Multifamily Metro Outlook:

Pittsburgh – Q4 2021

Overview:
• The impact of the pandemic still lingers on Pittsburg's local economy as the unemployment rate remains above the nation's average and employment levels remain below pre-pandemic levels. As of November 2021, the unemployment rate registered at 4.2% compared to the nation's average of 3.9%, and employment levels remained 34,000 jobs or 3% below the 1Q 2020 level.
• Despite this, effective rent for Q4 2021 rose about 1%, taking prices up 8.2% year-over-year. Class A units saw the most increase among the products, with rent increasing 10.6%, followed by B units 8.7% and C units at 3.3%. As a result, rent is averaging around $1,250.
• Limited supply has aided occupancy rates, as demand remains firm, across all products, with luxury apartments leading the way. The occupancy rate among all classes registered above 96%, with Class C leading at 98.6%, Class A at 97.3%, and Class B at 96.8%.

Market Strengths:
• According to Costar, the median household income average are up to $67,500, an increase of 11.2% in the past 12 months. For 2022, REIS projections show household income continuing to increase at 3.8% compared to the U.S at 3.3%.
• Demand remains firm with 3,674 units versus the concurrent supply of 894 in 2021. However, limited construction activity will help keep new supply pressure in check. As a result, next year's expansion will be about 1.1%, keeping competition mild for existing units.

Market Weaknesses:
• Pittsburg's demographics continue to be unfavorable as the population has decreased -0.4% in the past 12 months compared to the U.S, which increased 0.3%. The forecast population for 2022, according to REIS, will remain unchanged but will be below the country's growth of 0.7%.
• Single-family homes continue to constrain the multifamily market as average home prices have increased 8.7%, below the double digits increase seen across the country. As such, houses sold within the last year are up 15.7%, with the average home selling below $200,000.
• The newest supply coming into the market is concentrated downtown and has thus softened rent growth there due to competition and some general lack of demand.
• Developers have been met with resistance from the local government regarding zoning plans. A notable case is the Oakland Redevelopment plan; due to the possibility of misplacement, the Mayor has requested a 30-day delay to evaluate the proposal by Walnut Capital. Community resistance may deter potential developers from investing in the area.

Development:
• Developer Victrix LLC seeks to redevelop the former GNC building downtown into a 236-unit apartment building. With most of the new supply concentrated downtown, this will further saturate the market if approved.
• A new community development, by Thompson Thrift, will consist of 336 luxury units in the Moon Township suburbs. The location for this project will be promising as the suburbs have seen an increase in demand due to outmigration and thus have resulted in robust and effective rent growth.

Outlook:
• Pittsburgh's multifamily market will likely have some challenges ahead. The population continues to decrease and is forecasted to remain stagnant in 2022. Furthermore, although demand for apartments has increased significantly in the suburban markets, most of the incoming supply will continue to be concentrated in Central Pittsburg which has already received 62% of total market completion within the last 5 years. As a result, this may drag down effective rent growth across the market and submarket.
• Although unemployment remains above the national average, the metro recorded a net gain of 27.5k jobs expanding the employment base by 2.5%. In addition, household median income has increased due to high-paying jobs. As such, as tech firms continue to invest in the area, the increase in median income should support the recovery for other consumer-driven industries.

Five Year Metro Area Growth Forecast

<table>
<thead>
<tr>
<th></th>
<th>Q4 2021</th>
<th>Q4 2026</th>
<th>Pittsburgh (5-Year Annual Average Change)</th>
<th>National (5-Year Annual Average Change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (000s)</td>
<td>2,308</td>
<td>2,295</td>
<td>-0.11%</td>
<td>0.47%</td>
</tr>
<tr>
<td>Households (000s)</td>
<td>1,021</td>
<td>1,034</td>
<td>0.25%</td>
<td>0.90%</td>
</tr>
<tr>
<td>Renting Cohort (Ages 20-34) (000s)</td>
<td>436</td>
<td>405</td>
<td>-1.45%</td>
<td>-0.30%</td>
</tr>
<tr>
<td>Total Employment (000s)</td>
<td>1,132</td>
<td>1,178</td>
<td>0.81%</td>
<td>1.08%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$64,786</td>
<td>$76,504</td>
<td>3.38%</td>
<td>3.30%</td>
</tr>
<tr>
<td>Median SF Home Price</td>
<td>$195,961</td>
<td>$207,192</td>
<td>1.12%</td>
<td>1.93%</td>
</tr>
<tr>
<td>Net Migration</td>
<td>3,743</td>
<td>2,794</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Moody's
SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Vacancy & Rent Composite Estimates

Vacancy Rates

Asking Rent Growth

Q4 2021 Vacancy Rate:
3.80%

Q4 2021 Asking Rent:
$1,250

Source: Multifamily Economics and Research
## Construction: Bidding & Underway

<table>
<thead>
<tr>
<th>TWR Submarket Name</th>
<th>Projects</th>
<th>Building Units</th>
<th>Building Area SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Pittsburgh</td>
<td>4</td>
<td>423</td>
<td>0.51M</td>
</tr>
<tr>
<td>East Pittsburgh</td>
<td>1</td>
<td>54</td>
<td>0.07M</td>
</tr>
<tr>
<td>North Pittsburgh</td>
<td>5</td>
<td>64</td>
<td>0.18M</td>
</tr>
<tr>
<td>Oakland/Shadyside</td>
<td>3</td>
<td>488</td>
<td>0.66M</td>
</tr>
<tr>
<td>South Pittsburgh</td>
<td>2</td>
<td>315</td>
<td>0.34M</td>
</tr>
<tr>
<td>West Pittsburgh</td>
<td>1</td>
<td>336</td>
<td>0.43M</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>16</strong></td>
<td><strong>1,680</strong></td>
<td><strong>2.19M</strong></td>
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</tbody>
</table>
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Multifamily Metro Outlook: Pittsburgh Q4 2021

Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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