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1Q24

# Pittsburgh Industrial Market Overview

**NEWMARK**

# Market Observations

## Economy

- The Pittsburgh MSA continues to exhibit a low unemployment rate at 3.6%, still below the national unemployment rate of 3.9% as of February 2024.
- While the national and local economy remains stable, there are increased concerns about geopolitical risk, higher oil prices, stubborn inflation and a slowed consumer spending.
- An increase in bond yields has tempered expectations regarding the timing and number of rate reductions by the Federal Reserve in 2024.
- Recent property tax appeals throughout Allegheny County in general and the City of Pittsburgh in particular raised concerns about the negative impact on local government and school districts reliant on property tax revenue.

## Major Transactions

- Hempfield Commence Center II secured Wabtec as their first tenant for 68,000 SF.
- Ardent Data Services acquired the Former EDMC building at 615 McMichael Road for \$7.1 million.
- AirGround Xpress leased 59,000 SF at Clinton Commerce Park II located at 2400 Sweeney Drive in the West submarket.
- MSA Bacharach renewed their 61,796 SF lease in the Westmoreland Business & Research Park.

## Leasing Market Fundamentals

- New construction starts remain at a standstill this quarter given the rise in interest rates, tightening credit and increased construction costs
- Despite positive leasing activity, market-wide vacancy increased slightly as several large companies closed or vacated their buildings.
- Higher tenant improvement costs continue to be a headwind for leases in new Class A inventory.

## Outlook

- Industrial capital markets activity remains subdued and well below historical demand despite demand for industrial assets by institutional investors.
- Given the number of active tenants currently in the market, the outlook for 2024 remains positive as leasing activity is expected to increase later this year.
- Due to the lack of available inventory above 250,000 SF, larger users will be forced to consider build-to-suit for larger requirements on the few available larger sites.

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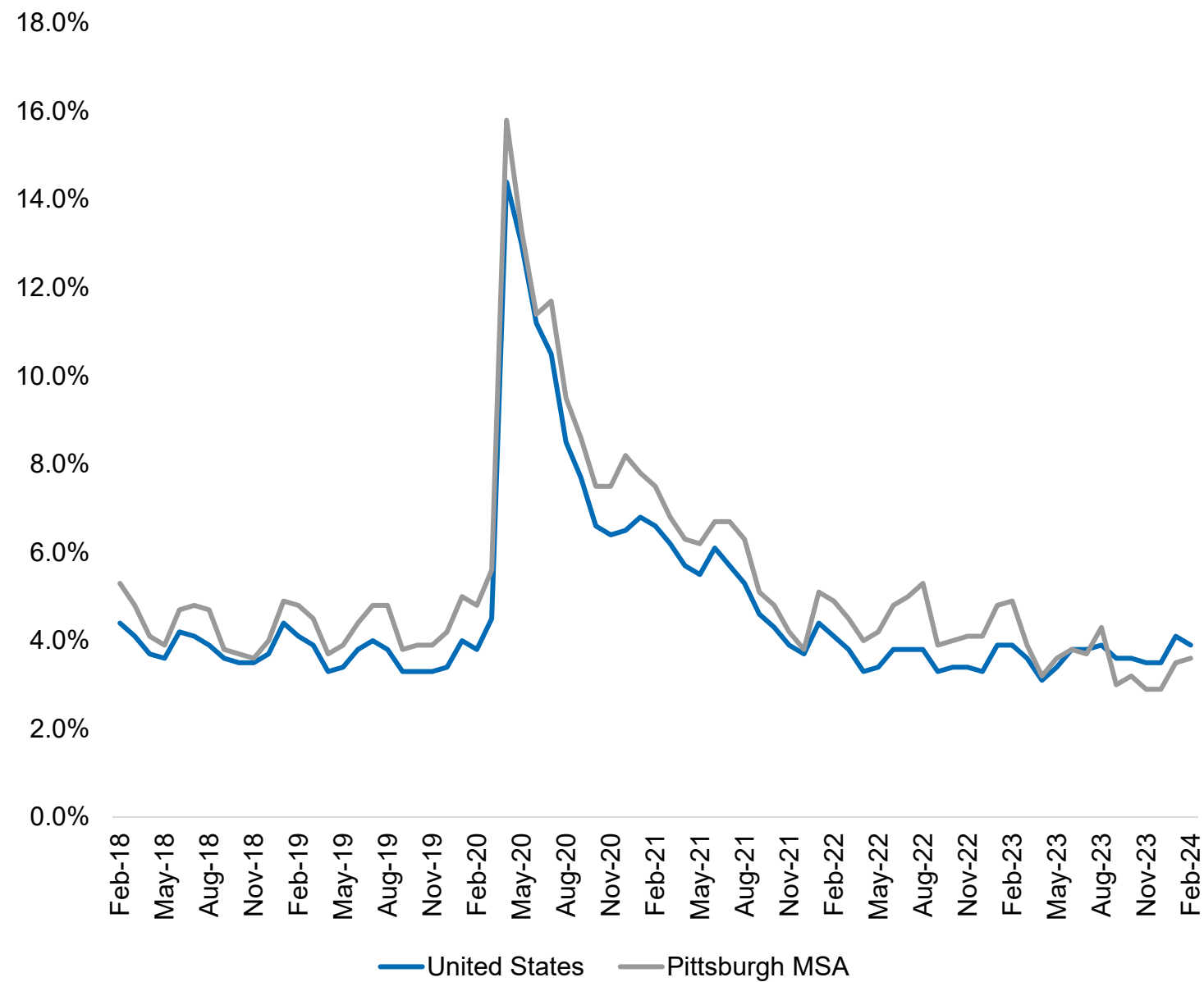
# Economy



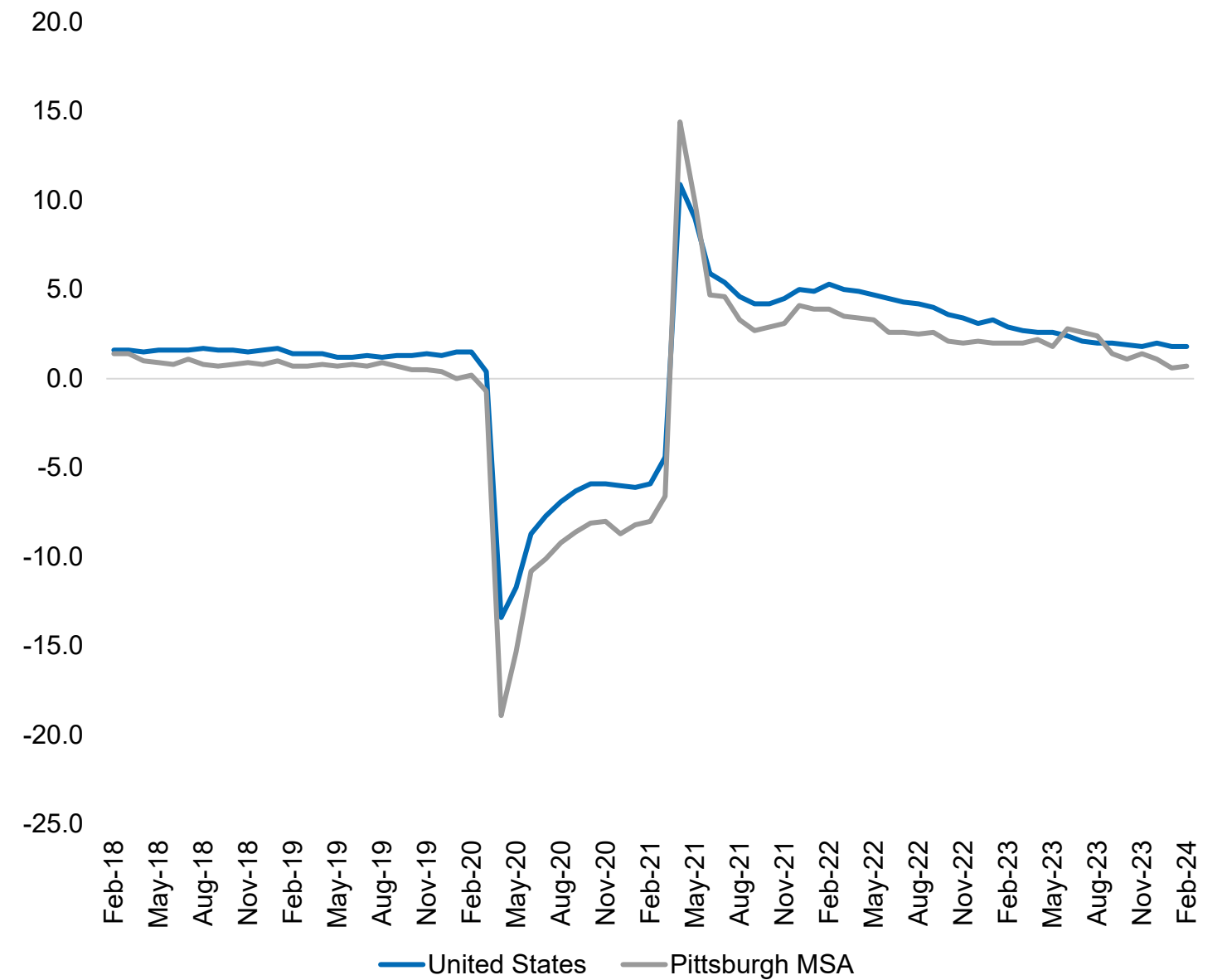
# Pittsburgh Employment Strong

The Pittsburgh MSA continues to exhibit a low unemployment rate at 3.6%, still below the national unemployment rate of 3.9% as of February 2024. Payroll employment is still experiencing solid growth and returning to pre-pandemic levels.

Unemployment Rate, Not Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



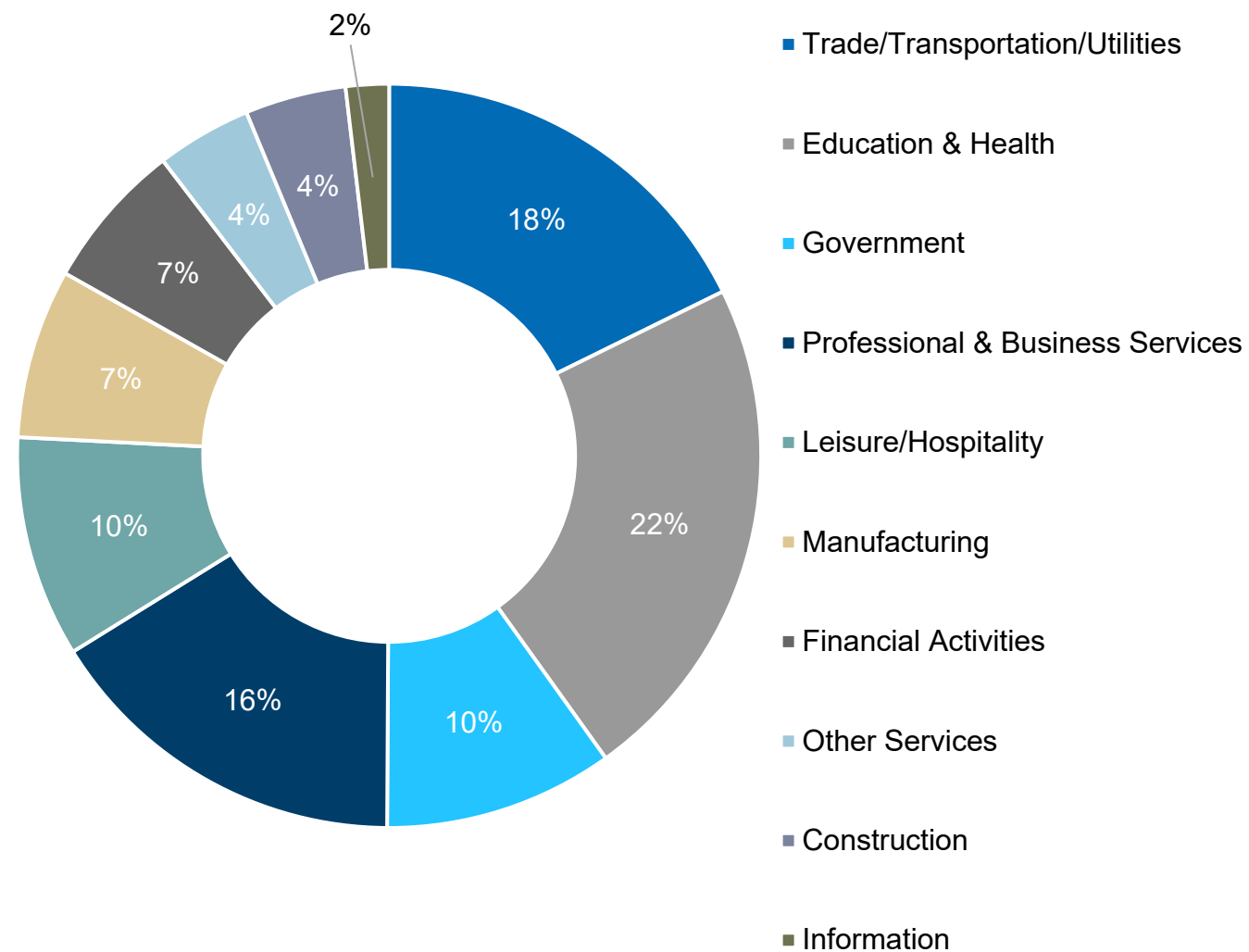
Source: U.S. Bureau of Labor Statistics, Pittsburgh MSA



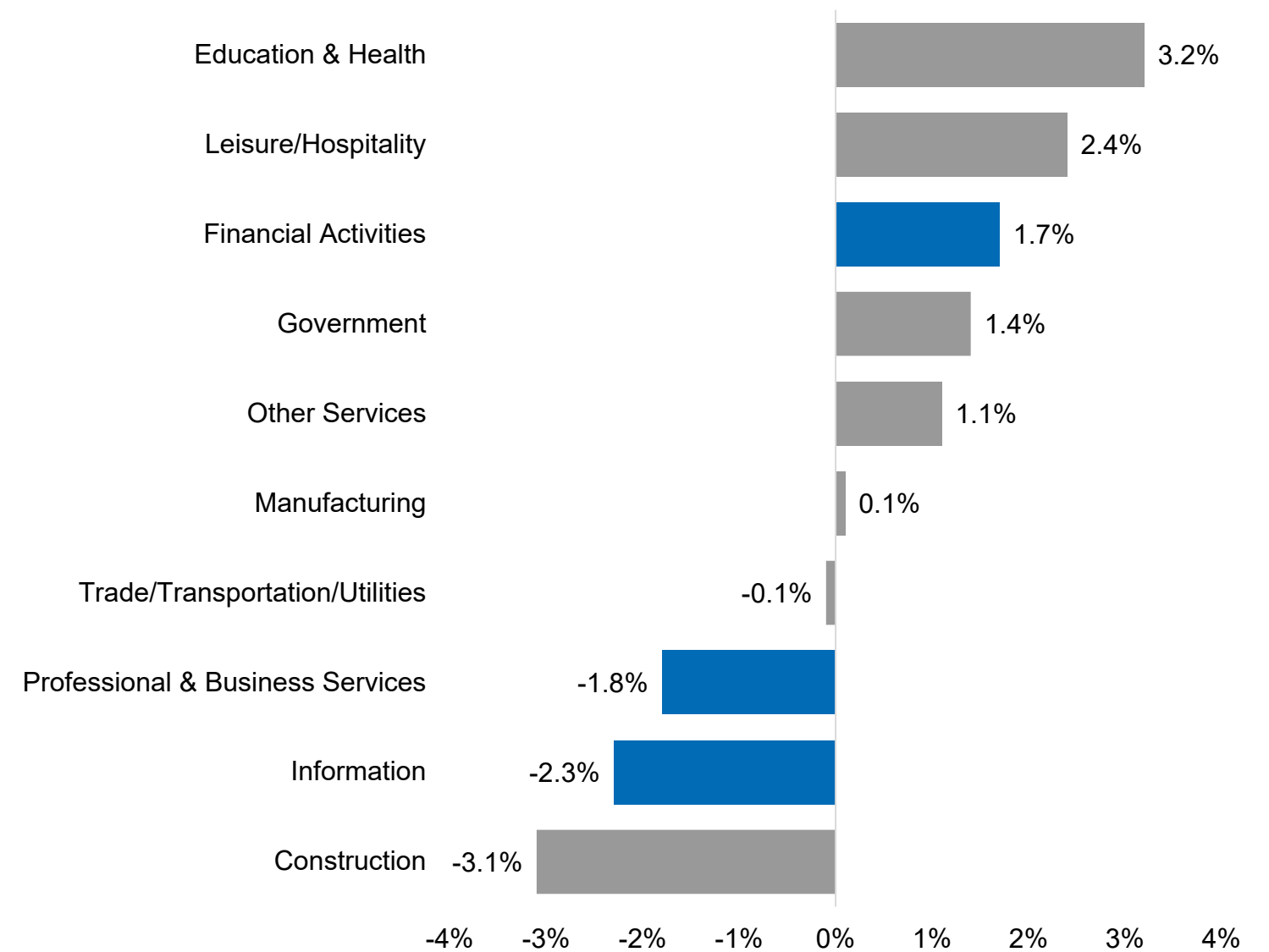
# Education and Health Employment Remain Strong

The largest job-producing sector in the Pittsburgh MSA is Education & Health thanks to the continued strength of our universities and health care centers.

Employment by Industry



Employment Growth by Industry, 12-Month % Change, February 2024



Source: U.S. Bureau of Labor Statistics, Pittsburgh MSA

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# Leasing Market Fundamentals

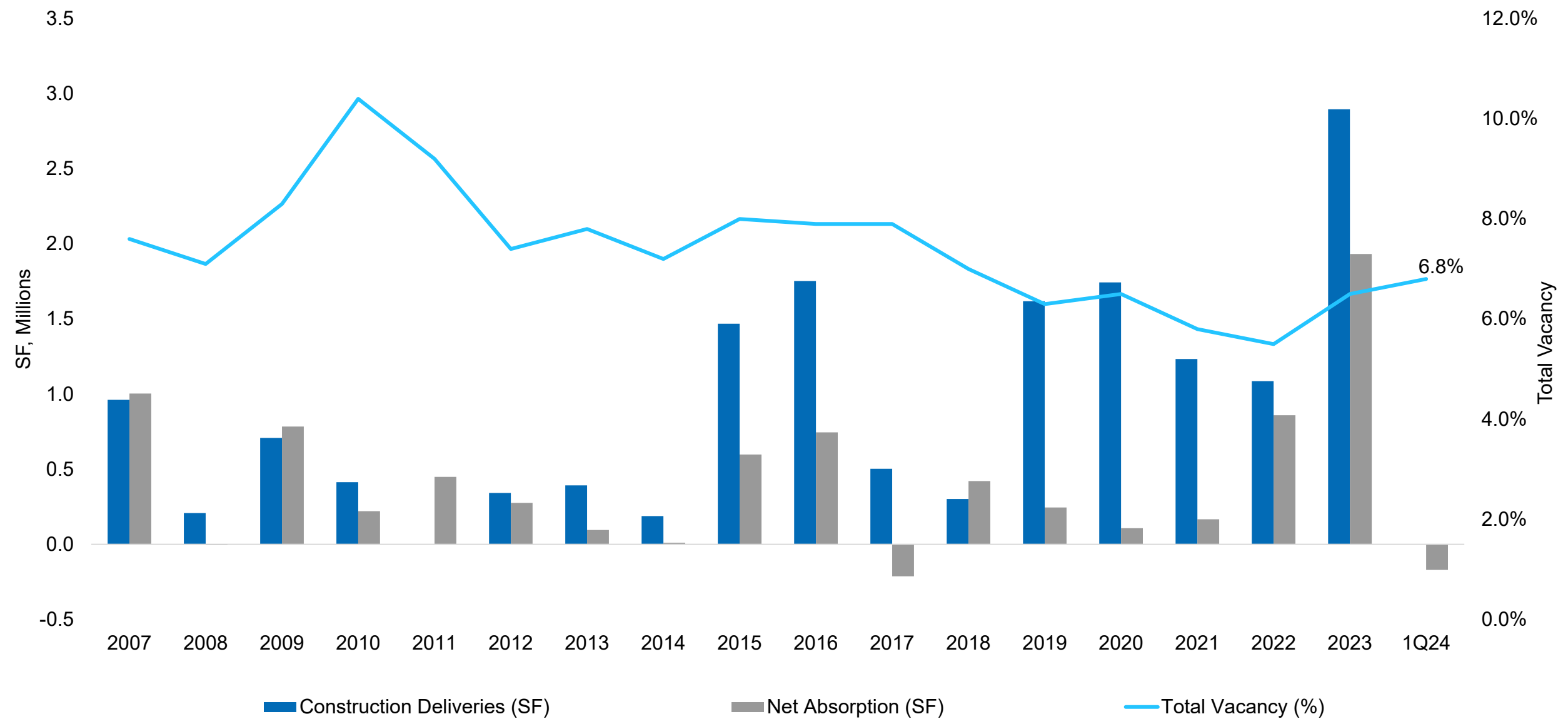




# Newly Completed Inventory Now Available

The industrial market had no construction deliveries the first quarter of 2024 after experiencing the record-high construction deliveries at the end of 2023. Despite positive leasing activity, market-wide vacancy rate increased slightly as several large companies closed or vacated their larger buildings.

## Historical Construction Deliveries, Net Absorption, and Vacancy



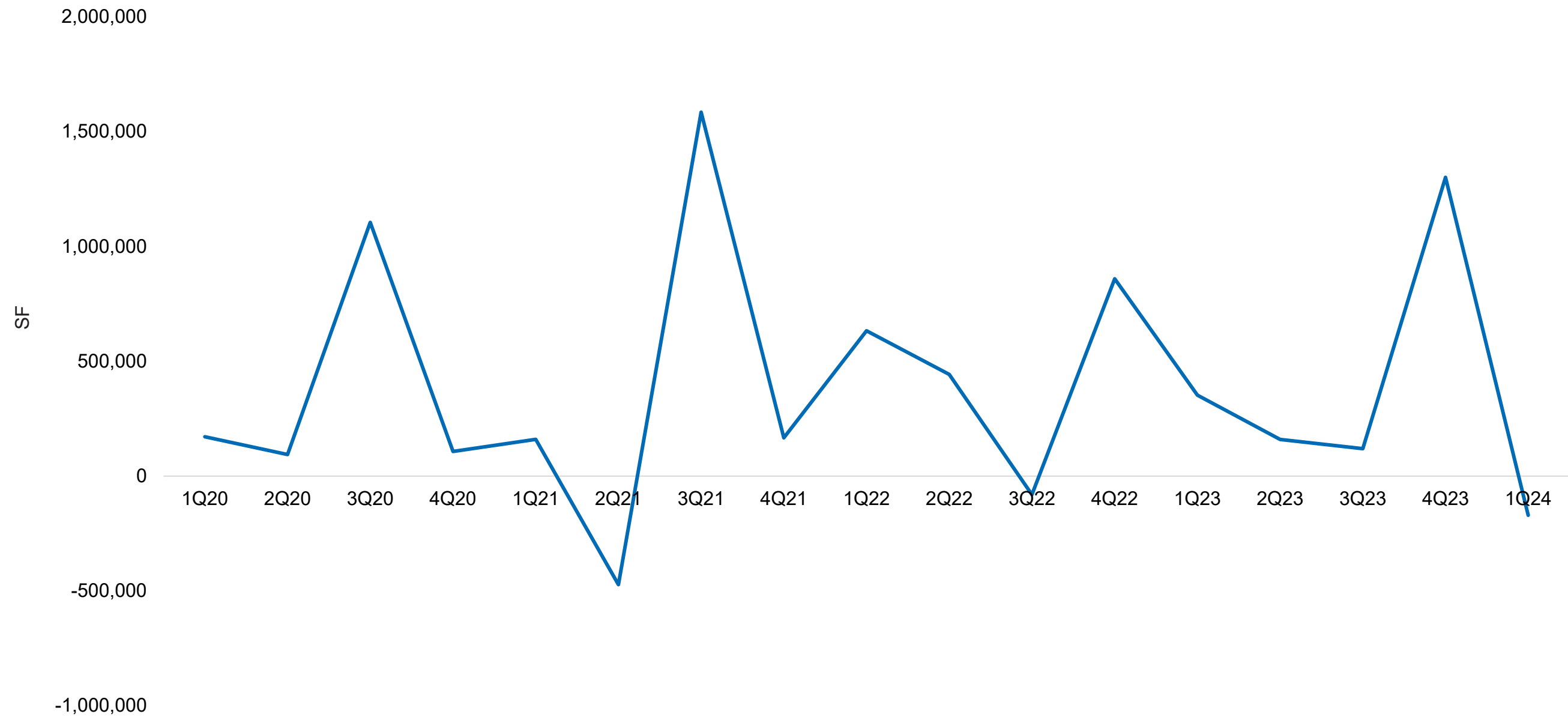
Source: Newmark Research



# Pittsburgh Industrial Still Healthy Despite Negative Results in First Quarter

The Pittsburgh industrial market has not seen negative absorption since the third quarter of 2022. The market had positive leasing activity this quarter; however, the largest contributors to the negative absorption were the closing of Cardinal Health at 171 Thorn Hill Road, BFG Supply at 460 Nixon Road and Modcloth at 2250 Roswell Drive.

## Total Absorption (SF)

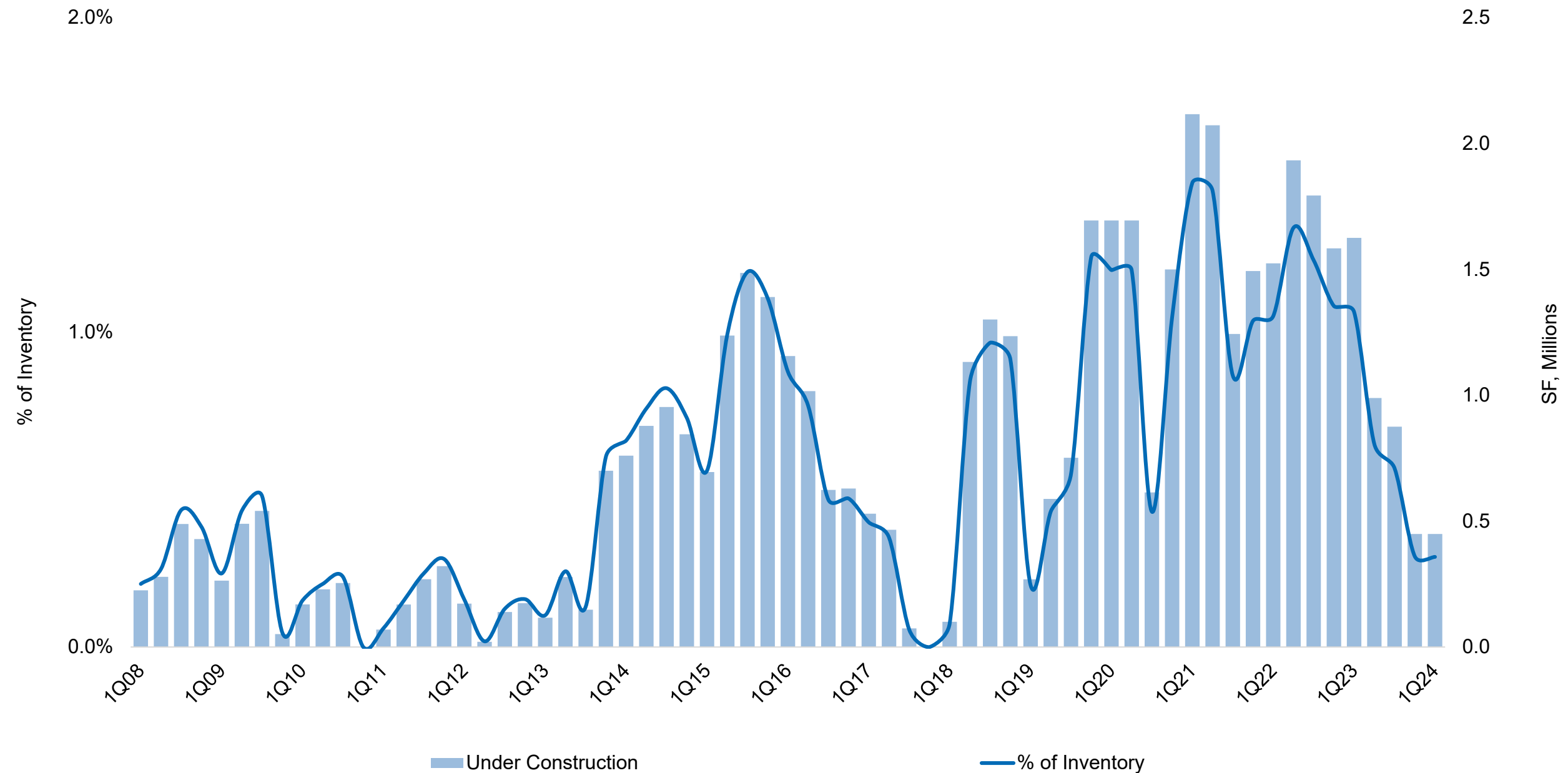


Source: Newmark Research, CoStar

# Minimal New Construction Expected in 2024

New construction starts remain at a standstill this quarter given the rise in interest rates, tightening credit and increased construction costs.

## Industrial Under Construction and % of Inventory



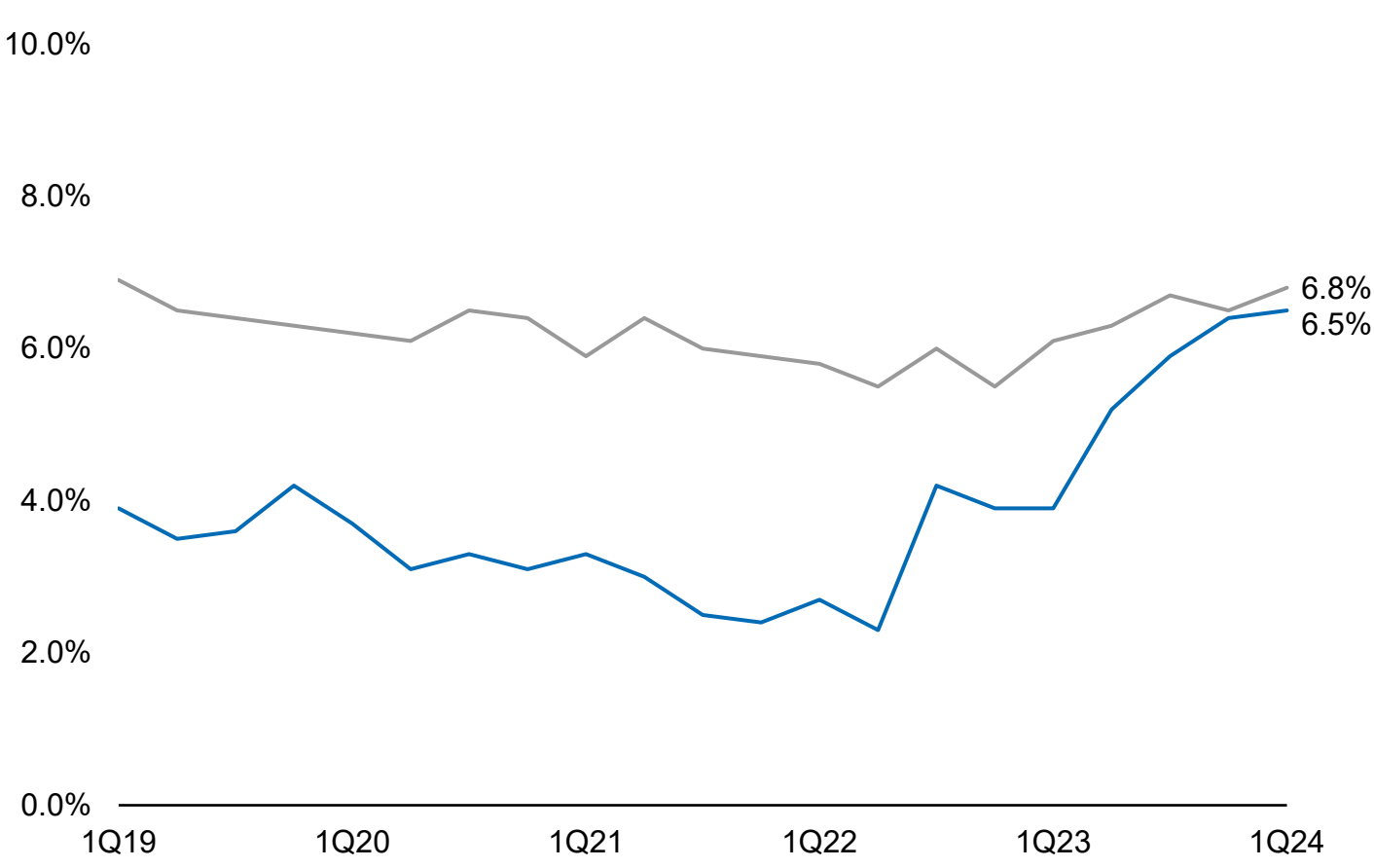
Source: Newmark Research



# Slight Uptick in Vacancy

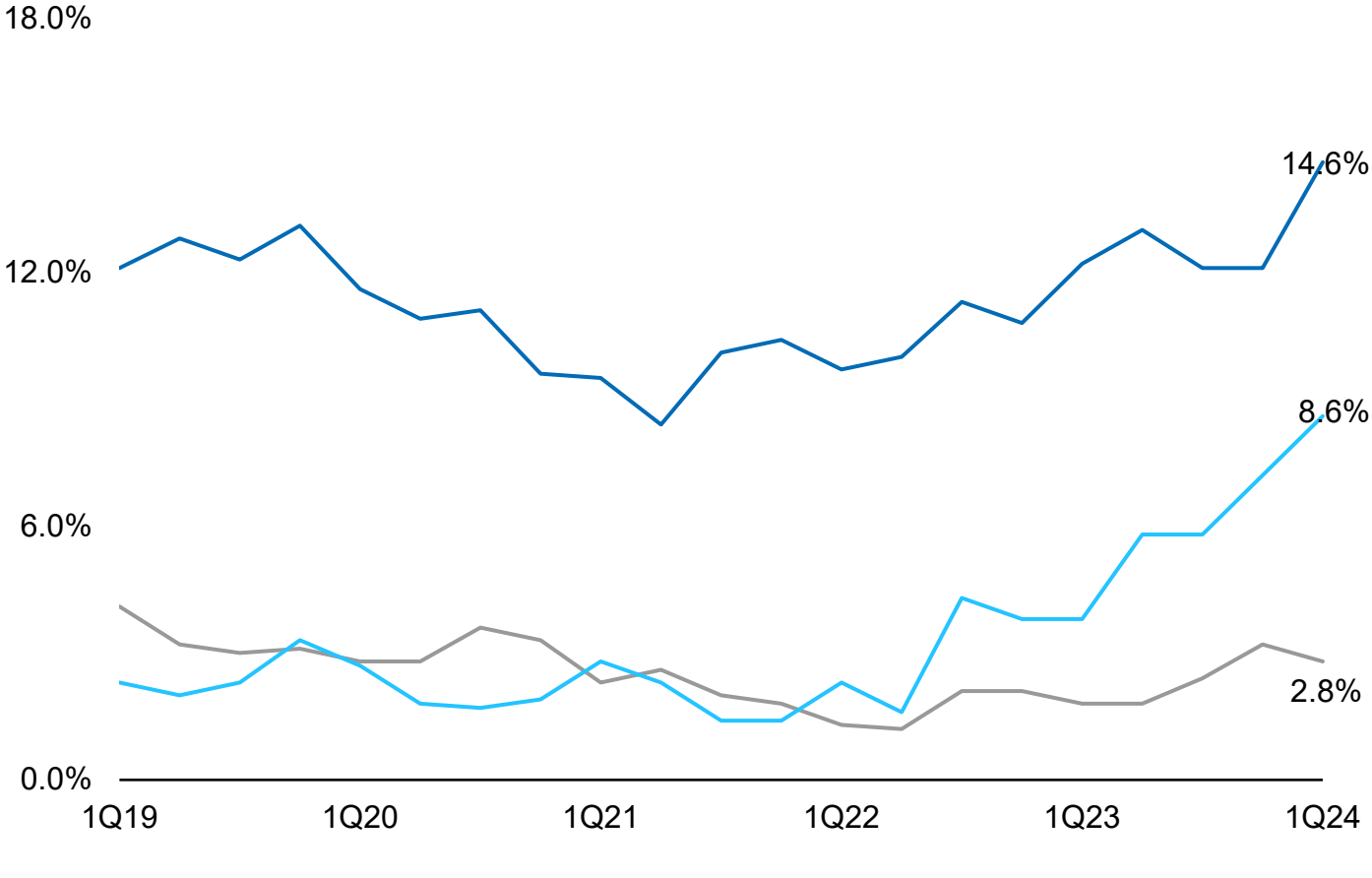
Class A vacancy slightly increased by 10 basis points from 6.4% to 6.5% in the first quarter of 2024, However, it is still lower than the overall market vacancy rate.

Vacancy Overall vs Class A



— Overall Vacancy    — Class A Vacancy

Class A Vacancy By Subtype



— Gen Ind    — R&D Flex    — Whse/Dist

Source: Newmark Research

# Notable 1Q24 Lease Transactions

The Westmoreland and West submarkets experienced the most leasing activity in the first quarter of 2024.

## Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Wabtec Corp	Hempfield Commerce Center #2	Westmoreland	New Lease	68,178
MSA Bacharach	621 Hunt Valley Circle	Westmoreland	Renewal	61,796
AirGround Xpress	2400 Sweeney Dr	West	New Lease	59,450
Ardent Data Services	615 McMichael Road	West	New Lease	43,510
M7 Sports	2267 Todd Rd	Beaver	New Lease	38,500
IDI Distributors	1200 International Dr	West	New Lease	20,000
Cleveland Cliffs Inc	100 Monogahela St	Westmoreland	New Lease	17,600
McKesson Medical	800 Brickworks Dr	Northwest	New Lease	15,000
Renuity	208 Overlook Dr	Northwest	New Lease	15,000

Source: Newmark Research, CoStar



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# Submarket Overview







Please reach out to your  
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