

Southwestern Pennsylvania Quarterly Vitals

April – June 2023

Key Takeaways

Southwestern Pennsylvania's payroll employment in the second quarter showed growth of 2.9% year-over-year. This growth level beat both the national and benchmark averages for job growth year over year.

Construction in the industrial real estate sector was up 53.2% from Q2 2022. As for absorption, industrial real estate saw an increase of about 210.2% year-over-year to 211,124 SF. Outlook in office real estate had a much bleaker outlook as office absorption saw a decrease of over 1,000 percent, and construction saw a decrease of over 50% year-over-year.

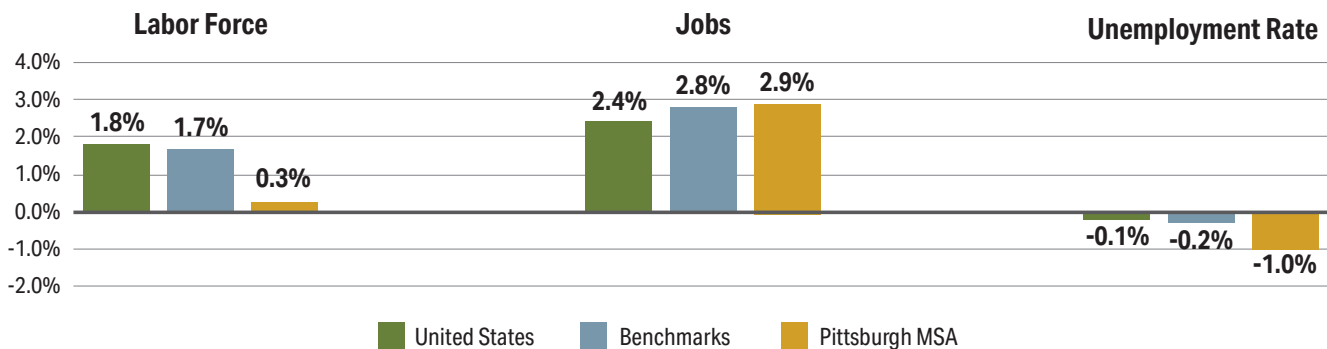
Monthly downtown and cultural district visitors still lag what they were pre-pandemic, each drawing about 85% of the traffic they previously did from June 2019. Air travel shows resilience with monthly air passengers increasing 16.5% year-over-year.

The City of Pittsburgh was able to maintain its population base during the pandemic era. Additionally, Pittsburgh and Seattle were the only benchmark regions in which the core city outperformed the metropolitan area in population since 2020.

Workforce

Southwestern Pennsylvania's labor force grew 0.3% since June 2023, however the increase in labor force in the region lagged the growth of that of the benchmark average and nation. Payroll employment growth in the Pittsburgh MSA showed strength as it exceeded both the year over year changes of the nation and benchmark average. However, the Pittsburgh MSA did have a greater unemployment rate than the national and benchmark averages.

One-Year Change by Workforce Indicator (June 2023)



Between April and June 2023, there were over 76,000 job postings in the Pittsburgh MSA, 24.3% less year-over-year. This decrease is comparable to the U.S. and benchmark averages.

Workforce Indicators – June 2023

	Pittsburgh MSA		United States	Benchmark Total
	Value	YOY Change	YOY Change	YOY Change
Labor Force	1,188,362	0.3%	1.8%	1.7%
Payroll Employment	1,182,600	2.9%	2.4%	2.8%
Unemployment Rate	3.8%	-1.0%	-0.1%	-0.2%
Job Postings (Apr. 23 – Jun. 23)	76,250	-24.3%	-19.4%	-26.9%

Data current as of 8/7/23, the Unemployment Rate reflects the non-seasonally adjusted rate.

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, Current Population Survey; Lightcast (datarun 2023.3)



Business Conditions

The average industrial rental rate increased a robust 11.1% year-over-year while vacancies have declined, and construction has increased 53.2% over the last year. While the outlook for the industrial sector is bright, the office sector does not share the same bright outlook.

The office sector showed mixed signs in the second quarter of 2023. Year-over-year rental rates have increased while vacancy rates decreased ever so slightly. The second quarter of 2023 saw negative absorption for office square footage, meaning that more square footage has been vacated than occupied over the last quarter. This absorption is significantly less than the office absorption over Q2 2023.

The Air Travel industry has shown positive signs of growth over the last year regarding monthly passenger traffic, seeing an increase of 16.5% from the second quarter of 2023. The airport saw a significant decrease (13.1%) in year to day cargo traffic year-over-year.

Business Indicators – Pittsburgh Metro			
	Value	YOY Change	
Real Estate (2023 Q2)	Office rate (\$)	\$25.23	7.9%
	Office vacancy (%)	16.3%	-0.2 ppts
	Office absorption (SF)	-377,089	-1191.2%
	Office construction (SF)	603,000	-52.9%
	Industrial rate (\$)	\$8.58	11.1%
	Industrial vacancy (%)	4.2%	-1.7 ppts
	Industrial absorption (SF)	211,124	210.2%
	Industrial Construction (SF)	3,800,000	53.2%
Air Travel (June 2023)	Monthly Total Passenger* traffic	430,853	16.5%
	YTD Cargo* traffic (lbs.)	14,449,825	-13.1%

Data current as of 8/7/23

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

Carnegie Mellon artificial intelligence institute to receive \$20M in federal funding
Trib Live – May 11, 2023

Robotics-focused ARM Institute grants \$6 million in federal funds for four makerspaces throughout region
Pittsburgh Business Times – May 8, 2023

Thoro.ai raises \$7 million Series A funding round
Pittsburgh Business Times – May 22, 2023

Washington Health System to merge with UPMC
Herald Standard – June 20, 2023

COVID-19 Recovery

COVID-19 Recovery Indicators				
		Pittsburgh	United States	Benchmark
Total Economy (June 2023)	Labor Force Recovered	96.4%	102.3%	102.3%
	Jobs Recovered	98.5%	103.4%	103.6%
	Air Passengers Recovered	95.4%	N/A	N/A
	Monthly Visitors Downtown	84.9%	N/A	N/A
Tourism (Quarter 2)	Seated Diners Recovered	103.0%	98.0%	N/A
	Hotel Occupancy	106.0%	99.0%	N/A
	Hotel RevPAR	113.0%	103.0%	N/A
	Cultural District Visitors	84.8%	N/A	N/A

Data current as of 8/8/23

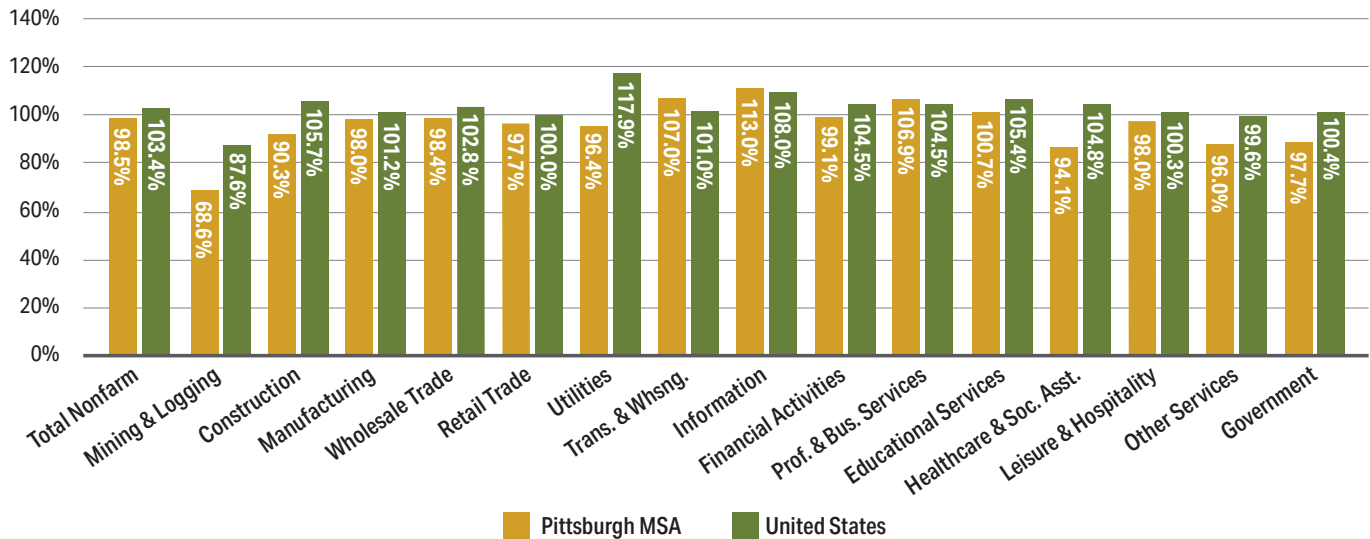
Note: Labor Force recovered, and Jobs recovered is measured as a percentage of the relevant metric during the same period in 2019 prior to the onset of the pandemic. Air Passengers and Monthly Visitors Downtown recovered measures the change from the same month in 2019. For seated diners recovered, the metric is a percentage of the value same day of the week a year ago. 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. Monthly downtown and cultural district visitors still lag what they were pre-pandemic, each drawing about 85% of the traffic they used to. Air travel shows resilience with monthly air passengers increasing more than 16.5% year-over-year.

Almost all industries in the Pittsburgh region have yet to fully recover from the pandemic, with only four showing at least full recovery, those being Transportation and Warehousing, Information, Professional and Business Services, and Educational Services. Of the industries that haven't recovered, almost all have recuperated more than 90% of their previous employment, except for Mining and Logging which has only recovered 68.6% of its 2019 employment. Comparing this to the nation as a whole, Pittsburgh falls behind, as only two sectors have not seen full recovery those being Mining and Logging and Other Services, both of which have recovered a greater percentage of previous employment than the Pittsburgh MSA.

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



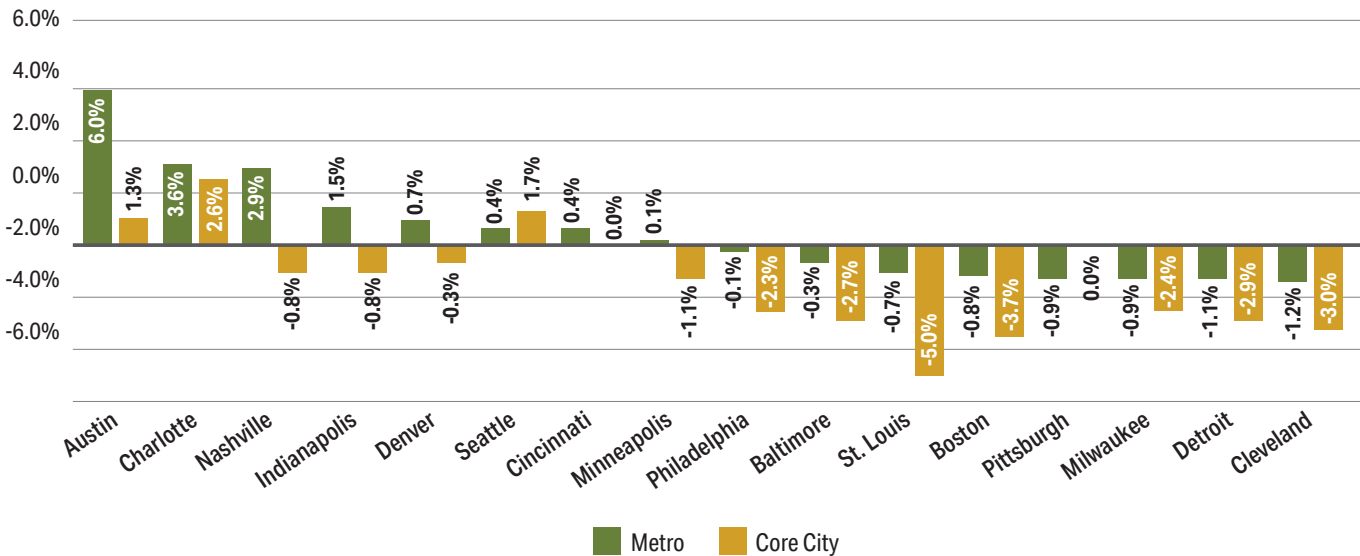
Source: Bureau of Labor Statistics



Quarterly Focus – City of Pittsburgh maintains its population base during the pandemic era

Demographic information is vital to the understanding and forecasting of long-term economic growth for the Pittsburgh region. The U.S. Census Bureau showed that the City of Pittsburgh, during the pandemic era (April 1, 2020 to July 1, 2022), was able to maintain its population base – something that few peer cities were able to do. Additionally, Pittsburgh and Seattle were the only benchmark region in which the core city outperformed the metropolitan area in population change since the onset of the pandemic. Although the Pittsburgh metropolitan area performed well compared to peer MSAs, it did experience the tenth largest population loss during the pandemic era, dropping 0.9%. Among the municipalities in the broader 10-county region, rural communities in areas such as Greene and Fayette counties experienced the greatest population loss during the pandemic. Seventeen of the 20 municipalities that saw a population decrease during the pandemic were in Greene County, and with most of these being smaller communities of less than 1,000 residents, the loss of residents is shown more dramatically in the sense of a percentage impact. Regarding population growth, only 23 out of the 551 municipalities in southwestern Pennsylvania have shown growth of at least 0.5% annually during the pandemic era. All of these occurred in either Allegheny, Butler or Washington counties, with the greatest population growth concentrated in southwestern Butler County and north central Washington County in close proximity to I-79. Nearly all growing municipalities in the region throughout the pandemic were along a major highway.

Metropolitan Area vs. Core City Population Change – April 1, 2020 to July 1, 2022



Source: U.S. Census Bureau – 2022 Population Estimates, compiled June 2023



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

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