Fannie Mae

Multifamily Metro Outlook:

Pittsburgh – Q3 2024

Overview:
- Pittsburgh's market faces substantial long-term headwinds but is currently stable and outperforming national averages on some measures.
- Pittsburgh's economy continues to lag the nation's, and this trajectory is expected to hold steady for the next five years at least, though the region's institutions of higher learning and growing tech sector buoy what might otherwise be a declining market.
- The metro is anticipated to see a slight decline in population or grow at a maximum rate of about a third of the nation's growth. Sources agree, however, that the population is aging faster than the U.S. population, which bodes poorly for multifamily demand over the long term.
- Multifamily demand is dampened by the relative age of the population and the affordability of for-sale stock.
- Rent growth rose in the quarter and is currently above national averages.
- Vacancies fell slightly in Q3 as absorption outpaced deliveries. Unlike in many metros, construction does not appear to be outpacing demand in the near term, and the market is expected to remain in balance.

Market Strengths:
- While the economy currently lags the nation, major investments in manufacturing, including a $6 billion plastics plant could help boost demand.
- Educational and research institutions, such as Carnegie Mellon University and the University of Pittsburgh, remain strong.
- The cost of living is low relative to other northeast metros, and income growth is relatively strong.

Market Weaknesses:
- While the U.S. is expected to gain population at healthy rates over the next decade, Pittsburgh is not expected to grow substantially. Some estimates suggest it will lose population over the next five years.
- For-sale homes are relatively affordable in the metro. Pittsburgh is one of very few metros where monthly payments for purchasing a single-family home are roughly the same as payments for renting one.
- Manufacturing, an important part of the metro economy, is expected to face challenges in the future, with elevated interest rates dampening investment and demand.

New Development:
- The multifamily pipeline currently stands at 2.5% of inventory, well below most metros. Starts are declining and are expected to continue to decline for the next three years.
- Single-family permitting has risen from pre-pandemic levels and is expected to remain elevated for the next three years.

Multifamily Outlook:
- Generation in the metro is currently slowing and deliveries are expected to continue to decline over the next three years, lowering vacancy rates and boosting rent growth. Market fundamentals, particularly job growth and change in the population of young adults, are expected to hold steady over this period.
  Similarly, multifamily performance, including vacancies, rent growth, cap rates, and asking rents are also expected to hold steady as supply and demand remain in balance. Like most of the U.S., multifamily sales volume in the metro is anemic relative to the past five years, but two large deals in 2024 boosted volumes in the metro relative to 2023. Overall low sales activity is mostly due to high interest rates and slow rent growth relative to prior years.

Economy:
- Relative to the nation, Pittsburgh's employment has not rebounded as well after the pandemic, with total employment either slightly lagging or barely reaching pre-pandemic levels. This is driven by the industrial mix, particularly manufacturing, which still faces challenges with labor and troubled supply chains. Oxford Economics predicts the metro's economy will lag growth relative to the nation in the next five years. Still, unemployment remains slightly lower than the nation's, and the median income has remained steady. The metro's tech sector remains strong with $3 billion in venture capital funding in 2023, though VC remains less readily available relative to other tech hubs such as Austin and Silicon Valley.

Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway
Apartments | Condos
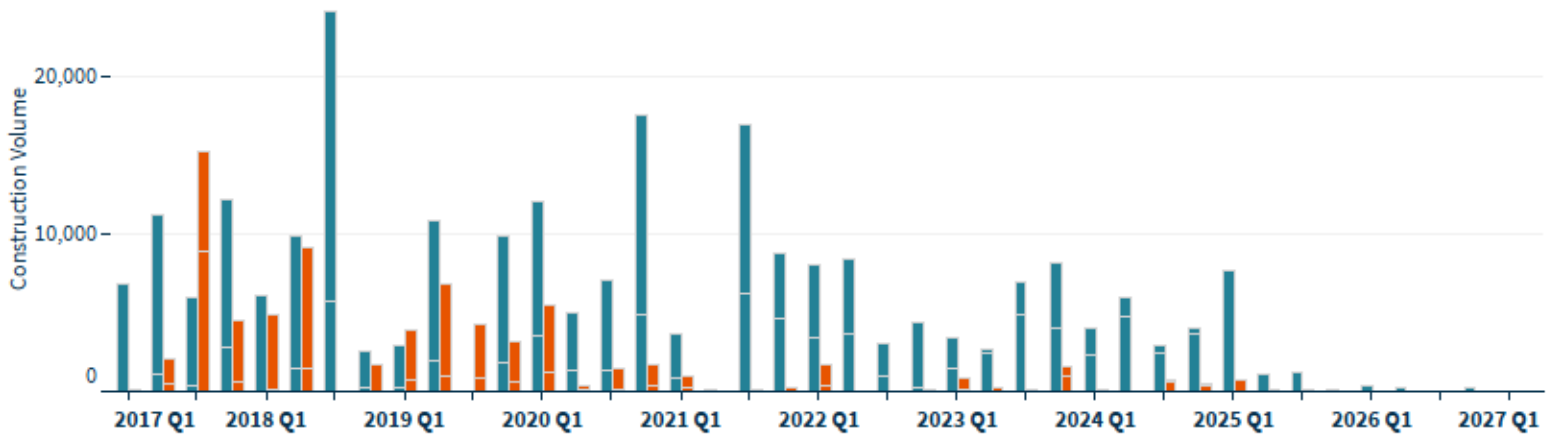
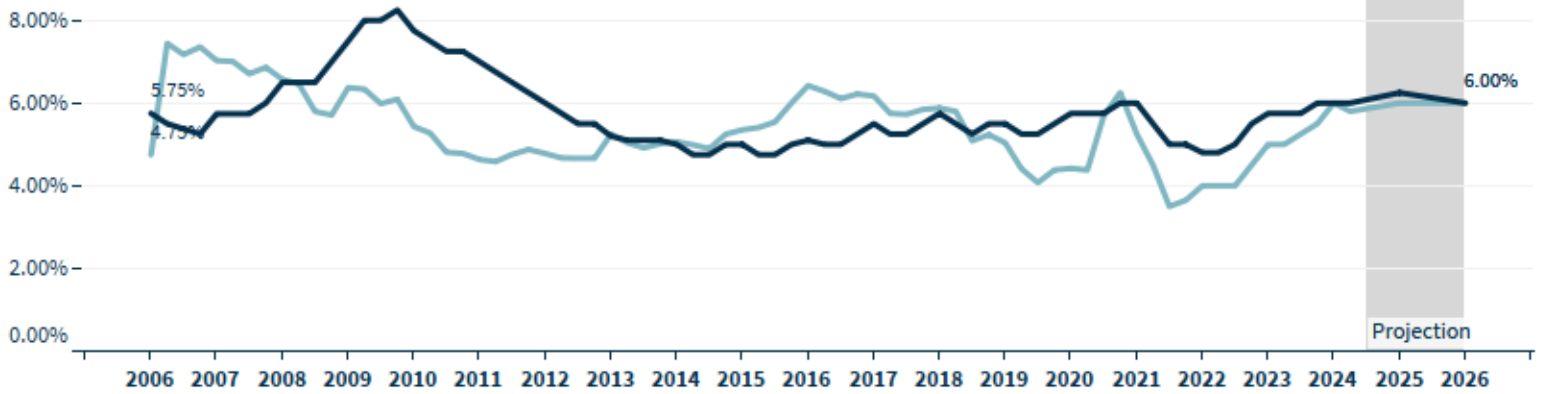*Source: Dodge Data & Analytics SupplyTrack Pipeline*

Multifamily Vacancy & Rent Estimates

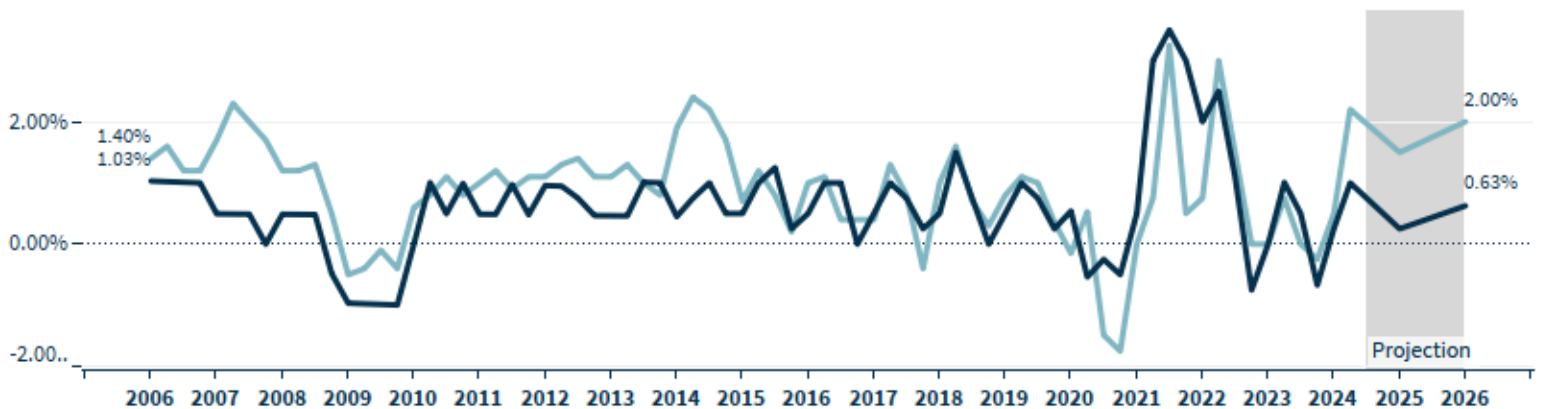### Vacancy Rates
Pittsburgh | National

Q3 2024 Vacancy Rate:
5.60%

Asking Rent Growth
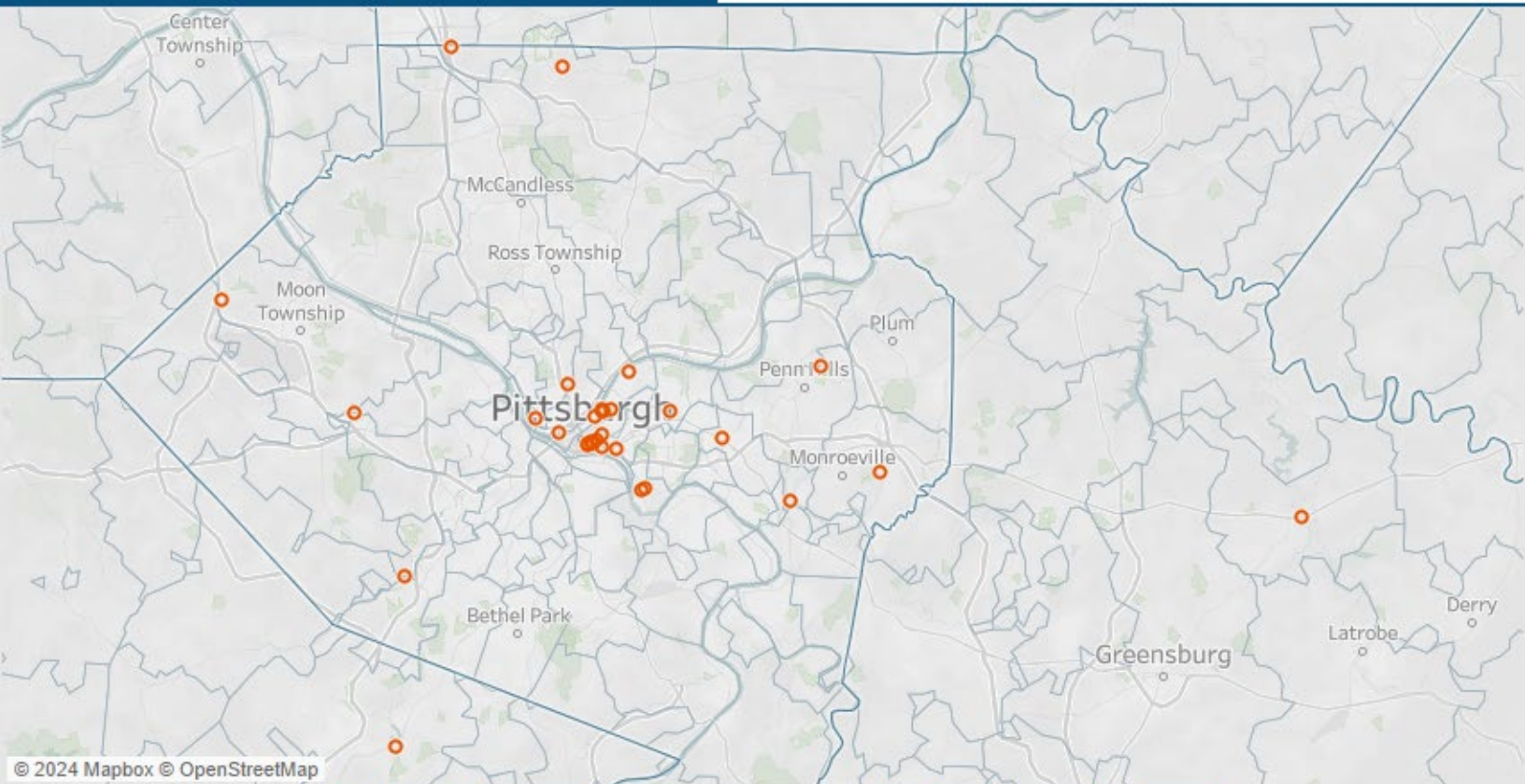Pittsburgh | National

Q3 2024 Asking Rent:
$1,390

Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway

© 2024 Mapbox © OpenStreetMap

MultiHousingSubmarketName	Apartments	Units
Central Pittsburgh	11	808
East Pittsburgh	4	311
North Pittsburgh	2	29
Oakland/Shadyside	7	945
South Pittsburgh	4	582
West Pittsburgh	2	584
Westmoreland/Fayette Counties	1	523
Grand Total	**31**	**3,782**

Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily: ESR Team

Multifamily Metro Outlook: Pittsburgh Q3 2024

Multifamily Economics and Market Research Team

Nathaniel Decker, Economic and Strategic Research – Economics – Lead Associate

Sources Used

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