

OFFICE, EMPLOYMENT, AND EDUCATION

STATE OF
DOWNTOWN
PITTSBURGH



PITTSBURGH
DOWNTOWN
PARTNERSHIP

2019

OFFICE, EMPLOYMENT, AND EDUCATION

GOLDEN TRIANGLE OFFICE MARKET

2018 started off with uncertainty in the Golden Triangle as several companies announced office consolidations including PNC vacating 120,000 square feet at recently renovated 20 Stanwix, BNY Mellon's move from 525 William Penn Place freeing up 300,000 square feet, and companies such as PricewaterhouseCoopers and 4moms advertising large subleasing opportunities. Corporate right-sizing has impacted the office market nationally resulting in increasing vacancies and smaller lease transitions. Fear of rising vacancies began to lessen throughout 2018 as the market gradually moved towards positive absorption. Companies expanding their footprint in the Golden Triangle, such as JP Morgan Chase's expansion at One Oxford Centre and First Commonwealth Bank at the Union Trust Building among other expansions and relocations, have helped to keep Class A vacancies from rising to excess, increasing just over 1% throughout 2018.

Despite a slight increase in vacancy in Class A office space, rental rates in the Golden Triangle have remained robust throughout 2018. Class A space reached record-level rates at \$30.35 per square foot in 4Q 2018 with Trophy Class A space in the Golden Triangle reaching over \$33 a square foot as reported by CBRE Research. Rents have remained strong as building owners continue to realize the benefit of investing in building amenities and tenant improvements in order to keep up with the demand for high-quality office product. Nearly \$300M has been invested into Golden Triangle existing office space over the past five years with at least \$140M of announced upgrades in the pipeline. Multi-million dollar tenant improvements in the Grant Street corridor, as well as 11 and 20 Stanwix, are recent examples of capital investment in older building stock paying off. The Golden Triangle office inventory will need to continue to invest in tenant amenities to remain competitive with several new construction projects developing in the Downtown Fringe, exceeding over 3.1M square feet in active and announced projects.



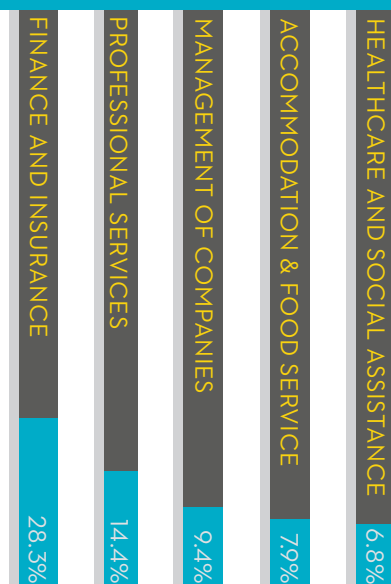
87.1%
CBD CLASS
A DIRECT
OCCUPANCY RATE
(1Q19 CBRE)

\$29.61
CBD CLASS A
AVERAGE
LEASE RATE
(1Q19 CBRE)

1.2M SF
TOTAL GREATER
DOWNTOWN LEASE
TRANSACTIONS
IN 2018
(JLL)



TOP FIVE EMPLOYMENT SECTORS



Source: OnTheMap, 2015

LEASES, EXPANSIONS, AND PURCHASES

The City of Pittsburgh closed on purchasing the newly renovated office complex at 420 Boulevard of the Allies for \$174 per square foot. M&J Wilkow completed major renovations to the 155,500 square foot building including a roof-top deck, first floor tenant lounge, and fitness facility. In 4Q 2018, McKnight closed on purchasing the Bank Tower for \$60.32 per square foot and is planning to invest at least \$7M to renovate the building. Microsoft also recently expanded their footprint in the Golden Triangle by opening a new 10,000 square foot office at Liberty Center, another tower benefiting from investments by their owners, CBRE Global Investors.

2018 was nothing less than a banner-year for the Downtown Fringe in terms of new leases and development announcements. In 3Q 2018, Facebook announced that the company's Oculus division will lease the entirety of the 105,000 square foot District 15, one of the largest lease transactions in the past five years. Bombardier Transportation occupied 90,000 square feet in the former Seagate building at One Waterfront Place in the Strip District, having relocated many of their business divisions from their suburban office in West Mifflin. Limbach Holdings Inc. also announced plans to relocate their headquarters to One Waterfront Place. Both of these companies touted access to the Golden Triangle and the available talent pool from nearby universities as major reasons for their relocations.

One of the biggest announcements from 1Q 2019 was Fortune 500 Wabtec Corp's commitment to 80,000 square feet at 30 Isabella. The company has plans to bring 250 people to its new North Shore home joining fintech company Affirm who also announced leasing 20,000 square feet of space with options to expand as the company grows to add 500 employees over the next five years. 2018 was an active year for Nova Place as Databank Holdings renewed and expanded their lease to 38,000 square feet, Pittsburgh Technology Council moved from their South Oakland office occupying 9,000 square feet, and Oracle confirmed a commitment to take up to 10,000 square feet at Nova Place.

**640K SF
NEW LEASES**

**511K SF
RENEWALS/EXPANSIONS**

**35.5M
LEASABLE SQUARE
FEET IN GREATER
DOWNTOWN, 48%
OF THE PITTSBURGH
OFFICE MARKET
(JLL, CBRE)**

SPOTLIGHT

GRANT STREET CORRIDOR UPDATES

Grant Street is the grand boulevard that serves as the hub of government and legal business in the heart of Downtown while also home to the headquarters of US Steel and one of the region's largest employers, BNY Mellon. In recent years, the architecturally significant buildings along the street and in surrounding blocks have seen significant investments in renovations and in what has been described as "an amenities arms race."

The most recent investments along the corridor include:

- \$50M by Shorenstein Realty to One Oxford Centre including common space upgrades featuring a conference center, collaboration areas, food hall, and organic juice bar.
- Rugby Realty invested \$1M in the Koppers Building to create their 29th floor "Attic Space" that includes games, an outdoor patio, and a spot to brew your own espresso. Rugby Realty also added a new Tenant Innovation Center and fitness facility in the Frick Building.
- The Davis Companies completed a \$100M restoration of the Union Trust Building which touched nearly every aspect of the property including tenant amenities such as a gym and collaboration space. Their careful attention to detail and strong design earned them a national preservation award through the American Architecture Awards in 2018.
- Just off of Grant Street, Pearson Partners, Inc. has undertaken a \$70M investment in the upgrade of 525 William Penn Place to include public areas as well as exterior improvements, the highlight of which is a glass cube fronting on Fifth Avenue.

All of this investment has led to significant leases in the area including Elite Transit Solutions, one of Pittsburgh's fastest growing companies. They will lease 31,500 square feet on the top two floors of the historic Frick Building with options for expansion.



Union Trust Building

One Oxford Centre attracted Chase Bank who announced their Pittsburgh flagship branch will be located on the ground level of the building (along with a beautiful loft space). Major co-working venture Spaces will lease 35,000 square feet in the newly renovated One Oxford Centre. In the last year, Union Trust has announced significant new tenants with Buchanan, Ingersoll and Rooney signing on for 140,000 square feet, First Commonwealth Bank, who already has a customer branch on the ground floor, will lease 22,625 square feet of office space and, most recently, Jackson Kelly PLLC signed a long-term lease for 12,000 square feet. Pearson Partners inked their first tenant at 525 William Penn Place, Pollock Begg will move into their newly renovated space from the Frick Building to take 12,000 square feet on the building's 35th floor.



OCCUPANCY AND RENTAL RATES IN PEER CBDS 4Q18

MAJOR SALES TRANSACTIONS: 2018

420 Boulevard of the Allies to
City of Pittsburgh

\$27.5M
\$174/SF

FHL Bank Building at
601 Grant Street to RDC Inc.

\$10.1M
\$62/SF

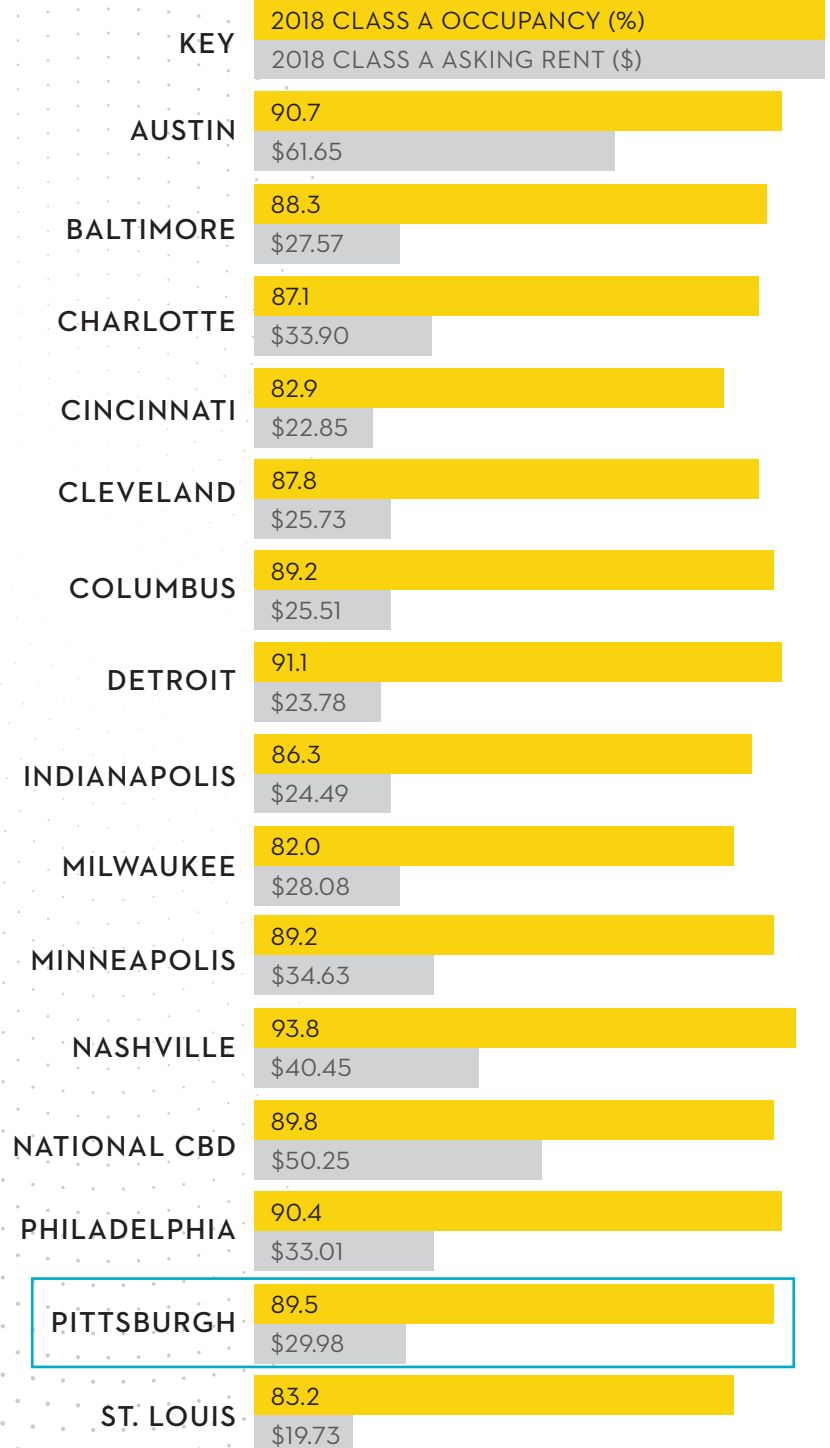
Wholey Building at
1501 Penn Avenue to
JMC Holdings

\$8.1M
\$24/SF

Manor Building at
564 Forbes Avenue to
Crescent Investment Group

\$6.2M
\$56/SF

Source: CBRE, JLL



Source: JLL

CO-WORKING SHOWS NO SIGNS OF SLOWING

Co-working companies added 88,800 square feet of space in Greater Downtown in 2018 and into 1Q 2019 with at least 132,000 more in the pipeline expected to deliver within the next year. Pittsburgh-based Beauty Shoppe joined the Golden Triangle in the Pitt Building and recently celebrated the opening of their newest office located in the Highline, adding a combined 24,000 square feet of leasable space. Novel Co-working, formerly known as Level Office, is expanding their footprint at 606 Liberty Avenue to include roughly 4,500 square feet of additional office suites. Colab18 added 4,600 square feet at Nova Place and Serendipity Labs will be moving into their brand new 25,000 square foot office suite at 3 Crossings Riverfront West in April 2019.

National co-working company Industrious committed to creating a second location in the Golden Triangle with 38,000 square feet of space in Liberty Center and is expected to open by 3Q 2019. New York-based Bond Collective announced that they have been scouting for roughly 40,000 square feet of space in Greater Downtown and WeWork is looking for 30,000-50,000 square feet of space and planning at least one location in Pittsburgh in 2019.

REGIONAL FORTUNE 500 COMPANIES TOTALING \$87.8 BILLION IN REVENUE, 2018 BY RANK

RANK

114	KRAFT HEINZ
165	PNC FINANCIAL SERVICES GROUP
191	PPG INDUSTRIES
246	US STEEL
340	DICK'S SPORTING GOODS
370	WESCO INTERNATIONAL
	— Headquartered in Greater Downtown
	— Co-Headquartered in Pittsburgh and Chicago
	— Headquartered in Greater Pittsburgh Area

Source: Fortune.com

\$1.3B

IN R&D EXPENDITURES
BY PITT, CMU, AND
DUQUESNE, OF
WHICH \$813.6M
(63%) WAS
FEDERALLY FUNDED

IN 2018, PITTSBURGH
RANKED

13TH

IN VENTURE CAPITAL
INVESTMENT DOLLARS
PER CAPITA

60 FIRMS

FROM AROUND THE
WORLD INVESTED
OVER \$550M
IN PITTSBURGH TECH
COMPANIES IN 2018.

95K

STUDENTS ENROLLED
IN HIGHER
EDUCATION WITHIN
10 MILES OF
DOWNTOWN; 23K
GRADUATES FROM
2017-2018
ACADEMIC YEAR

Source: Ernst & Young LLP and Innovation Works,
Investment in Pittsburgh's technology sector 2009-2018, PDP

GREATER DOWNTOWN REGIONAL WAGE & SALARY JOBS & OFFICE INVENTORY

	REGIONAL WAGE & SALARY JOBS	% OF TOTAL GREATER DOWNTOWN OFFICE SPACE
GOLDEN △	79,316	74%
NORTH SHORE	15,323	13%
STRIP DISTRICT	9,615	8%
SOUTH SHORE	3,224	5%
UPTOWN	6,912	1%

Source: OnTheMap (2015), JLL

NUMBER OF JOBS

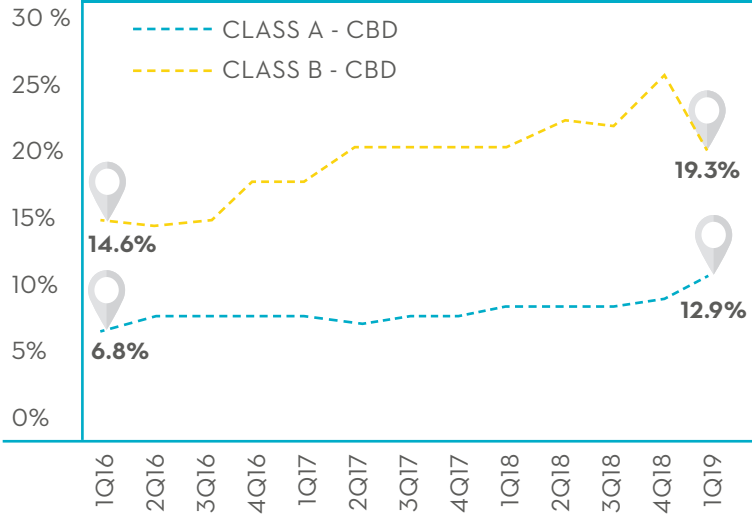
CITY OF PITTSBURGH

276,462

ALLEGHENY COUNTY

710,479

CBD CLASS A & B VACANCY RATES



Source: CBRE

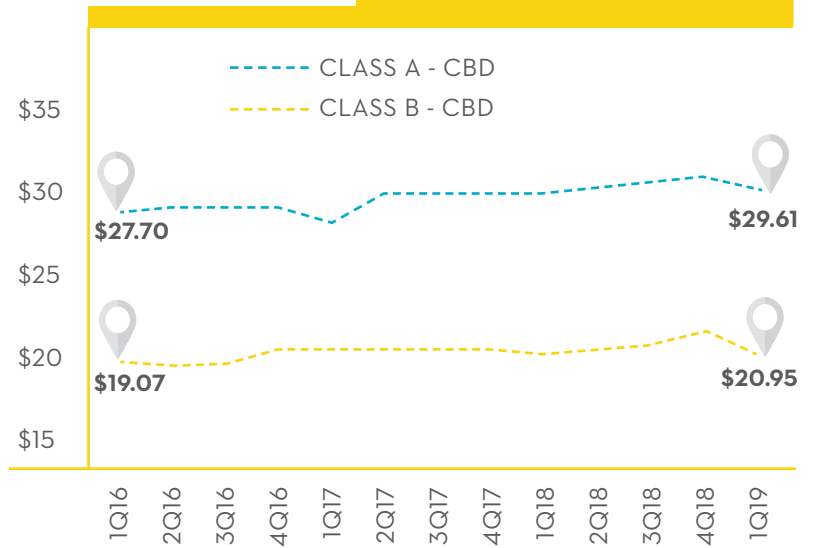


One Oxford Centre and Pittsburgher Building



Mellon Square Park

MONTHLY RENT PER SF



Source: CBRE

The Beauty Shoppe, Pitt Building Downtown Pittsburgh

