

# Multifamily Metro Outlook:

## Pittsburgh - Q1 2022

### Overview:

- Pittsburgh's pace of recovery can only be considered tepid at best, although many fundamentals in the apartment market would belie that notion. While the unemployment rate declined to 4.4% to begin 2022, the metro has just managed to close the gap with the rest of the state and regional rates.
- Vacancies at 4.0%, however, are well below the national average of 4.80%, although this does represent an increase from 3.65% in the prior quarter. Considering that even with less than 350 units delivered to the metro this quarter, the amount of supply is still more than seven times greater than what was delivered during the final quarter of last year. While it is true that this would represent a paltry sum in any other metro, it should be mentioned that with development activity so sparse in Pittsburgh, deliveries this quarter are higher than the historical average of around 200 units.
- Despite the increase in vacancies, the average asking rent growth still ticked up 25 bps over the last quarter to 0.75%, bringing the average asking rent up to \$1,310. Even though rents have consistently increased since the beginning of 2021, rent growth has been marginal at best compared to the national average of 2.0%.

### 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 stimy on new development.

### Market Weaknesses:

- White-collar industries will expand at a below-average clip in the near term, and the outflow of remote workers will cause additional economic pain. Pittsburgh has evolved into an emerging tech hub, particularly in autonomous driving. Although these advantages will keep white-collar employment on an upward trajectory, population woes will limit the pool of available workers and prevent more robust growth.

### Development:

- The pace of apartment development is slowing considerably. During the first quarter of 2022, the construction pipeline declined by close to 300 units, bringing the total down to around 1,370 units. Pipeline levels this low haven't been observed in the metro since 2017.
- Compared to the last quarter, the numbers of condos underway has declined slightly even with just 65 delivered to the metro this quarter. With the decline there are just over 100 condo units underway, slightly less than a tenth of the apartment pipeline. However, condo development was seriously curtailed after the first quarter of 2019 and has yet to recover.

### 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. Indeed, even though the pace of development has stalled many of the projects underway are for units outside the urban core. However, this lack of participation has done little to spur demand, which already fails to justify where the market fundamentals currently stand. Therefore, the signs of easing seen in the apartment market are only expected to intensify in the near-future, even if future deliveries are curtailed in the future.
- Pittsburgh's recovery can only be considered laggard at best. While the emerging presence of tech has bolstered the economy and kept it from outright collapse, much of the employment gains in the metro came from the manufacturing sector, which had been struggling even prior to the pandemic. Other economic linchpins such as healthcare will be the primary source of future growth, but the subpar demographic trends further jeopardize continued growth even after the metro fully recovers.

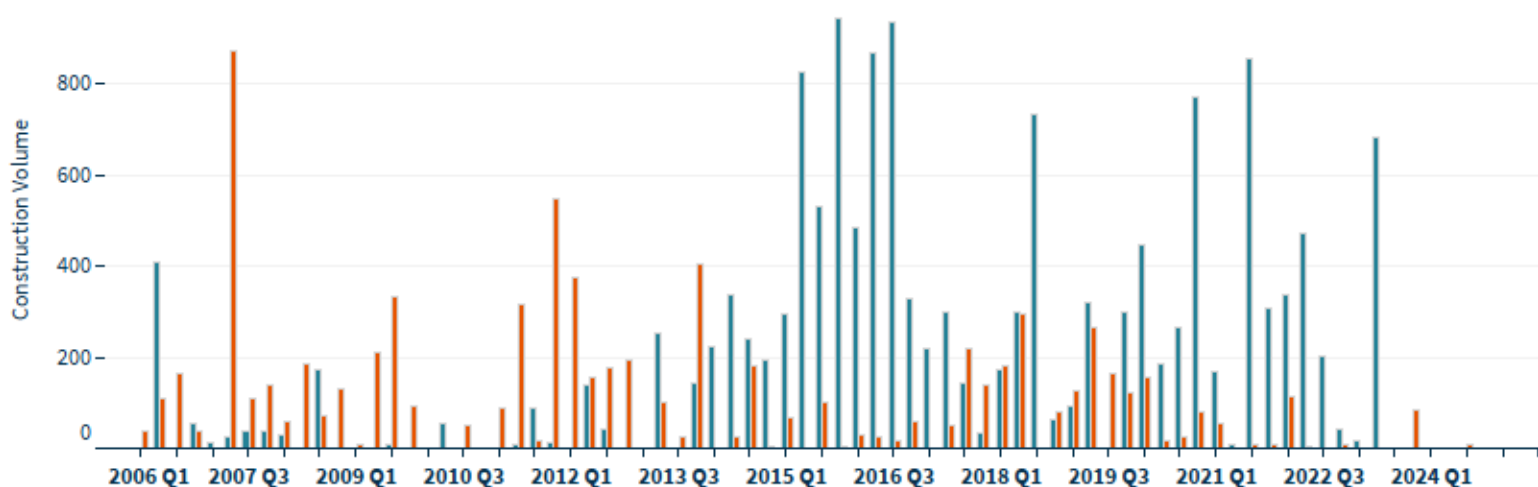
## Five Year Metro Area Growth Forecast

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

## SupplyTrack Pipeline

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

Apartments | Condos



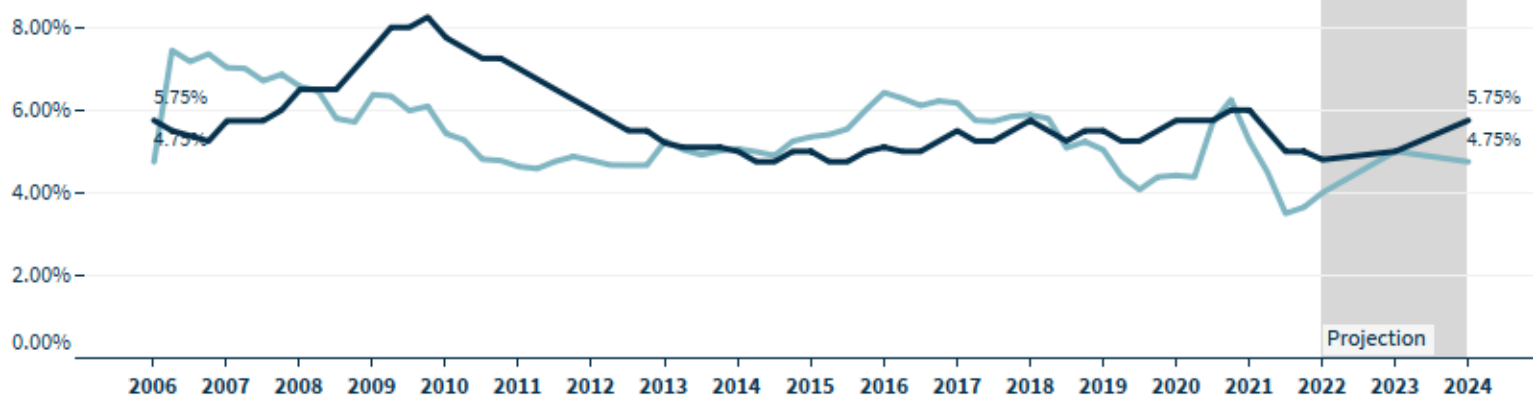
## Vacancy & Rent Composite Estimates

### Vacancy Rates

Pittsburgh | National

Q1 2022 Vacancy Rate:

4.00%

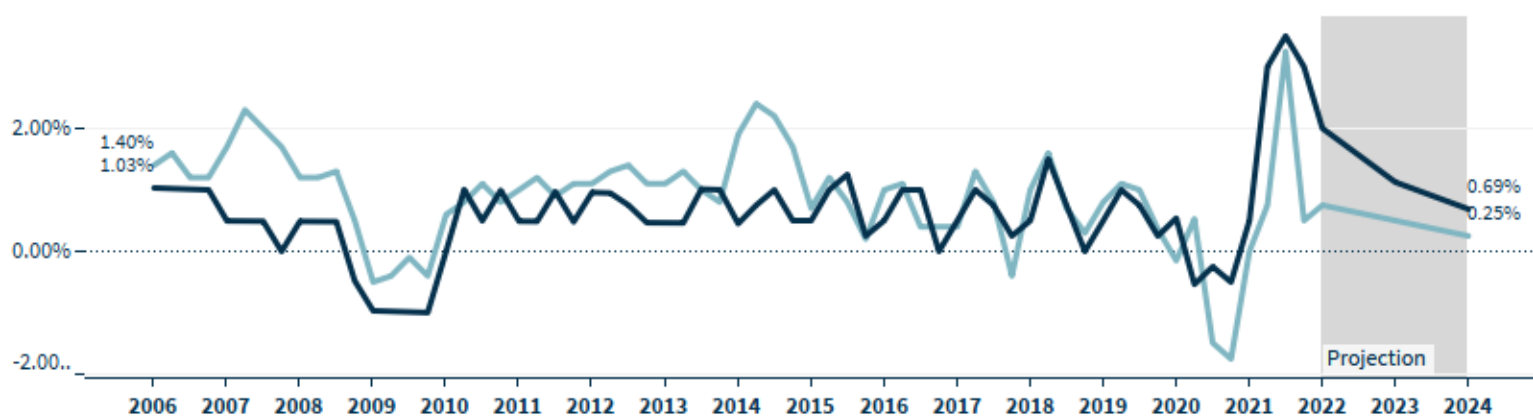


### Asking Rent Growth

Pittsburgh | National

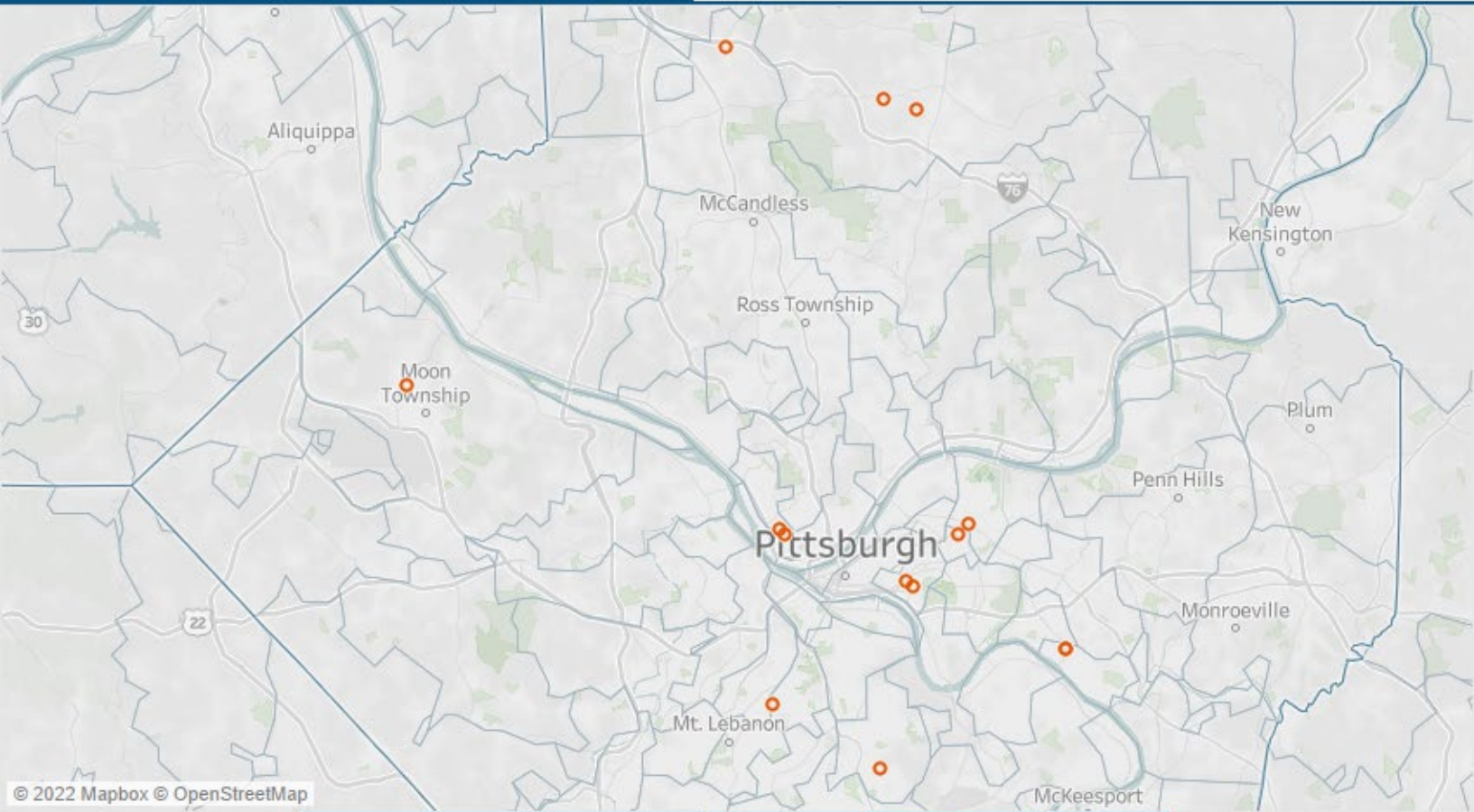
Q1 2022 Asking Rent:

\$1,310



Source: Multifamily Economics and Research

## Construction: Bidding & Underway



<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Central Pittsburgh	2	92	0.15M
East Pittsburgh	2	105	0.13M
North Pittsburgh	3	14	0.03M
Oakland/Shadyside	4	506	0.68M
South Pittsburgh	2	315	0.34M
West Pittsburgh	1	336	0.43M
<b>Grand Total</b>	<b>14</b>	<b>1,368</b>	<b>1.76M</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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