



Pittsburgh Industrial Market

Activity Below the Surface

Despite the tranquility of the market statistics in the first quarter of 2021, there is reason for optimism for the Pittsburgh industrial market. On March 11, 2021, the American Rescue Plan Act was signed into law. The true impact of the \$1.9-trillion plan will play out over the balance of the year, but clearly consumer and business confidence are on the rise as the plan to vaccinate a significant portion of the US population over the next six months brings hope of returning to work, school and travel/leisure/recreational/cultural activities and improving economic conditions.

The American Jobs Plan is a \$3.0-trillion infrastructure plan that was formally announced in Pittsburgh. There will be significant political debate over the scope of the plan and how the broad plan will be funded. Assuming a consensus is reached on highways, roads, bridges, telecommunication systems, electrical grid, EV, ports and airports, it should contribute to demand for industrial users and industrial real estate both locally and nationally for the future.

First-quarter 2021 statistics indicate that the strength and stability of the market remains intact. Overall occupancy remained at 94.0%, with Class A occupancy at 97.0%. The trend of increased vacancy of Class C property and plant closures impacting special

Current Conditions

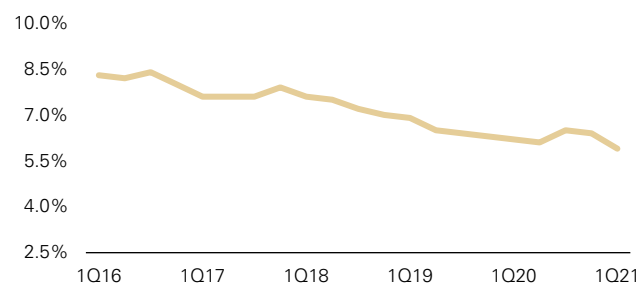
- First-quarter 2021 statistics indicate that the strength and stability of the market remains intact. Overall occupancy remained at 94.0%, with Class A occupancy at 97.0%.
- The trend of increased vacancy of Class C property and plant closures impacting special purpose industrial buildings continued to negatively impact occupancy and absorption, as evidenced by the mere 160,000 square feet of absorption in the first quarter. However, given the amount of construction underway throughout the region, absorption for 2021 will be significant as these buildings are placed into service throughout the next six months.

Market Summary

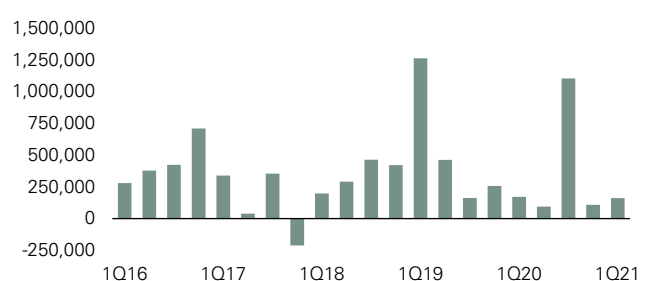
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	144 M	144 M	142 M	↑
Vacancy Rate	5.9%	6.4%	6.2%	↓
Quarterly Net Absorption (SF)	160,424	107,683	171,489	↑
Under Construction (SF)	2,116,607	1,499,905	1,494,200	↑
Deliveries (SF)	0	99,200	0	↑

Market Analysis

VACANCY RATE



NET ABSORPTION



purpose industrial buildings continued to negatively impact occupancy and absorption, as evidenced by the mere 160,000 square feet of absorption in the first quarter. However, given the amount of construction underway throughout the region, absorption for 2021 will be significant as these buildings are placed into service throughout the next six months. While the first quarter is usually a seasonally slower time, there were several significant transactions throughout the region to highlight:

Goodblend, a medical marijuana producer, leased 120,000 square feet in the North Side Commerce Center in the City of Pittsburgh, adding to the recent transactions by this industry over the past two years.

The Airport/West submarket continued its dominance with several announcements. SunCap Property Group acquired 67 acres in the proposed Westport Woods project to construct a 287,000-square-foot distribution center for Amazon.com, with completion planned for third-quarter 2021. Another prominent national developer, Northpoint Development, entered the Pittsburgh market in a big way with the acquisition of 26 acres in the Findlay Industrial Park and immediately started construction on a 276,000-square-foot industrial building featuring 36' clear ceilings, the first of its type in the Pittsburgh market. With this acquisition by Northpoint and another pending sale, the Findlay Industrial Park is nearing completion, with only one remaining 18-acre parcel available for sale. Also in the Findlay Industrial Park, The Buncher Company secured Curology to occupy its 83,000-square-foot speculative building at 155 Solar Drive. As a result, The Buncher Company is starting site work/grading on additional sites on Arthur Court to begin its next speculative industrial building.

In the Imperial Business Park, Cumi America expanded into a 40,000-square-foot space, and Expedia backfilled the 15,000 square feet vacated by Cumi. J&M Valve leased the remaining

15,000 square feet, bringing the Class A inventory within the IBP of 555,000 square feet to 100% occupancy.

Al. Neyer is progressing on the construction of a 400,000-square-foot warehouse/distribution facility in the Clinton Commerce Park. Occupancy is planned for late second/early third quarter to an undisclosed national tenant, leaving one remaining site in the Clinton Park for a 70,000-square-foot building, which should start in 2021.

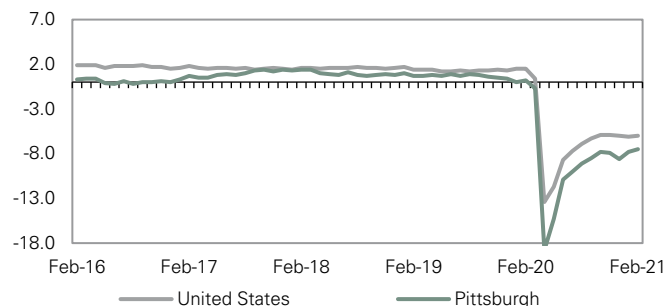
Aragra Technologies announced plans to construct a 50,000-square-foot facility in Starpointe in Washington County, which is the first project in over two years in Phase II of Starpointe. Furthermore, the Mon Valley Alliance started construction of a 35,000-square-foot light industrial building and another developer announced intentions to break ground on a 45,000-square-foot speculative flex industrial building.

Two noteworthy transactions occurred in the Butler submarket in Cranberry Township, including the sale of a 113,000-square-foot refrigerated warehouse at 263 West Kensinger Drive for \$15.0 million and the sale of a 17,000-square-foot light industrial building at 15 Leonburg Road for \$2.74 million.

In Westmoreland County, Al. Neyer has 150,000 square feet under construction in the Hempfield Commerce Center, which is the first-Class A speculative light industrial building in Westmoreland County in over a decade. Neyer is also planning for two buildings in the Commerce Crossings along I-70, a few miles west of the I-76/I-70 interchange. Meanwhile, The Governor's Action Team announced the Commonwealth of Pennsylvania secured FilterBuy, an Alabama-based manufacturer and distributor of filters to lease 137,000 square feet in the former Schreiber Industrial Park in New Kensington.

Payroll Employment

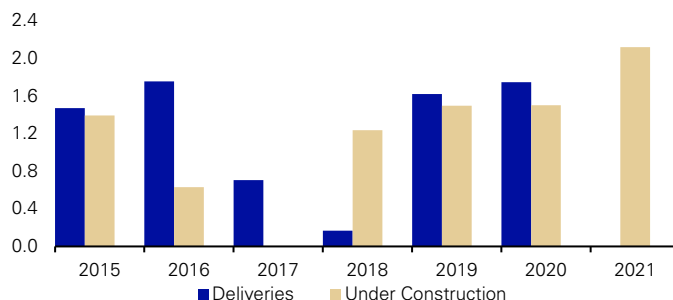
TOTAL NON FARM, NOT SEASONALLY ADJUSTED, 12-MO %CHANGE



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

SQUARE FEET, MILLIONS



2021 Outlook

With COVID-19 vaccinations approaching 3 million per day, there is reason for optimism for the balance of 2021. The Pittsburgh market remains tight, with numerous tenants in the market looking at a limited amount of inventory. It will be interesting to see how occupiers react to new speculative inventory in the

outlying counties of Beaver, Washington and Westmoreland, which have been on the sidelines for over a decade. This new inventory should provide opportunities for companies operating in older, less functional buildings in the outlying counties.

Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy (SF)	Total Vacancy Rate	QTR Absorption (SF)	YTD Absorption (SF)	CLASS A Vacant (SF)	CLASS A Vacant Rate
Beaver	11,977,689	0	1,345,915	11.2%	-5,300	-5,300	105,000	4.3%
Butler	8,671,406	220,000	541,891	6.2%	48,056	48,056	178,691	7.6%
East	7,741,827	0	552,121	7.1%	0	0	0	0.0%
Northeast	14,666,533	0	490,086	3.3%	1,700	1,700	0	0.0%
Northwest	12,808,231	60,000	320,522	2.5%	10,812	10,812	90,328	1.4%
Pittsburgh	13,656,873	0	812,803	6.0%	-17,088	-17,088	232,895	10.1%
South	7,044,988	0	486,715	6.9%	0	0	0	0.0%
Washington	14,248,291	415,000	609,125	4.3%	-31,000	-31,000	145,588	4.6%
West	20,308,297	1,171,575	995,987	4.9%	67,698	67,698	284,174	3.1%
Westmoreland	32,487,971	250,032	2,287,113	7.0%	85,546	85,546	229,454	2.9%
Pittsburgh	143,612,106	2,116,607	8,442,278	5.9%	160,424	160,424	1,266,130	3.3%

Class A Statistics By Subtype

	Class A Inventory (SF)	Under Construction (SF)	Class A Vacancy (SF)	Class A Vacancy Rate	QTR Absorption (SF)	YTD Absorption (SF)
General Industrial	13,433,930	529,873	306,484	2.3%	213,000	213,000
R&D Flex	3,765,475	60,000	356,404	9.5%	-28,291	-28,291
Warehouse/Distribution	21,482,204	1,526,734	603,242	2.8%	-98,248	-98,248
Pittsburgh	38,681,609	2,116,607	1,266,130	3.3%	86,461	86,461

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