



Pittsburgh office market report

Q3 2023

**AVISON
YOUNG**

Pittsburgh office market trends

1.5 msf

Annual market leasing activity through Q3

Total annual leasing volume in Pittsburgh has grown for three consecutive years, but 2023 has seen the lowest three-quarter leasing volume since the onset of the pandemic. This total of 1.5M sf is down 58% from the average three-quarter leasing total between 2013-2019.

1.8 msf

Decrease in available Trophy/A sublet space since 2021

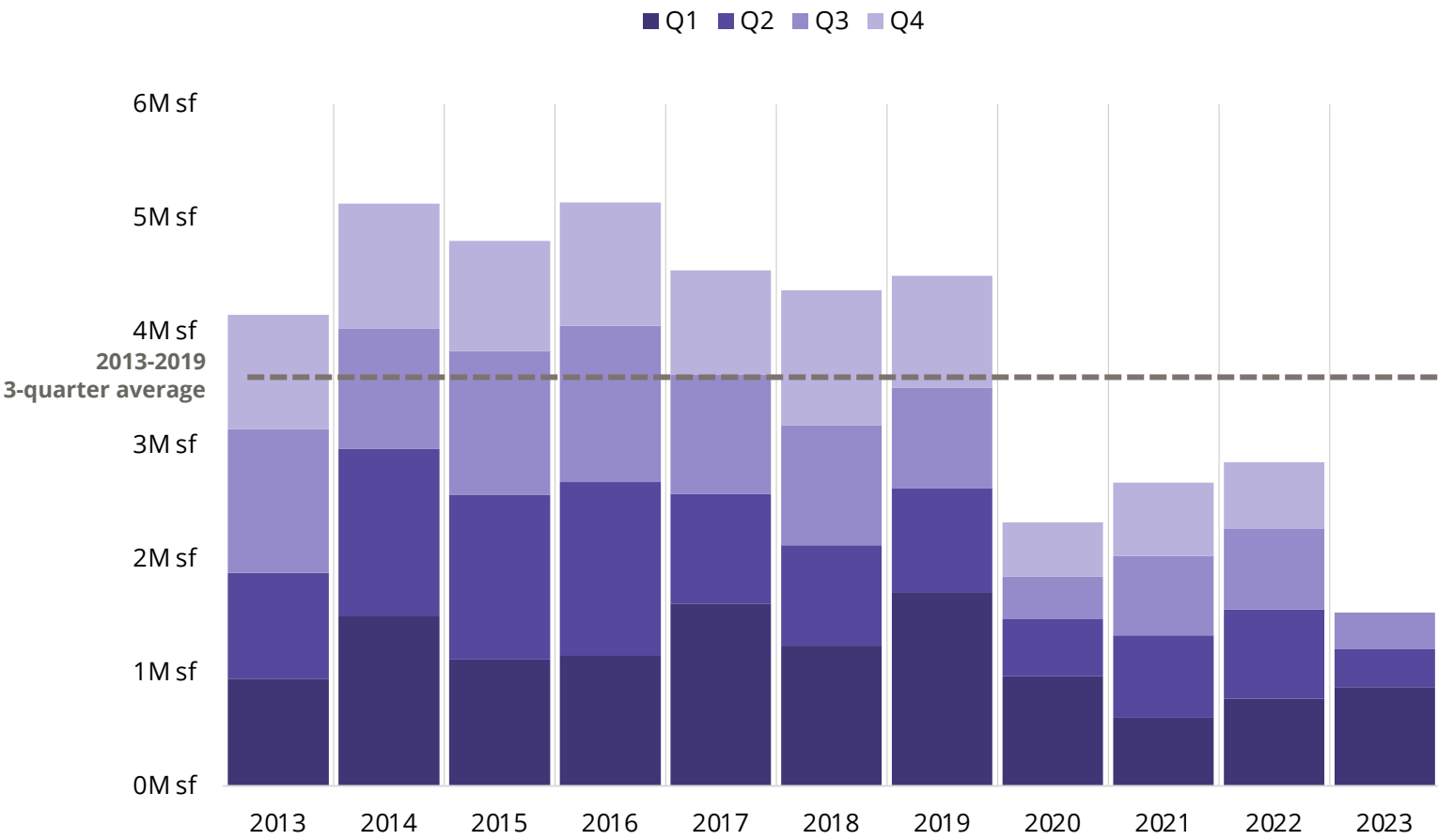
The secondary market size remains near all-time highs after an explosive growth in 2020. Although, the increase in additional sublease space has decelerated over the past year. This is a result of both leasing activity in the secondary market and increased vacant spaces.

4.9%

Growth in average asking rental rates since Q1 2020

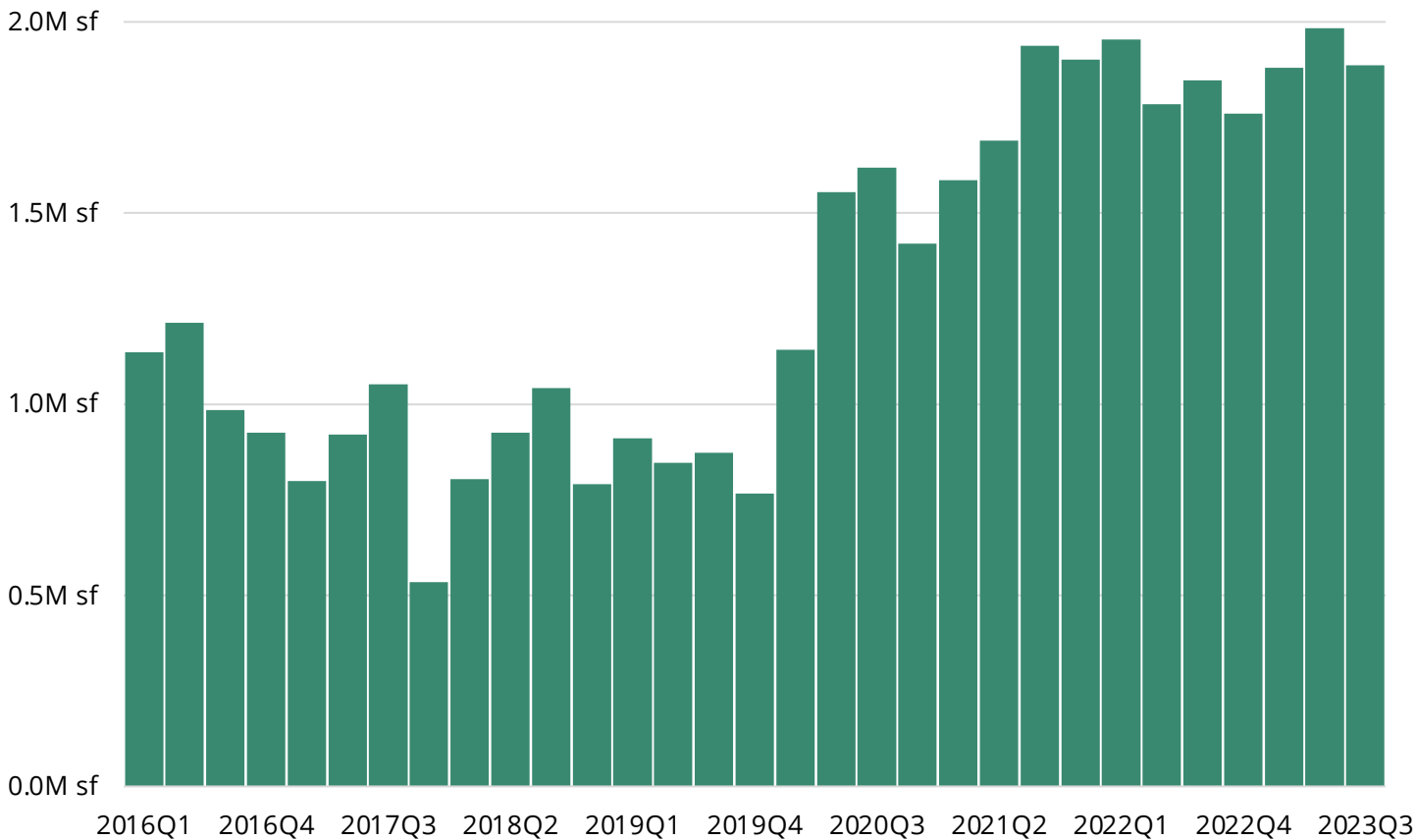
There is more supply currently on the market than nearly ever before. Since the beginning of 2020, only four quarters have experienced positive net absorption while asking rental rates have grown 4.9% over that same period. At the same time, however, tenant concession packages have also grown, leaving net effective rates to remain level or in some cases decrease.

Leasing activity



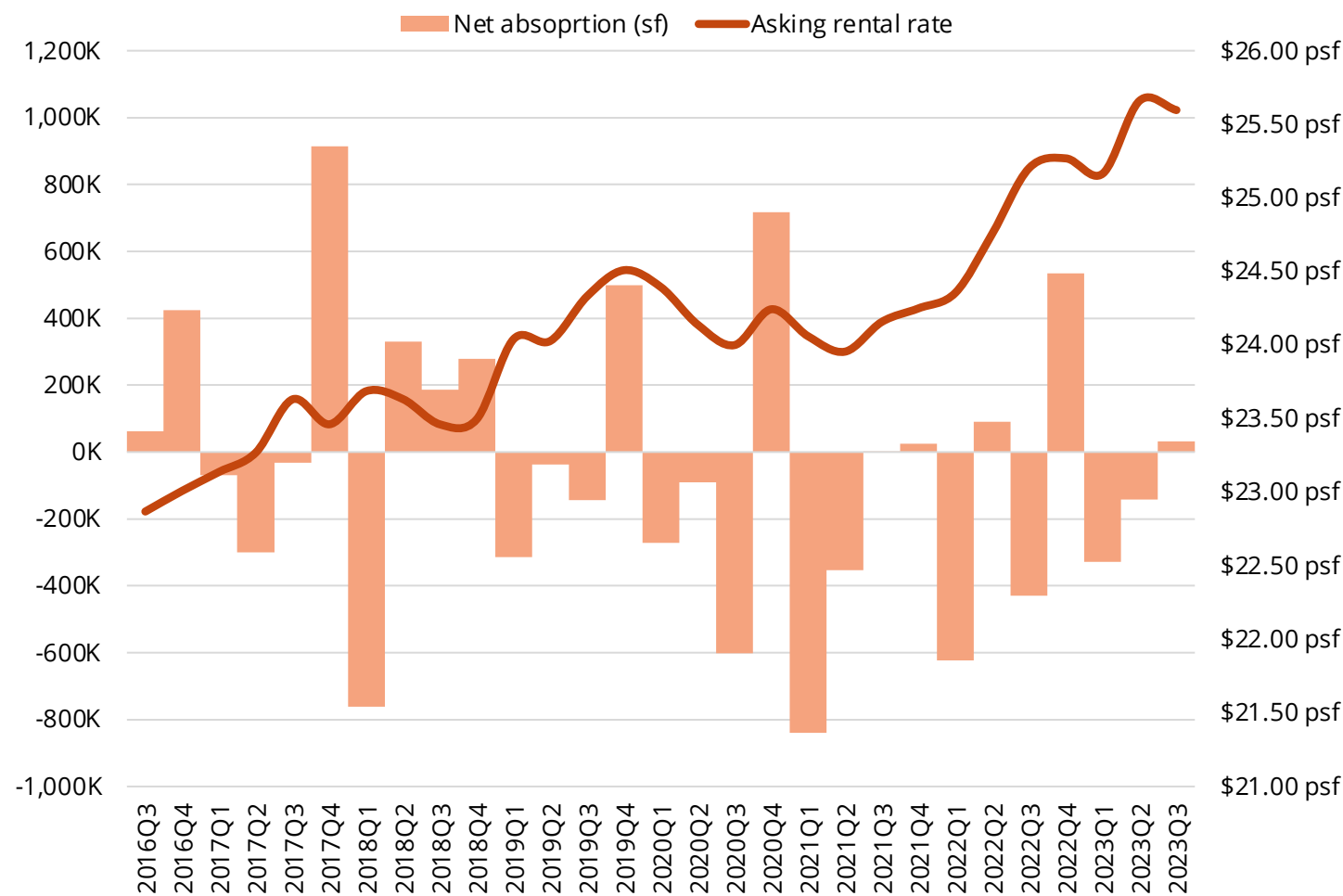
The first three quarters of 2023 saw a total leasing volume of 1.5M sf, down 58% of 2013-2019 averages.

Available sublet space



While still near records highs, the growth of additional sublease space over the past year has slowed. This to due to both leasing activity and space becoming vacant.

Rental growth despite negative absorption

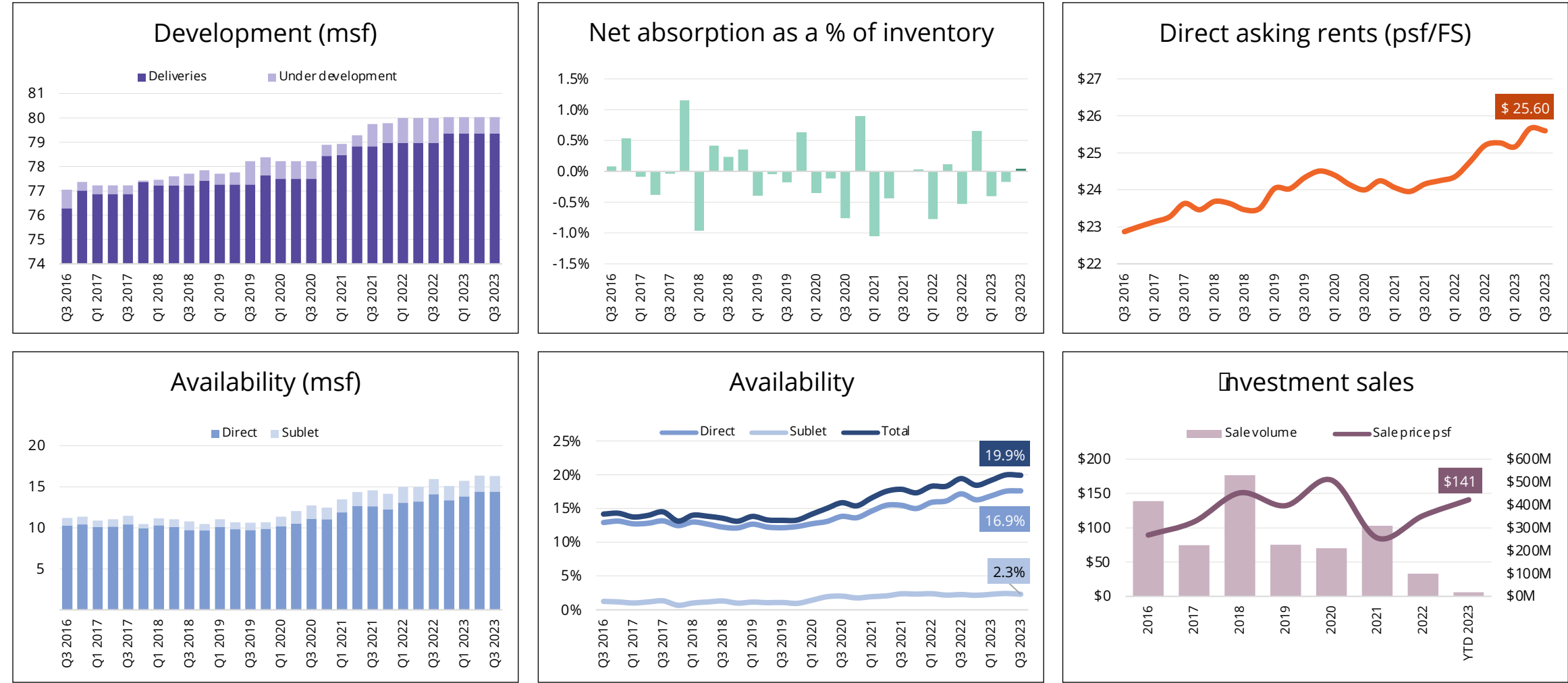


Since Q1 2020, average asking rental rates have grown 5% across the market despite only four quarters experiencing positive net absorption. Concessions packages have also increased in value, minimizing growth in net effective rates.

Appendix



Pittsburgh office market indicators



Pittsburgh office market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Sesco	4350 Northern Pike	Monroeville	Jul 2023	14,639	New	Direct
Northwestern Mutual	600 Cranberry Woods Dr	Butler County	Jul 2023	11,223	New	Direct
Steelworkers Pension Trust	60 Boulevard of the Allies	CBD	Jul 2023	5,030	Renewal	Direct
Bodine Perry	2730 Sidney Street	Greater Downtown	Sept 2023	13,088	New	Direct
Hub International	425 Cinema Drive	Greater Downtown	Sept 2023	17,500	New	Direct

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
616 Washington Place	Downtown Fringe	Dec 2023	472,000	40.4%	Buccini/Pollin Group
2400 Market Place Blvd	Parkway West	Dec 2024	172,000	5.2%	Burns Scalo
200 N Meadow Dr	Parkway North	Jun 2025	45,000	66.7%	Zokaite Contracting
200 Beecham Drive	Parkway West	Dec 2023	44,000	0%	Horizon Properties

Pittsburgh office market stats

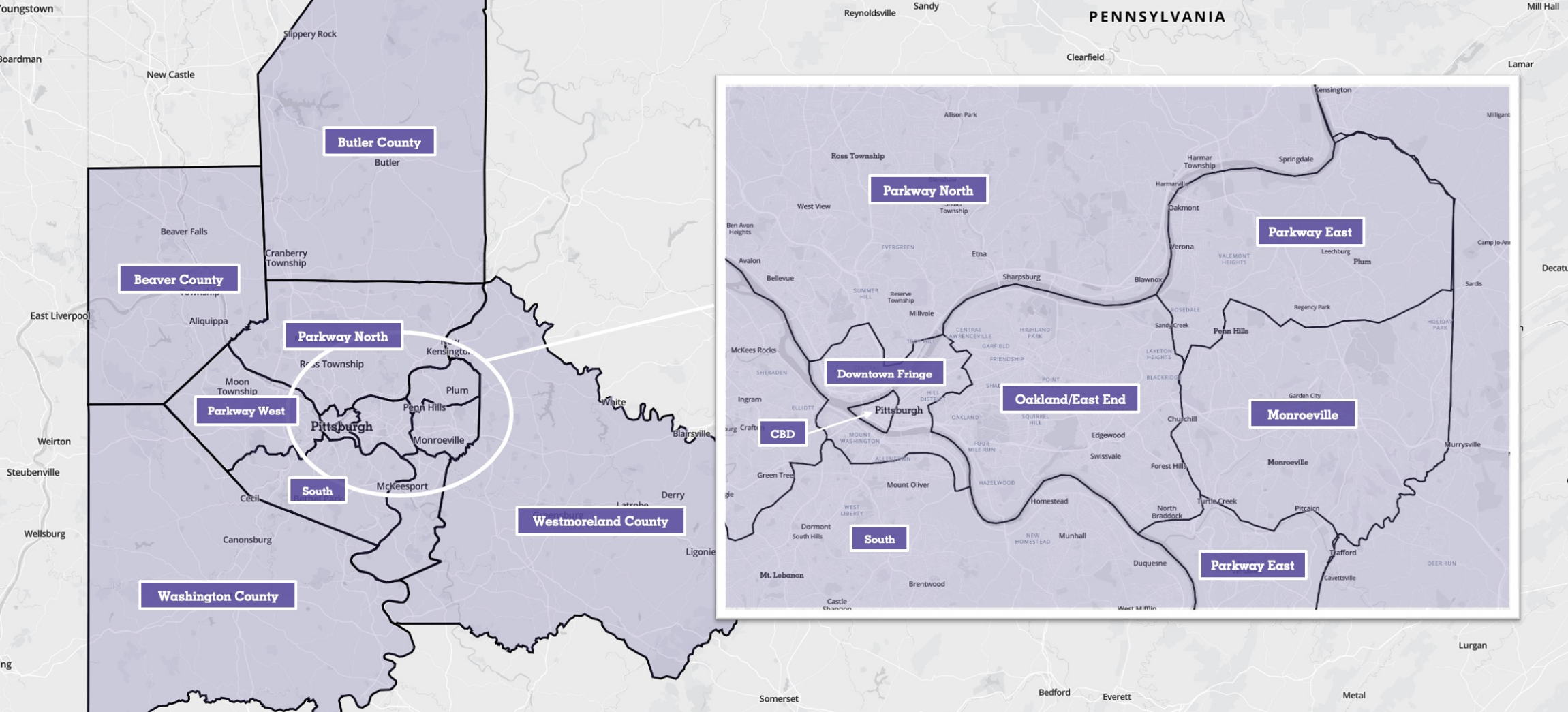
	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Total availability change (YoY)	Net absorption % of inventory (QTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
CBD	27,115,132			18.8%	1.8%	20.6%	0.0%	0.3%	-0.4%	\$ 28.14
Downtown Fringe	10,649,632		472,000	17.0%	4.4%	21.4%	2.5%	0.9%	-1.8%	\$ 26.34
Parkway West	9,929,332		216,000	27.8%	4.9%	32.8%	5.2%	-0.2%	0.2%	\$ 22.58
Oakland/East End	7,716,495			9.6%	0.1%	9.7%	-1.3%	0.3%	0.8%	\$ 33.75
Parkway North	6,212,374		45,000	14.9%	0.9%	15.8%	-2.4%	0.6%	-0.1%	\$ 22.39
Butler County	5,707,762			8.0%	1.8%	9.9%	-0.2%	0.7%	0.2%	\$ 24.32
Washington County	4,350,021			18.4%	5.4%	23.8%	-0.1%	-1.0%	-3.9%	\$ 20.38
South	3,191,438			10.2%	0.2%	10.4%	-1.8%	-0.5%	0.8%	\$ 20.22
Monroeville	2,726,389			27.6%	0.0%	27.6%	-0.9%	-3.0%	-2.7%	\$ 19.44
Westmoreland County	2,150,895			2.7%	0.0%	2.7%	-2.5%	-1.2%	0.0%	\$ 18.18
Parkway East	873,541			42.3%	0.2%	42.5%	0.2%	0.0%	0.0%	\$ 11.87
Beaver County	548,788			30.9%	0.0%	30.9%	0.0%	-9.1%	0.0%	\$ 16.75
Market total	81,171,799		733,000	17.6%	2.3%	19.9%	0.5%	0.0%	-0.5%	\$ 25.60

Pittsburgh office market stats by class

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Total availability change (YoY)	Net absorption % of inventory (QTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Trophy	4,847,988			21.6%	5.3%	27.0%	4.7%	-0.1%	-9.4%	\$ 33.51
Class A	33,724,282		733,000	22.7%	3.2%	25.9%	-0.4%	0.6%	1.6%	\$ 26.02
Class B	35,353,815			14.3%	1.3%	15.6%	0.6%	-0.3%	-1.2%	\$ 21.56
Class C	7,245,714			7.0%	0.8%	7.8%	1.5%	-1.0%	-1.2%	\$ 17.58
Market total	81,171,799		733,000	17.6%	2.3%	19.9%	0.5%	0.0%	-0.5%	\$ 25.60



Pittsburgh submarket map



Office 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

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **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 office 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:** office 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

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