

Southwestern Pennsylvania Quarterly Vitals

January – March 2023

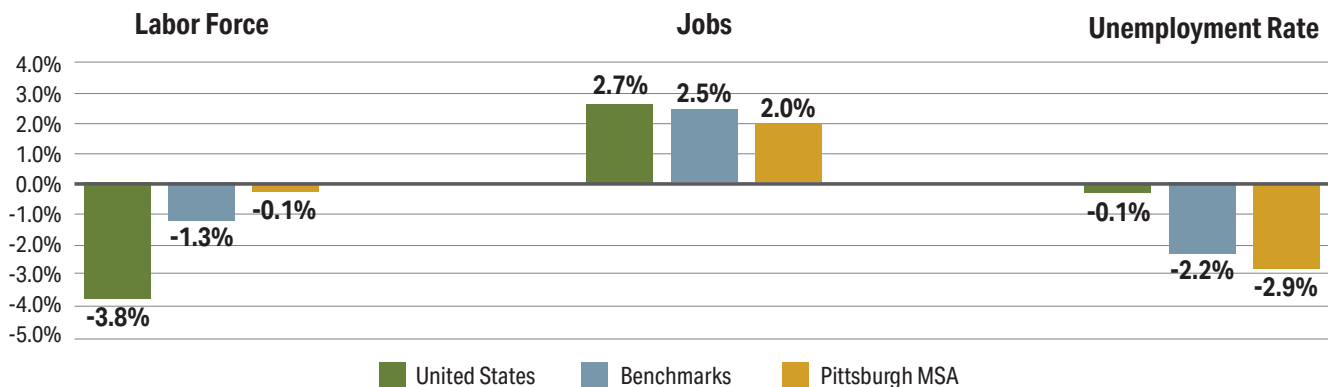
Key Takeaways

- Southwestern Pennsylvania's labor force slightly shrunk over the previous year; however, the region's labor force growth rate did not decline as greatly as the national average or that of that of benchmark MSAs.
- The office real estate sector had a healthy showing in Q1 2023 with increasing rental rates, decreased vacancy rates and positive absorption. Construction in the industrial real estate sector was up nearly 36% from Q1 2022. As for absorption, industrial real estate saw an increase of about 120% year-over-year, while office real estate saw a decrease of about 116%.
- Downtown and its cultural district still lag the monthly visitors it drew pre-pandemic, drawing less than 75% of the visitors it used to. Air travel shows resilience with monthly air passengers increasing 12% year-over-year.
- Annual capital investment in the region exceeds \$2 billion for 10 consecutive years.

Workforce

Southwestern Pennsylvania's labor force shrank 0.1% since March 2022; however, the decline in labor force in the region has not been nearly as severe as that of the benchmark average and nation. 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.

March 2023: One-Year Change by Workforce Indicator



Between January and March 2023, there were more than 124,000 job postings in the Pittsburgh MSA, 20.6% less than the previous year. This decrease is comparable to the U.S. and benchmark averages.

Workforce Indicators – March 2023

	Pittsburgh MSA		United States	Benchmark Total
	Value	YOY Change	YOY Change	YOY Change
Labor Force	1,177,038	-0.1%	-3.8%	-1.3%
Payroll Employment	1,156,400	2.0%	2.7%	2.5%
Unemployment Rate	3.9%	-0.6 ppts	-0.2 ppts	-2.2 ppts
Job Postings (Jan. 23 – Mar. 23)	124,081	-20.6%	-20.9%	-23.5%

Data current as of 5/22/23, the Unemployment Rate reflects the non-seasonally adjusted rate.
Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, Current Population Survey; Lightcast (datarun 2023.2)



Business Conditions

The average industrial rental rate increased a robust 8.9% year-over-year while vacancies have declined, and construction has increased 36% over the last year. While the outlook for the industrial sector is bright, the office sector is also showing mixed signs of improvement.

The office sector experienced improvements in the first quarter of 2023. Rental rates have increased while vacancy rates decreased slightly over Q1 2022. The first quarter of 2023 saw positive absorption (more square footage occupied than vacated) for office square footage, showing a significant increase of approximately 116% year-over-year.

Air travel continues to rebound with the March 2023 passenger count increasing 12.0% year-over-year. Air travel has yet to fully recover, lagging the 837,561-passenger total seen in March of 2019, but the industry does show signs of steady growth. However, year-to-date cargo has been decreasing year-over-year since March 2022.

Business Indicators – Pittsburgh Metro			
	Value	YOY Change	
Real Estate (2023 Q1)	Office rate (\$)	\$26.02	11.9%
	Office vacancy (%)	15.6%	-1.1ppts
	Office absorption (SF)	9,023	116.3%
	Office construction (SF)	603,000	-49.8%
	Industrial rate (\$)	\$8.18	8.9%
	Industrial vacancy (%)	4.2%	-1.9ppts
	Industrial absorption (SF)	375,358	120.9%
	Industrial Construction (SF)	3,400,000	36.0%
Air Travel (Mar 2023)	Monthly Total Passenger* traffic	754,884	12.0%
	YTD Cargo* traffic (lbs.)	46,797,574	-16.4%

Data current as of 5/23/23
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

Regional Business Headline Highlights

[\\$3.5M federal infrastructure grant arrives at Pittsburgh International Airport for terminal project](#)
Pittsburgh Business Times – March 7, 2023

[\\$1 million in state funding will support environmental projects in Allegheny County](#)
NEXTpittsburgh – March 29, 2023

[\\$12 million expansion planned at AHN Allegheny Valley Hospital](#)
Pittsburgh Business Times – March 10, 2023

[Excelsa Health, Butler Health System officially merged](#)
Pittsburgh Business Times – January 3, 2023

COVID-19 Recovery

COVID-19 Recovery Indicators				
		Pittsburgh	United States	Benchmark
Total Economy (Mar 2023)	Labor Force Recovered	96.4%	102.6%	101.0%
	Jobs Recovered	97.9%	103.4%	103.3%
	Air Passengers Recovered	90.1%	N/A	N/A
	Monthly Visitors Downtown	71.5%	N/A	N/A
Tourism (Quarter 1)	Seated Diners Recovered	97.0%	96.0%	N/A
	Hotel Occupancy	89.0%	95.0%	N/A
	Hotel RevPAR	104.0%	113.0%	N/A
	Cultural District Visitors	69.2%	N/A	N/A

Data current as of 5/22/23

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.

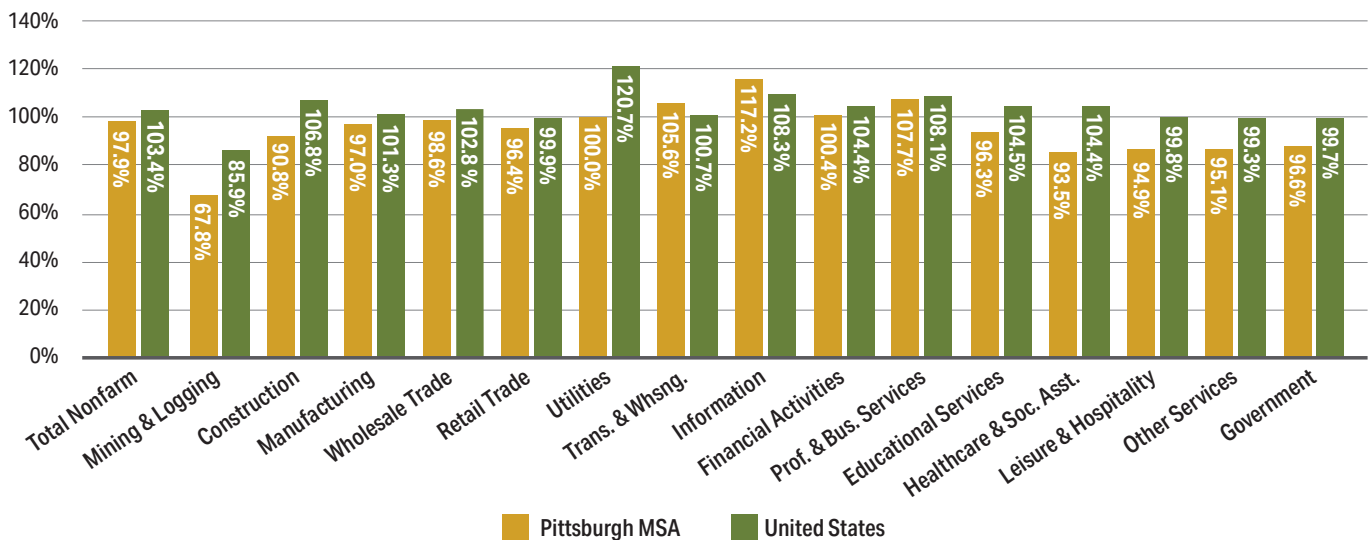
Air Passengers and Monthly Visitors Downtown recovered measures the change from the same month in 2019. For seated diners recovered, the metric is a percentage of the value same day of the week in 2023. Hotel data are for Allegheny County only.

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. Downtown and its cultural district still lag the monthly visitors it drew pre-pandemic, drawing less than 75% of the visitors it used to. Air travel shows resilience with monthly air passengers increasing more than 12% year-over-year.

Most industries in the Pittsburgh MSA have yet to reach full recovery since the pandemic. Five out of the 16 sixteen sectors have reached full recovery in the Pittsburgh MSA. Mining and Logging maintains only 67.8% recovery of employment since the pandemic. Pittsburgh MSA trails the national recovery rates in all, but two, industries observed. The information industry has shown strong recovery of greater than 117%, beating out the nation's recovery rate by greater than nine percentage points.

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



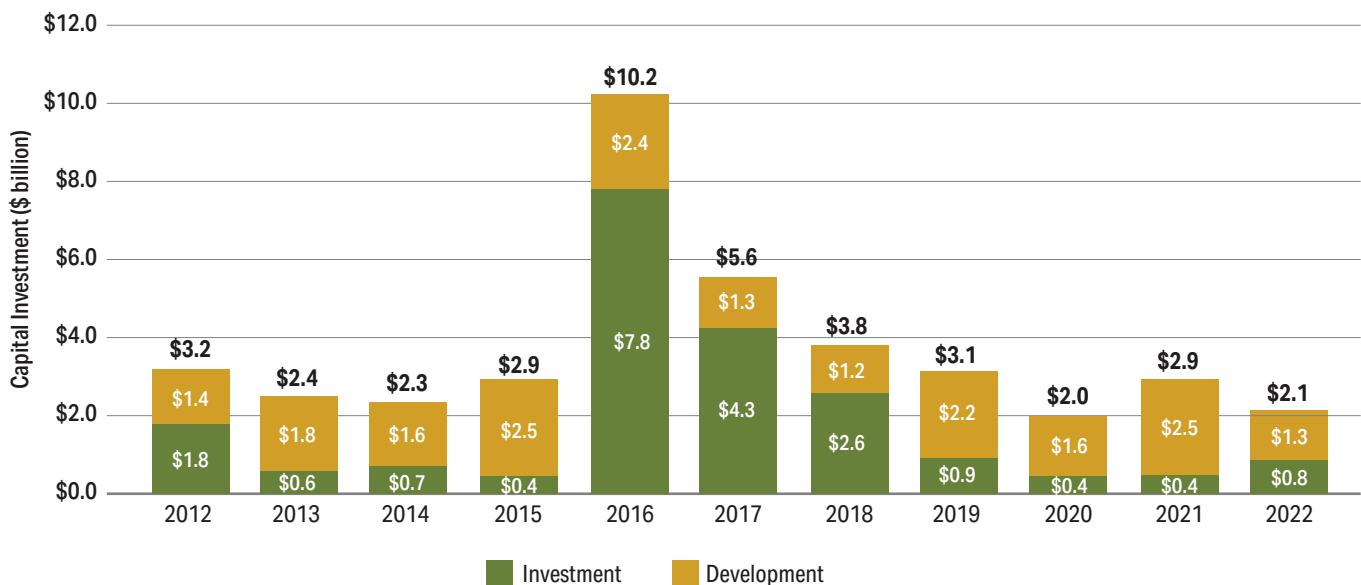
Source: Bureau of Labor Statistics



Quarterly Focus – Annual capital investment in the region exceeds \$2 billion for 10 consecutive years

The Allegheny Conference on Community Development tracks business growth announcements throughout the 10-county region. These announcements are classified as investments (companies planning to add or retain employees) or developments (real estate investments that are not related to an employment impact). Capital investment in the region has exceeded \$2 billion per year since 2012. While the total capital investment in 2022 was smaller than 2021, investment announcements grew 112.7% year-over-year to over \$830 million. That \$830 million accounts for nearly 40% of capital investment in the region in 2022. The largest single capital investment in 2022 came from Perryman Company, the Washington, Pa.-headquartered titanium manufacturer. Perryman Company announced a \$200 million investment to install an open die forge press and add furnaces to increase titanium melting capacity. Construction is expected to begin in the summer of 2023 and to be completed by the summer of 2024. This announcement accounted for 24% of total capital investment in investment projects.

Regional Capital Investment by Announcement Type



Capital Investment was more distributed in 2022 than previous years which might have seen a single large investment that comprised the majority of total capital investment. 2016 and 2017 exemplify this as Shell announced its \$6 billion investment to build the Shell cracker plant and UPMC announced that it would invest \$2 billion in building three new specialty hospitals. Though Perryman Company had the largest single capital investment figure in 2022, the second largest was close behind at \$150 million. Capital investment in investment projects ranged from \$225,000 to \$200 million, with the average investment being just over \$20 million. These investments occurred in nine counties in the 10-county region and across all key sectors in addition to the agriculture, construction, distribution, retail and transportation industries.



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

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