

Pittsburgh, Pennsylvania

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

Overview

Pittsburgh was again ranked America's most livable city, this time by Forbes magazine, after earning that distinction in 2009 from The Economist. In terms of commercial real estate, Pittsburgh ranks in the top five for overall real estate market performance and boasts a 8.1% vacancy rate for class A space. However, the region is beginning to feel the effect of the global recession with the unemployment rate increasing to 8.6% in May. Many large office buildings in the CBD have recently been put up for sale, including the 1.5 million SF Gateway Center complex, the Oliver Building, EQT Plaza, and the Regional Enterprise Tower. This is an excellent time to sell in the Pittsburgh market as the city outperforms the national commercial real estate market and lenders regain confidence, creating a renewed interest in Pittsburgh as an attractive area for investment.

Market Trends

- American Red Cross is putting its 38,000 SF building up for sale and moving to the suburbs.
- Nukote is planning to add 100 staff members at its Connellsville facility in the next few months.
- Goodwill signed a 15-year deal for the 96,000 SF former Ames department store in North Versailles.
- Fairmont Pittsburgh, the city's first premier luxury hotel, opened at Three PNC Plaza.
- Range Resources purchased 27 acres of commercial land in Washington, PA for \$4.5 M to construct an office building.

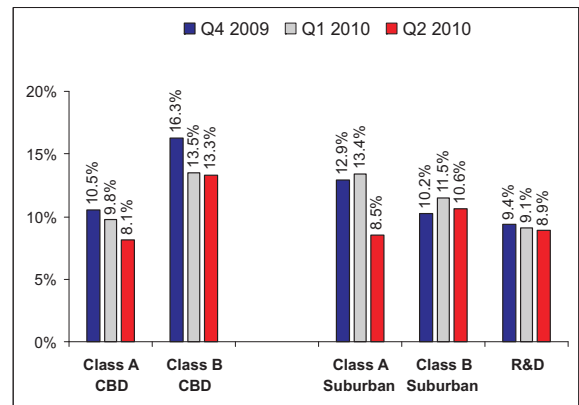
Tenant's Perspective

Tenants should evaluate their options early to give themselves enough time to research landlords. Now that the values of many properties have fallen below the balance due on the loans, some landlords are too capital-constrained to offer the tenant improvement allowances and other necessary concessions to attract tenants in today's marketplace. In these cases, the tenant would be wise to negotiate a back-up lease in the event that the lender does not approve the lease terms. On the other hand, well-capitalized landlords have less competition and are actually able to charge higher than market rents due to their financial stability. However, in buildings that have recently changed hands, the buildings were likely acquired at a discount, meaning that the landlords are likely in a position to offer lower than market rents and still achieve an attractive return on their investment.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
HVL Inc.	116,000	Industrial	Lease
American Made Liner Sys.	80,000	Industrial	Lease
Goodwill	96,000	Retail	Lease
ZOLL Lifecor	112,000	Office	Lease
Westinghouse	60,000	Office	Lease
IRS	10,000	Office	Lease
Healthcare Trust of America	191,600	Medical	Sale
Emerson	40,000	Industrial	Sale
Range Resources	27 acres	Land	Sale
Harsco Metals	17,000	Office	Lease

Vacancy Rate



Average Rental Rates

	Q4 2009	Q1 2010	Q2 2010
CBD			
Class A Office	\$22.12	\$23.00	\$22.25
Class B Office	\$16.50	\$18.50	\$17.07
Suburban			
Class A Office	\$21.55	\$21.55	\$21.75
Class B Office	\$17.16	\$17.16	\$17.26
R&D	\$4.98	\$4.72	\$4.98

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