



Pittsburgh industrial market report

Q1 2023

AVISON
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Pittsburgh industrial market trends

905,654 sf

Leasing volume climbed

The size of all lease transactions signed totaled 905,654 sf—the highest since Q2 2021. Overall, it's a sign that the leasing volume has stabilized back to a more typical pace. Over the last four quarters, the Pittsburgh market averaged 12 deals and a total of 566,449 sf per quarter. From 2017-19, the quarterly averages were 11 deals and 565,623 sf.

556,171 sf

Positive absorption continued

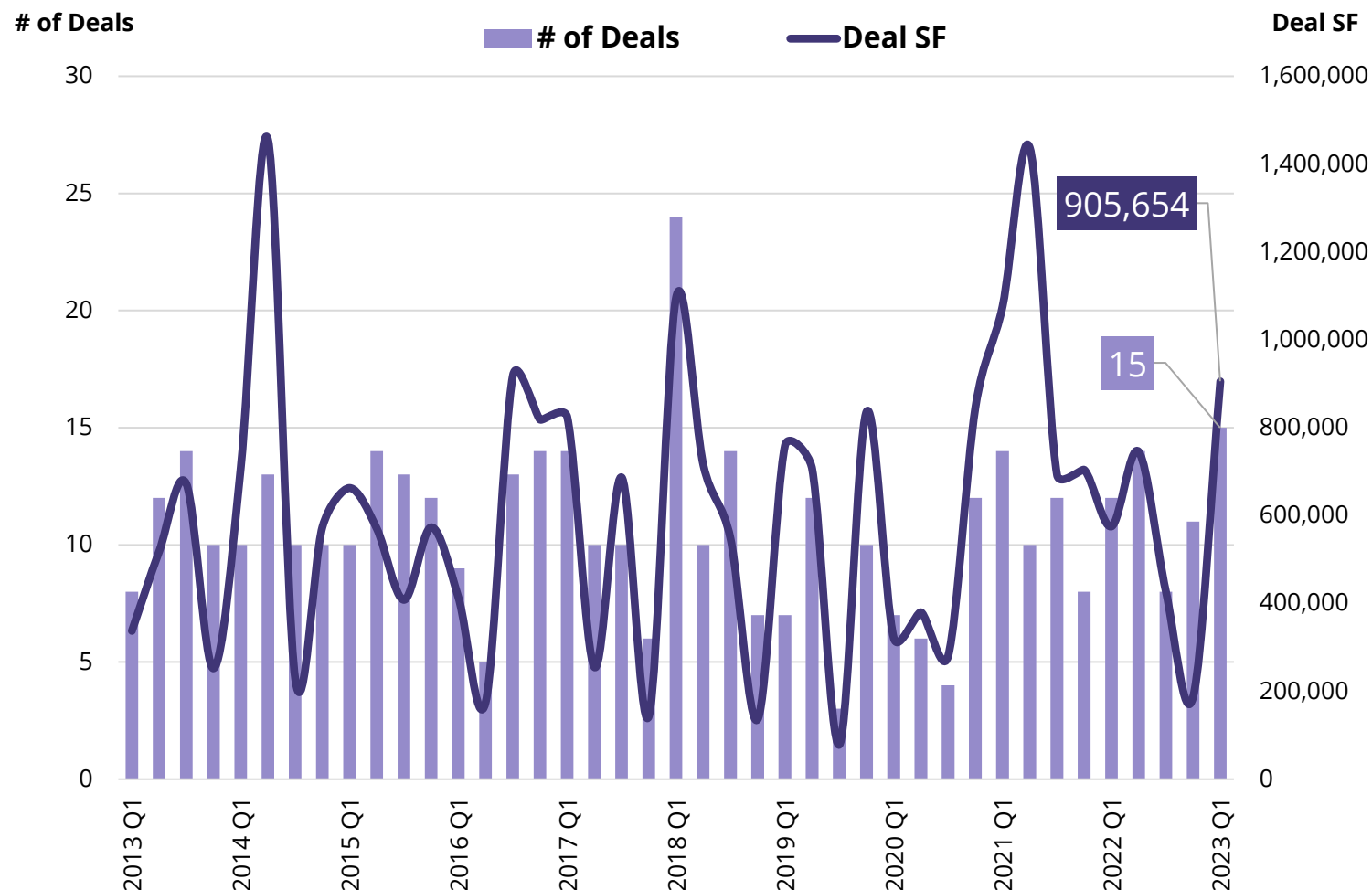
The 556,171 sf of positive absorption in the first quarter shows that Pittsburgh's demand for industrial space is still going strong. While the market's absorption levels can be sporadic at times (six of the last 13 quarters have registered negative absorption), the last 13 quarters have netted 4.2 msf in positive absorption. This is good news on the development front, as 2.3 msf of space was under construction last quarter.

4.5 months

Small properties, fast leasing

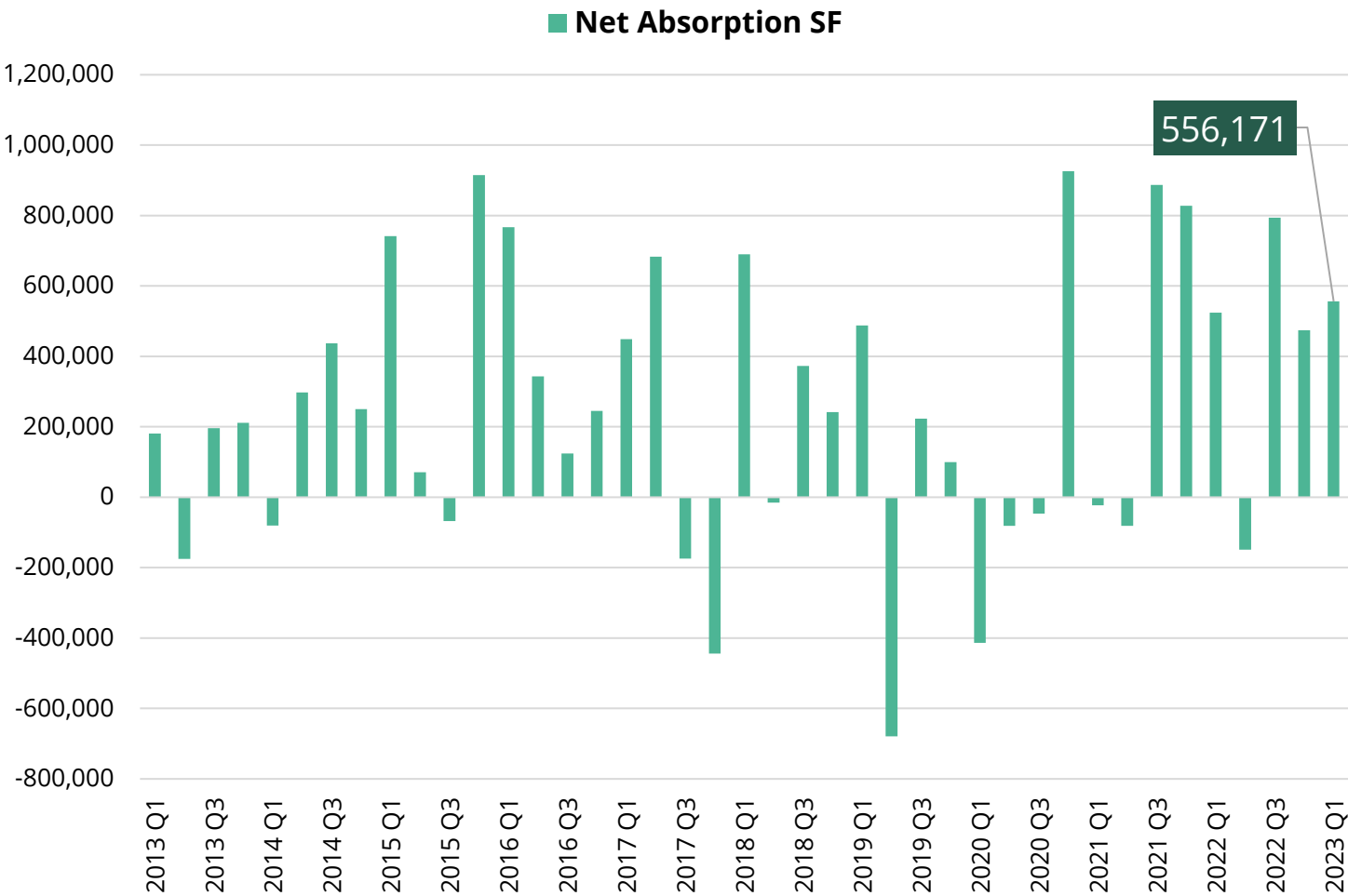
Unsurprisingly, industrial properties under 50 ksf (small) have consistently leased up faster than properties over 50 ksf (large). The median number of months to rent is currently at 4.6 for small properties and 15.8 for large ones—a difference of 11.2 months. However, the gap between those groups has been growing since 2021 and is at its highest since 2016. In the last two years, the median months to rent decreased 41.8% for small properties and increased 14.5% for large ones. A similar trend has appeared in other markets including Kansas City and Indianapolis, signaling that there is an increasing need for smaller industrial spaces.

Leasing volume climbed



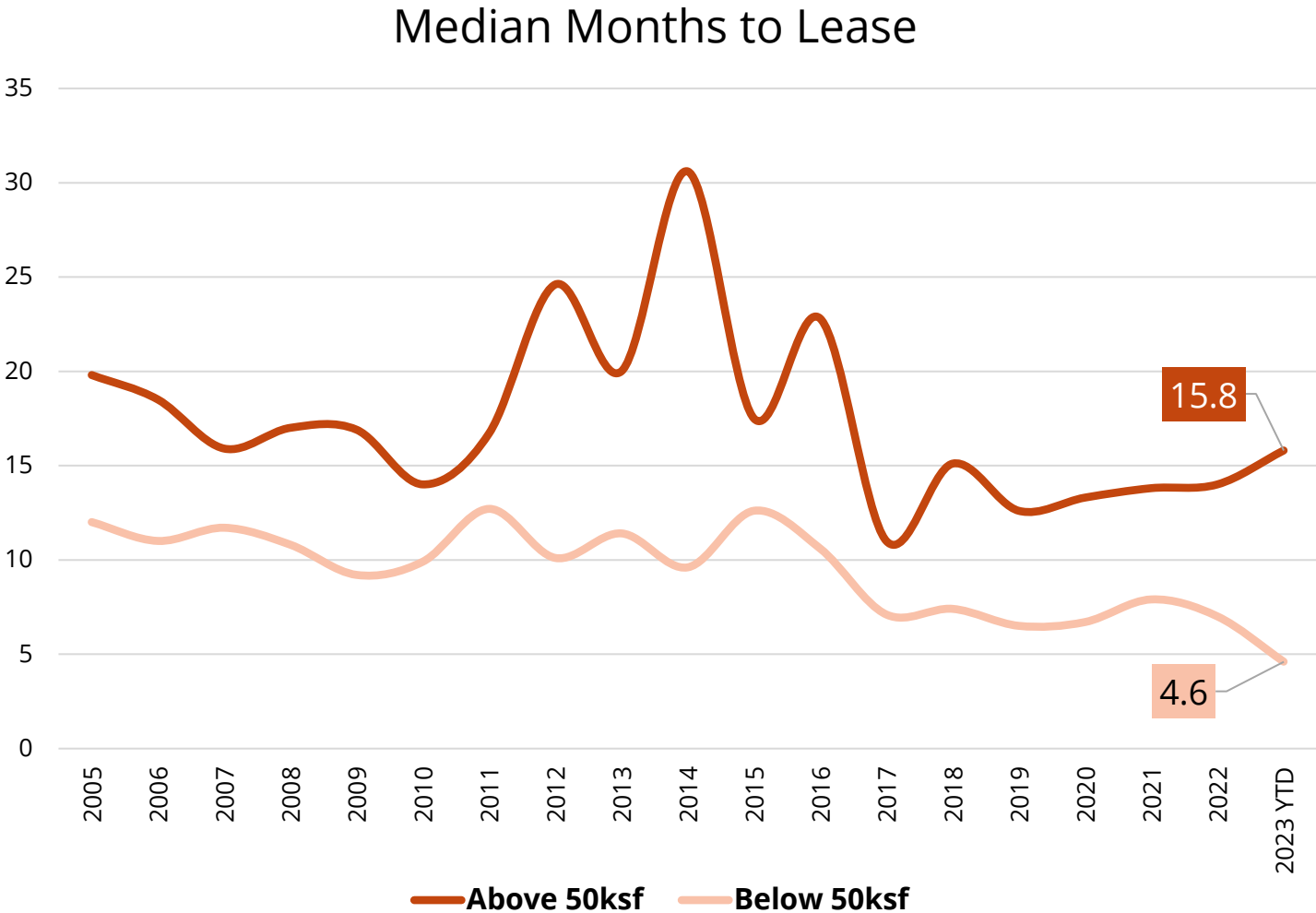
Over the last four quarters, the Pittsburgh market averaged 12 deals and a total of 566,449 sf per quarter. From 2017-19, the quarterly averages were 11 deals and 565,623 sf.

Positive absorption continued



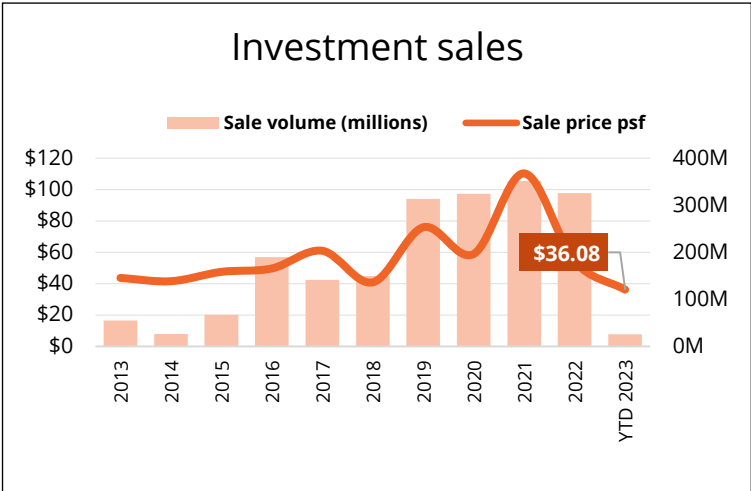
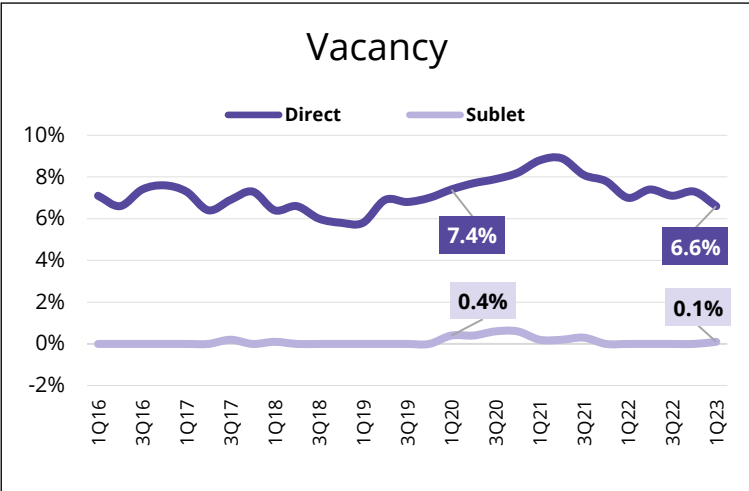
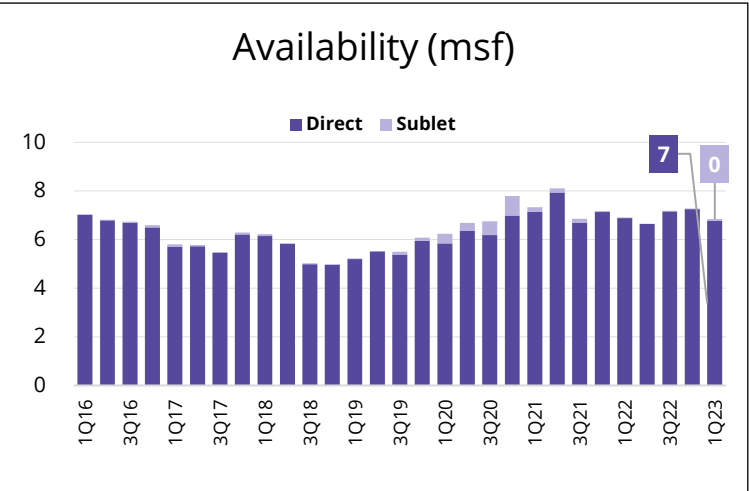
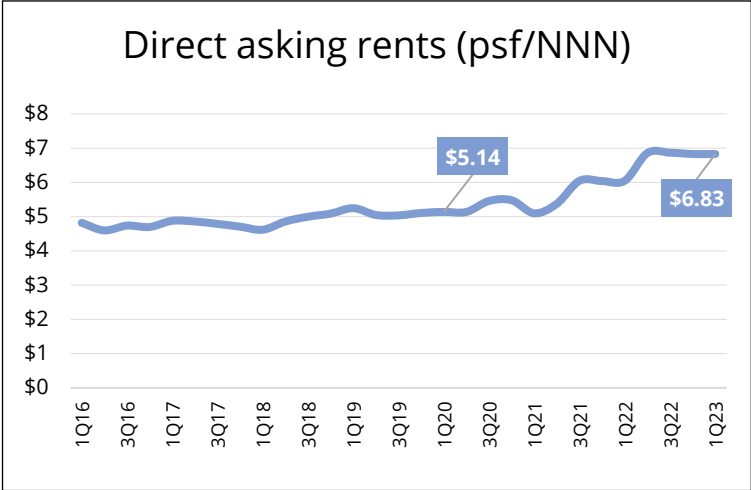
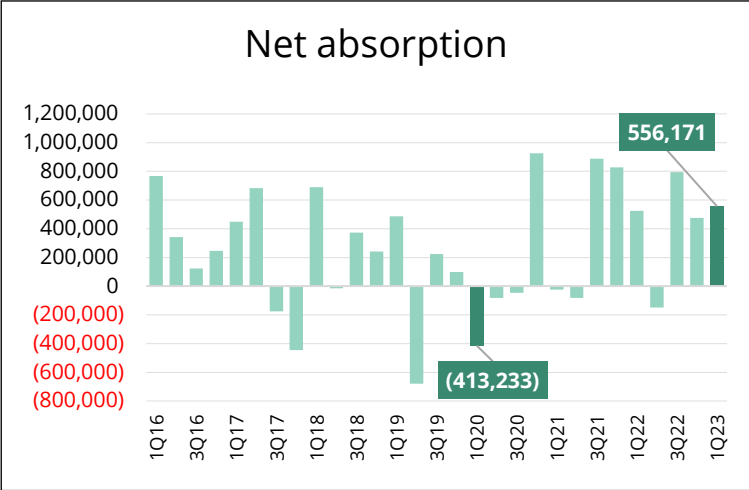
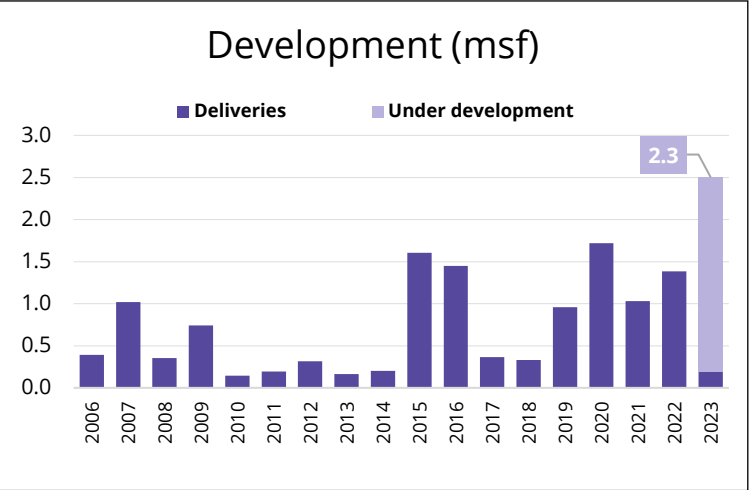
Six of the last 13 quarters have registered negative absorption, yet there has been a total of 4.2 msf in positive absorption during that time.

Small properties, fast leasing



In the last two years, the median number of months to rent decreased 41.8% for properties under 50 ksf and increased 14.5% for properties over 50 ksf.

Pittsburgh industrial market indicators



Pittsburgh industrial market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy
CBD	52,500	0	0	0.0%	0.0%	0.0%
Downtown Fringe	3,161,368	0	0	6.5%	0.0%	6.5%
Parkway West	9,332,541	99,000	987,987	6.3%	0.0%	6.3%
Oakland/East End	973,979	0	0	6.0%	0.0%	6.0%
Parkway North	13,471,505	0	0	1.3%	0.4%	1.7%
Butler County	7,527,114	60,000	0	4.5%	0.3%	4.8%
Washington County	5,499,082	0	0	9.4%	0.0%	9.4%
South	2,982,921	0	120,000	1.2%	0.0%	1.2%
Monroeville	242,551	0	0	0.3%	0.0%	0.3%
Westmoreland County	14,112,185	31,350	305,231	10.2%	0.0%	10.2%
Parkway East	4,634,279	0	0	18.8%	0.0%	18.8%
Beaver County	6,617,750	0	900,000	4.7%	0.0%	4.7%
Market total	68,607,775	190,350	2,313,218	6.6%	0.1%	6.7%

Pittsburgh industrial market stats by class and subtype

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (Q1 2023)	Net absorption sf (YTD)
Class A	12,118,987	130,350	1,967,345	5.9%	0.4%	6.3%	136,838	136,838
Class B	56,488,788	60,000	345,873	6.8%	0.0%	6.8%	419,333	419,333
Market total	68,607,775	190,350	2,313,218	6.6%	0.1%	6.7%	556,171	556,171

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (Q1 2023)	Net absorption sf (YTD)
Warehouse / Distribution	42,831,401	190,350	2,242,345	7.1%	0.2%	7.3%	412,829	412,829
Manufacturing	25,776,374	0	70,873	5.9%	0.0%	5.9%	143,342	143,342
Market total	68,607,775	190,350	2,313,218	6.6%	0.1%	6.7%	556,171	556,171

Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
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