



# Pittsburgh Real Estate Overall Market Review

## YEAR-END 2007

### Market Up-Close

- An impressive list of top leases released in January for 2007 includes Westinghouse, UPMC, Reed Smith LLC and H.J. Heinz.
- Newly announced hotel projects in the Pittsburgh region keep the construction business busy.
- The Central Business District posts a positive year end absorption of 971,000 SF - mainly due to the UPMC deal at US Steel Tower and Bank of New York Mellon expanding in One Mellon Center and Three Mellon Center.

### A Look Inside

Market Up-Close.....	1-2
Office Market.....	3-6
Industrial Market.....	7-8
Retail Market.....	9-10
Hotel Market.....	11

The latest employment statistics published by the state of Pennsylvania are from November 2007. These statistics show the unemployment rate has dropped to 4.2% in the Pittsburgh MSA from 4.6% in the previous month. This is the first drop since June 2007. Pittsburgh MSA is below the national average of 4.7%. In the past year, the MSA has added over 3,000 jobs, mainly in the Education and Healthcare services industries, professional and business services, government and leisure and hospitality. Education and health services set a record for a second month in a row with 231,800 jobs, 600 more than October 2007. Allegheny County had an unemployment rate of 4.0% in November 2007 compared to 4.4% in October 2007.

Despite the disagreements on anything from the size of the 3,800 space parking garage to traffic patterns to closure of the riverfront bike and walking trail during construction, construction has commenced on the \$450 million Majestic Star Casino on the North Shore. Set to open in April 2009, there is an aggressive 16 month construction schedule. The casino will sit along the Ohio River on 17 acres between the Carnegie Science Center and the West End Bridge. The Majestic Star is expected to employ 1,000 people when it opens and will make over \$250 million in state, city and county tax roll.

US Steel Corporation has announced their plans to invest \$1 billion in their Clairton Works coke making plant. This capital investment program will include building two new technologically and environmentally advanced coke batteries and an electricity cogeneration plant. The largest capital construction project since the Pittsburgh International Airport's Midfield Terminal in the early 1990's, the Clairton Works project will take place over years and will create over 600 construction jobs. The project will include state of the art emission control technology that will meet the requirements

for the EPA and Allegheny County Health Department. US Steel still operates three steel making plants in Allegheny County and employs 3,000 in those mills.

The Majestic Star and US Steel projects are just two of the major construction projects in Pittsburgh that are prompting a demand for construction workers. This list does not include the numerous hotels that are planned. Please see page 11 for more detailed information on the planned hotels.

## MAJOR CONSTRUCTION PROJECTS CURRENTLY PLANNED OR UNDER CONSTRUCTION

### MAJOR CONSTRUCTION PROJECTS

Project	Location	Cost (in Millions)	Status	Total SF of Project	Type
US Steel Clairton Works	South East Allegheny County	\$1 billion	Planned	NA	Industrial/Steel Mill Upgrade
Children's Hospital	Lawrenceville	\$625	Under Construction	1.5 million	Hospital
Majestic Star	North Shore – Pittsburgh	\$450	Under Construction	469,000	Casino
Penguins Arena	Uptown Pittsburgh	\$290	Under Construction	18,500 Seat Arena	Recreation/Sports Venue
Three PNC Plaza	CBD Pittsburgh	\$178	Under Construction	752,000	Mixed Use (office/residential/hotel)
Bakery Square	East End	\$113	Under Construction	285,000 +	Mixed Use (office/residential/hotel)
Bridgeside Pointe II	South Oakland	\$65	Under Construction	150,000	Office/Lab
Meadowlands Casino	North Strabane, Washington County	\$155	Under Construction	350,000	Casino/Hotel
Westinghouse HQ Facility	Cranberry	\$164	Under Construction	915,000	Office
North Shore Connector	North Shore – Pittsburgh	\$435	Under Construction	NA	Transportation
Consol Energy HQ	Southpointe, Washington County	\$50	Under Construction	300,000	Office
American Eagle (Building 2)	South Side Works	NA	Under Construction	150,000	Office
Dick's Sporting Goods	North Fayette	NA	Planned/Announced	600,000 to 1 million	Office
South Side Works Doc Economou	South Side Works	\$48	Planned/Announced	38,000 + hotel and residential	Hotel and Condos
Don Allen Site Doc Economou	East End	\$220 - \$230	Planned/Announced	393,000 +hotel and residential	Mixed Use (office/residential/hotel)
Dick Corporation	South Side Works	\$31	Under Construction	152,000	Office

Pittsburgh ended 2007 with a decrease in vacancy from 17.5% in 3q07 to 16.5% in the fourth quarter and 1.8 million SF in positive year end absorption. The top 25 office leases of 2007 were announced in January and it made for an impressive list. Westinghouse (original lease - 792,000 SF in Cranberry), UPMC (513,000 SF at US Steel Tower), Reed Smith LLC (191,600 SF at Three PNC Plaza) and H.J. Heinz (94,698 SF at PPG Place) topped the list. Close to 1.6 million SF of office space in new leases with only 608,000 SF of that space is existing space. The other one million square feet is under construction.

### CBD

The CBD ended the year with decrease in vacancy from 16.8% to 16% in the third quarter. Year end absorption came in at positive 971,000 SF. Class A space in the CBD also showed a decrease in vacancy, dropping to 15.6% this quarter from 16.4% last quarter. Rents held steady with Class A+ properties at \$25.57 and Class A- at \$20.34 per SF.

With their move to One Oliver Plaza, Kirkpatrick & Lockhart Preston Gates Ellis LLP will become the namesake of the building, to be named K&L Gates Center. The law firm is moving from the Henry W. Oliver Building where they have been a tenant for over 60 years. They will be taking more than 200,000 SF of space in 2010 on a 15 year lease.

Reed Smith will join the law firms in Pittsburgh to have their name gracing the skyline. When the 23-story Three PNC Plaza is complete in late 2008 and Reed Smith moves into their new 200,000 SF headquarters space, their name will sit atop the building and join K&L Gates and UPMC to have their names show prominently in one of the country's most famed cityscapes.

The merger between Bank of New York and Mellon brought concerns about job loss for the region. Now, with new jobs being created and virtually no office space available in One Mellon Center, the new BONY Mellon has won over Pittsburgh and has boosted the office market to 16.4% vacancy.

Cohen & Grigsby, a law firm comprised of 115 attorneys in Pittsburgh, has committed to 85,000 SF of office space at 625 Liberty Avenue (formerly known as Dominion Tower). They plan to move to their new space in September 2008, leaving 58,000 SF at 11 Stanwix Street. 11 Stanwix Street was just purchased as part of a portfolio sale by Behringer Harvard REIT, based in Dallas. This new lease at 625 Liberty brings occupancy to 60% in that particular building, however, rumor

has it that this building is now under agreement for sale by a separate party in Pittsburgh.

The former Chamber of Commerce Building, 411 Seventh Avenue, sold this quarter to a group of local investors. The 322,000 SF office building had a sale price of \$20,000,000 (\$67.14 per SF). It had previously traded for \$17,000,000 in 2001. The major tenant of the building is Duquesne Light Company.

Point Park University has expanded their ownership portfolio of CBD property this quarter to include 312 and 322 Boulevard of the Allies. These acquisitions make it the second largest owner of property downtown, behind the Pittsburgh Cultural Trust. 322 Boulevard of the Allies is 56,612 SF and 312 Boulevard of Allies is 57,896 SF totaling 114,508 SF. The total sale price for both buildings was \$4.35 million or \$37.98 per SF. Point Park has recently announced that these two buildings will be converted into dormitories.

Before they move to their new digs at the Former GC Murphy's building along Fifth Avenue, the YMCA will open a 14,000 SF branch facility in the lower levels of the US Steel Tower. This new branch facility will be open in the summer of 2008 and the new facility will be ready in 2009. Their current headquarters on the Boulevard of the Allies is on the market for sale.

### Greater CBD

Well above the average price for an office building on the North Side, Jenetone Inc. sold their 44,000 SF, fully leased Riverfront Place for \$5.7 million (\$130.00 per SF). Last quarter, the Boggs Building, a 33,000 SF office building on Federal Street on the North Shore was sold for \$2.6 million (\$78.79 per SF) to Smith Brothers Advertising who is occupying the second and third floors (13,400 sq. ft.). The Boggs Building was 75% occupied at the time of sale.

## CLASS A OFFICE MARKET - CBD

	Class A+	Class A-	Total Class A
Total Sq. Ft.	8.42 mil.	7.27 mil.	15.69 mil.
Direct Available	1.15 mil.	1.19 mil.	2.34 mil.
Sublease Available	25,000	77,000	103,000
Total Available	1.18 mil.	1.27 mil.	2.45 mil.
Availability Rate	14.0%	17.5%	15.6%
Asking Rents	\$25.57	\$20.34	\$22.86

The URA has sold an acre of riverfront land in the SouthSide Works to a developer, DOC-Economou, who is planning a mixed use building. The high rise building will include a luxury hotel, 23 residential units and a spa and fitness center with an indoor/outdoor pool. The completion date for this project is set for the summer of 2009.

Also in the SouthSide Works development, the original developer, Soffer Organization, is moving into the next steps for marketing a 160,000 SF office building facing the river. Construction on Quantum V will not start until an anchor tenant has signed a lease. American Eagle has started construction on their second office building in the development. Also under construction on the corner of Hot Metal and Sidney Streets is the new headquarters building for Dick Corporation.

Doubling their staff was the reason that Redpath Integrated Pathology will be more than tripling their square footage in a new headquarters space. Redpath will be leaving their 816 Middle Street home on the North Side for 20,000 SF at Spring Way Center in the Strip District, more than half of the 37,000 SF building. Their need for additional lab and office space for their research as well as doubling their staff with plans for more staff additions next year prompted the need for expansion. Redpath creates technology used in cancer centers.

The Pittsburgh Opera will be moving to the Strip District from the Cultural District in 2008. The Opera has to vacate their current space in 810 Penn Avenue due to the Cultural Trust's RiverParc development – 810 Penn Avenue will be razed to make way for the new mixed use development. The Pittsburgh Opera purchased 2425 Liberty Avenue, a 30,000 SF building for \$2.5 million (\$65.00 per SF). This building was the former Westinghouse Air Brake factory and most recently, was renovated into office space. The opera will be constructing space to stage some public performances but will still use the Benedum Center to stage large productions.

**Oakland/East End**

Oakland's vacancy held steady at 5.6% this quarter compared to last quarters 5.8%. Year end absorption came in at positive 58,000 SF. Overall average weighted rents dipped \$.75 from \$20.03 per SF to \$19.28 per SF. Class A space in Oakland remained at \$24.65 per SF.

Don Allen Auto City has been located on Baum Boulevard for over 50 years. DOC-Economou recently made the announcement of their intent to purchase this property along with a few adjoining parcels. They have plans for a new \$230 million development on the three city blocks that it will span (7 acres). The plans call for a mixed use development including a hotel, retail, residential, office and medical space. There will also be parking for up to 1,500 cars, most likely underground. The plans are preliminary and construction will be done in phases over four years.

The developers of the Oakland Portal proposed project have purchased one more parcel to add to their portfolio. FWG Real Estate has over \$7 million invested in properties along Fifth and Forbes Avenue in Oakland. The Oakland Planning Commission has stated that the area in which the Oakland Portal Project would be located could accommodate close to 800,000 SF of office space.

Ground had broken for construction of the 160,000 SF Bridgeside Pointe II. The five story building sits along the Monongahela River in South Oakland in the Pittsburgh Technology Park, across from South Side Works. The building is one of the only speculative office/lab buildings in the city. Its close proximity to the South Side, Oakland and the city place it in a high sought after location. Currently, however, there are no tenants that have pre-leased space in the building, which has a quoted rental rate of \$35.00 - \$45.00 per SF.

**FOURTH QUARTER, 2007 OFFICE MARKET STATISTICS**

Submarket	Total SF	Available SF	Availability Rate	Average Weighted Rent	Sublease	4q07 YTD Absorption.
CBD	22.42 mil.	3.58 mil	16.0%	\$19.71	132,000	971,000
Greater CBD	5.83 mil.	1.22 mil.	20.9%	\$17.36	73,000	282,000
Oakland	1.60 mil.	89,000	5.6%	\$19.28	11,000	58,000
North	4.78 mil.	743,000	15.5%	\$19.78	23,000	285,000
South	1.84 mil.	215,000	11.7%	\$15.22	2,000	24,000
Southpointe	2.09 mil.	319,000	15.3%	\$18.41	24,000	(63,000)
East	2.33 mil.	317,000	13.6%	\$17.66	18,000	(14,000)
West	7.63 mil.	1.51 mil.	19.9%	\$18.30	88,000	289,000
Overall Suburban	20.26 mil.	3.20 mil.	15.8%	\$18.11	165,000	578,000
Overall Market	48.51 mil.	8.00 mil.	16.5%	\$19.20	371,000	1.83 mil.

\*Average Weighted Rents reflect all office building classes.

Polaris Realty, a Cleveland based developer, has plans to construct a 17 story residential and retail building on the corner of Centre Avenue and North Craig Street in Oakland. Plans call for 300 residential rental units and 13,000 SF of retail space on the first floor, along with indoor parking to accommodate up to 450 spaces. Polaris is seeking approval for the project from the Department of City Planning.

**North**

The North submarket has won the award for most improved submarket in Pittsburgh in 2007. With a drop in vacancy from 19.9% in the third quarter to 15.5% to end the year, the north posted year end positive absorption of 285,000 SF. Rents rose from \$19.03 last quarter to \$19.78 per SF by end of the year.

The former Marconi Communications campus in Warrendale is being marketed for sale. LM Ericsson, who took over Marconi in January 2006 plans to lease back 180,000 SF of office space after the campus is sold. The campus includes 5 existing buildings (590,794 SF), steel structure for a sixth building and the 101 acres that the campus sits on. Current tenants include Heinz, Rockwell Automation, Accredo Health Group and Siemens Water Technologies.

When Westinghouse first announced their plans to locate their new headquarters facility in Cranberry Township, their plans called for a 775,000 SF campus. They broke ground last quarter on their new home and have already expanded their need to over 915,000 SF, an additional 140,000 SF of office space. Westinghouse has the option to expand further on the additional acreage they have purchased for the campus.

With the amount of new contracts and upcoming projects they are working on, further expansion is not out of the question.

But before they even move into their new home, Westinghouse will be taking 92,000 SF in the newest building in the Cranberry Woods Business Park – Building IV. Their Monroeville offices will be near capacity by the end of 2007. Approximately 500 employees will take the temporary space in April 2008. Westinghouse has already leased 63,000 SF of light industrial space at Cranberry Business Park earlier this year.

**South**

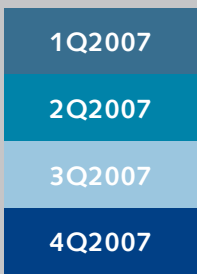
The south continued on a steady path with only a slight drop in vacancy from 11.9% vacancy last quarter to 11.7% at year end and a year end positive absorption of 24,000 SF.

Earlier in 2007, CONSOL Energy sold their former 169,000 SF headquarters building to a local developer, One 1800 Washington Road Associates L.P., who is marketing the office space in the building for lease. The campus sits across from the South Hills Village Mall and offers covered parking.

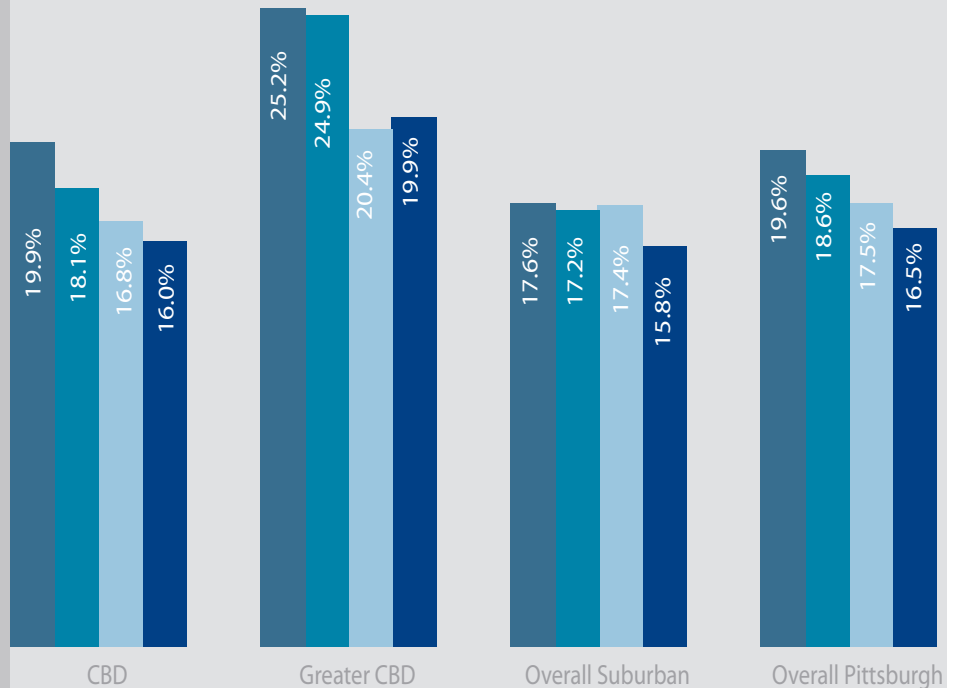
**Southpointe/Washington County**

Vacancy decreased from 15.9% last quarter to 15.3% to end the year in Southpointe/Washington County. Rents remained stable at \$18.41 per SF however, a negative 63,000 SF year end absorption was posted.

VACANCY BY QUARTER - 2007



Vacancy has, for the most part, consistently decreased in the past year, as the graph to the right shows.



Construction continues at Southpointe II where CONSOL Energy's new 400,000 SF headquarters building is being built. With occupancy set for August 2008, the developers, Horizon Properties, are hoping that the influx of people in the park will help spur the development of the retail portion of the development.

### East

The East suburban market in Pittsburgh has historically been one of the most stable markets in Pittsburgh. Compared to last quarter, vacancy rose slightly to 13.6% from 13.2%, and a relatively low negative absorption of 14,000 SF to end the year. The rents remained steady, as well, dropping from \$17.75 per SF last quarter to \$17.66 per SF.

### West

At 19.9% vacant, the West experienced a drop in vacancy from last quarters 21.3%. The west posted positive year end absorption of 289,000 SF but a slight dip in rents from \$18.72 per SF last quarter to \$18.30 per SF to end the year. However, it is probable that the occupancy percentage will be negatively impacted in the first half of 2008 due to current volatility in the mortgage market. The Parkway West is a prime location for mortgage and mortgage service companies.

McKnight Development is expanding their portfolio of properties in the Pittsburgh market with the purchase of Robinson Plaza. The complex is made up of three buildings totaling 175,000 SF and also includes a 3,300 SF outparcel that is home to a National City branch. Currently, there is approximately 85,000 SF available since Bayer vacated a majority of the space in 2005. In recent months, McKnight Development has purchased the Grant Building in downtown Pittsburgh and has sold Bill Few Financial Center in Ross Township. They also own Heinz 57 Center (Former Gimbels Building) and 610 Smithfield Street in downtown Pittsburgh as well as multiple buildings along McKnight Road in Ross Township and McCandless Township.

Last quarter, Dick's Sporting Goods, the nations largest sporting goods retailer, announced their desire and need to expand their headquarters. Since then, their preliminary plans on building a 1 million square foot office campus have been approved by Findlay Township supervisors. The first phase of construction will include 610,000 SF office building plus a 60,000 SF aircraft terminal. The 116 acre site will provide Dick's with enough space to accommodate their growth for the next 20 years and could grow to 2 million SF if needed. The new building will house up to 4,000 employees. In the mean time, Dick's has leased 45,000 SF of office space in the ONS Building in the RIDC Park West.

The Salvation Army will be relocating their headquarters from Downtown building to the Carnegie Office Park Building 4 which is 36,500 SF. The move to the highly visible and easily accessible location is part of an enhancement of their services to the Western Pennsylvania region. The Salvation Army will be selling there Downtown building in which they have occupied for over 80 years. The 85,000 SF building and its two parking lots currently do not have an asking price.

## LOOKING AHEAD TO 2008

Naturally, there are volumes of information and a number of experts, economists and savvy investors who are struggling to understand the recent volatility of the commercial real estate market, its turbulent close in 2007 and predicting 2008.

- Corporate downsizing could be an issue – especially for financial institutions.
- Experienced private equity firms will have an advantage in 2008 securing real estate acquisitions.
- Value added investors will continue their quest for properties with a number taking on adaptive reuse properties
- Emphasis on energy, emissions and going green will become increasingly important
- Solid demand and moderate supply will keep the market healthy.
- Non-profits (501C3 Corporations) are showing increased activity (healthcare, educational, service agencies, etc.)

Historically, when it comes to companies bypassing the area in their search for industrial centers, a lack of readily available, first class warehouse distribution and manufacturing space or pad ready land sites has been the largest issue in the Greater Pittsburgh region.

To remedy this, there are numerous speculation projects under construction and land sites being created which will fit the needs of potential industrial users. The Greater Pittsburgh area has awakened and we now see pad ready sites with infrastructure in place looking for competitive position in the regional, national and international marketplace.

**Allegheny County**

**Greater CBD**

Storage Development Company, parent of Guardian Self Storage, who is based in East Liberty, has purchased the century old 2839 Liberty Avenue in the Strip District. The 120,000 sq. ft. multi story warehouse facility was once home to a mattress factory. With the new residential developments in the Strip District and in the CBD, Storage Development Company feels that they would benefit from the expansion to the Strip District area – an easily accessible location for the new residents of the city apartments and condos.

**West**

Trammell Crow Company will be developing 90 acres of The Allegheny County Airport Authority’s land known as the Northfield Sites. Likely to be owned by an investment firm, the seven warehouses that are going to be built on the county owned land will be flex or cargo buildings. The first will be a speculative building of approximately 90,000 to 150,000 SF. Approximately \$12 -\$13 million worth site work is set to be completed by early 2009 before construction on buildings can even take place.

Sampson Morris Group, a development group out of Monroeville, sold 500 Noblestown Road to Walgreens for \$9 million (\$95.75 per sq. ft.). Walgreens (as Medmark Inc, whom Walgreens purchased) has been

the largest tenant of the building since 2004. The 94,000 sq. ft. flex building was not being marketed for sale. Walgreens approached the owner in regards to selling the building. They are currently marketing the 32,000 SF available in the building themselves.

Calgon Carbon has signed a 10 year lease to occupy all of Building 2000 at McClaren Woods Business Park. The 44,000 sq. ft. building will be the new home to the ultra-violet technologies division of the water filtration technology manufacturer. There are currently 890 employees in the company, 90 of which will stay at their Neville Island home. The exact number moving to McClaren Woods has not been disclosed. McClaren Woods is a 70 acre business park that is currently the home to Lewis-Goetz and Cameron International Corporation. The 60,000 SF Building 3000 is also currently under construction as a speculative property.

**Butler County**

Medrad has opened a 120,000 SF LEED certified plant in Butler County. This is the second plant which Medrad has opened this year. Medrad will manufacture and warehouse disposable syringes used in procedures for medical imaging. Currently, they employ 70 people at the plant and plan to hire hundreds to meet the growing demand for their products. The plant itself is located on a 20 acre parcel in the Victory Road Business Park in Clinton Township.

PITTSBURGH 4Q07 INDUSTRIAL MARKET STATISTICS

Submarket	Flex Total RBA	WH Total RBA	Total RBA	Flex Total Available	WH Total Available	Total Available	Flex Vacancy	WH Vacancy	Total Vacancy	Flex Rents	WH Rents	Total Rents
Beaver Cnty	738,000	6.48 mil.	7.22 mil.	29,000	757,000	786,000	3.9%	11.7%	10.9%	\$0.00	\$2.92	\$2.92
Butler Cnty	1.64 mil.	5.50 mil.	7.14 mil.	159,000	893,000	1.05 mil.	9.7%	16.2%	14.7%	\$10.07	\$3.94	\$4.74
Greater Downtown	1.60 mil.	10.36 mil.	11.95 mil.	173,000	1.45 mil.	1.62 mil.	10.9%	14.0%	13.6%	\$9.52	\$3.69	\$4.16
Monroeville	879,000	2.00 mil.	2.86 mil.	198,000	257,000	456,000	22.6%	12.9%	15.8%	\$10.02	\$4.93	\$6.51
North Pittsburgh	1.15 mil.	13.70 mil.	14.85 mil.	147,000	1.03 mil.	1.18 mil.	12.7%	7.5%	7.9%	\$9.54	\$4.43	\$4.56
Northeast Pittsburgh	2.87 mil.	8.40 mil.	11.28 mil.	269,000	622,000	891,000	9.3%	7.4%	7.9%	\$12.29	\$4.20	\$4.61
Oakland	208,000	273,000	481,000	0	63,000	63,000	0.0%	23.1%	13.1%	\$0.00	\$0.00	\$0.00
Parkway East	987,000	7.08 mil.	8.07 mil.	105,000	998,000	1.10 mil.	10.6%	14.1%	13.7%	\$6.76	\$4.30	\$4.50
Parkway West	1.82 mil.	5.17 mil.	6.99 mil.	228,000	572,000	799,000	12.5%	11.1%	11.4%	\$11.74	\$4.87	\$5.70
South Pittsburgh	2.02 mil.	7.40 mil.	9.40 mil.	274,000	848,000	1.12 mil.	13.6%	11.5%	11.9%	\$9.08	\$4.15	\$4.93
Washington Cnty	1.11 mil.	4.18 mil.	5.29 mil.	179,000	957,000	1.14 mil.	16.1%	22.9%	21.5%	\$10.17	\$4.38	\$5.38
West Pittsburgh	1.23 mil.	10.62 mil.	11.85 mil.	418,000	1.30 mil.	1.72 mil.	33.9%	12.2%	14.5%	\$6.87	\$4.31	\$4.63
Westmoreland Cnty	1.87 mil.	13.94 mil.	15.81 mil.	117,000	3.05 mil.	3.17 mil.	6.3%	21.9%	20.1%	\$8.77	\$3.59	\$3.73
Totals	18.13 mil.	95.08 mil.	113.22 mil.	2.30 mi.	12.80 mil.	15.09 mil.	12.7%	13.5%	13.3%	\$9.57	\$4.00	\$4.48

\*GVA Oxford uses the data for the industrial market that is provided by CoStar. For further information, please feel free to contact the Research and Marketing Communications Department at GVA Oxford.

### Washington County

The 75,000 SF former Kraft Foods building in North Strabane was sold this quarter to Horizon Properties. Horizon, who purchased the building for \$3.5 million (\$50.00 per SF), will be leasing 50,000 SF of the building to Lincoln Manufacturing Inc. The other 25,000 SF is still available for lease. The building was used as Kraft's Nabisco Foods Distribution Center until the company consolidated to a new facility in Ohio.

The 166,000 SF International Paper Building in Eighty Four, PA, was sold this quarter to All Occasions Party Rental for \$2.4 million (\$14.46 per SF). The company plans on occupying approximately 100,000 SF of the building and leasing out the remaining space.

### Westmoreland County

The 714,000 sq. ft. former Supervalu Warehouse center in Belle Vernon sat vacant for over 2 years. In recent months, there have been several new leases signed for a significant amount of space. ClosetMaid (166,656 sq. ft.), All American Containers (55,000 sq. ft.), Beckam Associates (2,800 sq. ft.) and Jod Contracting (11,000 sq. ft.) are all new companies which have taken space in the massive distribution center. There is still approximately 300,000 sq. ft. of contiguous warehouse space which remains available for lease in the building.

## LOOKING AHEAD TO 2008

- Buyers will continue to invest in and scrutinize the market looking for real estate investment opportunities. The market remains strong and in good shape and we expect the demand for warehouse/distribution, flex space to continue its growth.
- Non-residential construction activity will maintain the steady pace exhibited in 2007.
- Tenants and owner/users continue to absorb new warehouse and flex space as it comes onto the market.
- Overall, it remains to be seen how, or if, the credit challenge effecting the nation will impact the pace of development and acquisition of warehouse properties in the region.

While the retail market remained stable to end 2007, the looming possibility of a fallout in the coming months has triggered some retailers to rethink their business plans. Year end absorption registered a negative 216,000 SF for the overall retail market (i.e. non anchored properties negative 218,000 SF and anchored properties at a positive 3,000 SF). Vacancy increased to 11.8% overall this quarter from last quarter's 11.0%. The largest jump in vacancy came from the northern markets increasing to 8.3% this quarter, compared to last quarter's 6.5%. The north posted a negative 127,000 SF in year to date absorption.

## 2007 RETAIL REVIEW

- Northway Mall redevelopment was completed; movie theater was demolished to make room for outparcel buildings as well as new layout.
- Pittsburgh Mills filled vacant space with two new restaurants: Dingbats and Abate
- Settlers Ridge development moved forward with site work; Giant Eagle's Market District and a 16 screen Cineplex will anchor the development
- Pittsburgh's CBD has its first grocery store located in the ground level of the Encore apartment building
- Construction will begin 1q08 on the Giant Eagle at Village at Pine.
- Capital Grille and McCormick & Schmick's took space in the Piatt Place ground level. They are the first tenants of the redevelopment project that will also include office and residential space.
- Office Depot opened in the CBD, taking over the former Barnes & Noble space along Smithfield Street.



VILLAGE AT PINE RENDERING

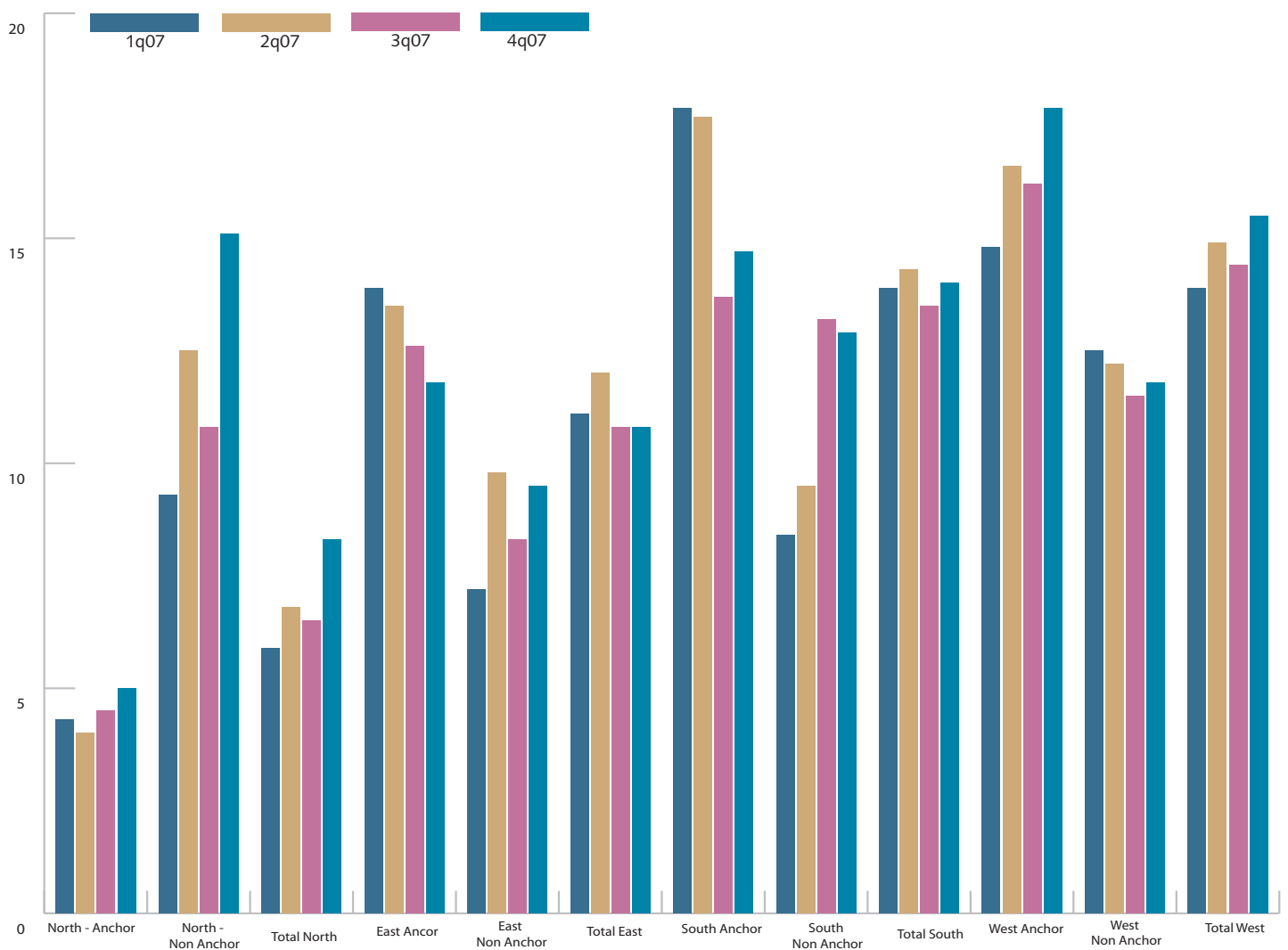
## 4Q07 RETAIL MARKET STATISTICS

Submarket	Inventory (Buildings)	Inventory (SF/Units)	4q07 Available SF	Asking Rent \$	Vacancy %
Anchor North	23	2,918,000	148,818	\$9.52	5.10%
Non Anchor North	29	1,705,000	216,535	\$17.82	12.70%
<b>Total North</b>	<b>52</b>	<b>4,623,000</b>	<b>365,353</b>		<b>7.90%</b>
Anchor East	29	2,830,000	339,600	\$8.34	12.00%
Non Anchor East	38	2,107,000	193,844	\$14.32	9.20%
<b>Total East</b>	<b>67</b>	<b>4,937,000</b>	<b>533,444</b>		<b>10.81%</b>
Anchor South	26	2,551,000	380,099	\$8.42	14.90%
Non Anchor South	34	2,104,000	237,752	\$15.65	11.30%
<b>Total South</b>	<b>60</b>	<b>4,655,000</b>	<b>617,851</b>		<b>13.27%</b>
Anchor West	14	1,844,000	311,636	\$7.75	16.90%
Non Anchor West	18	1,154,000	129,248	\$13.38	11.20%
<b>Total West</b>	<b>32</b>	<b>2,998,000</b>	<b>440,884</b>		<b>14.71%</b>
<b>Total Anchor</b>	<b>92</b>	<b>10,143,000</b>	<b>1,180,153</b>		<b>11.64%</b>
<b>Total Non Anchor</b>	<b>119</b>	<b>7,070,000</b>	<b>777,379</b>		<b>11.00%</b>
<b>Total</b>	<b>211</b>	<b>17,213,000</b>	<b>1,957,532</b>		<b>11.37%</b>

LOOKING AHEAD TO 2008...

- With consumer spending declining and consumer confidence waning, retail expansion has begun to slow, therefore, several retailers who once planned on expanding in Pittsburgh, have begun to rethink their plans. Home center retailers, in particular, may halt their plans on further expansion in Pittsburgh and other markets due to the downturn in the housing market.
- Tight credit markets may soon begin to take a toll on planned development projects many of which may be put on the back burner until the underwriting criteria return to less restrictive conditions.

2007 RETAIL VACANCY BY QUARTER



Does Pittsburgh need all of the hotel rooms that are planned and under construction? Some developers feel that answer is yes. The reason? There is a need for those that are coming to visit family, the world class medical facilities, the numerous companies headquartered or conducting business in Pittsburgh, attending conventions at the convention center, the research and development facilities that are spin-off's of the colleges and universities throughout the area. Not to mention the three world-class sports teams that call Pittsburgh home: Penguins, Pirates and Steelers. And soon, with the casino under construction on the North Shore, Pittsburgh can add one more reason it is becoming a destination city for travelers. And for that reason, developers have jumped at what they consider a shortage of hotel rooms in the area.

Three PNC Plaza, the newest high-rise mixed use development in the CBD, includes a 185-room Fairmont Hotel. The hotel will be positioned on the top 10 floors of the 780,000 SF, 23-story building. It will also include conference space, ballroom, lobby and bar on the first two floors of the building. The building is scheduled for completion in 2009.

Krasta Properties, a Harmar Township based developer, is planning a 156 room, six-story hotel on the former jail annex site near the City County Building. The Hilton Garden Inn will sit on the half acre site on Fourth Avenue and Ross Street. The hotel will have a 100 car underground garage and there are plans for a coffee shop or restaurant on the first floor. Construction is set to start later in 2008 with a completion for 2009 or early 2010. Krasta paid \$1.5 million for the site and the total cost for the hotel will be close to \$22 million.

Krasta is also planning three more hotels in Pittsburgh. In the Pittsburgh Technology Center in South Oakland, they are constructing a \$17-\$18 million Marriott hotel. Across the river near the South Side Works, a \$15 million, 115-room Spring Hill Suites is under construction near the UPMC Sports Performance Complex. And on the North Shore near PNC Park, they are constructing a \$25 million, 180-room Residence Inn by Marriott.

Within a month, Doc-Economou has announced two major projects in Pittsburgh. Doc-Economou is a development agency with offices in Pine Township, north of Pittsburgh.

Their first announcement came in December. They are planning a 140 room hotel and 23 condos along with a 20,000 SF spa in the South Side Works complex, directly across from REI along the riverfront. The project is expected to cost \$48 million and to open in the summer of 2009. Also included in the plans are a ballroom, event center as well as space for retail and restaurants.

The second project they announced came in January. Don-Economou is purchasing the former Don Allen Auto City site in Shadyside. The site, along with a couple additional parcels, will make up this \$220-\$230 million development that will include townhomes, condos, a 120-room hotel, and office, medical and retail space. Also included in the plans is an underground garage for between 1,200-1,500 cars.

Plans for a hotel near the David L. Lawrence Convention Center in downtown Pittsburgh have been delayed again due to rising construction costs. The planned 500 room hotel may have to be cut in

size, but VisitPittsburgh, an organization that promotes tourism to the city, believes that cutting the size of the hotel will hamper efforts to get larger conventions booked in Pittsburgh.

Bakery Square, a redevelopment project of the former Nabisco plant in East Liberty, calls for a 110-room Marriot Spring Hill Suites. The development is currently under renovations and will include office, residential, retail and parking.

### THREE PNC PLAZA RENDERING



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The GVA Oxford Market Watch, published quarterly, is a detailed analysis of commercial office buildings larger than 20,000 square feet in the Pittsburgh market, excluding owner occupied, medical and government buildings. The information in the Market Watch is assembled through direct telephone canvassing by GVA Oxford and listings received from owners, tenants, and the general Pittsburgh commercial real estate brokerage community. All information is from sources deemed reliable, but no guarantee of its accuracy can be made. Please note that availability rates are based on all marketed office space within the buildings that are in our competitive set. The Industrial Market numbers were provided by CoStar, a third party vendor. The Retail Market numbers were provided by REIS, Co., a third party vendor. The report is issued subject to errors, omissions, statistical assumptions, and changes in the marketplace. **Note:** This market information was collected and compiled by the GVA Oxford Research Department. This report is not to be duplicated or distributed without permission of the GVA Oxford Research Department.

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