

1Q25

Pittsburgh Office Market Overview



Market Observations

Economy

- Even though the unemployment rate in Pittsburgh has been rising gradually, it remains below the national average, standing at 3.9% compared to the national rate of 4.1% as of February 2025.
- Education and healthcare industry has seen a remarkable growth of 3.5% over the past 12 months, while sectors such as Manufacturing and Information have experienced significant declines.
- Economic uncertainty and rising construction costs have made developers more reluctant to take risks creating a limited pipeline for new construction.

Transactions

- In the first quarter of 2025, One Oxford Center was sold to Oxford Lender Fund I LP marking a significant transaction in Pittsburgh's office market.
- K&L Gates law firm has opted to keep its Pittsburgh headquarters at the K&L Gates Center with a new 15-year lease, reaffirming its commitment to Downtown Pittsburgh. The firm will maintain its presence in approximately 150,000 square feet across eight floors.
- The Parkway West market experienced positive activity with the renewal of L.B. Foster at Foster Plaza One and The Wolfe Companies signing a lease for the entire building at Settlers Corporate Center Building Four.
- Bakery Square Four inked a deal with Hellbender to lease 32,000 SF during the first quarter of 2025.
- Wells Fargo has reinforced its strong market presence by renewing its lease agreements at One Oxford Centre and Blaymore, signifying its continued commitment to the region.

Leasing Market Fundamentals

- Between 2020 and the first quarter of 2025, the market experienced varied construction deliveries and negative net absorption, leading to an increase in total vacancy rates from 19.3% in 2020 to 25.0% in first quarter of 2025. This trend reflects ongoing challenges in the market's demand and occupancy dynamics.
- Despite the rise in direct asking rents for both Class A and Class B properties, these figures represent the initial expectations and do not necessarily reflect the final lease rates agreed upon in the final transaction.
- Sublease availability continues to diminished from 3.8% in the second quarter of 2023 to 2.9% in the first quarter of 2025, while overall vacancy rates continue to climb.
- The lack of new office construction in Pittsburgh can be attributed to significantly altered workplace dynamics that reduce the demand for traditional office space making developers cautious about initiating new projects in an already saturated market.

Outlook

- Enhancements in public transportation linking downtown to Oakland will improve accessibility, making downtown and surrounding areas more appealing.
- Even with the uncertainty in the market, In 2025, Pittsburgh's office market is expected to follow national trends while being influenced by local dynamics. With a focus on technology and innovation, especially in robotics and AI, office spaces will likely cater to these sectors with modern, tech-equipped workspaces.

1. Economy
2. Leasing Market Fundamentals
3. Submarket Overview

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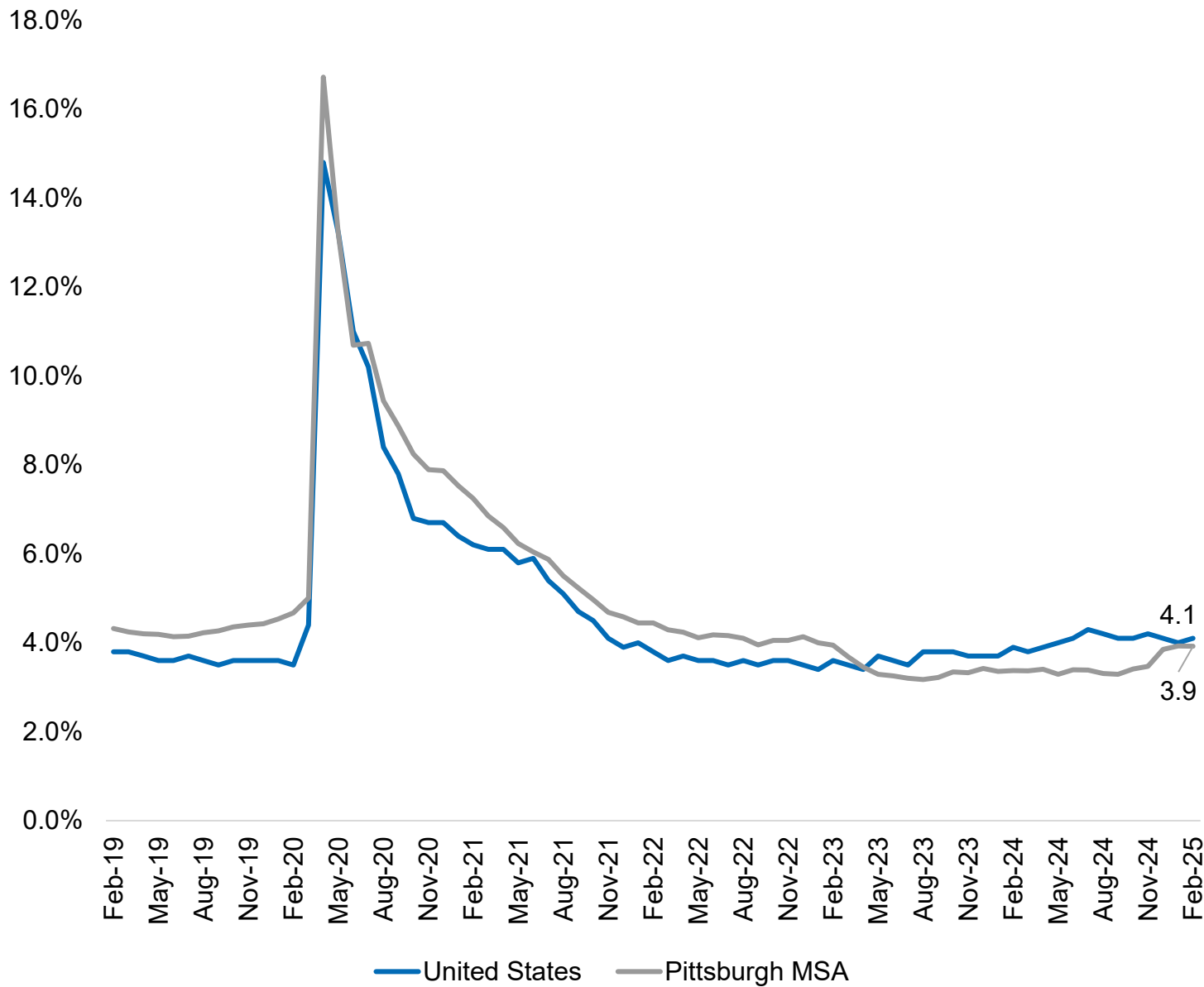
Economy



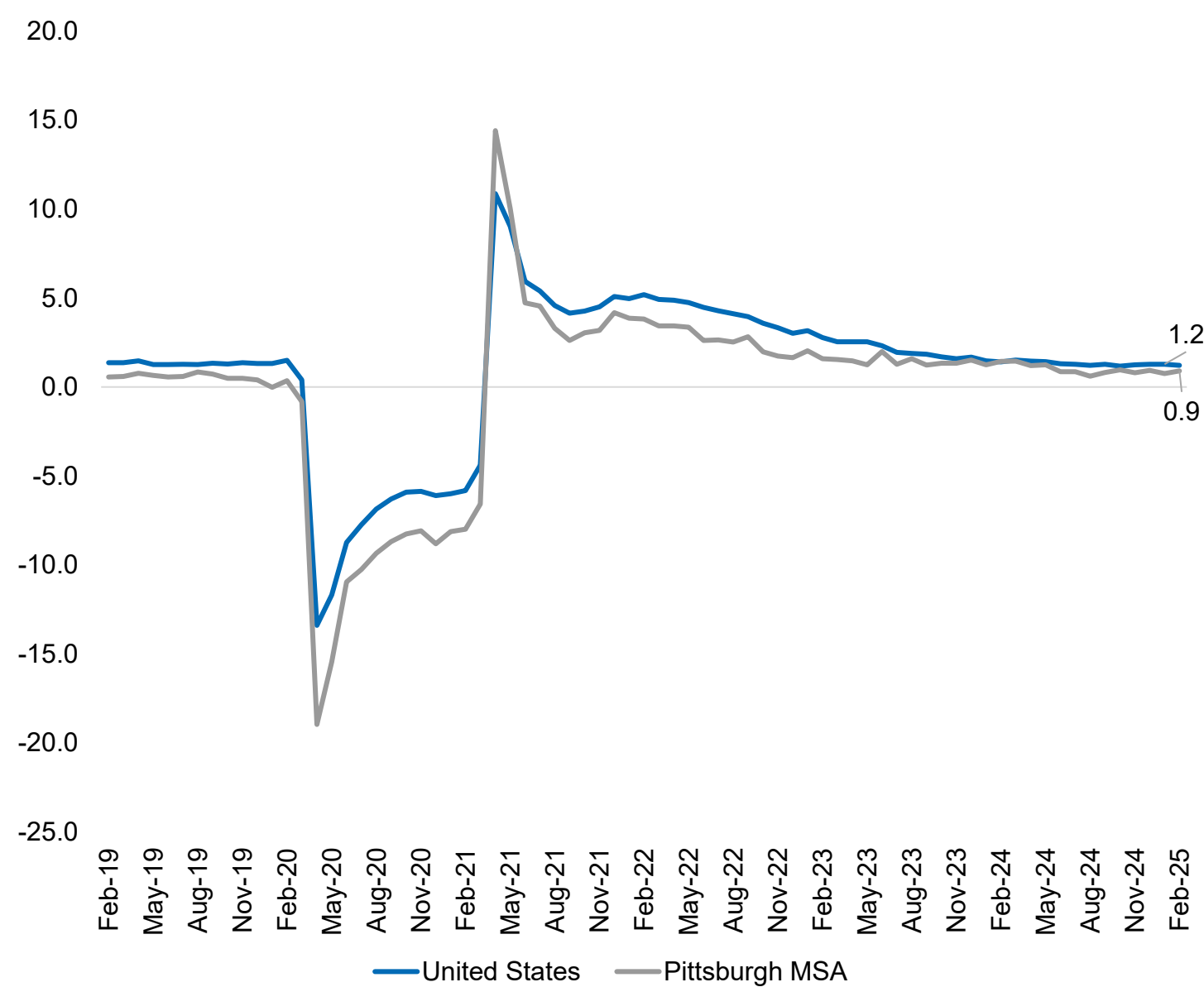
Pittsburgh Unemployment Continues to Remains Below National Rate

Even though the unemployment rate in Pittsburgh has been rising gradually, it remains below the national average, standing at 3.9% compared to the national rate of 4.1%. From February 2019 to February 2025, the employment change rates in both the United States and Pittsburgh MSA showed significant fluctuation, with Pittsburgh generally experiencing lower growth rates than the national average, nearing the same level as 2019.

Unemployment Rate, Seasonally Adjusted



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



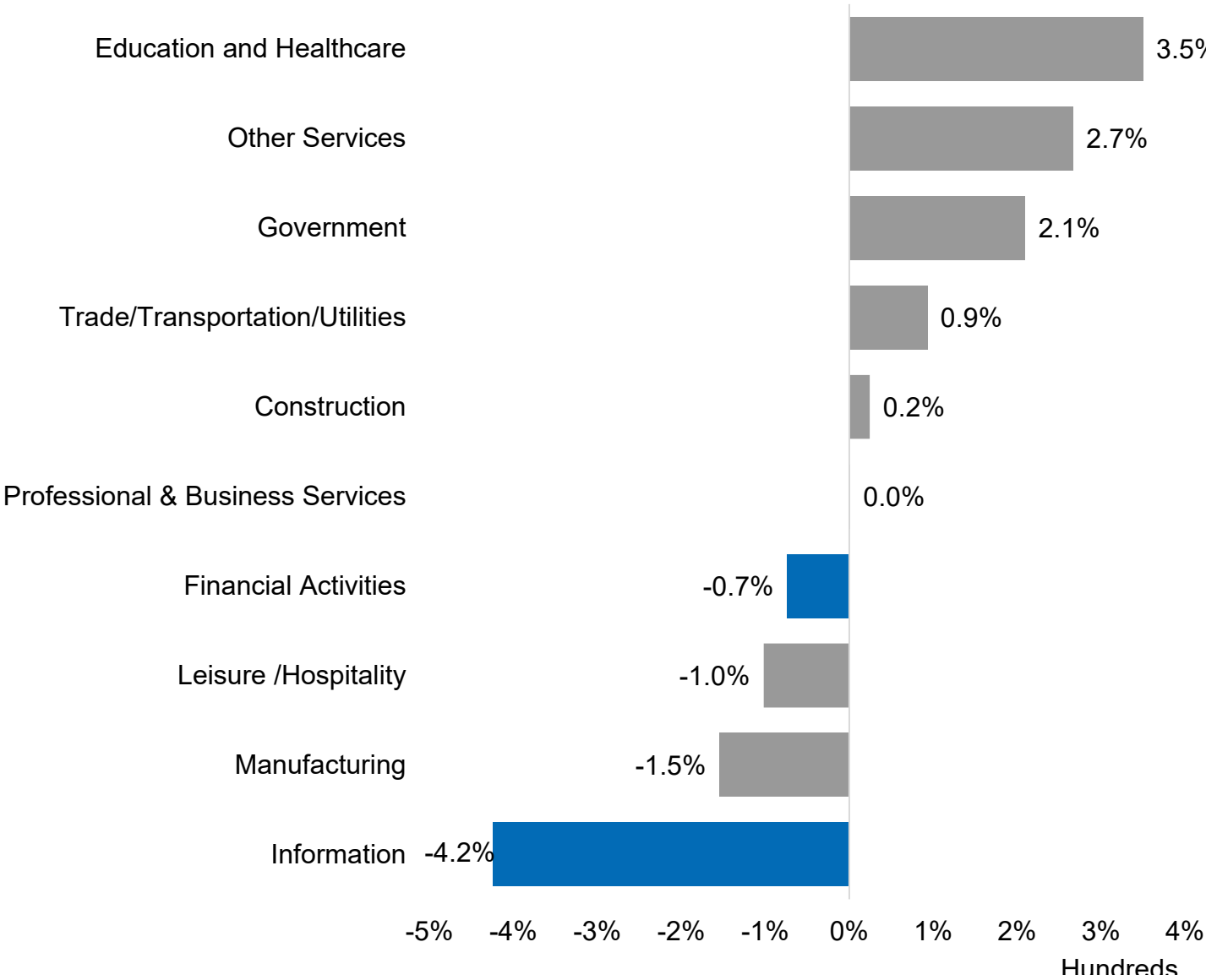
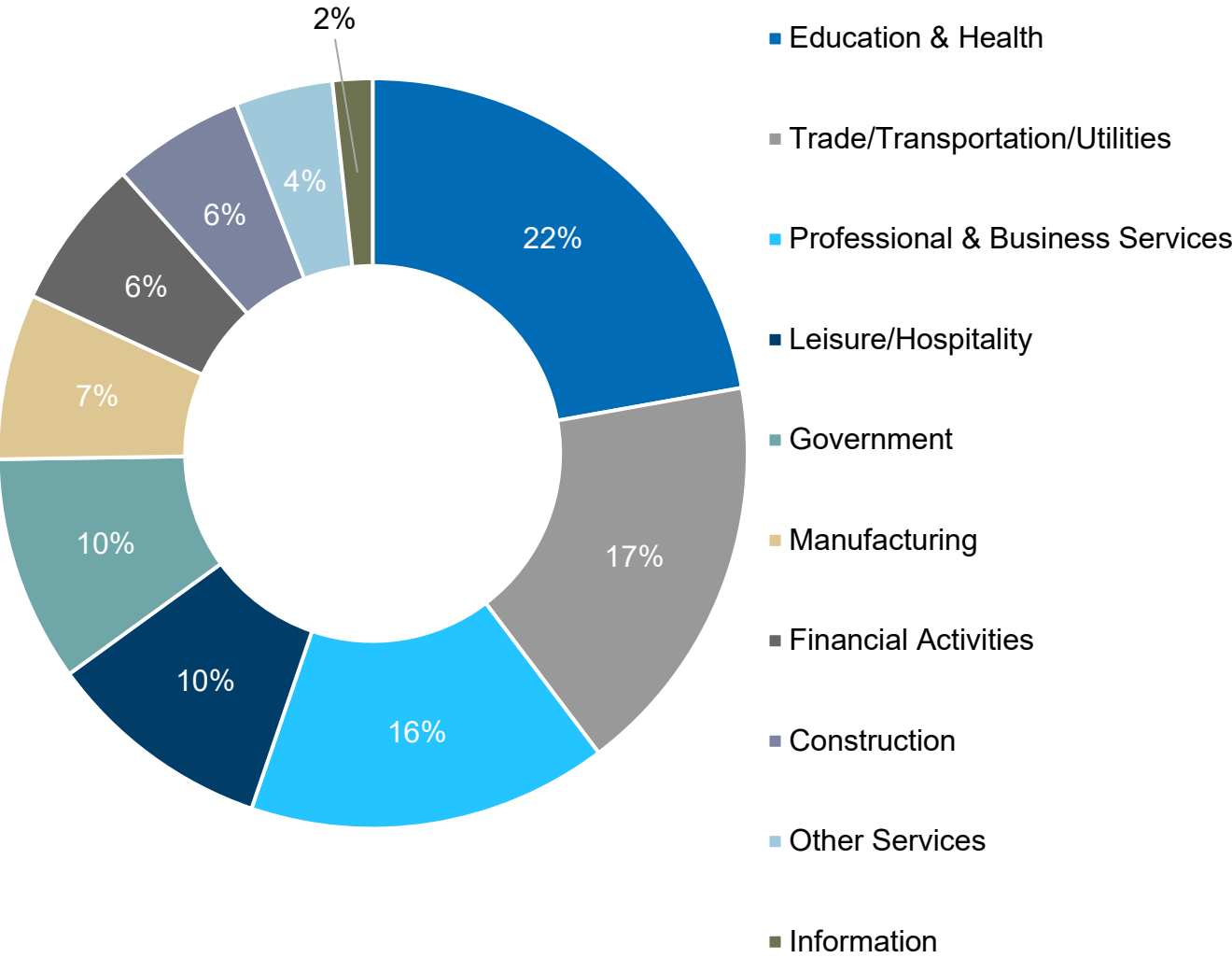
Source: Moody's Analytics, Pittsburgh MSA

Education and Healthcare Lead Employment Growth In Pittsburgh

Over the past 12 months, the Education and Healthcare industry has seen a remarkable growth of 3.5%, while sectors such as Manufacturing and Information have experienced significant declines of -1.5% and -4.2%, respectively, reflecting a diverse range of performance across industries.

Employment by Industry

Employment Growth by Industry, 12-Month % Change



Source: Moody's Analytics, Pittsburgh MSA

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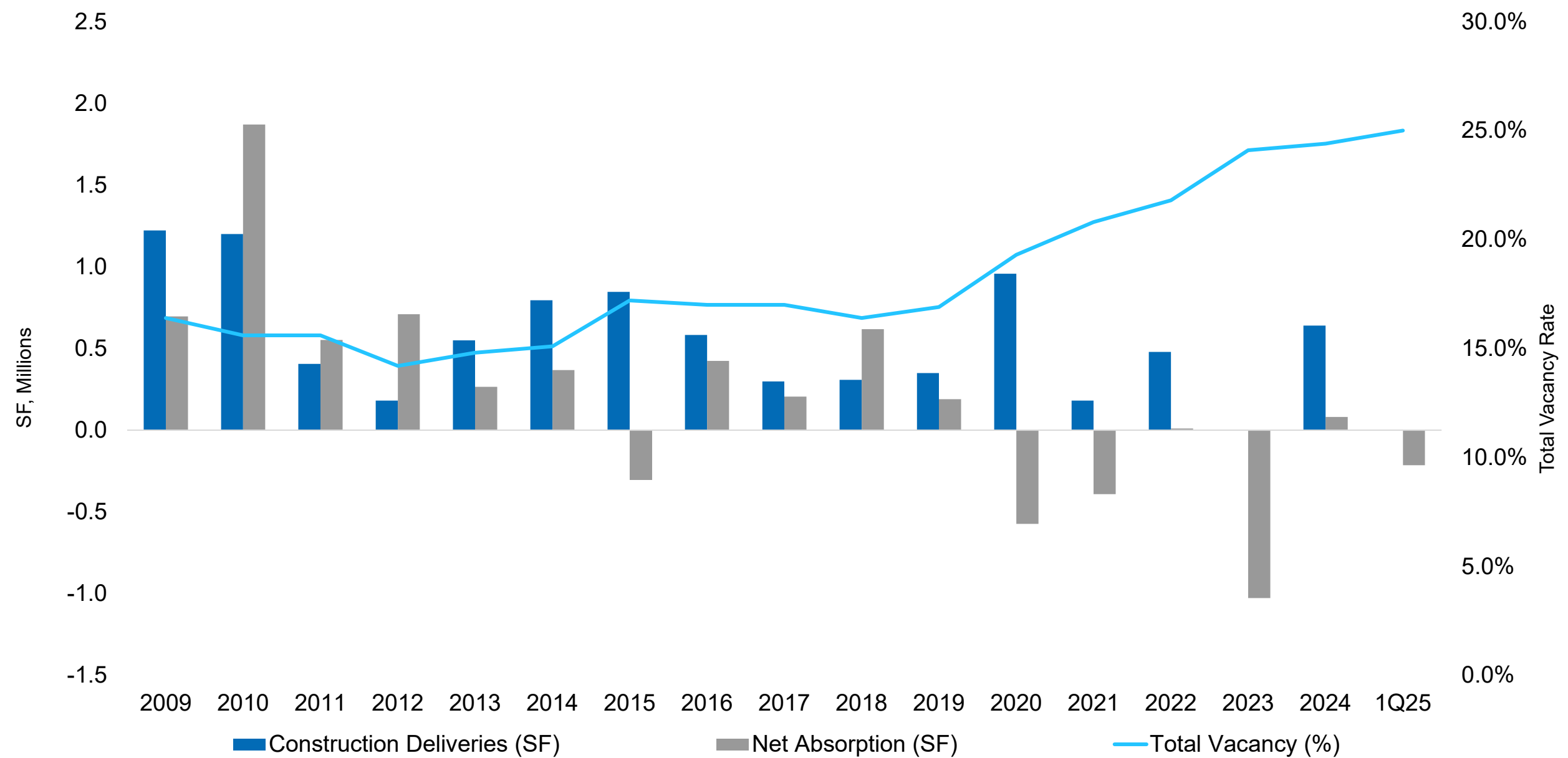
Leasing Market Fundamentals



Pittsburgh’s Office Market Remains Challenged

Between 2020 and the first quarter of 2025, the market experienced varied construction deliveries and negative net absorption, leading to an increase in total vacancy rates from 19.3% in 2020 to 25.0% in first quarter of 2025. Despite a brief period of positive absorption and increased construction activity in 2024, the negative absorption in 2023 and early 2025 has resulted in a rise in vacancy, reflecting ongoing challenges in the market’s demand and occupancy dynamics.

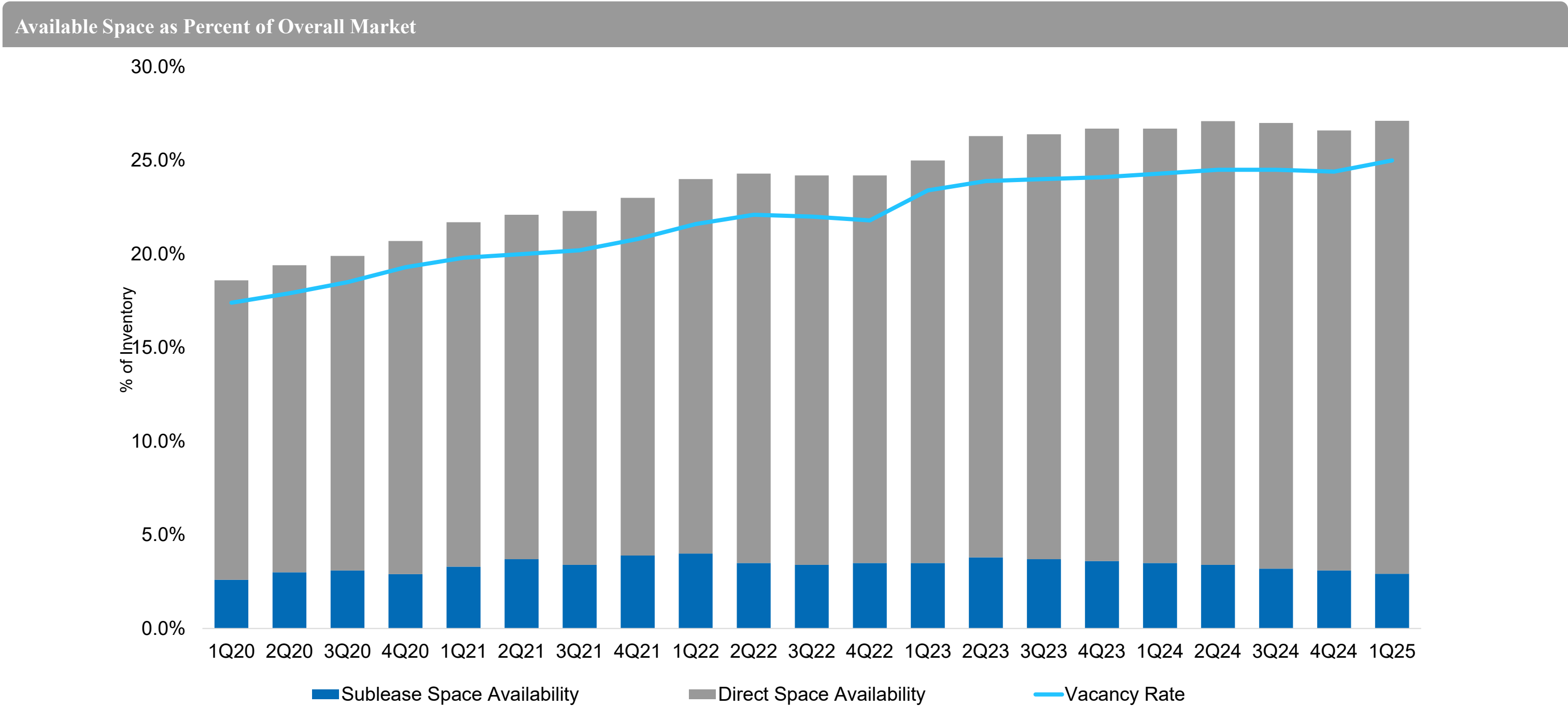
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Sublease Availability Decreases As Vacancy On The Rise

Sublease availability continues to abate from 3.8% in the second quarter of 2023 to 2.9% in the first quarter of 2025, while overall vacancy rates continue to climb during this same period from 23.9% to 25.0%

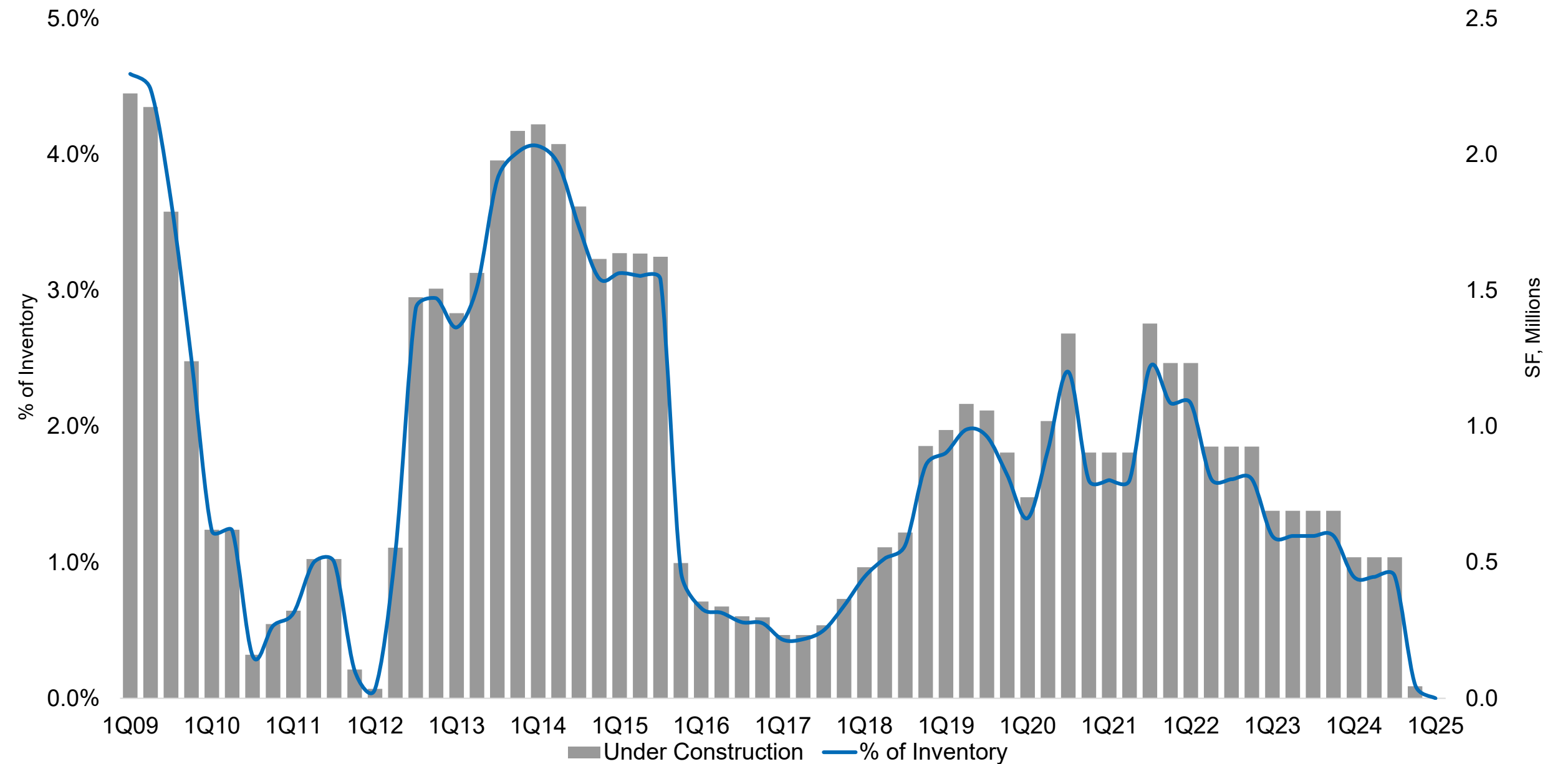


Source: Newmark Research

Construction Pipeline Has Dried Up

The lack of new office construction in Pittsburgh can be attributed to significantly altered workplace dynamics, with many companies adopting hybrid work models that reduce the demand for traditional office space. This shift has led to higher vacancy rates, making developers cautious about initiating new projects in an already saturated market. Additionally, economic uncertainty and rising construction costs have made developers more reluctant to take risks.

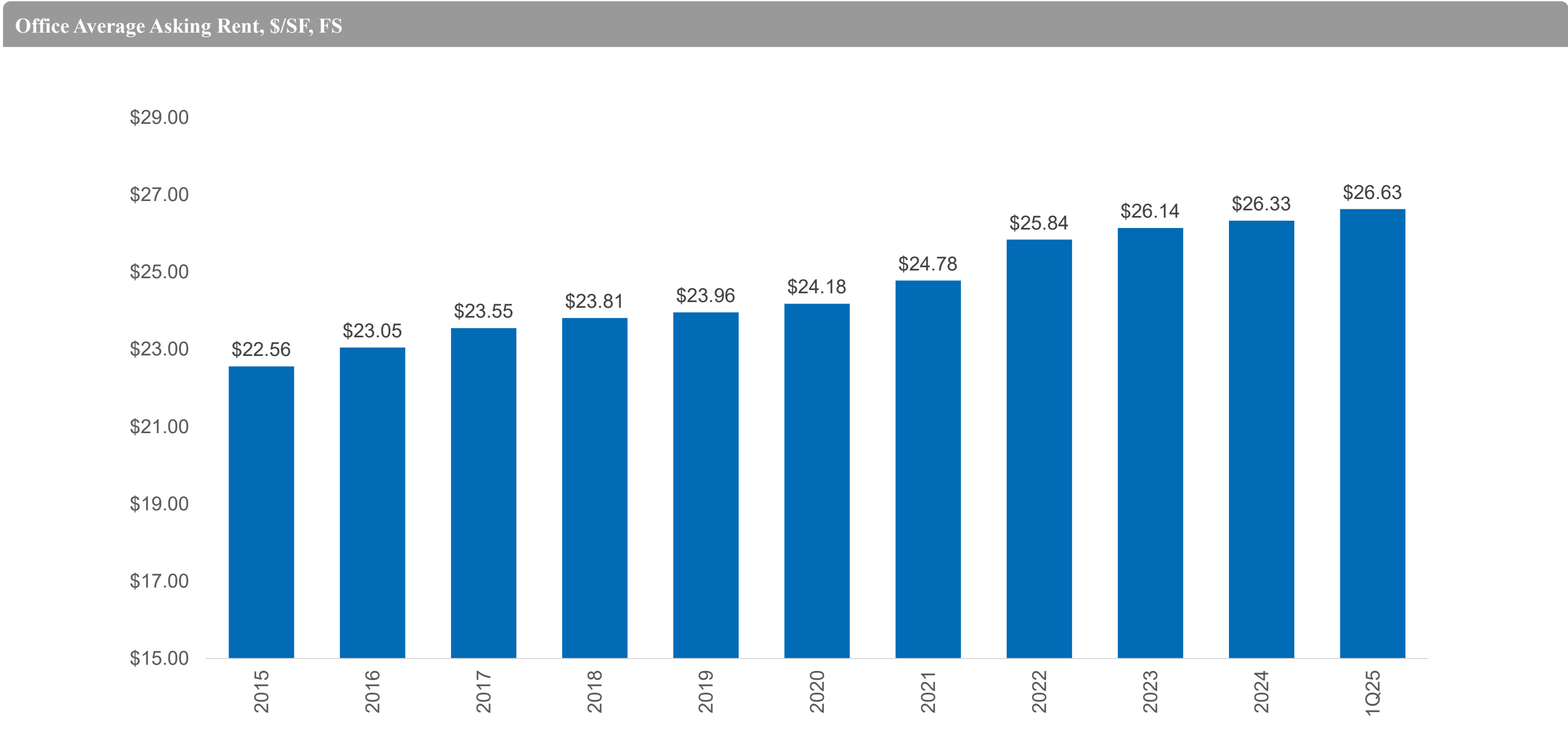
Office Under Construction and % of Inventory



Source: Newmark Research

Overall Market Direct Asking Rents Remain Strong

Over the past decade, overall direct asking rents for office space have shown a consistent upward trend in average rents, increasing from \$22.56 to \$26.63/SF. Despite increasing vacancies, asking rents continue to climb, prompting more aggressive negotiations and deals on effective rent rates.

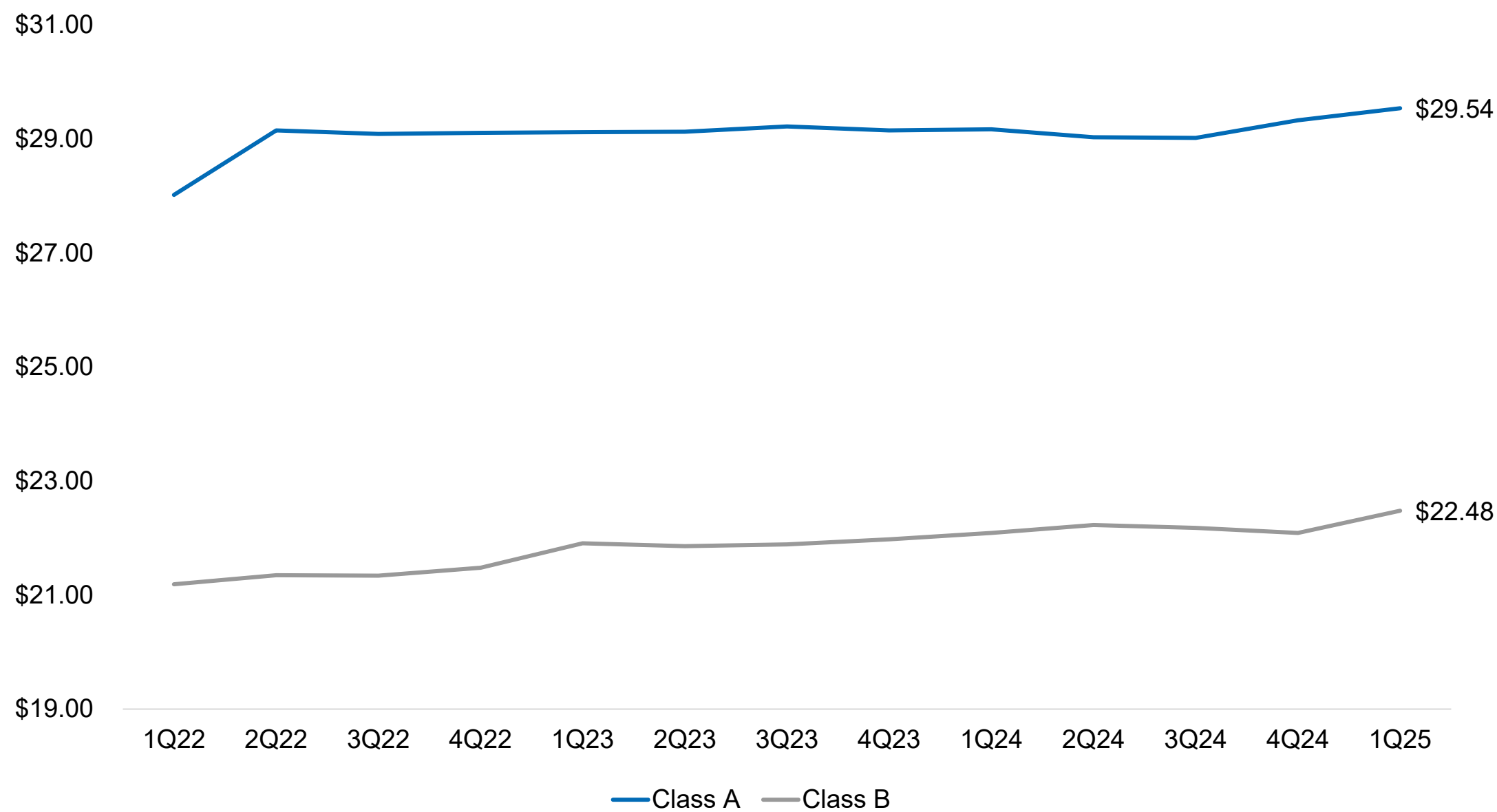


Source: Newmark Research

Class A and B Direct Asking Rents VS Contract Rents

Despite the rise in direct asking rents for both Class A and Class B properties, these figures represent the initial expectations and do not necessarily reflect the final lease rates agreed upon in the final transaction.

Class A and Class B Asking Rents



Source: Newmark Research

Notable Lease Transactions

In the first quarter of 2025, leasing activity continued to be strong, although some renewals indicated a decrease in space requirements.

Select Lease Transactions 1Q25

Tenant	Building(s)	Submarket	Type	Square Feet
K&L Gates	210 6 th Ave	CBD	Renewal/Contraction	150,000
L.B. Foster	Foster Plaza I	Parkway West	Renewal	43,517
Rizzo International	Penn Center East II	East	Expansion	38,884
Hellbender	Bakery Square Four	Oakland/East End	New Lease	32,174
Wolfe Companies	Settlers Corporate Center Bldg #4	Parkway West	New Lease	30,823
Johnson Controls Fire Protection	CBP Bldg #110	North	Renewal	28,423
Gordon Rees Scully Mansukhani LLP	75 Hopper Place	Fringe	New Lease	25,950
Continental Broadband	Nova Tower One	Fringe	Renewal	20,102
Total Quality Logistics	100 Beecham Dr	Parkway West	Renewal/Contraction	18,669
Wells Fargo	One Oxford Centre	CBD	Extension	15,471
Wells Fargo	Blaymore I	North	Extension	12,151

Source: Newmark Research, CoStar

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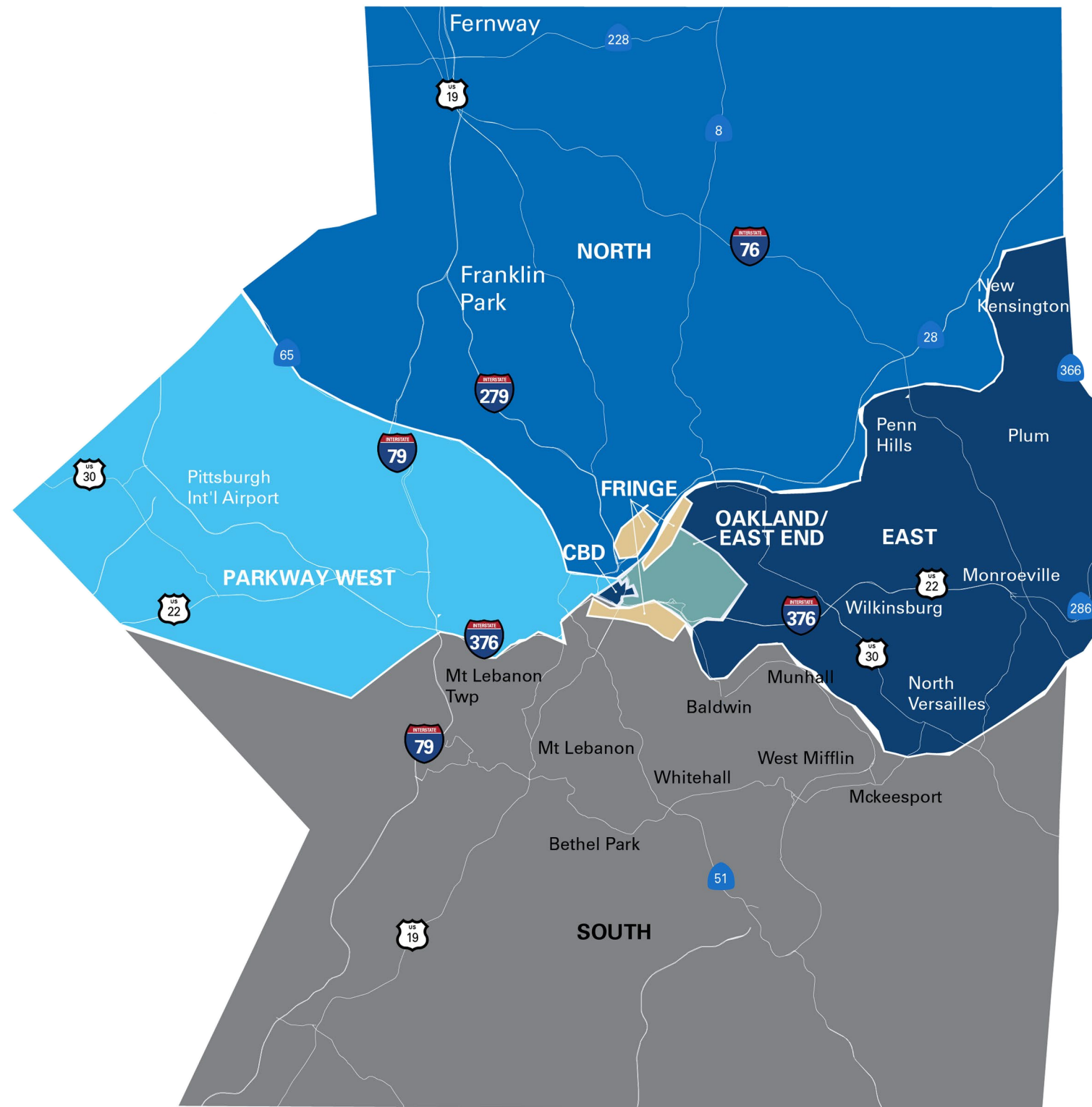
Submarket Overview





Please reach out to your
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Pittsburgh - Submarket Map



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