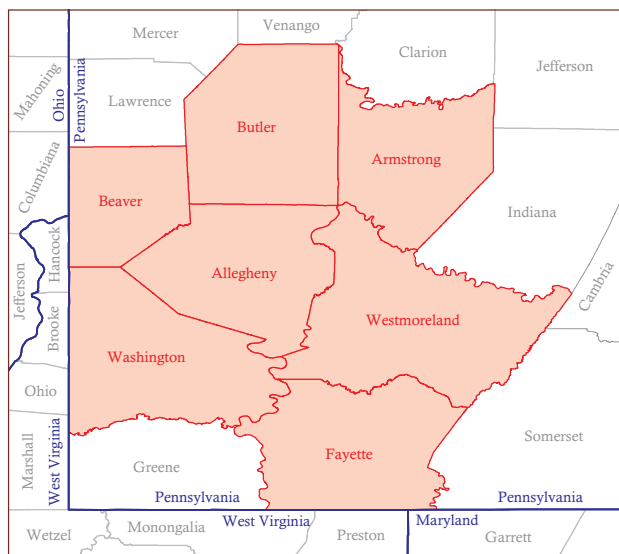




Pittsburgh, Pennsylvania

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2016

PD&R



Housing Market Area

The Pittsburgh Housing Market Area (HMA), which is coterminous with the Pittsburgh, PA Metropolitan Statistical Area, consists of seven counties in southwestern Pennsylvania. The principal city of Pittsburgh has been named the “most livable city” in the nation six times since 2000 by *The Economist*, *Forbes*, and *Places Rated Almanac* (NEXTpittsburgh). For purposes of this report, the HMA is divided into three submarkets: the Allegheny County submarket, which includes the city of Pittsburgh; the North submarket, which includes Armstrong, Butler, and Beaver Counties; and the South submarket, which includes Fayette, Washington, and Westmoreland Counties.

Summary

Economy

Economic conditions are relatively stable in the Pittsburgh HMA. Nonfarm payroll growth during the past 12 months slowed slightly relative to recent years. During the 12 months ending June 2016, the HMA added jobs at a rate of 0.2 percent, or by 2,000 jobs, led by a gain of 4,000 jobs, or 3.5 percent, in the leisure and hospitality sector. From 2010 through 2013, the HMA

added jobs at an average annual rate of 0.8 percent. The unemployment rate during the past 12 months was 5.2 percent, down from 5.4 percent a year ago. During the 3-year forecast period, nonfarm payrolls are expected to increase at an average annual rate of 0.3 percent. Table DP-1 at the end of this report provides additional employment data.

Sales Market

The current sales housing market in the HMA is balanced, with an estimated vacancy rate of 1.5 percent, down from 2.0 percent in 2010. Demand is forecast for 9,450 new homes in the HMA during the next 3 years (Table 1). The 740 homes under construction will meet a portion of that demand. In addition, a portion

of the estimated 54,200 other vacant housing units will likely reenter the sales market and satisfy some of the demand during the forecast period.

Rental Market

Current rental housing market conditions in the HMA are slightly soft, with an estimated 7.7-percent rental vacancy rate, down from 8.9 percent in April 2010. Conditions in the apartment market are balanced, with a vacancy rate of 4.6 percent during the second quarter of 2016, up from 3.5 percent a year ago (Reis, Inc.). During the forecast period, demand is estimated for 5,800 new market-rate rental units (Table 1). The 3,255 units currently under construction will meet a portion of the demand.

Market Details

Economic Conditions	2
Population and Households	6
Housing Market Trends	9
Data Profiles	21

Table 1. Housing Demand in the Pittsburgh HMA During the Forecast Period

	Pittsburgh HMA		Allegheny County Submarket		North Submarket		South Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	9,450	5,800	5,875	4,650	1,850	640	1,725	510
Under construction	740	3,255	450	2,475	150	150	140	630

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2016. A portion of the estimated 54,200 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is July 1, 2016, to July 1, 2019.

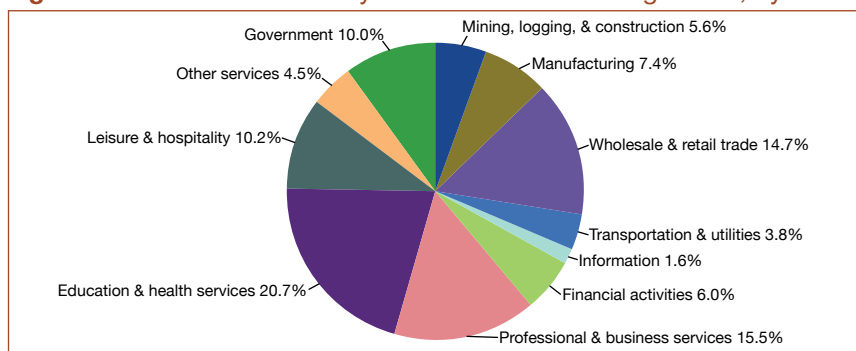
Source: Estimates by analyst

Economic Conditions

The economy of the Pittsburgh HMA has gone through a remarkable transformation during the past several decades. For much of the 20th century, Pittsburgh led the nation in the production of steel and coal. In 1970, nearly 30 percent

of all jobs in the HMA were in the manufacturing sector. Today, only slightly more than 7 percent of all HMA jobs are in the manufacturing sector (Figure 1). The HMA includes growing tourism and high-tech industries and is considered to be a leading center for health care, education, and finance. The leading employers in the HMA are the University of Pittsburgh Medical Center (UPMC), with 43,000 employees; the University of Pittsburgh, with 12,116; and Giant Eagle, Inc., with 11,119. The University of Pittsburgh had more than 28,600 students enrolled and spent \$857 million on research and development in 2014 (National Center for Science and Engineering Statistics—Higher Education Research and Development Survey, 2014). Table 2 shows other leading employers in the HMA.

Since 2000, the professional and business services, leisure and hospitality, and education and health services sectors have led job growth, with each expanding more than 20 percent (Figure 2). After adding jobs at a rate of 0.6 percent in 2001, the HMA lost jobs from 2002 through 2005, with an average annual decrease of 0.5 percent.

Figure 1. Current Nonfarm Payroll Jobs in the Pittsburgh HMA, by Sector

Note: Based on 12-month averages through June 2016.

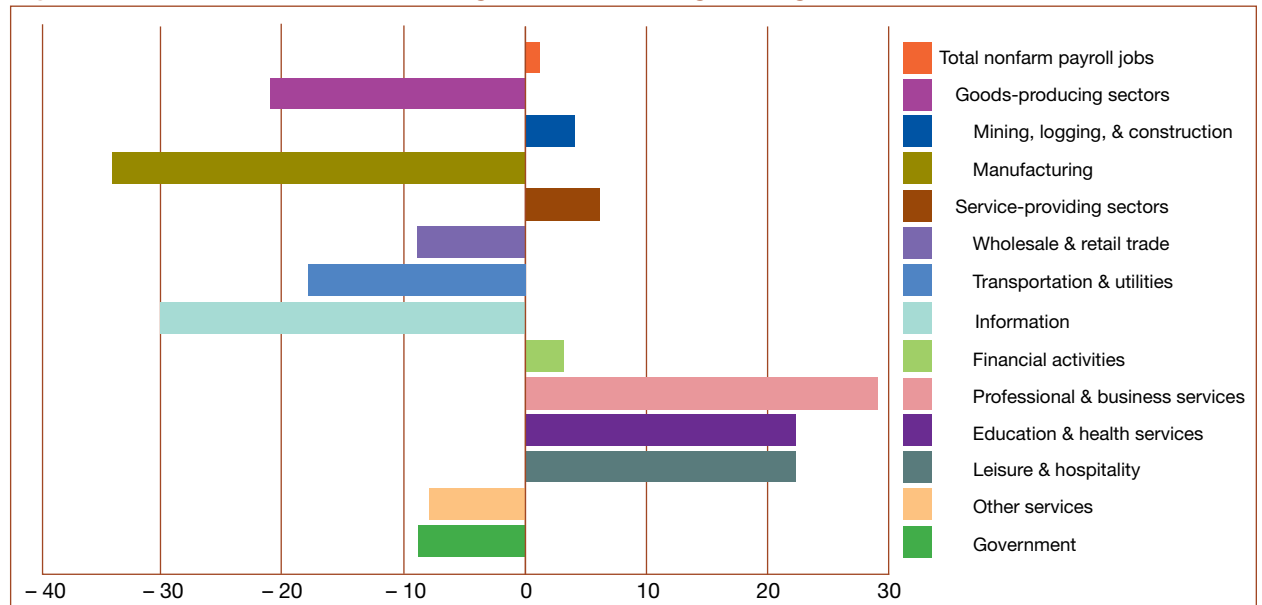
Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Pittsburgh HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Pittsburgh Medical Center	Education & health services	43,000
University of Pittsburgh	Government	12,116
Giant Eagle, Inc.	Wholesale & retail trade	11,119
PNC Financial Services Group, Inc.	Financial activities	10,030
Allegheny Health Network	Education & health services	9,998
The Bank of New York Mellon Corporation	Financial activities	7,600
Wal-Mart Stores, Inc.	Wholesale & retail trade	6,200
Westinghouse Electric Company LLC	Transportation & utilities	5,600
Highmark, Inc.	Financial activities	5,400
United States Steel Corporation	Manufacturing	5,000

Note: Excludes local school districts.

Sources: Moody's economy.com; Pittsburgh Business Times, Book of Lists, 2014

Figure 2. Sector Growth in the Pittsburgh HMA, Percentage Change, 2000 to Current

Note: Current is based on 12-month averages through June 2016.

Source: U.S. Bureau of Labor Statistics

The manufacturing sector lost an average of 5,800 jobs, or 5.0 percent, annually during that period, leading declines. An average gain of 4,500 jobs, or 2.1 percent, annually in the education and health services sector partly offset the overall losses. Beginning in 2006, the HMA economy added jobs again and, through 2008, nonfarm payrolls expanded by an average of 5,400 jobs, or 0.5 percent, annually. An average annual gain of 5,000 jobs, or 3.3 percent, in the professional and business services sector led growth. The second fastest-growing sector, in terms of rate, during the period was mining, logging, and construction, which added an average of 1,400 jobs, or 2.3 percent, annually. This growth was a reversal from 2002 through 2005, when the mining, logging, and construction sector declined 2.4 percent annually. Natural gas extraction is an important component of the economy because the HMA is located on the Marcellus Shale, a sedimentary rock formation that extends from southern New

York, through Pennsylvania, and into West Virginia and Ohio. Drilling for natural gas in the Marcellus Shale in the HMA began in 2007; the activity had the most local impact on Washington County, which accounted for more than one-half of the 729 natural gas wells drilled in the HMA from January 1, 2007 to June 6, 2011 (*Gauging the Economic Impact of Marcellus Shale Drilling in the Pittsburgh Region*, Allegheny Institute, July 2011).

In 2009, the national recession impacted the HMA significantly. Jobs declined 2.5 percent, or by 28,200, with losses in nearly every sector. Losses were greatest in the manufacturing sector, which was down 9,500 jobs, or 9.7 percent. The loss of approximately 560 jobs when Sony, Inc., relocated its plant from Westmoreland County to Mexico contributed to the decline. Job losses were widespread in the wholesale and retail trade sector, which decreased by 6,400, or 3.6 percent. The professional and business services sector fell by 6,000 jobs, or

3.7 percent, and the mining, logging, and construction sector declined by 4,400 jobs, or 7.1 percent.

The economy resumed growth from 2010 through 2012, adding an average of 12,200 jobs, or 1.1 percent, a year. The professional and business services sector had the fastest rate of growth during the period, adding an average of 5,900 jobs, or 3.7 percent, annually, followed by the mining, logging, and construction sector, which added an average of 2,000 jobs, or 3.3 percent, annually. In 2012, the number of new drilling rigs peaked and CONSOL Energy, Inc., added approximately 200 new jobs. Google, Inc., expanded its operations in the HMA during the period, adding approximately 300 jobs to the professional and business services sector. From 2010 through 2012, CIGNA Corporation, a health insurance provider, added more than 450 jobs to the economy of the HMA in the financial activities sector; the education and health services and the leisure and hospitality sectors added 2,600 and 1,800 jobs, or 1.1 and 1.7 percent, respectively; and UPMC accounted for 1,300 new jobs in the healthcare industry.

From 2013 through 2015, job growth in the HMA continued but at a much slower pace, increasing by an average of 1,400 jobs, or 0.1 percent, annually. Job growth during this period was strongest in the professional and business services and the leisure and hospitality sectors, increasing by 2,600 and 1,500 jobs, or 1.5 and 1.4 percent, annually, respectively. The opening of the Lady Luck Casino in 2013 contributed to gains in the leisure and hospitality sector, adding 500 jobs. Tourism has a significant impact on the HMA economy. Visitor spending in the HMA 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). Also during the 2013-through-2015 period, UPMC opened a new research facility in 2015, adding 375 new jobs. The number of jobs decreased in several sectors during the period, contributing to the overall slow rate of job growth. Job losses were greatest in the government sector, which declined by an average of 1,400 jobs, or 1.1 percent, annually, with nearly all of the losses in the local government subsector.

During the 12 months ending June 2016, nonfarm payrolls increased 0.2 percent, or by 2,000 jobs, compared with the number of jobs during the 12 months ending June 2015 (Table 3). Gains were highest in the leisure and hospitality sector, which was up 3.5 percent, or by 4,000 jobs. Overall, the HMA has added 2,200 hotel rooms during the past 5 years (local sources), contributing to the growth in the leisure and hospitality sector. The professional and business services sector added 1,400 jobs, or 0.8 percent, during the 12 months ending June 2016. In April 2016, Uber Advanced Technologies

Table 3. 12-Month Average Nonfarm Payroll Jobs in the Pittsburgh HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	June 2015	June 2016		
Total nonfarm payroll jobs	1,160,800	1,162,800	2,000	0.2
Goods-producing sectors	154,300	151,200	- 3,100	- 2.0
Mining, logging, & construction	65,800	65,100	- 700	- 1.1
Manufacturing	88,400	86,100	- 2,300	- 2.6
Service-providing sectors	1,006,600	1,011,500	4,900	0.5
Wholesale & retail trade	171,500	171,300	- 200	- 0.1
Transportation & utilities	44,800	44,700	- 100	- 0.2
Information	18,200	18,000	- 200	- 1.1
Financial activities	70,200	69,600	- 600	- 0.9
Professional & business services	178,800	180,200	1,400	0.8
Education & health services	239,700	240,600	900	0.4
Leisure & hospitality	114,700	118,700	4,000	3.5
Other services	51,400	52,200	800	1.6
Government	117,400	116,400	- 1,000	- 0.9

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through June 2015 and June 2016.

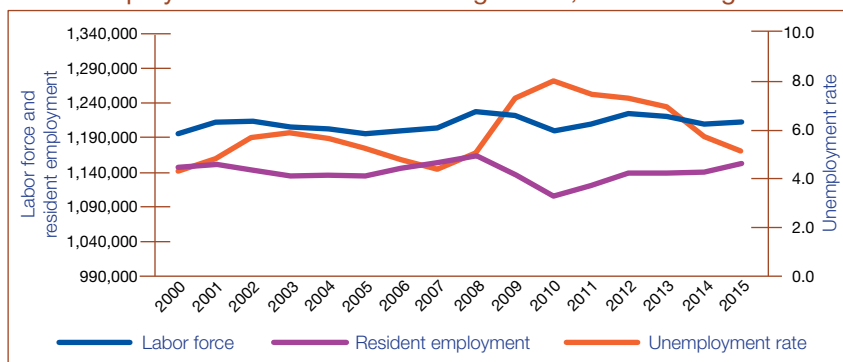
Source: U.S. Bureau of Labor Statistics

Center opened a facility developing the technology for Uber's driverless automobiles, adding an estimated 380 jobs. A decline of 2,300 jobs, or 2.6 percent, in the manufacturing sector offset some of these gains. The mining, logging, and construction and the government sectors lost 1.1 percent, or 700 jobs, and 0.9 percent, or 1,000 jobs, respectively. Falling energy prices impacted oil and gas drilling in the HMA. The number of active oil and gas wells drilled in the HMA during the 12 months ending June 2016 totaled 212, down 193, or 48 percent, from a year earlier (Pennsylvania Department of Environmental Protection).

The unemployment rate averaged 5.2 percent during the 12 months ending June 2016, down slightly from 5.4 percent a year earlier and similar to the average of 5.1 percent from 2000 through 2008. The unemployment rate rose in conjunction with the large job losses in 2009 to a rate of 7.3 percent, and then peaked in 2010 at 8.0 percent. The rate has gradually declined each year since 2011 to its current level (Figure 3).

During the 3-year forecast period, nonfarm payrolls in the HMA are expected to increase an average of 0.3 percent annually, with improvements each year. Growth is anticipated in several sectors. In June 2016, Shell Chemicals announced a plan to construct a new multibillion-dollar ethane cracker facility in Beaver County. Construction is expected to begin by 2018; the facility will create an estimated 6,000 temporary construction jobs while it is being built and 600 full-time jobs when it is complete. In the transportation and utilities sector, FedEx Corporation is currently constructing a 300,000-square-foot distribution facility that is expected generate 200 jobs on completion in August 2016. The Boeing Company is planning to add 168 jobs at its facility in Fayette County. Rice Energy, Inc., plans to expand its presence in Washington County with the addition of 365 new jobs. In the professional and business services sector, Alorica is opening a new call center in the Allegheny County submarket and is expected to add 300 new jobs (Pittsburgh Regional Alliance). In addition, plans currently exist for another 1,000 hotel rooms to be added to the HMA during the forecast period, which will increase jobs in the leisure and hospitality sector. Plans are currently under way to redevelop the site of the former Civic Arena in downtown Pittsburgh. The site is expected to have 1,200 residential units, 250,000 square feet of commercial and retail space, 630,000 square feet of office space, and a 150-room hotel when fully redeveloped.

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Pittsburgh HMA, 2000 Through 2015



Source: U.S. Bureau of Labor Statistics

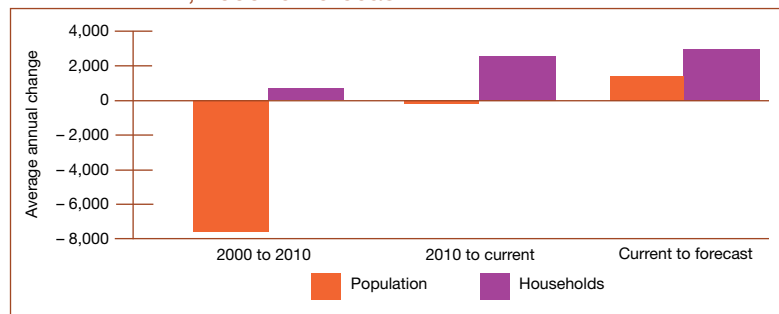
Population and Households

The population in the Pittsburgh HMA has been relatively stable since 2010. The current population is estimated to be 2.36 million, relatively unchanged since April 2010. From 2010 through the current date, net in-migration has averaged 2,925 annually. However, the population growth resulting from net in-migration was entirely offset by negative net natural change (resident births minus resident deaths), which averaged 2,975 a year. The recent population stabilization represents an improvement from the 2000-to-2010 period, when population declined by an average of 7,475, or 0.3 percent, annually (Figure 4). Net out-migration averaged 4,400

people a year during the 2000s (Figure 5). Net out-migration was highest in the early part of the decade, coinciding with job losses. From 2000 to 2006, net out-migration averaged 7,525 people annually while the overall population declined at a rate of 0.4 percent (Census Bureau population estimate as of July 1). As the economy began to add jobs in 2006, the rate of net out-migration slowed significantly and averaged 180 people from 2006 to 2009, while the overall rate of population decline slowed to 0.1 percent. Following significant job losses in 2009, the economy in the HMA had relatively strong job gains from 2010 through 2012. Net in-migration occurred from 2009 to 2012, averaging 5,150 people, which resulted in the population increasing an average of 0.1 percent annually. As a result of a slowing economy beginning in 2013, net in-migration has slowed to an average of 1,525 people annually since 2012, contributing to a population decline of an average of 0.1 percent annually.

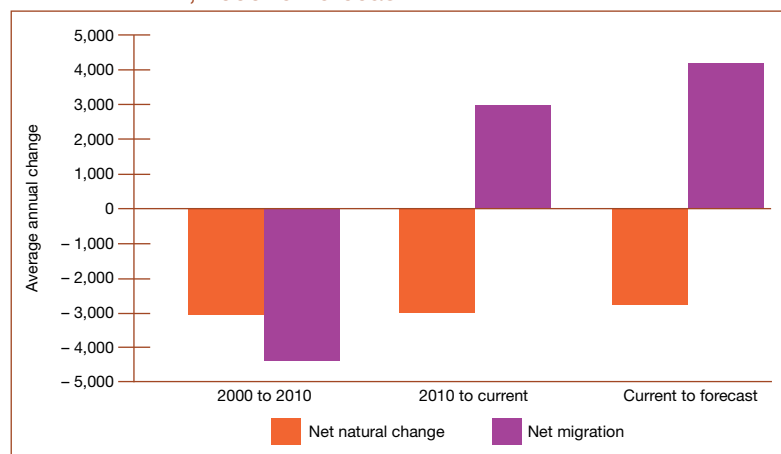
The Allegheny County submarket, which includes the city of Pittsburgh, currently has an estimated population of 1.23 million and accounts for 52 percent of the population of the HMA. More than 60 percent of jobs in the HMA are located in the submarket, which is also the home of the major universities in the HMA including the University of Pittsburgh, Carnegie Mellon University, and Duquesne University. As of 2015, the population in the city of Pittsburgh was 304,391 (Census Bureau population estimates as of July 1), or about one-fourth of the population of the submarket. Nearly 67,000 college and university students live in the submarket and

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



Notes: The current date is July 1, 2016. The forecast date is July 1, 2019.
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



Notes: The current date is July 1, 2016. The forecast date is July 1, 2019.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

account for approximately 5 percent of its renter households. Since 2010, enrollment at universities in the submarket has been relatively unchanged. The population in the submarket has increased an average of 0.1 percent annually since 2010; this increase was entirely the result of net in-migration, which occurred at an average of 1,725 people annually. By comparison, the population decreased an average of 0.5 percent annually during the 2000s, with net out-migration occurring at an average of 4,650 residents annually. The population declined 0.7 percent a year from 2000 to 2006, with net out-migration averaging 7,450 a year. From 2006 to 2008, net out-migration slowed to an average of 1,775 a year, and overall population declines slowed to an average annual rate of 0.2 percent. The return of net in-migration began a year earlier in the submarket than in the overall HMA and, from 2008 to 2013, averaged 3,150, resulting in average annual population growth of 0.2 percent. Since 2013, the rate of population growth has remained relatively stable in the submarket with a slight net out-migration of 440 people per year. International in-migration is a significant source of population growth in the HMA, primarily from university students. From 2011 to 2015, international in-migration to the submarket averaged 2,615 and accounted for all the net in-migration during the period. The movement of younger individuals into the city is similar to national trends; young professionals and students want to be closer to employment centers, academic institutions, and the cultural and recreational activities in downtown Pittsburgh. For the submarket, the percentage of the population younger than age 40 was 49 percent in 2015, up from 48 percent in 2005

(American Community Survey [ACS] 1-year data). Although only 1 percent, this increase represents an opposite trend from the other two submarkets in the HMA, where the percentage of the population younger than 40 continues to decline.

The North submarket accounts for 18 percent of the HMA population. From 2000 to 2010, the population in the submarket declined by an average of 450 residents, or 0.1 percent, annually, with net natural decline and net out-migration contributing to the decline at averages of 220 and 230 annually, respectively. Since 2010, the population has been relatively unchanged, with the current population estimated at 423,100. Net in-migration of 530 residents annually to the submarket offset most of the population decline stemming from a net natural decline that averaged 570 residents annually. Much of the growth in the submarket has occurred in Butler County, particularly in the Cranberry Township area. Only 45 percent of the population in the submarket is younger than age 40, down from 48 percent in 2005. The population ages 65 and older accounts for 19 percent of the submarket total, up from 16 percent in 2005 because younger people have migrated out of the HMA for job opportunities. By comparison, 53 percent of the national population is younger than 40 and 15 percent is 65 and older.

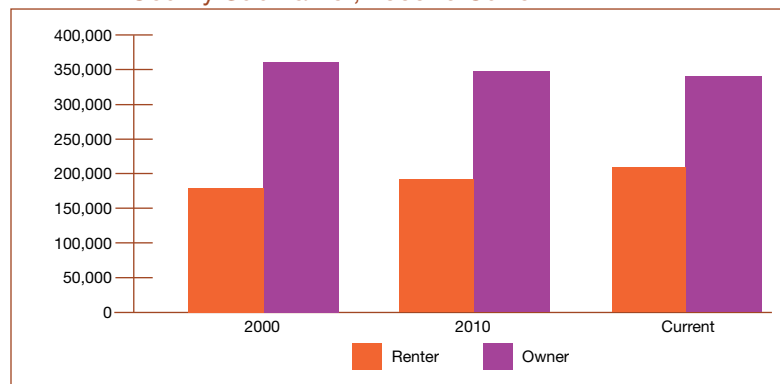
The South submarket comprises the remaining 30 percent of the population in the HMA. Despite a population decline in the submarket overall since 2000, growth has been occurring in Washington County, which is immediately south of the Allegheny County submarket. Since 2000, the population in the submarket has declined at an average annual rate of

Population and Households *Continued*

0.2 percent. From 2000 to 2002, the population decreased more rapidly, at an average annual rate of 0.4 percent, with net out-migration of 950 people each year. From 2002 to 2005, although net in-migration averaged 1,400 annually, net natural decline offset these gains, resulting in a stable population during the period. From 2005 to 2011, net in-migration slowed to 750 people

a year and the overall population declined 0.1 percent a year. From 2011 to the current date, net in-migration has continued to slow to 530 people a year and the population has decreased even further, at a rate of 0.2 percent a year. Nearly 20 percent of the population of the submarket is ages 65 and older, the highest proportion in the HMA. Only 43 percent of the population is younger than age 40, the lowest proportion in the HMA.

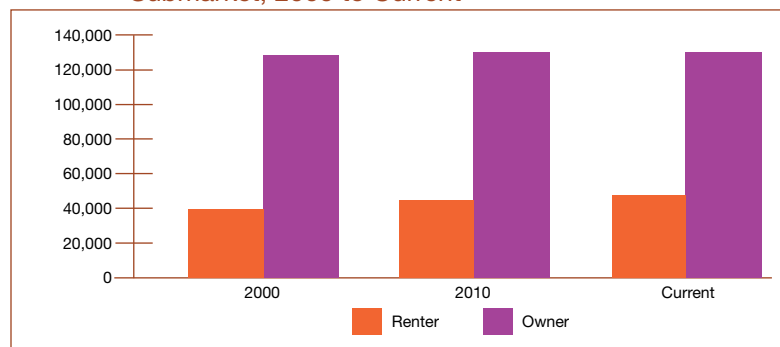
Figure 6. Number of Households by Tenure in the Allegheny County Submarket, 2000 to Current



Note: The current date is July 1, 2016.

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

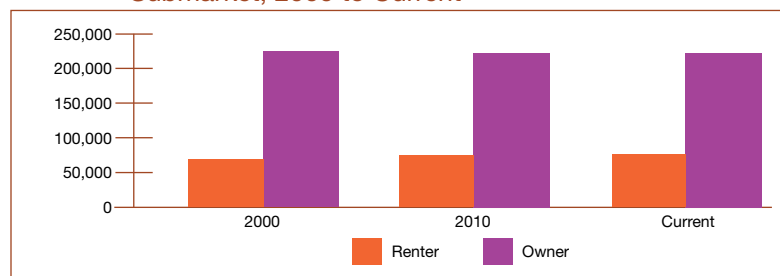
Figure 7. Number of Households by Tenure in the North Submarket, 2000 to Current



Note: The current date is July 1, 2016.

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

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



Note: The current date is July 1, 2016.

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

Since 2010, the number of households has increased at a rate of 0.2 percent in the HMA. Households increased 0.3 percent in the Allegheny County and North submarkets and 0.1 percent in the South submarket compared with rates of -0.1, 0.3, and 0.1 percent, respectively, in each submarket from 2000 to 2010. All of the growth since 2010 has been a result of the increase in the number of renter households as the number of owner households has declined. The percentage of owner households in the HMA decreased to 67.7 percent, down from 69.6 percent in 2010. The Allegheny County submarket has the lowest percentage of owner households at an estimated 62.0 percent currently compared with 73.4 and 74.7 percent in the North and South submarkets, respectively.

The rate of homeownership in the Allegheny County submarket is significantly lower than the rates in the North and South submarkets because of a higher preference for renting, primarily within the city of Pittsburgh. Figures 6, 7, and 8 show the number of households by tenure for each submarket.

During the 3-year forecast period, population growth in the HMA is expected to remain modest at an average annual rate of 0.1 percent. Growth is expected to be highest in

the Allegheny County submarket at 0.2 percent annually. Population is expected to remain relatively stable in the North submarket and decline 0.1 percent a year in the South submarket. The number of households in

the HMA is expected to increase at an average annual rate of 0.3 percent during the forecast period, with rates of 0.4 percent in the Allegheny County and North submarkets and 0.1 percent in the South submarket.

Housing Market Trends

Sales Market—Allegheny County Submarket

Sales housing market conditions in the Allegheny County submarket are currently balanced, with an estimated vacancy rate of 1.6 percent, down from 2.1 percent in 2010 when conditions were soft (Table DP-2 at the end of the report). The average inventory of homes for sale during the 12 months ending June 2016 was 5,900 homes, representing a 4.0-month supply, up from a 3.8-month supply a year ago but down from a 5.5-month supply in 2010 (CoreLogic, Inc.; Yahoo!-Zillow Real Estate Network; analyst estimates). Since 2010, the inventory of homes for sale peaked at an average of 8,350 during the 12 months ending October 2011.

In June 2016, 3.4 percent of home loans in the submarket were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 3.8 percent a year ago (CoreLogic, Inc.). The current rate in the submarket is slightly higher than the rate of 3.0 percent for the nation. The foreclosure crisis impacted the submarket but not as significantly as the rest of the country. The percentage of seriously delinquent loans and REO properties peaked in both the submarket and the nation during January 2010, with rates of 5.5 and

8.6 percent, respectively. The rate in the submarket remained above 5.0 percent through the middle of 2013 before steadily declining to the current level. The current rate remains higher than the 2.4-percent average from 2000 through 2004, before the rate began to rise. Distressed home sales (REO sales and short sales) accounted for about 8 percent of total sales during the 12 months ending April 2016, unchanged from a year earlier but down from the peak level of 12 percent during 2011 (CoreLogic, Inc., with adjustments by analyst).

During the 12 months ending April 2016 (the most representative data available), total new and existing home sales (including single-family homes, townhomes, and condominiums) increased by 170 homes, or 1 percent, from a year ago, to an average of 18,500 homes (CoreLogic, Inc., with adjustments by analyst). Home sales prices increased by \$10,200, or 6 percent, from a year ago to an average of \$179,900. The average home price in the submarket is the highest in the Pittsburgh HMA, reflecting the relatively higher income among residents compared with those in the other submarkets. New construction home sales increased by 30 homes, or 3 percent, to 920 during

Housing Market Trends

Sales Market—Allegheny County Submarket *Continued*

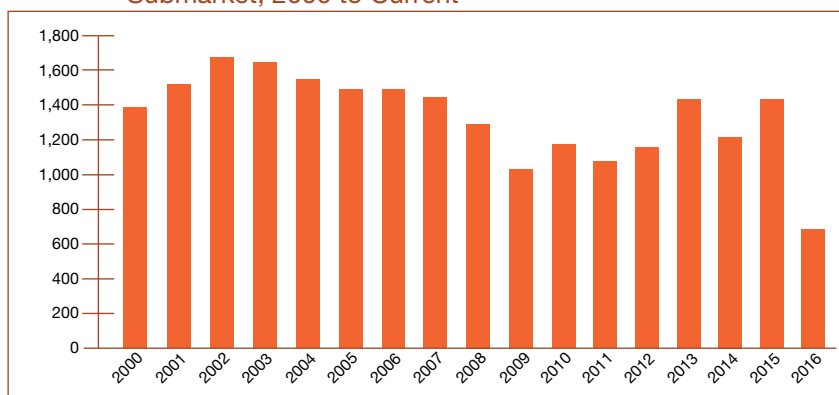
the same period, and the average price for a newly constructed home was \$353,400, up \$24,850, or 8 percent, from a year earlier.

As population has been relatively stable in the submarket since 2000, the level of home sales has also been relatively stable. From 2000 through 2007, total home sales averaged 18,950 with an average price of \$123,300. Prices for homes rose an average of 4 percent annually during this period, to an average of \$140,700 during 2007. Beginning in 2008, sales declined in response to the national recession, tighter mortgage lending, and an overall increased preference by households for renting, and then to job declines in the submarket beginning in 2009. From 2008 through 2012, home sales averaged 17,000 with an average price of \$144,100. Price gains during the 2008-through-2012 period slowed, averaging only 2 percent each year as the average price rose to \$155,700 during 2012. Demand for homes rose slightly from 2013 through 2015, with an average of 18,300 homes sold during the period. The average home sales price from 2013 through 2015 was \$164,500, with an average increase of more than 4 percent a year. During the 12 months ending

June 2016, condominium sales totaled 1,325, down 21 percent from a year earlier, and the average sales price for a condominium was \$178,700, representing an increase of 3 percent from a year ago (Metrostudy, A Hanley Wood Company).

Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased 15 percent in the submarket, to 1,550 homes, during the 12 months ending June 2016 compared with 1,350 homes permitted during the previous 12 months (preliminary data) in response to a slight increase in new construction home sales. From 2000 through 2007, an average of 1,525 homes were permitted each year. Permitting activity from 2008 through 2012 declined to 1,150 new homes in response to declining demand. As demand for homes began to increase, single-family permitting activity increased to an average of 1,350 homes from 2013 through 2015. Figure 9 shows the annual number of single-family homes permitted from 2000 to the current date. New home development during the past 12 months has been most significant in the boroughs of Carnegie, Franklin Park, McDonald (split with Washington County in the South submarket), and Wexford. All of these boroughs are near Interstate 79 (I-79), the primary north-south artery in the HMA directly west of the city of Pittsburgh, which provides access into the city. In Franklin Park, development is under way at The Villages at Ridge Forest residential townhome community, which is expected to include 97 townhomes when completed. The Villages at Ridge Forest has sold 46 new three-bedroom homes, ranging in size from 1,584 to 1,885 square feet, at an average price of \$264,900.

Figure 9. Single-Family Homes Permitted in the Allegheny County Submarket, 2000 to Current



Note: Current includes data through June 2016.

Sources: Tall Timber Group; estimates by analyst

Housing Market Trends

Sales Market—Allegheny County Submarket *Continued*

Construction at the development started in the summer of 2014; no completion date is slated at the community.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Allegheny County Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
200,000	249,999	710	12.0
250,000	299,999	1,000	17.0
300,000	349,999	1,175	20.0
350,000	399,999	880	15.0
400,000	449,999	650	11.0
450,000	499,999	410	7.0
500,000	599,999	590	10.0
600,000	and higher	470	8.0

Notes: The 450 homes currently under construction and a portion of the estimated 25,200 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is July 1, 2016, to July 1, 2019.

Source: Estimates by analyst

During the next 3 years, demand is estimated for 5,875 new market-rate homes in the submarket (Table 1). Demand is expected to be stronger in the second and third years of the 3-year forecast period. The 450 homes currently under construction will meet a portion of this demand. In addition, some of the estimated 25,200 vacant units in the submarket may return to the sales housing market and satisfy a portion of the demand. Demand is expected to be strongest for homes in the \$250,000-to-\$349,999 price range (Table 4).

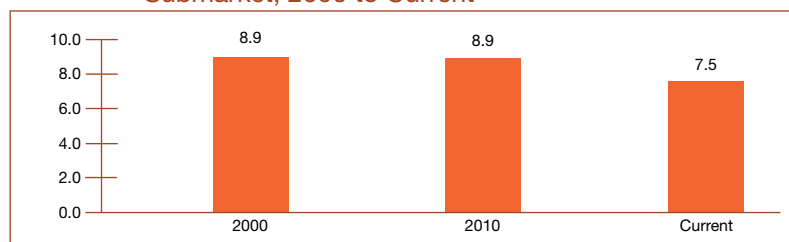
Rental Market—Allegheny County Submarket

The rental housing market in the Allegheny County submarket is slightly soft, with a current estimated overall vacancy rate of 7.5 percent (Figure 10). Rental market conditions have improved since April 2010, when the market was soft and the rental vacancy rate was 8.9 percent, because of increased demand stemming from an increased propensity to rent among residents. Single-family homes accounted for 33 percent of all occupied rental units in the submarket as of 2015, up slightly from 32 percent in 2010 (ACS 1-year data). The submarket has the highest concentration of large-scale apartment complexes of the three

submarkets in the Pittsburgh HMA. Approximately 14 percent of all renter-occupied units in the submarket are in structures with 50 or more units compared with only 6 percent in both the North and South submarkets.

The apartment market in the submarket is balanced. The average apartment vacancy rate during the second quarter of 2016 was 4.6 percent, up from 3.5 percent a year earlier and compared with 4.1 percent in 2010 (Reis, Inc.; the Reis-defined Pittsburgh market area includes part of Butler County, which is in the North submarket). The average vacancy rate for Class A properties in the Pittsburgh market area has increased significantly during the past year, from 5.9 to 8.0 percent, as a result of a significant increase in apartment supply coming on line. An estimate of more than 2,800 Class A market-rate units have entered the submarket since July 2015. The average apartment rent during the second quarter of 2016 was \$983, up

Figure 10. Rental Vacancy Rates in the Allegheny County Submarket, 2000 to Current



Note: The current date is July 1, 2016.

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

3 percent from \$953 a year ago and consistent with rent increases since 2010. The rent for Class A apartments increased nearly 2 percent during the same period, to \$1,186.

Overall apartment vacancy rates within the Reis-defined market areas (hereafter, areas) in the submarket ranged from a low of 2.4 percent in the Monroeville area, which lies in the southeastern part of the submarket, to a high of 5.8 percent in the Bellefield/Shadyside area, which includes the central business district in the city of Pittsburgh. The greatest increase in vacancy rates occurred in the Bellefield/Shadyside area, which was up 2.3 percentage points from 3.5 percent a year ago. Vacancy rates also increased significantly in the West area, where the rate was 4.2 percent, up from 2.7 percent a year ago. Both of these areas added significant new apartment inventory during the past 2 years, with more than 1,000 units added to the Bellefield/Shadyside area and 800 units added to the West area, primarily in response to increased demand from young professionals who want to live closer to their place of employment and recreational and cultural amenities in the city. Asking rents ranged from an average of \$726 in the Whitehall/Baldwin area, which includes the southeast neighborhoods of the city of Pittsburgh, to \$1,147 in the Bellefield/Shadyside area. The change in asking rent in the submarkets ranged from a decrease of less than 1 percent in the Monroeville/Mckeesport/White Oak area to an increase of nearly 5 percent in the Upper St. Clair/Bethel Park/Jefferson area. The average rent also increased significantly in the West area, up 4 percent partly because of newly added supply with relatively higher

rents. During the second quarter of 2016 in the West area, the Class A rent increased 5 percent from a year earlier compared with a 2-percent increase in Class B/C rents.

Universities in the submarket also significantly influence the rental market. Combined, universities in the HMA provide on-campus housing for approximately 17,500 students, or 26 percent of the 67,000 students enrolled. The remaining students reside in the rental housing market. Student households currently account for about 5 percent of all renter households in the submarket. Rental market conditions are very tight within 1 mile of the three largest universities—University of Pittsburgh, Carnegie Mellon University, and Duquesne University—with an average apartment vacancy rate of 1.7 percent (Reis, Inc., with adjustments by analyst).

Multifamily construction activity, as measured by the number of multifamily units permitted, decreased 14 percent in the submarket, to 2,475 units, during the 12 months ending June 2016 compared with 2,875 units permitted during the previous 12 months (preliminary data). From 2004 through 2013, multifamily permitting activity was relatively stable and averaged 850 units a year. During 2014 and 2015, an average of 2,900 multifamily units were permitted in the submarket. The significant number of units that has come on line in recent years is the primary reason for the recent rise in the apartment vacancy rate. Figure 11 shows the number of multifamily units permitted annually since 2000 in the submarket. Recently completed developments include 267 units at Morrow Park City Apartments in the city of Pittsburgh (in the Bellefield/

Housing Market Trends

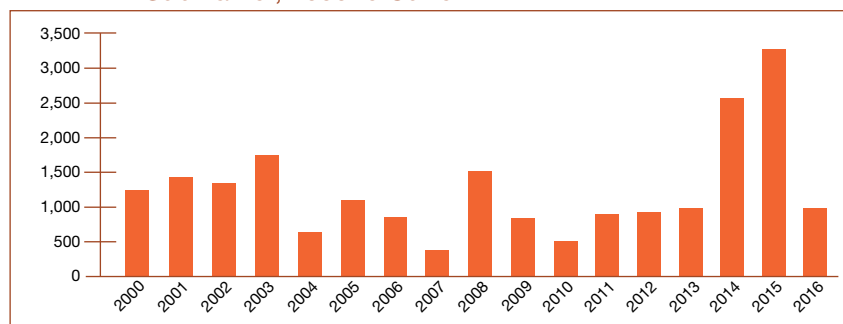
Rental Market—Allegheny County Submarket Continued

Shadyside area) with rents starting at \$1,575 and \$2,285 for one- and two-bedroom units, respectively; 175 units at Bakery Living: Blue in the city of Pittsburgh (in the Bellefield/Shadyside area) with rents starting at \$1,600 and \$2,881 for one- and two-bedroom units, respectively; and 220 units at Torrente at Upper St. Clair (in the Upper St. Clair/Bethel Park/Jefferson area) with rents starting at \$1,225 and \$1,500 for one- and two-bedroom units, respectively. In the West area, construction at The Ridge at Robinson is under way and expected to be complete in early 2017. Approximately 20 percent of the 342 units in the development are complete as of July 1, 2016. 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.

Several apartment conversions were recently completed or are under way in the Bellefield/Shadyside area, including the conversion of the former Schenley High School into a 180-unit market-rate apartment community. The conversion of the high school, which was active from 1916 to 2009, began in 2015 and is expected to be complete by the end of 2017. Information regarding rents and amenities is not yet available for the property.

During the 3-year forecast period, demand is estimated for 4,650 new market-rate rental units (Table 1) and will remain steady throughout the forecast period. The 2,475 units currently under construction will meet a portion of the demand. In addition, 1,200 units in the pipeline are likely to be completed during the forecast period and will satisfy most of the remaining demand. Units in planning include more than 300 units at the renovated Macy's building on 5th Avenue, 326 units at the Empire Apartments, 170 units at the Wholey Building, and a portion of the 1,200 units planned for the Civic Arena redevelopment project. Estimated rental housing demand by bedroom size and rent range is shown in Table 5.

Figure 11. Multifamily Units Permitted in the Allegheny County Submarket, 2000 to Current



Note: Current includes data through June 2016.

Sources: Tall Timber Group; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Allegheny County Submarket During the Forecast Period

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
1,000 to 1,199	140	1,225 to 1,424	230	1,500 to 1,699	370	1,800 to 1,999	190
1,200 to 1,399	210	1,425 to 1,624	350	1,700 to 1,899	560	2,000 to 2,199	280
1,400 to 1,599	170	1,625 to 1,824	290	1,900 to 2,099	460	2,200 to 2,399	230
1,600 to 1,799	100	1,825 to 2,024	170	2,100 to 2,299	280	2,400 to 2,599	140
1,800 or more	70	2,025 or more	120	2,300 or more	190	2,600 or more	95
Total	700	Total	1,150	Total	1,850	Total	930

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 2,475 units currently under construction will likely satisfy some of the estimated demand. The forecast period is July 1, 2016, to July 1, 2019.

Source: Estimates by analyst

Sales Market—North Submarket

Homeownership is much more prevalent in the sales housing market in the North submarket than in the Allegheny County submarket. Even though the homeownership rate has declined since 2000, it remains very high and is significantly higher than the rate in the Allegheny County submarket. Reflecting trends in the Pittsburgh HMA and the nation, the homeownership rate declined in the submarket from 76.5 percent in 2000 to 74.7 percent in 2010 and is currently estimated at 73.4 percent. Current sales market conditions in the submarket are balanced. The sales vacancy rate in the submarket has decreased from 2.0 percent in 2010, when conditions were soft, to a current estimated rate of 1.5 percent (Table DP-3 at the end of the report). A reversal of trends in net migration in the submarket has contributed to improved sales market conditions. Since 2010, net in-migration has reversed the trend of net out-migration during the 2000s. The average inventory of homes for sale during the 12 months ending June 2016 was 6,950, representing a 3.8-month supply, up slightly from a 3.7-month supply a year ago but down from a 6.0-month supply in 2010 (CoreLogic, Inc.; Yahoo!-Zillow Real Estate Network; analyst estimates). The current level of unsold inventory represents a 29-percent decrease from the peak level of 9,800 during the 12 months ending March 2011.

In June 2016, 3.3 percent of home loans in the submarket were seriously delinquent or had transitioned into REO status, down slightly from 3.4 percent a year ago (CoreLogic, Inc.). The current rate in the submarket

is slightly higher than the national rate of 3.0 percent. The foreclosure crisis impacted the submarket but not as significantly as the rest of the country because the submarket did not have a dramatic increase in home sales during the pre-2007 housing bubble like in many areas around the country. The percentage of seriously delinquent loans and REO properties peaked in both the submarket and the nation during January 2010, with rates of 5.4 percent and 8.6 percent, respectively. The rate steadily declined to its current level. The current rate remains higher than the 1.9-percent average from 2000 through 2004, prior to the rate beginning to increase.

New and existing home sales (including single-family homes, townhomes, and condominiums) increased by 350, or 6 percent, in the submarket during the 12 months ending April 2016 (the most representative data available) from a year earlier, to an average of 6,525 homes (CoreLogic, Inc., with adjustments by the analyst). During the same period, the average price for a home increased by \$2,725, or 1 percent, to \$173,000. New construction home sales increased 8 percent, to 570 homes, and the average price for new construction homes increased by \$6,050, or 1 percent, to \$327,200. From 2013 through 2015, total home sales averaged 6,100 with an average price of \$166,400. By comparison, during 2011 and 2012, home sales averaged 5,000 with an average price of \$157,300 despite higher job growth during the period. Prior to 2011, total home sales averaged nearly 5,900 from 2006 through 2010 with an average price of \$138,800. Average home prices increased 2 percent annually during

the period to \$144,900 in 2010. Condominiums account for less than 5 percent of home sales in the submarket.

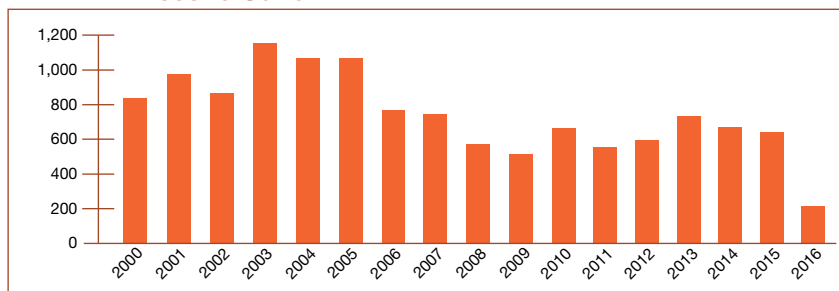
Single-family homebuilding activity, as measured by the number of single-family homes permitted, decreased 17 percent, to 550 homes, in the submarket during the 12 months ending June 2016 compared with 660 homes permitted during the previous 12 months (preliminary data). From 2000 through 2005, an average of 1,000 homes were permitted each year. Permitting activity remained very stable from 2006 through 2015, averaging 650 new homes, while home sales activity was also relatively stable. Figure 12 shows the annual number of single-family homes permitted from 2000 to the current date.

New home development during the past 12 months has been most significant

in Butler County, particularly in the southwestern parts of the county that include Cranberry Township and the boroughs of Mars, Valencia, and Zelienople. All of these areas are near I-79, with convenient access to jobs and recreational activities in the city of Pittsburgh. Construction is under way at the Links of Cranberry Townhomes. When complete, the community is expected to comprise 46 three-bedroom townhomes ranging in size from 1,690 to 1,882 square feet. Links of Cranberry Townhomes is located adjacent to the Cranberry Highlands Golf Course. Since construction began in the summer of 2015, 28 homes have sold for an average price of \$308,300. In Mars, construction at The Village at Camp Trees is under way. The development is expected to include 65 single-family homes, ranging from two-bedroom homes to five-bedroom homes and from 1,700 to 3,150 square feet in size, when complete. Since construction began in 2010, 29 homes have sold for an average price of \$588,500. The Village at Camp Trees is proximal to several lakes and a golf course.

During the next 3 years, demand is estimated for 1,850 new market-rate homes in the submarket (Table 1). Demand is expected to be stronger in the second and third years of the 3-year forecast period. The majority of the demand will occur in Butler County. The 150 homes currently under construction will meet a portion of this demand. In addition, some of the estimated 10,000 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 strongest in the \$250,000-to-\$299,999 price range (Table 6).

Figure 12. Single-Family Homes Permitted in the North Submarket, 2000 to Current



Note: Current includes data through June 2016.

Sources: Tall Timber Group; estimates by analyst

Table 6. Estimated Demand for New Market-Rate Sales Housing in the North Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
200,000	249,999	180	10.0
250,000	299,999	440	24.0
300,000	349,999	220	12.0
350,000	399,999	220	12.0
400,000	449,999	260	14.0
450,000	499,999	180	10.0
500,000	599,999	180	10.0
600,000	and higher	150	8.0

Notes: The 150 homes currently under construction and a portion of the estimated 10,000 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is July 1, 2016, to July 1, 2019.

Source: Estimates by analyst

Rental Market—North Submarket

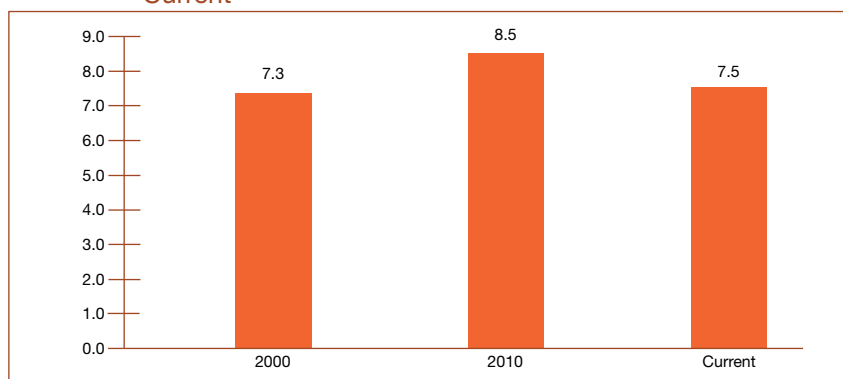
The rental housing market in the North submarket is slightly soft, with a current estimated overall vacancy rate of 7.5 percent. Rental market conditions have improved since April 2010, when the market was soft and the rental vacancy rate was 8.5 percent (Figure 13). The apartment market in the submarket is slightly soft, with an estimated average vacancy rate, excluding properties in lease up, of 7.0 percent as of June 2016, down from 9.7 percent a year ago (Axiometrics, Inc., with adjustment by the analyst). The average rent in the same properties decreased 3 percent from a year ago, to \$1,267. Since 2010, net in-migration to the submarket and an increased preference to rent have contributed to improved rental market

conditions. Single-family homes constitute a significant component of the rental inventory in the submarket. As of 2014, single-family homes accounted for 45 percent of all occupied rental units in the submarket, unchanged from the rate in 2010 and a higher percentage than in the Allegheny County submarket (ACS 1-year data). Only 6 percent of all renter-occupied units in the submarket are in structures of 50 or more units.

Multifamily construction activity, as measured by the number of multifamily units permitted, decreased to 160 units in the submarket during the 12 months ending June 2016 compared with 360 units permitted during the previous 12 months (preliminary data). During the 2000s, multifamily permitting activity fluctuated. From 2000 through 2001, the number of multifamily units permitted was relatively stable, averaging 280 units annually. The following years of the decade had quite low levels of multifamily units permitted, with the exceptions of 2003 and 2007, when 550 and 440 units were permitted, respectively. Beginning in 2010, the number of multifamily units permitted trended upward, increasing each year to 430 units in 2014 in response to net in-migration to the submarket since 2010 (Figure 14).

Since 2010, four apartment communities with a combined 1,600 units have been completed in Cranberry Township. Eden Square Apartments, a 240-unit apartment community, was completed in 2015 and is currently in lease up. Rents start at \$1,000 for one-bedroom units and \$1,300 for two-bedroom units. Also in Cranberry Township, The Haven at Cranberry

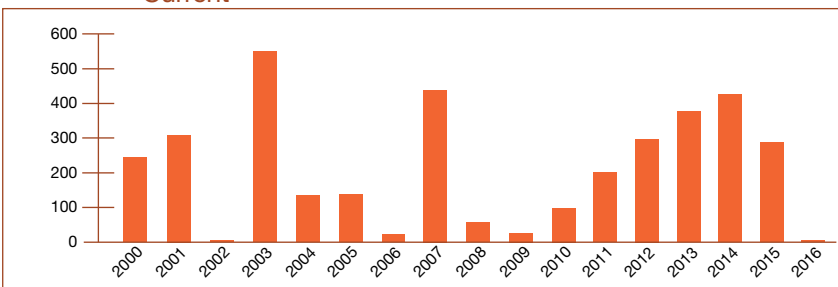
Figure 13. Rental Vacancy Rates in the North Submarket, 2000 to Current



Note: The current date is July 1, 2016.

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

Figure 14. Multifamily Units Permitted in the North Submarket, 2000 to Current



Note: Current includes data through June 2016.

Sources: Tall Timber Group; estimates by analyst

Housing Market Trends

Rental Market—North Submarket Continued

Woods was completed in 2014 and includes 303 units offered at starting rents ranging from \$1,150, \$1,430, and \$2,150 for one-, two-, and three-bedroom units, respectively. Excluding the one community in lease up, the average vacancy rate of apartment communities in Cranberry Township was 7.3 percent in June 2016, and the average asking rent was \$1,250.

During the 3-year forecast period, demand is estimated for 640 new market rate rental units (Table 1) with steady demand during the 3 years. Nearly all of the demand will be in Butler County. The 150 units currently under construction will meet a portion of the demand. Estimated rental housing demand by bedroom size and rent range is shown in Table 7.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the North Submarket During the Forecast Period

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
850 or more	40	1,000 to 1,199	40	1,300 to 1,499	50	1,700 to 1,899	30
		1,200 to 1,399	60	1,500 to 1,699	75	1,900 to 2,099	50
		1,400 to 1,599	50	1,700 to 1,899	65	2,100 to 2,299	40
		1,600 to 1,799	30	1,900 to 2,099	40	2,300 to 2,499	25
		1,800 or more	20	2,100 or more	25	2,500 or more	15
Total	40	Total	190	Total	260	Total	160

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 150 units currently under construction will likely satisfy some of the estimated demand. The forecast period is July 1, 2016, to July 1, 2019.

Source: Estimates by analyst

Sales Market—South Submarket

Sales housing market conditions have improved in the South submarket since 2010 and are currently balanced. The sales vacancy rate declined from 1.9 percent in 2010, when the market was soft, to a current estimated rate of 1.4 percent (Table DP-4 at the end of the report). An increase in the average annual net in-migration, which has been 680 people since 2010 compared with 480 annually during the 2000s, contributed to improved sales market conditions in the submarket. The increase in net in-migration since 2010 stemmed from an influx of jobs related to oil and gas through 2014. The average inventory of homes for sale during the 12 months ending June 2016 was 3,350, the fewest unsold homes of the three submarkets. The current level of unsold sales inventory represents a 4.2-month supply, up

slightly from a 4.0-month supply a year ago but down from a 5.2-month supply in 2010 (CoreLogic, Inc.; Yahoo!-Zillow Real Estate Network; analyst estimates). Since 2010, the peak level of unsold inventory in the submarket was 3,875 during 2011. The homeownership rate in the submarket is the highest of the three submarkets, although the rate has continuously declined since 2000. The percentage of owner households fell from 76.8 percent in 2000 to 75.5 percent in 2010 and is currently estimated at 74.7 percent.

The foreclosure crisis impacted the submarket more significantly than either the Allegheny County or North submarkets, but the impact was not as significant as in the rest of the country. The percentage of home loans

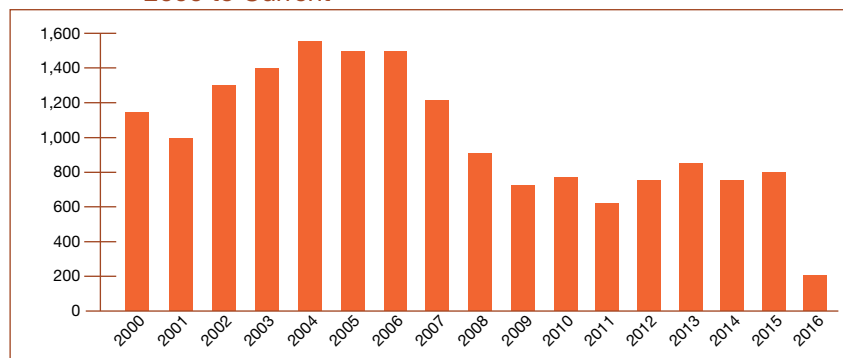
that were seriously delinquent or had transitioned into REO status peaked in both the South submarket and the nation during January 2010, with rates of 6.1 percent and 8.6 percent, respectively. The rate remained above 5.0 percent in the submarket through March 2014 before steadily declining to the current level of 4.1 percent as of June 2016, down from 4.3 percent a year ago but higher than the national rate of 3.0 percent (CoreLogic, Inc.). The current rate remains higher than the 2.2-percent average from 2000 through 2004, prior to the rate beginning to rise. Compared with either the North or Allegheny County submarkets, the South submarket is more heavily impacted by the oil and gas industry. Recent declines in mining and logging employment is one factor in the higher delinquency rates in the submarket.

During the 12 months ending April 2016 (the most representative data available), total new and existing home sales (including single-family homes, townhomes, and condominiums) increased 3 percent in the submarket from a year ago to an average of 9,750 homes (CoreLogic, Inc., with adjustments by the analyst). Home sales prices increased 5 percent from a year ago to an average of \$149,400. Because the population has been

relatively stable in the submarket since 2000, the level of home sales has also been relatively stable. From 2000 through 2008, total home sales averaged 10,350 annually with an average price of \$112,300. Prices for homes rose an average of 5 percent a year during this period to an average of \$126,900 in 2008. Sales began to decline in 2009 in response to the national recession, local job declines, lower levels of in-migration in the second half of the decade, tighter mortgage lending, and an overall increased preference by households for renting. From 2009 through 2012, home sales averaged 8,150 a year with an average price of \$127,900; home prices continued to increase an average of 2 percent, and the average sales price rose to \$136,400 in 2012. Demand for homes rose slightly from 2013 through 2015, with an average of 9,300 homes sold during the period. The average home sales price from 2013 through 2015 was \$144,000, with an average increase of 3 percent during the period. Condominiums represent less than 5 percent of home sales in the submarket.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, decreased 22 percent, to 620 homes, in the submarket during the 12 months ending June 2016 compared with 790 homes permitted during the previous 12 months (preliminary data). From 2000 through 2006, an average of 1,350 homes were permitted each year. Permitting activity from 2007 through 2015 declined to 830 new homes in response to declining demand. Figure 15 shows the annual number of single-family homes permitted from 2000 to the current date. New home development during the past

Figure 15. Single-Family Homes Permitted in the South Submarket, 2000 to Current



Note: Current includes data through June 2016.

Sources: Tall Timber Group; estimates by analyst

Housing Market Trends

Sales Market—South Submarket Continued

12 months has been most significant in Canonsburg and other areas along the I-79 corridor in Washington County. Orchard Hill is currently under construction and is expected to comprise 75 single-family homes when complete. Of these homes, 19 three- and four-bedroom homes, with living space ranging from 1,700 to

2,850 square feet, have sold for an average price of \$588,500. No expected completion date for the development is available.

During the next 3 years, demand is estimated for 1,725 new market-rate homes in the submarket (Table 1). Demand is expected to be stronger in the second and third years of the 3-year forecast period. The majority of the demand in the submarket will occur in Washington County. The 140 homes currently under construction will meet a portion of this demand. In addition, some of the estimated 19,000 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 strongest in the \$250,000-to-\$399,999 price range (Table 8).

Table 8. Estimated Demand for New Market-Rate Sales Housing in the South Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
200,000	249,999	170	10.0
250,000	299,999	300	17.0
300,000	349,999	280	16.0
350,000	399,999	300	17.0
400,000	449,999	170	10.0
450,000	499,999	210	12.0
500,000	599,999	140	8.0
600,000	and higher	170	10.0

Notes: The 140 homes currently under construction and a portion of the estimated 19,000 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is July 1, 2016, to July 1, 2019.

Source: Estimates by analyst

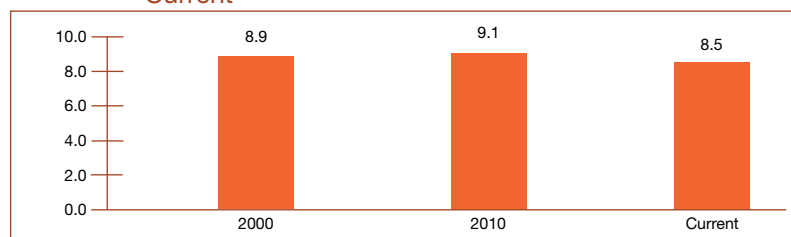
Rental Market—South Submarket

The rental housing market in the South submarket is soft, with a current estimated overall vacancy rate of 8.5 percent. Rental market conditions have improved slightly since April 2010, when the rental vacancy rate was 9.1 percent (Figure 16). The apartment market in the submarket is slightly soft, with an estimated current average vacancy rate of 8.0 percent, excluding properties in

lease up, unchanged from a year ago (Axiometrics, Inc., with adjustments by the analyst). The average rent for those same units increased 1 percent to \$968 during the same period. As in the North submarket, single-family homes constitute a significant part of the rental inventory in the submarket. As of 2014, single-family homes accounted for 47 percent of all occupied rental units in the submarket, unchanged from 2010 (ACS 1-year data). The percentage of single-family homes in the rental inventory of the submarket is the highest of all submarkets in the Pittsburgh HMA. Only 6 percent of all renter-occupied units are in structures with 50 or more units.

The number of multifamily units permitted increased to 630 in the submarket during the 12 months

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



Note: The current date is July 1, 2016.

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

Housing Market Trends

Rental Market—South Submarket Continued

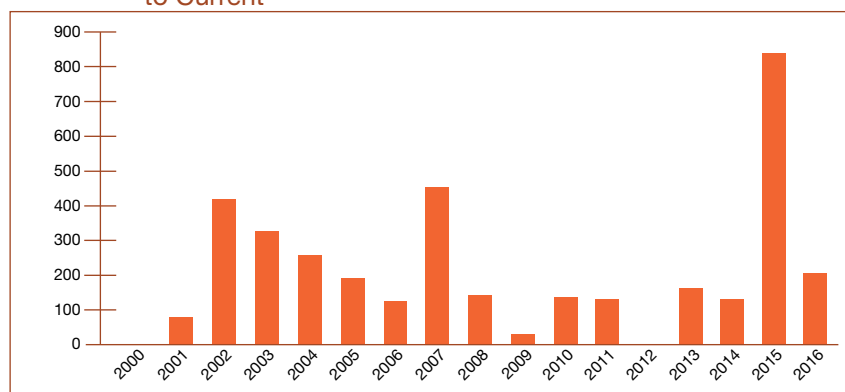
ending June 2016 compared with 490 units permitted during the previous 12 months (preliminary data). From 2000 through 2014, multifamily permitting activity averaged 170 units a year, with some fluctuations (Figure 17). The number of units permitted was relatively high, at 420 units, in 2002 but decreased steadily to 130 units in 2006 in response to higher levels of net out-migration from the submarket in the early years of the decade. After an increase in 2007, building activity decreased again, averaging 110 units annually from 2008 through 2014, as net in-migration decreased. Multifamily permitting increased in 2015 and 2016, largely because of development of apartments at the Southpointe Town Center.

The construction of several apartment communities was completed during 2015 and 2016 at Southpointe Town Center, a mixed-use business park about 20 miles southwest of the city of Pittsburgh, near Canonsburg

in Washington County. Completed in 2016, 1400 Main Street at Southpointe Town Center, with 371 units, is currently in lease up. One-bedroom units are offered at the community for rents ranging from \$1,275 to \$1,485, and asking rents for two-bedroom units range from \$1,575 to \$1,995. Construction of phases I and II at Reserve at Southpointe was completed in 2015 and 2016, respectively. These communities comprise 369 units combined. Rents at Reserve at Southpointe range from \$1,049 to \$1,237 for one-bedroom units, \$1,300 to \$1,444 for two-bedroom units, and \$1,878 to \$1,899 for three-bedroom units. Residents at all three apartment communities benefit from amenities offered at Southpointe Town Center, which include a shopping center, golf course, restaurants, and entertainment venues. Rent for units in lease up averaged \$1,408 in June 2016, up 1 percent from a year ago.

During the 3-year forecast period, demand is estimated for 510 new market-rate rental units (Table 1), with steady demand during the 3 years. The majority of the demand for new rental units will occur in Washington County. The 630 units currently under construction will meet all of the demand. In order to prevent prolonging the soft market conditions, no additional rental units should be constructed in the submarket during the forecast period. Estimated rental housing demand by bedroom size and rent range is shown in Table 9.

Figure 17. Multifamily Units Permitted in the South Submarket, 2000 to Current



Note: Current includes data through June 2016.

Sources: Tall Timber Group; estimates by analyst

Housing Market Trends

Rental Market—South Submarket Continued

Table 9. Estimated Demand for New Market-Rate Rental Housing in the South Submarket During the Forecast Period

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
800 or more	25	950 to 1,149	30	1,200 to 1,399	40	1,750 to 1,949	25
		1,150 to 1,349	45	1,400 to 1,599	60	1,950 to 2,149	40
		1,350 to 1,549	40	1,600 to 1,799	50	2,150 to 2,349	30
		1,550 to 1,749	25	1,800 to 1,999	30	2,350 to 2,549	20
		1,750 or more	15	2,000 or more	20	2,550 or more	15
Total	25	Total	150	Total	200	Total	130

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 630 units currently under construction will likely satisfy some of the estimated demand. The forecast period is July 1, 2016, to July 1, 2019.

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	1,144,144	1,105,320	1,154,000	-0.3	0.8
Unemployment rate	4.3%	8.0%	5.2%		
Nonfarm payroll jobs	1,147,000	1,125,300	1,163,000	-0.2	0.6
Total population	2,431,087	2,356,285	2,356,000	-0.3	0.0
Total households	995,505	1,001,627	1,017,300	0.1	0.2
Owner households	711,382	697,151	688,500	-0.2	-0.2
Percent owner	71.5%	69.6%	67.7%		
Renter households	284,123	304,476	328,800	0.7	1.2
Percent renter	28.5%	30.4%	32.3%		
Total housing units	1,078,481	1,102,048	1,110,000	0.2	0.1
Owner vacancy rate	1.7%	2.0%	1.5%		
Rental vacancy rate	8.7%	8.9%	7.7%		
Median Family Income	\$42,700	\$60,300	\$69,700	3.5	2.4

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2016. Median Family Incomes are for 1999, 2009, and 2015. The current date is July 1, 2016.

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

Table DP-2. Allegheny County 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	1,232,000	- 0.5	0.1
Total households	537,150	533,960	544,500	- 0.1	0.3
Owner households	360,036	345,393	337,700	- 0.4	- 0.4
Percent owner	67.0%	64.7%	62.0%		
Rental households	177,114	188,567	206,800	0.6	1.5
Percent renter	33.0%	35.3%	38.0%		
Total housing units	583,646	589,201	592,000	0.1	0.1
Owner vacancy rate	1.9%	2.1%	1.6%		
Rental vacancy rate	8.9%	8.9%	7.5%		

Notes: Numbers may not add to totals because of rounding. The current date is July 1, 2016.

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

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	427,887	423,342	423,100	- 0.1	0.0
Total households	167,443	172,931	176,000	0.3	0.3
Owner households	128,060	129,244	129,200	0.1	0.0
Percent owner	76.5%	74.7%	73.4%		
Rental households	39,383	43,687	46,800	1.0	1.1
Percent renter	23.5%	25.3%	26.6%		
Total housing units	180,020	188,898	191,800	0.5	0.2
Owner vacancy rate	1.6%	2.0%	1.5%		
Rental vacancy rate	7.3%	8.5%	7.5%		

Notes: Numbers may not add to totals because of rounding. The current date is July 1, 2016.

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

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	721,534	709,595	700,900	- 0.2	- 0.2
Total households	290,912	294,736	296,900	0.1	0.1
Owner households	223,286	222,514	221,700	0.0	- 0.1
Percent owner	76.8%	75.5%	74.7%		
Rental households	67,626	72,222	75,200	0.7	0.6
Percent renter	23.2%	24.5%	25.3%		
Total housing units	314,815	323,949	326,000	0.3	0.1
Owner vacancy rate	1.6%	1.9%	1.4%		
Rental vacancy rate	8.9%	9.1%	8.5%		

Notes: Numbers may not add to totals because of rounding. The current date is July 1, 2016.

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: 7/1/2016—Analyst's estimates
 Forecast period: 7/1/2016–7/1/2019—Analyst's estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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 the U.S. Department of Housing and Urban Development's (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 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 classified as commercial structures 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 huduser.gov/publications/pdf/CMARtables_PittsburghPA_17.pdf.

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This analysis has been prepared for the assistance and guidance of 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 huduser.gov/portal/ushmc/chma_archive.html.