater Downtown	5.5%	6.2%	13,478,282	831,722	0	831,722	\$9.90	6,375
Fayette County	3.3%	4.8%	5,760,878	276,368	0	276,368	\$5.62	104,800
Monroeville	1.6%	2.6%	3,253,201	60,840	24,375	85,215	\$10.06	0
Armstrong County	3.1%	9.1%	2,448,191	221,982	0	221,982	\$6.33	30,000
Oakland	2.8%	2.8%	423,516	12,000	0	12,000	\$9.05	0

*All market data was collected from CoStar



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