

# Multifamily Metro Outlook:

## Pittsburgh - Q2 2023

### Overview:

- Pittsburgh's pace of recovery is picking up, though it still lags much of the nation; while the unemployment rate remains higher than the national average at 3.8%, it's worth mentioning that it's currently at the lowest level seen in the past two years. The mix of industry has also boded well for the metro, allowing employment levels to increase over the past year by slightly less than 1.4% in second quarter ending 2023.
- However, as is the case around many other parts of the nation, unprecedented inflation levels and interest rate increases continue to pressure on wage growth. Thus, payroll wages declined -0.63% from last year's levels – the first decline seen in the last two years. Be that as it may, the median household income advanced by just under 5.3% to \$71,600 – though this is still slightly below the national median.
- Even with below average incomes, the metro remains affordable to most households. Housing price growth in Pittsburgh has consistently struggled to outpace the nation, and thus, is one of the rare metros where single-family housing costs have never outpaced rents. Lackluster home price growth means that asking rents are nearly 1.13 times more expensive than the estimated P&I.

### Market Strengths:

- Healthcare will return as the primary job creator in Pittsburgh, though the pace of growth will trail much of the nation; employment in healthcare continues to accelerate, surpassing pre-pandemic payroll levels. Much of the reason for healthcare's sluggish recovery in the metro has been demographic. While the outsize senior population has kept demand for healthcare buoyant, finding and retaining staff has proved challenging.

### Market Weaknesses:

- Pittsburgh evolved into an emerging technology hub, specializing in urban and autonomous vehicle driving. However, with high interest rates dampening investment, following an already tough year for tech companies, many are announcing layoffs. Notably Argo AI, the crown jewel autonomous driving company in Pittsburgh, is shutting down.

### New Development:

- New supply came online in record numbers this quarter, though the pace of construction in Pittsburgh hardly makes it a competitive market. Close to 2,850 units were delivered in second quarter ending 2023, more than ten times the units delivered last quarter, and the highest amount to date since at least 2006. Even with the record development that took place, the construction pipeline remains at the highest level ever seen with more than 4,200 units underway.
- Just over 3,500 single-family units were completed in the second quarter, pushing the sales inventory in the metro to slightly over 26,500 properties; though the number of total active listings has contracted by close to -10.0% over the past year. An additional 3,500 units construction permits were issued for single-family properties, pushing construction activity closer to its historical average.

### Multifamily Outlook:

- With all the development focus in Pittsburgh on multifamily, the market is unlikely to underperform the rest of the nation. Even with an influx of supply, vacancies were flat at 5.0%, which is below the national average. Further, rents increased 0.75% over last quarter's levels to an average asking price of \$1,400. Still with the construction pipeline at the highest level it's ever been and not enough residents to fill them due to the metro's population outflows, outperformance is just as unlikely.

### Economy:

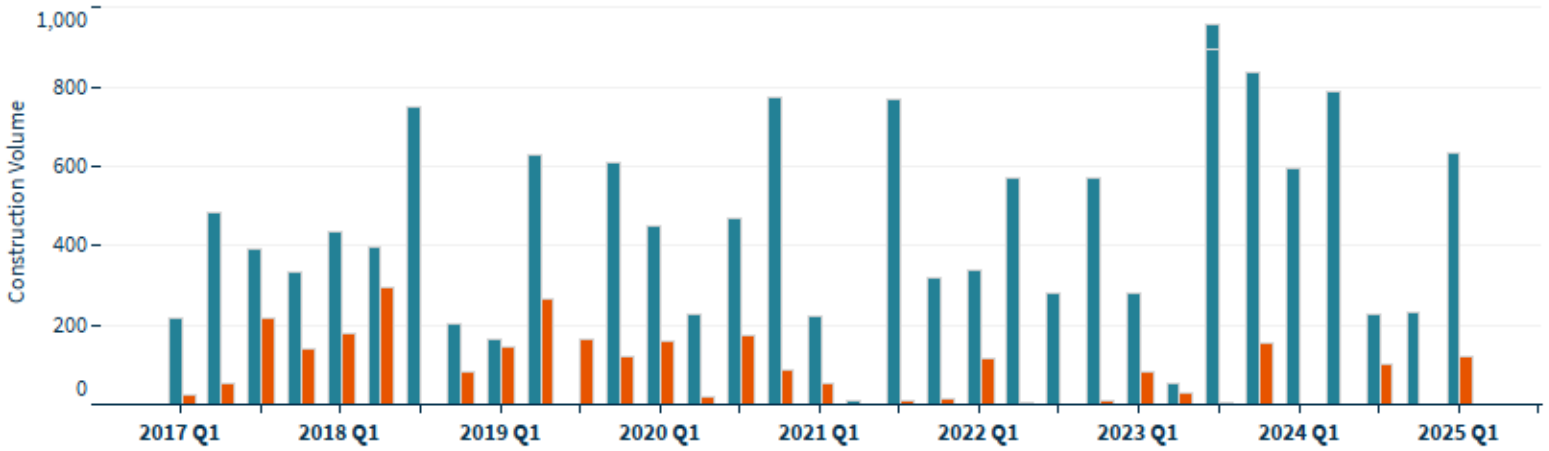
- Pittsburgh's recovery is beginning to pick up. The emergence of tech in the metro kept the economy from outright collapse during the pandemic, and healthcare continues to fuel employment gains as concerns of a recession loom closer. Longer term, the strength in mining and manufacturing will offset softness in construction - which is expected to face headwinds, but subpar demographic trends will still leave growth trailing the rest of the nation.



## Multifamily Apartment Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

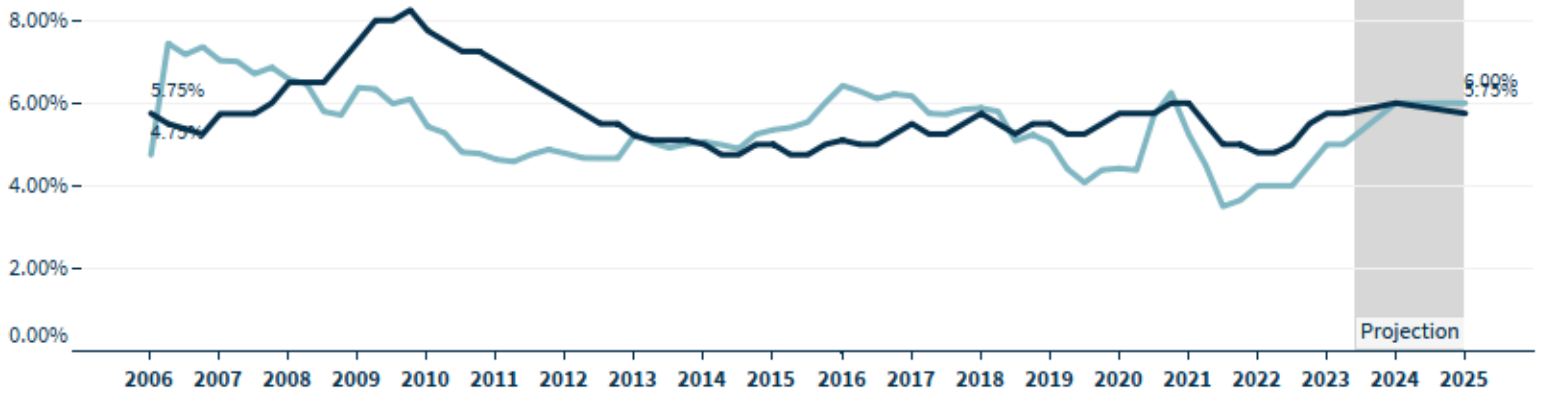
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Pittsburgh | National

Q2 2023 Vacancy Rate:

5.00%



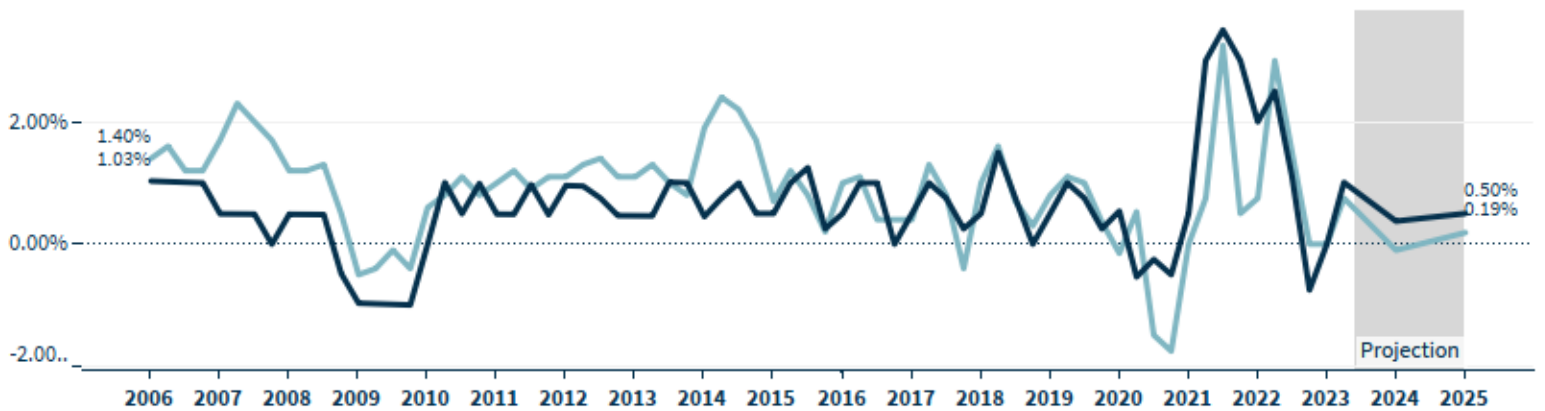
Projection

### Asking Rent Growth

Pittsburgh | National

Q2 2023 Asking Rent:

\$1,400

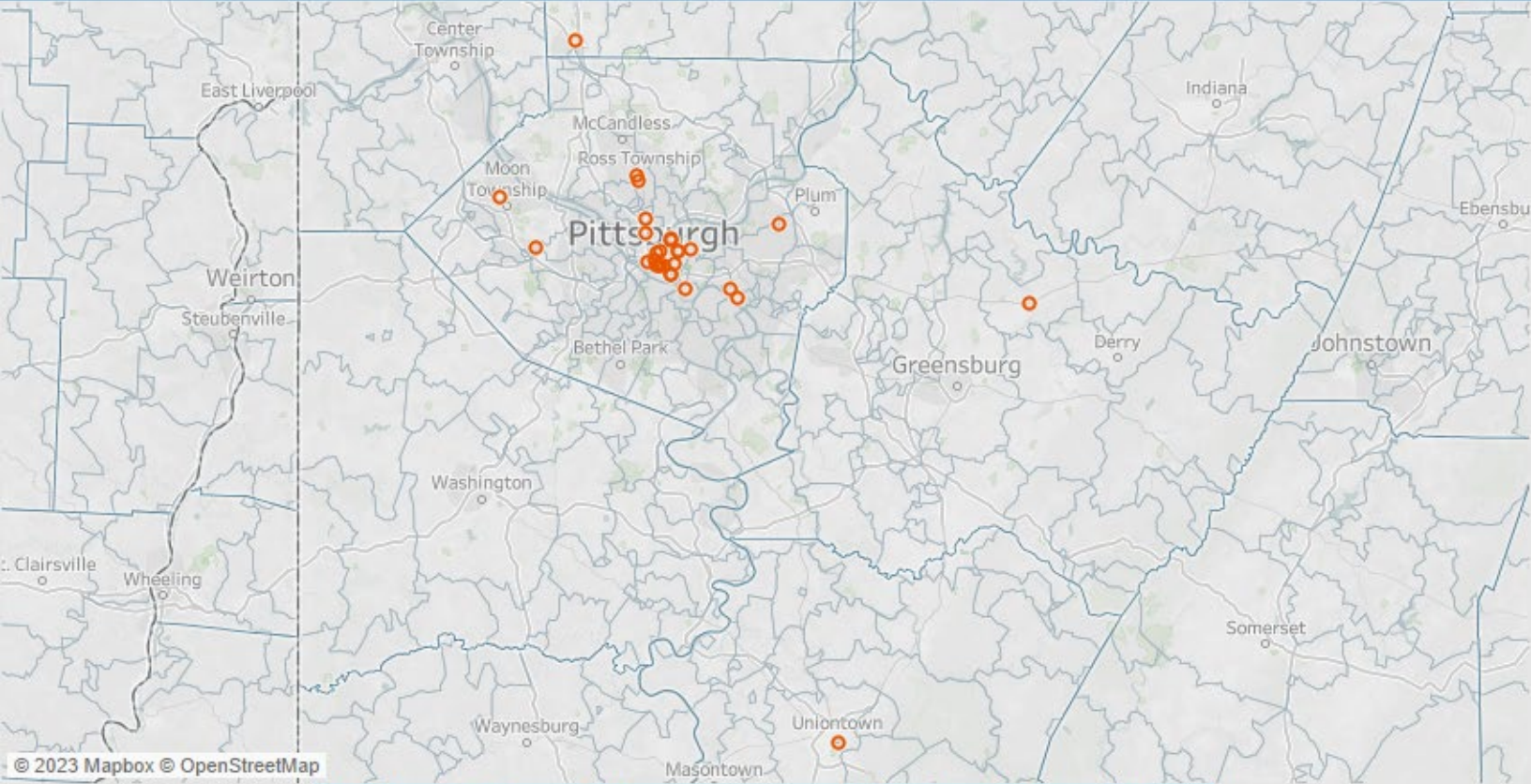


Projection

Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Central Pittsburgh	12	1,325
East Pittsburgh	3	99
North Pittsburgh	3	378
Oakland/Shadyside	6	1,157
South Pittsburgh	1	51
West Pittsburgh	2	608
Westmoreland/Fayette Counties	2	586
<b>Grand Total</b>	<b>29</b>	<b>4,204</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

*We welcome your feedback! Please give us a call or send an email with any comments, suggestions, or insight you may have or information you'd like covered in future editions.*

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## Multifamily Economics and Market Research Team

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### Sources Used

- Axiometrics
- U.S. Bureau of Labor Statistics
- CBRE-Econometric Advisors
- CoStar
- Dodge Data and Analytics
- Fannie Mae
- Moody's Analytics
- MSCI Real Assets
- RealPage
- Redfin
- REIS
- Yardi
- Zillow

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