

2Q25

# Pittsburgh Office Market Overview





# Market Observations

## Economy

- Since May 2023, Pittsburgh's unemployment rate has consistently remained below the U.S. average, reaching 3.8% in May 2025 compared to the national rate of 4.2%, indicating sustained improvement in the region's labor market.
- Over the past 12 months, industries such as Education and Healthcare, Leisure/Hospitality and Professional & Business Services have experienced dramatic employment growth, with increases of 4.5%, 1.7%, and 1.4%, respectively.
- Commercial lending is experiencing higher interest rates and more strict credit standards due to inflation and trade policy uncertainty causing lenders to practice cautious lending and lower loan approval rates.

## Transactions

- Another downtown office building was listed for sale in the second quarter of 2025. The Grant Building is being sold due to the foreclosure of the property.
- K&L Gates Center continues to see tenant commitment, with System One choosing to renew/expand its lease and occupy approximately 27,000 square feet.
- Meyer, Unkovic & Scott has signed a lease for a slightly reduced space to maintain its presence in the Central Business District and will relocate from Henry Oliver Building to the US Steel Tower in the fourth quarter of 2025.
- Pietragallo Gordon Alfano & Raspanti LLP opted to renew the 42,000 square feet they occupy on the 37<sup>th</sup> and 36<sup>th</sup> floor of One Oxford Centre.
- 20 Stanwix Street welcomed a new tenant, Louis Plung & Co who moved from their home at 420 Fort Duquesne Blvd since 2015.

## Leasing Market Fundamentals

- Market conditions in 2025 have stabilized, with vacancy rates holding steady at 25.0% through the first two quarters of the year. This relative flatness suggests the market has reached a period of equilibrium following several years of rising vacancies and volatile net absorption.
- Rental rates have shown a steady upward trend from 2020 to the second quarter of 2025, increasing from \$24.18 to \$26.71 per square foot. Despite changing market conditions and fluctuations in demand, landlords have successfully implemented incremental rent increases each year.
- Since mid-2020, direct space availability and the overall vacancy rate have each risen markedly, with direct availability increasing from 16.4% to 24.3% and vacancy climbing from 17.9% to 25.0% for the same period.
- Developers are facing increased construction and financing costs, making new projects less viable in the current environment. Instead, there is a greater focus on repurposing and upgrading existing spaces to meet evolving market preferences, rather than introducing new office buildings into a saturated market.

## Outlook

- The Pittsburgh office market is expected to remain challenged by elevated vacancy rates, modest tenant demand as companies continue to reassess their space needs.
- With the recent \$90 billion in investment focused on energy and AI, Pennsylvania is poised to see the creation of thousands of new jobs, providing a boost to the local economy.
- With economic development initiatives and continued investment in downtown, revitalization suggests the potential for gradual market improvement and increased confidence among both occupiers and investors as the year progresses.

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# Economy

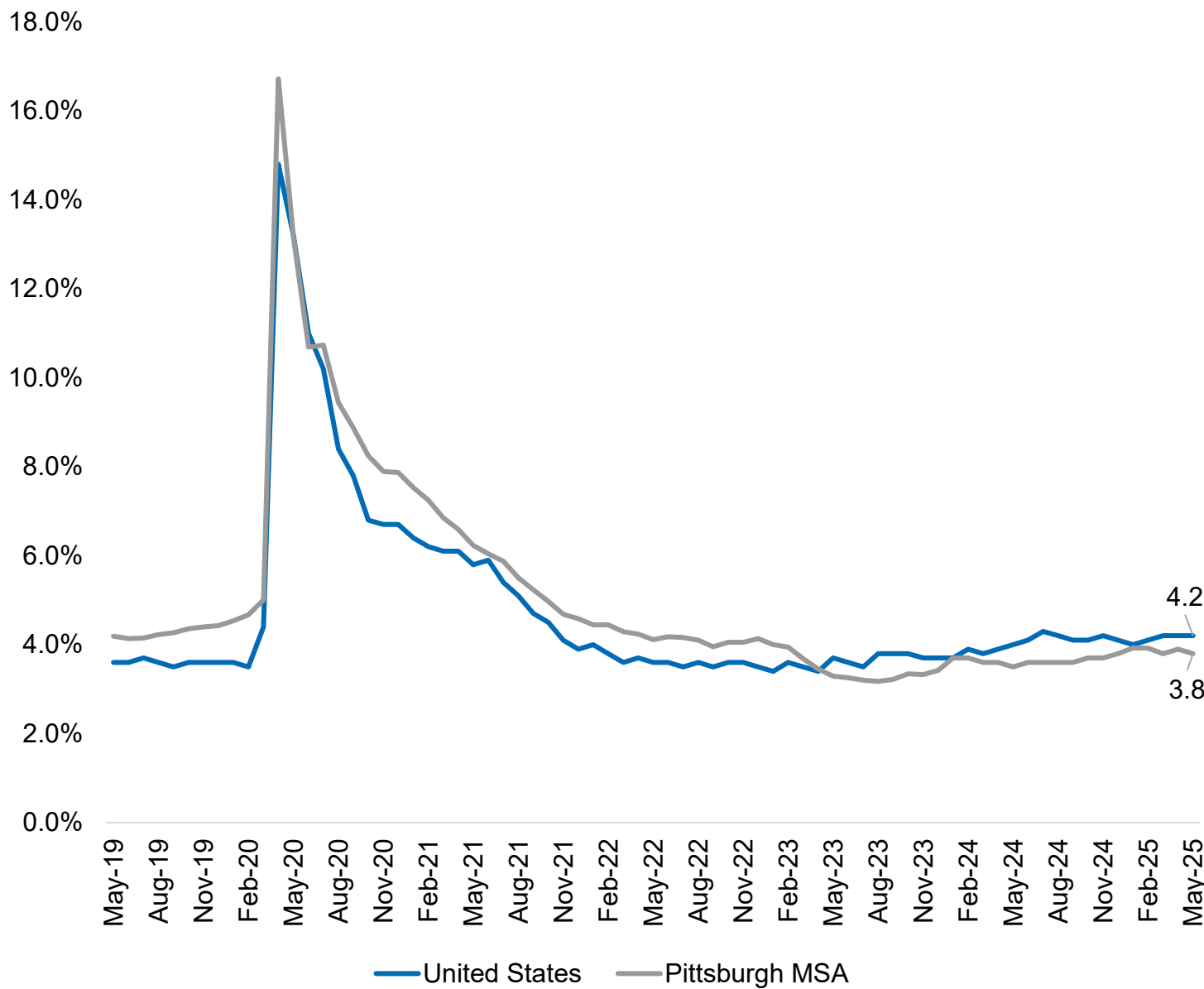




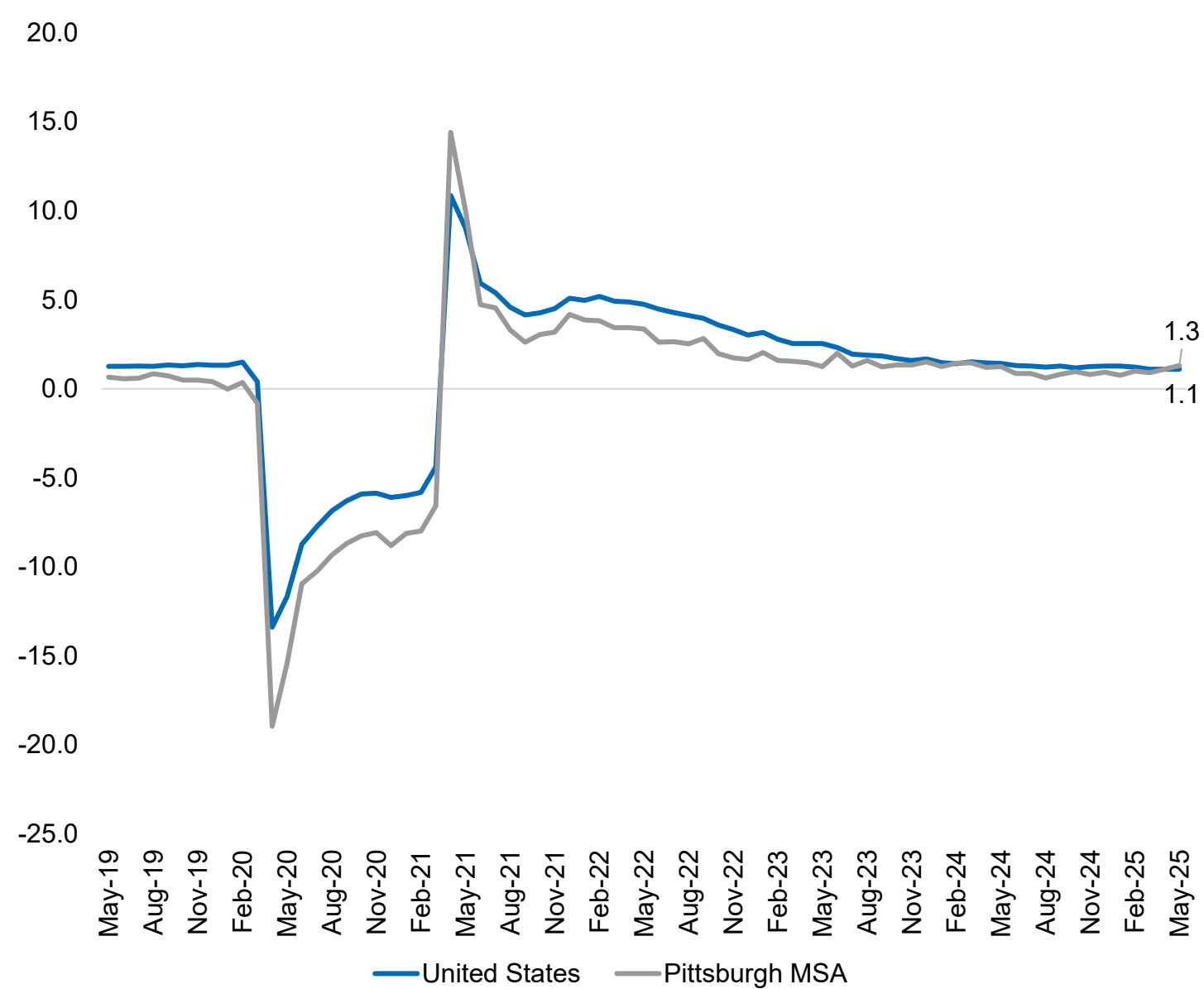
# Pittsburgh Outpaces the United States in Recovery

Since May 2023, Pittsburgh's unemployment rate has consistently remained below the U.S. average, reaching 3.8% in May 2025 compared to the national rate of 4.2%, indicating sustained improvement in the region's labor market. Although Pittsburgh's payroll employment growth initially lagged behind the national average during the pandemic recovery, the gap steadily narrowed in May 2025 with Pittsburgh's growth rate of 1.3% was nearly a match with the national rate of 1.1%. signaling a balance in the labor market.

Unemployment Rate, Seasonally Adjusted



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



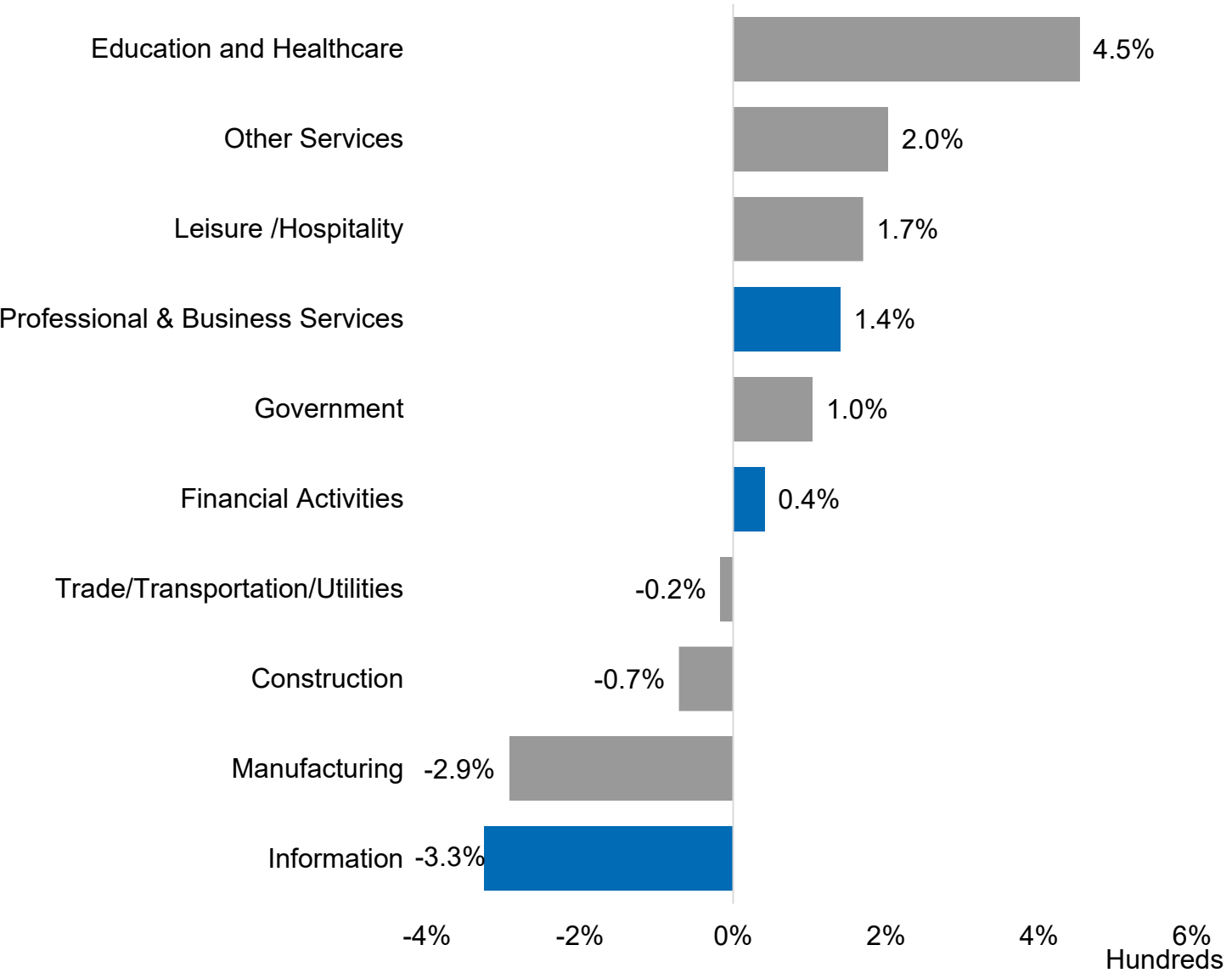
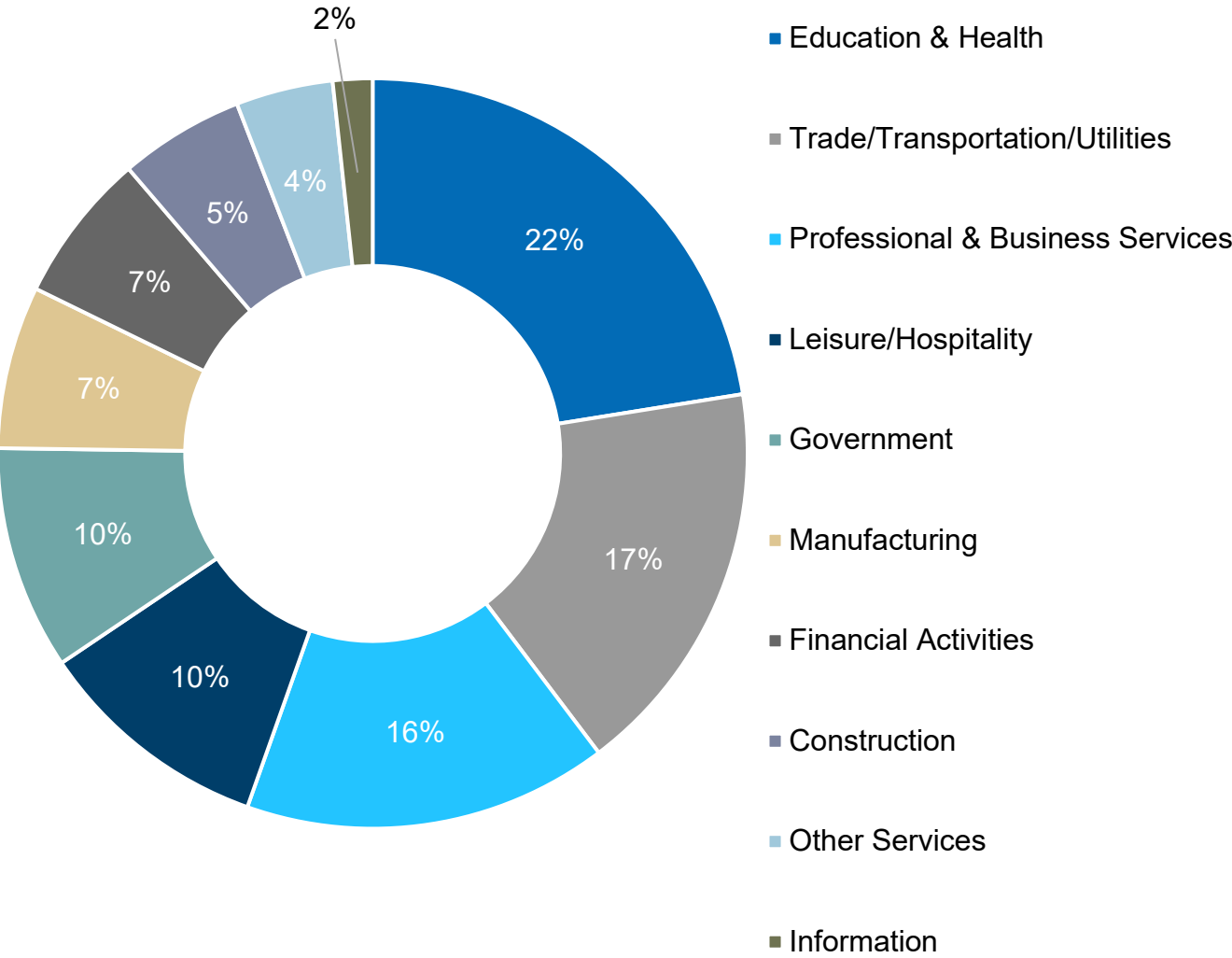
Source: Moody's Analytics, Pittsburgh MSA

# Surging Growth in Healthcare Services, Decline in Manufacturing and Information

Over the past 12 months, industry sectors such as Education and Healthcare, Leisure/Hospitality and Professional & Business Services have experienced dramatic employment growth, with increases of 4.5%, 1.7%, and 1.4% respectively. In contrast, sectors like Trade/Transportation/Utilities, Construction, Manufacturing, and Information saw significant declines, with Manufacturing and Information employment dropping -2.9% and -3.3%, highlighting a large separation in industry performance.

Employment by Industry

Employment Growth by Industry, 12-Month % Change



Source: Moody's Analytics, Pittsburgh MSA



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# Leasing Market Fundamentals

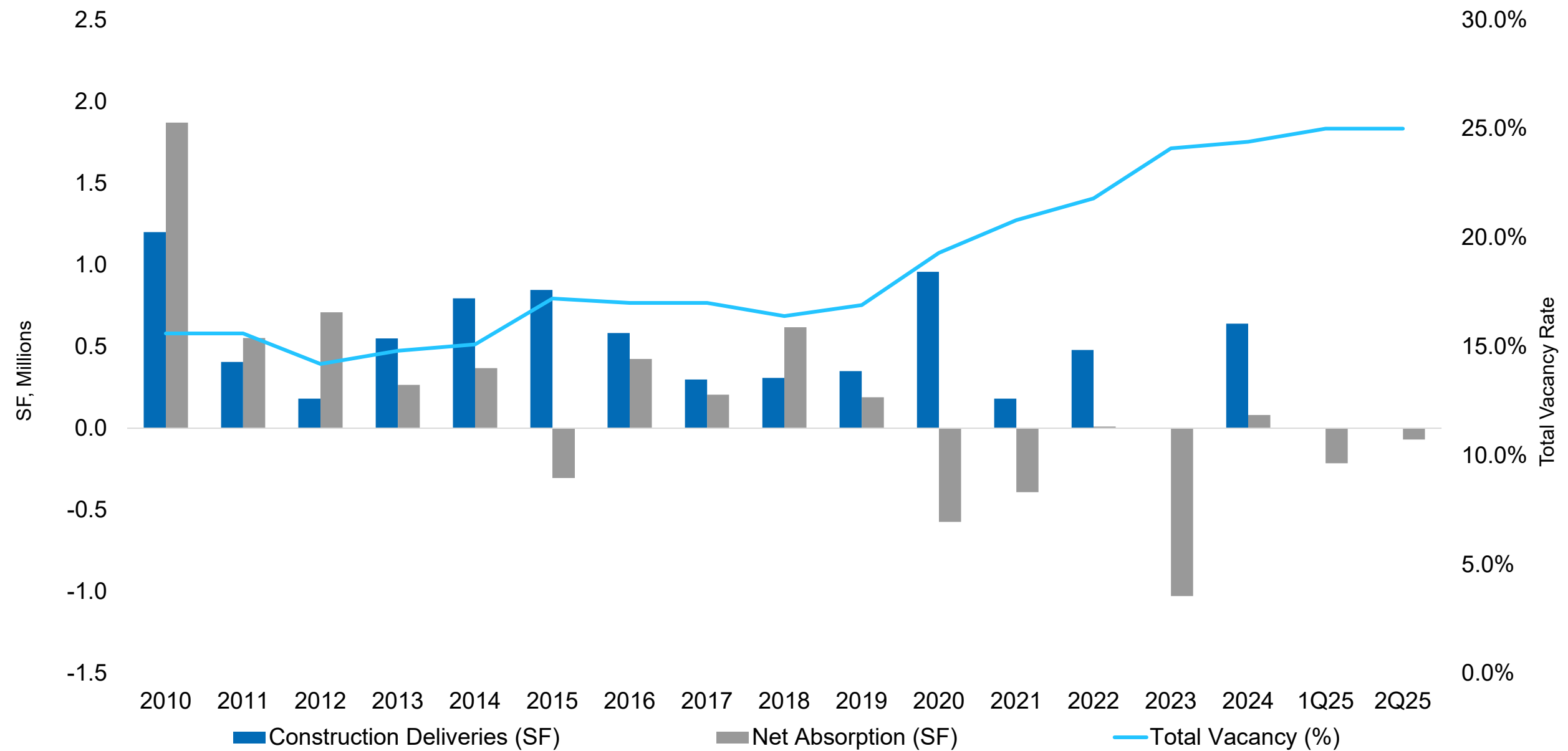




# Pittsburgh’s Office Market Stabilizing in 2025

While there have been significant fluctuations in construction deliveries and net absorption over the past decade, market conditions in 2025 have stabilized, with vacancy rates holding steady at 25.0% through the first two quarters of the year. This relative flatness suggests the market has reached a period of equilibrium following several years of rising vacancies and volatile net absorption.

Historical Construction Deliveries, Net Absorption, and Vacancy

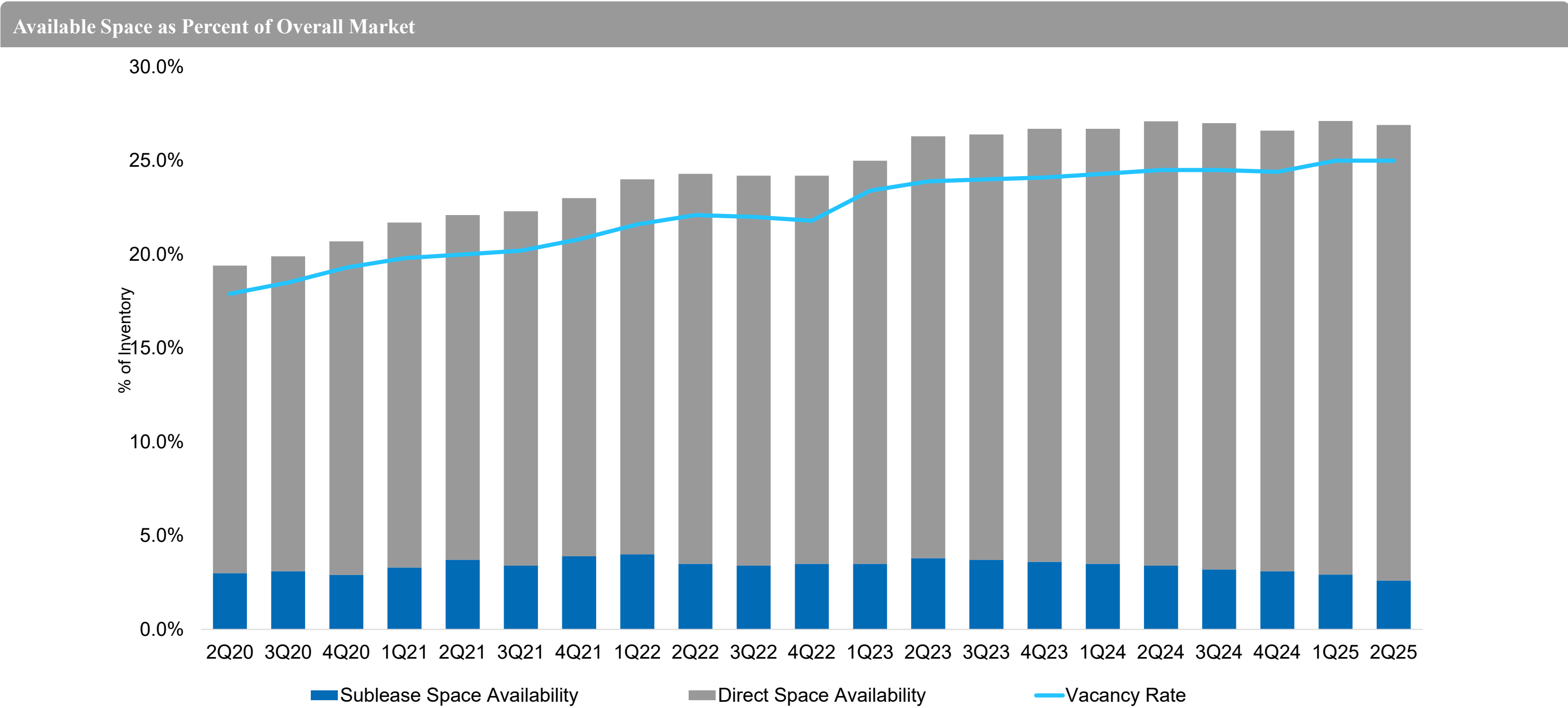


Source: Newmark Research



# Sublease Availability Moderately Declines As Vacancy Remains High

Over the period from the second quarter of 2020 to the second quarter of 2025, direct space availability and the overall vacancy rate have each risen markedly, with direct availability increasing from 16.4% to 24.3% and vacancy climbing from 17.9% to 25.0% for the same period. In contrast, sublease space availability initially rose, peaking at 4.0% in the first quarter of 2022, before steadily declining to 2.6% by the second quarter of 2025, indicating that much of the recent increase in vacancy is driven by direct space.

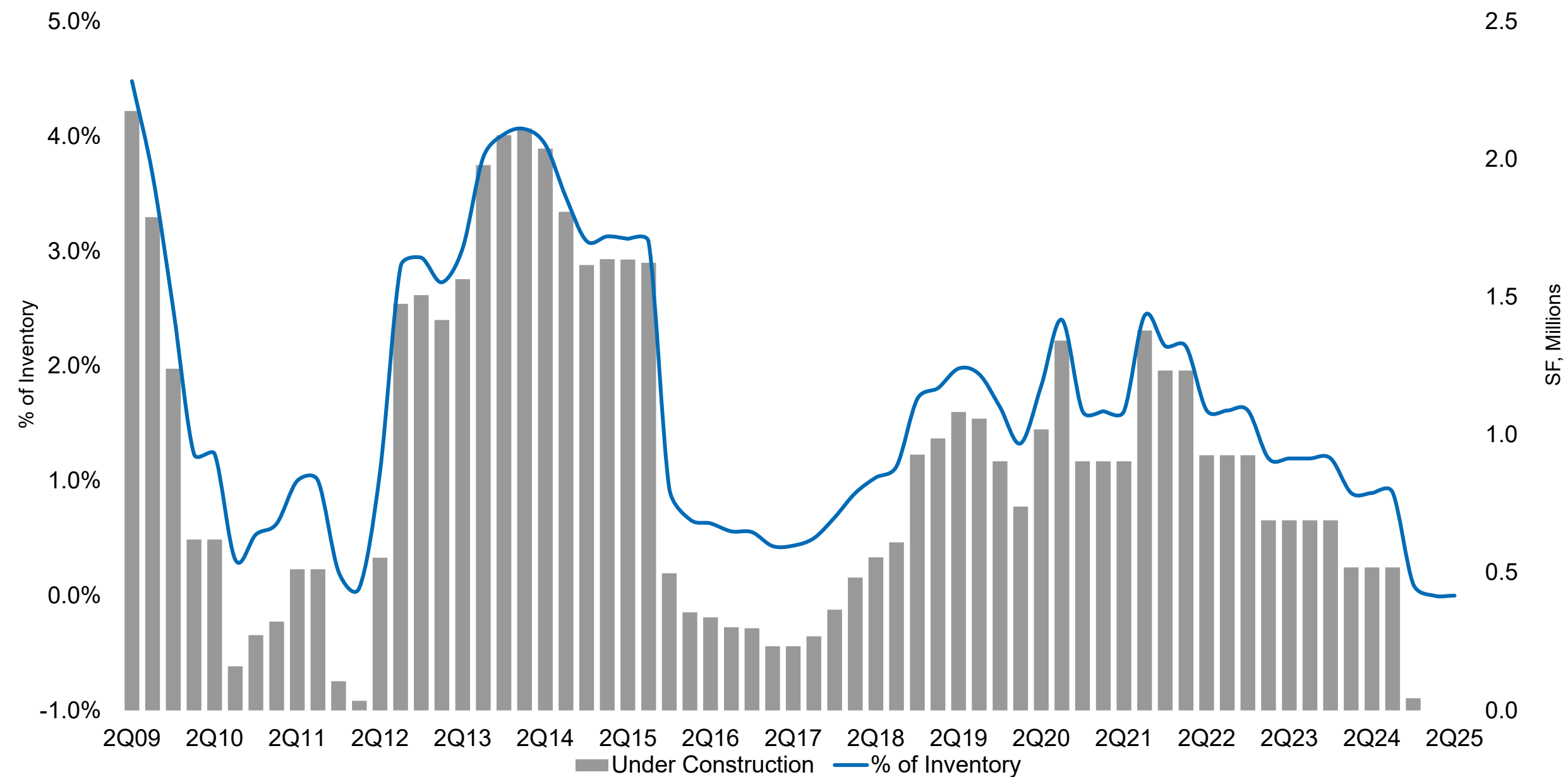


Source: Newmark Research

# Pause in New Office Development in Pittsburgh

Pittsburgh currently lacks new office building construction due to multiple factors such as persistently high vacancy rates, weakened tenant expansion demand, and hybrid and remote work, which have reduced the immediate need for additional office inventory. Developers are also facing increased construction and financing costs, making new projects less financially viable in the current economic environment. Instead, there is a greater focus on repurposing and upgrading existing spaces to meet evolving market preferences, rather than introducing new office buildings into a saturated market.

Office Under Construction and % of Inventory



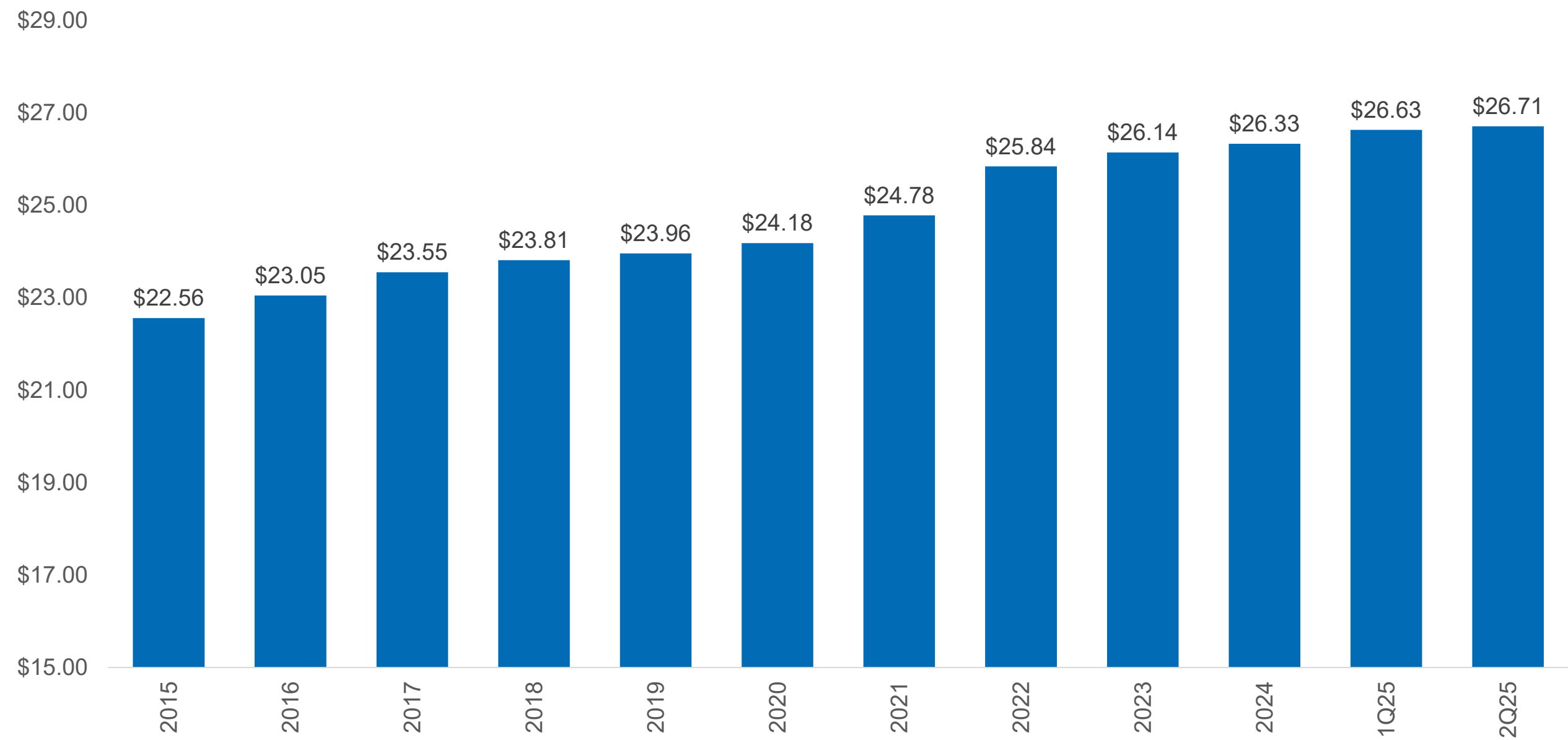
Source: Newmark Research



# Steady Asking Rent Growth

Rental rates have shown a steady upward trend from 2020 to the second quarter of 2025, increasing from \$24.18 to \$26.71 per square foot. Despite changing market conditions and fluctuations in demand, landlords have successfully implemented incremental rent increases each year.

Office Average Asking Rent, \$/SF, FS

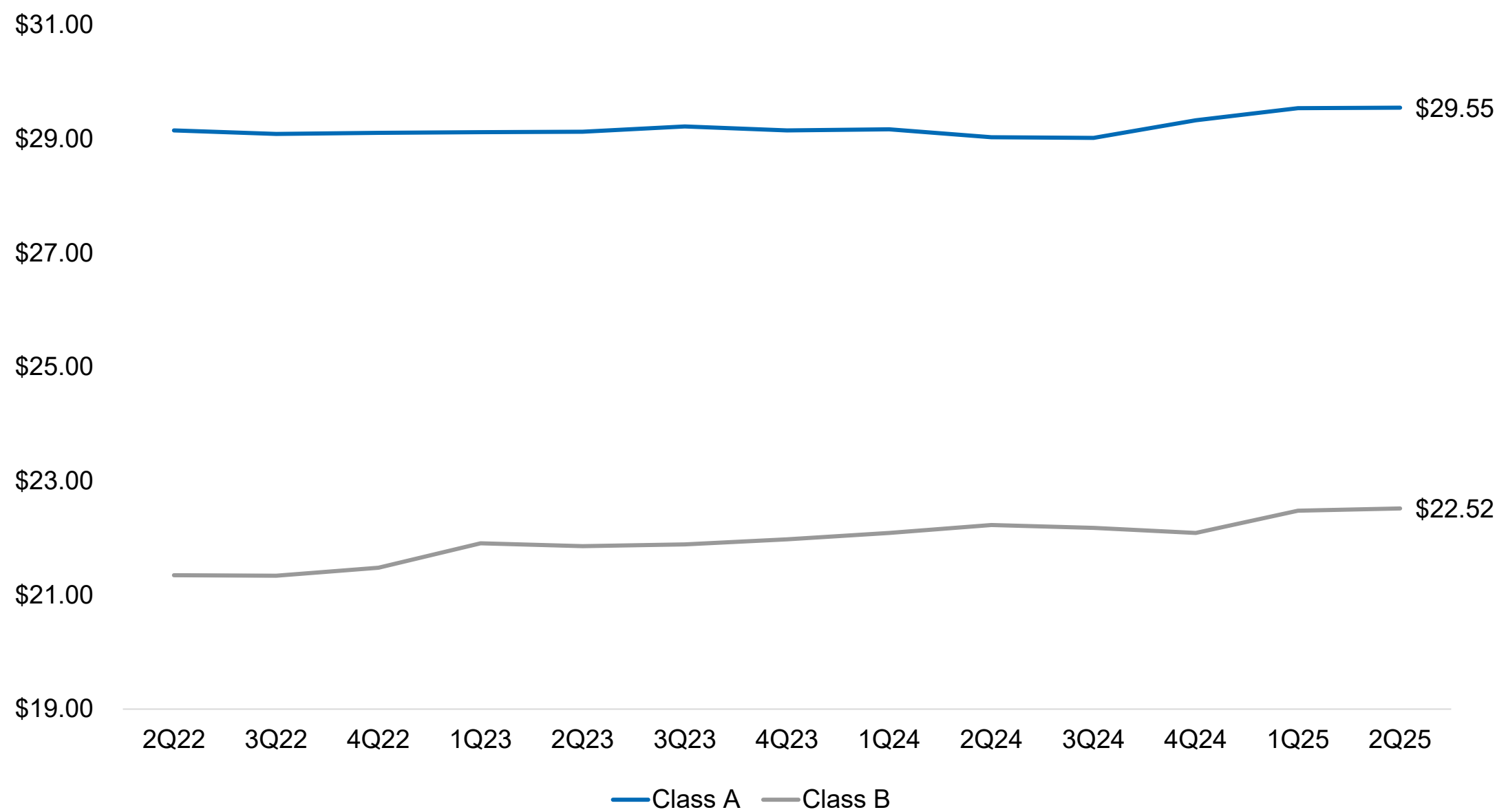


Source: Newmark Research

# 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 second quarter of 2025, leasing activity continued to be strong with a majority being renewals.

Select Lease Transactions 2Q25				
Tenant	Building(s)	Submarket	Type	Square Feet
Pietragallo Gordon Alfano Bosick & Raspanti	One Oxford Centre	CBD	Renewal	42,000
Meyer Unkovic & Scott	US Steel Tower	CBD	New Lease	32,690
FiServ Solutions	Commerce Court	Fringe	New Lease	28,337
CORE Natural Resources	275 Technology Dr	Southpointe	Renewal	27,742
System One	K&L Gates Center	CBD	Renewal/Expansion	27,315
ACA Group	Foster Plaza VI	Parkway West	Renewal	22,351
ST Engineering	Burns White Center	Fringe	Sublease	20,000
C&M Play Studio	1200 Cherrington Pkwy	Parkway West	New Lease	15,176
Mass Mutual Life Insurance Company	Six PPG Place	CBD	Renewal	14,962
RBC Capital Markets	Blaymore IV	North	Renewal	12,500

Source: Newmark Research, CoStar



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# Submarket Overview



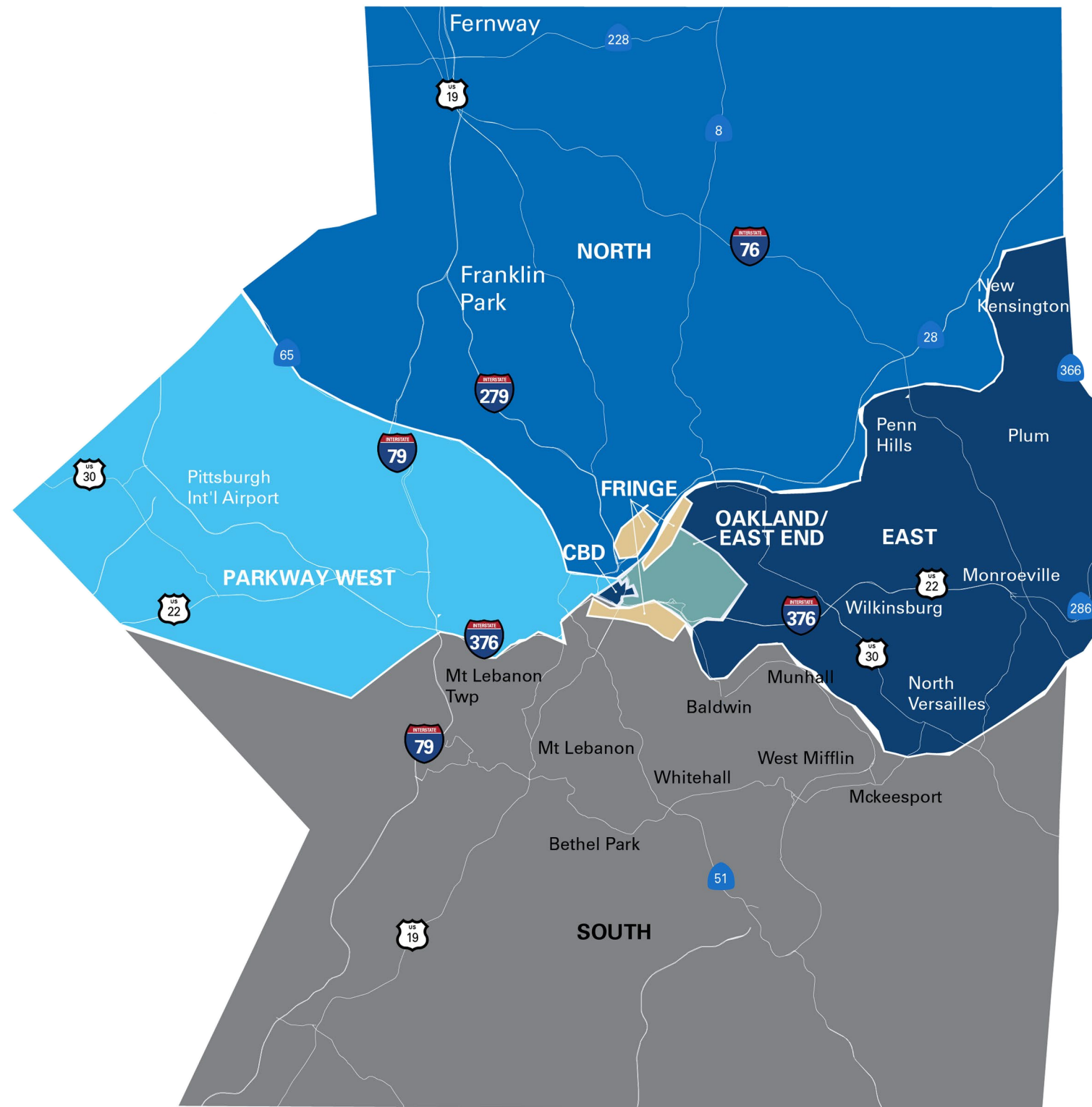




Please reach out to your  
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# Pittsburgh - Submarket Map





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