MARKET REPORT

Multifamily

Pittsburgh Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

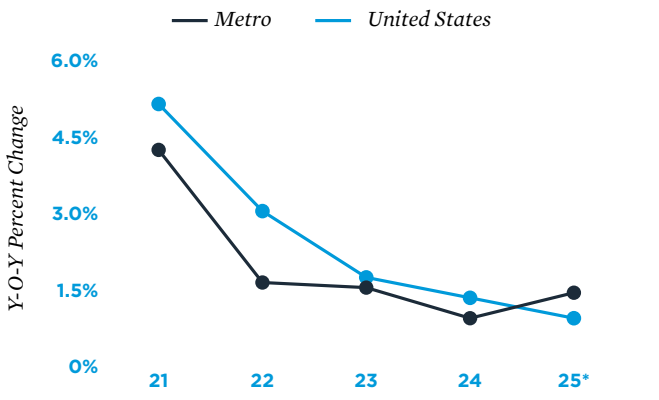
2Q/25

Slow but Steady Progress Positions Market for Second Consecutive Year of Tightening

Approaching employment benchmark reflects demand growth. Pittsburgh's post-pandemic hiring lags behind many major U.S. markets, but the metro has held below 4.0 percent unemployment for the last two years and is slated to exceed the pre-pandemic headcount this year. As the market approached this benchmark over the 12 months ended in March, vacancy fell 100 basis points. This shift comes after rising 340 basis points over a two-year period to 6.1 percent early in 2024. Moving forward, stronger employment gains and the highest net in-migration since 2013 are poised to increase upon the more than 2,800 households already formed in the past 12 months. As a result, further vacancy declines are expected in 2025, as leasing outpaces the metro's shrinking delivery slate.

Limited construction a silver lining amid slow recovery. Deliveries will drop slightly this year to just 60 percent of the past-decade average — a continuing source of relief amid post-2020 headwinds. With the exception of Central Pittsburgh, no submarket had local inventory expand by more than 5 percent over the past five years, less than half the U.S. pace. Most of these submarkets also boasted sub-5 percent vacancy as of March. While suburban rentals face some competition from single-family homes, with the lowest home price-to-income ratio among major U.S. metros, vacancy here is still low and falling. Availability is also beginning to ease in Central Pittsburgh as the pace of completions slows.

Employment Trends



** Forecast*

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2025 Outlook

17,000 JOBS
will be created

EMPLOYMENT:

Early gains in the health care, social services, business and professional services sectors will aid in raising total employment by 1.4 percent in 2025. By year-end, staff counts are expected to eclipse pre-pandemic levels.

900 UNITS
will be completed

CONSTRUCTION:

Deliveries will decline roughly 25 percent year over year, expanding inventory by just 0.6 percent in 2025. The greatest supply pressure will be in Oakland-Shadyside, where local stock is slated to rise by 2.5 percent.

10 BASIS POINT
decrease in vacancy

VACANCY:

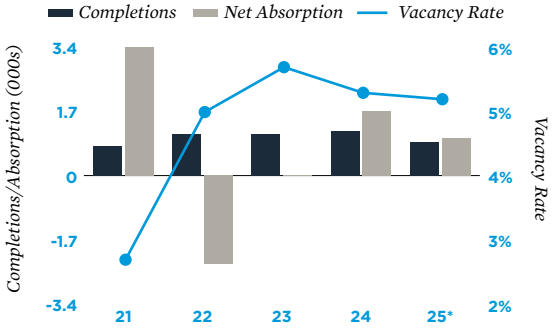
The metrowide vacancy rate tightens to 5.2 percent by year-end. This will mark a 90-basis-point reduction from the first quarter of 2024 and is just 10 basis points above Pittsburgh's average over the past decade.

3.1% INCREASE
in effective rent

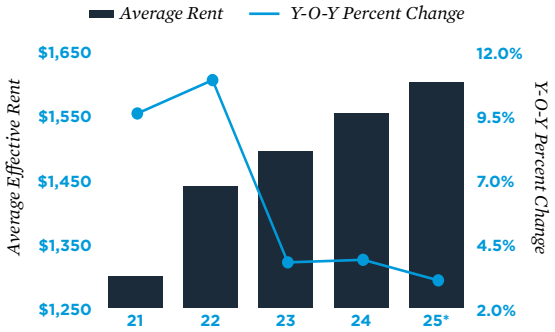
RENT:

The average effective rent will rise to $1,601 per month this year. With net absorption expected to remain well below the 2024 figure, rent growth will slow to a rate more consistent with the long-term average.

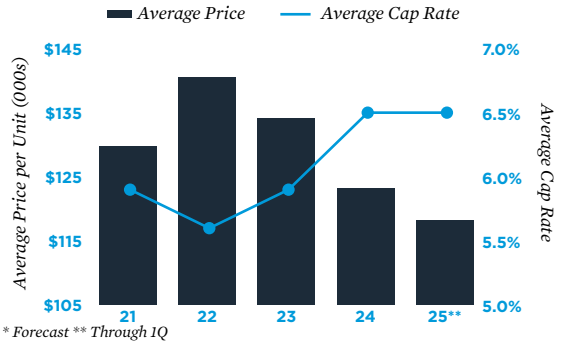
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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1Q 2025 — 12-Month Period

CONSTRUCTION

1,057 units completed

- During the 12-month period ended in March, apartment openings raised inventory by 0.7 percent. Nearly 1,200 units remain under construction.
- Central Pittsburgh had the most deliveries at just over 530 units. West Pittsburgh and North Pittsburgh followed with additions of roughly 310 and 160 apartments, respectively.

VACANCY

100 basis point decrease in vacancy Y-O-Y

- The absorption of roughly 2,500 units during the yearlong period ended in the first quarter drove metrowide vacancy down to 5.1 percent
- Class B vacancy dipped 60 basis points year over year to 4.4 percent. The Class A rate fell 100 basis points to 6.8 percent, while Class C stock saw the largest compression, dropping 200 basis points to 4.6 percent vacancy.

RENT

4.5% increase in the average effective rent Y-O-Y

- With demand more than doubling supply during the year ended in March, the average effective rent advanced to $1,571 per month.
- The average suburban effective rent climbed 3.7 percent year over year to $1,370 per month. Meanwhile, in the core, the mean effective rent rose 5.0 percent to $2,005 per month as vacancy in the CBD fell 110 basis points.

Investment Highlights

- During the 12 months ended in March, transaction velocity accelerated year over year, rising to slightly above the past-decade average. At the same time, total dollar volume declined as trades shifted sharply toward smaller, lower-tier properties after the second quarter last year.
- Improving fundamentals helped to stabilize cap rates, which have been on the rise since 2022. Trades over the past year delivered an average cap rate of 6.5 percent. Still, the average price per unit experienced a moderate dip to $118,200. This figure is down nearly 16 percent from 2022 prices; however, with decreased pressures from new supply on the horizon and the recent uptick in trading activity, the rate of price decline has slowed.
- Activity over the past year was concentrated in central Allegheny County, with a particular preference for sub-30 unit properties in the Shadyside-North Oakland-Lawrenceville area or near Squirrel Hill South. Investors were also active along major thoroughfares across the remainder of the county. Larger complexes traded hands mainly in neighborhoods more distant from the city center. Transactions across the remainder of the metro largely targeted assets near Washington or east of Greensburg.