



# Pittsburgh Office Market

## The Progression Forward

As many predicted, Labor Day was seemingly a turning point for employees returning to the office. While we may not see many companies implementing the five-day, in-office work week anytime soon, it appears that the hybrid model is here to stay. Particularly on Tuesdays, Wednesdays and Thursdays, there has been a noticeable increase in traffic; parking garages are becoming full again; and restaurants are busier. While some may view this as a negative, this is a significant indicator that the Pittsburgh office market is on the upswing.

The overall office market activities remained relatively flat in the third quarter of 2022. Vacancy slightly decreased from 22.1% to 22.0%, and the average asking rent per square foot decreased nominally from \$25.79/SF to \$25.78/SF. With 926,000 square feet currently under construction, no projects were completed, and no new construction projects were announced.

Net absorption for all markets was negative this quarter at negative 20,462 square feet, which brings the year-to-date total to negative 71,301 square feet.

### Current Conditions

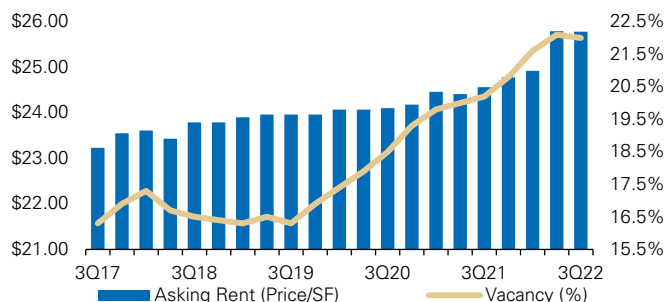
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- Net absorption for all markets was negative again this quarter at negative 20,462 square feet, which brings the year-to-date total to negative 71,301 square feet.
- Sublease availability continued to decrease this quarter from 2,025,913 square feet to 1,979,494 square feet.

### Market Summary

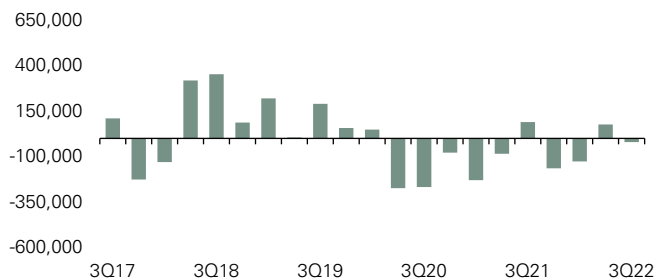
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	57 MSF	57 MSF	56 MSF	↑
Vacancy Rate	22.0%	22.1%	20.2%	↑
Quarterly Net Absorption (SF)	-20,462	76,703	89,724	↓
Average Asking Rent/SF	\$25.78	\$25.79	\$24.56	↔
Under Construction (SF)	926,000	926,000	1,378,853	↓
Deliveries (SF)	0	478,561	0	↑

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



## RESEARCH Q3 2022

On a positive note, sublease availability continued to decrease this quarter from 2,025,913 square feet to 1,979,494 square feet.

### The Central Business District

One of the biggest announcements in the third quarter of 2022 was Highwoods Properties, Inc. disclosing its plan to sell both PPG Place and EQT Plaza and exit the Pittsburgh Market. Combined, the two properties cover approximately 2.1 million square feet of office space.

A trend that has been picking up traction in the CBD is the conversion of office buildings to residential properties. The Pittsburgh Planning Commission recently proposed zoning changes to make this process easier for developers. Some Downtown office buildings that are following through with this trend are the former GNC headquarters, The Pittsburgher and Three Gateway Center to name a few.

After more than 20 years at 525 William Penn Place, Citizens Bank confirmed that it will be relocating its regional headquarters to Four Gateway Center. The company announced that it will be taking approximately 40% less space. The move is slated to take place in the second half of 2024.

Additionally, the accounting firm KPMG made the decision to downsize this quarter, which resulted in 11,681 square feet of new sublease availability at BNY Mellon.

Multiple smaller vacancies came about this quarter at One PPG Place, totaling 20,972 square feet. Allegheny Technologies Incorporated vacated the ninth and tenth floors at Six PPG Place and moved to The Vision on Fifteenth in the Strip District neighborhood.

### Urban Markets Outside the CBD

Activity slowed down in the Fringe market this quarter, with only 4,683 square feet of positive absorption.

Pittsburgh's East Side, Management Science Associates is in the process of vacating 123,000 square feet at the Chatham Eastside building. After completing renovations, Sheetz moved into its new 22,312-square-foot office space at Bakery Square Four. The Oakland / East End submarket maintains the highest average rental rate, at \$41.14/SF.

A 72,000-square-foot block of available space was removed from The Assembly in Shadyside, where it is rumored a tech firm will be joining the likes of the University of Pittsburgh and UPMC.

In Pittsburgh's North Side neighborhood, approximately 33,000 square feet of sublease space became available in Nova Place's Tower Two.

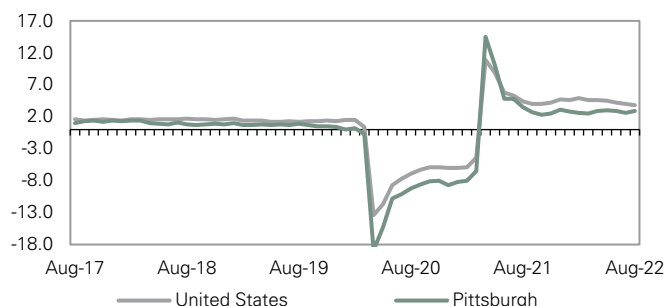
### Suburban Submarkets

The vacancy rate in the collective suburban submarkets dropped slightly this quarter, from 22.1% to 21.8%. Deal activities include CNX Resources Corporation announcing that it is no longer offering 43,205 square feet of sublease space at its 300,000-square-foot headquarters in Southpointe. Burns Scalo Real Estate repurchased Southpointe's Stealth Technology Center and leased a 15,000-square-foot deal with the Hope Learning Center in the process. The firm built the 116,000-square-foot property in 2004 and now plans to make improvements to the building.

In the Parkway West submarket, Eight Parkway Center was removed from the market's rentable office space and will be converted to a storage building. A 40,000-square-foot lease was signed in Penn Center West V, while a new sublease was offered at the same building for 19,823 square feet.

## Payroll Employment

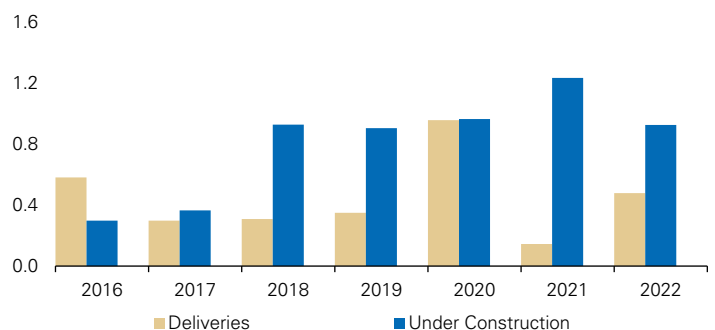
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

## Construction And Deliveries

SQUARE FEET, MILLIONS



## RESEARCH Q3 2022

### Looking Ahead

Many companies have recently been making a push to get their employees back into the office, which could be the shift that the market has needed for renewed activity. Some notable corporations that have been vocal about the importance of being in the office are Goldman Sachs, Tesla, JPMorgan and Apple. While we may be multiple years away from achieving in-office occupancy prior to 2020, this quarter at least felt like a positive step in the right direction.

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)
CBD	19,799,574	475,000	4,269,394	21.6%	-104,697	-112,109	\$30.24	\$22.83
Fringe	8,190,072	0	1,913,657	23.4%	4,683	24,657	\$35.80	\$21.87
Oakland/East End	3,846,323	280,000	855,375	22.2%	92,662	114,316	\$43.79	\$22.55
<b>City Of Pgh Total</b>	<b>31,835,969</b>	<b>755,000</b>	<b>7,038,426</b>	<b>22.1%</b>	<b>-7,352</b>	<b>26,864</b>	<b>\$34.13</b>	<b>\$22.50</b>
East	3,324,559	0	855,936	25.7%	5,895	-27,202	\$21.15	\$15.64
North	7,748,782	0	1,533,619	19.8%	-25,896	-16,397	\$24.85	\$20.57
Parkway West	9,213,569	171,000	2,263,794	24.6%	5,363	-55,214	\$23.84	\$19.99
South	5,321,686	0	923,174	17.3%	1,528	648	\$22.25	\$19.31
<b>Suburban Total</b>	<b>25,608,596</b>	<b>171,000</b>	<b>5,576,523</b>	<b>21.8%</b>	<b>-13,110</b>	<b>-98,165</b>	<b>\$23.33</b>	<b>\$19.69</b>
<b>Pittsburgh</b>	<b>57,444,565</b>	<b>926,000</b>	<b>12,614,949</b>	<b>22.0%</b>	<b>-20,462</b>	<b>-71,301</b>	<b>\$29.09</b>	<b>\$21.34</b>

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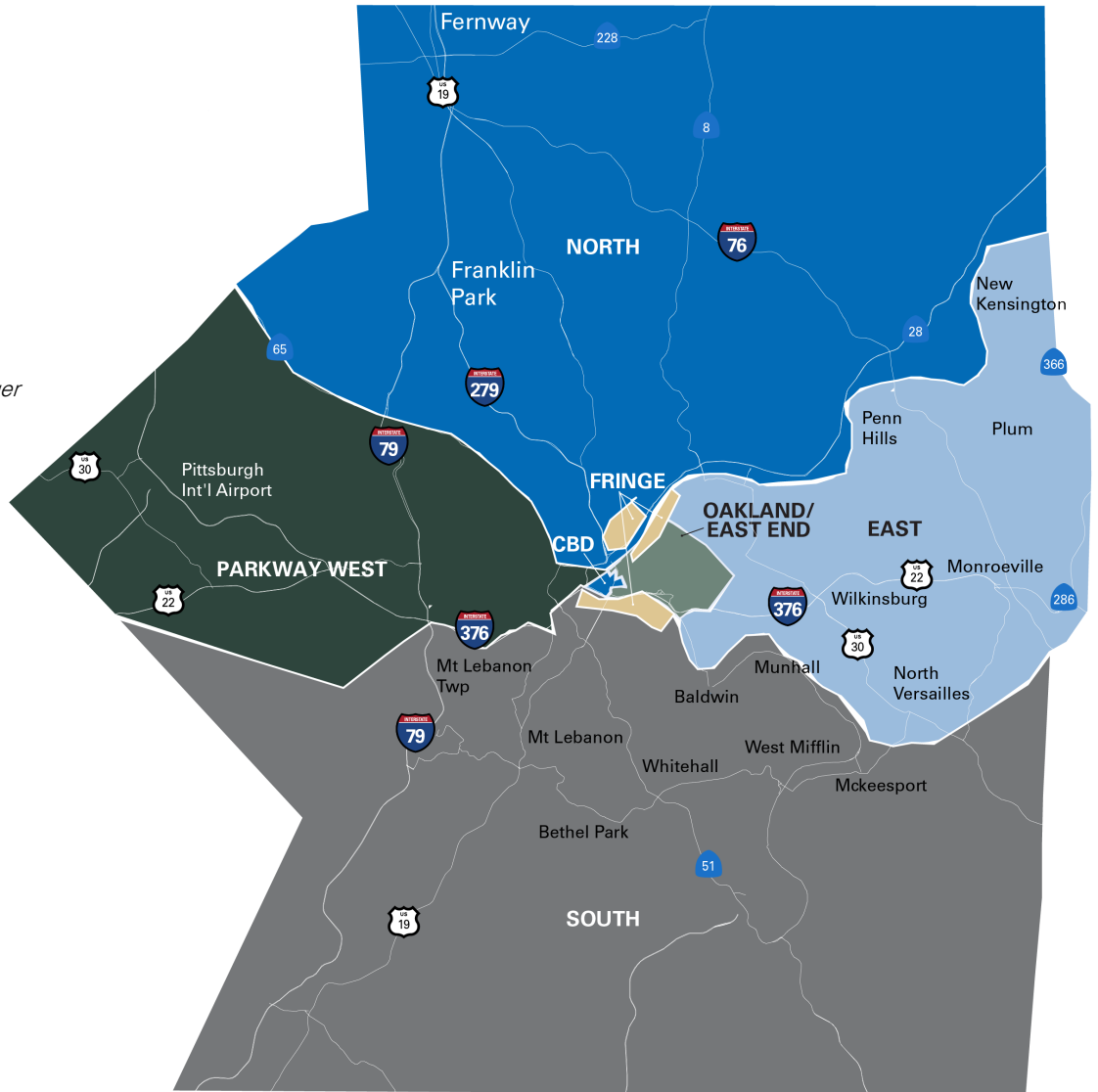
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