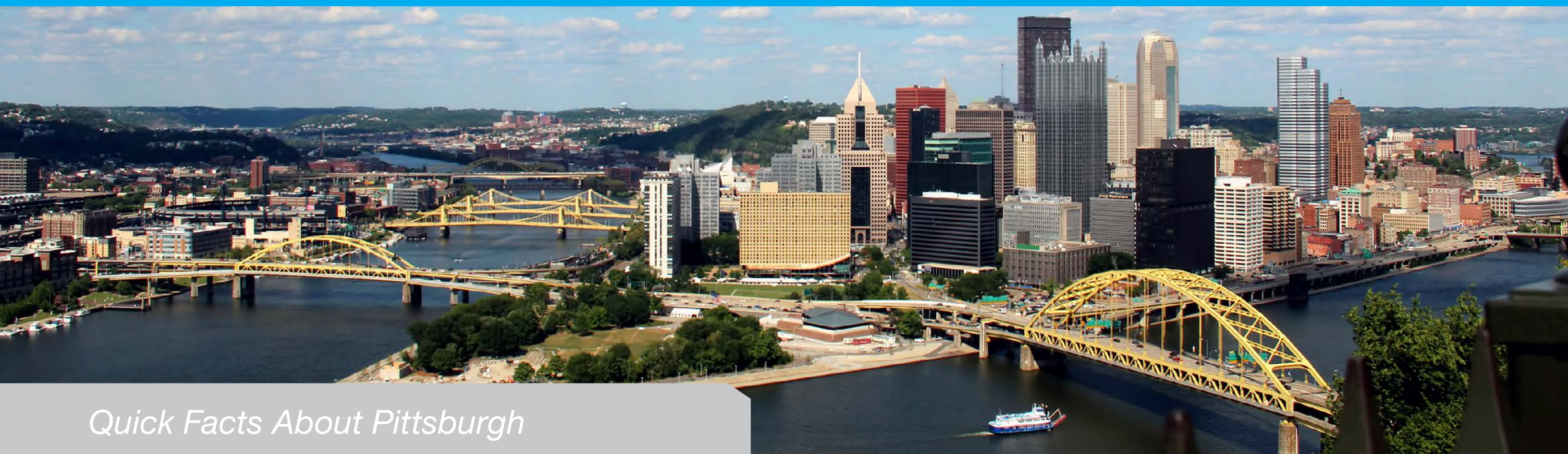
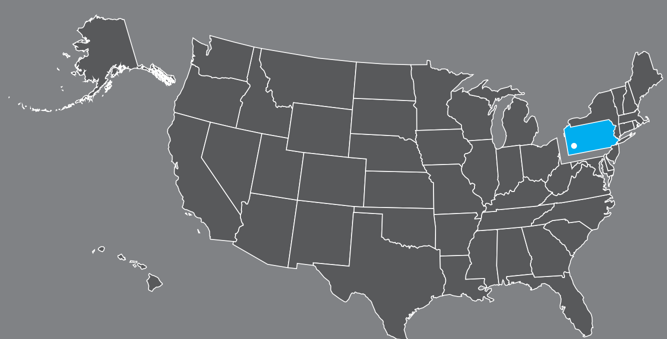
HUD PD&R Housing Market Profiles

Pittsburgh, Pennsylvania



Quick Facts About Pittsburgh

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: balanced.**
- **The city of Pittsburgh has been named the "most livable city" in the nation a combined six times since 2000 by *The Economist, Forbes, and Places Rated Almanac* (NEXTpittsburgh).**



By Kevin P. Kane | As of December 1, 2016

Overview

The Pittsburgh, PA Metropolitan Statistical Area (hereafter, the Pittsburgh metropolitan area) includes seven counties in southwestern Pennsylvania: Allegheny, Armstrong, Beaver, Butler, Fayette, Washington, and Westmoreland. The city of Pittsburgh is located where the Allegheny and Monongahela Rivers come together to form the Ohio River. The city of Pittsburgh is home to the headquarters of six fortune 500 companies: Kraft Heinz Company; PNC Financial Services Group, Inc.; PPG Industries; United States Steel Corporation; Wesco International, Inc.; and Dick's Sporting Goods.

- As of December 1, 2016, the estimated population of the metropolitan area is 2.36 million, relatively unchanged since 2010, with 52 percent of the population residing in Allegheny County, which includes the city of Pittsburgh.
- Net in-migration has averaged 2,925 people annually since 2010 as a result of improved job growth from 2010 through 2012 but has been completely offset by an average negative net natural change (resident births minus resident deaths) of 2,975 annually (Census Bureau population estimates as of July 1). Since 2011, net in-migration has been entirely from international migration, mainly from students enrolled in universities in the metropolitan area.
- The recent stabilization in population represents a significant improvement from the average annual decline of 7,475, or 0.3 percent, from 2000 to 2010, when net out-migration averaged 4,400 people per year.

Nonfarm payrolls in the Pittsburgh area edged up slightly, with the largest gain in the professional and business services sector offset by declines in six other sectors.

	3 Months Ending		Year-Over-Year Change	
	November 2015 (thousands)	November 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,171.5	1,174.7	3.2	0.3
Goods-producing sectors	155.1	151.8	– 3.3	– 2.1
Mining, logging, and construction	68.7	66.1	– 2.6	– 3.8
Manufacturing	86.4	85.7	– 0.7	– 0.8
Service-providing sectors	1,016.4	1,022.9	6.5	0.6
Wholesale and retail trade	171.5	170.7	– 0.8	– 0.5
Transportation and utilities	46.0	45.7	– 0.3	– 0.7
Information	18.1	17.7	– 0.4	– 2.2
Financial activities	69.6	68.4	– 1.2	– 1.7
Professional and business services	180.3	184.9	4.6	2.6
Education and health services	242.9	244.4	1.5	0.6
Leisure and hospitality	118.4	119.7	1.3	1.1
Other services	51.8	52.4	0.6	1.2
Government	117.8	119.0	1.2	1.0
	(percent)	(percent)		
Unemployment rate	4.5	5.4		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

Previously known as a global leader of steel and coal production, the Pittsburgh metropolitan area is now a leading center for health care, education, and finance with growing tourism and high-tech industries. After increasing an average of 1.1 percent annually from 2010 through 2012, nonfarm payroll growth has been relatively flat in the metropolitan area since 2013, with average gains of less than 1 percent.

During the 3 months ending November 2016—

- Nonfarm payrolls remained relatively flat, increasing by 3,200 jobs, or 0.3 percent, to 1.17 million jobs from a year ago. The rate of growth has been relatively stable for the past 3 years.
- The professional and business services sector, which has been one of the fastest-growing sectors in the metropolitan area since 2000, added 4,600 jobs, or 2.6 percent, with nearly all the growth in the professional, scientific, and technical services industry. Uber Advanced Technologies Center opened a facility in April 2016, adding 380 jobs, to design technology for Uber's driverless automobiles, and Alorica is expected to open a new call center and add 300 jobs during the next year.

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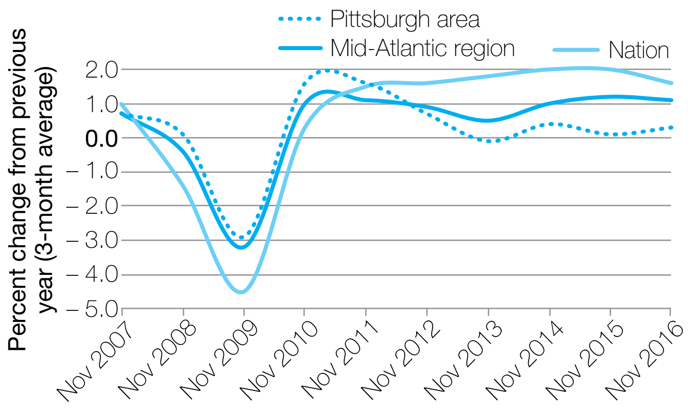
Job growth has been relatively flat in the Pittsburgh area since 2013.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Pittsburgh area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Pittsburgh Medical Center	Education and health services	43,000
University of Pittsburgh	Government	12,116
Giant Eagle, Inc.	Wholesale and retail trade	11,119

Note: Excludes local school districts.
Source: Moody's Economy.com

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- A decline of 2,600 jobs, or 3.8 percent, occurred in the mining, logging, and construction sector, with approximately 1,800 of these jobs lost in the mining and logging subsector because falling energy prices have led to a reduction in oil and gas drilling in the metropolitan area, which is located over part of the Marcellus Shale.
- The unemployment rate rose to 5.4 percent from 4.5 percent a year ago but remains below the average of 5.9 percent from 2013 through 2015.

With 43,000 employees, University of Pittsburgh Medical Center (UPMC) is by far the largest employer in the metropolitan area. In addition, the metropolitan area is home to several major universities, including the University of Pittsburgh, Carnegie Mellon University, and Duquesne University. In total, colleges and universities in the metropolitan area contribute an average of $9 billion annually to the local economy, enroll 67,000 students and account for 70,000 jobs (Pittsburgh Council on Higher Education). Mining, logging, and construction sector employment is expected to increase because Shell Chemicals announced a plan in June 2016 to construct a multibillion-dollar ethane cracker facility in Beaver County. The facility will create an estimated 6,000 temporary construction jobs starting in 2018 and an estimated 600 full-time jobs when it is complete. The tourism industry continues to grow. Visitor spending in the metropolitan area averaged $8.29 billion annually from 2010 through 2014 (*The Economic Impact of Travel in Pennsylvania* 2014 Report, The State of Pennsylvania Department of Tourism). During the past 5 years, 2,200 hotel rooms were added with another 1,000 scheduled to be built during the next 3 years.

Sales Market Conditions

The sales housing market in the Pittsburgh metropolitan area currently is balanced, with an estimated vacancy rate of 1.5 percent, down from 2.0 percent in April 2010 when conditions were soft. Modest local job gains after the national recession and net in-migration contributed to improved sales market conditions. The foreclosure crisis did not impact the economy of the metropolitan area as significantly as in other parts of the country. The percentage of home loans that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status peaked in February 2010 in both the metropolitan area and the nation at 5.7 and 8.6 percent, respectively (CoreLogic, Inc.). In October 2016 (the most recent data available), the rate of seriously delinquent loans and REO properties in the Pittsburgh metropolitan area was 3.3 percent, down from 3.8 percent a year ago and slightly more than the national rate of 2.6 percent.

During the 12 months ending September 2016 (the most representative data available) —

- New home sales totaled 2,050, up 2 percent from the previous 12 months, with the average price for a new home increasing nearly 4 percent to $342,900. The growth rates for new home sales and new home sales prices remained positive but slowed compared with the rates from 2012 to 2014 (CoreLogic, Inc., estimates by analyst).
- The number of existing homes sold decreased 6 percent from the previous 12 months to 31,000 homes sold, continuing a

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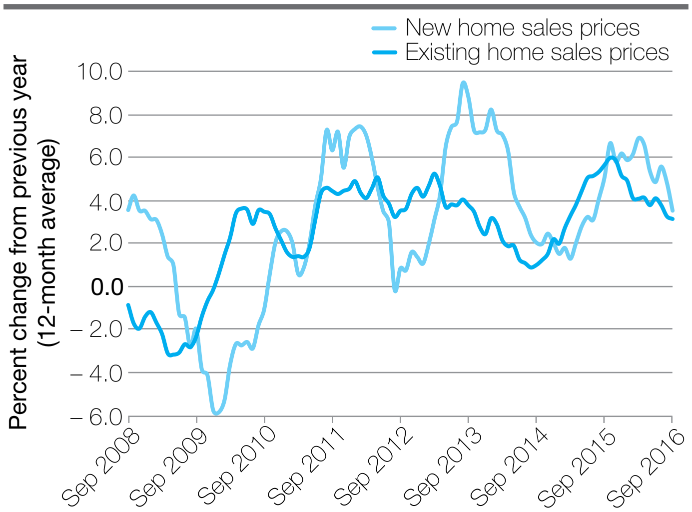
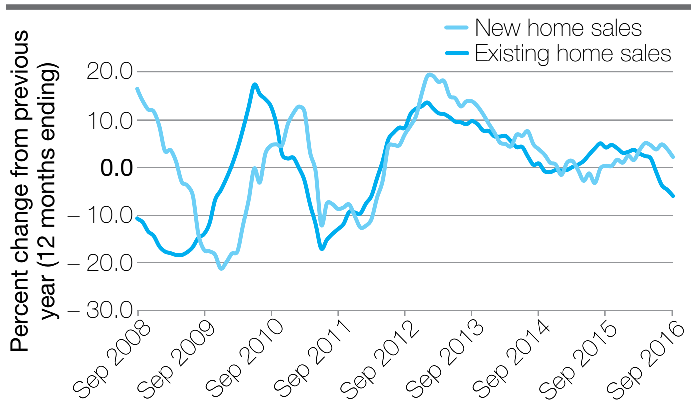
Average new and existing home sales prices have increased in the Pittsburgh area since 2010.



Notes: Includes single-family homes, townhomes, and condominiums. September 2016 data are most-recent, best-representative data available.
Source: Core Logic, Inc., with adjustments by the analyst

The growth rates of new and existing home sales have declined significantly in the Pittsburgh area from recent peaks in early 2013.



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Source: Core Logic, Inc., with adjustments by the analyst

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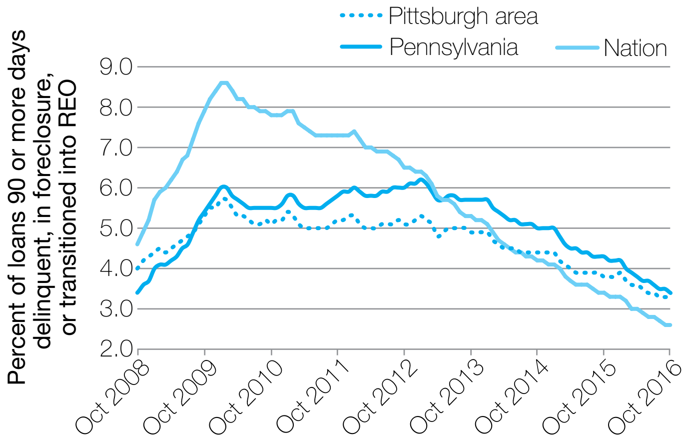
trend of declining sales since the 12 months ending June 2016. The price of existing homes was up 3 percent from a year ago, to $159,800, but the rate of existing home sales price increases has been slowing since the 12 months ending November 2015.

- Distressed sales (REO and short sales) accounted for 9 percent of existing home sales, up from 8 percent a year ago. The slight increase in distressed sales partly explains the lesser increase in existing home sales prices, as REO and short sales prices averaged $77,700 and $129,500, respectively.
- An estimated average 4.1-month supply of inventory was available, up from an average 3.8-month supply a year ago but down from an average 5.5-month supply in 2010.

In response to higher levels of home sales in 2013 and 2014, the number of single-family homes permitted averaged 2,850 from 2013 through 2015, the highest level since 2007.

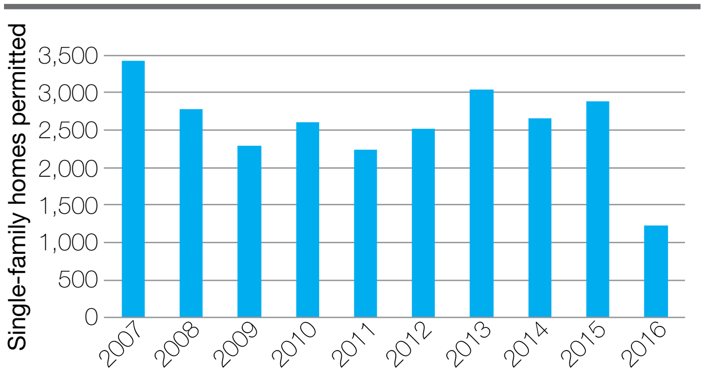
The impact of the foreclosure crisis was not nearly as strong in the Pittsburgh area as in the rest of the nation, although the current percentage of home loans that were seriously delinquent or in REO status is higher than the national average.



REO = real estate owned.
Source: Core Logic, Inc.

- During the 12 months ending June 2016 (the most representative data available), the number of single-family homes permitted totaled 2,700, relatively unchanged from 2,800 units a year ago.
- Nearly 57 percent of the new homes permitted were in Allegheny County during the 12 months ending June 2016, up from an average of 47 percent from 2011 through 2014.
- Several new home developments are under construction near Interstate 79 (I-79), primarily in parts of Allegheny, Butler, and Washington Counties, as I-79 is the primary north-south artery in the metropolitan area and provides access to the city of Pittsburgh.
- Construction is under way at the Overlook at Southpointe in Washington County (south of the city of Pittsburgh), where 37 new homes had sold through November 2016 at an average price of $495,700. More than 20 lots are available for single-family homes and 30 lots are available for new townhomes under the current phase of development. Townhomes are expected to sell in the upper $220,000s for a 1,500-square-foot home, and single-family homes are priced from $380,000 to $450,000 for 2,100- to 3,200-square-foot homes.

Single-family permitting in the Pittsburgh area was on average higher from 2013 through 2015 than during the previous 5 years.



Notes: Includes data through June 2016, the most representative available. Single-family data include a small number of multifamily units designed for owner occupancy.
Sources: Tall Timbers Group; estimates by analyst

Apartment Market Conditions

The apartment market in the Pittsburgh metropolitan area currently is balanced, with an average vacancy rate during the third quarter of 2016 of 4.6 percent, up from 3.6 percent during the third quarter of 2015 but less than the 5.0 percent rate during the third quarter of 2010 (Reis, Inc.). A significant increase in multifamily construction in recent years placed upward pressure on the vacancy rate. During the 12 months ending September 2016, nearly 2,100 new units were completed, but 1,100 of these units were absorbed.

During the third quarter of 2016—

- The average apartment rent increased 2.6 percent, to $987, from a year earlier. The pace of rent increases slowed relative to recent years after peaking at a 4.0-percent increase during the third quarter of 2014.
- The apartment vacancy rates ranged from 2.3 percent in the Reis, Inc.-defined Monroeville market area, southeast of downtown Pittsburgh, to 6.1 percent in the Bellefield market area, in the heart of downtown Pittsburgh where much of the new multifamily development has occurred.

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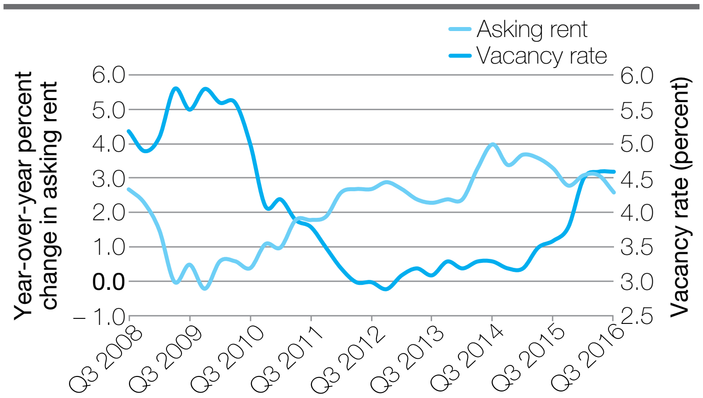
- Average apartment rents ranged from $723 in the Whitehall/Baldwin market area, in the southern part of the city, to $1,147 in the Bellefield market area.
- The vacancy rate for Class A properties was 8.1 percent, up significantly from 6.1 percent a year ago, with average rents increasing 3 percent. The vacancy rate for Class B/C properties rose to 2.6 percent from 2.3 percent a year earlier, with relatively no change in average rent.

The number of multifamily units permitted during the 12 months ending June 2016 (the most representative data available) totaled 3,250, down 13 percent from the 3,750 units permitted during the previous 12 months. Multifamily construction remains higher than the period from 2007 through 2013, when an average of 1,225 units were permitted. The number of multifamily units permitted rose significantly in 2014 and 2015 to 3,100 and 4,375 units, respectively.

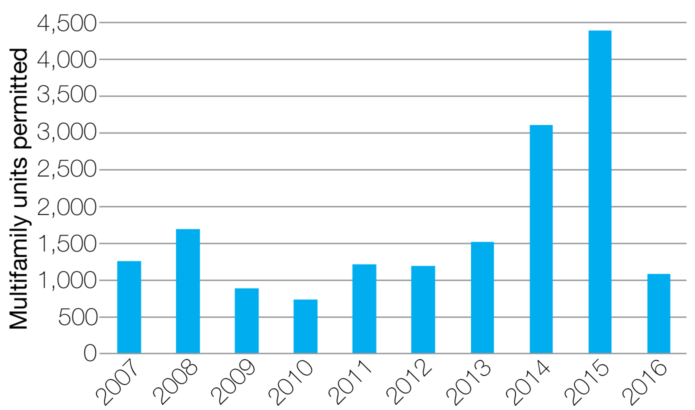
- Nearly 76 percent of the multifamily units permitted during the past 12 months in the metropolitan area have been in Allegheny County, consistent with trends during the past 5 years.
- In the city of Pittsburgh, recent developments include the construction of 267 units at Morrow Park City Apartments, with rents starting at $1,575 and $2,881 for one- and two-bedroom units, respectively; 175 units at Bakery Living Blue, with rents starting at $1,600 and $2,881 for one- and two-bedroom units, respectively; and 360 units at Eastside Bond, with studio, one-bedroom, and two-bedroom rents starting at $1,335, $1,575, and $2,415, respectively.
- The Ridge at Robinson, located west of the city, is a 342-unit development currently under construction and expected to be completed in early 2017. Rents range from $1,250 to $1,370 for one-bedroom units, $1,630 to $1,785 for two-bedroom units, and $1,960 to $2,065 for three-bedroom units.

Vacancy rates have edged up and rent growth has slowed during the past 2 years in the Pittsburgh area.



Q3 = third quarter.
Source: Reis, Inc.

During 2014 and 2015, an average of 3,750 units were permitted annually in the Pittsburgh area, far greater than the average of 1,225 units annually during the previous 7 years.



Notes: Includes data through June 2016, the most representative available. Single-family data include a small number of multifamily units designed for owner occupancy.
Sources: Tall Timbers Group; estimates by analyst