

State of Downtown Pittsburgh

RESIDENTIAL MARKET



Residential growth has been a key factor in the development of Downtown over the last decade, representing \$1B of investment since 2010 and 23% of total investment in Downtown. Since 2013, the Pittsburgh Downtown Partnership (PDP) has been collecting quarterly data of the Downtown Pittsburgh Residential Market.

The COVID-19 pandemic has presented an unprecedented threat to economies all over the world. After many years of healthy economic growth in Downtown Pittsburgh, the local economy came to a halt when Pennsylvania Governor Tom Wolf issued a stay-at-home order and the shutdown of all nonessential businesses on March 16, 2020.

The order stifled the ability for in-person residential tours for two months until Allegheny County was permitted to move into the Yellow Phase on May 15, 2020. The state government-ordered quarantine caused the local residential market to pivot by conducting all tours virtually during a time of year which would normally be considered peak season under non-pandemic conditions.

This report assesses the performance of the multifamily rental and residential sales market of the Golden Triangle, Lower Hill, North Shore, South Shore, Strip District, and Uptown neighborhoods. The data in this report is presented as a summary of the residential market through the end of 2Q 2020. The report offers a look back at the performance of 2019 compared to the first two quarters of 2020.

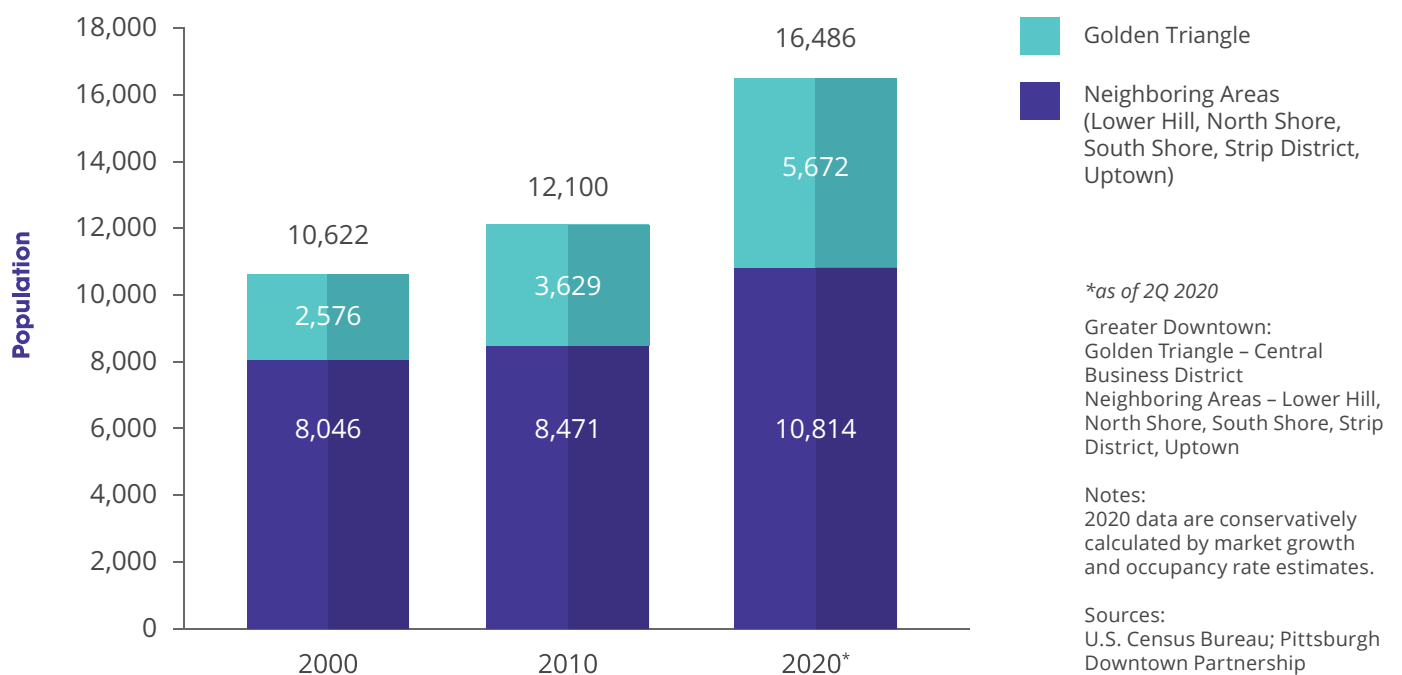


Residential Growth

Downtown's population has grown by more than 4,387 residents in the past ten years, representing a 36% increase in the residential population reaching an estimated 16,490 residents as of 2Q 2020.

Continued growth in Pittsburgh's urban core is certain as there are currently 4,000 units in the pipeline. More than 50% of units in the pipeline are either under construction, in planning, or are projected to deliver within the next two years. With the large amount of residential construction happening, we expect a projected population increase of 2,900 people, a 17.5% increase, by 2024. This increase in population would place the total Greater Downtown population just over 19,380 residents, nearly doubling 2010 numbers.

Greater Downtown Population





Residential Highlights

In 2020, Downtown's walkability was cited as residents' greatest positive impact on their quality of life as a Downtown resident.

PPG Plaza

50%

of residents are under 35

86%

of residents have a college degree

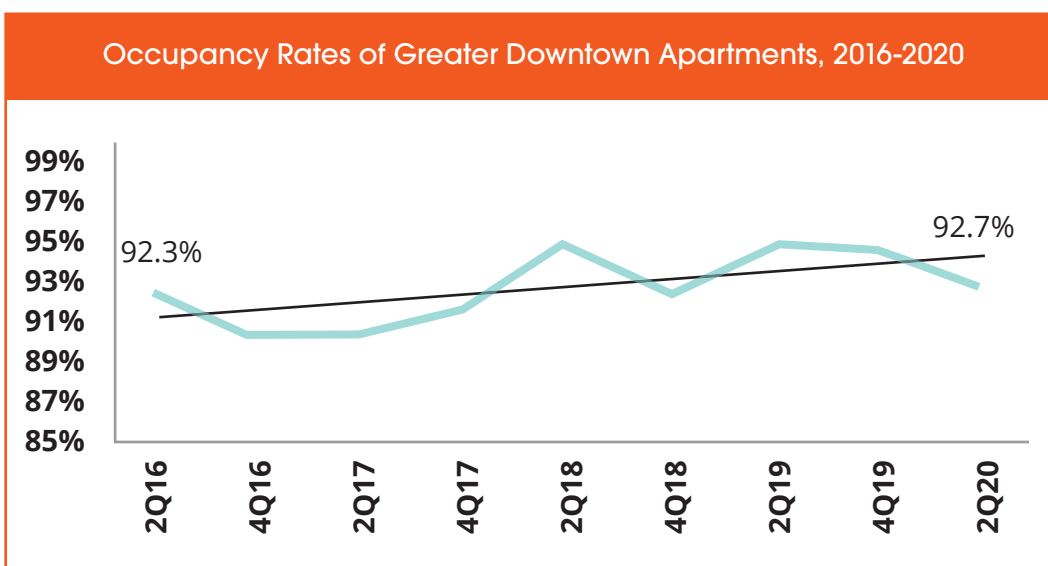
21%

of residents own a dog

Source: 2020 Downtown Resident Survey (March 2020)

Rental Market

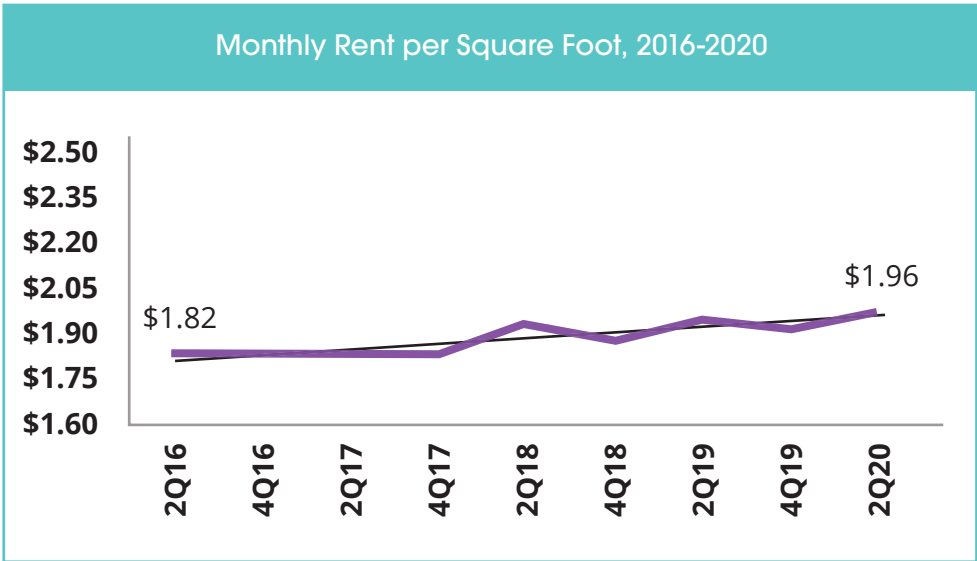
The current occupancy rate for Downtown is 92.7% as of 2Q 2020, slightly below the five-year average of 93.7%. The market has absorbed 700 new rental units in the last 12 months.



Source: Pittsburgh Downtown Partnership

Despite a minor drop in occupancy levels, the average cost per square foot has remained steady throughout the past year and into 2Q 2020, ending the quarter at \$1.96, a 5% increase compared to 2015 rates. Average monthly rent for a studio unit is \$1,300, a one-bedroom apartment is \$1,740, and the average two-bedroom rent is \$2,140 per month. The Greater Downtown residential market absorbed 2,370 units over the past five years, 30% of the current inventory.

A survey of Downtown multifamily property owners in July 2020 revealed that COVID-19 has not had a significant impact on the market to date. Some property owners reported requests for flexibility with rent payments but stated that rent collections have mostly gone uninterrupted, due in large part to the Coronavirus Aid, Relief and Economic Security (CARES) Act. With tenants uncertain as to employment and work from home policies, property managers are seeing more requests for month to month leases as renewals occur. Another component of the Downtown market is corporate leasing which is seeing some wavering from major employers as corporate tenants continue to navigate the impact of COVID-19 and corporate travel. While leasing remains strong, there is the potential for additional attrition as a national 50-year low interest rate on home mortgages is converting some renters to home buyers. The impacts of COVID-19 on Downtown's thriving hospitality and entertainment sectors have been significant and this vibrancy is a major component of why people chose to live in Downtown.



Source: Pittsburgh Downtown Partnership

Average Rental Rates

\$1,303

Average Studio Rent

\$1,742

Average One-Bedroom Rent

\$2,139

Average Two-Bedroom Rent



New Inventory

Over the past year, several residential developments delivered in the Golden Triangle. Trek and Q Development's 136-unit Eighth and Penn Project wrapped up construction in summer 2019. The Davis Companies' 207-unit development, Terminal 21, is adding new life to the Second Avenue corridor. Red Rocks Group's Press House, a 42-unit one-bedroom apartment project, completed construction in Q1 2020 at 800 Penn Avenue. The group has an additional sister property dubbed The William on the way to completion at 209 Ninth Street in the Cultural District, solidifying this section of Downtown as a residential hotspot. Trammel Crow's 319-unit, two-building Glasshouse complex at Station Square East finished construction in spring 2020, marking the first major residential development on the South Shore.

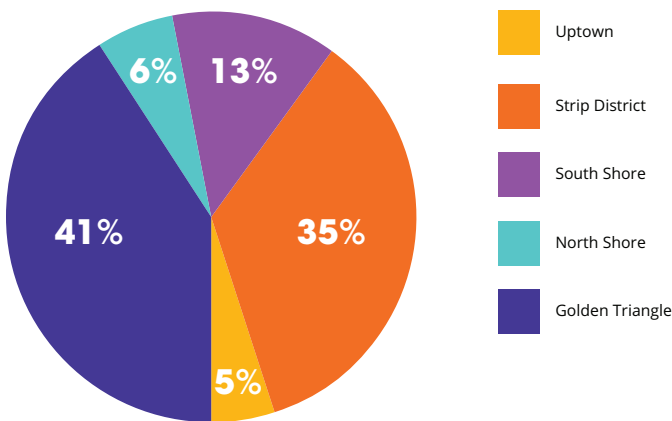
7,950

existing units in Downtown

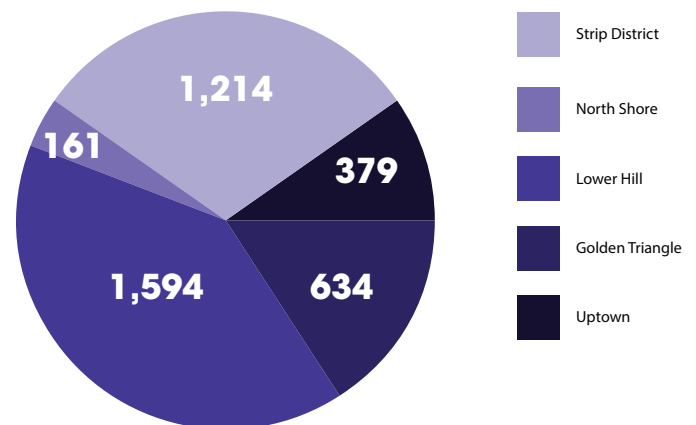
3,980

units in the pipeline
(under construction + in development)

Share of New Units by Neighborhood Since 2015



Units in the Pipeline



Source: Pittsburgh Downtown Partnership

Greater Downtown Residential Pipeline Under Construction

GOLDEN TRIANGLE

The William (209 Ninth Street)

209 Ninth Street

Developer: Red Rocks Group

Type/Construction: Rental Reuse

Units: 44 Open Date: 2020

955-959 Liberty Avenue

955-959 Liberty Avenue

Developer: SEHR Abodes LLC.

Type/Construction: Condo Reuse

Units: 12 Open Date: 2020

Kaufmann's Grand on Fifth

400 Fifth Avenue

Developer: Core Realty/New Investors

Type/Construction: Rental Reuse

Units: 312* Open Date: 2021

Commonwealth Building

318 Fourth Avenue

Developer: Commonwealth Acquisition Partners LLC

Type/Construction: Rental Reuse

Units: 150 Open Date: 2021

Maginn Building Lofts

915 Liberty Avenue

Developer: Day3Design

Type/Construction: Condo Reuse

Units: 7 Open Date: 2021

LOWER HILL

One Chatham Center

112 Washington Place

Developer: Core Realty

Type/Construction: Rental Reuse

Units: 174 Open Date: 2020

NORTH SHORE

Eleven06

1106 Reedsdale

Developer: Reedsdale Associates LLC

Type/Construction: Condo Reuse

Units: 38 Open Date: 2021

UPTOWN

1430 Fifth Avenue Apartments

1430 Fifth Avenue

Developer: R&D Holdings

Type/Construction: Rental Reuse

Units: 35 Open Date: 2020

1721 Locust Street Apartments

1721 Locust Street

Developer: McAllister Equities

Type/Construction: Rental New

Units: 8 Open Date: 2020

308 Miltenberger Street Apartments

308 Miltenberger Street

Developer: McAllister Equities

Type/Construction: Rental New

Units: 8 Open Date: 2020

STRIP DISTRICT

Riverfront Landing (Phase 2)

Waterfront Place

Developer: Buncher

Type/Construction: Rental New

Units: 442 Open Date: 2021

2908 Smallman Street (Mecka Fitness Building)

2908 Smallman Street

Developer: Penrose Advisors LLC

Type/Construction: Rental Reuse

Units: 30 Open Date: 2021

2528 Smallman (2554 Smallman)

2528 Smallman Street

Developer: Hullett Properties

Type/Construction: Condo New

Units: 27 Open Date: 2021

Helm on the Allegheny

2249 Railroad Street

Developer: Steel Street Capital Partners

Type/Construction: Rental New

Units: 219** Open Date: 2021

Penn 23

2330 Penn Avenue

Developer: Francois Bitz

Type/Construction: Condo New

Units: 21 Open Date: 2021

1,530

Total Units Under Construction

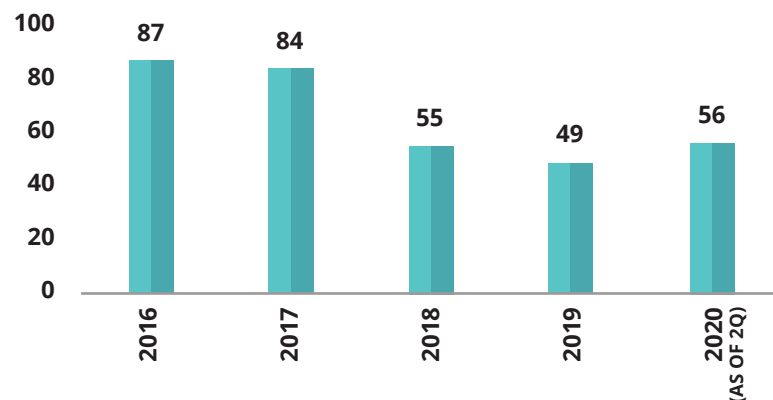
Condominium Sales

Over the past three years, condominium sales dropped due to a lack of new product in the market but in 2020 that trend shifted as there were 56 sales as of 2Q 2020, representing a 14% increase in unit sales compared to all of 2019. The increased sales can largely be attributed to Hardy World's Refinery project in the Strip District and Millcraft's Lumiere condo development at 350 Oliver in the Golden Triangle, which make up 64% of new sales of 2020 thus far. The availability of new high-end product further led to an increase in cost per square foot of 27% compared to 2Q 2019. Additionally, when comparing the first two quarters of 2020 against 2019, condominium resale value increased by 13%. The availability of new construction is helping to keep up with the pent-up demand for urban housing in the Greater Downtown market even amidst the pandemic.

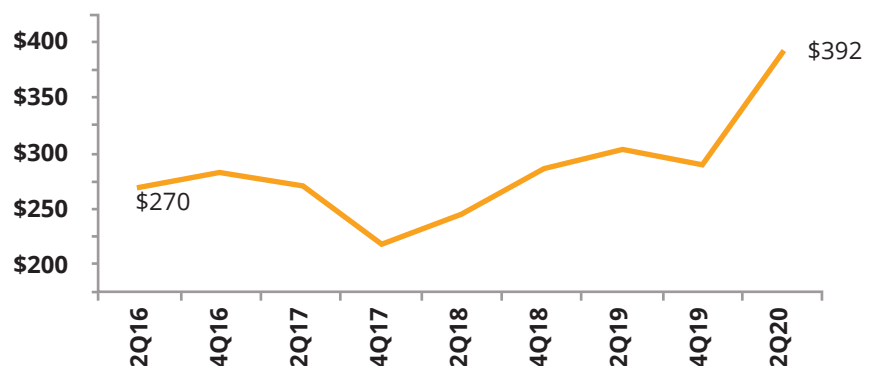
Pittsburgh-based Laurel Communities is halfway through the construction of the 46-unit Strip District Brownstone townhome development, with prices ranging from \$650K - \$1.3M. The majority of planned units have already been presold, pushing the construction timeline a year ahead of schedule. It is anticipated that condo sales will increase over the next couple of years as there are 242 condo units currently under construction or have received approval from the City of Pittsburgh. More than half of the units in the pipeline (55%) are in the Strip District.



Number of Condo Units Sold per Year



Average Condominium Sale Price per Square Foot

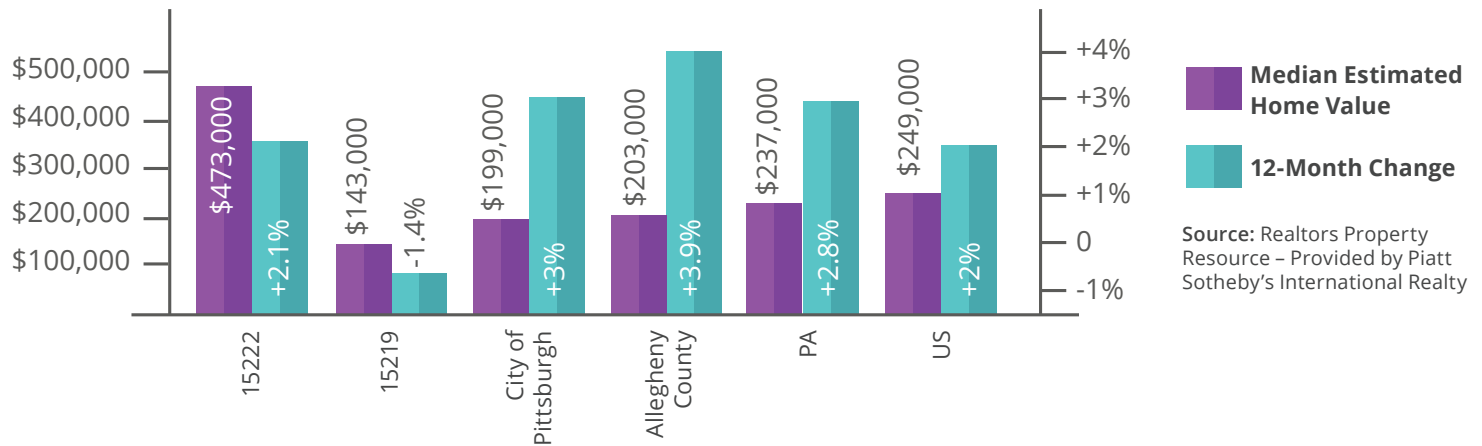


Sources: Allegheny County Real Estate Department; Western Pennsylvania Multi-List Service – Provided by Piatt Sotheby's International Realty.



Terminal 21 Apartments

Home Value Comparative Statistics, 2Q 2020



Terminal 21 Apartments

Spotlight: Terminal 21

A partnership between The Davis Companies and Milhaus brought the historic Try Street Terminal building located at 615 First Avenue back to life as Terminal 21, a new and stylish 207 loft-style apartment community. The building has a rich history dating back to 1921 when it was originally built as a railroad and manufacturing hub during Pittsburgh's Industrial Era. Before the property was purchased by the Davis Companies in 2018 and underwent a \$40M renovation, the building served as the Shannon Hall dormitory for the Art Institute of Pittsburgh.

Terminal 21 was created with young professionals in mind, offering trendy amenities including a duckpin bowling alley complete with a speakeasy-style bar, coworking space, soundproof music rehearsal rooms, a huge fitness facility with studio space, as well as a maker space that residents can use as a workshop for home projects. The units include studios as well as one- and two-bedroom floor plans.



19th Century History meets 21st Century Urban Living: Liberty Avenue's Growing Residential Corridor

Located in the heart of the Golden Triangle's Cultural District, Liberty Avenue has been undergoing a dramatic transformation over the past year.

Grand View Development Co. and Swallow Point Ventures have transformed the 1881-era Victorian brick 820 Liberty Avenue into four 3,000 square foot loft-style apartments, complete with private elevator access, reserved parking, and up to 18-foot tall ceilings, making the project unlike any other residence in the Golden Triangle. Each unit consumes an entire floor at a cost of \$6,700 per month. The group purchased the property for just \$450K from the Pittsburgh Cultural Trust who will continue to lease the ground floor retail space.

Once known as Maginn's Wholesale Confectioner and Fruit Warehouse dating back to 1891, then many years later known as the home of the beloved Specialty Luggage Store until the recent sale of the property, 915 Liberty Avenue is undergoing a major transformation. Day3Design purchased the eight-story Richardsonian Romanesque style building in summer 2019 for \$1M, with plans to

invest \$5M to convert the upper floors into 7 condos. The Maginn Lofts will pay tribute to the historic building's character featuring exposed brick and steel beams, while incorporating a roof top lounge and modern finishes.

A brand-new condo development is in the final stages of completion at 957 Liberty Avenue. Safdar Khwaja, president of SEHR Abodes LLC, will be delivering 12 new condominiums ranging from 950-1,900 square feet. Each unit offers a unique floor plan with plenty of natural lighting and high-end finishes. The development features unique amenities including a 1,000 square foot shared rooftop deck and a 1,100 square foot resident common room that can be reserved for private gatherings. The property also includes two distinctive loft-style units that feature a second story, each complete with their own spiral staircase, and a top-level unit with its own private deck.