Yardi Matrix

MULTIFAMILY REPORT

# Pittsburgh: Still Standing

April 2023

Investment Stalls After Solid 2022

Rent Growth Outperforms Nation

Job Market Slow But Stable

# PITTSBURGH MULTIFAMILY

Yardi Matrix

# Rental Market Holds Steady

Pittsburgh's multifamily market has shown resilience while navigating nationwide economic issues, with rent growth at 0.2%, on a trailing three-month basis as of February. Meanwhile, the U.S. rate remained flat month-over-month, down 0.1% on a three-month basis, to an overall average of $1,702, as seasonal trends and economic pressures continue to impact the rental market. The metro's average occupancy rate in stabilized assets was 95.7% as of January, 50 basis points above the national rate.

Pittsburgh's economy recorded stable performance throughout 2022, having added 32,700 jobs, up 2.7% year-over-year. The metro has consistently registered below the national rate of employment growth, but its jobless rate outperformed both Pennsylvania and Philadelphia by solid margins at the end of last year. Large-scale medical projects by the University of Pittsburgh Medical Center, such as its Presbyterian Hospital and Mercy Pavilion developments, should bolster what is already the economic cornerstone of the metro.

Investment activity in 2022 was strong, at $279 million, posting the metro's second-best year for sales in the past decade, but volume was slow out of the gate in 2023, as ongoing concerns about the credit environment pressured buyers. Development was solid, with 2,095 units under construction, following the market's strongest year for deliveries since 2016.

## **Market Analysis** | April 2023


Contacts

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

**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
**Alex Girda**
Senior Editor


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### Recent Pittsburgh Transactions

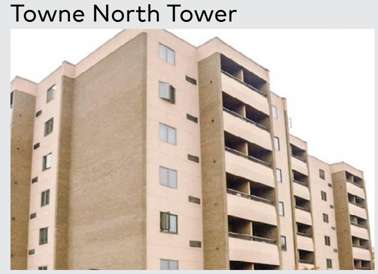
Coda on Centre

City: Pittsburgh
Buyer: J.P. Morgan Asset Management
Purchase Price: $51 MM
Price per Unit: $292,000

The Residences at the Street

City: Washington, Pa.
Buyer: Red Tail Acquisitions
Purchase Price: $20 MM
Price per Unit: $220,304

Towne North Tower



City: Pittsburgh
Buyer: Capital Realty Group
Purchase Price: $7 MM
Price per Unit: $50,014

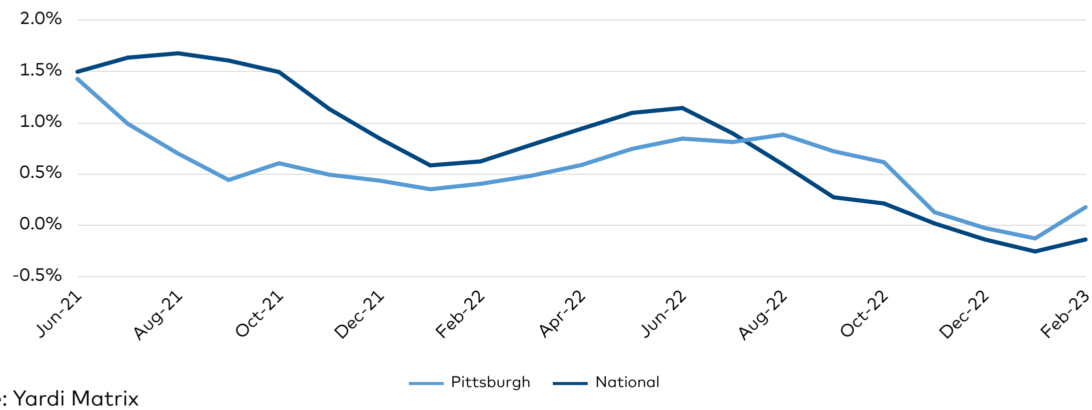
Valley Stream

City: Delmont, Pa.
Buyer: Arbors Management
Purchase Price: $5 MM
Price per Unit: $34,091

## RENT TRENDS

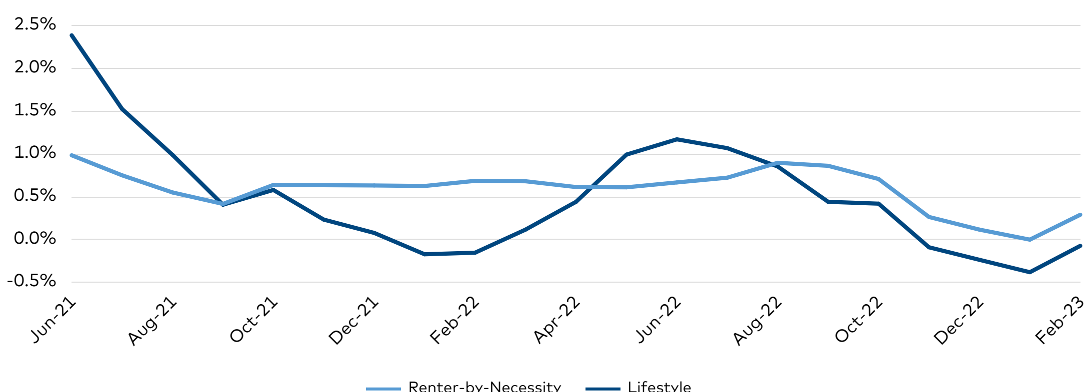
- Pittsburgh rates improved 0.2% on a trailing three-month (T3) basis as of February. The metro bucked national trends, with the U.S. figure negative through the interval, down 0.1%. The average overall rent was $1,316, well below the $1,702 U.S. rate.
- With interest rates and inflation becoming increasingly pressing issues, assets in the working-class Renter-by-Necessity segment have seen stronger activity, pushing up rents in the quality segment by 0.3%, while Lifestyle figures were down 0.1%. Despite the disparity, the spread between the two quality segments was significant, with RBN rates averaging $1,152 and upscale rents at $1,816.
- On a year-over-year basis, rent development in Pittsburgh also outpaced the nation, with improvement at 6.0%, 120 basis points higher than the national rate of growth, which continued to trend downward.
- Submarkets leading rent gains on a year-over-year basis were located in the northern end of the metro: Beaver (up 16.3%), West View (13.0%) and Cranberry Township (12.8%). Of the 48 tracked submarkets in Pittsburgh, only three recorded rate decreases through the interval.
- The single-family rental sector performed strongly, with year-over-year rent development at 8.1%, while occupancy recorded a slight 0.3% slide.

**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

- Unemployment numbers favored the Pittsburgh metro, at 3.7% as of December, 60 basis points lower than the state and 80 basis points below Philadelphia. Pittsburgh added 32,700 jobs in 2022, which marked a 2.7% expansion, 100 basis points lower than the U.S. rate of job growth.
- Two employment sectors—mining, logging and construction and education and health services—recorded slight decreases, down a combined 600 jobs, while a third, information, saw no change in 2022.
- Professional and business services and leisure and hospitality added a total of 21,900 positions, accounting for more than two-thirds of the metro's job gains.
- Although the education and health services sector was down 0.1% year-over-year, several projects will boost the sector in coming years. The University of Pittsburgh Medical Center is building the new UPMC Presbyterian Hospital in Oakland as well as the UPMC Mercy Pavilion in Uptown. The 10-story facility will offer 410,000 square feet of space and will focus on eye care. Elsewhere, the transportation and hospitality sectors are expected to be positively impacted by ongoing expansion at Pittsburgh International Airport.

**Pittsburgh Employment Share by Sector**

| | | Current Employment | |
|---|---|---|---|
| Code | Employment Sector | (000) | % Share |
| 60 | Professional and Business Services | 190 | 16.4% |
| 70 | Leisure and Hospitality | 115 | 9.9% |
| 30 | Manufacturing | 85 | 7.3% |
| 55 | Financial Activities | 77 | 6.6% |
| 40 | Trade, Transportation and Utilities | 211 | 18.2% |
| 90 | Government | 114 | 9.8% |
| 80 | Other Services | 46 | 4.0% |
| 50 | Information | 21 | 1.8% |
| 15 | Mining, Logging and Construction | 65 | 5.6% |
| 65 | Education and Health Services | 240 | 20.7% |

Sources: Yardi Matrix, Bureau of Labor Statistics

## Population

- Pittsburgh's population increased significantly during the first year of the pandemic, ending 2020 with an extra 50,000 residents. In 2021, the total population declined to 2,353,538 residents, which was still 1.5% higher than 2019 numbers.

**Pittsburgh vs. National Population**

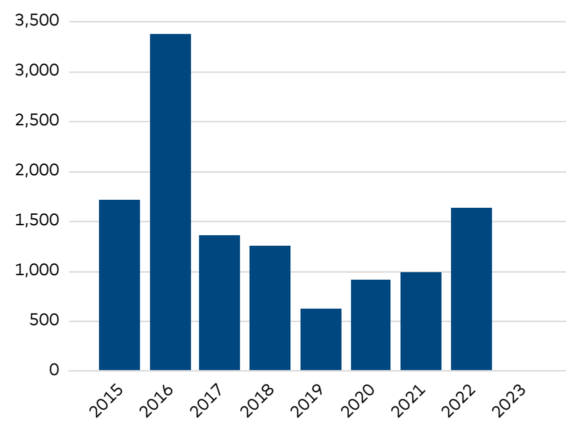
| | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| National | 326,838,199 | 328,329,953 | 331,501,080 | 331,893,745 |
| Pittsburgh | 2,323,785 | 2,317,913 | 2,367,293 | 2,353,538 |

Source: U.S. Census

## SUPPLY

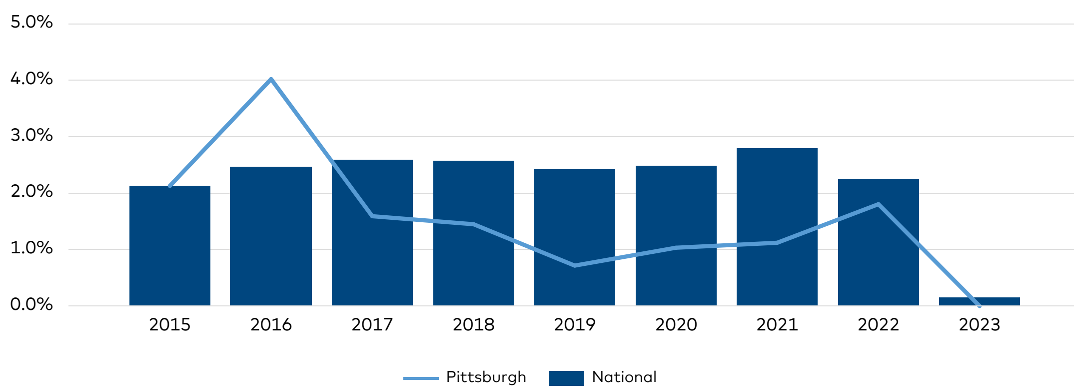
- The Pittsburgh multifamily market had 2,095 units under construction at the end of February 2023. The metro has been fairly slow to add new rental inventory over the past decade, but another 13,000 units in the planning and permitting stages point to potential growth, should market conditions become more favorable.
- In 2022, developers added 1,639 units to the market's stock, nearly double the previous three-year average of 845 units. New units accounted for 1.8% of existing stock, well below the national rate of completions, which ended the year at 2.3%.
- The average occupancy rate in stabilized properties in Pittsburgh was 95.7% in January, 40 basis points lower than the figure recorded 12 months prior. Renter-by-Necessity assets performed more strongly, with average occupancy at 95.9%. Meanwhile, assets in the upscale Lifestyle segment had an average occupancy rate of 95.2%.
- The submarkets leading development activity were Hill District (428 units under construction), Coraopolis (336 units) and Oakland (296 units). Another three submarkets had at least 200 units underway as of February.
- The largest multifamily development under construction is Brewer's Block in Hill District, at 377 units. Slated for completion this July, the project is being built by RDC, with Greystar handling property management duties. The three-building property is located on 3.5 acres.

**Pittsburgh Completions** (as of February 2023)




Source: Yardi Matrix

**Pittsburgh vs. National Completions as a Percentage of Total Stock** (as of February 2023)

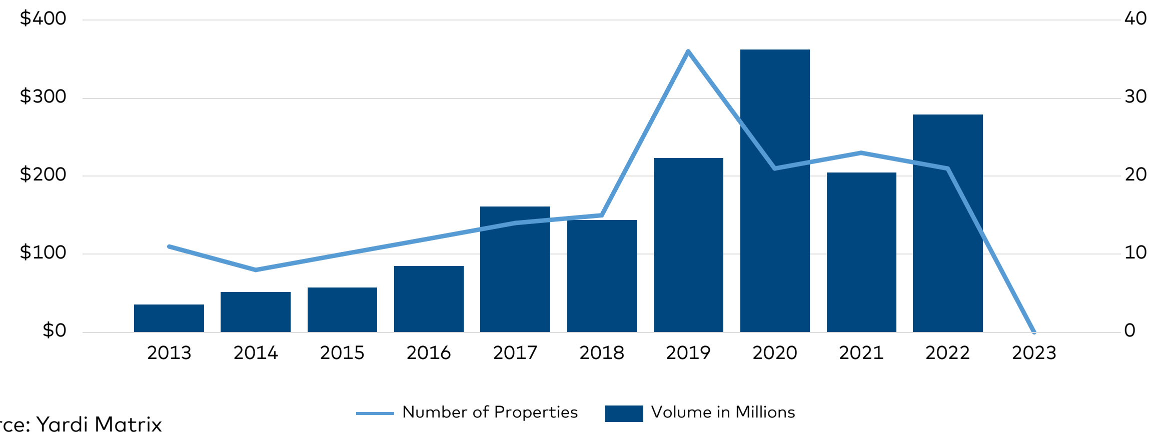



Source: Yardi Matrix

## TRANSACTIONS

- Last year, $279 million in multifamily properties traded in the metro. A slowdown in transactions during the second half of 2022 did little to dent sales activity in Pittsburgh, with the year being the second-best on record for sales, trailing only 2020, when $362 million in multifamily deals was recorded.
- Property values in Pittsburgh have oscillated throughout the past decade, after a fairly steady stint in the $30,000 to $35,000 band between 2010 and 2013. Per-unit prices reached $126,031 in 2022, following a near-$50,000 jump over 2021. That value is still significantly lower than the $211,138 national figure.
- In the 12 months ending in February, Cranberry Township ($70 million), Bloomfield ($51 million) and Greensburg ($33 million) led the way in investment activity. Last summer, Goldman Sachs & Co. acquired two Pittsburgh multifamily communities in Robinson Township and Greensburg for a combined $54 million.

**Pittsburgh Sales Volume and Number of Properties Sold** (as of February 2023)



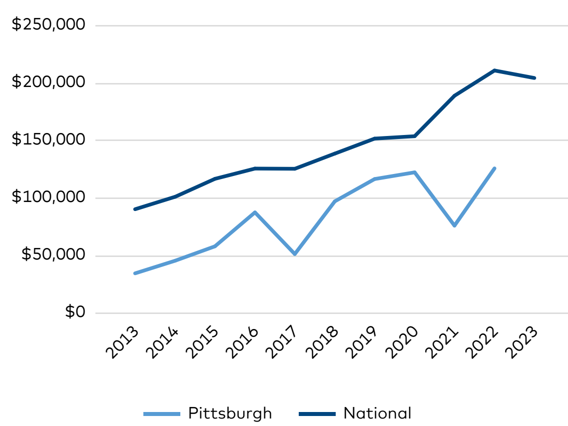

Source: Yardi Matrix

### Top Submarkets for Transaction Volume[1]

| Submarket | Volume ($MM) |
|---|---|
| Cranberry Township | 70 |
| Bloomfield | 51 |
| Greensburg | 33 |
| West View | 27 |
| Robinson Township | 26 |
| Canonsburg | 20 |
| Southside | 14 |

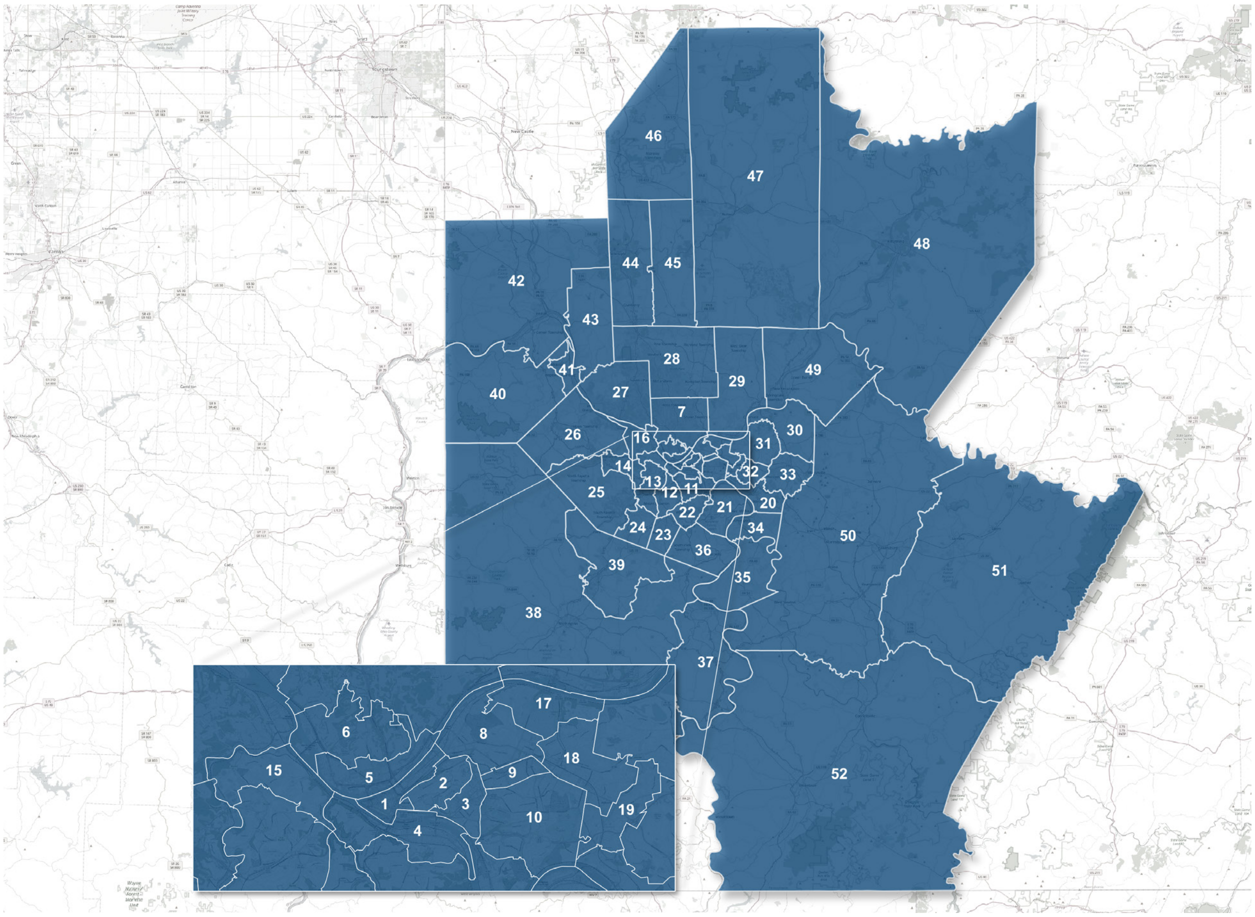
Source: Yardi Matrix
[1] From March 2022 to February 2023

### Pittsburgh vs. National Sales Price per Unit




Source: Yardi Matrix

## 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 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 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, 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.

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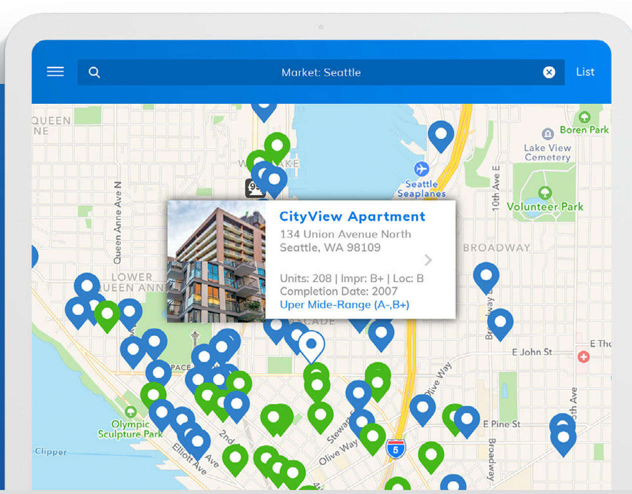


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