Pittsburgh, Pennsylvania

Located in southwestern Pennsylvania, the Pittsburgh metropolitan area comprises seven counties. Once the largest center for steel manufacturing in the nation, Pittsburgh has emerged as the healthcare and education center for western Pennsylvania and parts of the Ohio River Valley. With a total estimated population of 2.3 million as of January 1, 2011, Pittsburgh is the second-most populous metropolitan area in Pennsylvania. During 2010, population growth was relatively flat compared with 2009, which is an improvement from the average annual decline of 9,200 people, or 0.4 percent, from 2000 through 2008, when net out-migration averaged nearly 6,000 people a year. Net in-migration, which averaged 2,700 persons a year from 2009 through 2010, led to a slower rate of population decline. Net in-migration has increased partly as a result of an increased number of empty nesters and young professionals moving to recently redeveloped areas of the city. Remnants of the industrial riverfront and downtown area in the city of Pittsburgh have been transformed during the past 4 years into more than $600 million in residential and $1.5 billion in commercial developments, including the $622 million Children’s Hospital of Pittsburgh that opened in May 2009.

During the 12 months ending November 2010, average nonfarm payrolls totaled 1.1 million, down 4,800 jobs, or 0.4 percent, compared with payrolls during the previous 12-month period. The largest payroll declines occurred in the manufacturing and financial activities sectors and the wholesale trade subsector, which lost 4,300, 1,100, and 1,300 jobs, respectively, or 4.8, 1.6, and 2.7 percent. Despite overall job losses, the education and health services sector, accounting for 20 percent of all nonfarm payrolls in the area, increased by 2,800 jobs, or 1.2 percent, during the 12 months ending November 2010. In addition, the retail trade and the mining and logging subsectors increased by 700 and 300 jobs, respectively. Accounting for more than one-half of the increase in payrolls in the mining and logging subsector, Range Resources, a natural gas producer, added more than 150 jobs during the past year and is currently constructing a regional facility that will double its employment to 500 by November 2011. During 2010, 16 companies with intentions of extracting natural gas from the Marcellus Shale field, a natural gas deposit spanning southern New York State through Pennsylvania and West Virginia to the western portion of Virginia, announced plans to add more than 1,200 jobs in Pittsburgh during the next 4 years. Employment in the education and health services sector is also expected to continue to increase. The University of Pittsburgh Medical Center (UPMC), the leading employer in the metropolitan area, with 37,000 employees, is planning to add 500 jobs during 2011. Currently, UPMC is constructing a $258 million full-service hospital, UPMC East, to be completed in 2012, adding 400 jobs. Additional leading employers include West Penn Allegheny Health and the University of Pittsburgh, with 11,000 employees each. Despite job growth in several sectors, losses during the 12 months ending November 2010 resulted in the increase of the average unemployment rate to 8.3 percent from 7.2 percent during the previous 12 months.

The sales housing market in Pittsburgh is slightly soft, with an estimated vacancy rate of 1.9 percent as of January 1, 2011, resulting from employment declines and tighter mortgage lending standards. During the 12 months ending November 2010, the average home sales price for new and existing homes increased by 4 percent to $160,000 from $154,000 a year earlier, according to Hanley Wood, LLC. As prices increased, new and existing home sales declined by 19 percent to 1,900 homes sold compared with the 2,350 sold during the previous 12-month period. Condominium sales accounted for 4 percent of total home sales, with 80 condominiums sold during the 12 months ending November 2010, which is unchanged from a year earlier. The average condominium price declined to $164,200 or 3 percent, from the $169,200 price recorded the previous year. According to Lender Processing Services Mortgage Performance Data, from November 2009 to November 2010, the number of loans that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) decreased from 5.7 to 5.1 percent.

Despite weaker sales market conditions, home construction activity, as measured by the number of single-family homebuilding permits issued, increased during 2010 but remained below the number constructed during 2008. According to preliminary data, during the 12 months ending November 2010, single-family homebuilding activity totaled 2,950 homes permitted, up 22 percent compared with the number permitted during the 12 months ending November 2009, but down 830 homes, or 26 percent, for the same period in 2008. Single-family home construction was strong from 2000 through 2006, with an average of 5,100 homes permitted annually, before declining to an average of 3,500 homes permitted annually from 2007 through 2009. Nearly 40 percent of all single-
family home construction is concentrated in Allegheny County, where construction increased by 20 percent to 1,175 homes permitted, according to preliminary data for the 12 months ending November 2010. Prices for new, two-bedroom homes in Allegheny County start at $190,000.

Although economic conditions remain weak, the overall rental housing market, as of January 1, 2011, is balanced, with an estimated vacancy rate of 5.7 percent, which is unchanged from the previous year. According to Reis, Inc., the apartment vacancy rate declined from 5.5 to 5.0 percent in the third quarter of 2010 compared with vacancy rates in the third quarter of 2009, while the average asking rent increased less than 1 percent to approximately $840. According to preliminary data, during the 12 months ending November 2010, multifamily construction activity, as measured by the number of units permitted, was virtually unchanged at 350 units permitted compared with the number permitted during the previous year. Multifamily construction was strong from 2000 through 2006, averaging 1,325 units permitted annually, before declining to an average of 430 units a year from 2007 through 2009. During the 12 months ending November 2010, approximately 95 percent of all multifamily construction consisted of apartments, which is equivalent to the period from 2000 through 2006, but represents an increase from 70 percent during 2007 through 2009, when condominium construction was higher. Approximately 50 percent of apartments currently under construction are concentrated in the city of Pittsburgh. During the past 4 years, apartment developments within the city, which include conversions from existing manufacturing and commercial structures, have totaled nearly $400 million in redevelopment and added 970 new rental units to the market. Since 2009, commercial-to-apartment conversions include Market Square Place, a 46-unit complex; The Century Building, a 60-unit complex; and River Vue Apartments, a 218-unit complex that is still under construction. Average asking rents for newly constructed efficiency, one-bedroom, and two-bedroom apartments in the metropolitan area are $830, $1,150, and $1,600, respectively.