

Housing Market Profile

Mid-Atlantic • HUD Region III



Pittsburgh, Pennsylvania

The Pittsburgh metropolitan area, which consists of seven counties in southwestern Pennsylvania, is the healthcare and education center for the region encompassing southwestern Pennsylvania and parts of Ohio and West Virginia. The city of Pittsburgh, located in Allegheny County, accounts for approximately one-half of the population of the metropolitan area. As of July 1, 2009, the population of the metropolitan area is estimated to be more than 2.3 million. During the past year, the population declined slightly by 0.3 percent, or approximately 7,000, due to the out-migration of 4,100 people; this trend has been occurring since 2000. Despite the population decline in the metropolitan area, the population of the downtown area of the city of Pittsburgh has been increasing steadily by approximately 530 annually since 2000 and totals an estimated 23,400 as of July 1, 2009. Much of the growth has been concentrated in the Golden Triangle area, which extends along the shores of the Allegheny and Monongahela Rivers and surrounding neighborhoods.

During the 12 months ending May 2009, nonfarm employment in the Pittsburgh metropolitan area declined by 8,725 jobs, or 0.8 percent, because of declines in both the goods-producing and service-providing sectors. This decrease completely offset the jobs added during the previous 12 months ending May 2008. During the 12 months ending May 2009, losses in the manufacturing sector totaled 3,825 jobs, or 3.8 percent, compared with a 1-percent decrease, or 1,000 jobs, recorded during the 12 months ending May 2008. During the past year, jobs in the service-providing sectors decreased by a total of 4,650, or 0.5 percent, a significant reduction from the 8,000 jobs added a year earlier. Although the leisure and hospitality sector declined by 3,100 jobs, or 2.9 percent, the sector is likely to add employees when the Rivers Casino in the downtown river district of Pittsburgh is completed. The casino is expected to open in August 2009 and employ 1,050 full-time workers.

Despite the slowing economy, during the 12 months ending May 2009, the education and health services sector added 4,350 jobs, an increase of 1.9 percent. This sector has increased steadily since 2000 and includes the leading employers in the metropolitan area: the University of Pittsburgh Medical Center, which employs nearly 37,000 workers, and the West Penn Allegheny Health System, which employs 11,600. In addition, the University of Pittsburgh, with 27,600 students, has nearly 11,000 employees.

The sales housing market in the Pittsburgh metropolitan area is currently balanced, although the demand for homes has decreased in the past 12 months as economic growth has slowed. According to RealSTATs™, during the 12 months ending May 2009, more than 23,500 homes were sold in the Pittsburgh area, a decrease of 19 percent compared with the number sold during the 12 months ending May 2008. Despite the decline in home sales, the median sales price of an existing home remained nearly unchanged, at \$118,500, as of May 2009, when compared with the median price recorded as of May 2008. The median price increased by more than 5 percent to \$177,000 in Butler County and by nearly 2 percent to \$89,600 in Beaver County. The median price remained unchanged at \$115,000 in Allegheny County, declined by 4 percent to \$130,000 in Washington County, and decreased by 4 percent to \$111,000 in Westmoreland County.

Developers have responded to the slowdown in home sales by scaling back the construction of single-family homes, as measured by the number of building permits issued. During the 12-month period ending May 2009, the number of permits issued for single-family homes totaled 2,550, a 28-percent decline compared with the number of homes permitted during the previous 12-month period. This level of permitting is approximately one-half the annual average of 4,725 permits issued for single-family homes that occurred from 2000 through 2008. In May 2009, an estimated 800 homes were under construction in the metropolitan area, 27 percent fewer than the number under construction a year earlier. More than 40 percent of the recent development has occurred in Allegheny County, where starting prices of new homes average between \$175,000 and \$250,000.

Currently, the overall rental housing market in the Pittsburgh metropolitan area is slightly soft because of slower household growth and an increase in the number of single-family homes available for rent. The overall rental vacancy rate has risen from 8.7 percent as of the 2000 Census to an estimated 10 percent as of July 2009. The apartment market, however, is balanced. According to Reis, Inc., the apartment vacancy rate declined from 6.2 percent in the first quarter of 2008 to 5.1 percent in the first quarter of 2009. Despite slower household growth, the absorption of new Class A units remained steady. During the first quarter of 2009, effective apartment rents, including rent concessions, averaged \$779 in the metropolitan area, an increase of 1 percent compared with effective apartment rents recorded during the first quarter of 2008.



Multifamily construction in the metropolitan area, as measured by the number of units permitted, has decreased during the past 3 years. From 2000 through 2006, multifamily permitting activity averaged 1,400 units a year. During the 12 months ending May 2009, the number of multifamily units permitted declined by 90 units to 440; however, this decline is not as steep as the 1,050-unit decrease that occurred during the 12 months ending May 2008. According to Reis, Inc., slightly more than one-half the multifamily units currently under construction are apartments and the remainder are condominium units. More than 70 percent of the multifamily units currently under construction are located in Allegheny County; most are located in the western portion of the city of Pittsburgh. Nearly 75 percent of the units under construction in Allegheny County are apartments. Approximately 290 condo-

minium units are currently under construction in Cranberry, located in Butler County. In downtown Pittsburgh, recent conversions of former manufacturing plants into apartments include the 267-unit Heinz Lofts, completed in 2005, and The Cork Factory, which contains 297 units completed in 2007.

The downtown area of Pittsburgh and its surrounding neighborhoods, which encompass a total of eight census tracts, attracts young professionals and empty nesters. According to the Pittsburgh Downtown Partnership, as of the first quarter of 2009, the apartment vacancy rate in the downtown area was 7.6 percent, up from 5 percent a year earlier. During the first quarter of 2009, the average effective rent rose to \$1,810, an increase of 7 percent from the rent recorded during the first quarter of 2008.