

PITTSBURGH | OFFICE | Q4 2024

First National Bank Tower completes, highlighting a new chapter for Pittsburgh’s office market

▲ 16.1%
Vacancy Rate

▼ 14,329
SF Net Absorption

▼ 0
SF Construction

▲ \$25.30
FSG / Lease Rate

Note: Arrows indicate change from previous quarter.

Summary

- Total vacancy this quarter is up from 15.7% last quarter to 16.1%, a 40-bps increase.
- Positive absorption this quarter of 14,329 sq. ft. is attributed to the completion of First National Bank Tower. Tenants including First National Bank, began to take occupancy this fourth quarter of the year.
- The EQT logo was removed from 625 Liberty Avenue as the company shrunk its downtown presence to three floors in the building where it once had occupied more than 250,000 sq. ft..
- The average direct asking rate increased from \$25.25 per sq. ft. to \$25.30 per sq. ft., a continuation of the increasing trend for asking rents throughout 2024. Rents in the East End seeing the highest asking rents at \$36.67 highlighting the submarket’s continued strength.
- Two of the largest leases of the quarter transacted in the Downtown Fringe, highlighting the activity in the downtown fringe submarket this year.
- Capital markets activity remains muted as no sale transactions were recorded in the fourth quarter.

FIGURE 1: Pittsburgh Office Vacancy, Availability and Asking Rate



Source: CBRE Research Q4 2024.

Market Overview

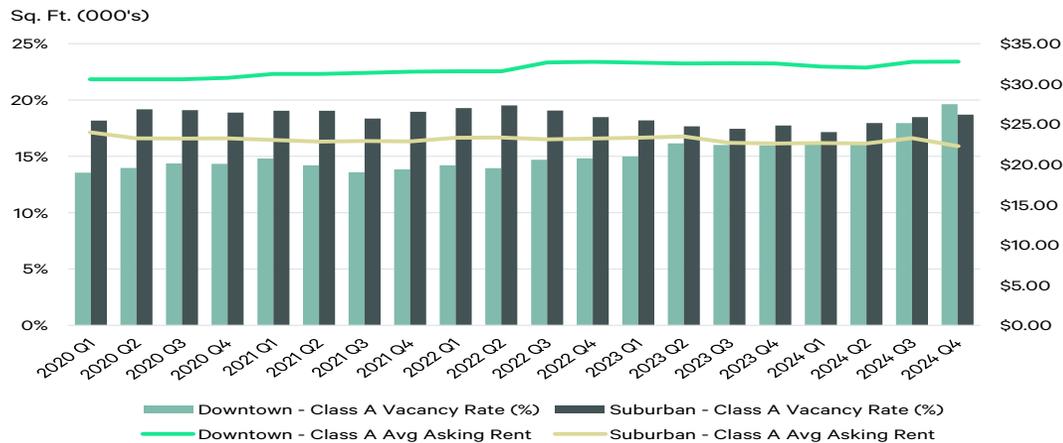
Pittsburgh office market saw the completion of the first major office tower in over a decade with First National Bank Tower in the CBD having tenants begin to occupy the new building including: First National Bank and GH Advertising. With the completion of this major project in the region, construction of office came to a complete halt signaling that supply likely reached its peak while construction and financing costs remain elevated.

Office leasing activity was above 800,000 sq. ft. for the fourth quarter with the Parkway West and the downtown submarket continued to see the most leasing activity in our region with 26% and 39% of leases occurring in these two submarkets, respectively.

Total vacancy increased from 15.7% to 16.1% a 40 bps increase in vacancy. EQT Corporation, a natural-gas producer, rightsized at 625 Liberty Avenue, now having only three floors of occupancy, down from over 250,000 sq. ft. at their peak.

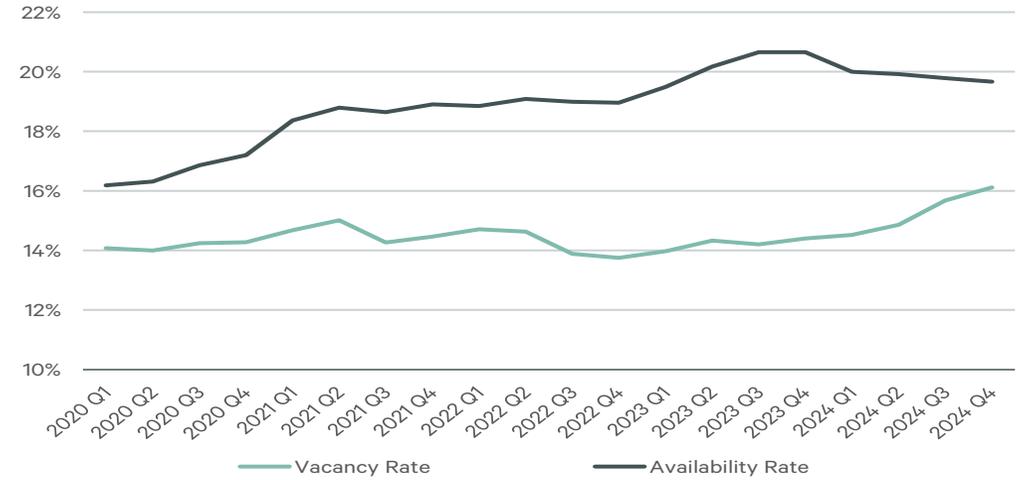
Capital markets activity for the quarter continues to remain muted with no sales over 10,000 sq. ft. recorded in the past quarter.

FIGURE 2: Pittsburgh Office – Vacancy Index | Property Class



Source: CBRE Research Q4 2024.

FIGURE 3: Vacancy and Availability Rate



Source: CBRE Research Q4 2024.

FIGURE 4: Key Lease Transactions

Transaction Type	Size (SF)	Tenant	Location	Address
New Lease	125,000	Duquesne Light	Downtown Fringe	100 S Commons
New Lease	90,205	WVU Medicine	Southpointe	555 Southpointe Blvd
New Lease	47,674	Confidential Tenant	Downtown Fringe	2 Allegheny Ctr
New Lease	42,693	New York Life	Downtown Fringe	1500 Smallman

Source: CBRE Research Q4 2024.

FIGURE 5: Submarket Statistics

Submarket & Class	Market Rentable Area (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Total Availability Rate (%)	Q3 2024 Net Absorption (SF)	Overall Average Asking Rate (\$)
CBD	24,064,258	16.4%	16.8%	22.7%	(30,664)	\$28.04
A	12,664,846	17.7%	18.5%	26.1%	(23,682)	\$30.86
B	10,610,124	15.6%	15.7%	19.9%	(7,332)	\$23.63
C	789,288	4.5%	4.5%	4.5%	350	\$19.30
Cranberry	3,394,097	8.2%	8.3%	11.6%	6,406	\$21.96
A	2,156,118	4.9%	5.1%	8.3%	11,977	\$24.58
B	1,117,417	14.9%	14.9%	19.1%	(5,571)	\$19.67
C	120,562	3.3%	3.3%	3.3%	0	\$33.82
Downtown Fringe	11,314,161	16.3%	19.0%	21.8%	24,756	\$27.11
A	4,268,923	16.9%	20.4%	21.2%	30,996	\$35.56
B	6,393,601	17.5%	19.8%	24.2%	(6,240)	\$23.53
C	651,637	1.6%	1.6%	2.2%	0	\$15.60
Oakland/East End	5,694,283	11.5%	14.0%	12.0%	2,573	\$36.67
A	2,662,616	18.9%	23.9%	18.5%	654	\$44.56
B	1,905,838	6.4%	6.6%	7.9%	17,019	\$21.01
C	1,125,829	2.7%	2.7%	3.7%	(15,100)	\$16.45
Parkway East	5,322,263	18.4%	18.4%	21.9%	11,673	\$18.10
A	1,569,762	39.5%	39.5%	40.0%	2,739	\$21.18
B	2,887,905	11.7%	11.7%	14.9%	(8,335)	\$14.63
C	864,596	2.4%	2.4%	12.1%	17,269	\$11.33
Parkway North	6,929,995	12.0%	13.0%	15.1%	49,156	\$19.49
A	2,028,842	13.4%	16.4%	20.4%	44,540	\$24.37
B	4,407,752	12.6%	12.7%	14.2%	4,616	\$16.96
C	493,401	1.5%	1.5%	1.5%	0	\$48.64
Parkway West	11,622,795	15.9%	18.0%	21.6%	(32,261)	\$21.61
A	5,402,664	15.0%	19.3%	24.1%	(12,218)	\$21.92
B	5,516,882	17.7%	17.9%	20.2%	(26,063)	\$21.55
C	703,249	7.7%	7.7%	13.6%	6,020	\$18.72
South	3,563,169	5.9%	6.3%	9.1%	8,052	\$17.95
A	304,504	14.3%	14.3%	17.9%	(10,682)	\$21.31
B	2,589,384	5.9%	6.3%	9.2%	18,734	\$19.07
C	669,281	2.3%	2.3%	4.8%	0	\$8.57
Southpointe	3,179,477	19.3%	20.3%	22.2%	(25,362)	\$21.03
A	2,641,026	17.2%	18.3%	20.0%	(22,226)	\$22.78
B	538,451	29.7%	30.0%	33.0%	(3,136)	\$18.74
Grand Total	75,084,498	14.9%	16.1%	19.7%	14,329	\$25.30

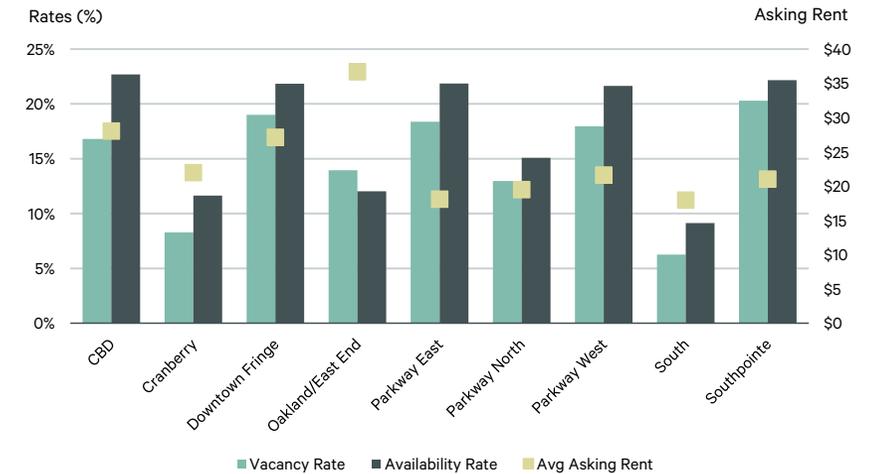
Source: CBRE Research Q4 2024.

FIGURE 6: Downtown vs Suburban

	Market Rentable Area (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Total Availability Rate (%)	Q2 2024 Net Absorption (SF)	Overall Average Asking Rate (\$)
Downtown	41,072,702	15.7%	17.0%	21.0%	(3,335)	\$28.42
A	19,496,385	17.7%	19.6%	24.0%	7,968	\$32.77
B	18,909,563	15.3%	16.2%	20.2%	3,447	\$23.49
C	2,566,754	3.0%	3.0%	3.6%	(14,750)	\$17.28
Suburban	34,011,796	14.0%	15.0%	18.1%	17,664	\$28.42
A	14,102,916	16.4%	18.7%	22.0%	14,130	\$22.27
B	17,057,791	13.8%	13.9%	16.4%	(19,755)	\$18.88
C	2,851,089	3.6%	3.6%	8.6%	23,289	\$14.80
Metro Total	75,084,498	14.9%	16.1%	19.7%	14,329	\$25.30

Source: CBRE Research Q4 2024.

FIGURE 7: Submarket Overview



Source: CBRE Research Q4 2024.

National Economic Outlook

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

Source: CBRE Research

Pittsburgh Employment Update

- ▼ **3.2%**
Unemployment Rate
- ▼ **1.2M**
Labor Force
- ▼ **283.8k**
Office Using Jobs
- ▲ **351.3k**
Industrial Using Jobs
- ▲ **160.3k**
Retail Using Jobs

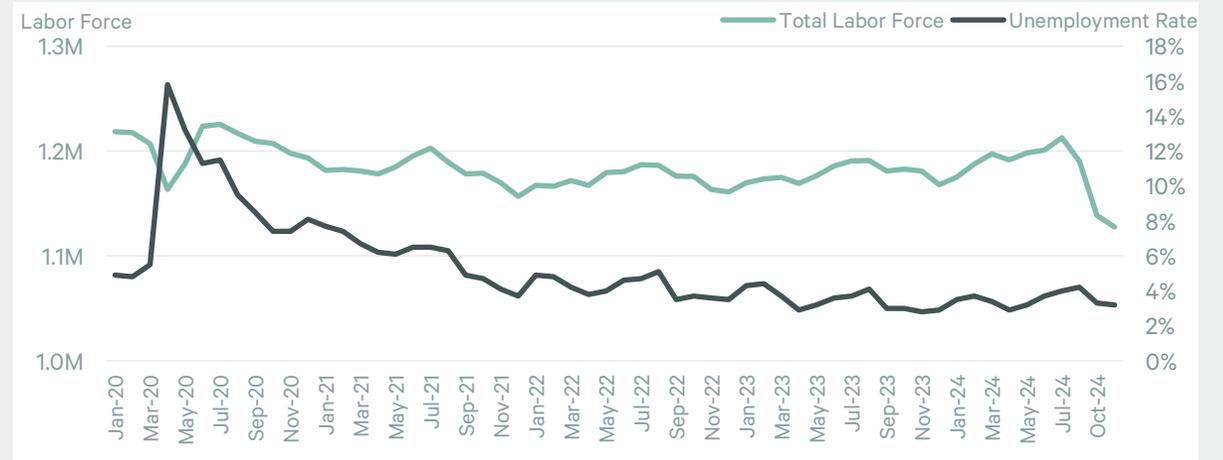
Employment Change by Sector – Yearly + Monthly
Bars indicate yearly trend, arrows indicate monthly trend



Note: Arrows indicate month-over-month change.

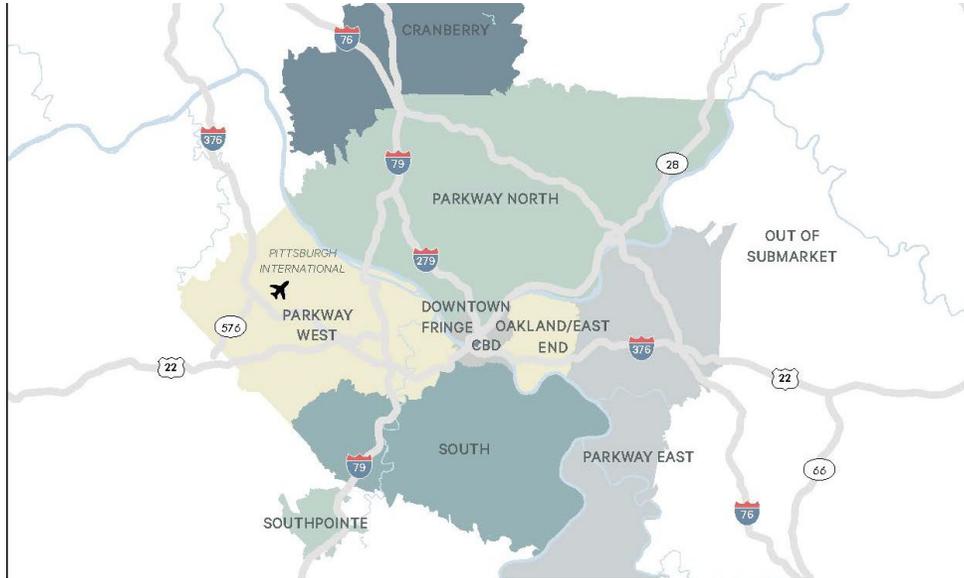
Source: US BLS, November 2024

Pittsburgh, PA Unemployment Rate and Labor Force Trends



Source: US BLS, November 2024

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Office buildings 10,000 sq. ft. or greater. Excludes single-tenant owner-occupied buildings, Government owned and occupied buildings, or Medical buildings.

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