



Insider's View to Corporate Real Estate



Carrie S. Holstead
Real Estate Consultants Inc.

Representing Users Of Corporate Space Worldwide

Spring, 2024

Office Market Trends & Tenant Opportunities Pittsburgh, Pennsylvania

By: Carrie S. Holstead

Vacancies



The vacancy rate for office space in the Pittsburgh area is 26.2%, up from 22.8% a year ago. The submarkets with the highest vacancy rates include Beaver County at 55.1% followed by Fayette County at 50.0%. By comparison, the submarkets with the lowest vacancy rates include South Pittsburgh/Route 19 at 11.5% followed by Butler County at 16.6%.

Asking Rent



The quoted asking rent for office space in the Pittsburgh area is \$25.76 per SF, down from \$25.83 per SF a year ago. The submarkets with the highest maximum asking rent include Greater Downtown at \$52.00 per SF and East End at \$45.00 per SF. By comparison, the submarkets with the lowest maximum asking rent include Fayette County at \$14.00 per SF and Beaver County at \$18.00 per SF.

Absorption



Over the last 12 months, there was negative absorption of 1,700,000 SF compared to negative absorption of 1,100,000 SF a year ago. This means less space is being leased than is coming available. While tenants' shift toward smaller spaces the impacts of downsizings are likely to outweigh expansion activity, but periods of limited deliveries will contribute to a slower rise in vacancy.

Under Construction



Deliveries fell to the lowest level in more than a decade in 2023. However, the pace of deliveries will increase in 2024 due to a large project in the Central Business District known as FNB Center, a nearly 470,000 SF building to be anchored by FNB which has leased some 220,000 SF and is scheduled to move in Q3 2024. The largest project underway in the suburbs is Diamond Ridge in Moon Township in the West Pittsburgh submarket which is slated to deliver 180,000 SF in 2024.

Challenge

As the talent war continues, tenants are anxious about how to best use corporate real estate to retain and attract top talent while taking advantage of office market conditions and being cautious about landlords defaulting on building loans. In the Pittsburgh area, over the next 36 months nearly 200 buildings have CMBS loans maturing with limited options for refinancing while vacancies remain high. (Nationally, \$300 billion commercial real estate mortgages are expiring by 2026 according to JP Morgan CEO Jamie Dimon.)

Opportunity

Maneuvering carefully through the current challenges will provide a tremendous opportunity for tenants to use their corporate real estate to better compete. To achieve this, typically 18 to 24 months prior to a lease expiration, or other event that will impact the workplace, tenants will want to engage an experienced tenant representative to start a comprehensive lease analysis and leveraging process in order to objectively scrutinize alternatives and secure the most attractive renewal, relocation or rightsize of office space to suit the needs of the tenant, in a well capitalized building free of commercial loan default concerns, and with a thoughtfully planned and efficient workplace design. This will best position their company and employees to thrive.

About the Author

Carrie Holstead is the former Chairperson of ITRA Global whose members have experience representing users of corporate real estate in 300 markets around the world. Additionally, she serves as the President and CEO of Carrie S Holstead Real Estate Consultants, an affiliate of ITRA Global. Founded in 1989, it is the longest established tenant representation firm in Pittsburgh, has been honored as a Top Company by Smart Business Magazine, and is a Certified Woman Owned business. Carrie is a multi-award winning leader in tenant representation. For additional information, contact Carrie Holstead at 412 255 3737.

All information herein is from sources deemed reliable, including CoStar, but no warranty, expressed or implied, is made.