Yardi Matrix

Pittsburgh Stays Stable

October 2023

Investment Slowdown Mirrors Nation

Job Market Continues Improvement

Construction Pushes Through

Yardi Matrix

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Pittsburgh Rentals Not Rusty Yet

As a Rust Belt market, Pittsburgh has seen some lag in the development of its multifamily sector in recent decades but has experienced less oscillation than other markets lately. Last year was particularly strong for the metro, but moderation is once again the main narrative in Steel City. Pittsburgh rent growth remained flat on a trailing three-month basis as of August, while the U.S. rate saw mild improvement, at 0.2%. The metro's average occupancy in stabilized properties was 95.5% as of July, 50 basis points higher than the national figure.

Only mining, logging and construction recorded job losses in the 12 months ending in June, with the employment market adding 33,100 positions. Unemployment in the metro is showing signs of improvement. Holding at 3.7% as of July, it was 10 basis points below the Pennsylvania rate and 20 basis points lower than the national figure. Work began on the $69 million final phase of the Hillman Library renovation, adding 500 construction and support jobs.

There was limited investment through the first eight months of 2023, as rising interest rates have limited investors' interest across many markets, capping off sales at $51 million. With 2,485 units under construction, development is steady by the metro's mildly oscillating standards.

Market Analysis | October 2023

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On the cover: Photo by traveler1116/iStockphoto.com

Recent Pittsburgh Transactions

Bellefield Dwellings

City: Pittsburgh
Buyer: Rhodium Capital Advisors
Purchase Price: $27.5 MM
Price per Unit: $173,734
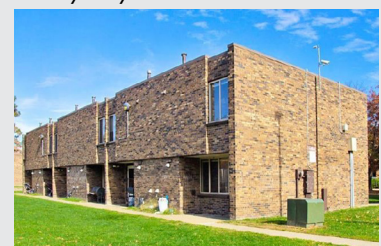
Mon View Heights

City: Pittsburgh
Buyer: Rhodium Capital Advisors
Purchase Price: $17 MM
Price per Unit: $52,147

Palisades Plaza

City: Pittsburgh
Buyer: Rhodium Capital Advisors
Purchase Price: $3.3 MM
Price per Unit: $37,078

Valley Royal Court

City: Pittsburgh
Buyer: Rhodium Capital Advisors
Purchase Price: $3 MM
Price per Unit: $42,253

RENT TRENDS

➤ Pittsburgh rents stayed flat on a T3 basis as of August, while national improvement slowed to 0.2% through the same interval. The metro's average overall rent was $1,342, significantly below the $1,729 U.S. average.

➤ The gap between the Lifestyle and Renter-by-Necessity segments continues to widen in terms of rent development. With the occupancy rate decreasing, Lifestyle rates were up only 0.3% on a T3 basis, to $1,871, while the working-class RBN segment had a 0.1% drop in rents, to $1,162.

➤ The average occupancy rate in stabilized assets in the metro was 95.5% as of July, down 60 basis points year-over-year. The upscale Lifestyle segment saw its occupancy rate slide 60 basis points year-over-year through July, to 94.9%, while in the RBN segment, the rate was down only 50 basis points, to 95.8%.

➤ Of the 49 Pittsburgh rental submarkets tracked by Yardi Matrix, just six saw rate decreases on a year-over-year basis. Double-digit growth in Beaver (20.5% year-over-year) far outpaced other submarkets, while Shadyside (9.6%) and West View (9.2%) rounded out the top three.

➤ Pittsburgh's single-family rental sector came in third nationally for rent growth as of August, with its year-over-year rate development at 5.0%. Occupancy recorded a 0.3% increase, while most markets saw declines.

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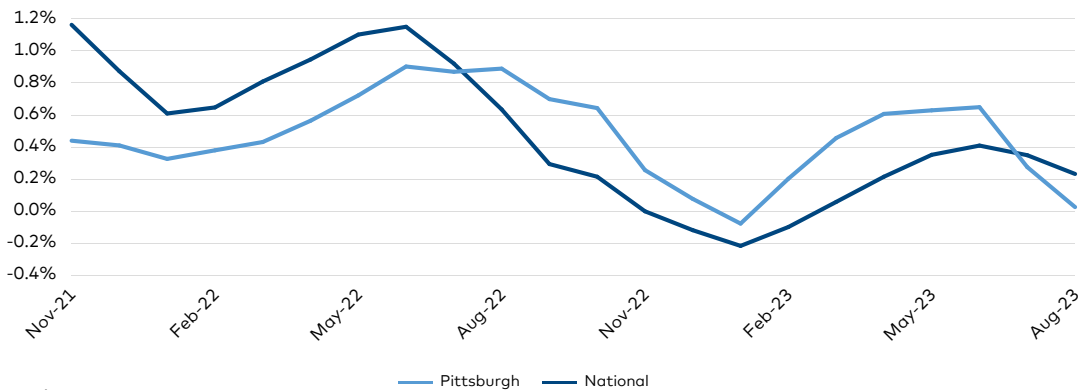
Source: Yardi Matrix

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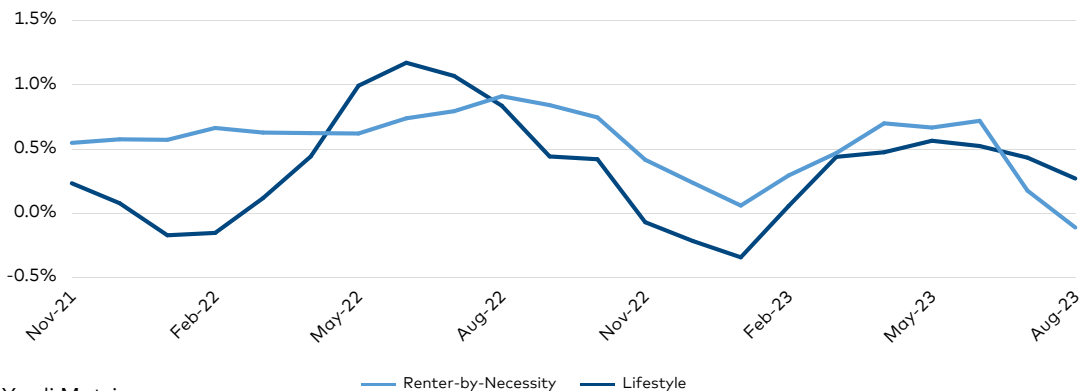
Source: Yardi Matrix

ECONOMIC SNAPSHOT

➤ Still recovering from job losses during the pandemic, Pittsburgh added 33,100 jobs in the 12 months ending in June. The added jobs account for an employment growth rate of 2.2% on a year-over-year basis, trailing the national figure by 60 basis points.

➤ Unemployment in the metro is showing signs of improvement. The rate stood at 3.7% as of July, 10 basis points lower than Pennsylvania and 20 basis points below the national figure.

➤ Job expansion was still heavily driven by professional and business services (7,800 jobs) and leisure and hospitality (7,200 jobs). The metro's main economic driver, education and health services—which accounts for more than a fifth of active employment—added 7,000 positions, rounding out the top three.

➤ Mining, logging and construction was the only sector to record losses, contracting by 1,700 jobs.

➤ Work began on the $69 million final phase of the Hillman Library renovation, which is expected to be completed by December 2024. Aside from upgrading most of the ground floor, the renovation also includes the construction of a new entry atrium. The project created 499 construction and support jobs.

Pittsburgh Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	198	16.7%
70	Leisure and Hospitality	124	10.5%
65	Education and Health Services	240	20.3%
40	Trade, Transportation and Utilities	207	17.5%
30	Manufacturing	86	7.3%
55	Financial Activities	76	6.4%
80	Other Services	49	4.1%
90	Government	112	9.5%
50	Information	22	1.9%
15	Mining, Logging and Construction	68	5.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

➤ After gaining 50,000 new residents in 2020, Pittsburgh resumed its declining demographic trend, one that had been noticeable well before the pandemic across cities in the Rust Belt. The metro's population was down 0.6% year-over-year, while national growth was at 0.1%.

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

➤ Developers had 2,485 units under construction as of August 2023. Another 15,100 units were in the planning and permitting phases across the metro.

➤ Apartment deliveries totaled 228 units in 2023 through August, accounting for 0.3% of existing stock. Nationally, incoming inventory accounted for 1.2% of existing rental stock, with both figures unlikely to outpace 2022's year-end rates.

➤ Supply additions have oscillated in recent years in the metro, but 2022's 1,689 units delivered far outpaced the previous five-year average of 1,127. As of July 2023, the occupancy rate stood at 95.3%, following a 70-basis-point slide on a year-over-year basis.

➤ Nearly half of all units under construction in metro Pittsburgh were located in just three submarkets. Oakland (444 units under construction), Hill District (428 units) and Coraopolis (336 units) rounded out the top three.

➤ The largest multifamily development under construction is Brewer's Block in Hill District, with 377 units. Initially scheduled for completion in July, the project's completion date was pushed back to November of this year. RDC is the developer and Greystar is handling property management duties.

Pittsburgh Completions (as of August 2023)
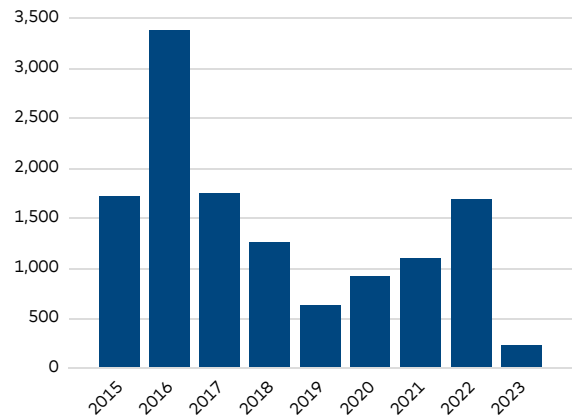
Source: Yardi Matrix

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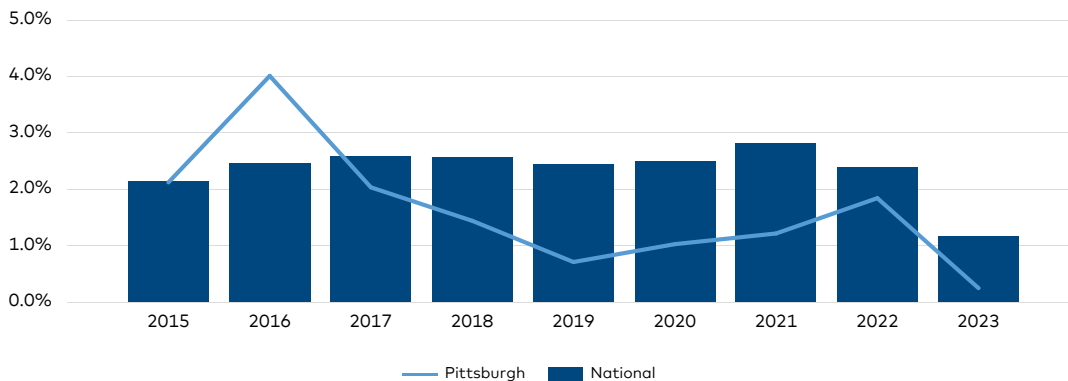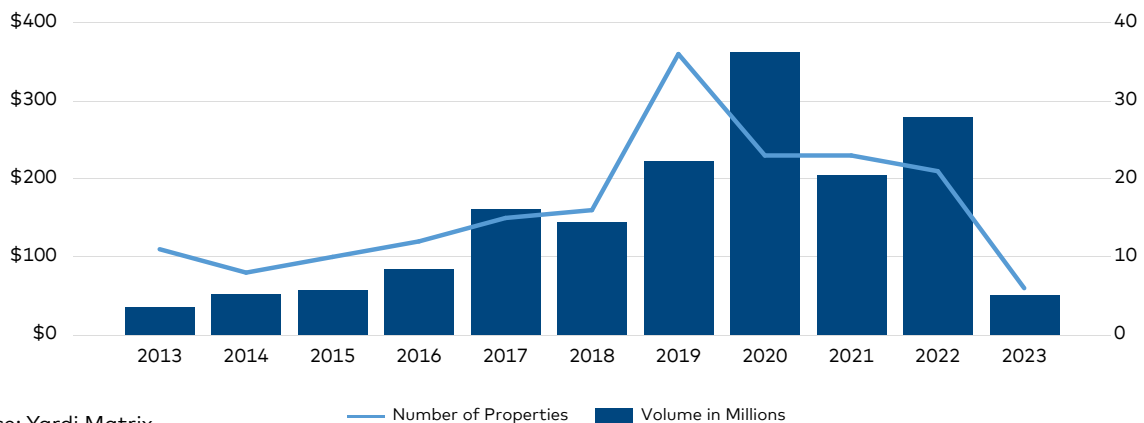

Source: Yardi Matrix

TRANSACTIONS

➤ Pittsburgh's multifamily sales volume reached $51 million through the first eight months of the year, less than a quarter of the volume recorded during the same period last year—$201 million.

➤ The average per-unit price in 2023 through August was $78,804, well below the $186,926 national average. The figure also trailed 2022's overall average of $126,031. Six Renter-by-Necessity properties traded, continuing what

has been a trend of investors targeting value-add plays in the metro. No Lifestyle properties changed hands in the first eight months of 2023.

➤ In the 12 months ending in August, Bloomfield ($51 million), Oakland ($28 million) and West View ($27 million) were the top submarkets for investment activity. Rhodium Capital Advisors bought four properties in different submarkets, for a combined total of $51 million.

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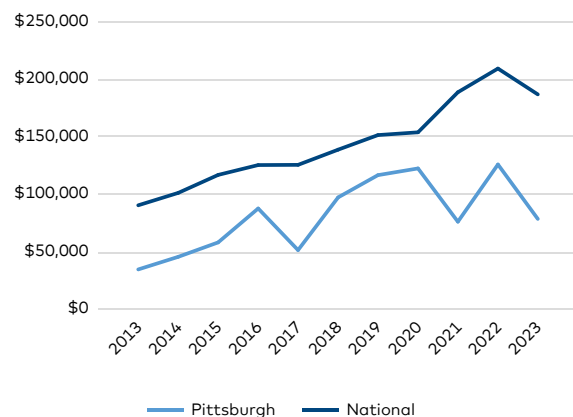

Source: Yardi Matrix

Number of Properties — Volume in Millions

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Bloomfield	51
Oakland	27
West View	27
Canonsburg	20
West Mifflin	17
Greensburg	5
Perry	4

Source: Yardi Matrix
[1] From September 2022 to October 2023

Pittsburgh vs. National Sales Price per Unit

Pittsburgh — National

Source: Yardi Matrix

Yardi Matrix

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MULTI-HOUSING NEWS
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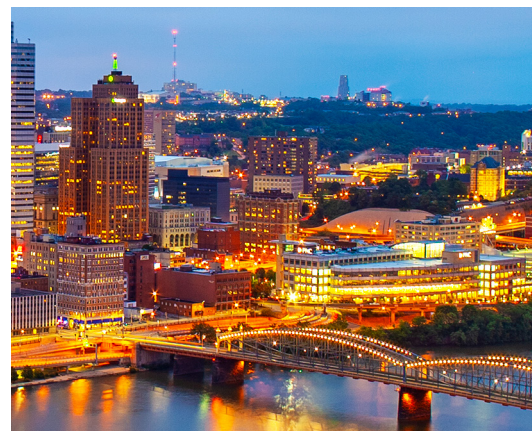
10 Most Affordable US Markets

By Anca Gagiuc

Affordable multifamily markets have become rare post-pandemic. Before the health crisis, metros located farther away from gateway cities used to boast more attainable rents. Then the sudden-imposed work-from-home practice morphed into a new way of living. Eliminating daily commutes enabled people to redesign their lives and suddenly, housing affordability improved, as long as relocation was considered.
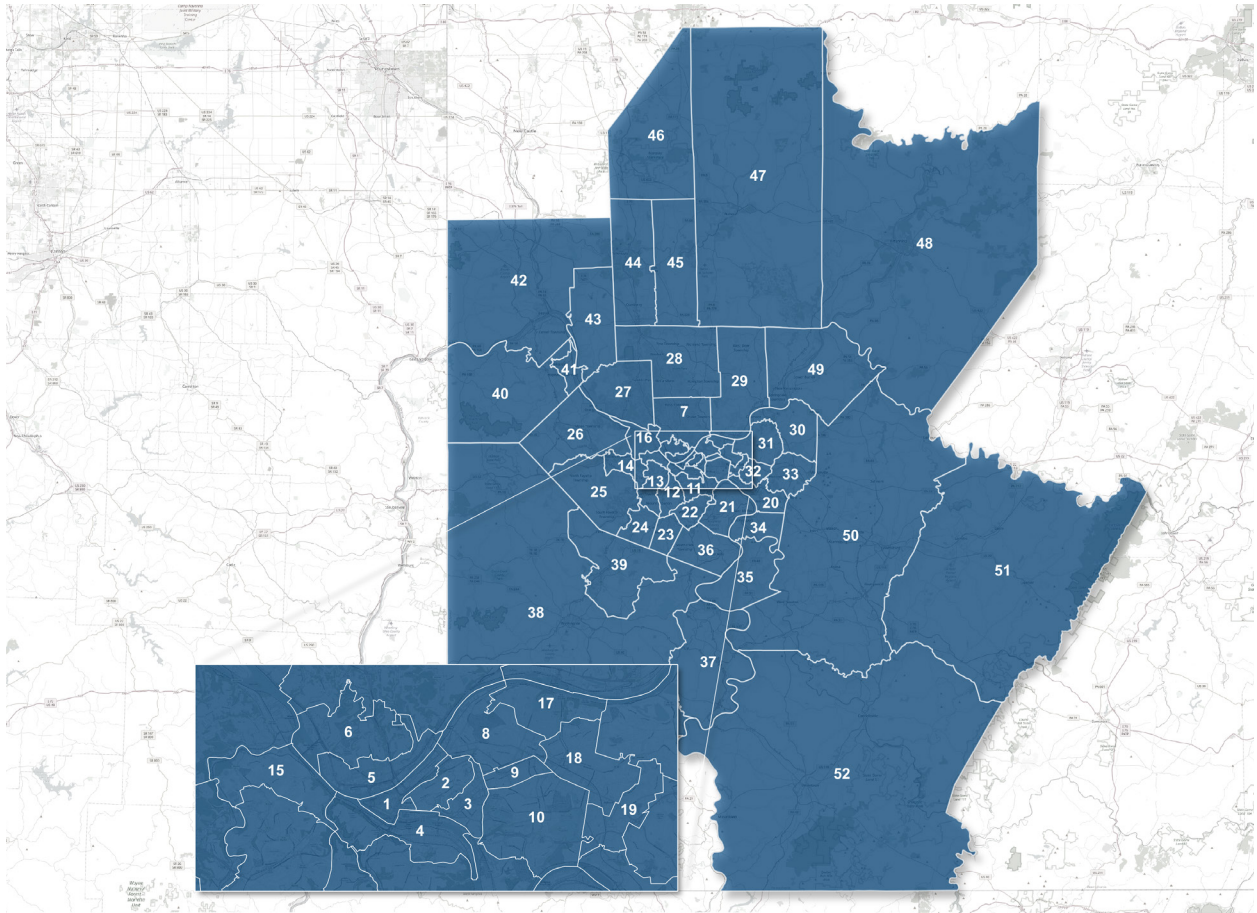
Rank	Metros	Average rent RBN Segment	Rent Growth T3 % RBN	Rent Growth RBN % March 2022 vs March 2023
1	Kansas City	$1,031	1.5%	8%
2	St Louis	$1,055	0.3%	5.9%
3	Houston	$1,060	1.1%	5.4%
4	San Antonio	$1,078	–0.2%	5.2%
5	Indianapolis	$1,093	1.7%	9.1%
6	Columbus	$1,143	1.6%	7.2%
7	Cincinnati	$1,151	2.1%	8.8%
8	Albuquerque	$1,157	–0.4%	8.2%
9	Detroit	$1,179	–0.5%	3.3%
10	Pittsburgh	$1,198	1.5%	6.3%

Pittsburgh

Steel City rounded out the most affordable multifamily rental markets ranking, with the average RBN rent at $1,198, a solid 1.5% increase on a T4 basis, through April. Year-over-year, rents posted a 6.3% increase. In addition, monthly rental payments accounted for 23 percent of the area median income. Developers delivered 228 units in 2023 through April, 0.4% of total stock and on par with last year's stock expansion.

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			

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.

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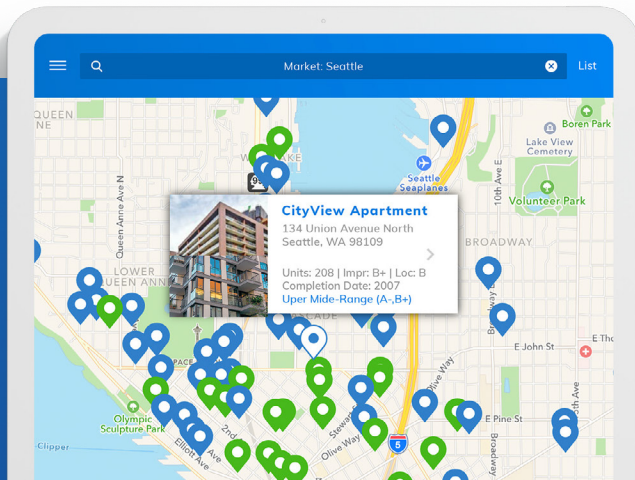
Yardi Matrix

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

CityView Apartment
134 Union Avenue North
Seattle, WA 98109

Units: 208 | Impr: B+ | Loc: B
Completion Date: 2007
Uper Mide-Range (A-,B+)

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

YARDI

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