

INVESTMENT FORECAST

Office
Pittsburgh Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Rising Confidence in Long-Term Prospects Draws National Brands, Out-of-State Investors

With Pittsburgh's outlook on the rise, inner ring gains momentum. Vacancy has fallen 90 basis points since early 2021, supported by yearly deliveries of less than half and employment growth more than double their respective 2014-2019 averages. Greater Downtown availability also fell at least 110 basis points in both 2023 and 2024. This momentum should carry forward, as the city plans to renovate public spaces and add nearly 1,000 new or renovated apartments as part of its revitalization efforts. The Golden Triangle and Strip District should continue to be focal points for leasing activity, though demand is also increasing in adjacent neighborhoods to the north and east. This year, Dick's Sporting Goods leads the charge for scheduled move-ins with two locations totaling nearly 300,000 square feet. The metro also has plans for its first-ever Bass Pro Shops, set to open next year in Bridgeville. Alongside move-ins across the metro from retailers like Dollar General and Enterprise Rent-A-Car, this indicates confidence in Pittsburgh's long-term prospects among nationally branded retailers.

Steady recovery draws growing pool of investors. As Pittsburgh approached pre-pandemic figures for vacancy and total employment, 2024 transaction velocity did the same, recovering from a precipitous drop in 2023. Combined with high levels of out-of-state interest, this suggests that investors are bullish about the metro's future. Retail in mixed-use developments pervades single-tenant transactions, trailed by restaurant and auto repair locations. The prevalence of mixed-use spaces reflects investors' focus on the greater downtown region, particularly in the Golden Triangle and Strip District, as they seek assets offering access to Pittsburgh's thriving employment base at regionally attractive prices. This trend should sustain interest through 2025.

2025 MARKET FORECAST

+1.4%



EMPLOYMENT: This year's addition of 17,000 positions on net remains significantly higher than the 2014-2019 average and will raise total employment above pre-pandemic levels for the first time.

117,000
sq. ft.



CONSTRUCTION: The fewest deliveries on record will increase retail inventory 0.1 percent in 2025. This follows three years of completions at least 60 percent below the long-term average.

-10 bps



VACANCY: Coupled with improving demand, the limited number of speculative projects in this year's construction pipeline will help lower metrowide vacancy to 3.9 percent by year-end.

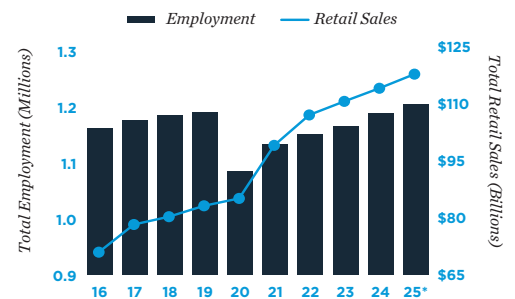
-0.6%



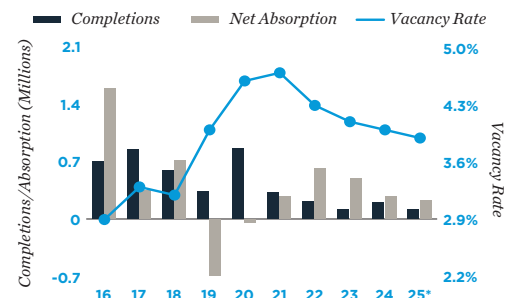
RENT: Following a nearly 18 percent increase in 2021 and 2022, average asking rent has gradually adjusted downward. This year will see the mean marketed rate drop to \$14.35 per square foot.

INVESTMENT: *Despite generally higher prices, Downtown may still appeal to value-add investors seeking high-vacancy assets. These sold last year for as little as \$140 per square foot, comparable to outer suburb pricing.*

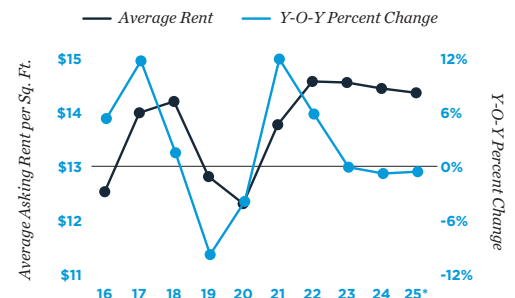
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.