

3Q24

# Pittsburgh Office Market Overview



# Market Observations

## Economy

- The national unemployment rate rose from 3.8% in August 2023 to 4.2% in August 2024. While the Pittsburgh MSA unemployment rate remained relatively flat over the same period hovering at 3.3%.
- The US Bureau of Labor Statistics reported the Consumer Price Index increase of 0.2% in September with a 2.4% total increase over the last twelve months.
- As Allegheny County continues to grant property assessment reduction appeals, it raises concerns about the negative impact on local government and school districts reliant on property tax revenue.

## Transactions

- Innovation Pointe 2000 Innovation Drive had a very productive quarter. The building was purchased by Whitney Bay Partners LLC for \$13.5 million. The entire building will be occupied by Armada who plans to move into the space in next year.
- PantherRX made the commitment to stay in the Parkway West submarket. The company signed a lease to move their headquarters leasing the 65,000 SF building at Settlers Corporate Building Five and put the current space of 35,000 SF at 24 Summit Park Dr up for sublease.
- The 87,895 SF building at 800 Commonwealth Dr has been put on the market for lease following the closure of the Rue 21 headquarters.
- PJ Dick announced the relocation of its headquarters to 57,000 SF at 30 Isabella Street when their current lease expires at 225 North Shore Drive.
- The Cascade, 225 Northshore Dr, finalized two leases, Seubert & Associates renewed their existing lease for 33,000 SF and Mitsubishi Power signed a sublease for 33,669 SF

## Leasing Market Fundamentals

- The overall vacancy rate ended the third quarter at 24.5% with Class A vacancy at 22.5%.
- Class A CBD experienced a higher negative absorption as the EQT sublease expired is now being reflected in the Newmark statistics as direct/vacant space.
- Throughout 2024, overall average asking rents have remained stable only experiencing minor fluctuations from \$26.15/SF in the first quarter to \$26.09/SF in the third quarter 2024
- In the Fringe submarket, most of the leasing activity occurred in the third quarter 2024, with over 140,000 SF signed leases encompassing renewals, subleases and new leases.
- Inventory was reduced in the Oakland/East End market as University of Pittsburgh purchased the Former PAA for \$32.4M and changing to owner-occupied status.

## Outlook

- There continues to be signs of increased velocity and leasing activity in the market, creating a reason for optimism going forward.
- BNY Center joins the list of property reassessments. The building received a new assessment of \$59.7 million, approximately 60% lower than the previous value of \$149.9 million.
- Tenants are continuing to reevaluate space needs based on remote and hybrid work policies.
- Large office building owners are continuing to evaluate the benefits of potential conversion to alternate uses.

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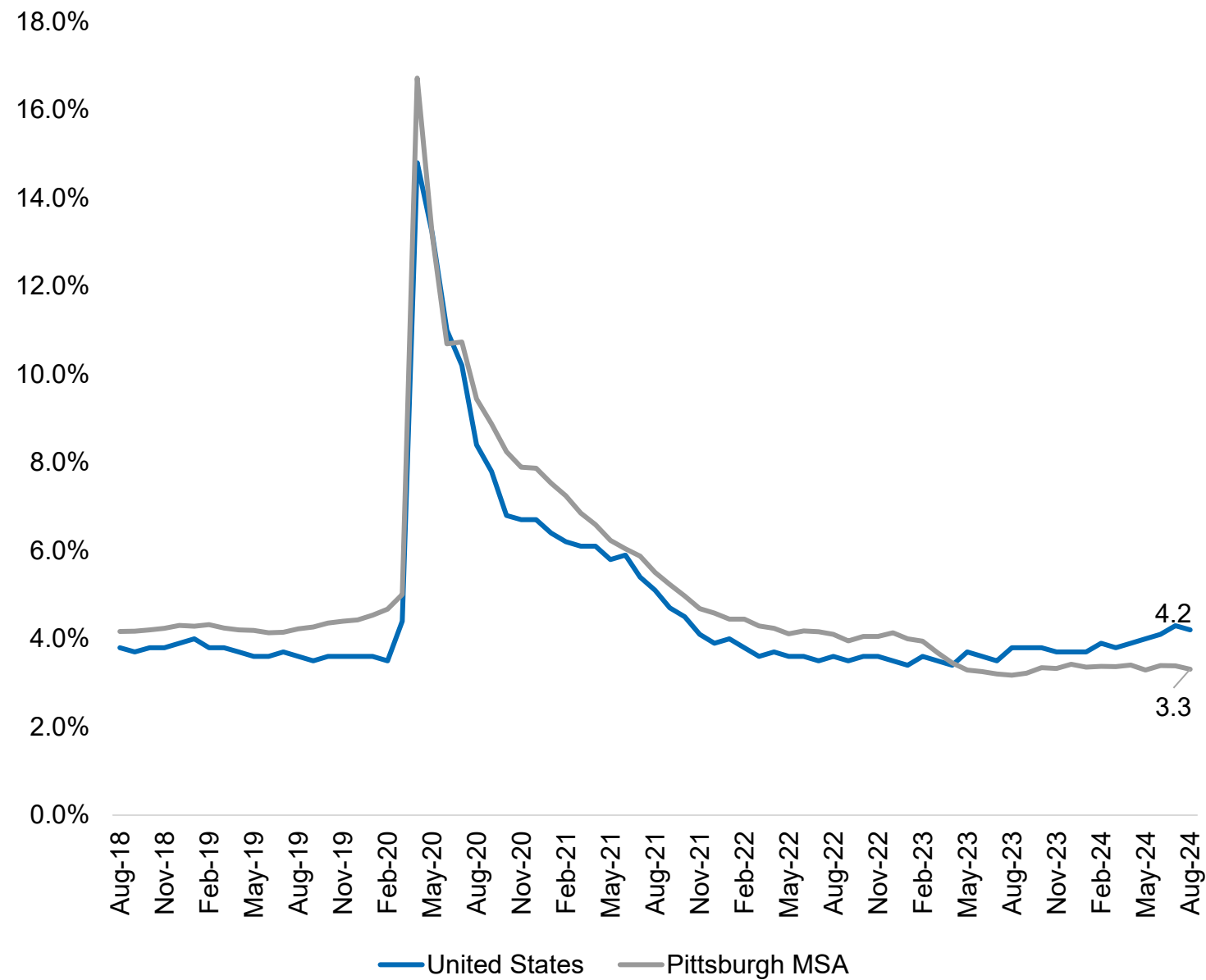
# Economy



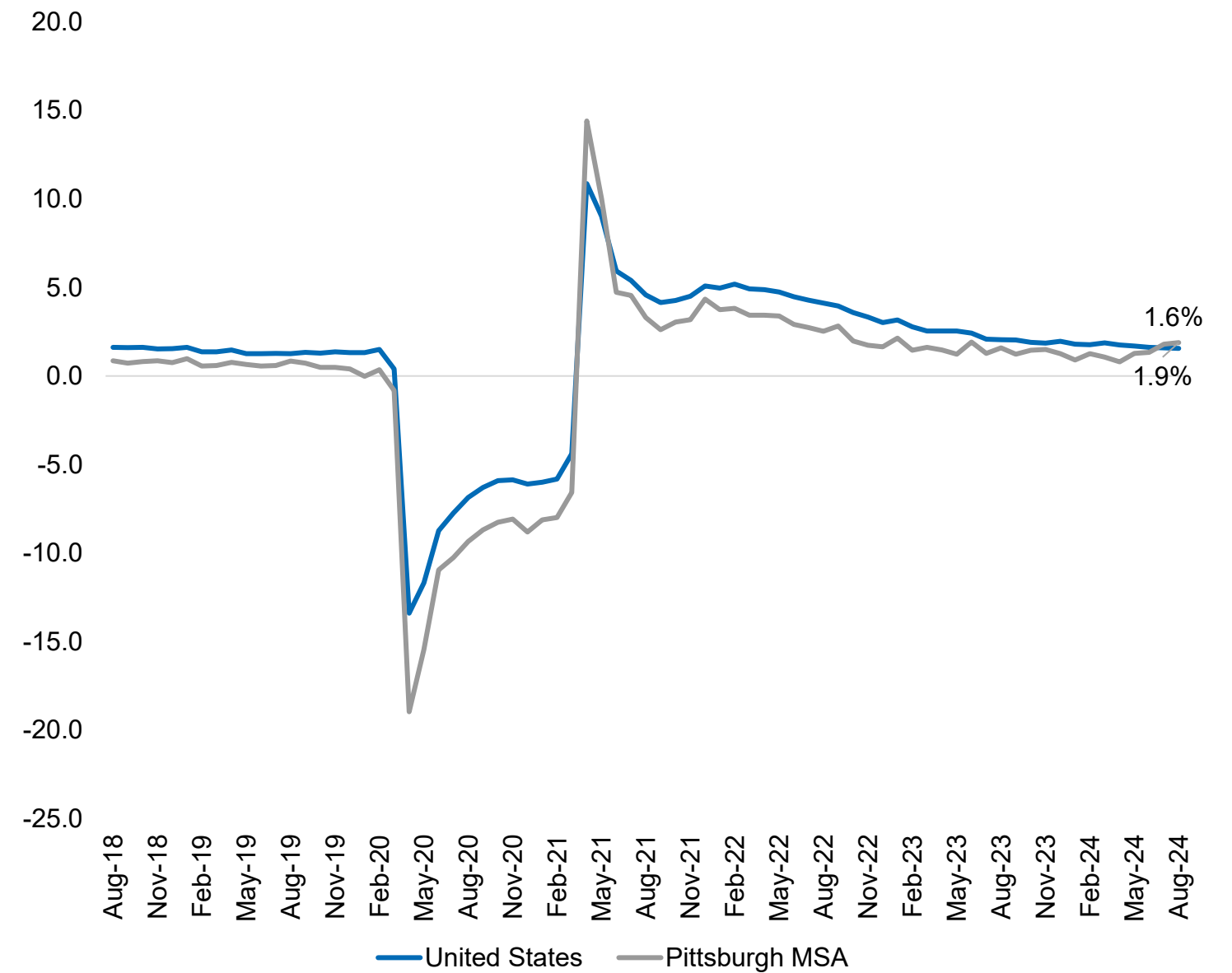
# Pittsburgh Unemployment Remains Below National Rate

The national unemployment rate rose from 3.8% in August 2023 to 4.2% in August 2024. While the Pittsburgh MSA unemployment rate remained relatively flat over the same period hovering at 3.3%

Unemployment Rate, Seasonally Adjusted



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



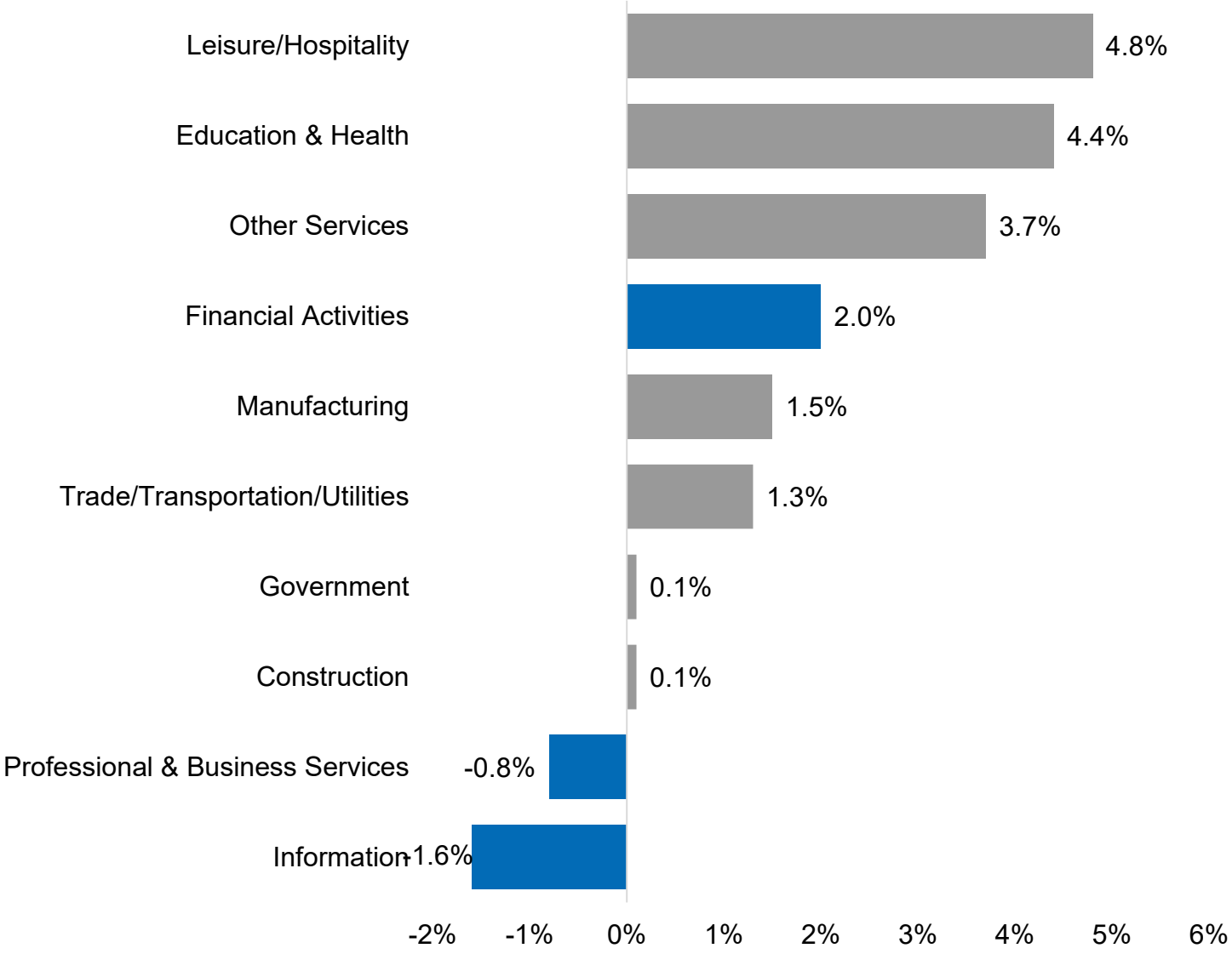
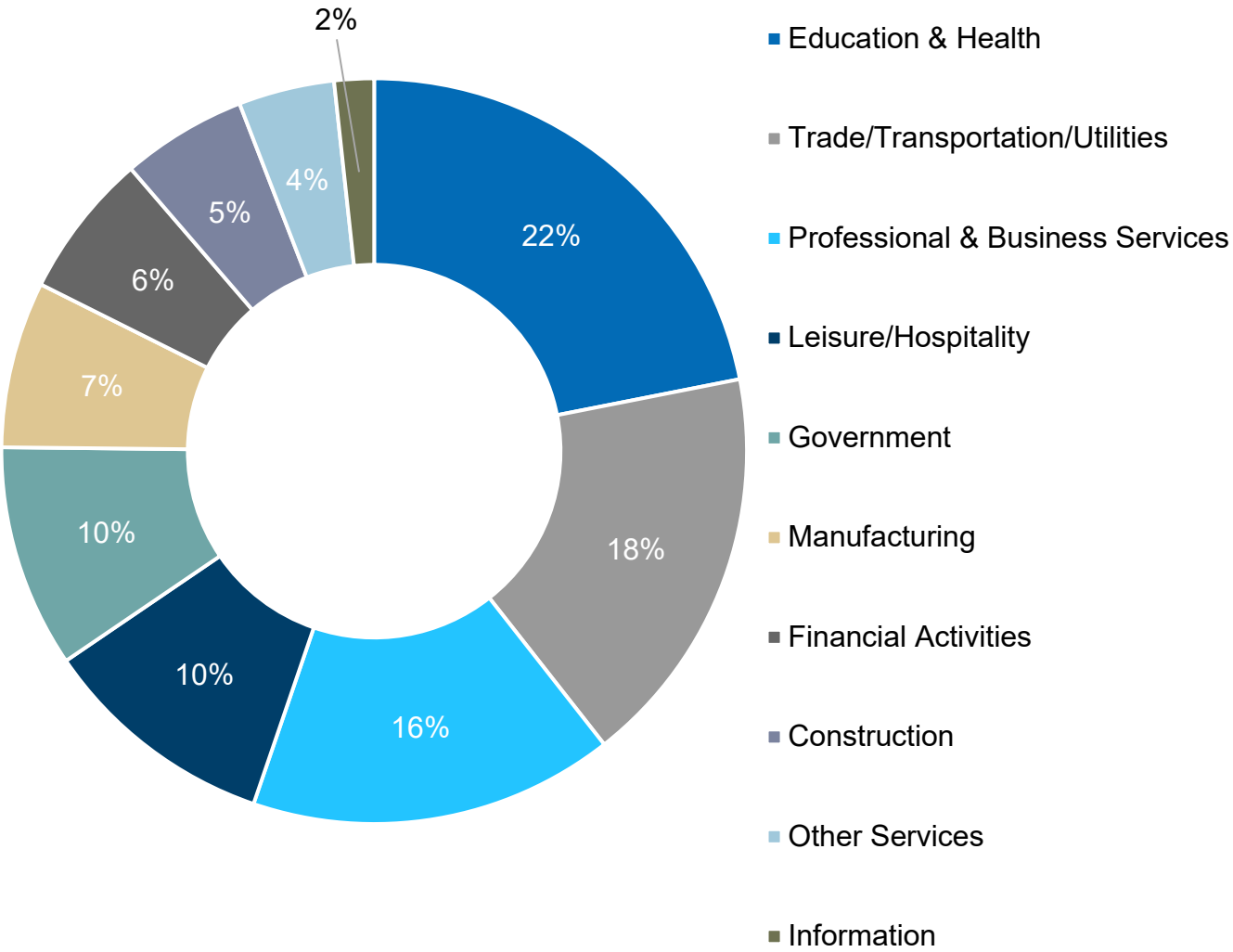
Source: Moody's Analytics, Pittsburgh MSA

# Strength Persist in the Pittsburgh Labor Market

The hospitality as well as the education & health sector remain the primary drivers of the annual employment growth. Pittsburgh continues to be the market of artificial intelligence development.. The University of Pittsburgh and Carnegie Mellon University are forming a partnership with Nvidia, one of the largest AI architects, working to further advance medicine and robotics in the region.

**Employment by Industry**

**Employment Growth by Industry, 12-Month % Change, August 2024**



Source: Moody's Analytics, Pittsburgh MSA

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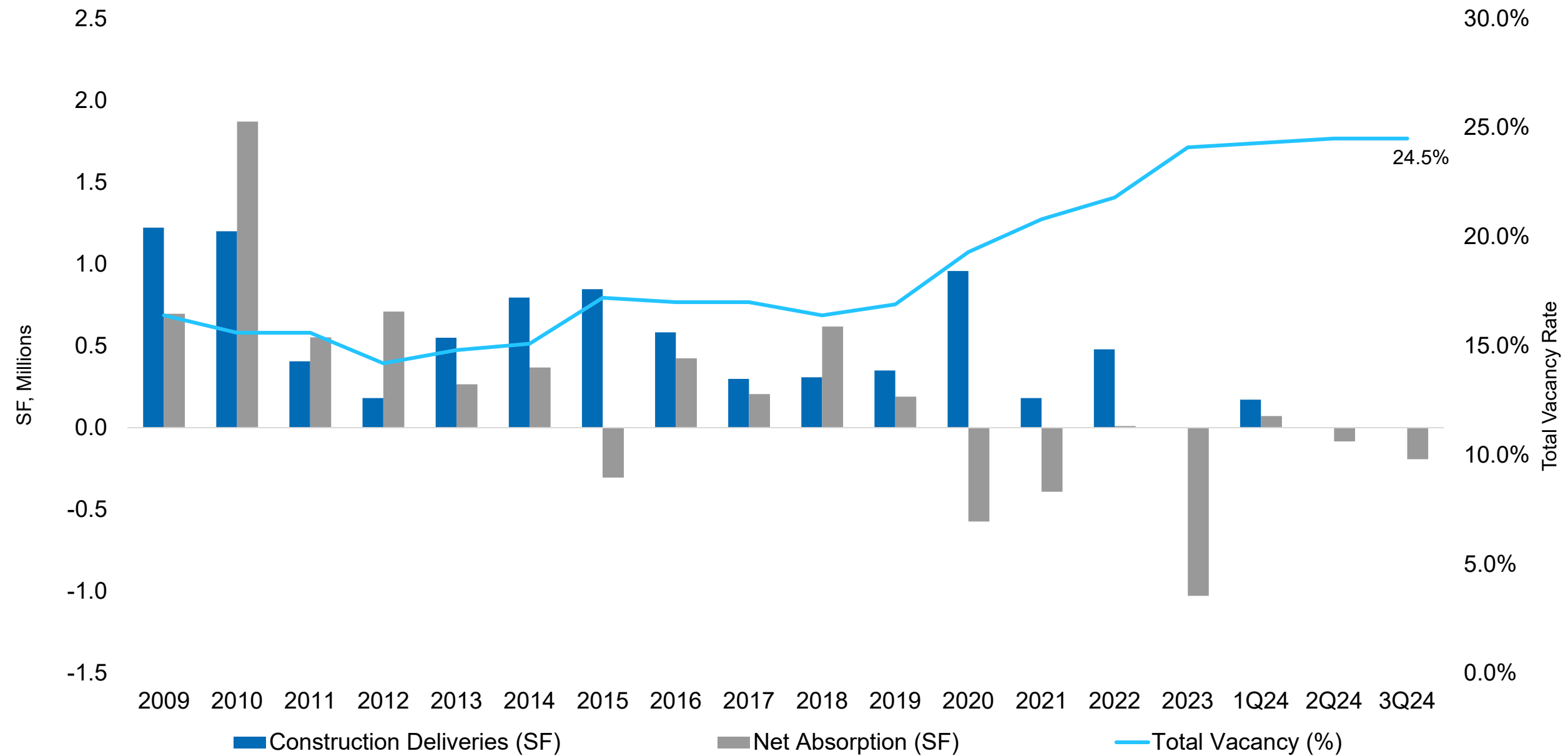
# Leasing Market Fundamentals



# Continuing Changes in the Market

The vacancy rate remained relatively flat in the third quarter 2024 while the overall market experienced 192,064 SF of negative absorption. Even though new spaces became vacant, the stable vacancy rate was offset by the removal of competitive inventory being converted to housing or buildings purchased for owner occupancy.

## Historical Construction Deliveries, Net Absorption, and Vacancy



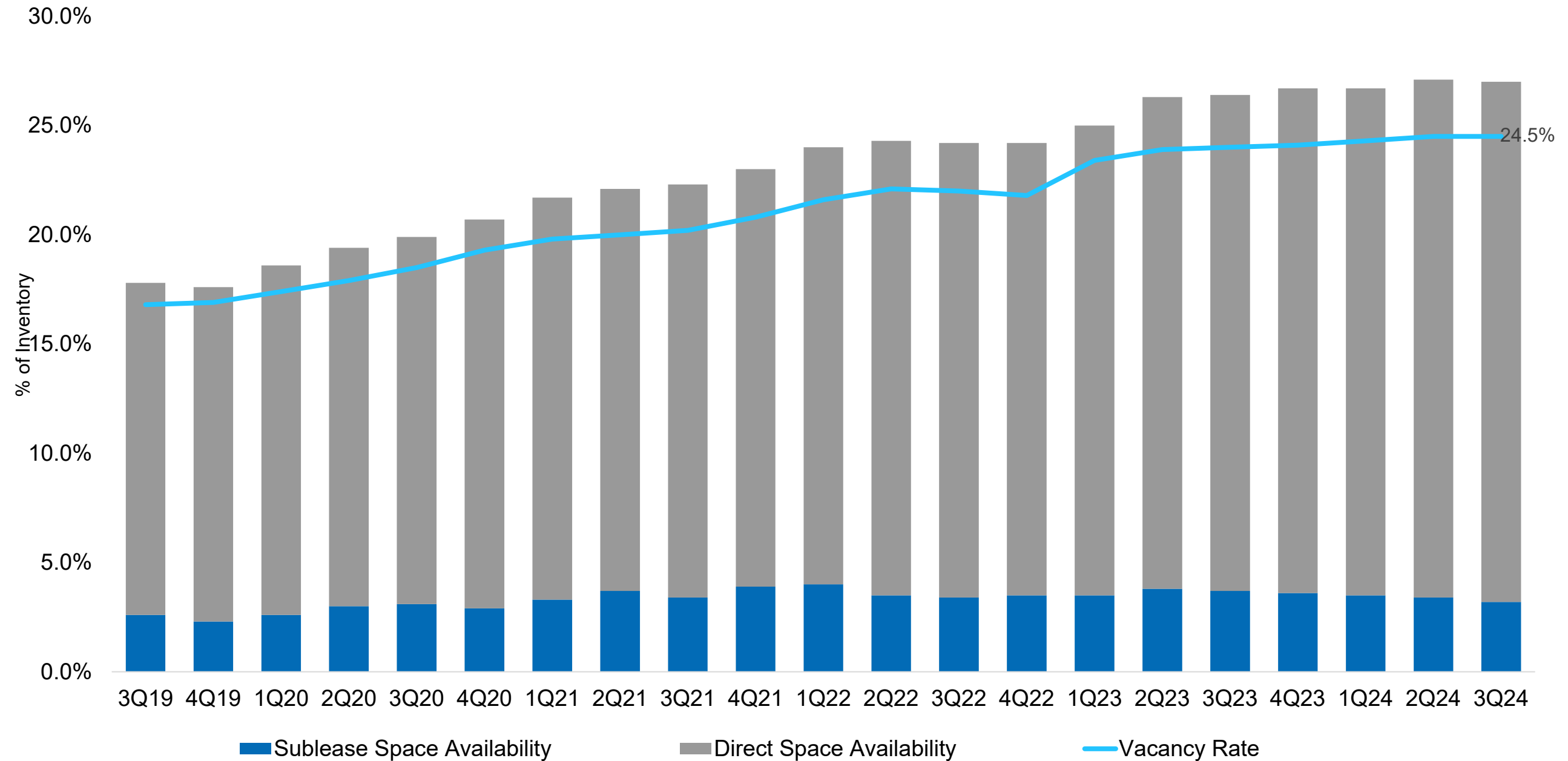
Source: Newmark Research



# Direct Availability Increases Upon Sublease Expirations

The third quarter showed significant decrease in Class A sublease space even though many new sublease spaces came on the market. The main reason for this shift was the expiration of the EQT sublease at 625 Liberty Avenue in the CBD moving the space to direct and vacant impacting negative absorption particularly in the Class A CBD. EQT downsized considerably to only keeping three floors totaling 52,000 SF.

Available Space as Percent of Overall Market

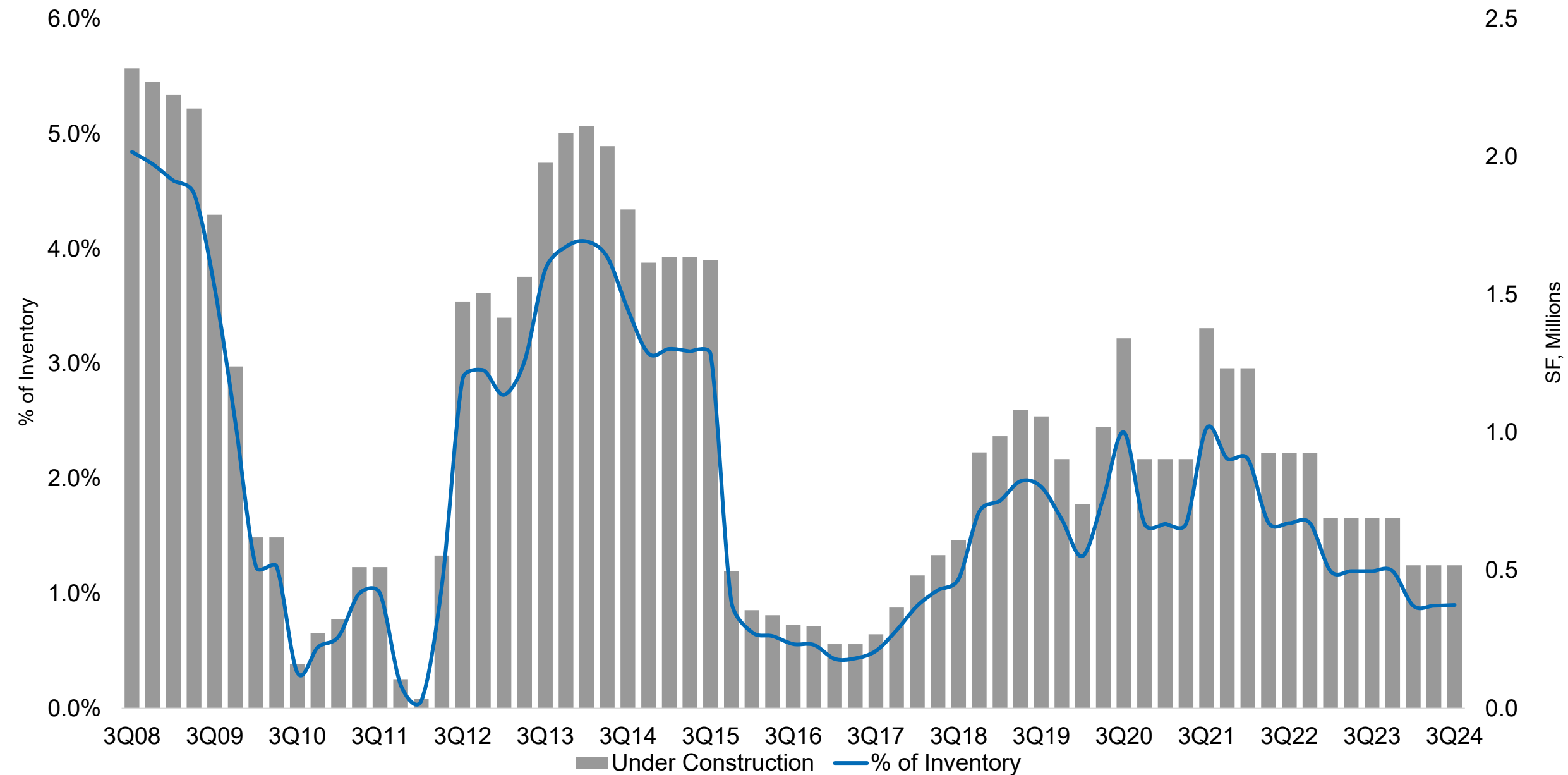


Source: Newmark Research

# Proposed New Construction

Oakland/East End, Wexford Science & Technology Development has plans for a 125,000 SF building at 3440 Forbes Avenue as they recently announced the first building at 5051 Centre Avenue will be 100% leased. Due to low demand for office space, developers remain extremely cautious, though this may soon be included in the construction pipeline. The current building in the pipeline, FNB Financial Center is scheduled for completion in the fourth quarter 2024.

## Office Under Construction and % of Inventory

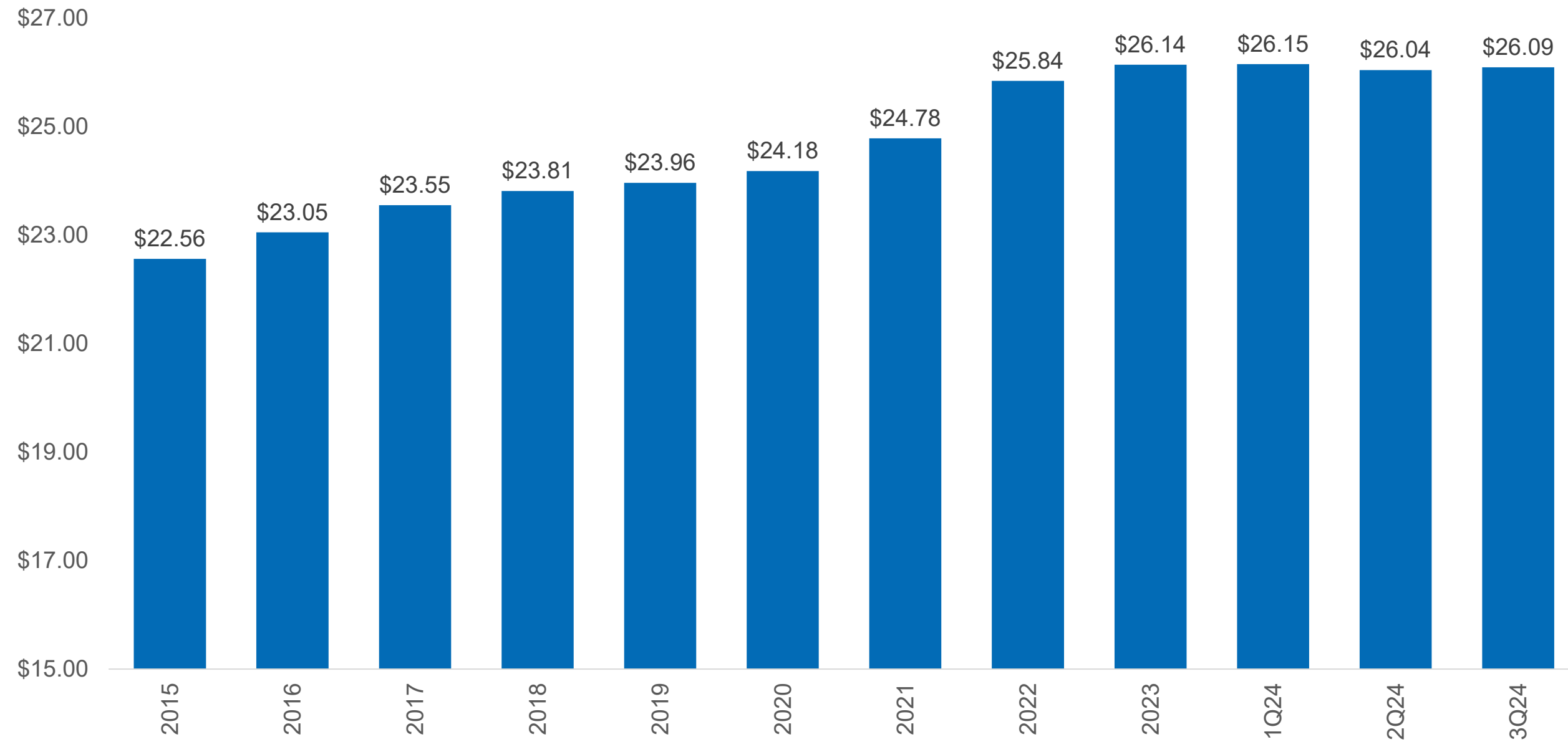


Source: Newmark Research

# Overall Average Asking Rents Are Stable

Throughout 2024, overall average asking rents have remained stable only experiencing minor fluctuations from \$26.15/SF in the first quarter to \$26.09/SF in the third quarter 2024

Office Average Asking Rent, \$/SF, FS

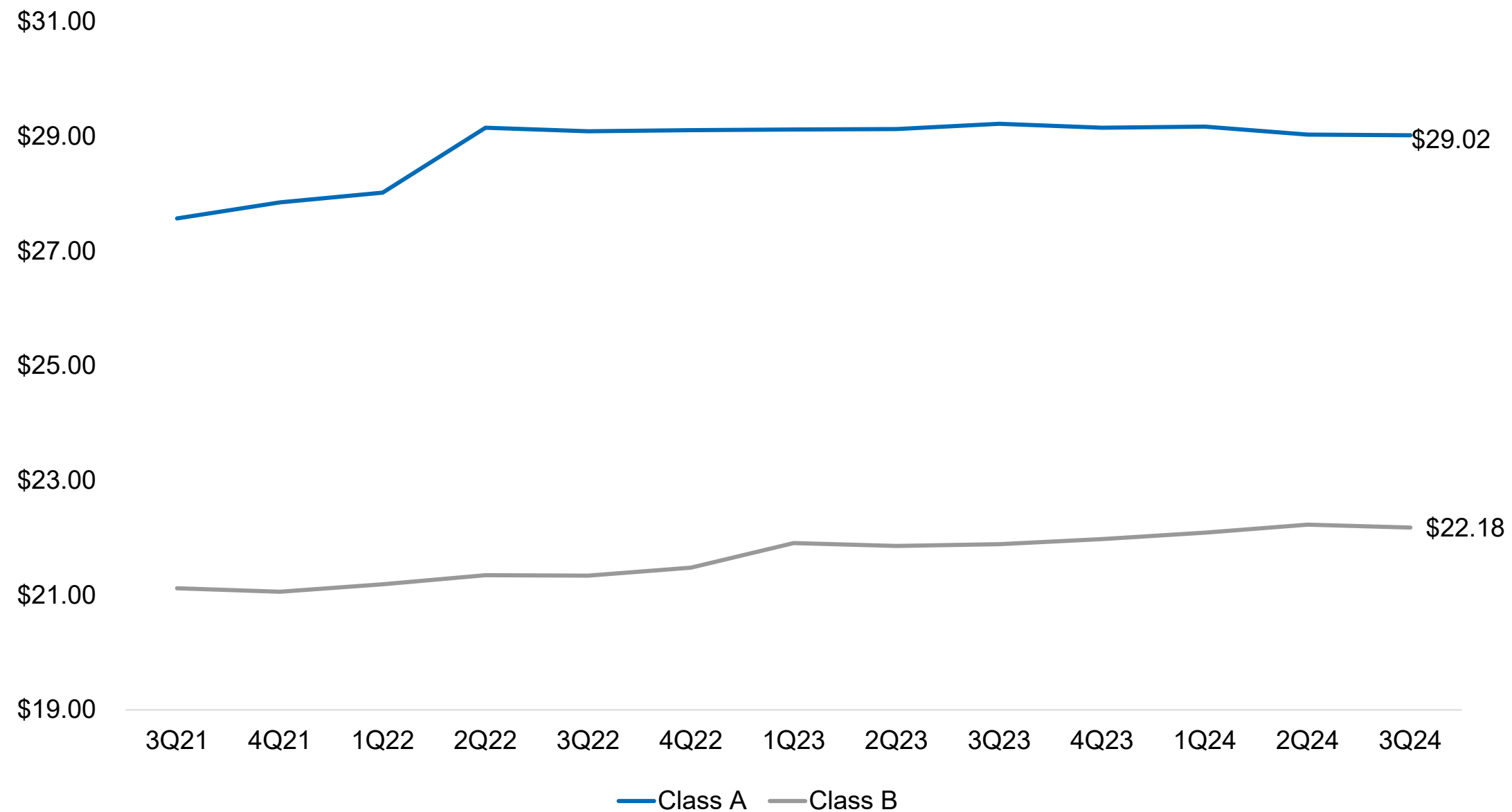


Source: Newmark Research

# The Pittsburgh Office Market Recorded Minimal Movement in Rents

While Class A asking rates remained relatively unchanged from the second quarter of 2024 from \$29.03/SF to \$29.02/SF, Class B rates had a slight decline from \$22.23/SF in the second quarter of 2024 to \$22.18/SF in the third quarter 2024.

## Class A and Class B Asking Rents



# 3Q24 Notable Lease Transactions

Once again, leasing continued to see activity in the third quarter of 2024. The largest transaction being Armada taking the entire building at 2000 Innovation Drive that had been vacant since its completion in 2020. Also, the Fringe had over 140,000 SF of leases signed in the quarter that included a renewal, subleases and new leases.

## Select Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Armada	2000 Innovation Dr	North	New Lease	90,000
Panther RX	121 Bayer Rd	Parkway West	New Lease	64,000
PJ Dick	30 Isabella St	Fringe	New Lease	57,000
Blink Health Group	Penn Center West V	Parkway West	Renewal/Expansion	53,076
Tetra Tech	Foster Plaza Seven	Parkway West	Renewal	49,269
Mitsubishi Power	The Cascade – 225 N Shore Dr	Fringe	Sublease	33,669
Seubert & Associates	The Cascade – 225 N Shore Dr	Fringe	Renewal	33,000
Softwriters	SAP – 271 North Shore Dr	Fringe	Sublease	24,541
Robert Pierce & Associates	Frick Building	CBD	New	16,890

Source: Newmark Research, CoStar

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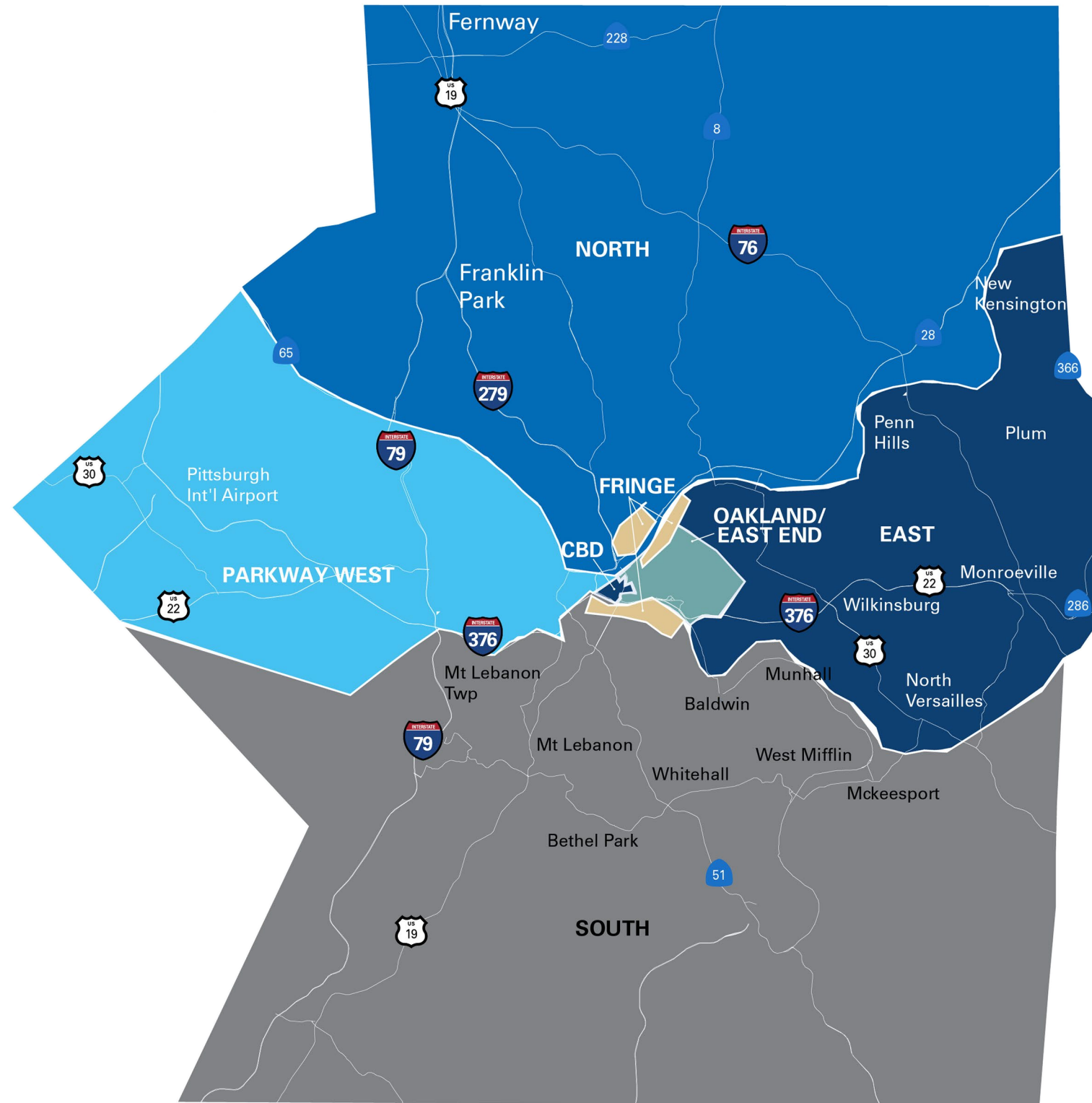
# Submarket Overview





Please reach out to your  
Newmark business contact for this information

# Pittsburgh - Submarket Map





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