

Southwestern Pennsylvania Quarterly Vitals

October to December 2022

Key Takeaways

Southwestern Pennsylvania's labor force increased over 2021 levels, exceeding the growth rates of the U.S. and benchmark regions. The office real estate sector had a healthy showing in December 2022 with increasing rental rates, decreased vacancy rates and positive absorption. Construction in the industrial real estate sector was up nearly 200% from 4Q 2021.

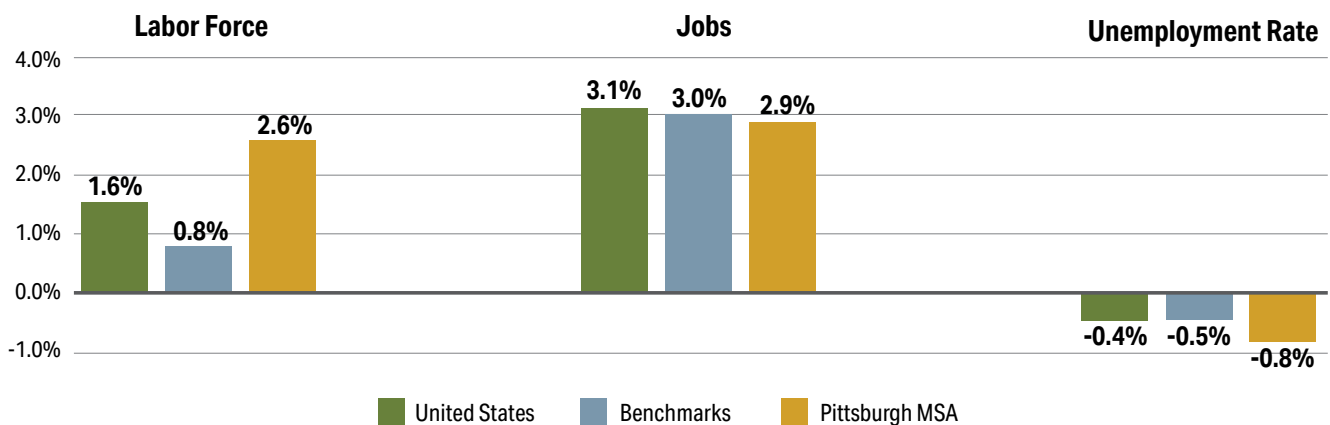
While key workforce indicators are close to where they were in 2019, tourism indicators such as air passengers, Cultural District traffic and Hotel Occupancy have not fully recovered.

The workforce in the Pittsburgh region has the second-lowest turnover rate among benchmark metros and has held steady while the national turnover rate has increased.

Workforce

Southwestern Pennsylvania's labor force grew 2.6% over December 2021, a full percentage point higher than the United States' growth and more than three times that of the benchmark regions. Payroll employment growth in the Pittsburgh MSA was only slightly below the national and benchmark rates. Pittsburgh also exceeded the nation and benchmarks in improvements to the unemployment rate.

December 2022: One-Year Change by Workforce Indicator



Between October and December 2022, there were over 148,000 job postings in the Pittsburgh MSA, 8.8% more than the previous year. This increase far exceeds the U.S. and benchmark averages.

Workforce Indicators – September 2022

	Pittsburgh MSA		United States	Benchmark Total
	Value	YOY Change	YOY Change	YOY Change
Labor Force	1,177,164	2.6%	1.6%	0.8%
Payroll Employment	1,162,200	2.9%	3.1%	3.0%
Unemployment Rate	3.7%	-0.8%	-0.4%	-0.5%
Job Postings (Oct. 22 – Dec. 22)	148,357	8.8%	-3.4%	-4.9%

Data current as of 2/3/23, the Unemployment Rate reflects the non-seasonally adjusted rate.
 Data reflects December 2022 preliminary figures and change from December 2021
 Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, Current Population Survey; Lightcast (datarun 2023.1)



Business Conditions

According to CBRE, the industrial real estate sector has been the region’s healthiest since 2020. The average rental rate increased a robust 8.3% year-over-year while vacancy has declined, and construction has increased nearly 200% over 4Q 2021. While the outlook for the industrial sector is bright, the office sector is also showing signs of improvement.

The office sector experienced improvements in the final quarter of 2022. Rental rates have increased while vacancy rates decreased slightly over 4Q 2021. Additionally, the fourth quarter of 2022 saw positive absorption (more square footage occupied than vacated) for office square footage.

Air travel continues to rebound with the December 2022 passenger count reaching 82.1% of 2019 monthly passenger traffic. Cargo had been a bright spot over the course of the pandemic at the airport with new global freight carriers adding PIT to their network and Amazon Air establishing a physical presence. However, year-to-date cargo has been decreasing year-over-year since August 2022.

Business Indicators – Pittsburgh Metro			
		Value	YOY Change
Real Estate (2022 Q4)	Office rate (\$)	\$25.10	9.1%
	Office vacancy (%)	15.5%	-1.3ppts
	Office absorption (SF)	108,278	17.9%
	Office construction (SF)	1,420,000	10.9%
	Industrial rate (\$)	\$7.80	8.3%
	Industrial vacancy (%)	4.1%	-2.8ppts
	Industrial absorption (SF)	292,439	-178.0%
	Industrial construction (SF)	3,550,000	173.1%
Air Travel (Dec 2022)	Monthly Total Passenger* traffic	666,276	5.6%
	YTD Cargo* traffic (lbs.)	185,725,066	-11.4%

Data current as of 2/9/23
 ppts = percentage points
 * Passenger traffic sum total of passengers enplaned and deplaned at Pittsburgh International Airport.
 Cargo is the sum total of mail and freight enplaned and deplaned at Pittsburgh International Airport.
 Source: CBRE, Pittsburgh International Airport

Q4 2022 Regional Business Headline Highlights

Shell cracker plant begins operation in Beaver County
TribLive – November 16, 2022

\$62.7 million in federal funding will help Pittsburgh grow its autonomy sector
Pittsburgh Business Times – November 22, 2022

Wabtec advancing electricification of vessels
Pittsburgh Business Times – November 23, 2022

Lipella Pharmaceuticals latest Pittsburgh-based company to IPO
Pittsburgh Business Times – December 21, 2022

COVID-19 Recovery

COVID-19 Recovery Indicators				
		Pittsburgh	United States	Benchmark
Total Economy (Sept 2022)	Labor Force Recovered	96.2%	100.9%	101.2%
	Jobs Recovered	92.8%	100.4%	100.2%
	Air Passengers Recovered	81.2%	N/A	N/A
	Monthly Visitors Downtown	75.3%	N/A	N/A
Tourism (Quarter 4)	Seated Diners Recovered	76.0%	88.0%	N/A
	Hotel Occupancy	92.0%	97.0%	N/A
	Hotel RevPAR	102.0%	102.0%	N/A
	Cultural District Visitors	84.2%	N/A	N/A

Data current as of 11/2/22

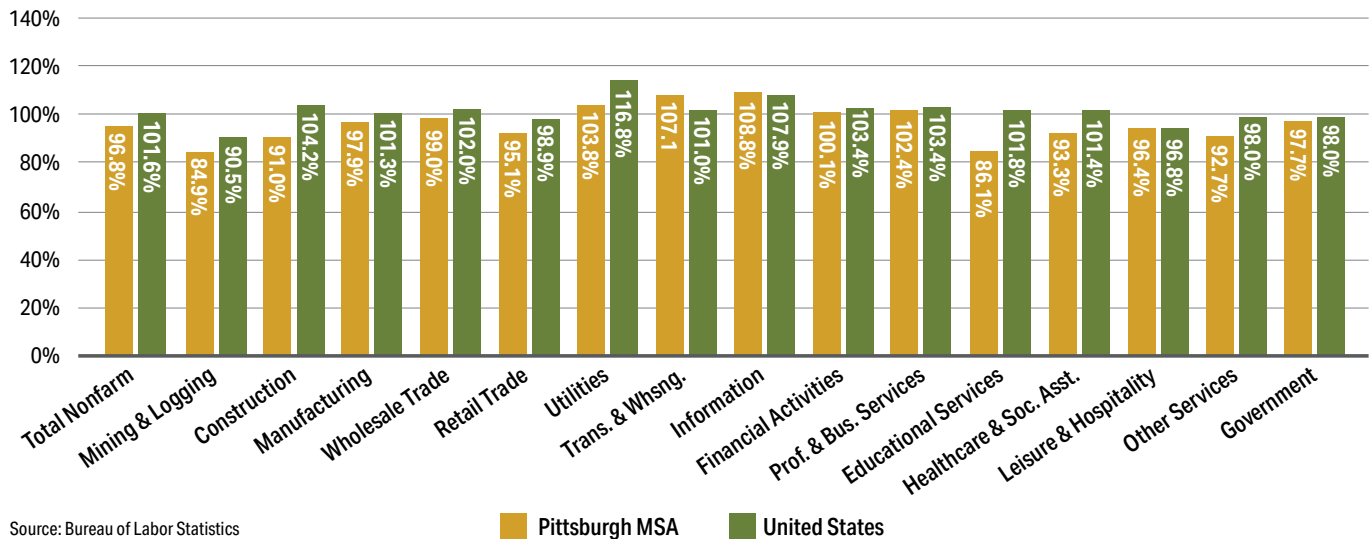
Note: Labor Force recovered, and Jobs recovered is measured as a percentage of the relevant metric during the same period in 2019 prior to the onset of the pandemic.

Air Passengers and Monthly Visitors Downtown recovered measures the change from the same month in 2019. For Locations Recovered, Employees recovered, and Hours Recovered, the metric is a percentage of the median for that day of the week for the period Jan 4, 2020 – Jan 31, 2020. For Seated Diners Recovered, the metric is a percentage of the value same day of the week in 2019. Hotel data are for Allegheny County only.

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, Current Population Survey; Pittsburgh International Airport; OpenTable, VisitPittsburgh

The region continues to rebound from the pandemic recession. While key workforce indicators are close to where they were in 2019, tourism indicators such as air passengers, Cultural District traffic and Hotel Occupancy have not fully recovered. Most industries are close to pre-pandemic employment levels and only two industries are in the 80% range. All other industries are above 90% for recovery, with Utilities, Transportation and Warehousing, Information, Financial Activities and Professional and Business Services above 100%

Shortfall by industry – Percent of Industry Employment Recovered from December 2019



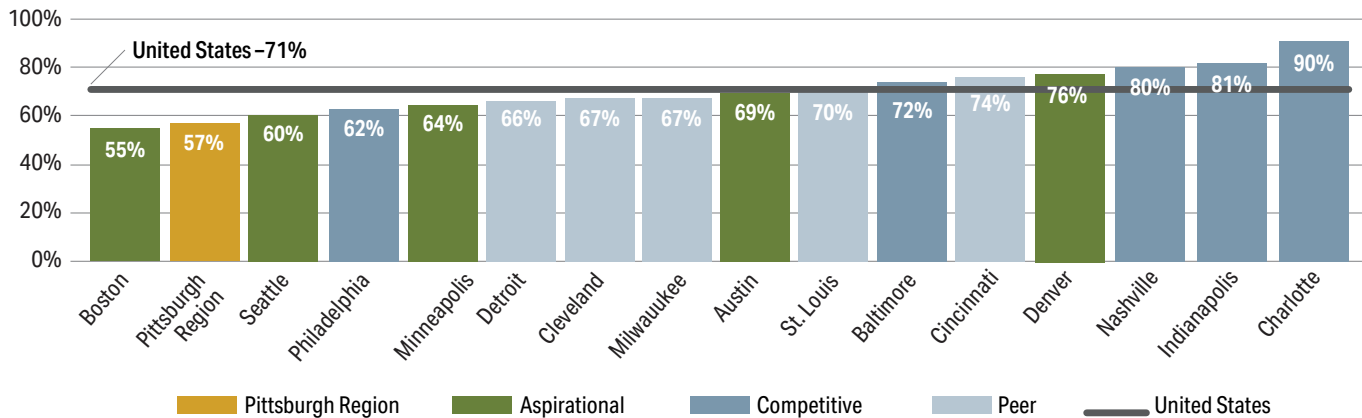
Source: Bureau of Labor Statistics



Quarterly Focus – Critical workforce indicator demonstrates outstanding performance in Pittsburgh

The workforce in the Pittsburgh region has traditionally been considered more reliable and resilient than the national average. As the Great Resignation gripped the nation's workforce in 2022, the Pittsburgh region continued to shine. Traditional metrics to assess the quality of a geography's workforce include growth, age distribution and educational attainment. Turnover rate, which is calculated by comparing separations to total jobs, is another valuable metric. If a company is considering opening a new facility and is deciding between several different metros, a metro with a higher turnover rate could be disincentivizing. A lower turnover rate indicates a workforce that is more likely to stay within a given industry or occupation. Among benchmark regions, Pittsburgh has the second-lowest turnover rate overall.

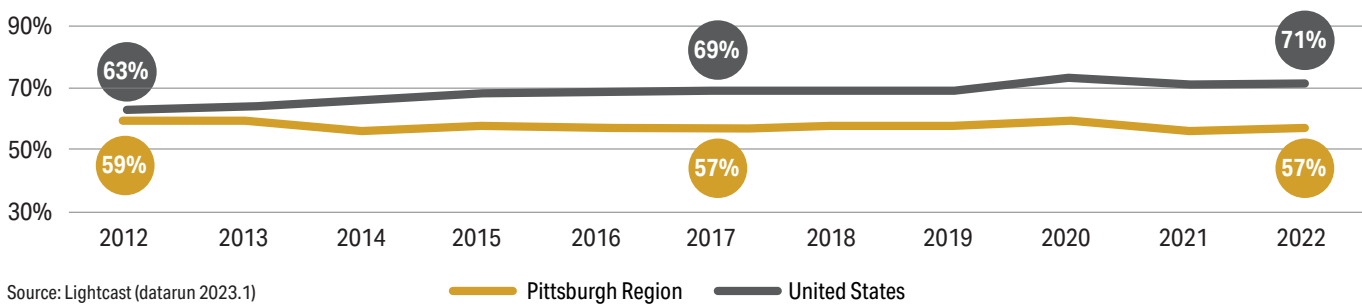
2022 Turnover Rate by Region



Source: Lightcast (datarun 2023.1)

Not only does Pittsburgh have the second-lowest turnover rate, but that rate is lower than the national average. Six benchmark metros – four of which are considered peer benchmarks – have turnover rates that are higher than the nation. Additionally, the turnover rate in Pittsburgh has remained consistent over the past 10 years while the national turnover rate has increased nearly 10 percentage points. From an employer's perspective, this indicates that the workforce is more dependable in Pittsburgh.

Turnover Rate by Year



Source: Lightcast (datarun 2023.1)

These turnover rates can be assessed at more specific levels of occupations or industry. Pittsburgh's low turnover rate is a strength which not only performed comparatively well in the past year but has remained relatively consistent while the national turnover rate increased.



Analysis provided by the Pennsylvania Economy League of Greater Pittsburgh, an affiliate of the Allegheny Conference.