



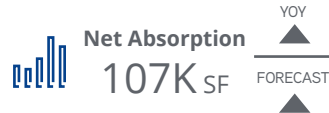
Pittsburgh, PA

Retail

22Q1

Key Takeaways

- Discount grocers are actively searching the market and opening new stores.
- The South Pittsburgh submarket, particularly the South Fayette area, is growing in popularity.
- The region is gaining momentum with entertainment, recreation, and fitness tenants.
- Slowed supply chains and heightened material costs are applying pressure on construction.



Vacancy Continues to Decline and Deliveries Lag, Producing Competitive Market Dynamics

The greater Pittsburgh retail market continued to see a decline in overall vacancy. Vacancy rates continued to progressively fall off, going from 4.6% to 3.9% in Q1. This is the lowest the vacancy rate has been since Q1 2019 when it was 3.5%. Concurrently, a healthy absorption of 107,084 square feet (SF) occurred. Rental rates have yet to adjust as they decreased to \$13.62; a quarterly decrease of \$0.49. This reduction in price may be explained by the lack of quality class "A" product on the market. Deliveries were also unusually low as evidenced by a mere 27,738 SF of new product completed. The recent trend of premium product struggling to meet demand continues and will do so for the foreseeable future.

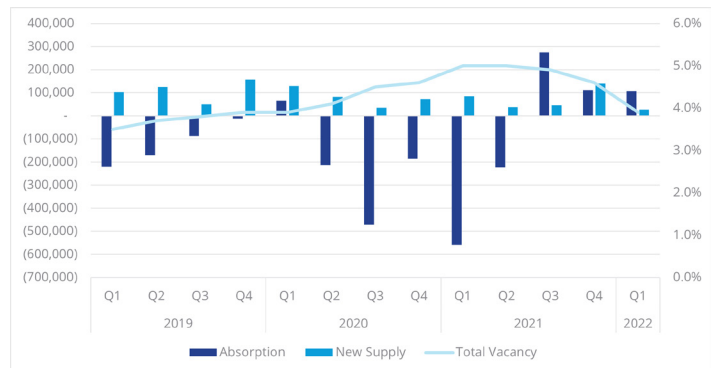
Market Indicators



Historic Comparison

	21Q1	21Q4	22Q1
Total Inventory (in Thousands of SF)	150,324.1	151,342.3	151,583.1
New Supply (in Thousands of SF)	85.1	140.2	27.2
Net Absorption (in Thousands of SF)	(559.6)	112.4	107.1
Overall Vacancy	5.0%	4.6%	3.9%
Under Construction (in Thousands of SF)	178.8	101.6	117.0
Overall Asking Lease Rates (NNN)	\$13.43	\$14.11	\$13.62

Market Graph



Vacancy made a full recovery from the affects of the pandemic by reaching a rate of 3.9%. This is the lowest vacancy rate the region has seen since Q1 2020. Consequently, absorption was a positive 107,084 SF. This is the third straight quarter with positive absorption. With only 27,738 SF of deliveries in Q1, absorption should remain positive for the foreseeable future.

Recent Transactions



Lease
1850 Centre Ave.
Greater Downtown
30k SF



Lease
1500 Smallman St.
Greater Downtown
19k SF



Lease
1155 Washington Pike
South Pittsburgh
7k SF



Sale
1700 Pine Hollow Rd.
West
\$703/SF



Sale
1247 Route 77
Westmoreland County
\$182/SF



Sale
2740 Mosside Blvd.**
East
\$243/SF

**Colliers Pittsburgh Transaction

Demand Outpaces Supply as Retailers Flourish Despite Persistent Headwinds

The thriving Pittsburgh retail market's momentum continued into the start of 2022. Various users, including discount chains, restaurants, car washes and entertainment operators are looking to open throughout the region. Large regional shopping centers are garnering growing interest from outside investors and construction cannot keep up with accelerated demand. The robust retail market is well positioned and poised for success going forward.

Discount retailers are thriving, particularly in the grocery and food sector. Supermarket operator, Grocery Outlet, is investigating the region for its next market expansion. They are open to various geographic locations for sites ranging from 15,000 to 20,000 SF. Similarly, Aldi intends to establish new regional stores after announcing plans to open a grocery store in the town of Natrona Heights in the Northeast Pittsburgh submarket.

The South Fayette region of the South Pittsburgh/Hwy 79 submarket is experiencing tremendous activity. The Piazza development, which is under construction, is gaining traction with several restaurateurs. Primanti Bros. and Firebirds Wood Fired Grill are a couple of the operators to recently reveal their tenancy. The location's proximity to I-79 and the new I-576 Southern Beltway make it a sensible destination for various retailers. South Fayette's popularity is extending beyond The Piazza. Pro Bike + Run will be occupying a former 10,000 SF auto body shop on Miller's Run Road and Ivybrook Academy will lease space at the Shoppes at Bursca. BJ's Wholesale recently opened in the Newbury Market development across from the Piazza.

Within the Greater Downtown submarket, the Strip District neighborhood remains hot. Golf-related venues are particularly active. Indoor miniature golf and bar operator, Puttery, announced plans to lease 19,000 SF in The Vision on Fifteenth. This announcement comes on the heels of Puttshack announcing their intentions to lease nearly 24,000 SF at The Terminal, the same complex where OnPar opened an indoor golf facility focused on teaching women. Additionally, the Terminal will also be home to a couple fitness facilities. Boxing legend, Floyd Mayweather, is opening a boxing gym and StretchLab announced they will open a stretching studio. These two tenants will be welcomed by current neighbor, Walk Run Lift Studio. Across Smallman Street from The Terminal, Papa J's will be opening a 6,000 SF food concept in the former Smallman Galley space at 51 21st Street.

Stabilized assets, such as The Waterfront in Homestead and Penn Center East Town Center have been placed on the market for sale by current owner M&J Wilkow. The Waterfront, which is being marketed by Colliers, sits on a 265-acre former steel mill site. The 1.3 million SF project was originally developed in the early 2000s and currently enjoys a healthy occupancy of more than 90%. Last year, ownership executed a five-year lease renewal with AMC for the movie theater. This is an impressive feat considering the Pandemic's pressure on the cinema industry, and provides

evidence of the complex's strong demand and consistent traffic.

The lack of new product delivered over the past quarter is concerning. The previous four quarters averaged nearly 70,000 SF of deliveries. However, this quarter only saw 27,738 SF of new product delivered to the market. Several factors are contributing to this abnormality. High construction costs, as well as choked supply chains are making the procurement and delivery of materials difficult. Furthermore, a surge in the Coronavirus, specifically the Omicron variant, at the end of Q4 2021 and early Q1 2022 adversely affected the workforce. Lack of development sites and high acquisition costs make barriers to entry high.

It is expected that the next few quarters will continue to be very similar to Q1 2022. Exceptionally low vacancy should drive rental rates upward. Until the demand for quality new product is met, tenants should expect to see a competitive market that will favor Landlords. Despite the presence of the pandemic, patrons will continue to frequent retailers of all types. Challenges remain, but the public is resilient.

Colliers Engineering & Design

In 2020, Colliers acquired Maser Consulting, a large national engineering firm to create a unique business model, rebranding the company as Colliers Engineering & Design. The first relationship of its kind in the industry, we are forerunners of the possibilities the future holds.

As a multidiscipline engineering, consulting and design firm with 1,000 employees and through a combination of organic advancement and acquisitive growth, we are growing our services into new geographies. This enables us to offer world class services where they are needed most, across the nation and in our own back yard.

In 2021, we acquired five other firms. The largest to date was Bergmann, a 500-employee engineering firm based in Rochester, NY. Having Bergmann on our team increased our geographical reach while also adding the new dimension of architecture

and building engineering to our service lines making us a true, full-service firm.

Colliers Engineering & Design welcomes change and embraces challenges because we know that we need to grow, in order to thrive. Our successes have created opportunities for all our employees to explore new possibilities. But, building our way into tomorrow is about more than just expansion. It's about the people behind the growth and how they move the company forward through teamwork, expertise, and an entrepreneurial spirit that was developed in the earliest stages of our evolution.

This commitment to setting them up to succeed through stability and flexibility has created a rich and healthy work environment. We believe that this focus on our people has made our company stronger because when they do well, it accelerates success for our clients.

Pittsburgh | 22Q1 | Retail | Market Statistics

Markets	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (NNN)
Armstrong	1,878,696	0.6	0.0	0.6	0.4	1.2	15,704	15,704	-	-	\$0.00
Beaver	1,043,302	5.3	0.2	5.5	4.8	4.0	(76,889)	(76,889)	-	-	\$7.78
Butler	11,694,492	4.8	0.0	4.8	3.2	3.3	14,119	14,119	-	-	\$18.81
CBD	1,270,937	3.3	0.0	3.3	6.8	6.0	(3,400)	(3,400)	-	10,000	\$38.00
East End	5,632,355	5.6	0.0	5.6	3.9	3.5	(27,633)	(27,633)	7,432	-	\$18.13
Fayette County	6,823,566	14.6	0.0	14.6	12.5	10.6	(135,700)	(135,700)	-	-	\$6.85
Greater Downtown	5,710,676	7.6	0.0	7.6	9.4	9.6	11,016	11,016	-	-	\$20.29
Monroeville	5,612,164	7.2	0.0	7.2	6.0	7.0	54,230	54,230	-	5,549	\$18.47
North Pittsburgh	15,075,536	3.6	0.1	3.7	1.8	2.0	14,675	14,675	10,000	-	\$19.38
Northeast Pittsburgh	8,910,025	6.2	0.0	6.2	4.9	6.1	106,850	106,850	10,640	-	\$11.43
Oakland	1,134,826	3.1	0.1	3.2	2.5	3.0	5,368	5,368	-	-	\$31.17
Parkway East	10,606,089	7.1	0.0	7.1	4.1	3.8	(52,205)	(52,205)	-	-	\$8.25
Parkway West	7,162,084	5.4	0.1	5.4	3.7	4.0	28,107	28,107	-	2,175	\$14.64
South Pittsburgh	24,245,642	4.3	0.0	4.3	2.9	3.4	132,965	132,965	71,000	6,000	\$11.95
Washington	12,322,572	2.5	0.0	2.5	5.4	5.5	7,752	7,752	11,034	-	\$18.01
West Pittsburgh	3,051,580	4.8	0.0	4.8	5.2	5.6	19,041	19,041	-	4,014	\$11.93
Westmoreland	20,411,992	5.6	0.0	5.6	4.9	4.8	(6,916)	(6,916)	6,887	-	\$12.27
REGIONAL TOTAL	151,583,016	4.7	0.0	4.7	3.9	4.6	107,084	107,084	116,993	27,738	\$13.62

Pittsburgh, PA Quarterly Comparisons and Totals											
22Q1	151,583,016	4.7	0.0	4.7	3.9	4.6	107,084	107,084	116,993	27,738	\$13.62
21Q4	151,342,268	5.6	0.0	6.1	4.6	4.9	112,361	125,702	101,641	321,173	\$14.11
21Q3	151,492,430	6.1	0.0	6.1	4.9	5.0	276,066	(320,127)	188,978	181,020	\$14.50
21Q2	151,286,208	6.3	0.0	6.1	5.0	5.0	(233,570)	(263,555)	209,223	134,969	\$13.74
21Q1	150,324,142	6.1	0.0	6.1	5.0	4.6	(559,615)	(559,615)	178,758	85,068	\$13.43

MARKET DATA SOURCE: CoStar

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\$4.1B
in revenue



2B
square feet under management



17,000
professionals and staff

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