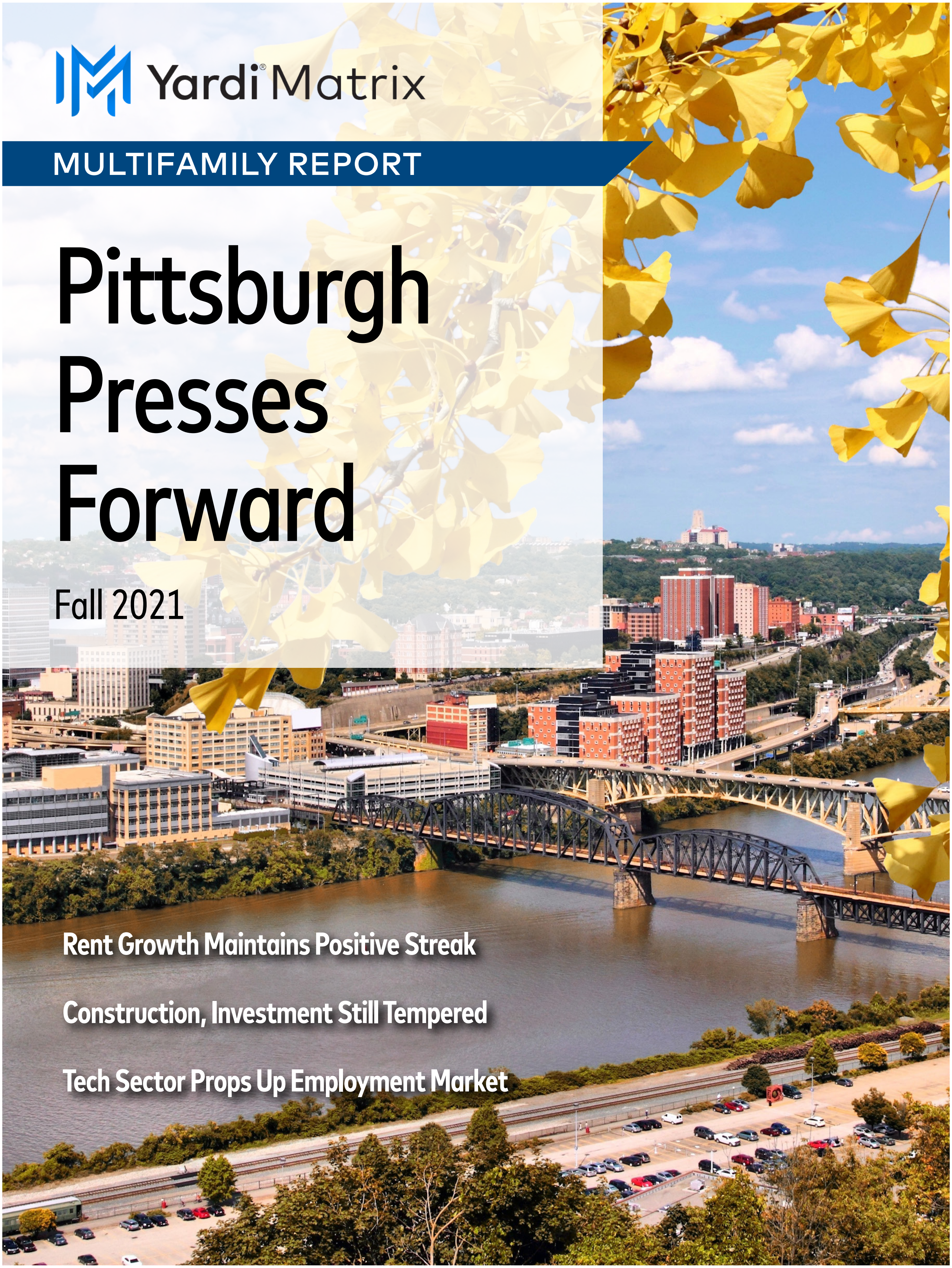


Yardi® Matrix

MULTIFAMILY REPORT

Pittsburgh Presses Forward

Fall 2021

Rent Growth Maintains Positive Streak

Construction, Investment Still Tempered

Tech Sector Props Up Employment Market

PITTSBURGH MULTIFAMILY

Yardi Matrix

Slow and Steady Recovery

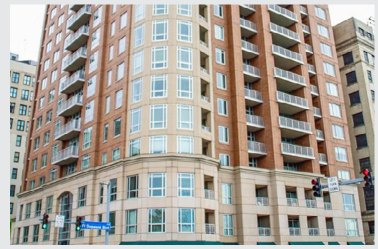
Strong fundamentals in the multifamily industry are shoring up recovery nationwide, and although Pittsburgh's rebound is gaining ground, the metro's pace is lagging the U.S. rate. As of August, Pittsburgh rents edged up 0.3%, to $1,211, on a trailing three-month basis, well below the $1,539 U.S. average. The metro's single-family rental sector is also showing strength, with rates up 7.8% year-over-year, not far behind the 10.3% national figure.

In the 12 months ending in June, Pittsburgh gained 61,400 net jobs, for a 0.8% expansion. June marked the first month of year-over-year gains since last March. Consistent with nationwide trends, leisure and hospitality led growth with the addition of 20,900 jobs, up 25.0%. The metro's tech sector is also making headway, placing Pittsburgh fourth among small tech talent markets in terms of growth in the U.S. and Canada, according to CBRE's annual Scoring Tech Talent report released this summer. As of July, unemployment stood at 6.6% in Pennsylvania and metro Pittsburgh. Both figures were behind the 5.4% national rate.

Pittsburgh had 3,647 units under construction as of August, with the vast majority (90.3%) targeting high-income renters. Yardi Matrix expects 989 units to come online across the metro this year. Meanwhile, investment sales amounted to a little more $78 million as of August, with roughly 870 units changing hands.

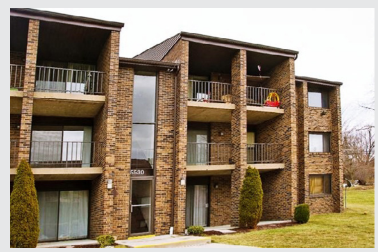
Recent Pittsburgh Transactions

The Encore on 7th



City: Pittsburgh
Buyer: McCaffery Interests
Purchase Price: $25 MM
Price per Unit: $163,301

Briarwood Garden



City: Bethel Park, Pa.
Buyer: Lobos Management
Purchase Price: $3 MM
Price per Unit: $48,750

Market Analysis | Fall 2021

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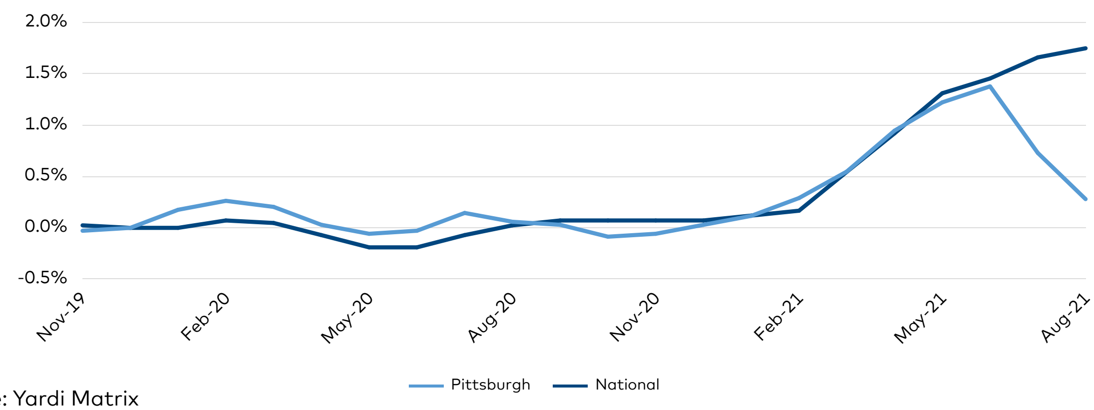
On the cover: Photo by tupungato/iStockphoto.com

RENT TRENDS

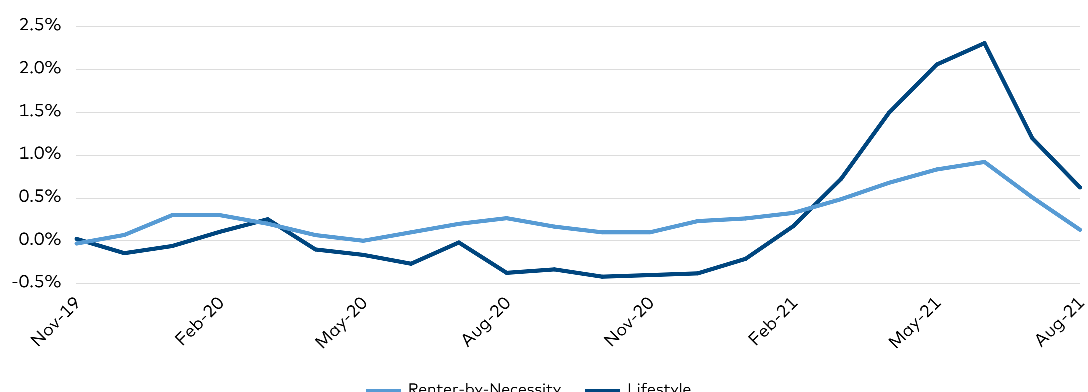
- The metro's rebound continues to trail the U.S. recovery pace, a trend underscored by rent movement, as well—Pittsburgh rents inched up 0.3% on a trailing three-month (T3) basis as of August, 140 basis points behind the national rate. The average rent in the metro was $1,211, well below the $1,539 U.S. average. Year-over-year, Pittsburgh rates improved by 5.3% as of August.
- Lifestyle rents continued to expand at a faster clip than working-class Renter-by-Necessity rates. While momentum has tempered, Lifestyle rents were still up 0.6% to $1,702, as of August, while RBN rents rose just 0.1%, to $1,063.
- Metro Pittsburgh rents in the single-family rental sector were up 7.8% year-over-year as of August, below the 10.3% national rate. The average SFR rent in the metro was $1,422, trailing the $1,539 U.S. figure.
- Monroeville (9,7% to $1,061), Greensburg (9.4% to $816) and Churchill (8.4% to $973) had among the strongest year-over-year gains in the market in the 12 months ending in August. Rates in Pittsburgh–Downtown—one of the most expensive submarkets—rose 4.9% to $1,777.
- Pennsylvania received $569 million in federal rental assistance, with an additional $278 million directly allocated to counties and localities. As of July 31, a total of $218.5 million had been distributed to more than 50,300 households, according to the Pennsylvania Department of Human Services.

Pittsburgh vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Pittsburgh Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- In the 12 months ending in June, Pittsburgh gained 61,400 net jobs, for a 0.8% expansion. June marked the first month of year-over-year gains since last March. In line with nationwide trends, leisure and hospitality led growth—the sector added 20,900 jobs for a 25.0% increase, the largest rate of all industries. Trade, transportation and utilities added 13,400 positions, followed by professional and business services, up 9,600 jobs.
- Private sector employment increased by 57,800 jobs year-over-year as of June, equal to a 6.0% uptick, according to Bureau of Labor Statistics data. The metro's labor force expanded by 6,950 people month-over-month through July, based on preliminary data, but was down 26,340 people year-over-year, as Pittsburgh's recovery continues to lag the national pace.
- As of July, unemployment stood at 6.6% in Pennsylvania and metro Pittsburgh. Both figures were behind the 5.4% national rate.
- Pennsylvania's overhauled unemployment compensation system went live in June 2021 and has issued nearly 1.6 million payments totaling over $1.37 billion since the launch, according to the Pennsylvania Department of Labor and Industry.

Pittsburgh Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	105	9.3%
40	Trade, Transportation and Utilities	200	17.7%
60	Professional and Business Services	179	15.8%
15	Mining, Logging and Construction	74	6.5%
90	Government	112	9.9%
65	Education and Health Services	243	21.5%
80	Other Services	46	4.1%
50	Information	19	1.7%
55	Financial Activities	75	6.6%
30	Manufacturing	79	7.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Pittsburgh lost roughly 8,350 residents in 2020 (-0.4%), based on estimates from the U.S. Census Bureau, while the U.S. gained more than 1.1 million residents, for a 0.4% increase.
- Over the past decade, the metro's population contracted by 2.0%, well below the 6.5% national growth rate.

Pittsburgh vs. National Population

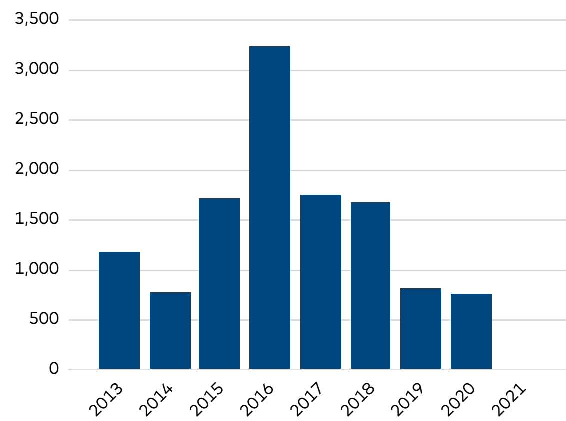
	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Pittsburg Metro	2,330,283	2,324,743	2,317,600	2,309,246

Sources: U.S. Census, Moody's Analytics

SUPPLY

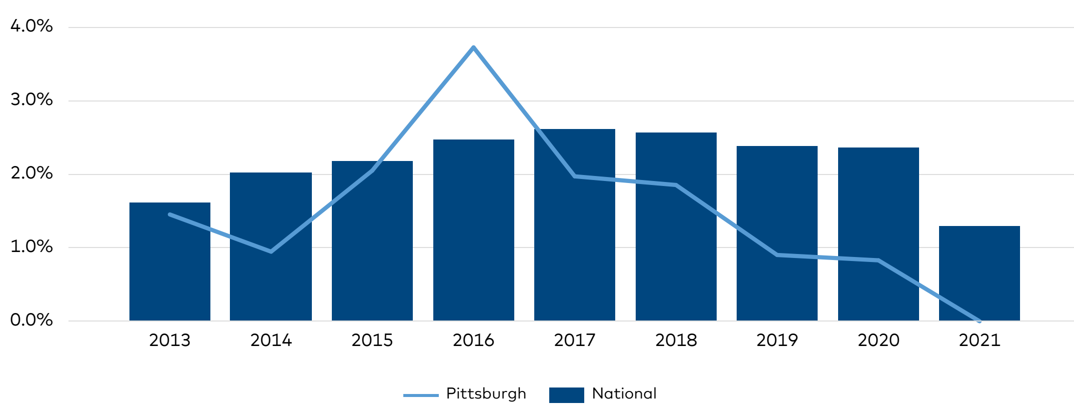
- Pittsburgh had 3,647 units under construction as of August, with the overwhelming majority (90.3%) targeting high-income renters. Some 989 units are slated to come online across the metro this year, representing 1.1% of existing stock. As of August, the metro had an additional 7,100 units in the planning and permitting stages.
- Pittsburgh–Downtown led development as of August, with 1,217 units underway, accounting for one-third of the pipeline. Bloomfield (654 units) and Northshore (386 units) rounded out the top three.
- The NRP Group's The District in Pittsburgh–Downtown was the largest development underway in the metro as of August. The 442-unit project is slated to come online in the second quarter of 2022.
- Developers broke ground on 1,207 units across six properties in the 12 months ending in August. The figure marks a 31% contraction compared to the one recorded in the previous 12 months, when developers broke ground on 1,743 units across eight assets.
- Deliveries in 2021 remained flat in Pittsburgh, with no projects of more than 50 units completed this year through August. Construction fluctuated over the past decade—after reaching a cycle high in 2016 with 3,241 units added to stock, deliveries gradually moderated and slid to 762 units completed in 2020, marking the decade's low point.

Pittsburgh Completions (as of August 2021)



Source: Yardi Matrix

Pittsburgh vs. National Completions as a Percentage of Total Stock (as of August 2021)



Source: Yardi Matrix

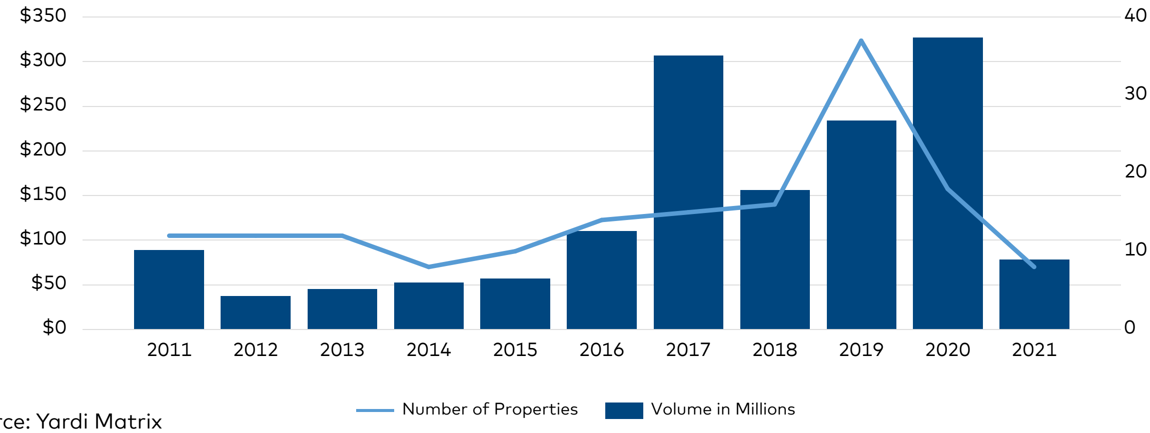
TRANSACTIONS

- Year-to-date through August, eight assets traded for a little more than $78 million, lagging the sales volume recorded in the same interval last year by 60%. Close to $327 million in rental assets traded overall in 2020, marking the high point of the past decade.

- A total of 2,706 units were sold in the 12 months ending in August. Investor interest was almost evenly distributed between quality segments—of the 16 properties that traded, 52% are Lifestyle assets, while 48% are RBN communities. The average per-unit price year-to-date stood at $90,223, well below the $124,760 average recorded for the same time frame last year.

- Bethel Park led transactions in the 12 months ending in August ($67 million), followed by Jefferson Hills ($44 million) and Pittsburgh–Downtown ($25 million), where McCaffery Interests' $24.7 million acquisition of The Encore on 7th was the largest deal of the year through August.

Pittsburgh Sales Volume and Number of Properties Sold (as of August 2021)



Source: Yardi Matrix

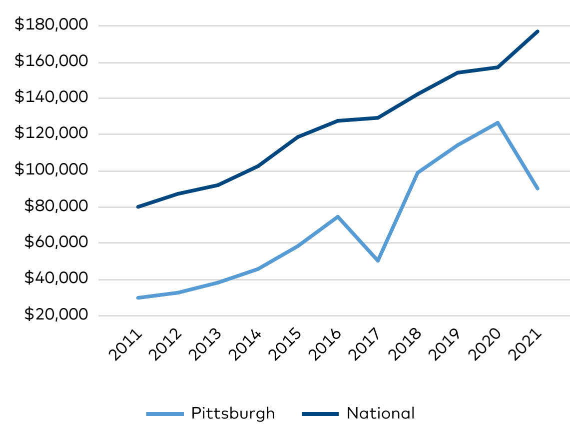
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Bethel Park	67
Jefferson Hills	44
Pittsburgh–Downtown	25
Hill District	15
Greensburg	14
Upper St. Clair	11
Slippery Rock	10

Source: Yardi Matrix

[1] From September 2020 to August 2021

Pittsburgh vs. National Sales Price per Unit



Source: Yardi Matrix

What's Driving Pittsburgh Multifamily?

By Tudor Scolca

The Pittsburgh multifamily market has had a rough start to the year, but the uptick in development is hinting at a potential recovery route. The NRP Group has a total footprint of roughly 1,200 units across Greater Pittsburgh, including projects under construction, so we asked Senior Vice President of Development P. Christopher Dirr to explain where things could be headed and what is driving growth in the most-active areas of the metro.

What factors would you say are the most important to ensure the market recovers in a stable manner?

The most critical component to market recovery in a stable manner is predictability. The city of Pittsburgh, county of Allegheny and Commonwealth of Pennsylvania are critical partners in ensuring continued development progress with no disruption.

How have affordability rates fared in conjunction with rising construction costs and other similar factors?

We continue to be significantly challenged by commodity and labor cost and availability. We are hopeful that commodity pricing will moderate over time. However, a continued looming issue will be the availability of cost-effective labor. Things are fragile and in a delicate balance. Rising costs will be exacerbated to the extent that interest rates rise, which would have a significant negative impact on our ability to initiate new development.

What areas of the metro are experiencing heightened activity and why?

We have seen continued significant multifamily housing resident interest in areas that surround high employment centers. This includes the Strip District, Lawrenceville, Shadyside, East Liberty and Oakland in the city, and suburban submarkets including, but not limited to, Cranberry and the Parkway West Corridor.

As available property in these neighborhoods becomes increasingly challenging to locate, we've observed interest start to expand in adjacent previously tertiary areas, including smaller developments in Uptown and the Hill District.

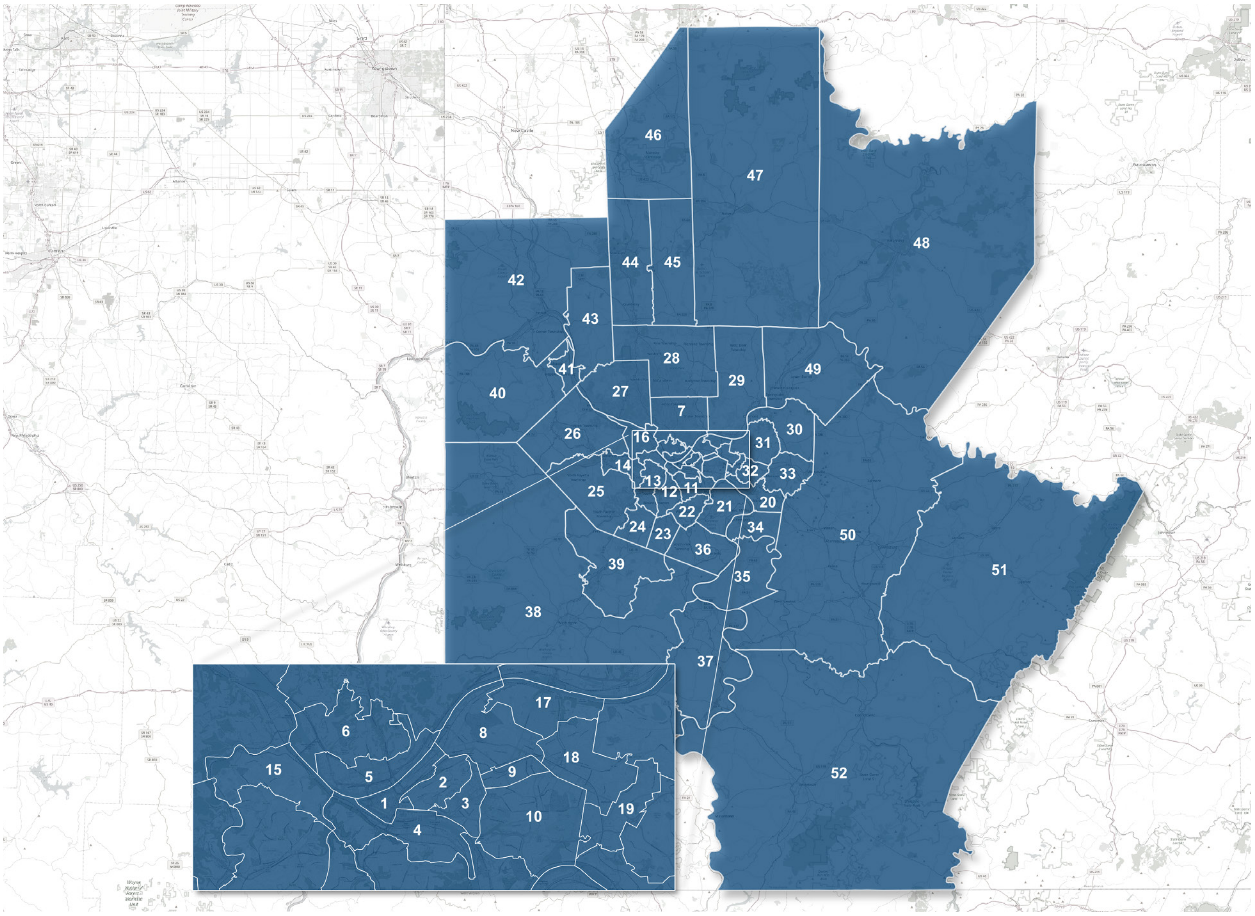
How did demand for high-end development evolve this year?

We are extremely busy, but always challenged to identify the next opportunity. When we conceived Edge1909 as Phase I of the multifamily development in the Strip District's master-planned Riverfront Landing, we envisioned that its 365 plus or minus units would satisfy market demand for the foreseeable future. However, leasing velocity and interest were outstanding, which prompted us to accelerate the implementation of Phase II – The District.

We expect that other mixed-use commercial, retail, rental and for-sale residential developments will be similarly embraced across the region.

(Read the complete interview on multihousingnews.com.)

PITTSBURGH SUBMARKETS



Area No.	Submarket
1	Pittsburgh–Downtown
2	Hill District
3	Oakland
4	Southside
5	Northshore
6	Perry
7	West View
8	Bloomfield
9	Shadyside
10	Squirrel Hill
11	Carrick
12	Castle Shannon
13	Carnegie
14	Robinson Township
15	Fairywood
16	McKees Rocks
17	Highland Park
18	Homewood

Area No.	Submarket
19	Wilkinsburg
20	Braddock
21	West Mifflin
22	Whitehall
23	Bethel Park
24	Upper St Clair
25	Oakdale
26	Coraopolis
27	Franklin Park
28	Hampton Township
29	Fox Chapel
30	Plum
31	Penn Hills
32	Churchill
33	Monroeville
34	McKeesport
35	Elizabeth
36	Jefferson Hills

Area No.	Submarket
37	Centerville
38	Washington
39	Canonsburg
40	Raccoon Creek
41	Aliquippa
42	Beaver
43	Economy
44	Cranberry Township
45	Fox Run
46	Slippery Rock
47	Butler
48	Armstrong County
49	New Kensington
50	Greensburg
51	Latrobe
52	Fayette County

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students,* who also December span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households,* which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

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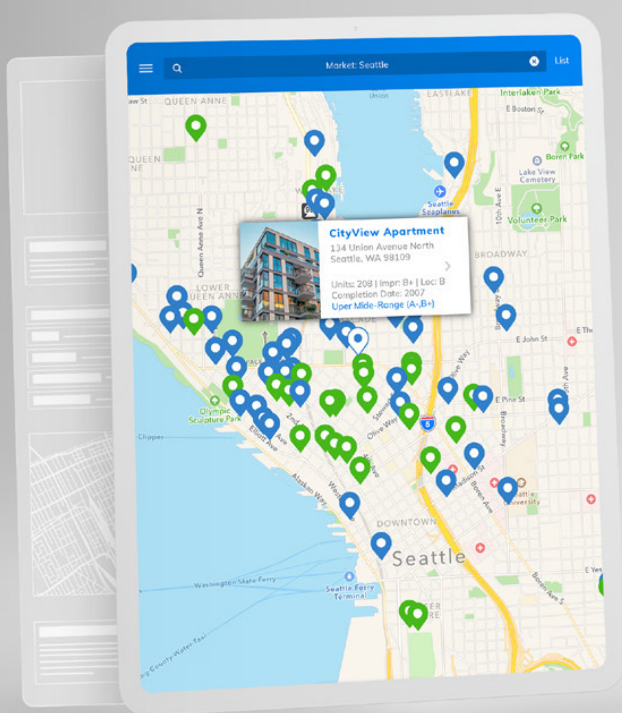

Yardi Matrix Multifamily provides accurate data on **19+ million units**, covering over **90% of the U.S. population**.

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