Yardi Matrix

Pittsburgh Steels Its Resolve

April 2022

Occupancy Rate Improves

Stock Expansion Ticks Up

Rent Growth Trails US Level

Yardi Matrix

Rent Growth Slows, Remains Solid

The Pittsburgh multifamily market had a largely unremarkable 2021. Although fundamentals began recovering, they remained below the national average in rent gains, inventory expansion and economic growth. On a trailing three-month basis through February, rents rose 0.3% to $1,266, half the pace of the national rate. Meanwhile, overall occupancy rose to 96.1%, boosted primarily by the upscale segment, up by a substantial 180 basis points in the 12 months ending in January, to 95.6%.

The unemployment rate in Pittsburgh stood at 5.8% in January, according to preliminary data from the Bureau of Labor Statistics, trailing the 3.8% national rate, as well as the state (5.4%) and Philadelphia (5.3%). The job market expanded by 3.4% in the 12 months ending in December, 100 basis points below the U.S. rate. Financial activities—the only sector to gain jobs in the 12 months ending in December 2020—was the only sector to post job losses (-1,100 jobs) a year prior.

As of February, developers had 2,866 units under construction, heavily targeting the high-income renter. Last year registered a slight increase in stock expansion compared to the previous two years. Meanwhile, in 2021, transaction activity moderated ($164 million) and amounted to half the peak volume recorded in 2020 ($335 million). The average price per unit decreased by 22.2%.

Market Analysis | April 2022

Contacts

Jeff Adler
Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Jack Kern
Director of Research
and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler
Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Anca Gagiuc
Senior Associate Editor

Recent Pittsburgh Transactions

Southside Works City

City: Pittsburgh
Buyer: Brookfield Properties
Purchase Price: $90 MM
Price per Unit: $340,909

River Oaks Townhomes

City: Pittsburgh
Buyer: AION Partners
Purchase Price: $21 MM
Price per Unit: $189,429

Allegheny Commons East

City: Pittsburgh
Buyer: WNC & Associates
Purchase Price: $11 MM
Price per Unit: $80,882

RENT TRENDS

➤ Pittsburgh rents rose 0.3% on a trailing three-month (T3) basis through February, to $1,266, behind the U.S. average, which rose to $1,628 following a 0.6% increase. Pittsburgh's rent performance trailed the nation on a year-over-year basis—8.6% in Pittsburgh and 15.4% nationally.

➤ Rent growth on a T3 basis has been on a steady softening trend from the 1.4% high in June. Between March and September, rates were led by the Lifestyle segment. In October, demand was even between the two property classes, and since November Renter-by-Necessity assets have been driving rent growth.

➤ At the start of 2022, Lifestyle rents began depreciating, falling 0.2% on a T3 basis through February for the second consecutive month. The

average rent for the segment dropped to $1,744. Meanwhile, RBN rents rose 0.6% on a T3 basis through February, to $1,119.

➤ The occupancy rate in stabilized properties rose 80 basis points on a year-over-year basis through January, to 96.1%. Lifestyle occupancy posted a substantial 180-basis-point increase to 95.6%, while RBN occupancy rose 50 basis points, to 96.3%.

➤ Of the 49 submarkets tracked by Yardi Matrix, three posted rent contractions on a year-over-year basis. Another 12 posted double-digit increases, with Southside in the lead (20.6% to $1,922). The submarket is also Pittsburgh's most expensive area. The average rent in the Downtown region rose 9.8% to $1,770.

Pittsburgh vs. National Rent Growth (Trailing 3 Months)
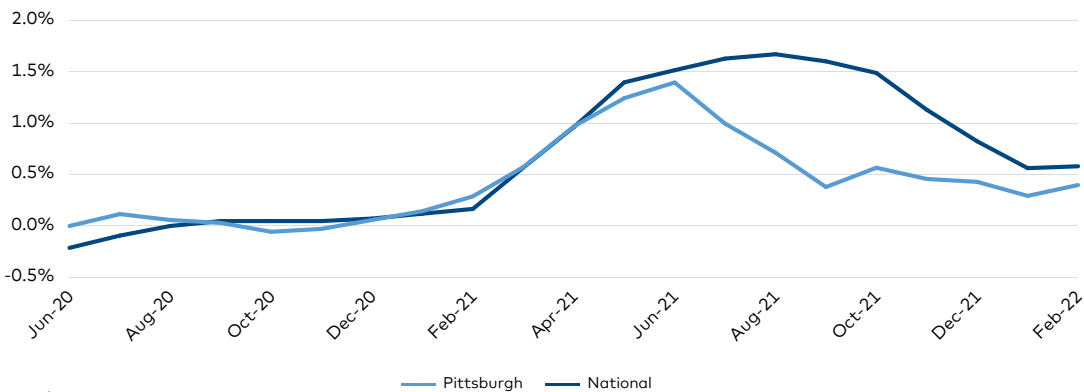
Source: Yardi Matrix

Pittsburgh Rent Growth by Asset Class (Trailing 3 Months)
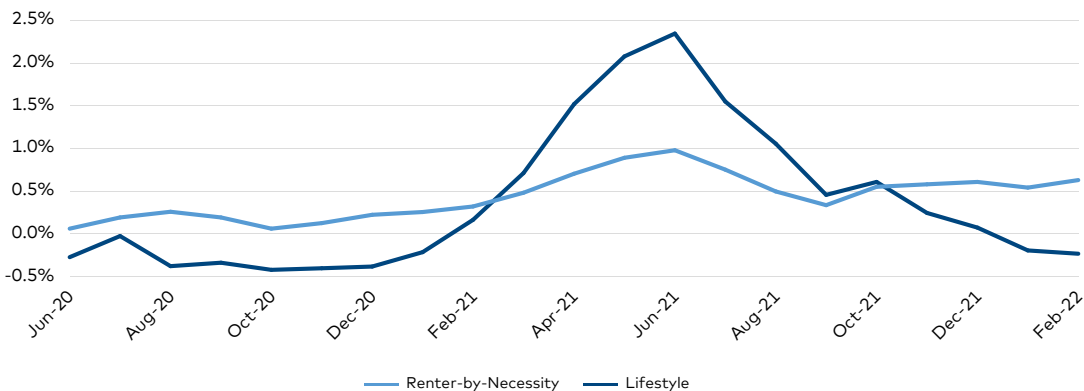
Source: Yardi Matrix

ECONOMIC SNAPSHOT

➤ Pittsburgh unemployment spiked again at the start of 2022, after five consecutive months of improvement, according to data from the Bureau of Labor Statistics. The rate rose to 5.8% in January, trailing both the state (5.4%) and Philadelphia (5.3%), and far behind the 3.8% national rate.

➤ Pittsburgh's labor force expanded by 3.4% (40,500 jobs) in the 12 months ending in December, 100 basis points below the U.S. rate. The employment market is in recovery mode and is growing, but it held its position behind the U.S. average. Moreover, it has maintained a gradually softening trend since the 6.9% high registered in September.

➤ The sole sector that posted job gains in the first year of the pandemic—financial activities—was the only sector to record job losses a year later (-1,100 jobs, down 1.5%).

➤ Leisure and hospitality saw the strongest gains and accounted for 44% of job growth, adding 17,800 jobs. Pittsburgh's largest sector— education and health services—saw slowed hiring into the final months of 2021 and added just 3,700 jobs in the 12 months ending in December. Still, professional and business services—the third-largest sector—entered an upward trend at the close of 2021 and expanded by 6,700 jobs.

Pittsburgh Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	101	8.9%
60	Professional and Business Services	178	15.6%
15	Mining, Logging and Construction	68	6.0%
65	Education and Health Services	255	22.4%
80	Other Services	45	4.0%
40	Trade, Transportation and Utilities	206	18.1%
50	Information	19	1.7%
90	Government	113	9.9%
30	Manufacturing	80	7.0%
55	Financial Activities	74	6.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

➤ Pittsburgh's population decreased for the eighth consecutive year in 2020, down by 8,350 residents, a 0.4% downtick, while U.S. demographics expanded by 0.4%.

➤ Over the decade ending in 2020, the U.S. population expanded by 6.5%, but Pittsburgh's decreased by 2.0%.

Pittsburgh vs. National Population

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

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

SUPPLY

➤ Pittsburgh had 2,866 units under construction as of February, and another 8,500 in the planning and permitting stages. Developer preference for Lifestyle properties in Pittsburgh is on par with the U.S., with upscale projects accounting for more than 80% of the properties under construction.

➤ Last year, developers delivered 1,033 units, or 1.1% of total stock, trailing the 2.6% U.S. rate. This marked a slight increase in stock expansion, compared to 2020 (762 units) and 2019 (822 units). Still, 2021's inventory growth doesn't position the year among the best during the past decade and is below the previous five-year average of 1,200 units.

➤ The Bloomfield and Downtown submarkets led in construction activity with a respective 654 and 623 units underway. The latter also houses the largest project under construction—The District—a 442-unit Lifestyle property owned by NRP Group in partnership with The Buncher Co. The project is slated for completion in mid-2022.

➤ Lubert-Adler's 311-unit Kaufmann's Grand on Fifth Avenue was the largest project

delivered in 2021. The asset is an adaptive reuse of a historic building developed in 1877. A $57 million construction loan originated by Manufacturers and Traders Trust Co. was issued to help redevelop the property.

Pittsburgh Completions (as of February 2022)
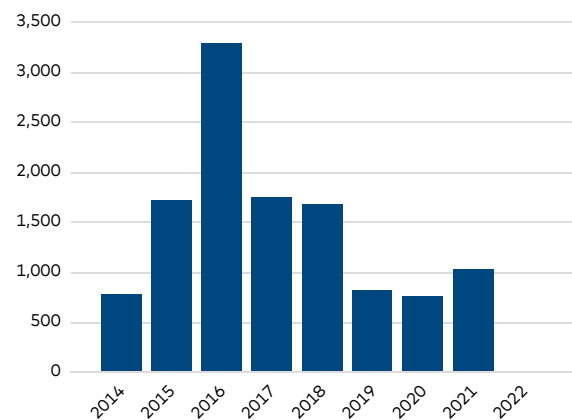
Source: Yardi Matrix

Pittsburgh vs. National Completions as a Percentage of Total Stock (as of February 2022)


Pittsburgh   National
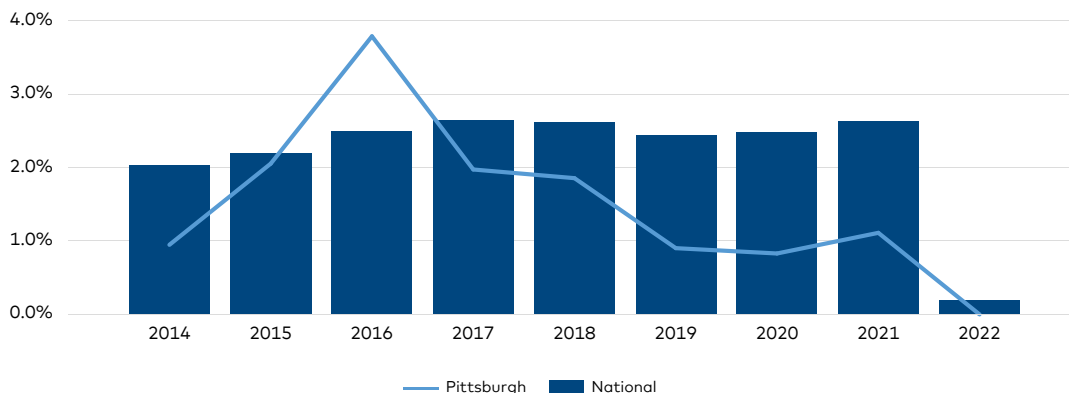
Source: Yardi Matrix

TRANSACTIONS

➤ Pittsburgh's transaction volume decreased considerably in 2021, to $164 million. This comes after the metro had just recorded its peak year in sales, with investment reaching $335 million in 2020. In the decade ending in 2021, nearly $1.5 billion in multifamily properties changed hands in Pittsburgh.

➤ About three-quarters of last year's sales composition consisted of value-add opportunities. This impacted the price per unit, with the average

declining 22.2% year-over-year to $98.03. Meanwhile, at the close of 2021, the national per-unit price rose 21.9% year-over-year, to $192,222.

➤ In the 12 months ending in February, the Southside and Downtown submarkets had the highest sales volume. In Southside, the transaction amount originated from the sale of a Lifestyle property—the 264-unit Southside Works City—acquired by Brookfield Properties from City Club Apartments for an estimated $90 million.

Pittsburgh Sales Volume and Number of Properties Sold (as of February 2022)
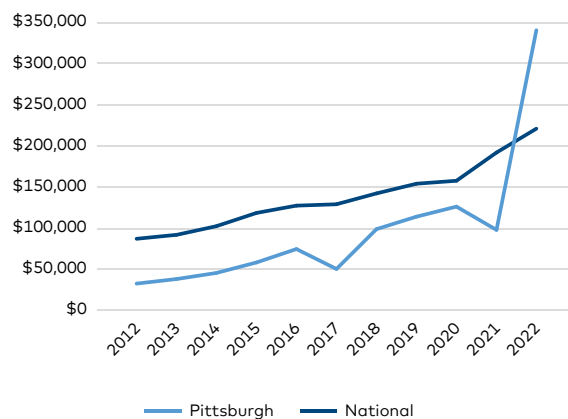

Source: Yardi Matrix

Number of Properties ⸺ Volume in Millions ▪
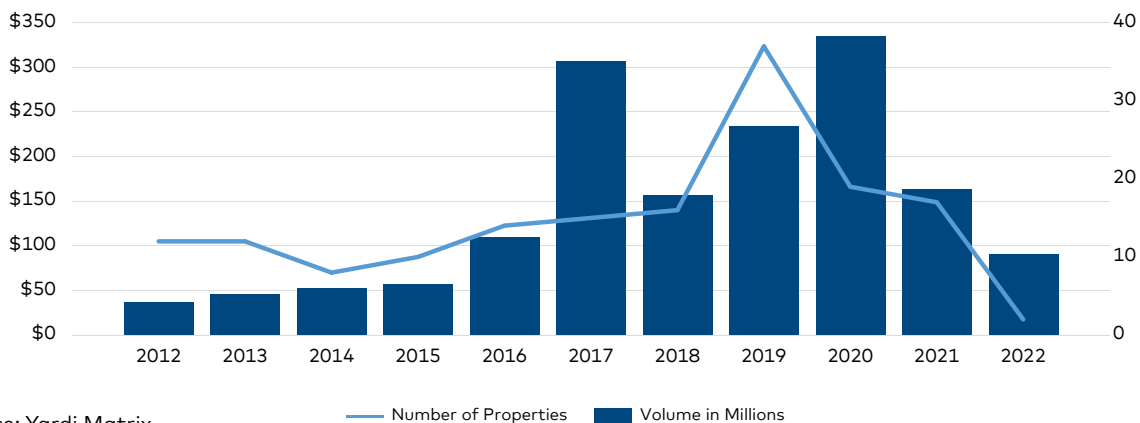
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Southside	90
Downtown	72
Fox Chapel	21
Northshore	11
Slippery Rock	10
Coraopolis	8
Bethel Park	7

Source: Yardi Matrix
[1] From March 2021 to February 2022

Pittsburgh vs. National Sales Price per Unit

Pittsburgh ⸺ National ⸺

Source: Yardi Matrix
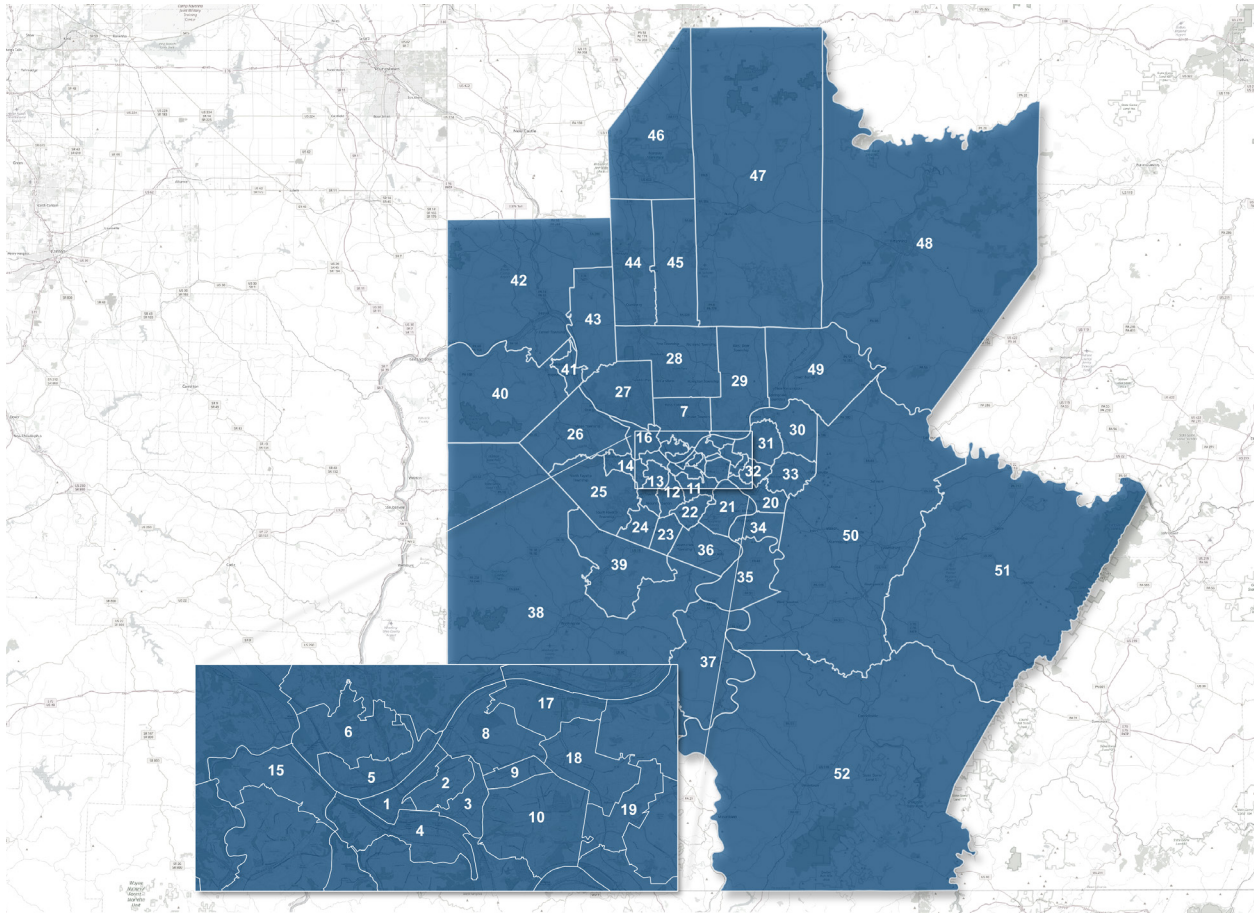
Area No.	Submarket	Area No.	Submarket	Area No.	Submarket
1	Pittsburgh–Downtown	19	Wilkinsburg	37	Centerville
2	Hill District	20	Braddock	38	Washington
3	Oakland	21	West Mifflin	39	Canonsburg
4	Southside	22	Whitehall	40	Raccoon Creek
5	Northshore	23	Bethel Park	41	Aliquippa
6	Perry	24	Upper St Clair	42	Beaver
7	West View	25	Oakdale	43	Economy
8	Bloomfield	26	Coraopolis	44	Cranberry Township
9	Shadyside	27	Franklin Park	45	Fox Run
10	Squirrel Hill	28	Hampton Township	46	Slippery Rock
11	Carrick	29	Fox Chapel	47	Butler
12	Castle Shannon	30	Plum	48	Armstrong County
13	Carnegie	31	Penn Hills	49	New Kensington
14	Robinson Township	32	Churchill	50	Greensburg
15	Fairywood	33	Monroeville	51	Latrobe
16	McKees Rocks	34	McKeesport	52	Fayette County
17	Highland Park	35	Elizabeth		
18	Homewood	36	Jefferson Hills		

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.
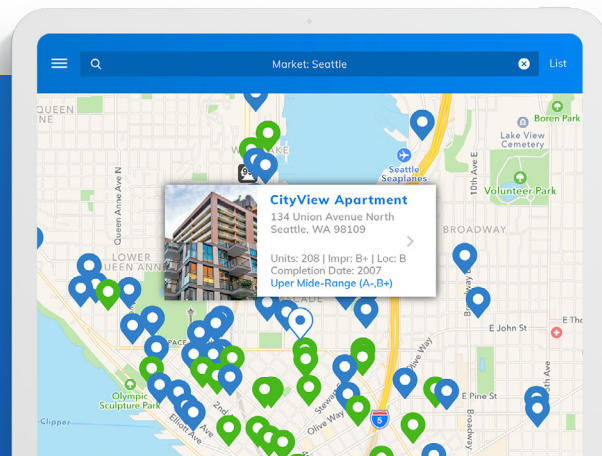
![Yardi Matrix logo]

Power your business with the industry's leading data provider

MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details

- Leverage improvement and location ratings, unit mix, occupancy and manager info

- Gain complete new supply pipeline information from concept to completion

- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators

- Access aggregated and anonymized residential revenue and expense comps

Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

✔YARDI

(800) 866-1144
Learn more at yardimatrix.com/**multifamily**

Contact us

DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (http://www.yardimatrix.com/Terms) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2022 Yardi Systems, Inc. All Rights Reserved.