Multifamily Metro Outlook:

Pittsburgh – Q2 2021

Overview:
• The pandemic is still weighing heavily on Pittsburgh, but compared to many markets across the country it has fared well. The unemployment rate in the metro came in at 6.7% for Q2 2021, in line with the state average, which is just slightly higher than the rest of the nation.
• The apartment market continues to perform well despite the pandemic. After rising consistently throughout 2020 to exceed the national average, the vacancy rate has reversed course in 2020, further declining another 80 bps in Q2 2021 down to 4.5%, essentially on par with rates the same time a year ago, and below the national average by a full percentage point.
• However, competition from the housing market prevents rents increasing in any meaningful capacity. Compared to the prior quarter prices increased just 0.8% to a total of $1,160. Given the precipitous decline in rent growth through 2020, rents stand just $20 above where they were a year ago.

Market Strengths:
• Data from Apartments.com shows that rents began trending back upwards in Pittsburgh’s urban core at the start of 2021. This recovery is being seen in cities across the country and is a positive sign for Pittsburgh itself, however, there are still some reasons to believe that the city still faces some turbulence in the coming quarters.
• Pittsburgh’s multifamily market faces little competition from single-family housing; new listings remain on market around twice longer than the national average. Further, inventories are elevated in contrast with other metros, placing downward pressure on price appreciation and a stymy on new development.

Market Weaknesses:
• The demand felt throughout the national housing market has yet to make its presence known in Pittsburgh. However, as a result – home are on market for twice the national average, inventories are higher, and price are depressed – making the market a prime location to catch a hot streak later in the year, which could present additional challenges for the apartment market.

Development:
• Multifamily development has never been much of a priority in Pittsburgh with single-family housing so readily available. Just over 1,400 units are underway in the metro, around a fifth of the average supply pipeline seen around the rest of the nation.
• Compared to the last quarter, the numbers of condos underway has more than doubled, yet there are still just 175 in the pipeline. Nonetheless, condos represent an outsized share of development in the metro, accounting for close to 20% of the units delivered since 2016.

Outlook:
• Pittsburgh’s multifamily market is in an interesting predicament, with the urban core – already soft – continuing to ease, there is little incentive for increased development of the apartment market. However, this lack of participation has done little to spur demand, which already fails to justify where the market fundamentals currently stand. Therefore, the easing seen in the apartment market is only expected to proliferate in the near-future – especially if the single-family market heats up in any meaningful capacity.
• Even though unemployment was near records low pre-pandemic, the strength of recovery in eds/meds, one of the key industries for the metro, still lags other sectors such as finance and construction. Further, even though tech and health have been the stilts propping growth for the economy, around a quarter of the metro remains employed in high-risk industries like retail. When combined with the poor demographic trends that have historically presented challenges for the metro, Pittsburgh is at risk of below-average performance long-term.

Five Year Metro Area Growth Forecast

<table>
<thead>
<tr>
<th>Source: Moody’s Analytics</th>
<th>2020</th>
<th>2025</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>2,315</td>
<td>2,304</td>
<td>-0.09%</td>
<td>0.52%</td>
</tr>
<tr>
<td>Households (000s)</td>
<td>1,008</td>
<td>1,044</td>
<td>0.70%</td>
<td>1.41%</td>
</tr>
<tr>
<td>Renting Cohort (Ages 20–34) (000s)</td>
<td>441</td>
<td>413</td>
<td>-1.30%</td>
<td>-0.26%</td>
</tr>
<tr>
<td>Total Employment (000s)</td>
<td>1,110</td>
<td>1,193</td>
<td>1.46%</td>
<td>1.71%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$64,918</td>
<td>$75,269</td>
<td>3.00%</td>
<td>2.83%</td>
</tr>
<tr>
<td>Median SF Home Price</td>
<td>$177,784</td>
<td>$213,889</td>
<td>3.77%</td>
<td>4.30%</td>
</tr>
<tr>
<td>Net Migration</td>
<td>4,237</td>
<td>3,370</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SupplyTrack Pipeline

Apartment & Condos/Townhomes: Units Completed and Underway

Vacancy & Rent Composite Estimates

Vacancy Rates

Asking Rent Growth

Q2 2021 Vacancy Rate: 4.50%

Q2 2021 Asking Rent: $1,160

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

<table>
<thead>
<tr>
<th>Sub-Market</th>
<th>Projects</th>
<th>Units</th>
<th>Sq. Ft. (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Pittsburgh</td>
<td>5</td>
<td>425</td>
<td>0.50M</td>
</tr>
<tr>
<td>East Pittsburgh</td>
<td>1</td>
<td>54</td>
<td>0.07M</td>
</tr>
<tr>
<td>North Pittsburgh</td>
<td>9</td>
<td>79</td>
<td>0.11M</td>
</tr>
<tr>
<td>Oakland/Shadyside</td>
<td>3</td>
<td>261</td>
<td>0.34M</td>
</tr>
<tr>
<td>South Pittsburgh</td>
<td>2</td>
<td>573</td>
<td>1.00M</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>20</strong></td>
<td><strong>1,422</strong></td>
<td><strong>2.01M</strong></td>
</tr>
</tbody>
</table>
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Multifamily Economics and Market Research Team

Stephen Gardner, Economic and Strategic Research - Economics – Senior Associate

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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