



AVISON
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Midwest industrial insight report

Q2 2021

AVANT
by AVISON YOUNG



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U.S. industrial drivers

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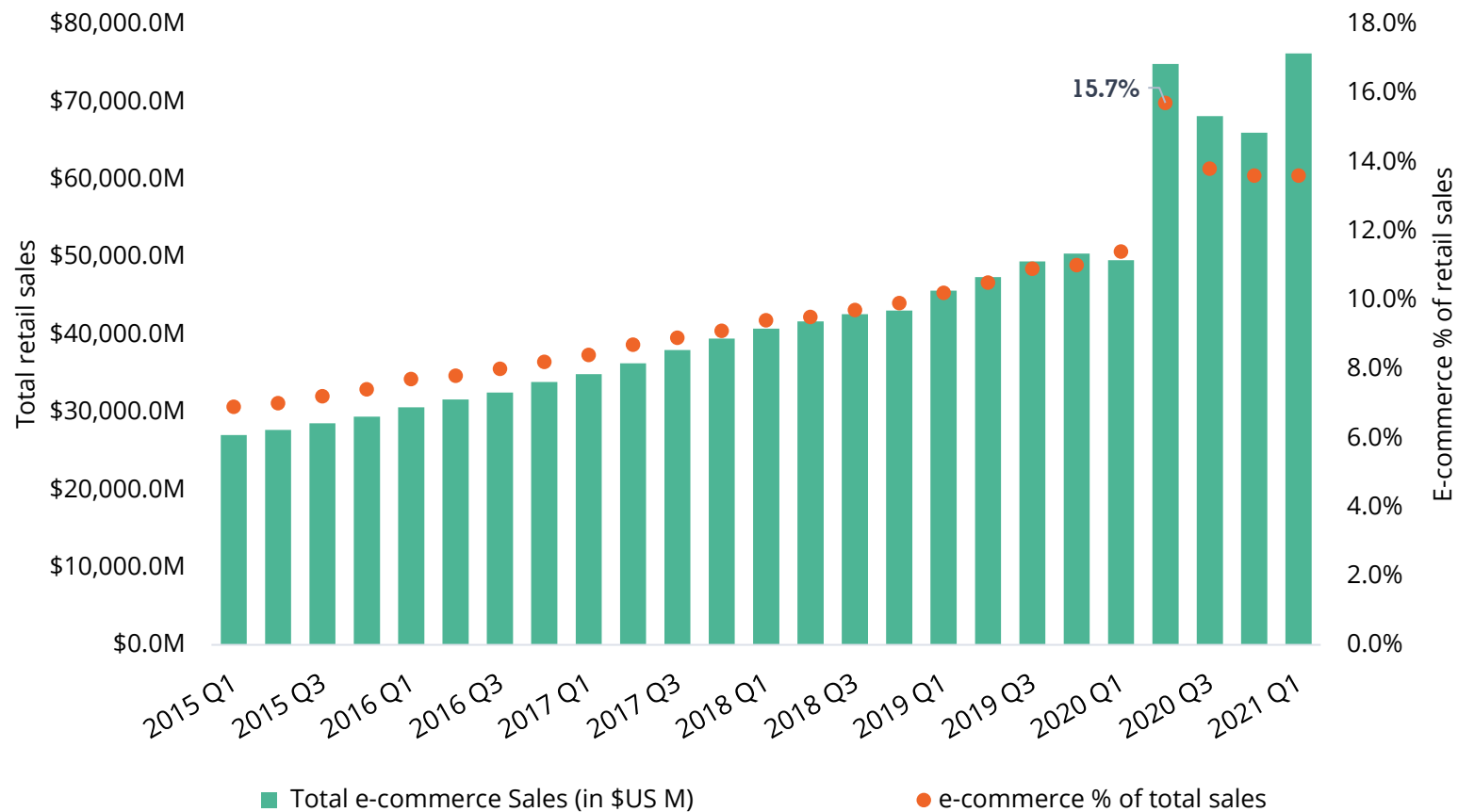
MIDWEST INDUSTRIAL INSIGHT REPORT
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U.S. total retail and e-commerce sales

15.7%

E-commerce share of overall retail sales in initial shock of COVID

Demand for e-commerce surged during the initial shock of lockdowns, driving industrial demand to record levels. As the economy begins to reopen, the rate of e-commerce growth is nearly double pre-COVID levels, suggesting accelerated e-commerce demand is sustainable.



Source: Federal Reserve Bank of St. Louis
*Most recent update: May 28, 2021

Property type job gains and losses

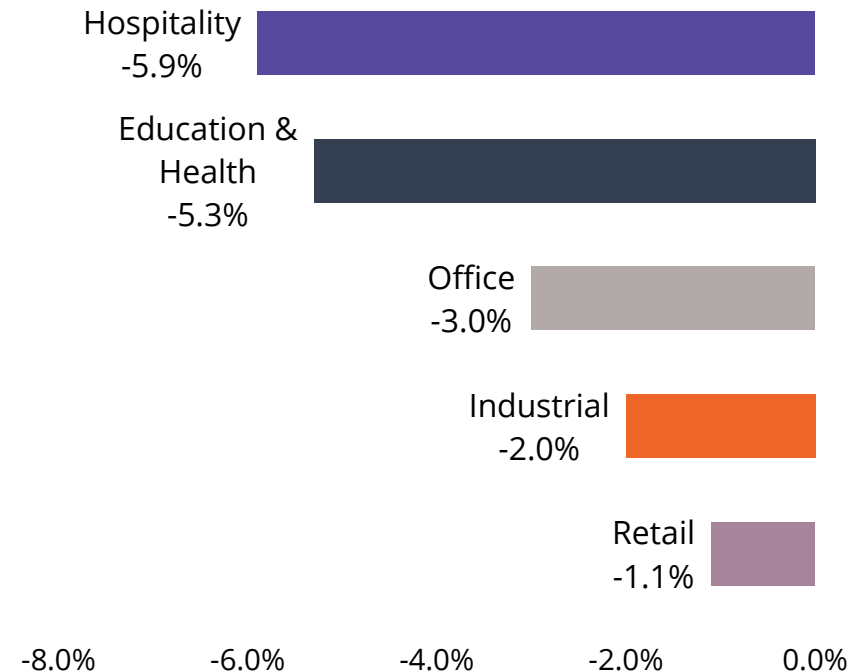
-2.9%

Change in total industrial employment during the pandemic

Post-COVID industrial job losses have been mild compared with other segments of the labor market, underscoring the industry's comparative strength as cities and economies reopen.

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Total change in U.S. job gains/(losses)
February 2020 to May 2021



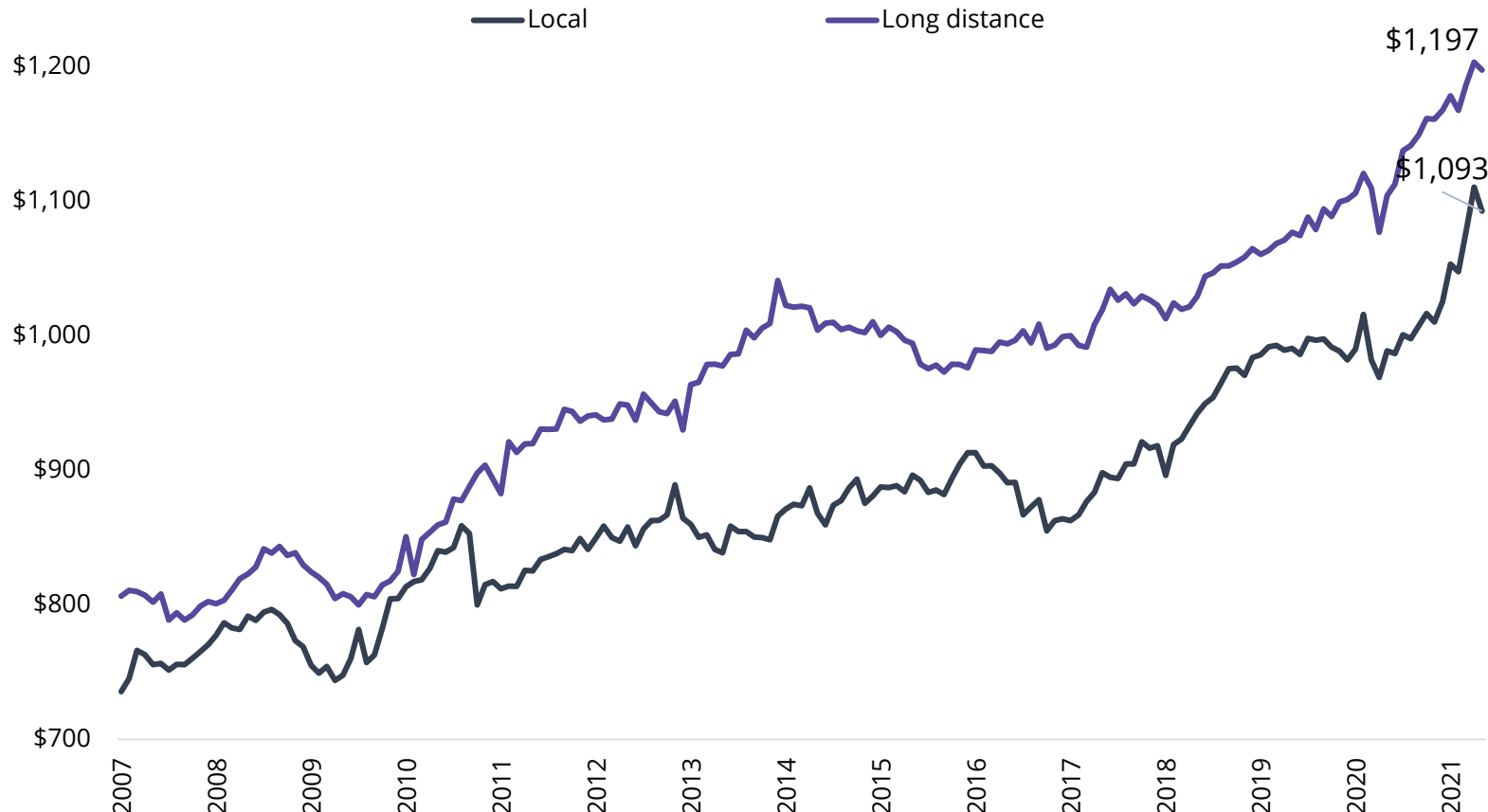
Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Weekly earnings for U.S. trucking employees

+10.5%

Annual change in local trucking weekly earnings, 2007 to 2021

As employers compete to fill vacant positions, wage pressure for trucking has accelerated sharply over the past 15 months. Initially focused on long-distance truckers in the early stages of the pandemic, the trend has increasingly spread to local trucking.



Source: Bureau of Labor Statistics

Pittsburgh market fundamentals

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Key industrial takeaways



Economic conditions

- Essential workers, small-scale logistics hubs, and a spike in new construction have helped bring Pittsburgh unemployment down to **5.7 percent**. Other supply chain shocks throughout 2021 have done little to impede growth in leasing fundamentals, especially for Class A space.
- Local employment in industrial-related fields recovered by **8.0 percent** since the start of the pandemic, primarily led by the Mining, logging & construction sector.



Recovery rate

- The Pittsburgh metropolitan area began to reopen in the second quarter, as vaccination rates surpassed the national average to **50.8 percent**.
- The Transportation, Warehouse, & Utility workforce has increased jobs by **1.7 percent** since the start of the pandemic, after seeing a sharp decline early in 2020.



Industrial demand

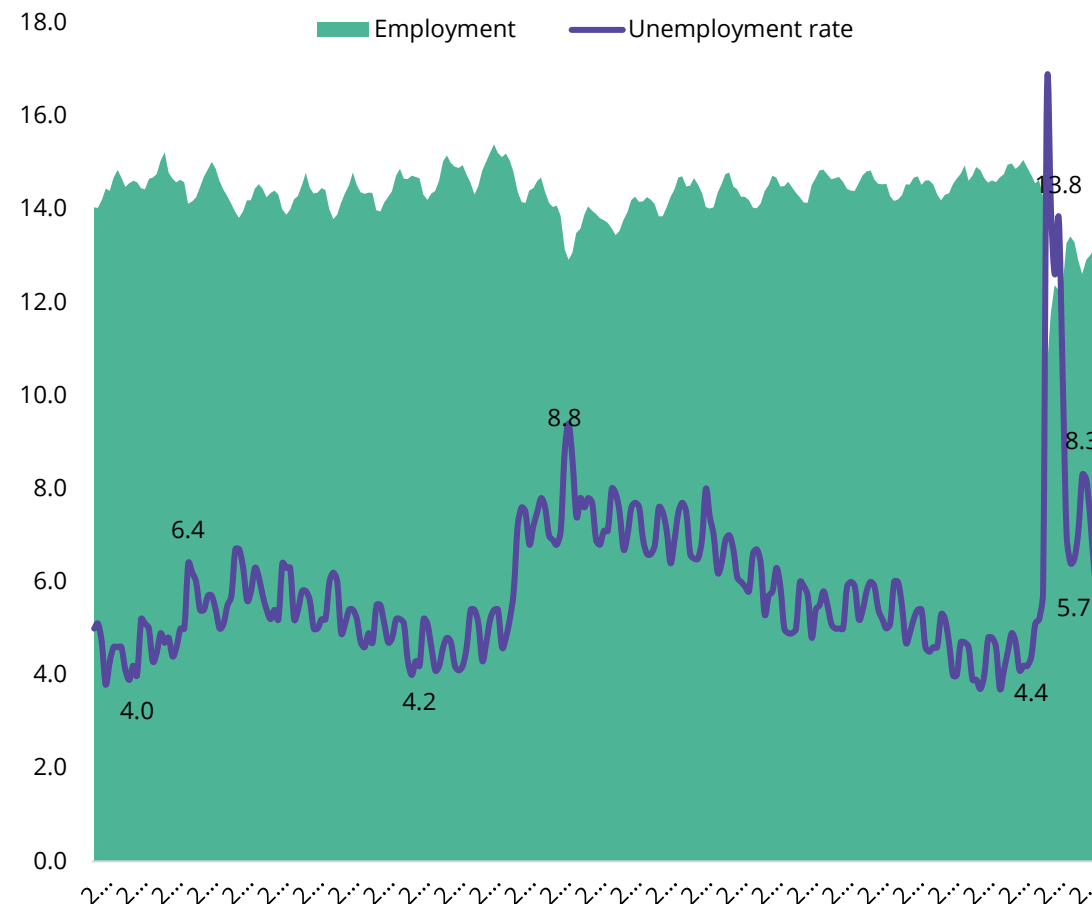
- Overall leasing activity has been sustained throughout the pandemic, currently sitting at **+43.3 percent** long-term annual average of the last 20 years of historical data.
- Net absorption is keeping pace with new deliveries as construction ramps up, with **2.0 million sf** of newly-built space currently underway.

Employment and unemployment rate

5.7%

Pittsburgh MSA unemployment rate as of May 2021, the lowest since the pre-COVID environment

Historically tightened labor market conditions were halted by the pandemic with nearly 180,612 job losses between February and April 2020. However, positive signs throughout April enabled the economy to add 11.9% jobs, with current unemployment standing at 2017 levels and quickly trending toward pre-pandemic rates.



Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Property type job gains and losses

-4.7%

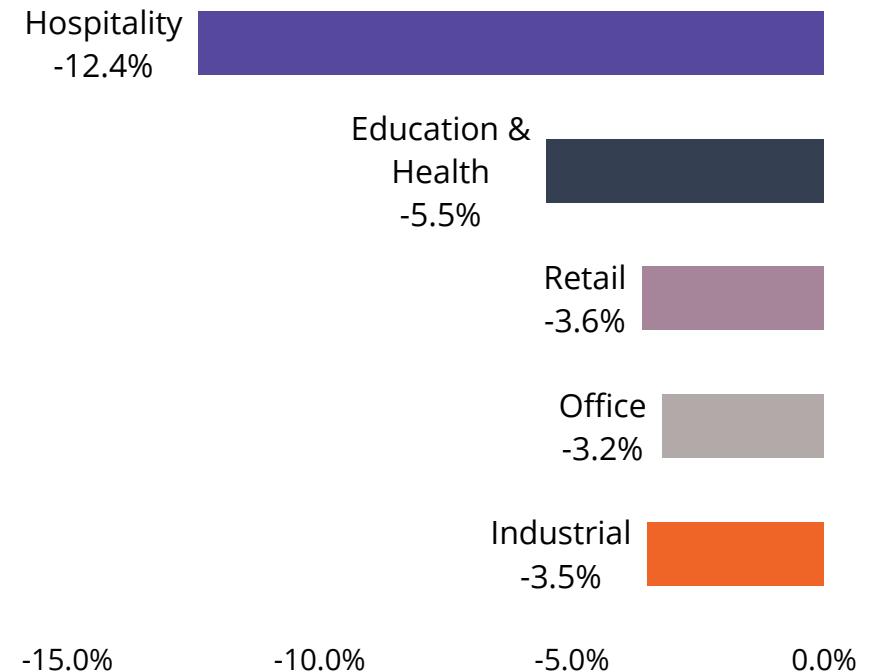
Change in total employment during the pandemic

The Pittsburgh Metro area lost 4.7% of its total labor force since the pandemic began, though industrial losses were comparatively subdued. Industrial job gains in recent months demonstrates a significant recovery is likely in the near-term, which shows to be stronger than neighboring regions.

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Total change in Pittsburgh MSA* job gains/(losses)

Since February 2020



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Industrial job gains and losses

-3.5%

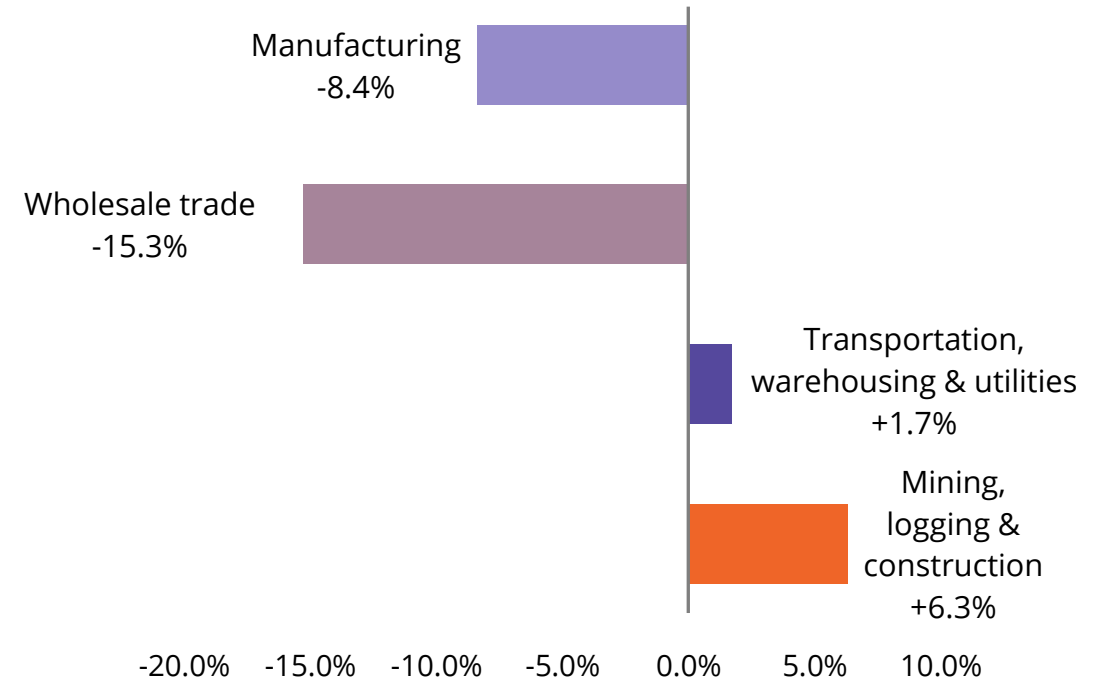
Change in industrial-centric employment during the pandemic

The Pittsburgh Metro area lost 3.5% of industrial employment since the pandemic began, as evidenced by a sharp decline in jobs early in 2020. However, in the past 12 months, the market has recovered 8.0% of those losses, primarily in the mining, logging & construction sector.

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Total change in Pittsburgh MSA* job gains/(losses)

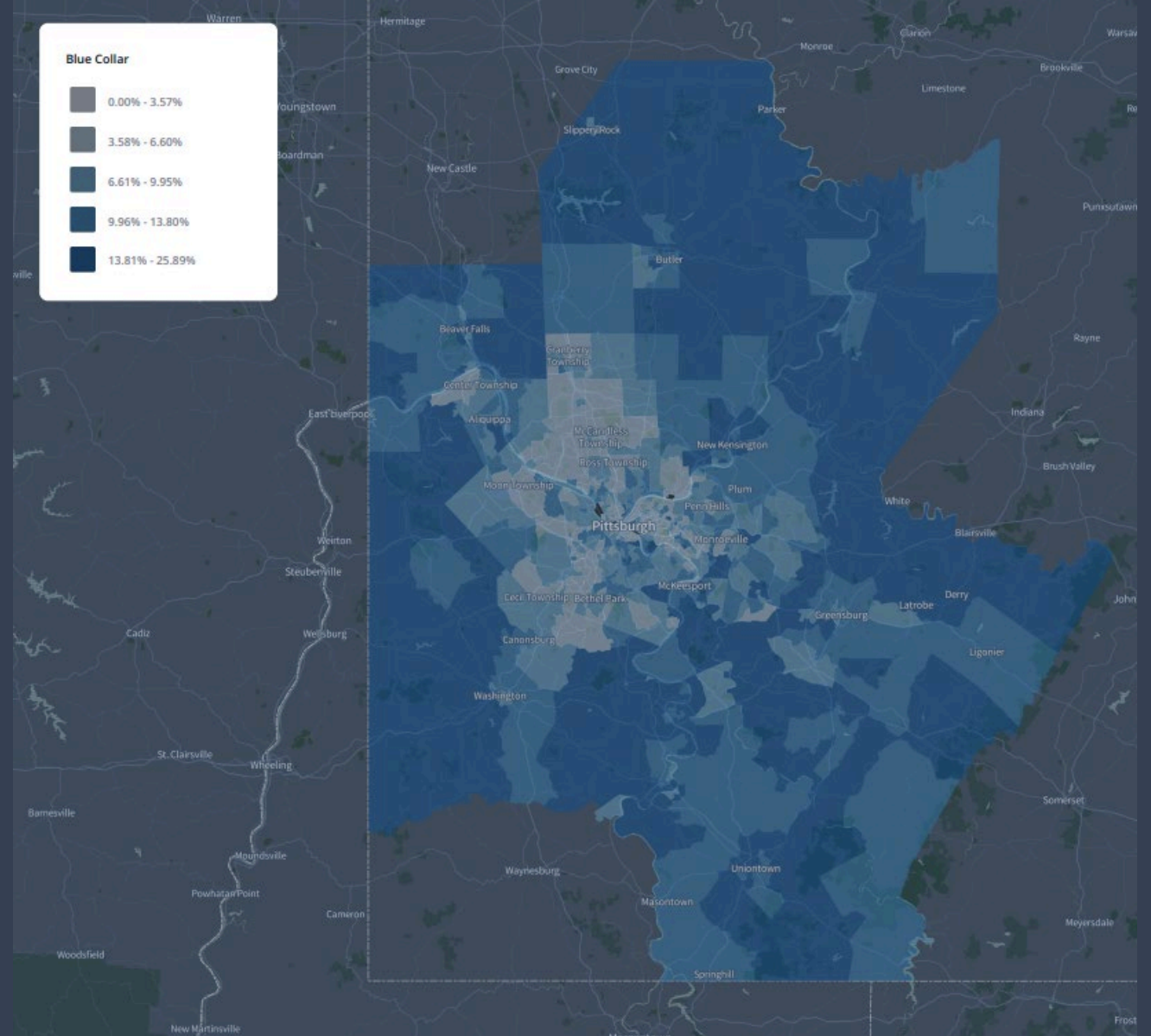
February 2020 to May 2021



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Blue-collar workforce concentration

Source: AVANT by Avison Young, ESRI

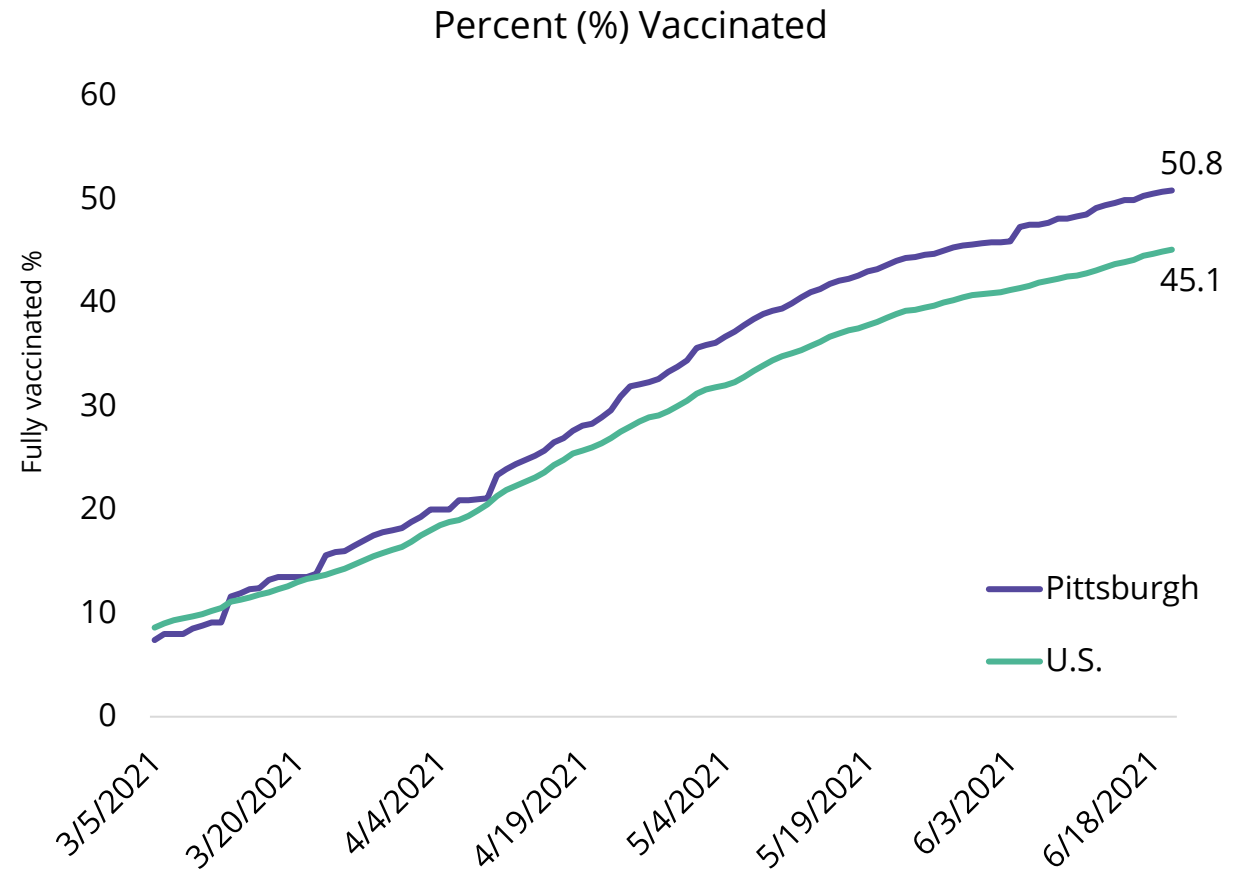


Vaccination rates

50.8%

Share of total Pittsburgh MSA population that is fully vaccinated

Pittsburgh proportionate vaccination rates have surpassed U.S. averages, an important metric that allowed the city to expedite reopening plans and loosen restrictions.



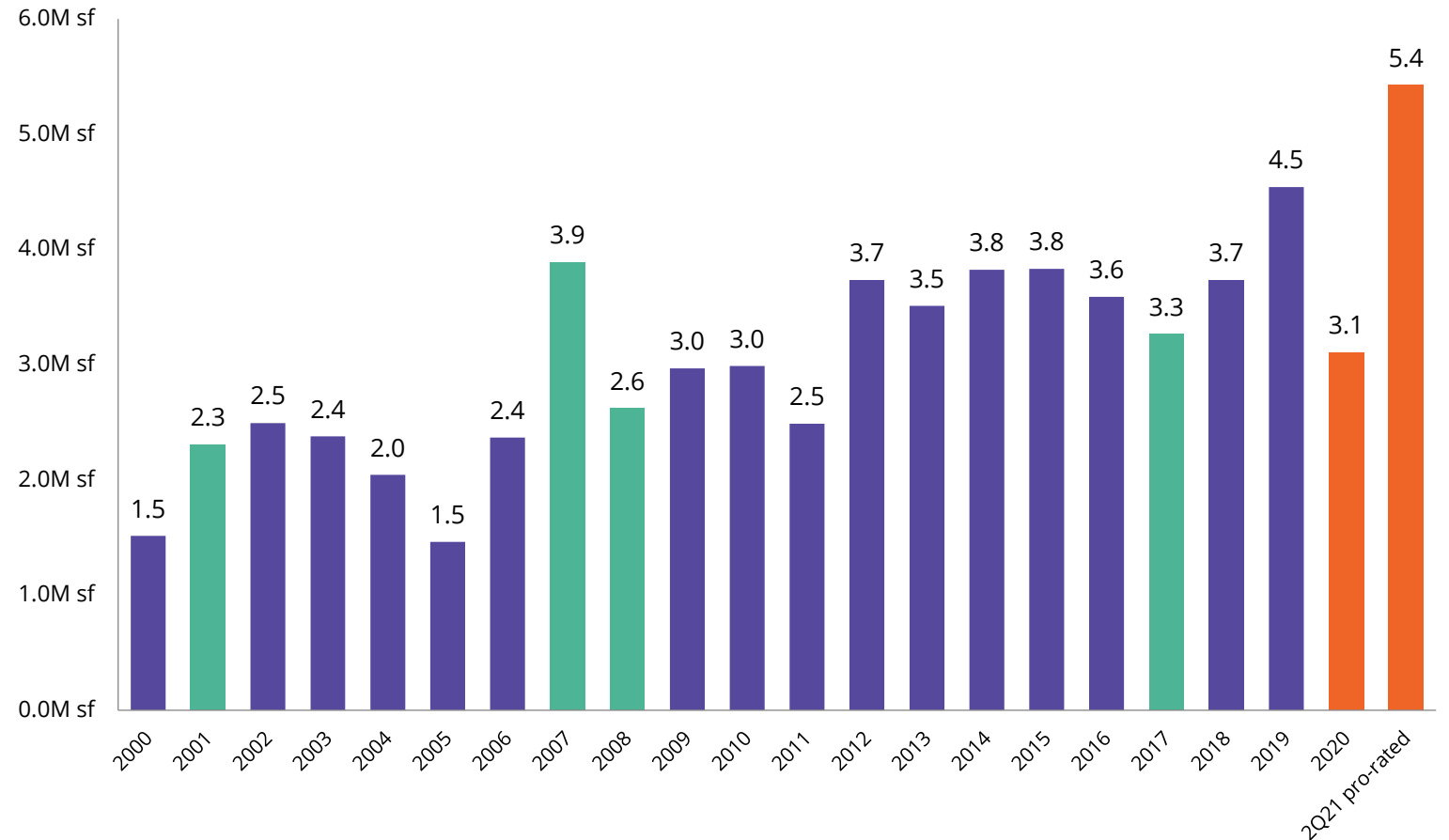
Source: CDC

Industrial leasing activity

+43.3%

**2020 & pro-rated 2021
vs. prior 20-year annual
average leasing activity**

Leasing in the Pittsburgh MSA has persevered during the pandemic, sitting just under the highs of the 2015 to 2016 period, and set up for a strong 2021 full year period.



Source: CoStar

Note: Green columns represent years with financial crisis.

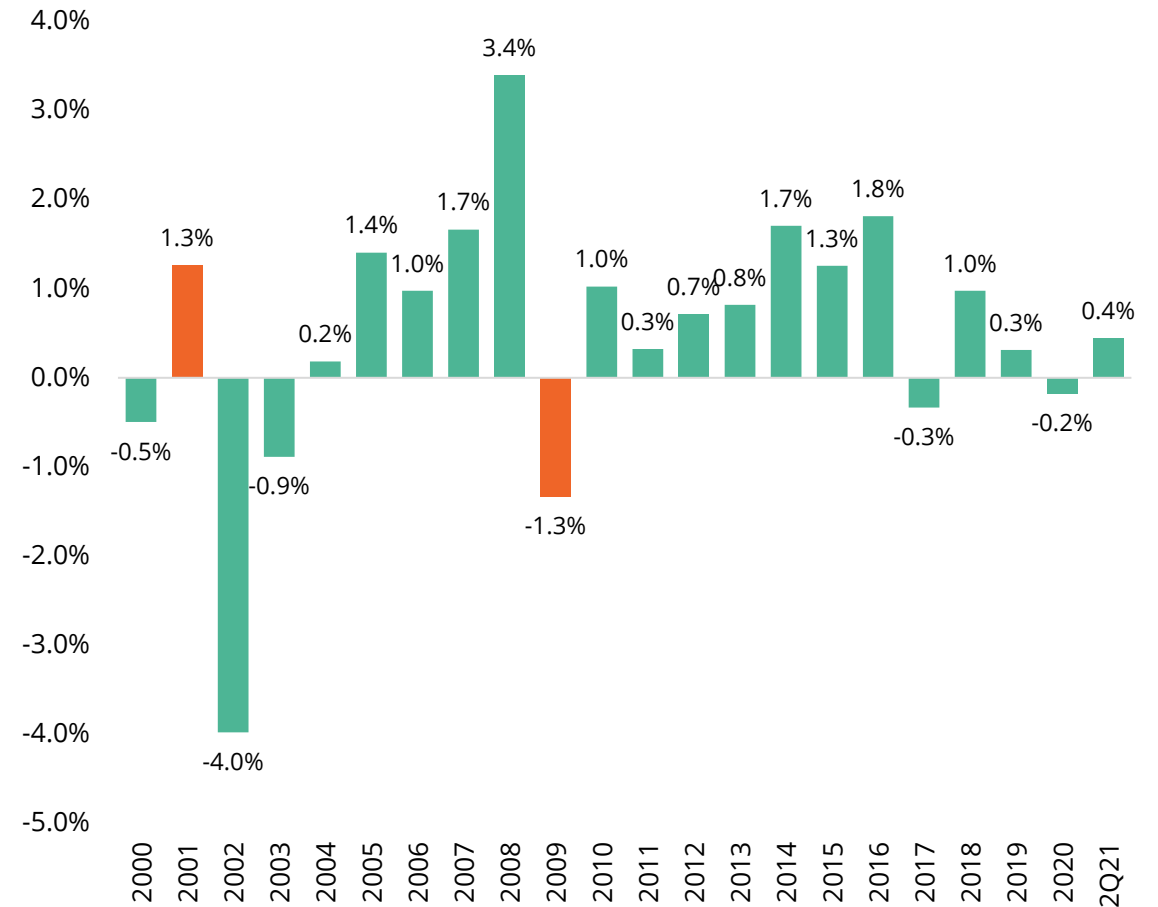
Orange columns represent years with COVID pandemic.

Industrial net absorption

0.2%

Net absorption as a percentage of Pittsburgh MSA inventory, 2020 through Q2 2021

Absorption through mid-year remains quite healthy and on pace with levels throughout the prior decade. At 676,000 sf through the first half of the year, aggregate 2021 net absorption is on track to outpace totals for the past two years.



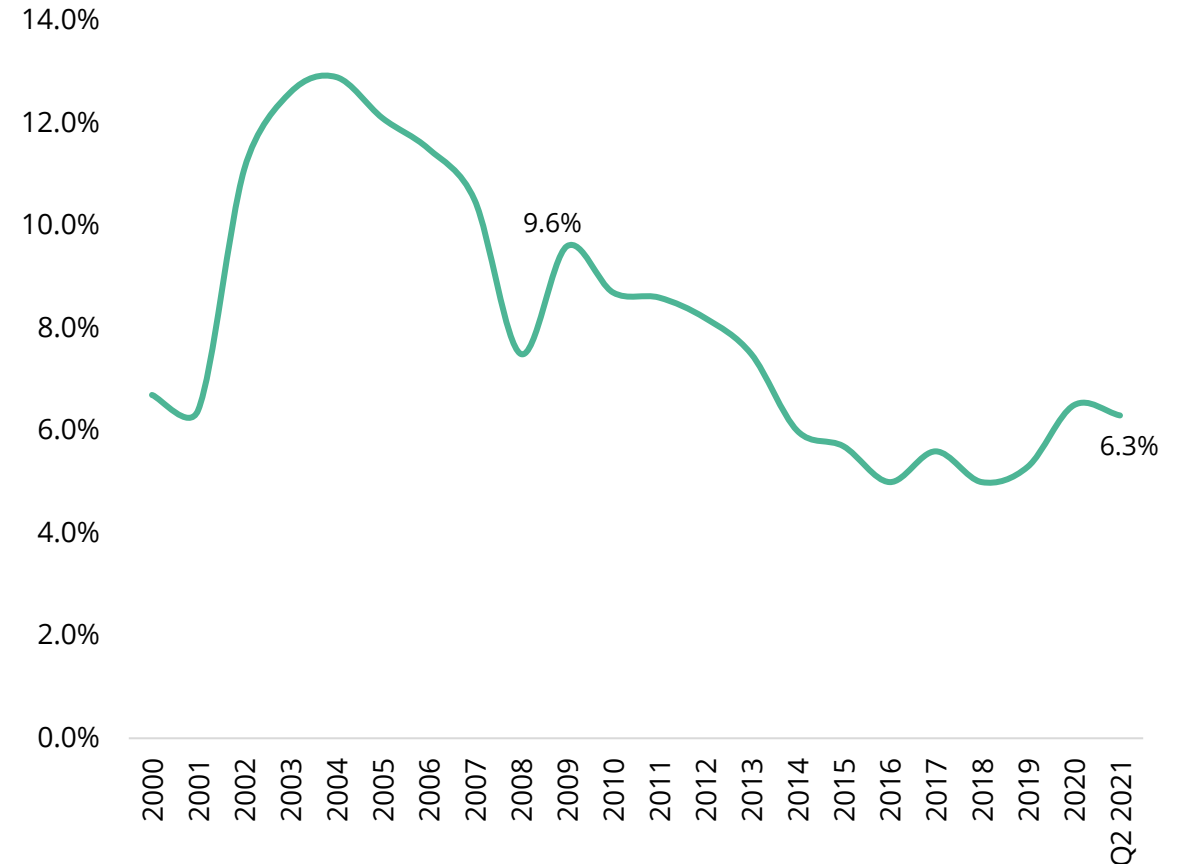
Note: Absorption is measured as the year-over-year change in occupied square feet.
Source: CoStar

Industrial vacancy rate

6.3%

Pittsburgh MSA vacancy as of Q2 2021

The Q2 2021 total vacancy rate reached a near post-2000 low, falling by nearly half from its high in 2009. Average asking rents have increased 45.3% over that same time period, underscoring how industrial demand has outstripped supply in Pittsburgh.



Source: CoStar

Pittsburgh MSA Under Construction

12 properties

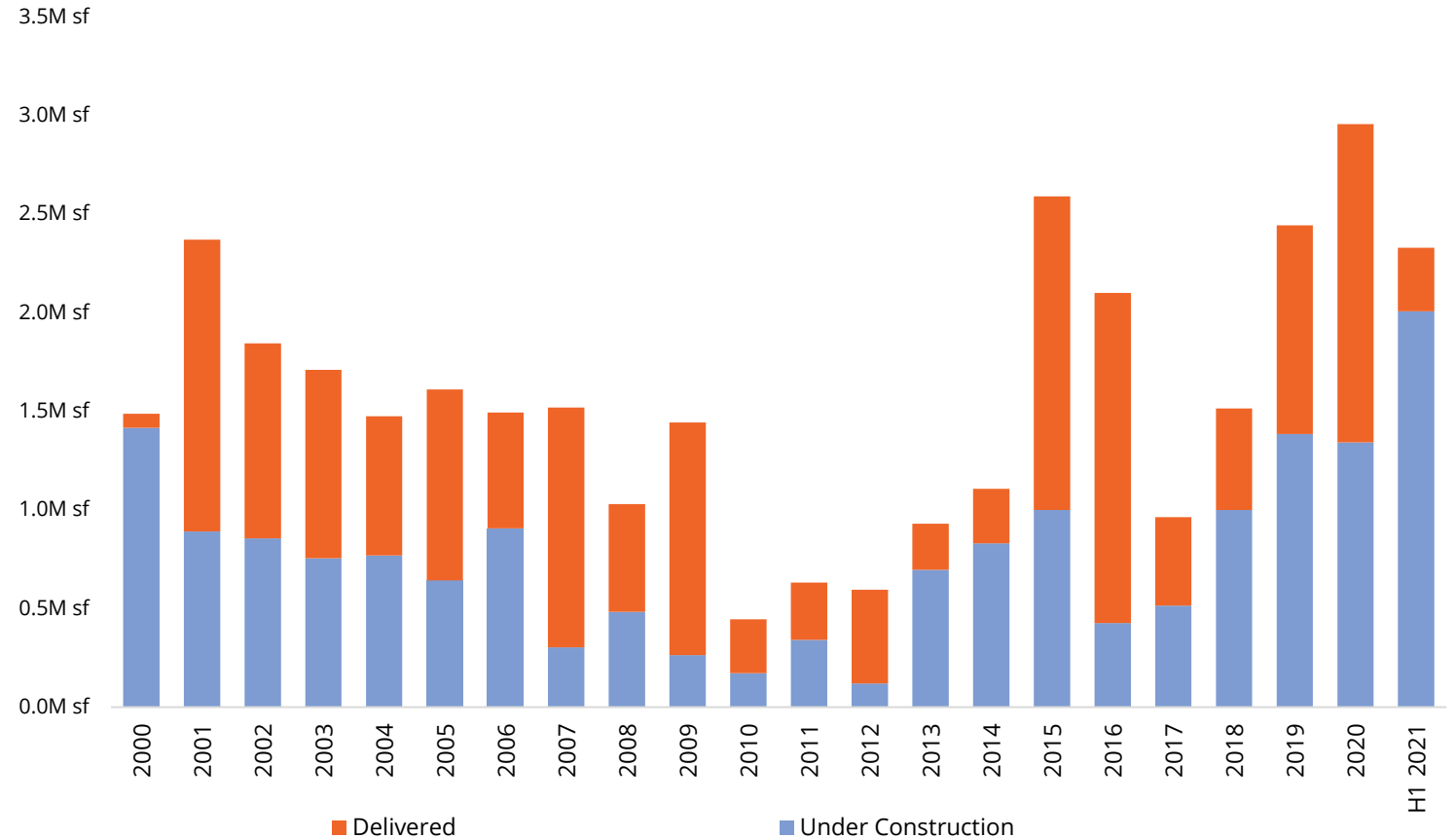
under construction

2 msf

under construction

1.3%

share of industrial
inventory



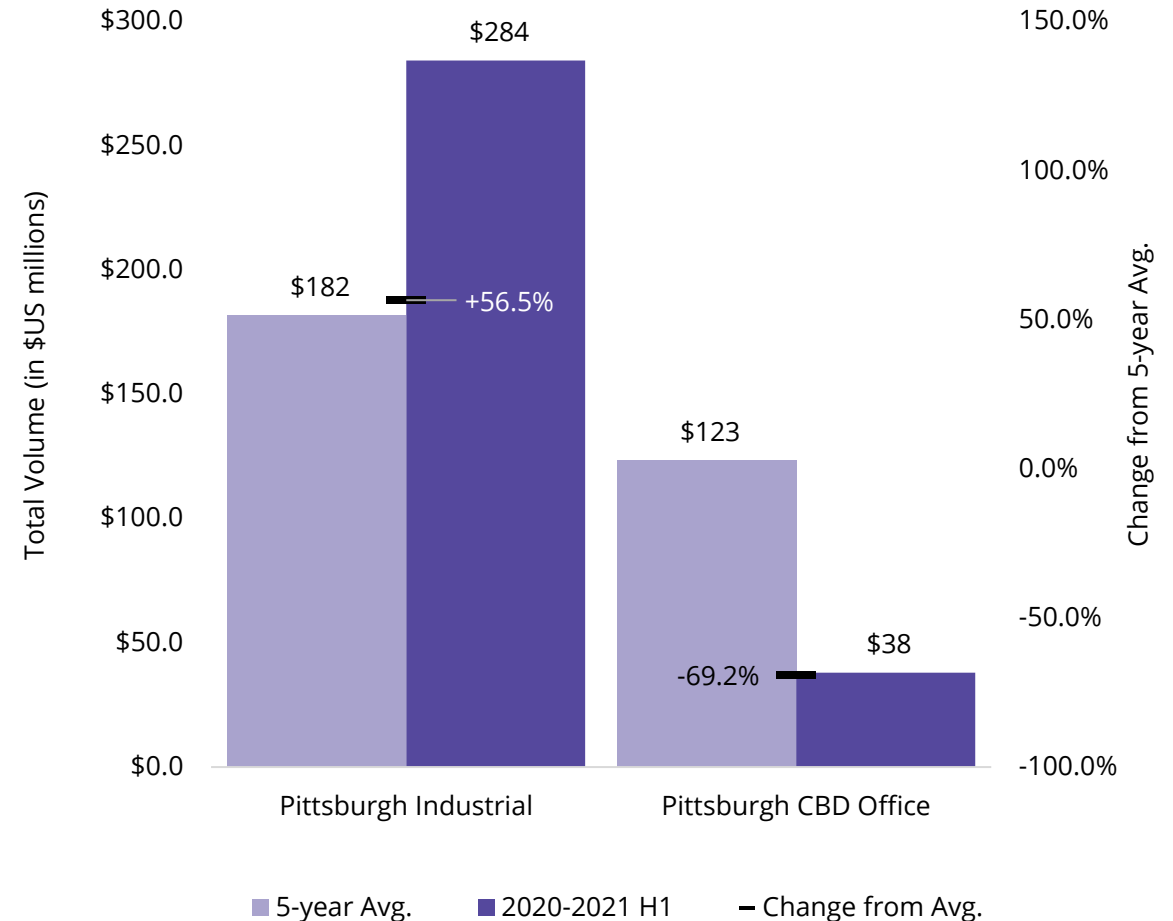
Source: CoStar

Investment dollar volume

\$284.2M

Industrial dollar volume, 2020 to Q2 2021

Pittsburgh CBD Office sales activity has slowed down during the risk-pricing crisis, decreasing by an annualized rate of 69.2% in the CBD market, compared with the prior five-year average dollar volume. Metro area Industrial volumes surged +56.5% against the prior five-year average due to stronger fundamentals.



Source: CoStar, RCA

Get in touch



Peter Kroner

Central Regional Manager
Innovation and Insight
Advisory, U.S.
+1 312 273 1494
peter.kroner@avisonyoung.com



Tommy Maday

Central Regional Manager
Innovation and Insight
Advisory, U.S.
+1 773 945 5837
tommy.maday@avisonyoung.com



Kathleen Cavanaugh

Central Region Insight Analyst
Innovation and Insight
Advisory, U.S.
+1 312 940 6266
kathleen.cavanaugh@avisonyoung.com



Kaleigh Graham

Central Region Senior Digital Analyst
Innovation and Insight Advisory, U.S.
+1 312 273 1494
kaleigh.graham@avisonyoung.com



Sean Boyd

Central Region Analyst
Innovation and Insight Advisory, U.S.
+1 773 644 5825
sean.boyd@avisonyoung.com