

# Multifamily Metro Outlook:

## Pittsburgh - Q1 2021

### Overview:

- The pandemic is still weighing heavily on Pittsburgh's economy. The metro has only recovered about a third of the jobs lost; although this is on par with the state average, it does little to improve the unemployment rate which stands at 6.9% for the quarter. While this is down from a peak of 17.0% and an improvement over last quarter's rate of 9.3%, much of the decline reflects a contraction in the labor force more so than improving job growth.
- The apartment market, however, has handled coronavirus well for the most part. After increasing consistently since the second quarter of 2020, the vacancy rate declined a full percentage point quarter-over-quarter to 5.25% – below the national average by about 75 bps.
- Though it should be mentioned, revitalizing occupancies in the metro came at the cost of elevated concessions, primarily among Class C properties which increased to 9.8% to start the year. As such, the improvements in the market have yet to make an impact on asking rents, which remained flat quarter-over-quarter at an average of \$1,150.

### Market Strengths:

- 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 stymie 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 2021, which could present additional challenges for the apartment market.
- While high-tech employment has bolstered Pittsburgh's economy in recent years, the share of the industry's labor force is just 5.0% - on par with the national average. As such, the ease with which the sector lends itself to telework could jeopardize the tech giants' presence in the metro and present future risks to employment growth.

### Development:

- Multifamily development in Pittsburgh has never been off the Richter-scale with so much housing inventory readily available. Less than 2,000 units are currently underway – about a third of the national average when removing the top six metros. An unintended consequence of overdeveloping Class A properties in the metro has been a lull in deliveries; only 180 units were completed in the first quarter of 2021.
- Like the majority of single-family development in the metro, condo construction is at a essentially at a standstill. Only 50 units were delivered in the quarter, and there are only around 70 units currently underway.

### Outlook:

- Multi-family Outlook: Steady. Pittsburgh's multifamily market softened considerably throughout 2020, but the damage was mostly contained to the supply downtown. New units have historically trickled into the metro, which typically can be considered a drag on growth. However, in this case, it should bode well for future rent increases as the market continues to tighten – especially considering the single-family market has yet to heat up as in other metros.
- Economic Environment: Less Stable. – The economy in Pittsburgh has taken few missteps during the pandemic – faring well compared to other metros across the country – and its recovery is expected to catch stride through the rest of 2021. Nonetheless, while the metro offers a favorable mix of industry, around a quarter of the labor force remains concentrated 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.

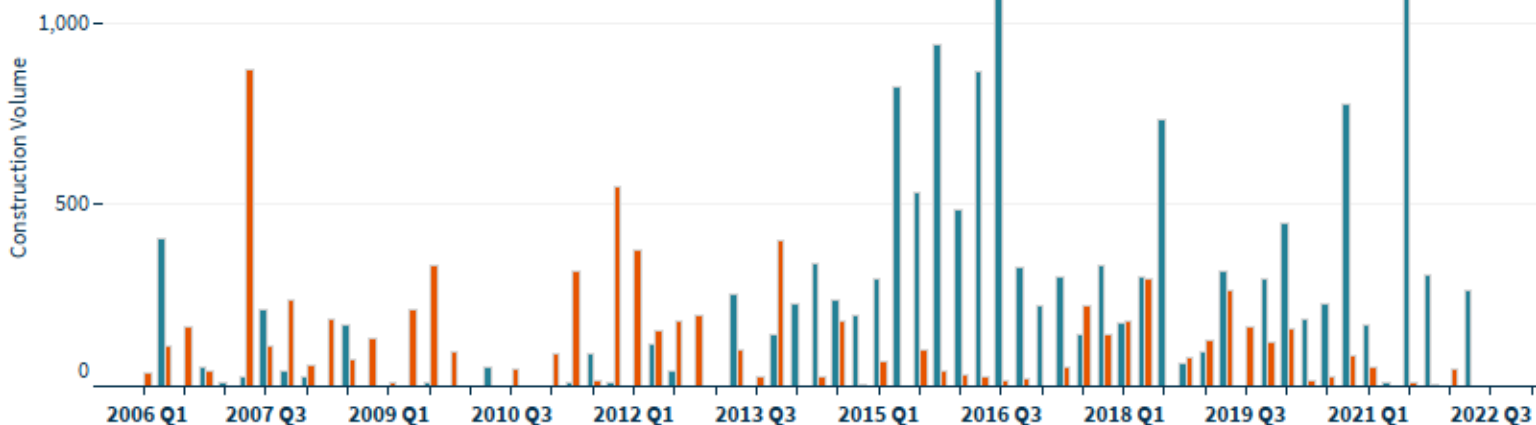
## Five Year Metro Area Growth Forecast

Source: Moody's Analytics	2020	2025	Pittsburgh (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,315	2,304	-0.09%	0.52%
Households (000s)	1,008	1,044	0.70%	1.41%
Renting Cohort (Ages 20-34) (000s)	441	413	-1.30%	-0.26%
Total Employment (000s)	1,110	1,193	1.46%	1.71%
Median Household Income	\$64,918	\$75,269	3.00%	2.83%
Median SF Home Price	\$177,784	\$213,889	3.77%	4.30%
Net Migration	4,237	3,370		

## SupplyTrack Pipeline

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

Apartments | Condos



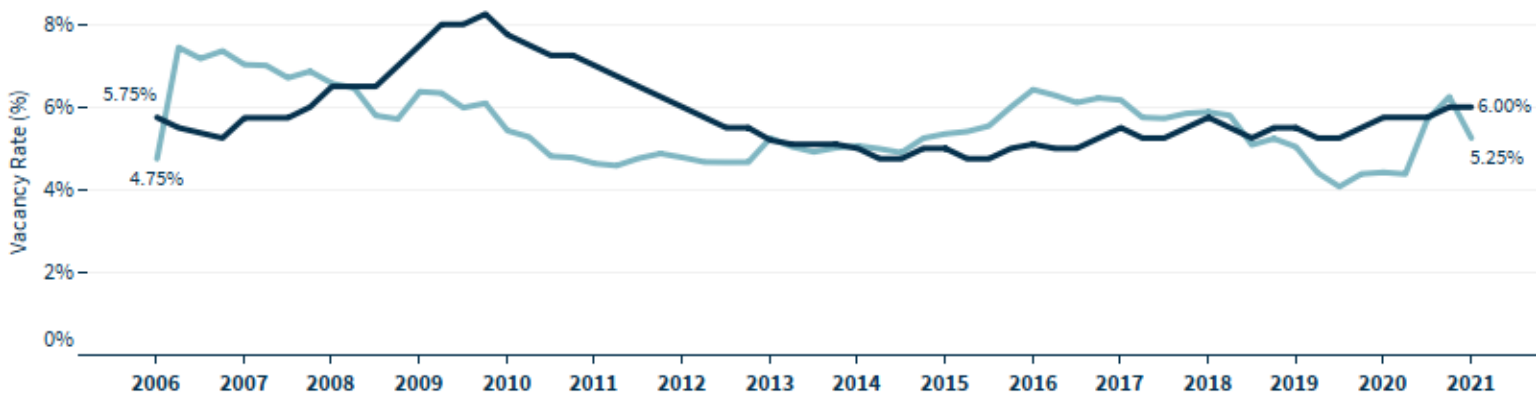
## Vacancy & Rent Composite Estimates

### Vacancy Rates

Pittsburgh | National

Q1 2021 Vacancy Rate:

5.25%

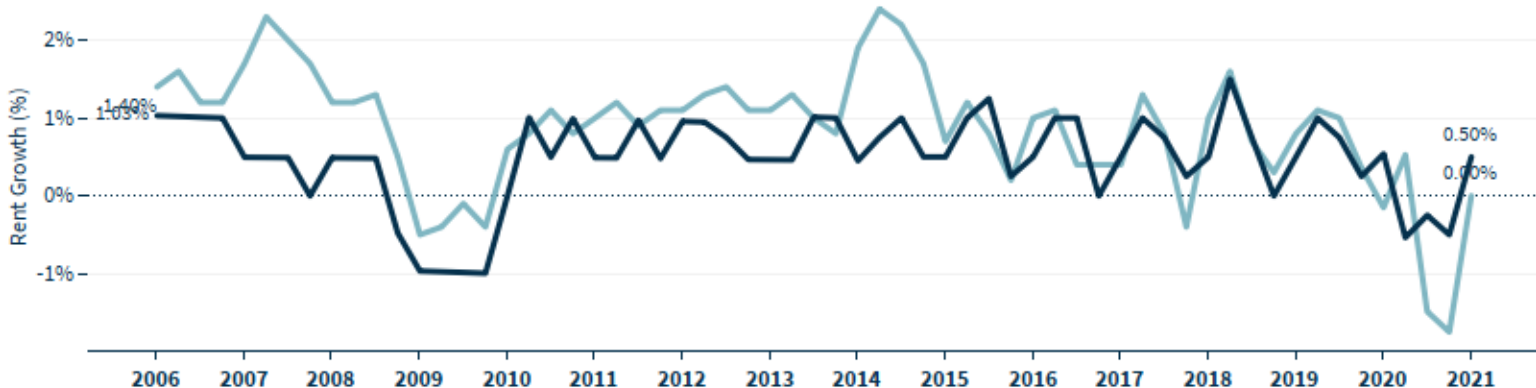


### Asking Rent Growth

Pittsburgh | National

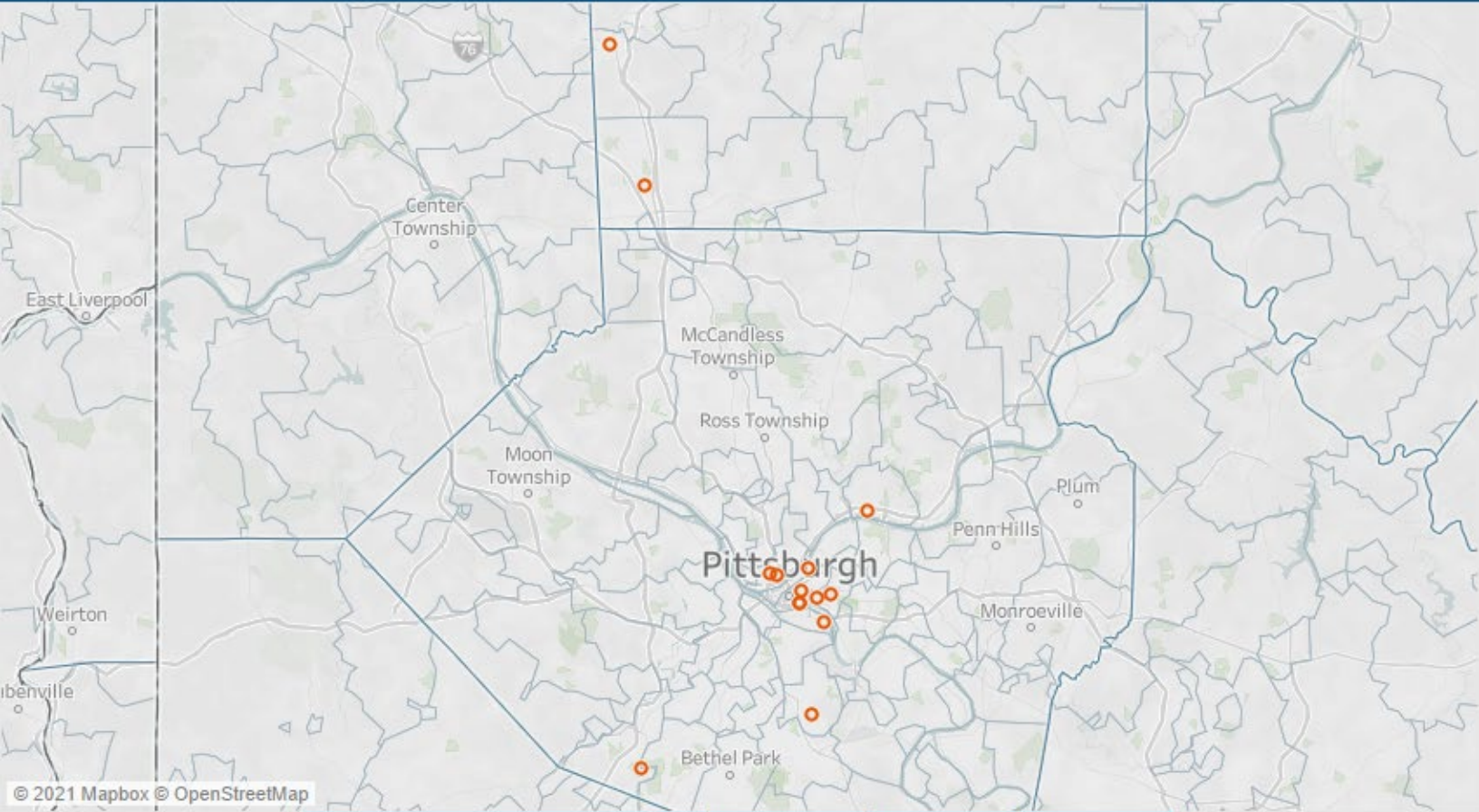
Q1 2021 Asking Rent:

\$1,150



Source: Multifamily Economics and Research

## Construction: Bidding & Underway



<i>Sub-Market</i>	<i>Projects</i>	<i>Units</i>	<i>Sq. Ft. (M)</i>
Central Pittsburgh	6	396	0.42M
North Pittsburgh	3	763	0.58M
Oakland/Shadyside	3	247	0.24M
South Pittsburgh	2	573	1.00M
<b>Grand Total</b>	<b>14</b>	<b>1,979</b>	<b>2.24M</b>

## Multifamily: ESR Team

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## 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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