

INVESTMENT FORECAST

Office
Pittsburgh Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Contemporary Office Spaces Benefit Most From Sector Recovery Amid an Overall Flight to Quality

Pittsburgh shows signs of reset and improvement. After setting the record for space relinquishment in 2023, net absorption hit an all-time high last year. Two of the four largest submarkets by inventory — the Parkway West Corridor and Washington County — observed vacancy drops of over 300 basis points in 2024, contributing to the metrowide compression. Vacancy improvements also defied the typified urban-suburban divide, as both CBD and suburban rates fell by over 100 points last year. Instead, a quality divide was revealed. Class A vacancy dropped by 250 basis points in 2024 as the quantity and average size of leases for high-end space grew, while Class B/C fell only 30. Move-ins planned for later this year similarly favor Class A space over mid- and lower-tier space by a slight margin, seeking floorplans about three times as large on average. This is even more apparent in supply trends, as 2024 Class B/C deliveries fell to just 13.5 percent of the pre-pandemic average. Greater Downtown posting its strongest net absorption on record last year signals robust demand for high-end space in the urban core, while fewer suburban deliveries should reinforce modern assets outside the city center.

Pittsburgh remains the most affordable major office market in the Northeast. As the city recovers from elevated vacancy and pursues plans to renovate public spaces and add nearly 1,000 apartments Downtown, regionally competitive pricing may draw investors to Downtown, Oakland and the Strip in anticipation of companies seeking access to Pittsburgh's talent and educational institutions. Medical office sales, mostly around the fringes of Allegheny County, rose to nearly 30 percent of transactions in 2024. Home to a thriving medical ecosystem and the largest population aged 55 and up of all similarly sized major metros, Pittsburgh could see sustained demand for medical office space.

2025 MARKET FORECAST

+0.7%



EMPLOYMENT: As the labor market cools, Pittsburgh's overall employment base is expected to gain 17,000 jobs this year, 900 of which will be contributed by traditionally office-using firms.

465,000
sq. ft.



CONSTRUCTION: Completions are slated to slow by over 200,000 square feet on an annual basis in 2025, with roughly 450,000 square feet set to deliver in the coming year.

-100 bps



VACANCY: After five years of elevating vacancy, a 120-basis-point decrease last year signaled a recovery. Another triple-digit reduction is expected in 2025, which will lower the metric to 14.4 percent.

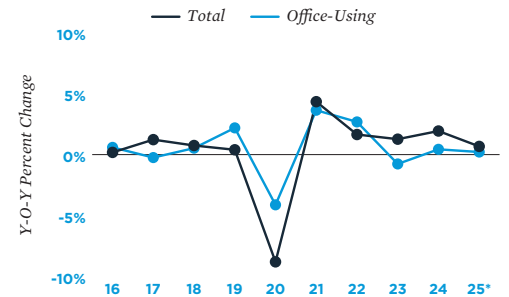
+1.3%



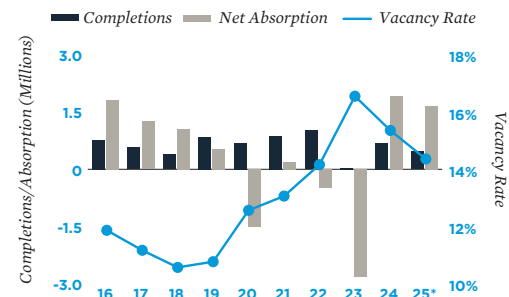
RENT: A decreasing inventory of available space and limited new supply competition will encourage moderate rent growth, adjusting the average marketed rate up to \$22.68 per square foot.

INVESTMENT: *Even in areas of minimal vacancy, such as South Pittsburgh at just 7.5 percent, some assets remain vacant for long periods. Investors with planned tenants could find competitive pricing for such spaces.*

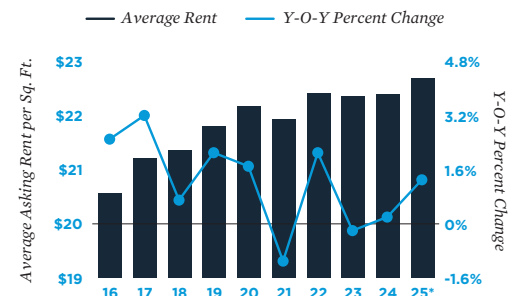
Employment Trends



Supply and Demand



Rent Trends



* Forecast

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

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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.