Yardi Matrix
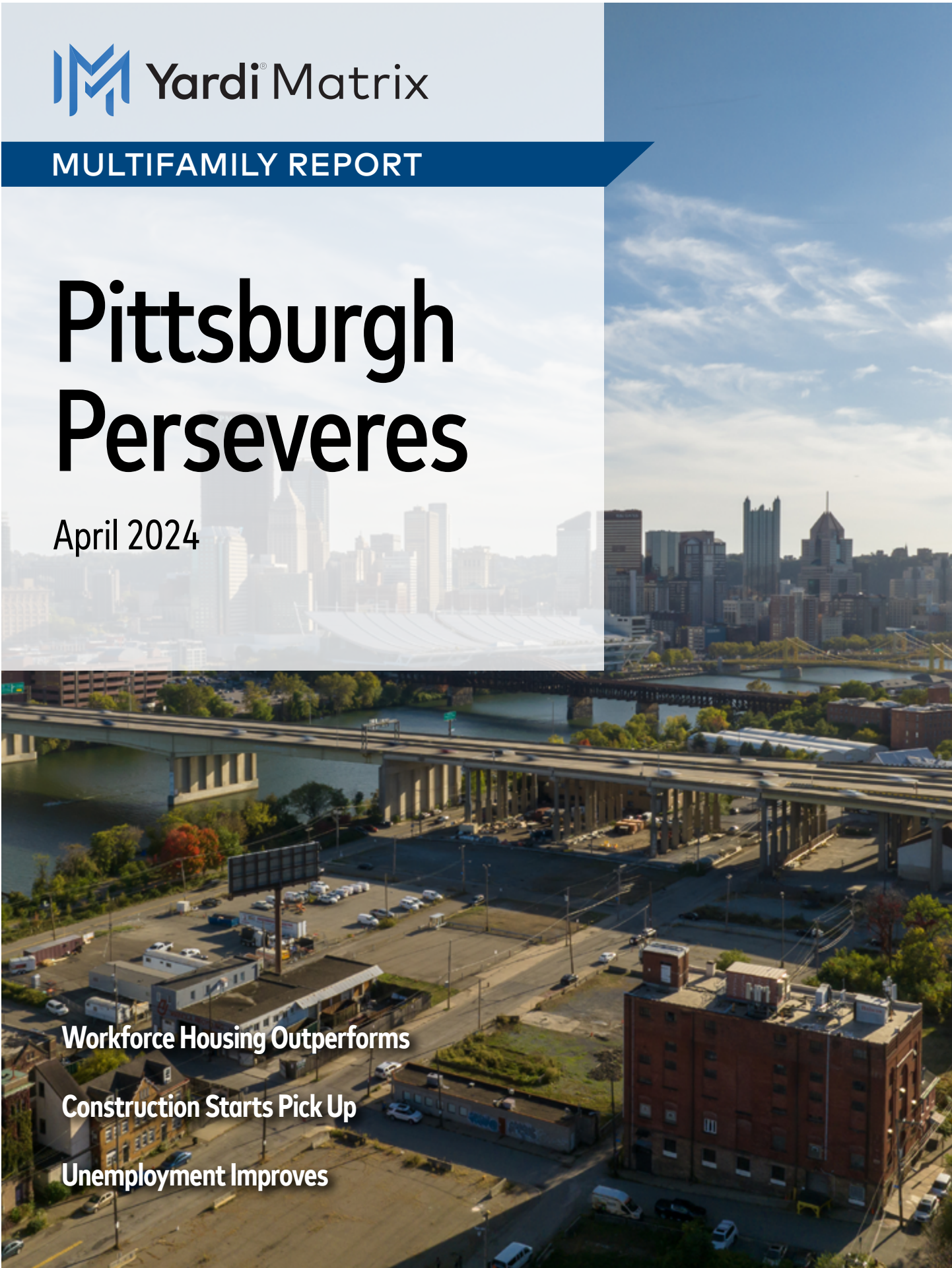
Pittsburgh Perseveres

April 2024

Workforce Housing Outperforms

Construction Starts Pick Up

Unemployment Improves

Yardi Matrix

Pipeline Rebounds In Steel City

Pittsburgh multifamily is keeping afloat in an economic landscape that has distressed many U.S. rental markets. The metro's rents were flat on a trailing three-month basis through February, at $1,345, while the U.S. rate was down 0.1% during the same time frame. The metro's average occupancy in stabilized properties stood at 94.8% as of February, recording an 80-basis-point decrease in 12 months.

Pittsburgh employment expanded by 1.6% last year, 40 basis points below the U.S. rate, adding 10,800 net jobs to the workforce. Education and health services added the most positions (4,900). The unemployment rate stood at 2.9% as of December, 80 basis points lower than the U.S. figure, according to preliminary data from the Bureau of Labor Statistics. A new, $250 million biomanufacturing facility set to take shape on the 178-acre Hazelwood Green will add to the metro's life science footprint.

Developers had 3,207 units underway as of February across the metro, with an additional 15,000 apartments in the planning and permitting stages. The number of construction starts rose significantly in 2023, with 2,260 units breaking ground, a far cry from the 471 units recorded in 2022. Transaction activity in 2023 closed at just $98.9 million, a big slide from the previous three years and also the lowest figure since 2016.

Market Analysis | April 2024

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Recent Pittsburgh Transactions

Mon View Heights

City: West Mifflin, Pa.
Buyer: Rhodium Capital Partners
Purchase Price: $17 MM
Price per Unit: $52,147

Cambridge Square

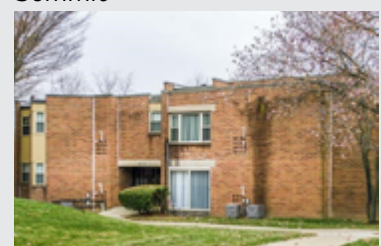City: Monroeville, Pa.
Buyer: CPP Housing
Purchase Price: $17 MM
Price per Unit: $81,373

The Residences at South High

City: Pittsburgh
Buyer: FPA Multifamily
Purchase Price: $14 MM
Price per Unit: $184,211

Summit

City: Latrobe, Pa.
Buyer: MountainCreek Properties
Purchase Price: $11 MM
Price per Unit: $107,950

RENT TRENDS

➤ Pittsburgh rates were flat on a trailing three-month (T3) basis as of February, at $1,345, while the U.S. figure was down 0.1%. Rent movement has been on a decelerating path since September 2023 in the metro, inching up only as the prime leasing season approached. This was mostly in line with nationwide trends.

➤ The working-class Renter-by-Necessity segment has been outperforming significantly year-over-year, up 2.7% as of February. During the same time frame, Lifestyle rates contracted 0.1%. RBN figures fared relatively better on a T3 basis, up 0.1%, to $1,173. Meanwhile, the Lifestyle rate was down 0.2%, to $1,826.

➤ The metro's average overall occupancy rate in stabilized properties stood at 94.8% as of February, an 80-basis-point decrease in 12 months. The Lifestyle rate recorded a 120-basis-point decline, to 93.7%. Meanwhile, occupancy in the RBN segment fell 70 basis points, to 95.3%, in the 12 months ending in February, according to Yardi Matrix data.

➤ Growth was uneven across the map year-over-year. Of the 52 Pittsburgh submarkets tracked by Yardi Matrix, 14 saw rate decreases on a year-over-year basis. Penn Hills recorded the steepest decline, down 7.5%. Southside remained one of the most expensive areas, with an average rent of $1,965, despite rates contracting 2.3%. It was followed by Pittsburgh – Downtown ($1,911 to -0.2%).

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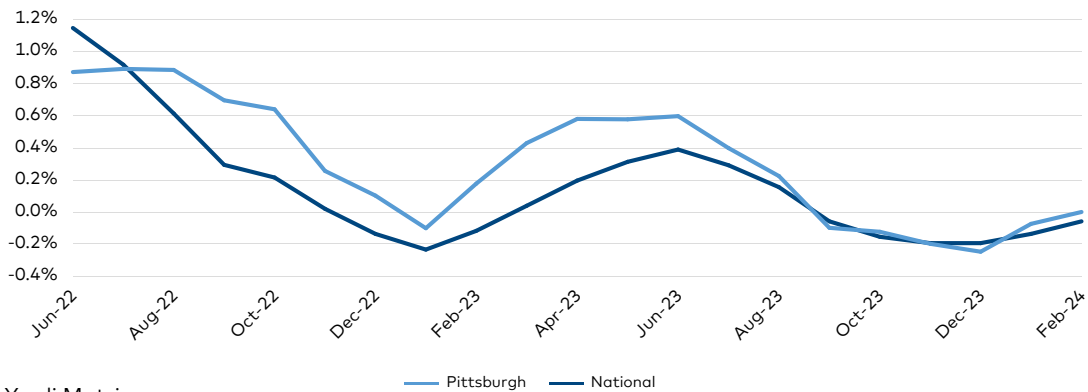
Source: Yardi Matrix

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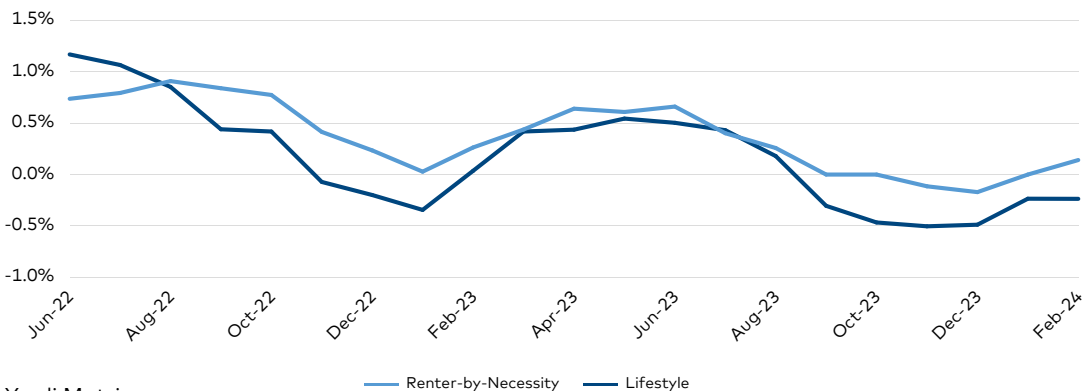
Source: Yardi Matrix

ECONOMIC SNAPSHOT

➤ Employment in Pittsburgh expanded 1.6% in 2023, 40 basis points below the national rate of growth. The metro added 10,800 net jobs last year, with only two sectors—professional and business services and leisure and hospitality—losing 2,100 positions combined.

➤ However, education and health services made up for the metro's losses, adding 4,900 net jobs. Other sectors with significant gains were manufacturing, up the most year-over-year (3.0%, or 2,500 positions), followed by financial activities (2,100), trade, transportation and utilities (1,400) and other services (1,300).

➤ The metro's unemployment rate stood at a tight 2.9% as of December 2023, 80 basis points below the U.S. figure, according to preliminary data from the Bureau of Labor Statistics. Most recently, the metro's rate peaked in February of last year, at 4.9%.

➤ Pittsburgh's life science stock will receive a boost from the development of the Pitt Bioforge Biomanufacturing Center, a facility which was approved by the City Planning Commission in September 2023. Construction has yet to begin. This $250 million project will encompass 185,000 square feet and will take shape within the 178-acre Hazelwood Green.

Pittsburgh Employment Share by Sector

Code	Employment Sector	Current Employment (000)	Current Employment % Share
65	Education and Health Services	252	21.4%
30	Manufacturing	86	7.3%
55	Financial Activities	78	6.6%
40	Trade, Transportation and Utilities	212	18.0%
80	Other Services	48	4.1%
15	Mining, Logging and Construction	64	5.4%
90	Government	113	9.6%
50	Information	22	1.9%
60	Professional and Business Services	192	16.3%
70	Leisure and Hospitality	111	9.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

➤ Pittsburgh lost 1,043 residents between 2021 and 2022 but gained a significant 34,000 people since 2019.

➤ While the metro registered a 0.1% decrease in 2022, the U.S. population expanded by 0.4% during the same period.

Pittsburgh vs. National Population

|	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Pittsburgh	2,331,447	2,324,447	2,366,544	2,365,501

Source: U.S. Census

SUPPLY

➤ Pittsburgh added 84 units to its multifamily inventory in the first two months of the year, following a lackluster 2023, when completions totaled 766 units. Last year, deliveries accounted for just 1.0% of existing stock, while the U.S. rate was nearly three times that. This came on the heels of two strong years, 2021 and 2022, when a total of 2,782 units were completed. The decade-high, however, remained 2016, when 3,379 apartments came online.

➤ The metro had 3,207 units under construction as of February 2024, while an additional 15,000 apartments were in the planning and permitting stages. Construction starts picked up significantly in 2023, with a total of 2,260 units breaking ground. In the prior year, construction started on just 471 units, according to Yardi Matrix data. The metro's activity bucked the national trend, with starts mostly decelerating across the U.S.

➤ The submarkets leading development activity were Caraopolis (648 units under construction), Oakdale (416) and Pittsburgh – Downtown (400 units). Another two submarkets had at least 300 units underway as of February.

➤ The largest multifamily property under construction as of February was Apex Newbury, with 416 units. Located in Bridgeville, Pa., it was the only project under development in the Oakdale submarket as of February. Alpha Residential broke ground in November 2023, with completion expected by the end of 2025.
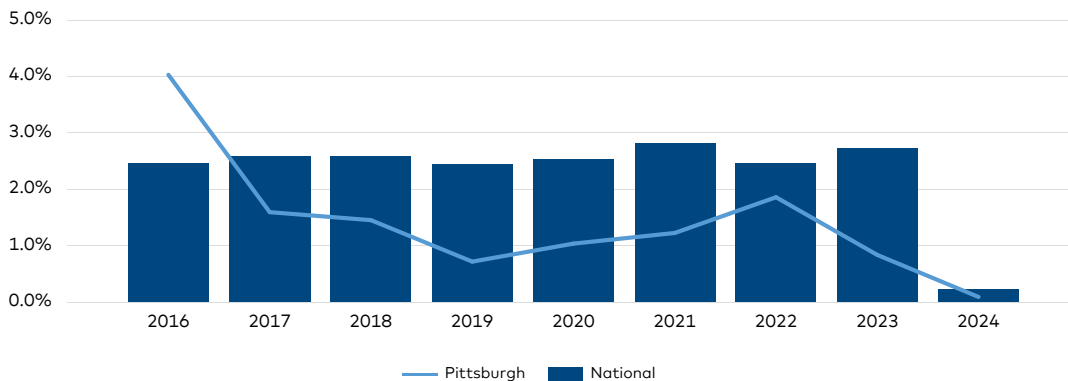
➤ The metro's only completion recorded so far in 2024 is the 84-unit Cornerstone Village Phase III & IV in the Homewood submarket. The partially affordable community is the result of an adaptive reuse project.

Pittsburgh Completions (as of February 2024)
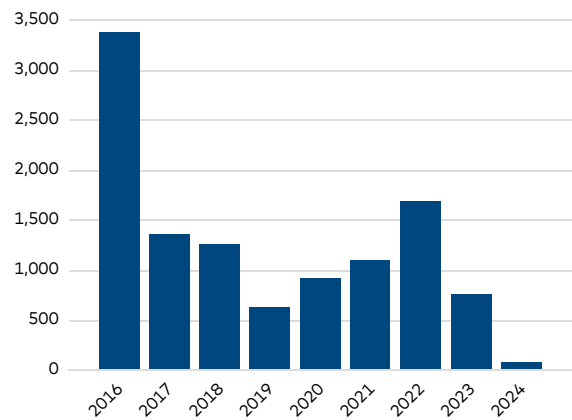
Source: Yardi Matrix

Pittsburgh vs. National Completions as a Percentage of Total Stock (as of February 2024)
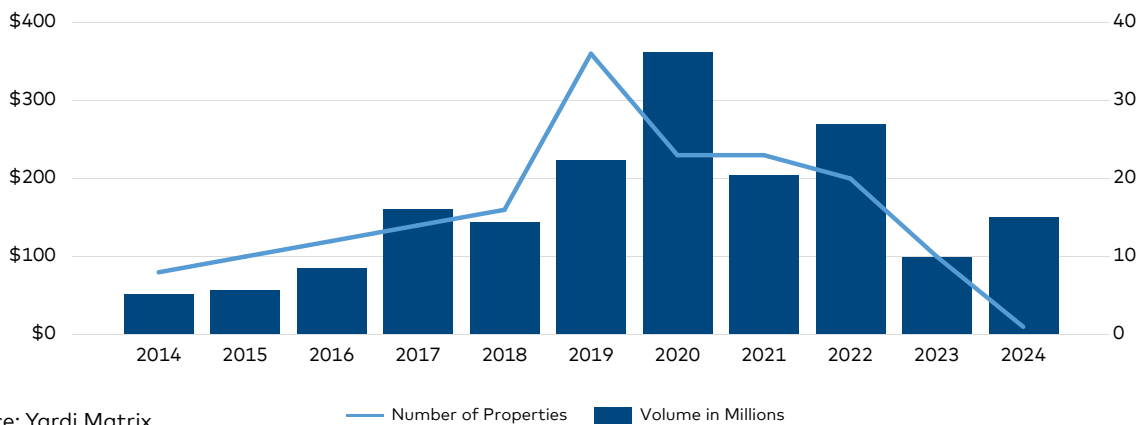

Source: Yardi Matrix

TRANSACTIONS

➤ The Pittsburgh multifamily market ended 2023 with a total transaction volume of just $98.9 million, significantly below the sales recorded in the six preceding years. The drop is yet another sign that current economic conditions are catching up with secondary and tertiary markets as well, albeit at a slower pace.

➤ The working-class Renter-by-Necessity segment accounted for nine of the 10 deals that closed last year, while this year's only sale so far involved a Lifestyle property. Pittsburgh's average price per unit dropped to $89,985 in 2023, trailing both the previous year's $132,832 and the $185,662 U.S. average.

➤ Pittsburgh – Downtown was the only submarket that exceeded the $100 million mark for multifamily transactions during the 12 months ending in February. West Mifflin and Monroeville followed, with a combined total of $34 million, Yardi Matrix data shows.

Pittsburgh Sales Volume and Number of Properties Sold (as of February 2024)
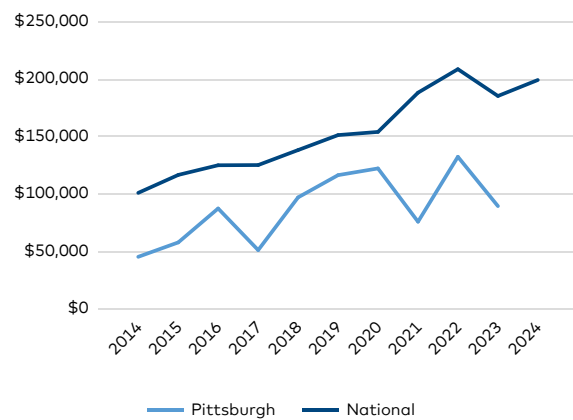

Source: Yardi Matrix — Number of Properties ▪ Volume in Millions

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Pittsburgh–Downtown	157
West Mifflin	17
Monroeville	16
Southside	14
Latrobe	11
Braddock	3
New Kensington	3

Source: Yardi Matrix
[1] From March 2023 to February 2024

Pittsburgh vs. National Sales Price per Unit

Pittsburgh ▬ National

Source: Yardi Matrix
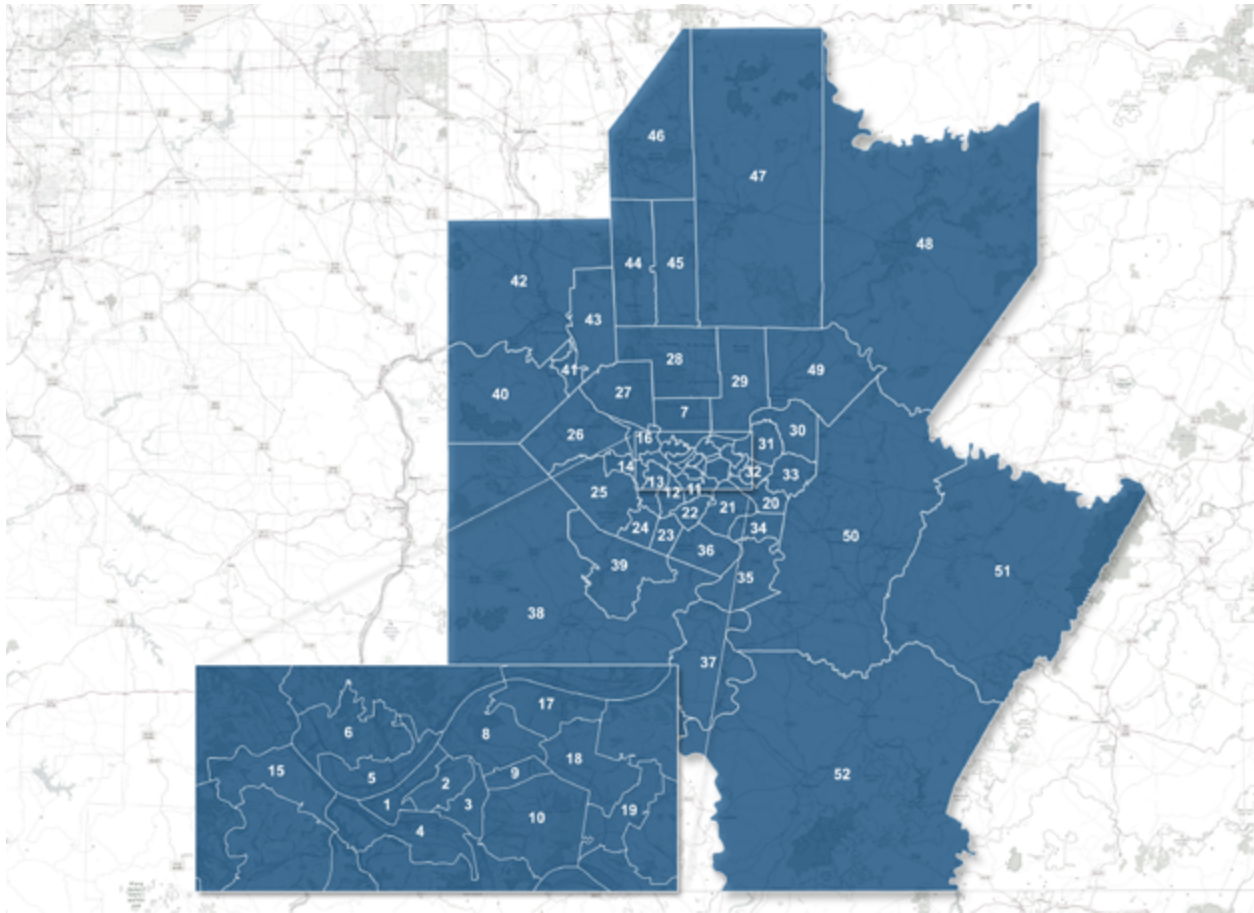
Area No.	Submarket		Area No.	Submarket		Area No.	Submarket
1	Pittsburgh–Downtown		19	Wilkinsburg		37	Centerville
2	Hill District		20	Braddock		38	Washington
3	Oakland		21	West Mifflin		39	Canonsburg
4	Southside		22	Whitehall		40	Raccoon Creek
5	Northshore		23	Bethel Park		41	Aliquippa
6	Perry		24	Upper 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 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.
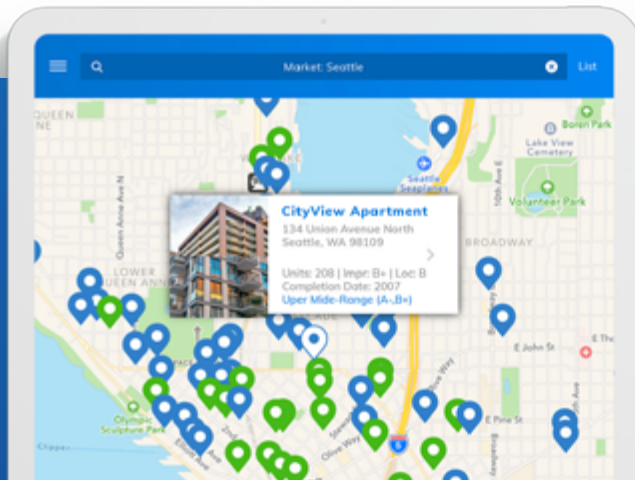
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MULTIFAMILY KEY FEATURES

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- 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
Upper Mide-Range (A-,B+)

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

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