



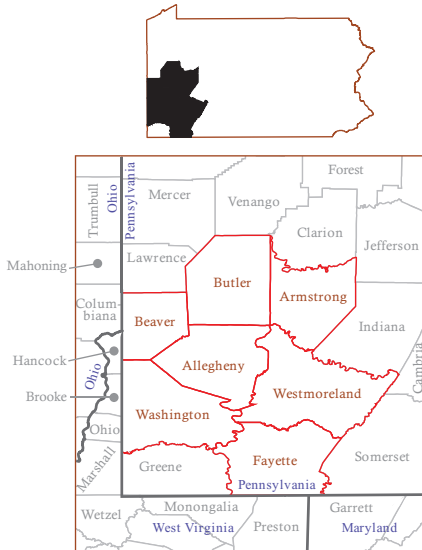
Pittsburgh, Pennsylvania

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of August 1, 2011



Summary

Housing Market Area



The Pittsburgh Housing Market Area (HMA), located in southwestern Pennsylvania, is coterminous with the Pittsburgh Metropolitan Statistical Area. For purposes of this analysis, the HMA is divided into three submarkets: the Central Pittsburgh submarket, comprising Allegheny County, including the principal city of Pittsburgh; the Southern Pittsburgh submarket, comprising Fayette, Washington, and Westmoreland Counties; and the Northern Pittsburgh submarket, comprising Armstrong, Beaver, and Butler Counties.

Economy

Economic conditions strengthened in the Pittsburgh HMA during the past year. Nonfarm payrolls increased by 15,000 jobs, or 1.4 percent, to 1,133,000 jobs during the 12 months ending July 2011, with the most significant growth occurring in three sectors: education and health services; logging, mining, and construction; and professional and business services. Nonfarm payroll jobs are expected to increase by an average of 1.4 percent a year during the 3-year forecast period, led by expansion in the education and health services sector.

3-year forecast period is expected to total 8,950 new homes, a portion of which will be met by the 850 homes currently under construction (see Table 1). In addition, some of the 60,400 other vacant units in the HMA may re-enter the market and satisfy some of the demand.

Rental Market

Rental market conditions in the HMA are currently soft, with a 7.4-percent vacancy rate. The overbuilding of rental units during the early-to-mid 2000s, coupled with moderate household growth since 2000, led to softer conditions. During the forecast period, demand in the HMA is expected to total approximately 2,050 new rental units, part of which will be met by the 950 rental units under construction (see Table 1).

Sales Market

Sales market conditions in the HMA are currently soft. During the 12 months ending June 2011, new and existing home sales declined by 20 percent, to 22,700 homes. Demand during the

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Table 1. Housing Demand in the Pittsburgh HMA, 3-Year Forecast, August 1, 2011 to August 1, 2014

	Pittsburgh HMA		Central Pittsburgh Submarket		Southern Pittsburgh Submarket		Northern Pittsburgh Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	8,950	2,050	3,850	1,500	2,800	0	2,300	550
Under Construction	850	950	300	700	300	50	250	200

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2011. A portion of the estimated 60,400 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

The Pittsburgh HMA is the economic anchor of northern Appalachia and the Ohio River Valley. During the 12 months ending July 2011, the economy of the HMA strengthened, adding 15,000 nonfarm payroll jobs, an increase of 1.4 percent, to 1,133,000 jobs (see Table 2). This gain is a significant improvement from the economic decline that occurred during 2009, when the HMA lost more than 28,000 nonfarm payroll

jobs, with nearly 80 percent of those losses concentrated in the manufacturing, wholesale and retail trade, and professional and business services sectors. Declines in nonfarm payrolls abated when the economy added a total of 3,000 jobs during 2010, and the wholesale and retail trade and professional and business services sectors improved. During the 12 months ending July 2011, the average unemployment rate declined to 7.4 percent from the 8-percent rate recorded for the previous 12 months. See Figure 1 for trends in the labor force, resident employment, and average unemployment rate in the HMA from 2000 through 2010.

Despite the improvement in the economy of the HMA during the 12 months ending July 2011, the information and government sectors had nonfarm payroll losses of 4.8 and 0.9 percent, or 900 and 1,200 jobs, respectively. The closure of the DISH Network Corporation call center in McKeesport resulted in 600 layoffs and contributed to declines in the information sector, and budget cuts

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Pittsburgh HMA, by Sector

	12 Months Ending July 2010	12 Months Ending July 2011	Percent Change
Total Nonfarm Payroll Jobs	1,118,000	1,133,000	1.4
Goods Producing	142,800	145,900	2.1
Mining, Logging, & Construction	55,800	57,200	2.5
Manufacturing	87,000	88,650	1.9
Service Providing	975,100	987,400	1.3
Wholesale & Retail Trade	171,300	173,500	1.3
Transportation & Utilities	41,500	42,300	1.9
Information	18,950	18,050	-4.8
Financial Activities	68,000	68,850	1.2
Professional & Business Services	154,700	158,800	2.6
Education & Health Services	234,600	238,500	1.7
Leisure & Hospitality	106,500	109,100	2.5
Other Services	51,300	51,150	-0.2
Government	128,300	127,100	-0.9

Notes: Based on 12-month averages through July 2010 and July 2011. Numbers may not add to totals because of rounding.

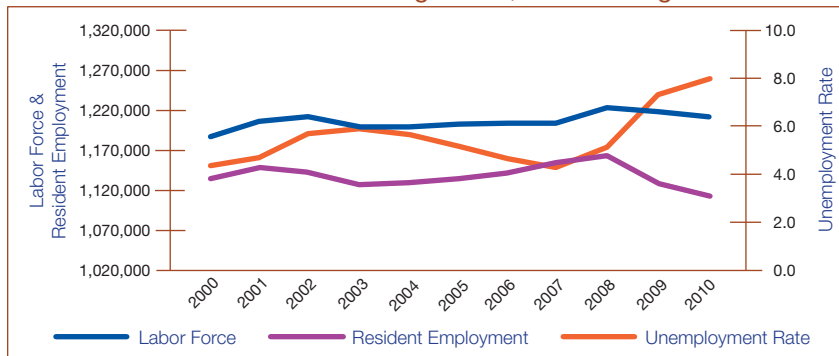
Source: U.S. Bureau of Labor Statistics

caused decreases in state and federal jobs, contributing to reductions in the government sector. Growth in the remaining sectors more than offset those losses, with notable expansions occurring in three sectors: education and health services; logging, mining, and construction; and professional and business services sectors, which increased by a combined total of 9,375 jobs during the 12 months ending July 2011.

At one time, the HMA manufactured one-half of the nation's steel supply, but, as manufacturing declined during the 1990s, the area evolved into a so-called "rust belt." During this transition, the economic base of the HMA

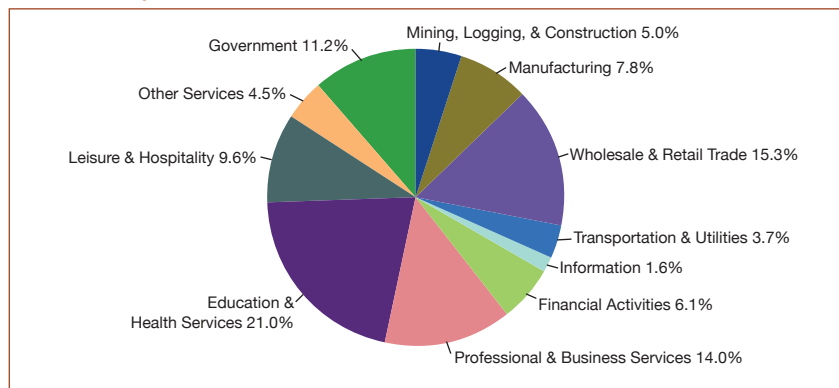
shifted away from manufacturing. Today, the area is the education and healthcare center for western Pennsylvania, parts of Ohio, and northern West Virginia. Since 2000, the share of nonfarm payroll jobs in the manufacturing sector has declined from 11 to 8 percent, and the share of jobs in the education and health services sector has increased from 17 to 21 percent. Figure 2 shows the share of total nonfarm payroll jobs in the HMA by sector, and Figure 3 illustrates sector growth in the HMA from 2000 to the current date. During the 12 months ending July 2011, the education and health services sector expanded by 3,900 nonfarm payroll jobs, or 1.7 percent, a slight increase from the 3,000-job, or 1.3-percent, growth during the previous 12-month period. Leading employers in the HMA include the University of Pittsburgh Medical Center (UPMC), with 36,700 employees; the University of Pittsburgh, with 11,300 employees; and West Penn Allegheny Health System, with 10,600 employees (see Table 3). Nonfarm payroll jobs in the education and health services sector are expected to grow at the same pace during the forecast period as during the past year. By the end of 2011, UPMC is planning to add 1,300 jobs and West Penn Allegheny Health System will start a new medical school. Although the number of jobs West Penn Allegheny Health System will add is uncertain, the school expects to graduate approximately 5,000 physicians a year. In addition, UPMC is currently constructing UPMC East, a \$258 million, full-service hospital that will add 400 jobs when it is completed in 2012, and UPMC Health Plan expects to add 300 jobs during 2012 and 2013.

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Pittsburgh HMA, 2000 Through 2010



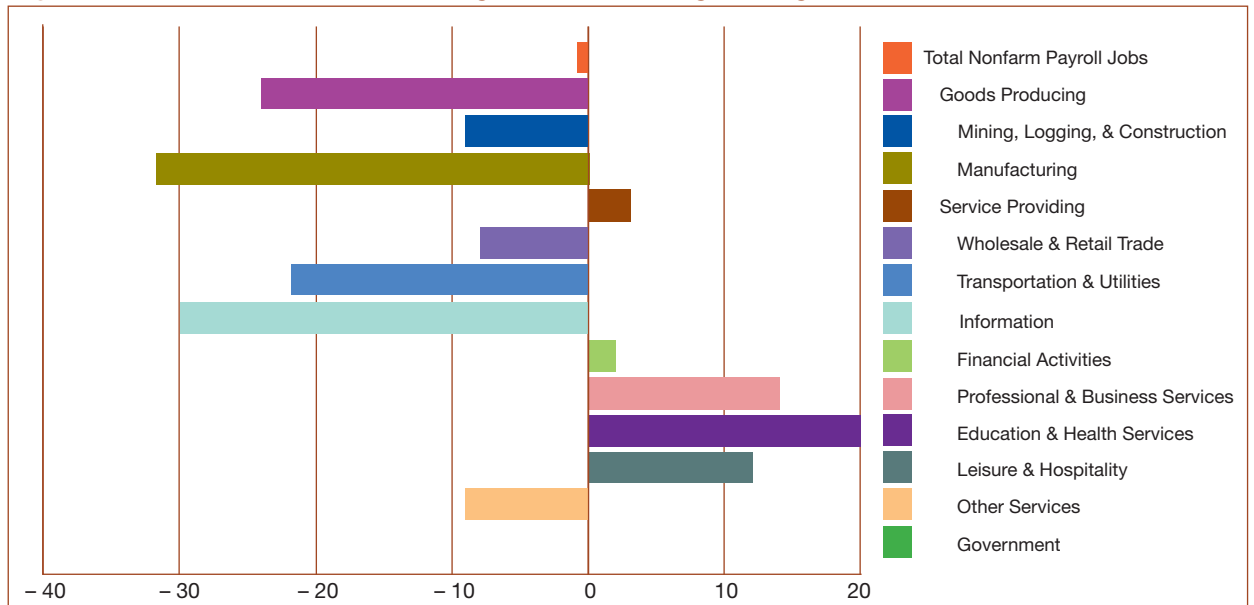
Source: U.S. Bureau of Labor Statistics

Figure 2. Current Nonfarm Payroll Jobs in the Pittsburgh HMA, by Sector



Note: Based on 12-month averages through July 2011.

Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Pittsburgh HMA, Percentage Change, 2000 to Current

Note: Current is based on 12-month averages through July 2011. During this period, government jobs showed no net change.

Source: U.S. Bureau of Labor Statistics

During the past year, the HMA became an emerging area for natural gas extraction along the Marcellus Shale, a sedimentary rock formation that extends from southern New York, through western Pennsylvania and eastern Ohio, and into western Virginia. As a result, nonfarm payrolls in the mining and logging subsector increased by 25 percent, or 1,600 jobs, during the 12 months ending July 2011 compared with an increase of 11 percent, or 600 jobs, during the previous

12-month period. Growth in logging and mining is expected to continue; 16 companies involved in natural gas extraction have announced plans to add more than 1,200 jobs in the HMA during the next 4 years. Range Resources, a natural gas producer, is currently constructing a regional facility and will add 250 jobs by November 2011. Chevron undertook a \$3 million expansion in 2010 and is expecting to hire 140 employees by the end of 2011.

Table 3. Major Employers in the Pittsburgh HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Pittsburgh Medical Center	Education & Health Services	36,700
University of Pittsburgh	Education & Health Services	11,300
West Penn Allegheny Health System	Education & Health Services	10,600
Giant Eagle, Inc.	Wholesale & Retail Trade	10,400
Wal-Mart Stores, Inc.	Wholesale & Retail Trade	10,000
The PNC Financial Services Group, Inc.	Financial Activities	9,150
Westinghouse Electric Corporation	Transportation & Utilities	8,000
The Bank of New York Mellon Corporation	Financial Activities	7,025
Highmark Inc.	Financial Activities	5,450
United States Steel Corporation	Manufacturing	4,600

Note: Excludes local school districts.

Source: Pittsburgh Business Times, Book of Lists, 2011

The professional and business services sector increased by 4,100 jobs, or 2.6 percent, during the 12 months ending July 2011, up from the 2,700-job, or 1.8-percent, increase during the previous 12-month period. Of those jobs added, approximately 30 percent were in the professional, scientific, and technical services subsector, with growth attributed in part to natural gas extraction on the Marcellus Shale. Total nonfarm payrolls in the professional, scientific, and technical services subsector increased by 1,350

jobs, or 2 percent, during the 12 months ending July 2011 compared with a decline of 1,375 jobs, or 2 percent, during the same period a year earlier. Developments include Gas Technology Institute's (GTI's) new Pittsburgh field office, to be completed in August 2011. GTI is a research and development organization that specializes in energy production, delivery, and use.

During the 3-year forecast period, nonfarm payrolls are estimated to increase by approximately 45,300 jobs. Payrolls are expected to grow by 1.2 percent during the first year and increase by an average of 1.5 percent annually during the second and third years of the forecast period.

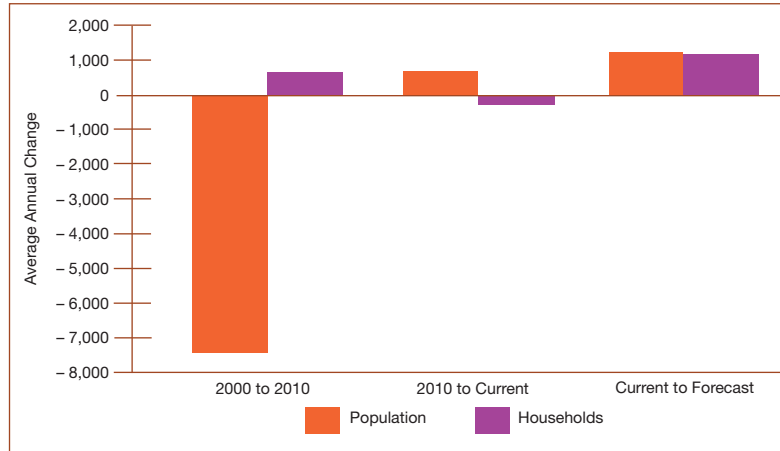
Population and Households

The population of the Pittsburgh HMA was estimated at 2,357,000 as of August 1, 2011, a decline of approximately 0.3 percent, or 6,475, annually since 2000. The population decrease resulted from net out-migration that began during the 1990s and continued through 2005 at an increasing rate, from approximately 0.2 to 0.6 percent a year, as households moved out in response to the failing manufacturing economic base of the HMA. As the contraction in manufacturing slowed and overall job growth improved, population growth gradually moved from annual declines of 11,100 people, or 0.5 percent, from 2000 through 2005 to annual increases of 2,075 people, or 0.1 percent, from 2006 through April 1, 2010, the date of the decennial census. Growth since 2006 is attributed to net in-migration. According to data from the Internal Revenue Service, approximately 70 percent of the in-migration since 2006 was from adjacent counties outside the HMA, but within Pennsylvania, and another 10 percent from adjacent counties within Ohio and West Virginia.

Approximately 50 percent of the HMA population resides in the Central Pittsburgh submarket, 30 percent in the Southern Pittsburgh submarket, and 20 percent in the Northern Pittsburgh submarket as of August 1, 2011. Since 2010, the population of the Central and Northern Pittsburgh submarkets has increased by 0.1 percent each, or by an average annual number of 1,250 and 420, respectively, while the population decreased by 0.1 percent, or 970, in the Southern Pittsburgh submarket. Net in-migration accounted for all the population growth in both the Central and Northern Pittsburgh submarkets. Despite the economic growth resulting from oil extraction on the Marcellus Shale, the Southern Pittsburgh submarket population declined because of net out-migration and net natural decline (resident births minus deaths). See Figure 4 for population and household growth in the HMA and Figure 5 for the components of population change in the HMA from 2000 through the forecast period.

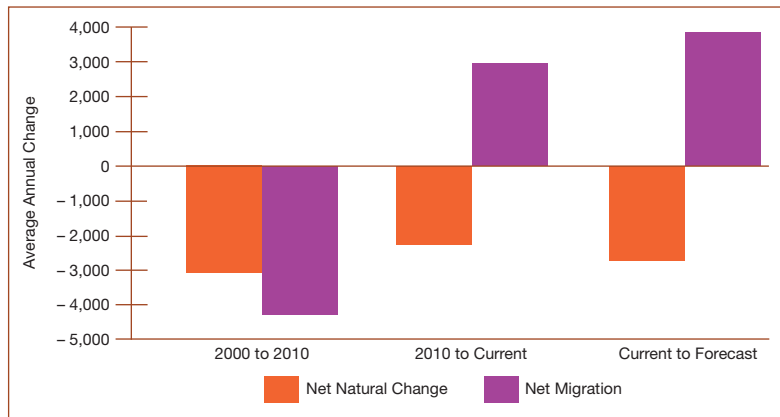
Population and Households *Continued*

Figure 4. Population and Household Growth in the Pittsburgh HMA, 2000 to Forecast



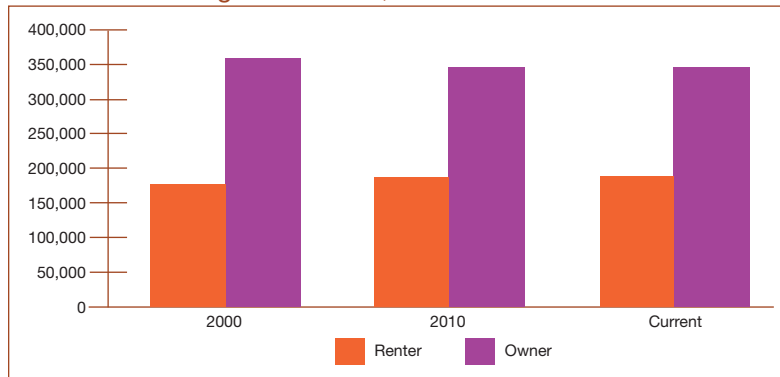
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Pittsburgh HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

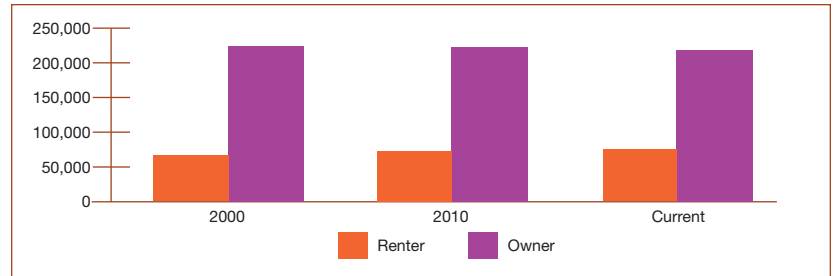
Figure 6. Number of Households by Tenure in the Central Pittsburgh Submarket, 2000 to Current



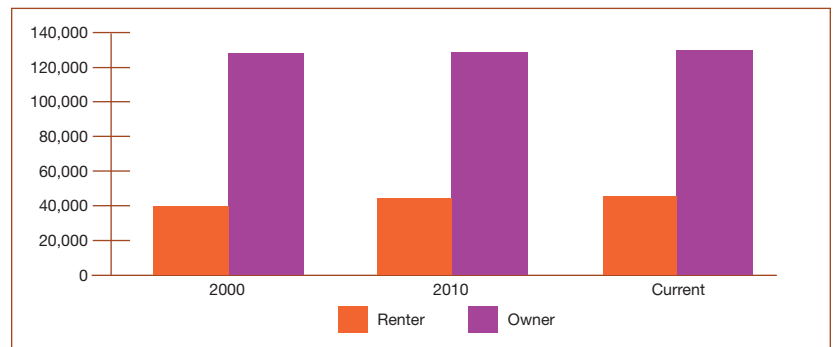
Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Since 2010, household growth in the HMA has remained relatively unchanged. On an annualized basis, the number of households has declined by 470 since 2010, despite the slight increase in the population. In contrast, from 2000 through 2010, the number of households increased by 610, or 0.1 percent, a year, but the population declined because larger households moved out of the area during the beginning-to-middle part of the decade and younger professionals with smaller households moved in toward the end of the decade. See Table DP-1 at the end of this report for household growth in the HMA by tenure from 2000 through the current date. See Figures 6, 7, and 8 for households by tenure in each submarket since 2000.

During the forecast period, population and household growth rates are expected to improve slightly, both increasing by 0.1 percent, or 1,325, annually as strong economic conditions continue during the forecast period. The population is expected to reach 2,361,000 and the number of households is expected to total 1,005,000 by the end of the forecast period.

Figure 7. Number of Households by Tenure in the Southern Pittsburgh Submarket, 2000 to Current

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Northern Pittsburgh Submarket, 2000 to Current

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market—Central Pittsburgh Submarket

The sales housing market in the Central Pittsburgh submarket is currently soft, with a vacancy rate of 2 percent (see Table DP-2 at the end of the report), because the construction of single-family homes has exceeded demand by an estimated 800 units a year since 2000. The current weakness in the sales market began during 2009 as a result of weak economic conditions in the HMA and stringent lending practices. According to data from Hanley Wood, LLC, sales of existing homes during 2009 declined by 28 percent, or 6,000 homes, to a total of 15,700 homes sold. Market

conditions remained weak through July 2011. During the 12 months ending June 2011, the most recent data available, existing home sales decreased by 17 percent, to 12,600, from the 15,100 homes sold during the previous 12-month period and by 35 percent from the 19,500 homes sold during the same period in 2006, when sales were strong.

The average sales price of existing homes increased by 5 percent, to \$158,400, during the 12 months ending June 2011 compared with \$150,600 in the previous year. This

Housing Market Trends

Sales Market—Central Pittsburgh Submarket *Continued*

increase was partly the result of a decline in the volume of REO (Real Estate Owned) and foreclosed homes, which are priced, on average, approximately \$70,000 below other existing homes for sale in the submarket, according to data from Hanley Wood, LLC. From July 2010 to July 2011, the percentage of home loans that were 90 or more days delinquent, in foreclosure, or in REO declined from 5.1 to 4.9, according to LPS Applied Analytics.

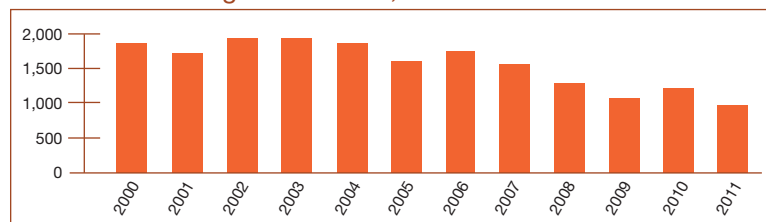
Approximately 40 percent of single-family construction in the HMA is concentrated in the Central Pittsburgh submarket. Single-family home construction activity, as measured by the number of single-family building permits issued, slowed during the late 2000s after a period of strong growth during the early-to-mid 2000s (see Figure 9). Single-family home construction activity from 2008 through

2010 averaged 1,175 homes permitted annually, down from the 1,775 homes permitted annually from 2000 through 2007. Based on preliminary data, construction activity remained stable during the 12 months ending July 2011, with a total of 1,175 single-family homes permitted.

In the city of Pittsburgh, developments under construction include Edgewater at Oakmont and the second phase of Summerset at Frick Park. Each development will transform a brownfield site into a residential community consisting of detached homes, townhomes, condominiums, and apartments. With a total development cost estimated at \$100 million, the single-family portion of Edgewater at Oakmont will consist of 63 detached homes and 88 townhomes. Construction has already started and 25 homes already sold. The second phase of Summerset at Frick Park will consist of 200 single-family homes, both attached and detached, with plans to build approximately 30 homes a year starting in August 2011. New single-family home prices in both Edgewater and Summerset start at \$200,000.

During the next 3 years, demand is estimated for 3,850 new market-rate sales units in the Central Pittsburgh submarket (see Table 1). The 300 homes currently under construction will meet a portion of this demand. In addition, some of the estimated 32,500 other vacant units in the submarket may return to the sales housing market and satisfy a portion of the demand. Demand is expected to be stronger during the second and third years of the forecast period and greatest in the \$270,000-to-\$319,999 price range (see Table 4).

Figure 9. Single-Family Building Permits Issued in the Central Pittsburgh Submarket, 2000 to 2011



Notes: Includes only single-family units. Includes data through July 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Central Pittsburgh Submarket, August 1, 2011 to August 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
170,000	219,999	390	10.0
220,000	269,999	770	20.0
270,000	319,999	960	25.0
320,000	369,999	770	20.0
370,000	419,999	580	15.0
420,000	and higher	390	10.0

Note: A portion of the estimated 32,500 other vacant units in the submarket, as well as the 300 units currently under construction, will likely satisfy some of the forecast demand.

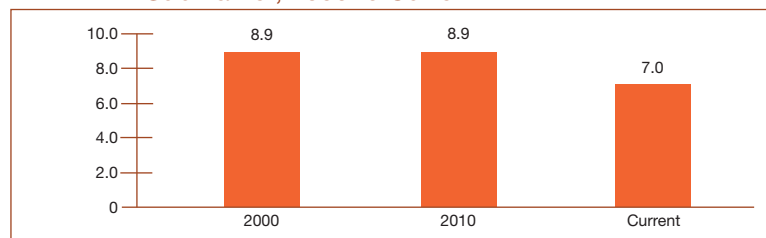
Source: Estimates by analyst

Rental Market—Central Pittsburgh Submarket

The Central Pittsburgh submarket rental housing market is slightly soft, but improving. The overall rental vacancy rate is currently estimated at 7 percent, down from 8.9 percent in 2010 (see Figure 10), because the renter household growth within the submarket exceeded the development of rental properties. The apartment market is tighter than the overall rental housing market. According to data from Reis, Inc., during the second quarter of 2011, the apartment vacancy rate averaged 3.9 percent, decreasing from 5.6 percent during the second quarter of 2010. Average rents for all apartments increased by 2 percent, to \$850, during the second quarter of 2011, and rents for Class A units increased by nearly 5 percent, to \$1,075, compared with rents during the second quarter of 2010.

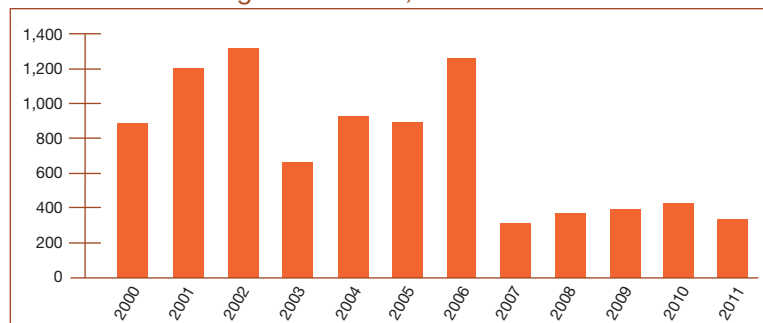
From 2000 through 2006, in the Central Pittsburgh submarket, multifamily construction activity, as measured by the number of multifamily permits issued, averaged 1,025 units annually, before declining to an average of 370 units permitted a year from 2007 through 2010 as a result of more stringent lending standards that limited development (see Figure 11). During the past year, multifamily development has increased slightly despite tight lending practices. According to preliminary estimates from the U.S. Census Bureau and data from the Downtown Partnership of Pittsburgh and the Urban Redevelopment Authority of Pittsburgh, approximately 430 multifamily units were permitted during the 12 months ending July 2011, up from the 350 units permitted during same period in 2010. Since 2000, approximately 90 percent of the multifamily development in the submarket has consisted of apartments. During the past 5 years, the submarket underwent approximately \$400 million in redevelopment, transforming industrial manufacturing areas into residential communities for young professionals. Recent apartment developments within the city include conversions from existing manufacturing and commercial structures, which added more than 900 new rental units to the market. Since 2010, commercial-to-apartment conversions have included Market Square Place, a 46-unit complex completed in 2010, and River Vue Apartments, with 218 units currently under construction. In addition, the second phase of The Cork Factory, with 96 units, and Locomotive Lofts, with 32 units, will total \$8 million in

Figure 10. Rental Vacancy Rates in the Central Pittsburgh Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 11. Multifamily Building Permits Issued in the Central Pittsburgh Submarket, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through July 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Rental Market—Central Pittsburgh Submarket *Continued*

redevelopment in the submarket. Both projects are expected to break ground in September 2011. Average asking rents for newly constructed efficiency, one-bedroom, and two-bedroom apartments start at \$900, \$1,100, and \$1,300, respectively.

During the forecast period, demand is expected for 1,500 new rental units in the Central Pittsburgh submarket. The 700 rental units currently under

construction, along with the existing inventory of units available for rent, is sufficient to satisfy rental housing demand in the submarket during the first year of the forecast period. Demand is expected to be stronger during the second and third years of the forecast period. Table 5 shows estimated demand by rent level for new market-rate rental housing in the submarket during the forecast period.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Central Pittsburgh Submarket, August 1, 2011 to August 1, 2014

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
900 to 1,099	55	1,100 to 1,299	300	1,300 to 1,499	570	1,600 to 1,799	140
1,100 to 1,299	20	1,300 to 1,499	110	1,500 to 1,699	200	1,800 to 1,999	50
1,300 to 1,499	5	1,500 to 1,699	20	1,700 to 1,899	40	2,000 to 2,199	10
Total	80	Total	430	Total	810	Total	200

Note: A portion of the 700 units currently under construction may satisfy some of the forecast demand.

Source: Estimates by analyst

Sales Market—Southern Pittsburgh Submarket

The sales housing market in the Southern Pittsburgh submarket is soft. The current estimated vacancy rate is 1.7 percent, down from 1.9 percent during 2010, because the decline in single-family construction activity and the reduction in existing inventory, resulting from homes shifting to the rental market, offset the decline in owner households (see Table DP-3 at the end of the report). The reduction in the number of owner households by an annualized 0.8 percent, or 1,875 households, since 2010, along with tight lending practices, has led to a decline in existing single-family home sales. According to data from Hanley Wood, LLC, 410 existing single-family homes sold during the 12 months ending June 2011, down from 1,370 homes sold a year ago and well below the 2,150 homes sold

in 2006, when the sales market was strong. Although the number of sales for existing homes was restricted, the average price was greater than it was the previous year. During the 12 months ending June 2011, the average price of an existing home increased by 6 percent, to \$152,700, from \$144,600 during the previous 12-month period. From July 2010 to July 2011, the percentage of home loans 90 or more days delinquent, in foreclosure, or in REO was nearly unchanged, declining from 5.5 to 5.4 percent, according to LPS Applied Analytics.

Single-family home construction activity, as measured by the number of single-family building permits issued, began to slow in 2005, with 1,725 homes permitted that year

Housing Market Trends

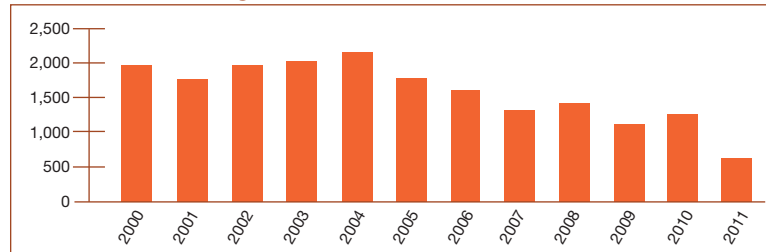
Sales Market—Southern Pittsburgh Submarket *Continued*

compared with an annual average of 1,975 homes permitted from 2000 through 2004 (see Figure 12). A more significant slowing occurred between 2007 and 2010, when an annual average of 1,250 permits was issued,

a 27-percent decline from 2005. According to preliminary data, during the 12 months ending July 2011, 1,100 single-family homes were permitted, down from the 1,175 homes permitted during the previous year. Single-family home development has been concentrated in Westmoreland and Washington Counties, along the Interstate highways that provide direct access into the city of Pittsburgh, with prices starting at \$195,000 for a two-bedroom townhome.

During the next 3 years, demand is estimated for 2,800 new market-rate sales units in the Southern Pittsburgh submarket. The 300 homes currently under construction will meet a portion of this demand. In addition, some of the estimated 18,600 other vacant units in the submarket may return to the sales housing market and satisfy some of the demand in the forecast period. Demand is expected to be stronger during the second and third years of the forecast period and for units priced between \$210,000 and \$329,999. Table 6 shows estimated demand by price range for new market-rate sales housing during the forecast period.

Figure 12. Single-Family Building Permits Issued in the Southern Pittsburgh Submarket, 2000 to 2011



Notes: Includes only single-family units. Includes data through July 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Southern Pittsburgh Submarket, August 1, 2011 to August 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	209,999	280	10.0
210,000	269,999	700	25.0
270,000	329,999	700	25.0
330,000	389,999	560	20.0
390,000	449,999	420	15.0
450,000	and higher	140	5.0

Note: A portion of the estimated 18,600 other vacant units in the submarket, as well as the 300 homes currently under construction, will likely satisfy some of the forecast demand.

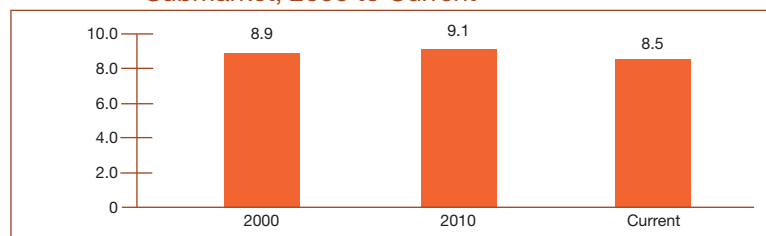
Source: Estimates by analyst

Rental Market—Southern Pittsburgh Submarket

Rental market conditions in the Southern Pittsburgh submarket are currently soft, but improving. The estimated 8.5-percent vacancy rate is

down from the 9.1-percent rate recorded in 2010 (see Figure 13). The improvement has resulted from renter household growth that increased by an annualized 2.2 percent, or 1,550 households, coupled with lower levels of apartment construction since 2010. A portion of the renter household growth is attributed to in-migration of households in search of short-term housing as a result of new jobs related to natural gas extraction on the Marcellus Shale. Table DP-3 at

Figure 13. Rental Vacancy Rates in the Southern Pittsburgh Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Rental Market—Southern Pittsburgh Submarket *Continued*

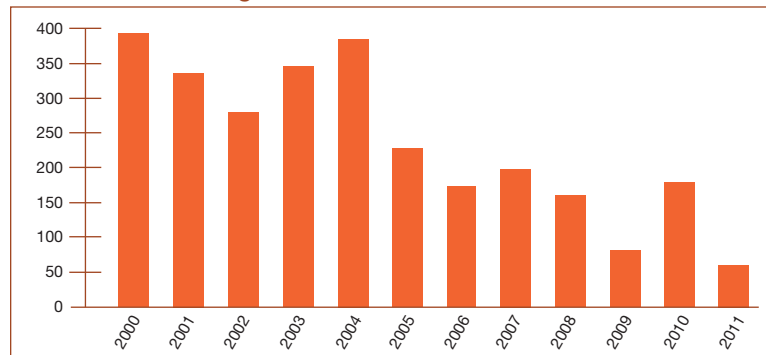
the end of this report shows population and rental household growth in the submarket. Average asking rents increased by 5 percent to an estimated \$900 during the 12 months ending June 2011.

As with single-family construction activity in the Southern Pittsburgh submarket, multifamily construction activity, as measured by the number of units permitted, started to slow in 2005, when 230 multifamily units were permitted compared with an annual average of 350 from 2000 through 2004 (see Figure 14). During the 12 months ending July 2011, 40 multifamily units were permitted

compared with 120 units during the previous 12-month period, according to preliminary data. Since 2000, approximately 80 percent of all multifamily permits have been intended for renter occupancy. Recently, some condominium developments have converted to rental occupancy as a result of weak sales. In the recently completed White Oak Court condominium development, nearly one-half of the 20 units have shifted to rental occupancy, with rents for a two-bedroom unit starting at \$1,000. Additional multifamily developments have been few and are marketed mainly as affordable rental housing. Recently completed developments include Maple Garden Apartments, a 36-unit complex intended for those age 55 and older, which opened in July 2011. Rents for market-rate one-, two-, and three-bedroom apartments are estimated to average \$690, \$1,025, and \$1,100, respectively.

Demand for new market-rate rental housing in the submarket during the forecast period will be met by vacant, available units and by the continued shift in sales units to the rental market. There is no demand for additional units.

Figure 14. Multifamily Building Permits Issued in the Southern Pittsburgh Submarket, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through July 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Sales Market—Northern Pittsburgh Submarket

The sales housing market in the Northern Pittsburgh submarket is currently soft, with an estimated 1.9-percent vacancy rate, resulting from flat growth in owner households and overbuilding during the early-to-mid 2000s. Although the number of owner-occupied households has increased by only 0.1 percent per year since 2000, to an estimated 129,400 as of August 1, 2011, the production of new sales housing since 2000 has exceeded demand by an

estimated average of 200 units a year. See Table DP-4 at the end of the report for owner household growth in the submarket. During the 12 months ending June 2011, existing home sales decreased by 24 percent, or 920 homes, to 2,950 homes compared with sales during the same period a year earlier. Condominium sales in the submarket totaled 390 units, down from the 500 units sold during the previous 12-month period. Condominium sales were

primarily concentrated in the city of Beaver (in Beaver County) and in Cranberry Township (in Butler County).

The average single-family home sales price increased by 6 percent in the Northern Pittsburgh submarket, to \$173,500, during the 12 months ending June 2011 compared with \$163,400 during the previous 12-month period. Condominium prices in the submarket increased by 4 percent, to \$168,600, during the same period.

The increases were partly the result of a decline in the volume of REO and foreclosed homes, which are part of total existing sales and are priced, on average, \$80,000 below regular existing sales in the submarket, according to data from Hanley Wood, LLC.

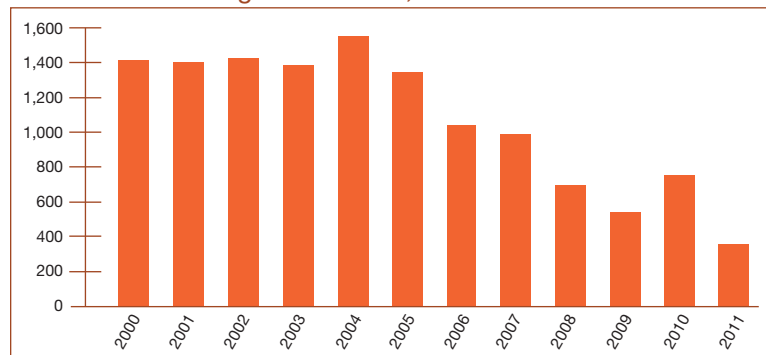
From July 2010 to July 2011, the

percentage of home loans 90 or more days delinquent, in foreclosure, or in REO declined slightly, from 4.9 to 4.8 percent, according to LPS Applied Analytics.

Single-family home construction activity, as measured by the number of single-family building permits issued, was strong from 2000 through 2005, when an average of 1,425 homes was permitted annually, before declining to an annual average of 800 homes from 2006 through 2010 (see Figure 15). During the 12 months ending June 2011, 770 single-family homes were permitted, according to preliminary data. Developments under construction include a build-out of subdivisions that broke ground during the early-to-mid 2000s. These developments are concentrated in the southern portion of the submarket, bordering the Central Pittsburgh submarket, and along major routes to the city of Pittsburgh. Prices for new single-family homes start at \$156,000 for townhomes. New condominium developments include the \$1.2 million Elysium on the Park, a 36-condominium complex, with prices starting at \$269,900, located in Beaver.

During the next 3 years, demand is estimated for 2,300 new market-rate sales units in the Northern Pittsburgh submarket. The 250 homes under construction will meet a portion of this demand. In addition, some of the estimated 9,275 other vacant units in the submarket may return to the sales housing market and satisfy a portion of the demand during the forecast period. Demand is expected to be stronger during the second and third years of the forecast period and will be greatest in the \$216,000-to-\$275,999 price range (see Table 7).

Figure 15. Single-Family Building Permits Issued in the Northern Pittsburgh Submarket, 2000 to 2011



Notes: Includes only single-family units. Includes data through July 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 7. Estimated Demand for New Market-Rate Sales Housing in the Northern Pittsburgh Submarket, August 1, 2011 to August 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
156,000	215,999	350	15.0
216,000	275,999	810	35.0
276,000	335,999	460	20.0
336,000	395,999	460	20.0
396,000	and higher	230	10.0

Note: A portion of the estimated 9,275 other vacant units in the submarket, as well as the 250 homes currently under construction, will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—Northern Pittsburgh Submarket

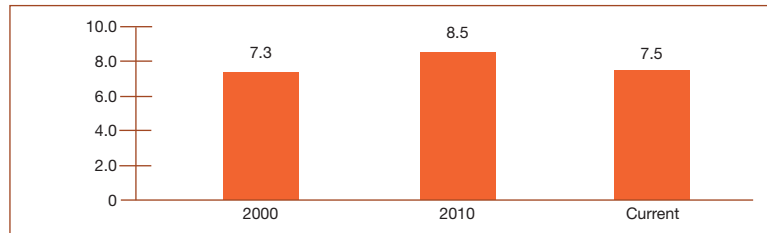
Rental market conditions in the Northern Pittsburgh submarket are slightly soft, but improving, with a vacancy rate of 7.5 percent. Current conditions are similar to those in 2000, when the overall vacancy rate was 7.3 percent (see Figure 16). The continued soft conditions in the rental market have resulted from a slightly higher pace of apartment development since 2000 compared with the growth in the number of rental households. Overall, the production of new rental housing since 2000 has exceeded demand by an estimated

70 units annually. According to data from Reis, Inc., the average apartment rent during the second quarter of 2011 increased by 2 percent, to \$900, compared with the average rent during the second quarter of 2010.

Multifamily construction activity, as measured by the number of units permitted, has been constricted in the Northern Pittsburgh submarket since 2010 (see Figure 17). According to preliminary data, multifamily development declined to 140 units permitted during the 12 months ending July 2011, down 50 percent from the 280 units permitted during the 12 months ending July 2010. Approximately 90 percent of multifamily units constructed in the submarket are apartments. The decline in building activity has helped reduce vacancies as existing units in the rental market are absorbed. Recently constructed apartments include Foxmoor, a 212-unit community located in Cranberry Township, the highest growth area in the submarket. Average rents for newly constructed one-, two-, and three-bedroom apartments are \$900, \$1,175, and \$1,375, respectively.

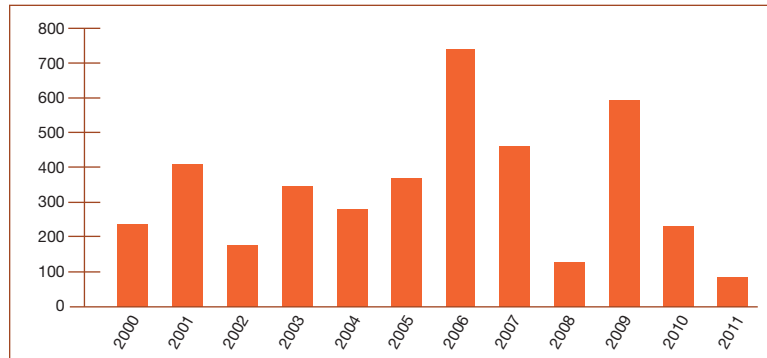
Demand in the Northern Pittsburgh submarket during the forecast period is estimated to total 550 new rental units. Currently, 200 apartments are in the pipeline, which will satisfy a portion of the demand. Table 8 shows estimated demand by rent level for new market-rate rental housing in the submarket during the forecast period.

Figure 16. Rental Vacancy Rates in the Northern Pittsburgh Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 17. Multifamily Building Permits Issued in the Northern Pittsburgh Submarket, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through July 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Rental Market—Northern Pittsburgh Submarket *Continued*

Table 8. Estimated Demand for New Market-Rate Rental Housing in the Northern Pittsburgh Submarket, August 1, 2011 to August 1, 2014

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
700 to 899	50	1,000 to 1,199	85	1,400 to 1,599	35
900 to 1,099	100	1,200 to 1,399	170	1,600 to 1,799	65
1,100 to 1,299	15	1,400 to 1,599	30	1,800 to 1,999	10
Total	165	Total	285	Total	110

Note: A portion of the 200 units currently under construction may satisfy some of the forecast demand.

Source: Estimates by analyst

Data Profiles

Table DP-1. Pittsburgh HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	1,139,519	1,115,195	1,124,000	-0.2	1.4
Unemployment Rate	4.4%	8.0%	7.4%		
Nonfarm Payroll Jobs	1,147,000	1,123,700	1,133,000	-0.2	1.4
Total Population	2,431,087	2,356,285	2,357,000	-0.3	0.0
Total Households	995,505	1,001,627	1,001,000	0.1	0.0
Owner Households	711,382	697,151	692,600	-0.2	-0.5
Percent Owner	71.5%	69.6%	69.2%		
Renter Households	284,123	304,476	308,800	0.7	1.1
Percent Renter	28.5%	30.4%	30.8%		
Total Housing Units	1,078,481	1,085,797	1,100,000	0.1	1.0
Owner Vacancy Rate	1.7%	2.0%	1.9%		
Rental Vacancy Rate	8.7%	8.9%	7.4%		
Median Family Income	\$42,700	\$60,300	\$64,000	3.5	3.0

Notes: Employment data represent annual averages for 2000, 2010, and the 12 months through July 2011. Median family incomes are for 1999, 2009, and 2011.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Central Pittsburgh Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	1,281,666	1,223,348	1,225,000	- 0.5	0.1
Total Households	537,150	533,960	533,500	- 0.1	- 0.1
Owner Households	360,036	345,393	343,200	- 0.4	- 0.5
Percent Owner	67.0%	64.7%	64.3%		
Rental Households	177,114	188,567	190,300	0.6	0.7
Percent Renter	33.0%	35.3%	35.7%		
Total Housing Units	583,646	582,637	587,100	0.0	0.6
Owner Vacancy Rate	1.9%	2.1%	2.0%		
Rental Vacancy Rate	8.9%	8.9%	7.0%		
Median Family Income	\$42,700	\$60,300	\$64,000	3.5	2.6

Note: Median family incomes are for 1999, 2009, and the 12 months through July 2011.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Southern Pittsburgh Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	721,534	709,595	708,300	- 0.2	- 0.1
Total Households	290,912	294,736	294,300	0.1	- 0.1
Owner Households	223,286	222,514	220,000	0.0	- 0.8
Percent Owner	76.8%	75.5%	74.8%		
Rental Households	67,626	72,222	74,300	0.7	2.2
Percent Renter	23.2%	24.5%	25.2%		
Total Housing Units	314,815	317,720	323,600	0.1	1.4
Owner Vacancy Rate	1.6%	1.9%	1.7%		
Rental Vacancy Rate	8.9%	9.1%	8.5%		
Median Family Income	\$42,700	\$60,300	\$64,000	3.5	2.6

Note: Median family incomes are for 1999, 2009, and the 12 months through July 2011.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Northern Pittsburgh Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	427,887	423,342	423,900	- 0.1	0.1
Total Households	167,443	172,931	173,500	0.3	0.2
Owner Households	128,060	129,244	129,350	0.1	0.1
Percent Owner	76.5%	74.7%	74.5%		
Rental Households	39,383	43,687	44,185	1.0	0.9
Percent Renter	23.5%	25.3%	25.5%		
Total Housing Units	180,020	185,440	188,900	0.3	1.4
Owner Vacancy Rate	1.6%	2.0%	1.9%		
Rental Vacancy Rate	7.3%	8.5%	7.5%		
Median Family Income	\$40,900	\$58,900	\$62,200	3.7	2.4

Note: Median family incomes are for 1999, 2009, and the 12 months through July 2011.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 8/1/2011—Analyst's estimates

Forecast period: 8/1/2011–8/1/2014—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In HUD's analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all the residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units are classified as commercial structures and are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_PittsburghPA_11.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.