

Southwestern Pennsylvania
QUARTERLY VITALS
Q2 - 2024

STRATEGY & RESEARCH
ALLEGHENY CONFERENCE ON COMMUNITY DEVELOPMENT

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Introduction

To assess the health of our economy, a solid place to start is with its vitals much like a healthcare practitioner would do with a patient – checking body temperature, heart rate and blood pressure. For our economy, its vitals include, but aren't limited to, labor force; real estate indicators such as rental rates, new construction and office vacancy; and indicators that help to chart economic recovery from the pandemic related to both business and tourism.

Individually and collectively, these can be telling and provide insights into our region's health and vitality, as well as conditions where interventions might be helpful. This report looks at southwestern Pennsylvania's quarterly vitals, April - June 2024.

Key Takeaways

Southwestern Pennsylvania's labor force grew 1.9% year over year, a full percentage point greater than the growth rates of both benchmark MSAs and the nation over that time period.

Office real estate indicators point to a weak demand for office space, specifically a decrease in rent by 1.7% year over year, negative office absorption, and a 28.5% decrease in office construction. The industrial sector showed mixed signs, but an increase in rent prices, positive absorption and a modest increase in vacancies year-over-year were positive signs in the second quarter.

Monthly downtown and cultural district visitors still lag what they were pre-pandemic, each drawing upwards of 80% of the traffic they did in May 2019. Air travel showed significant strength with monthly passenger and cargo traffic increasing 10.6% and 17.8% respectively since May 2023.

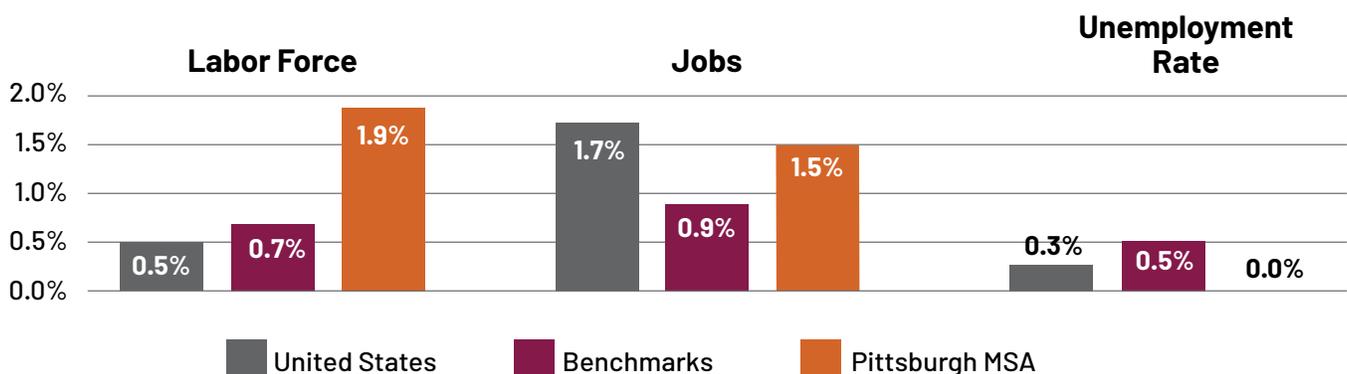
A vision plan to advance the revitalization of downtown Pittsburgh has been released, proposing projects centered around Market Square, Point State Park and the 8th Street Block and Allegheny Descent.



Workforce

Southwestern Pennsylvania's labor force grew 1.9% year-over-year from May 2023, exceeding growth rates of both benchmark MSAs and the nation by over one percentage point. Payroll employment in the Pittsburgh MSA grew by 1.5% beating out benchmark MSAs but lagging the nation. The Pittsburgh MSA's unemployment rate remained constant year-over-year at 3.2%. The unemployment rate rose in both benchmark MSAs and the nation by 0.5 and 0.3 percentage points respectively year-over-year.

One-Year Change by Workforce Indicator (May 2024)



Between January and March 2024, there were over 71,000 job postings in the Pittsburgh MSA, 10.4% more year-over-year. Conversely, the national and benchmarks experienced a year-over-year decline in job postings for the same period.

Workforce Indicators – May 2024				
	Pittsburgh MSA		United States	Benchmark Total
	Value	YOY Change	YOY Change	YOY Change
Labor Force	1,198,642	1.9%	0.5%	0.7%
Payroll Employment	1,182,000	1.5%	1.7%	0.9%
Unemployment Rate	3.2%	0.0 pts	0.3 pts	0.5 pts
Job Postings (Apr. 24 – Jun. 24)	30,940	17.9%	4.1%	6.2%

Data current as of 7/8/24, the Unemployment Rate reflects the non-seasonally adjusted rate.
 Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, Current Population Survey; Lightcast (datarun 2024.2)



Business Conditions

Office real estate in Pittsburgh showed mixed signals in the second quarter. The office rental rate decreased 1.7% year-over-year and construction decreased 28.5% year-over-year. However, office vacancies have decreased by 0.7 percentage points year-over-year to 15.6% and negative office absorption (indicating more square footage was vacated than occupied) declined from Q2 of 2023 (-377,089 SF in Q2 2024 compared to -84,146 in Q2 2023). While the office real estate market signals were mixed, the industrial real estate sector was more positive.

The average industrial rental rate and industrial absorption increased 7.7% and 9.1% year-over-year respectively, showing signs of strength from the sector. The industrial vacancy rate increased a modest 0.2 percentage points, but the square footage of industrial construction units fell 88.3% compared to this time last year.

The air travel industry showed very positive signs in Q2 2024, with monthly passenger and cargo traffic increasing 10.6% and 17.8% respectively since May 2023.



Business Conditions (continued)

Business Indicators – Pittsburgh Metro

		Value	YOY Change
Real Estate (2024 Q2)	Office rate (\$)	\$24.79	-1.7%
	Office vacancy (%)	15.6%	-0.7 ppts
	Office absorption (SF)	-84,146	-77.7%
	Office construction (SF)	431,000	-28.5%
	Industrial rate (\$)	\$9.24	7.7%
	Industrial vacancy (%)	4.4%	0.2 ppts
	Industrial absorption (SF)	230,310	9.1%
Air Travel (May 2024)	Industrial construction (SF)	443,815	-88.3%
	Monthly Total Passenger* traffic	892,467	10.6%
	YTD Cargo* traffic (lbs.)	18,259,117	17.8%

Data current as of 7/8/24

ppts = percentage points

*Passenger traffic sum total of passengers enplaned and deplaned at Pittsburgh International Airport. Cargo is the sum total of mail and freight enplaned and deplaned at Pittsburgh International Airport

Source: CBRE, Pittsburgh International Airport

Regional Business Headline Highlights – Q2 2024



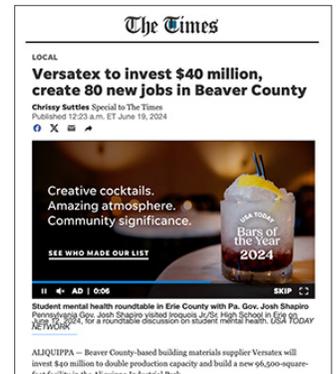
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Post-Pandemic Recovery

Post-Pandemic Recovery Indicators				
		Pittsburgh	United States	Benchmark
Total Economy (May 2024)	Labor Force Recovered	98.1%	103.0%	103.0%
	Jobs Recovered	98.7%	105.1%	104.1%
	Air Passengers Recovered	101.9%	N/A	N/A
	Monthly Visitors Downtown 1	81.0%	N/A	N/A
Tourism (Quarter 1)	Seated Diners Recovered	156.0%	124.0%	N/A
	Hotel Occupancy 2	94.0%	95.0%	N/A
	Hotel RevPAR 2	121.0%	115.0%	N/A
	Cultural District Visitors 1	89.0%	N/A	N/A

Data current as of 7/8/24

1 June 2024

2 Quarter 1 2024

Note: Labor Force recovered and Jobs recovered is measured as a percentage of the relevant metric during the same period in 2019 prior to the onset of the pandemic. Air Passengers and Monthly Visitors Downtown recovered measures the change from the same month in 2019. For seated diners recovered, the metric is a percentage of the value same day of the week a year ago. Hotel data are for Allegheny County only. RevPAR is revenue per available room

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, Current Population Survey; Pittsburgh International Airport; OpenTable, VisitPITTSBURGH

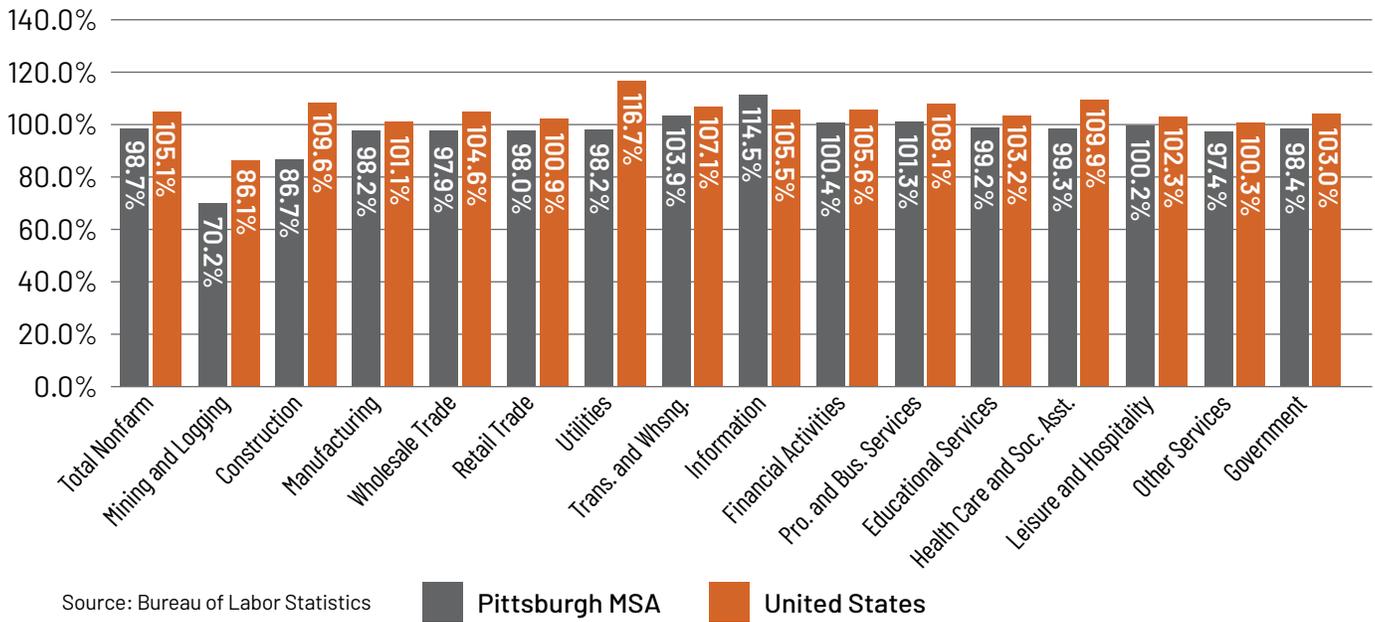
In terms of post-pandemic economic recovery, Pittsburgh is improving, but not at the same level as the nation or benchmark metros. All economic indicators are upwards of 90% whereas the nation and benchmarks are past 100%. For tourism, monthly downtown and cultural district visitors still lag what they were pre-pandemic. However, seated diners have seen a sharp increase year-over-year. Hotel RevPAR was the outstanding metric, showing 121% growth since Q4 2019 compared to 115% for the nation.



Post-Pandemic Recovery (continued)

Employment shortfall by industry

Percent of Industry Employment Comparing May 2024 to May 2019



Most industries in the Pittsburgh region have seen close to full recovery in employment since the pandemic. Total nonfarm employment has recovered 98.7% of employment, and 13 out of the 15 industries have seen 97% of employment or greater recover. However, only five industries have shown greater than 100% of May 2019 levels, those being Transportation and Warehousing, Information, Professional and Business Services, Leisure and Hospitality, and Financial Activities. The Mining and Logging industry, both regionally and nationally, has struggled to recuperate jobs lost since the pandemic; however, the Construction industry has seen more than full recovery in the nation, but regionally only 86.7% of employment has been recovered.



Post-Pandemic Recovery (continued)



Quarterly Focus – Downtown Pittsburgh Revitalization

On June 5, regional leaders announced a vision plan to advance the revitalization of downtown Pittsburgh. The vision plan responds to various challenges downtown Pittsburgh is facing and proposes ways to turn them into opportunities – with the goal of creating a new live-work-play neighborhood in downtown. Key components include the creation of a new civic space at the Eighth Street Block and Allegheny Descent, a renewed Market Square and enhancements to Point State Park. The vision plan aims to transform downtown from what it was historically – mainly a 9-to-5 corporate hub – into a future-focused neighborhood that welcomes all and is vibrant, day and night, with activity. Read more about the plan [here](#).

Ask a question/give your feedback.

Reach out to this report's research lead.

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