

4Q24

Pittsburgh Office Market Overview



Market Observations

Economy

- The unemployment rate in the Pittsburgh MSA is significantly lower than the national average, standing at 3.5% compared to the national rate of 4.2%.
- Consumer price inflation surged in December, increasing by 0.4%, primarily due to a spike in food and energy costs. However, when food and energy are excluded, the inflation outlook appears more favorable.
- Capital markets deals have been stagnant due to the instability of interest rates.

Transactions

- FNB Financial began to move their offices from the north shore to the recently completed FNB Financial Center, occupying approximately 230,000 SF driving positive net absorption in the building.
- Duquesne Light Company announced the relocation of its headquarters to Nova Place in the Fringe submarket from its longtime home at the Chamber of Commerce building in CBD.
- WVU Health Systems has signed a lease to occupy the entire building at The Fountainhead at Southpointe. This lease is a significant positive step forward for the South market.
- Range Resources continues its commitment to Southpointe with the renewal of their lease at 3000 Town Center Blvd.
- New York Life has signed a lease at Vision on Fifteenth for 43,000 SF.
- 5865-5869 Centre Avenue sold to Guardian Storage Shayside II for \$4.8M
- Diamond Ridge received a commitment from Coterra Energy for 36,200 SF, taking the top floor of the building.

Leasing Market Fundamentals

- The overall vacancy rate remained relatively flat again in the fourth quarter of 2024 at 24.4% from 24.5% in the third quarter 2024.
- Class A vacancy in the CBD rose from 22.3% in the third quarter of 2024 to 23.6% in the fourth quarter of 2024.
- The delivery of the FNB Financial Center had a favorable impact on the CBD Class A market. The building's strong pre-leasing activity led to positive absorption. However, it is important to note that while absorption climbed, the introduction of the remaining vacant space in the building has simultaneously added to the CBD vacancy rate while their relocation impacted the Fringe with negative absorption.
- The fourth quarter of 2024 had a notable increase in the average asking rents for Class A properties, climbing to \$29.33/SF from \$29.02/SF in the third quarter of 2024. This rise is largely attributed to the higher rental rates commanded by the recently completed FNB Financial Center. Class B asking rates remained relatively unchanged for the same period.

Outlook

- The market is showing resilience with the steady increase in leasing activity throughout 2024 and moving into 2025.
- If able to be implemented, the comprehensive plan by Governor Josh Shapiro to invest \$600M in the rejuvenation of downtown Pittsburgh should have a positive impact on the future of the CBD.
- The potential conversion of office buildings to residential or alternate uses will continue to reduce the amount of available inventory on the market.

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

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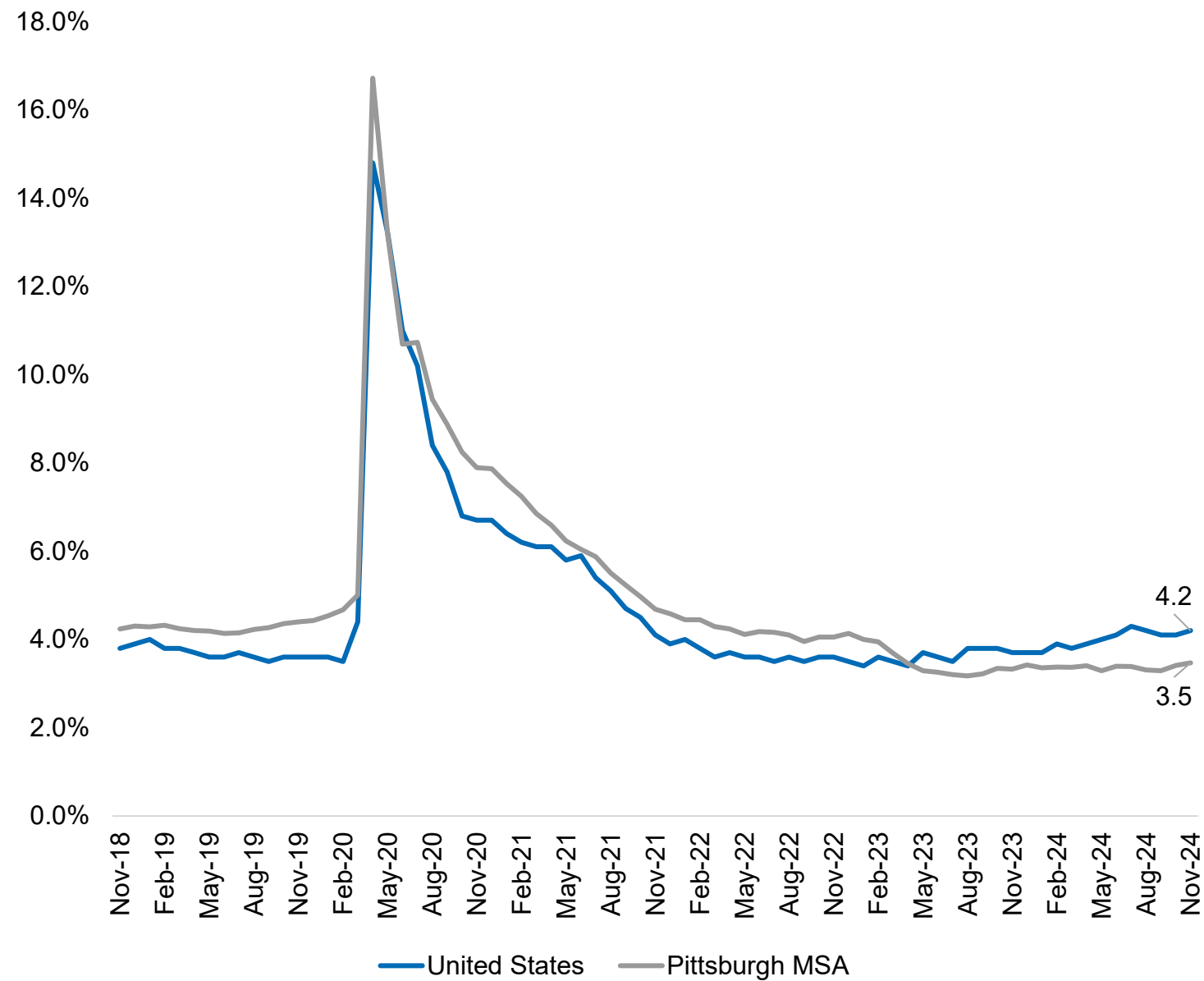
Economy



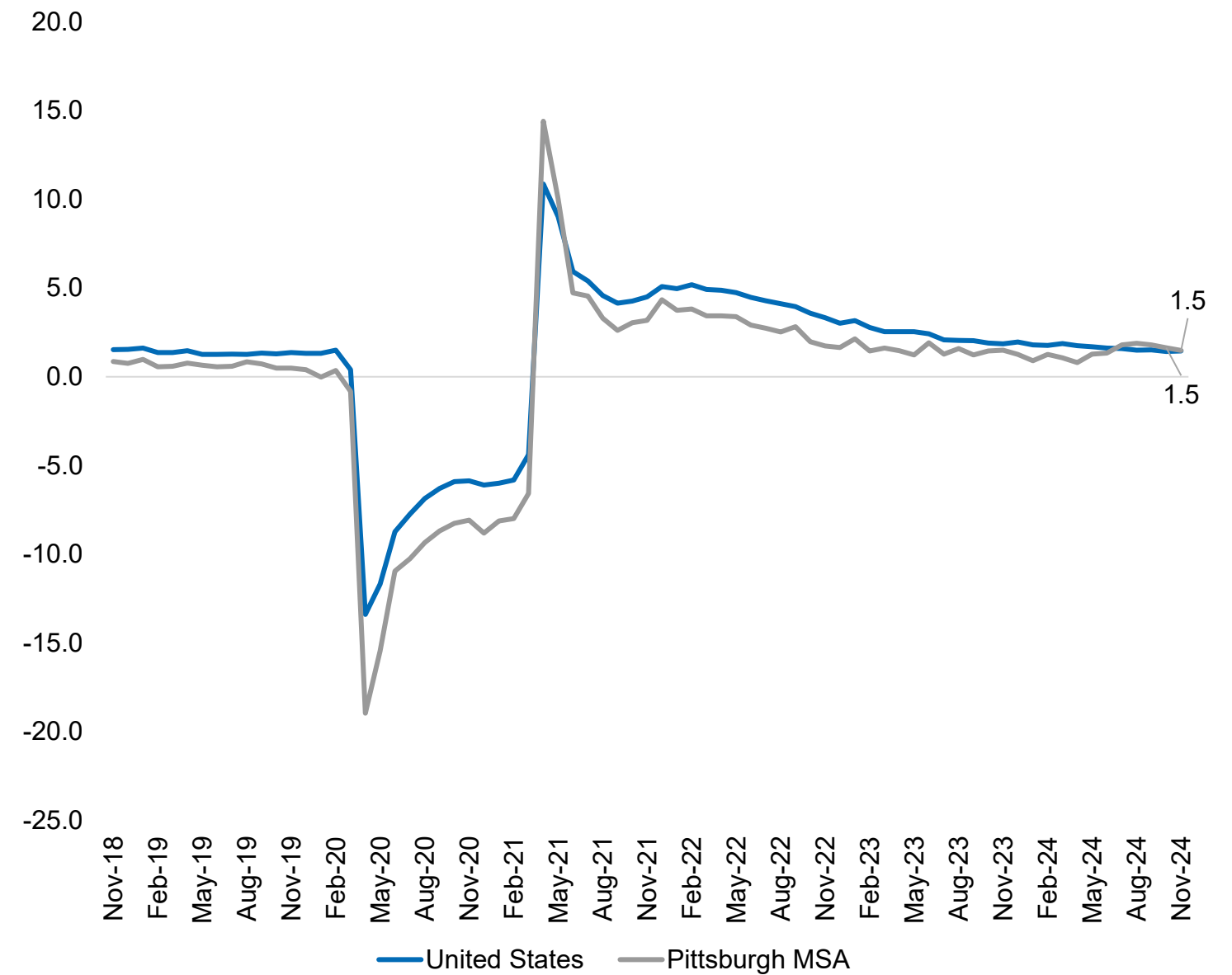
Pittsburgh Unemployment Continues to Remains Below National Rate

The unemployment rate in the Pittsburgh MSA is significantly lower than the national average, standing at 3.5% compared to the national rate of 4.2%. Both the Pittsburgh MSA and the United States encountered periods of growth and contraction, with notable fluctuations in early 2020, followed by a recovery over time that has led the 12-month payroll employment percentage change in Pittsburgh MSA to align with that of the U.S. average.

Unemployment Rate, Seasonally Adjusted



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



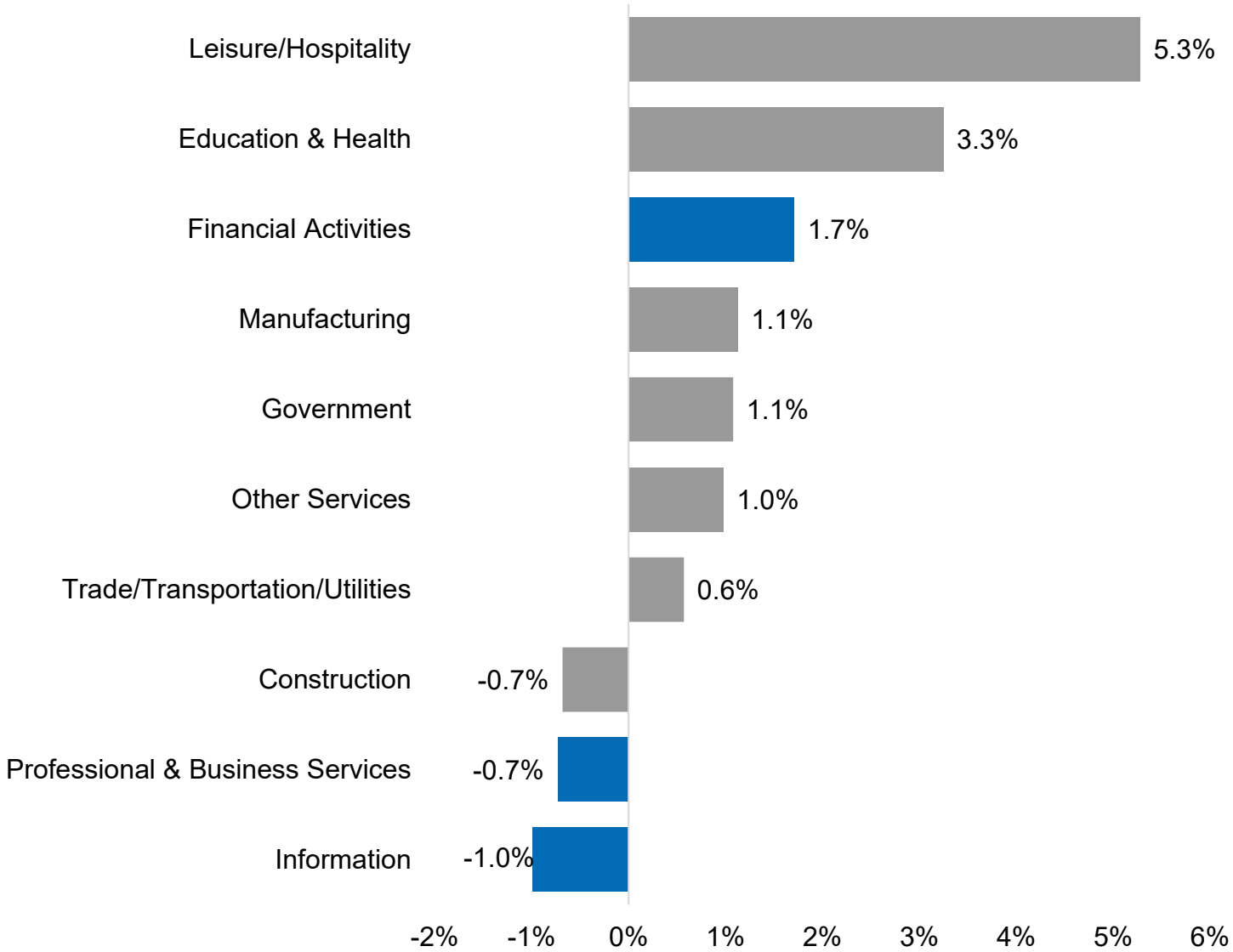
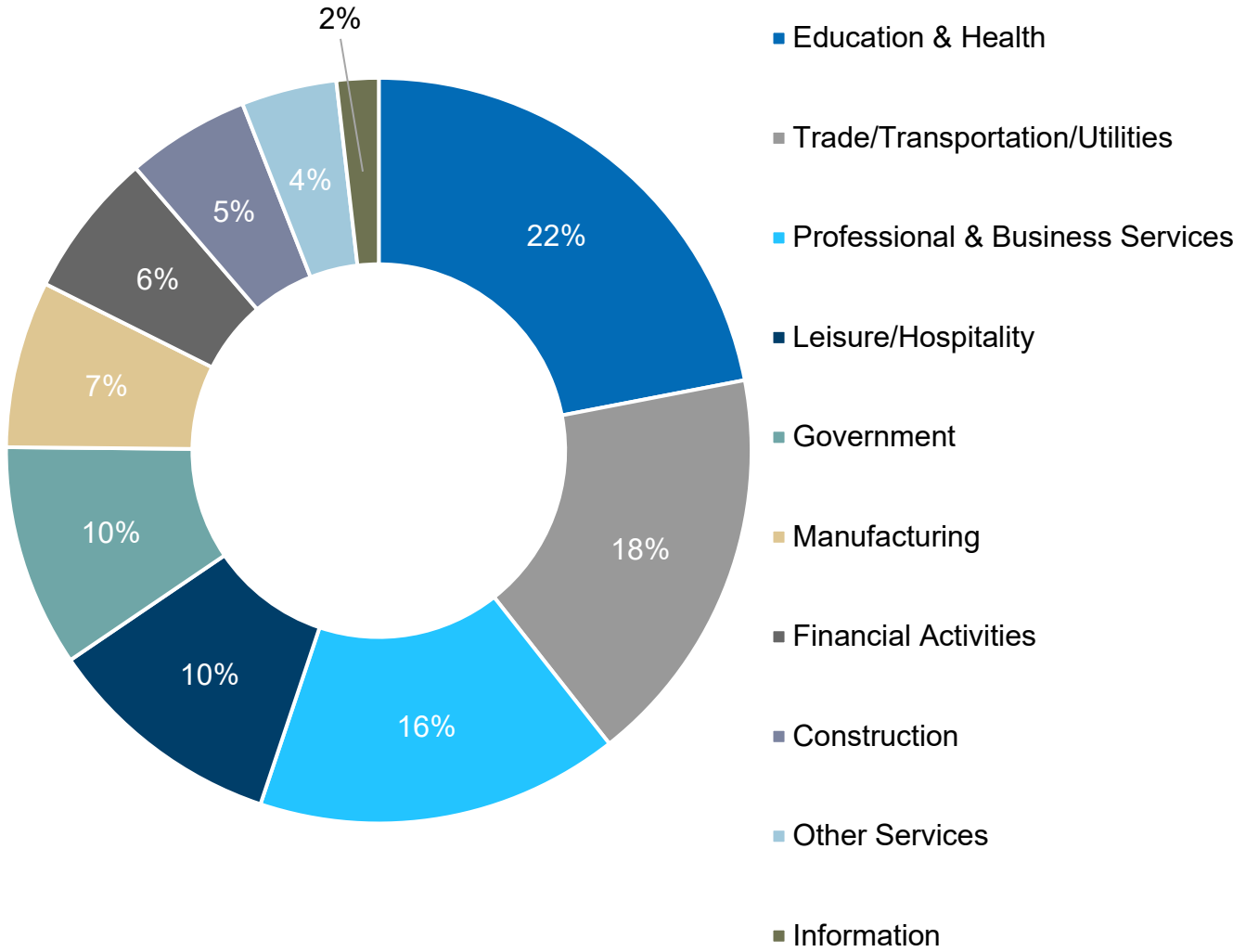
Source: Moody's Analytics, Pittsburgh MSA

The Pittsburgh MSA Maintains Strong Labor Markets

The Pittsburgh MSA maintains its reputation as a tech and innovation hub, with continued investment in AI, robotics, and healthcare technology sectors. The region also continues to benefit from its renowned educational institutions, which drive research and development efforts crucial to the economic diversification and growth.

Employment by Industry

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



Source: Moody's Analytics, Pittsburgh MSA

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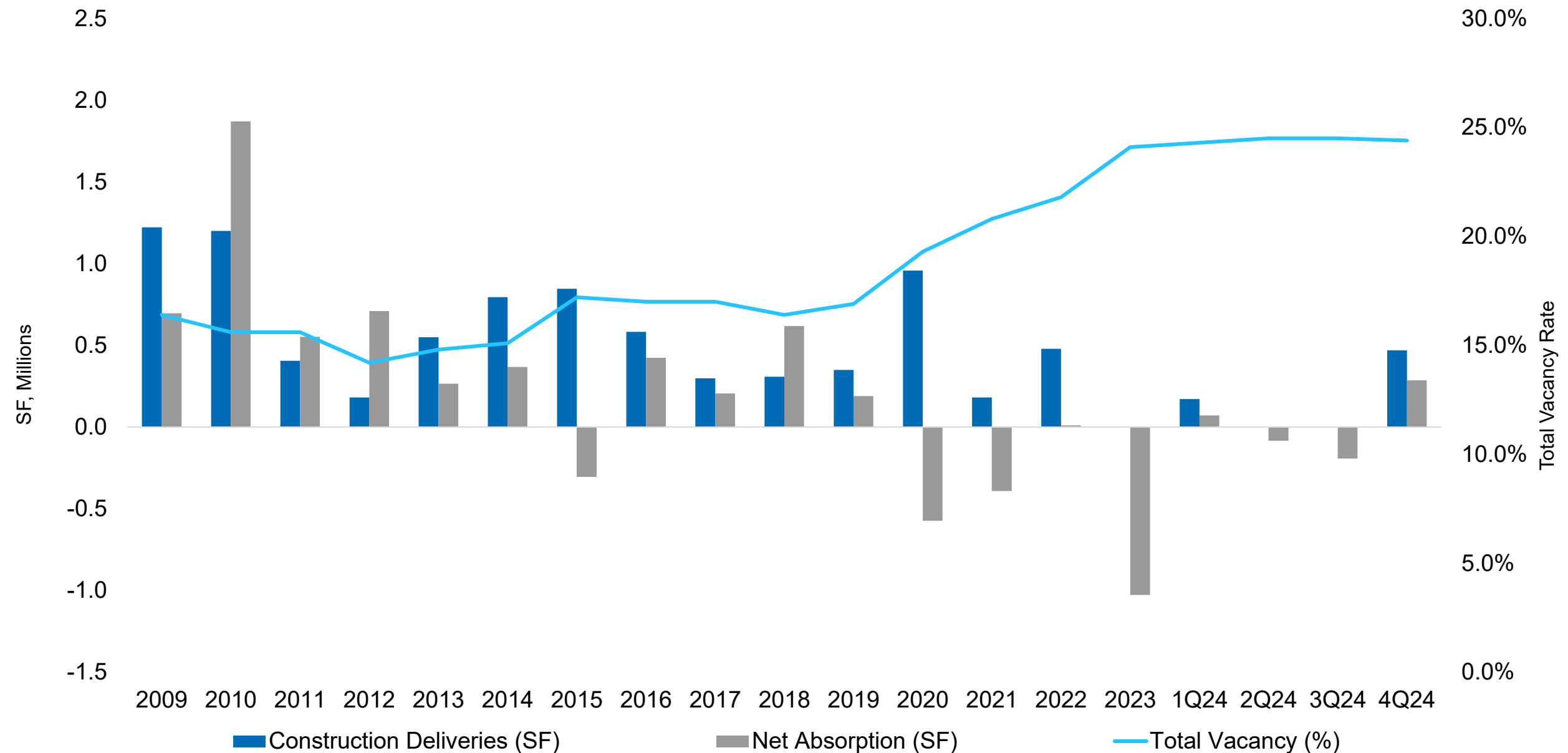
Leasing Market Fundamentals



Preleased Construction Delivery Causes Mixed Signals in CBD

The vacancy rate remained relatively flat again in the fourth quarter of 2024 at 24.4% while the overall market experienced positive absorption. The delivery of the FNB Financial Center had a notable impact of the CBD Class A market. Class A vacancy in the CBD rose from 22.3% in the third quarter of 2024 to 23.6% in the fourth quarter of 2024. However, the preleasing in the building drove up absorption while still adding additional vacancy to the market.

Historical Construction Deliveries, Net Absorption, and Vacancy

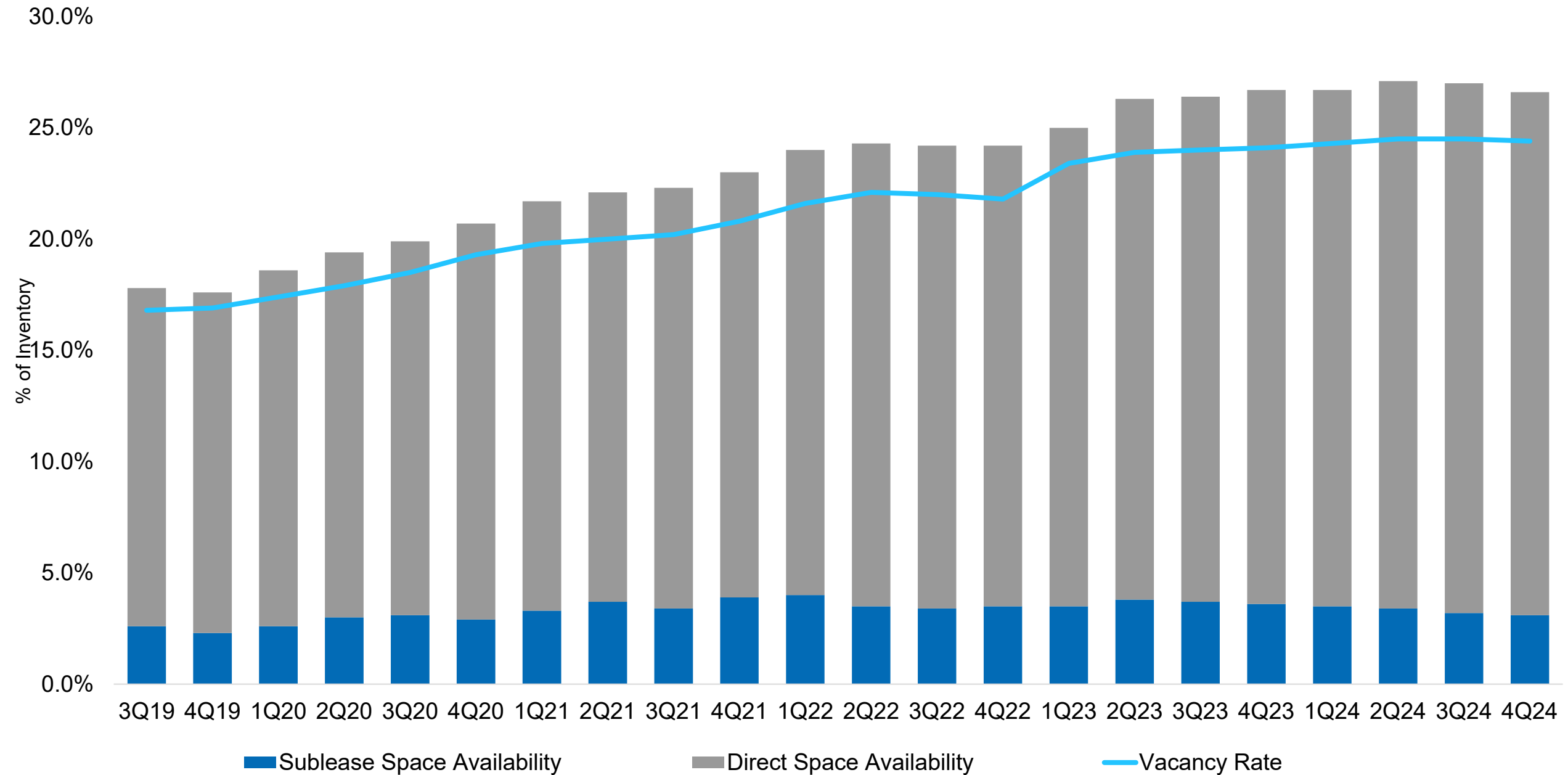


Source: Newmark Research

Market Overall Availability Reduced

The fourth quarter of 2024 resulted in an overall reduction of availability as many new lease commitments have been announced, which is a positive sign moving towards market recovery into 2025.

Available Space as Percent of Overall Market

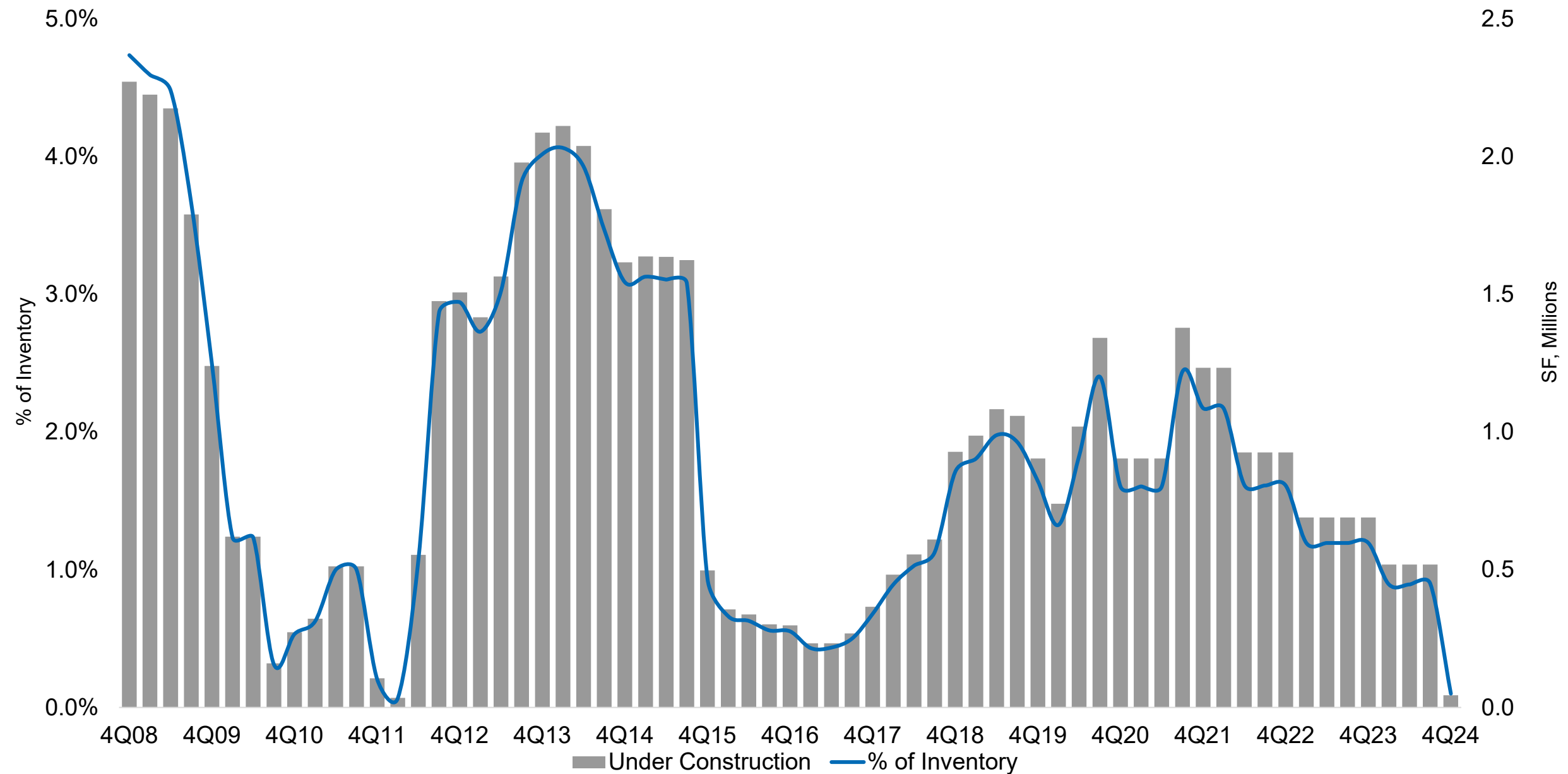


Source: Newmark Research

Long Awaited New Construction Delivered

The FNB Financial Center has recently completed, marking a significant development milestone for the region. The lack of additional new office construction may contribute to the improvement of the overall market. The focus shifting towards adaptive reuse of existing spaces and an emphasis on mixed-use developments that combine residential, office, and retail spaces to meet the evolving needs of the market.

Office Under Construction and % of Inventory

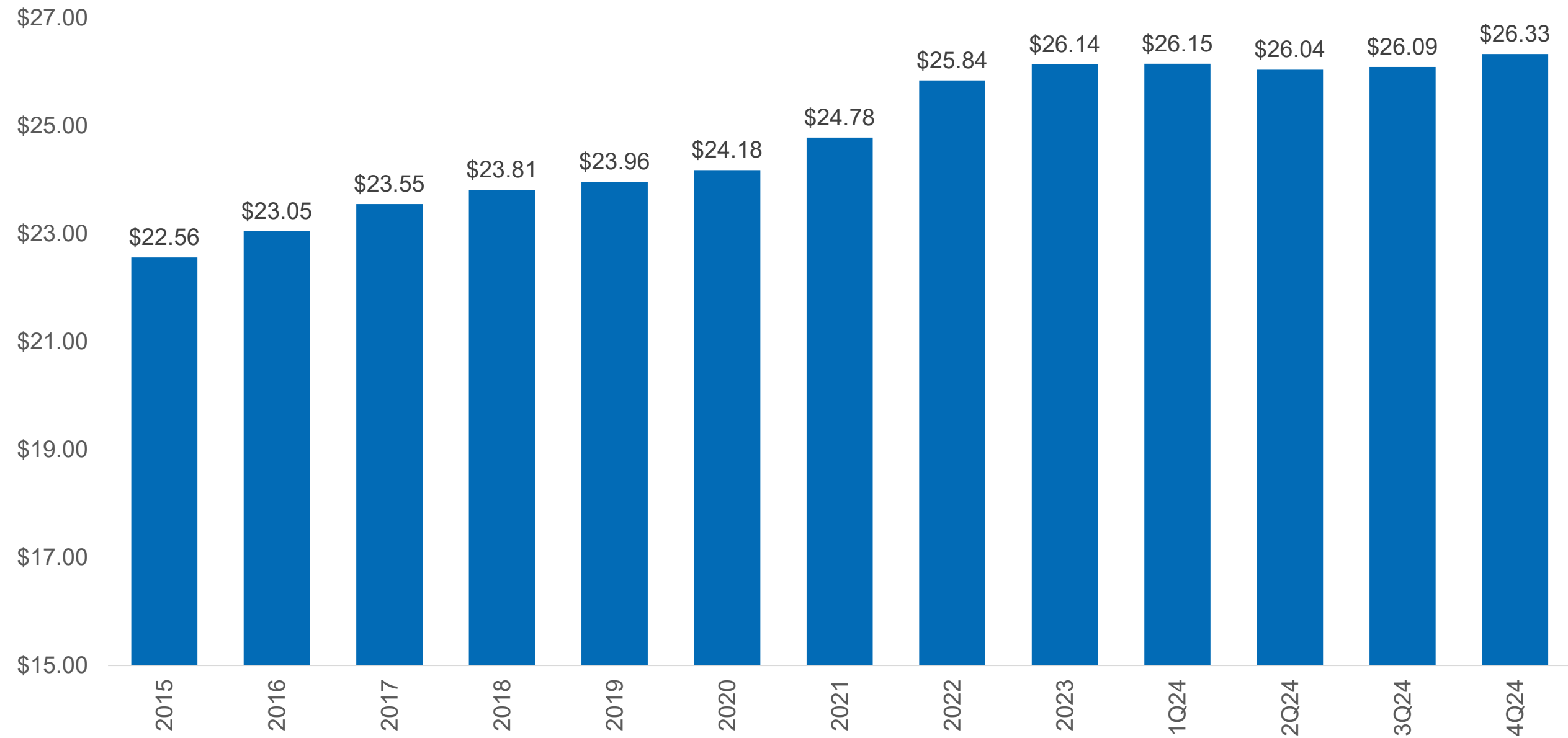


Source: Newmark Research

Overall Market Asking Rents Remain Healthy

During 2024, average asking rents fluctuated, starting at \$26.15/SF in the first quarter and rising to \$26.33/SF by the fourth quarter, finishing out 2024 on a strong note.

Office Average Asking Rent, \$/SF, FS

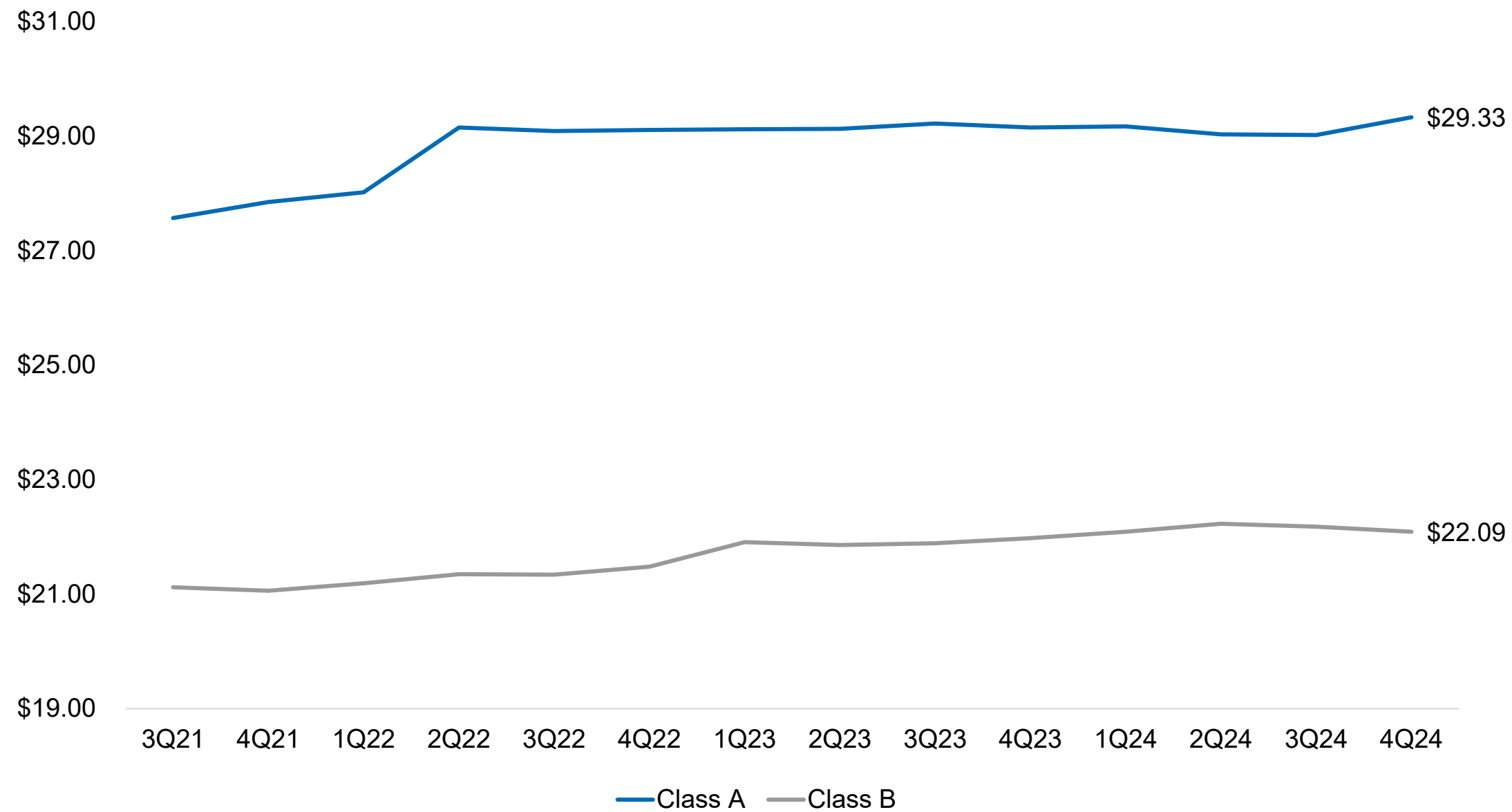


Source: Newmark Research

Class A Rents Rise As Class B Remains Stable

The fourth quarter of 2024 had a notable increase in the average asking rents for Class A properties, climbing to \$29.33/SF from \$29.02/SF in the third quarter of 2024. This rise is largely attributed to the higher rental rates commanded by the recently completed FNB Financial Center. Class B asking rates remained relatively unchanged for the same period.

Class A and Class B Asking Rents



4Q24 Notable Lease Transactions

Leasing in the overall Pittsburgh market remained active in the fourth quarter of 2024. Southpointe is demonstrating signs of recovery with Range Resources reaffirming their commitment to the submarket, and WVU Health Systems making their entry into the South market.

Select Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Range Resources	3000 Town Center Blvd	South (Southpointe)	Renewal	145,939
Duquesne Light	Nova Place	Fringe	New Lease	124,000
WVU Health System	Fountainhead	South (Southpointe)	New Lease	90,000
New York Life	Vision on Fifteenth	Fringe	New Lease	43,000
Tobii Dynavox	Cherrington	Parkway West	New Lease	38,000
Coterra	Diamond Ridge	Parkway West	New Lease	36,000
Citizens Bank	525 William Penn Place	CBD	Renewal	29,262
Houston Harbaugh	Two Gateway center	CBD	Renewal	23,000
Raines Feldman Littrell	11 Stanwix	CBD	Expansion	22,000
Direct Energy	Liberty Center	CBD	Renewal	21,477

Source: Newmark Research, CoStar

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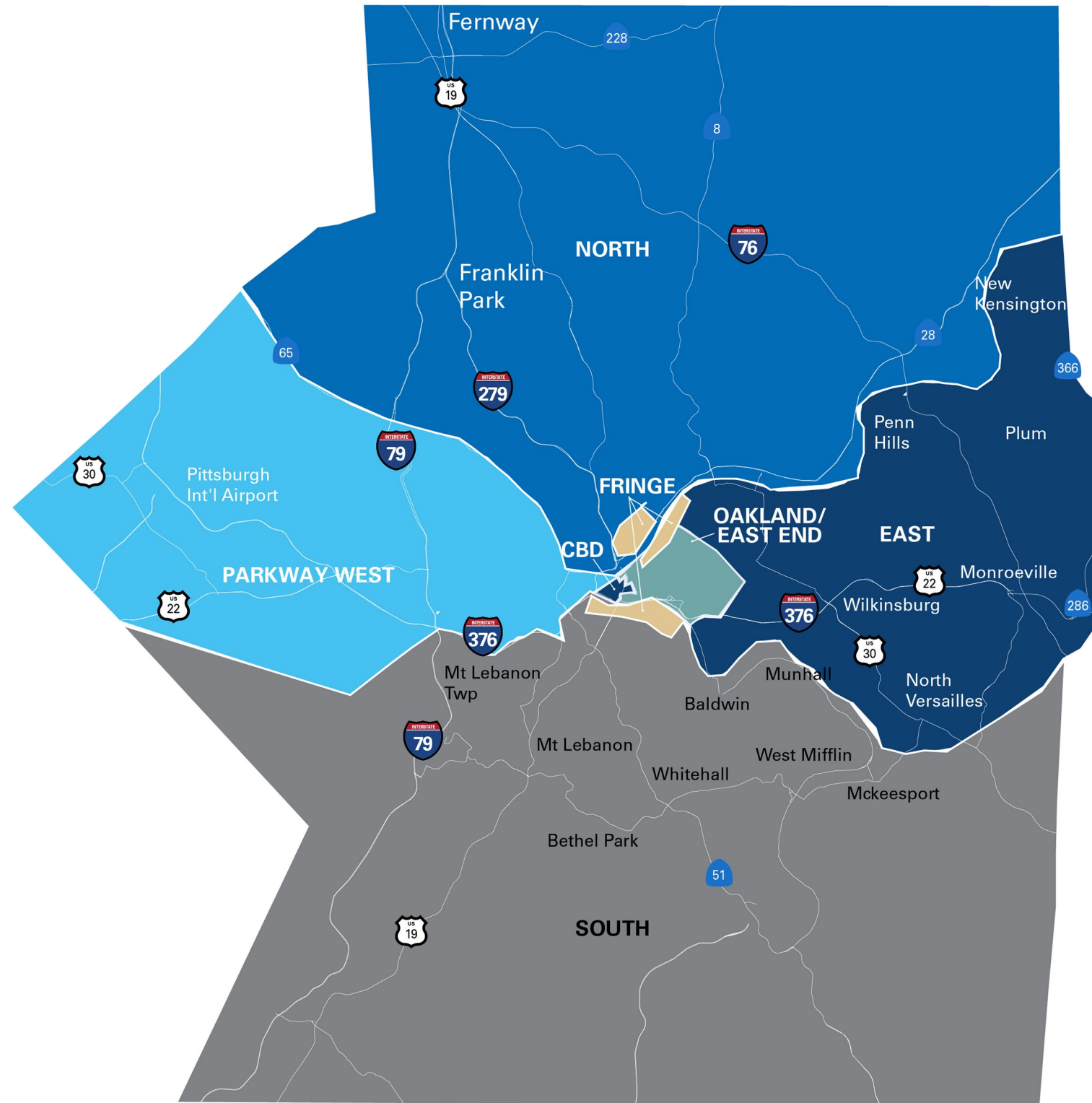
Submarket Overview





Please reach out to your
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Pittsburgh - Submarket Map



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