

Southwestern Pennsylvania Quarterly Vitals

July – September 2023

Key Takeaways

Southwestern Pennsylvania’s unemployment rate in the third quarter decreased by 0.9 percentage points year-over-year. This decrease in unemployment was greater than both the national and benchmark averages for unemployment rate year over year.

Absorption in the industrial real estate sector showed strength, increasing over 600% from Q3 2022. The industrial sector saw a slight decrease in industrial vacancies, as well as a 26.8% decrease in construction. Outlook in office real estate was bleaker, displaying a large decrease in both office absorption and construction.

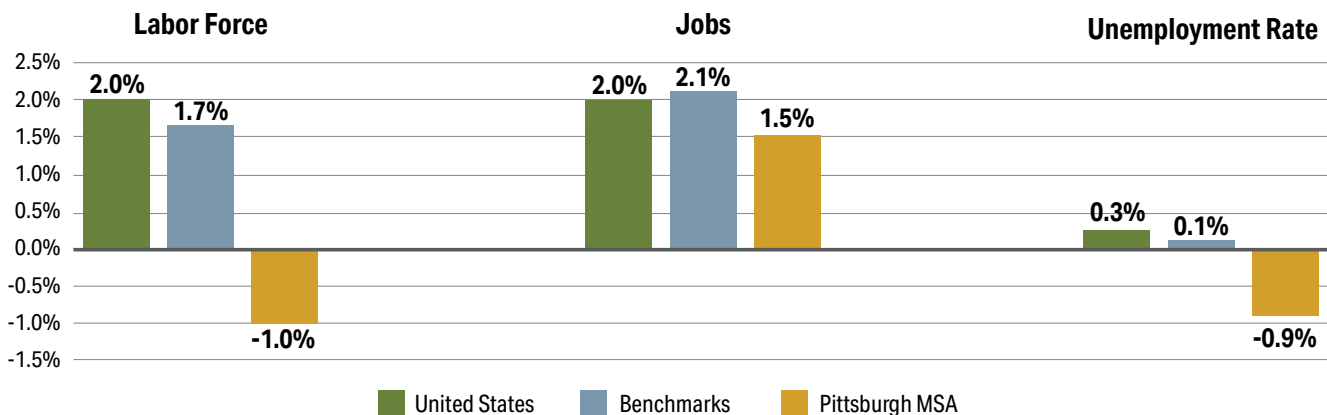
Monthly downtown and cultural district visitors still lag what they were pre-pandemic, each drawing around 80% of the traffic they previously did in September 2019. Air travel shows resilience with monthly air passengers increasing 10.1% year-over-year.

Pittsburgh International Airport added nonstop flights to several destinations including, but not limited to, San Francisco, California; Fort Myers, Florida; London, UK; and Reykjavik, Iceland. The increased service to existing and new locations can help the airport reach full recovery of passenger traffic since the pandemic.

Workforce

Southwestern Pennsylvania’s labor force shrunk 1.0% since July 2023. This decrease lagged the displayed growth of the benchmark average and nation. Payroll employment showed growth in the Pittsburgh MSA; however, it fell short of both the year-over-year changes of the nation and benchmark average. The Pittsburgh MSA’s unemployment rate shrunk by 0.9 percentage points while both the average of benchmark MSAs and the United States saw increases in unemployment rate during the same span.

One-Year Change by Workforce Indicator (September 2023)



Between July and September 2023, there were more than 81,000 job postings in the Pittsburgh MSA, 18.0% less year-over-year. This decrease is comparable to the U.S. average.

Workforce (continued)

Workforce Indicators – September 2023				
	Pittsburgh MSA		United States	Benchmark Total
	Value	YOY Change	YOY Change	YOY Change
Labor Force	1,170,381	-1.0%	2.0%	1.7%
Payroll Employment	1,173,200	1.5%	2.0%	2.1%
Unemployment Rate	3.0%	-0.9%	0.3%	0.1%
Job Postings (July 23 – Sept. 23)	81,685	-18.0%	-19.7%	-27.4%

Data current as of 11/6/23, 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 15.0% year-over-year while vacancies have declined slightly, and construction has decreased 26.8% over the last year. Industrial absorption showed a strong increase of more than 600% year over year.

The office sector showed mixed signs in the third quarter of 2023. Year-over-year rental rates have increased while vacancy rates have remained stagnant. The third 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 Q3 2022.

The Air Travel industry gave mixed signs over the last year regarding monthly passenger traffic, seeing an increase of 10.1% from the third quarter of 2022. The airport saw a significant decrease (10.1%) in year-to-day cargo traffic year-over-year.

Business Indicators – Pittsburgh Metro			
		Value	YOY Change
Real Estate (2023 Q3)	Office rate (\$)	\$24.90	0.6%
	Office vacancy (%)	16.1%	0.0 ppts
	Office absorption (SF)	108,000	-191.2%
	Office construction (SF)	603,000	-57.5%
	Industrial rate (\$)	\$8.82	15.0%
	Industrial vacancy (%)	4.7%	-0.9 ppts
	Industrial absorption (SF)	659,000	614.5%
Air Travel (Sept. 2023)	Industrial Construction (SF)	2,600,000	-26.8%
	Monthly Total Passenger* traffic	765,883	10.1%
	YTD Cargo* traffic (lbs.)	125,122,323	-10.1%

Data current as of 11/6/23
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

Wabtec picks up \$190M parts order from Indonesia's railroad operator

Pittsburgh Business Times – July 10, 2023

'Regionally transformative': Pitt pitches \$250 million biomanufacturing facility at Hazelwood Green

Pittsburgh Post-Gazette – July 13, 2023

Aurora gets \$820M to drive operations until autonomous truck launch

Pittsburgh Business Times – July 24, 2023

Astrobotic lands \$34.6 million NASA award to demonstrate transmission of electricity on lunar surface

Pittsburgh Business Times – July 26, 2023

COVID-19 Recovery

COVID-19 Recovery Indicators				
		Pittsburgh	United States	Benchmark
Total Economy (Sept. 2023)	Labor Force Recovered	95.2%	102.3%	102.2%
	Jobs Recovered	97.8%	103.6%	103.6%
	Air Passengers Recovered	97.1%	N/A	N/A
	Monthly Visitors Downtown	79.2%	N/A	N/A
Tourism (Quarter 3)	Seated Diners Recovered	98.0%	94.0%	N/A
	Hotel Occupancy	96.0%	95.0%	N/A
	Hotel RevPAR	127.0%	116.0%	N/A
	Cultural District Visitors	82.0%	N/A	N/A

Data current as of 11/6/23

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.

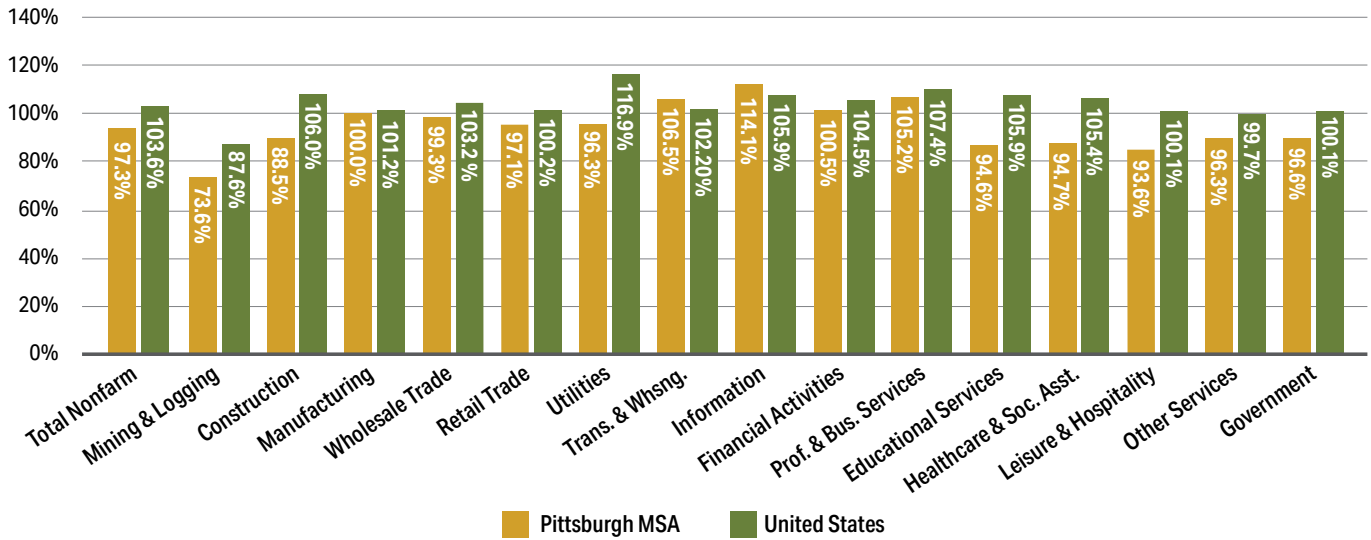
Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, Current Population Survey; Pittsburgh International Airport; OpenTable, VisitPITTSBURGH

The region continues to rebound from the pandemic recession. Monthly downtown and cultural district visitors still lag what they were pre-pandemic, each drawing around 80% of the traffic they used to. Air travel shows resilience with monthly air passengers increasing more than 10.1% year-over-year.

Almost all industries in the Pittsburgh region have yet to fully recover from the pandemic, with only five showing at least full recovery, those being Manufacturing, Transportation and Warehousing, Information, Professional and Business Services, and Financial Activities. 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 74.6% of its 2019 employment. Comparing this to the nation as a whole, Pittsburgh falls behind, as only two sectors have not seen full recovery – Mining and Logging and Other Services. Both have recovered a greater percentage of previous employment than the Pittsburgh MSA.

COVID-19 Recovery (continued)

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



Source: Bureau of Labor Statistics



Quarterly Focus – Pittsburgh International Airport’s growth, expansion and pandemic recovery

In Q3 2023, Pittsburgh International Airport increased service to existing and new locations including, but not limited to, San Francisco, California; Fort Myers, Florida; London, UK; and Reykjavik, Iceland. Icelandair’s service at Pittsburgh International Airport marks the airport’s first return of service to Iceland since Wow Airlines stopped operating in Pittsburgh in more than 50 nonstop routes. This expansion in destinations underscores broader upward trends at Pittsburgh International Airport which has seen a steady recovery in both monthly passengers and freight traffic since the pandemic. With the increase in service to new and existing destinations, passenger traffic should increase and ideally restore traffic to pre-pandemic levels. Since September 2020, Pittsburgh International Airport has shown a strong recovery in total monthly enplaned and deplaned passengers, recovering about 97.1% of monthly air traffic.

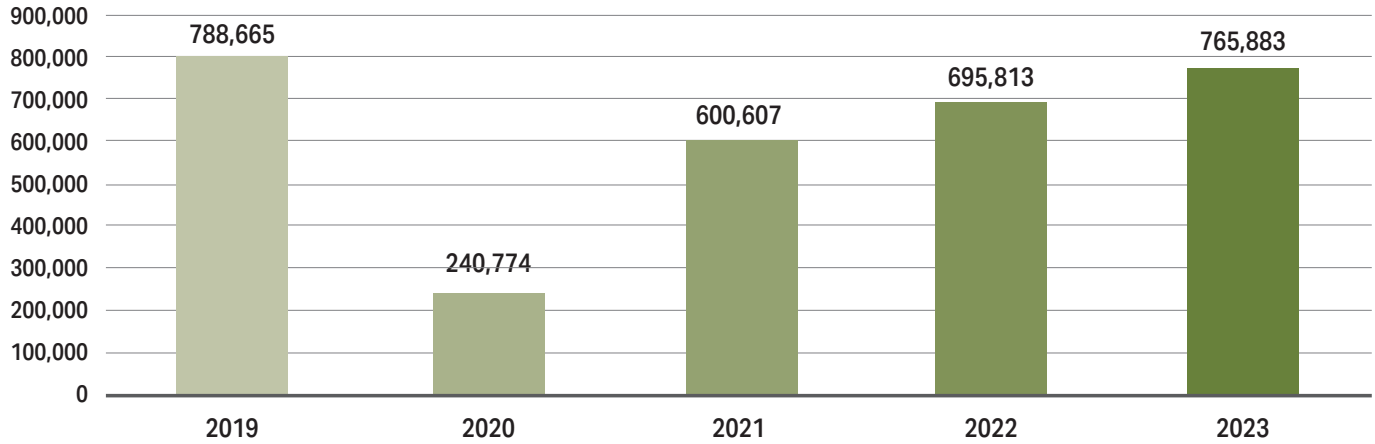


PHOTO CREDIT: Pittsburgh International Airport



Quarterly Focus – Pittsburgh International Airport’s growth, expansion and pandemic recovery (continued)

September Passenger Traffic (Total Enplaned & Deplaned)



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