



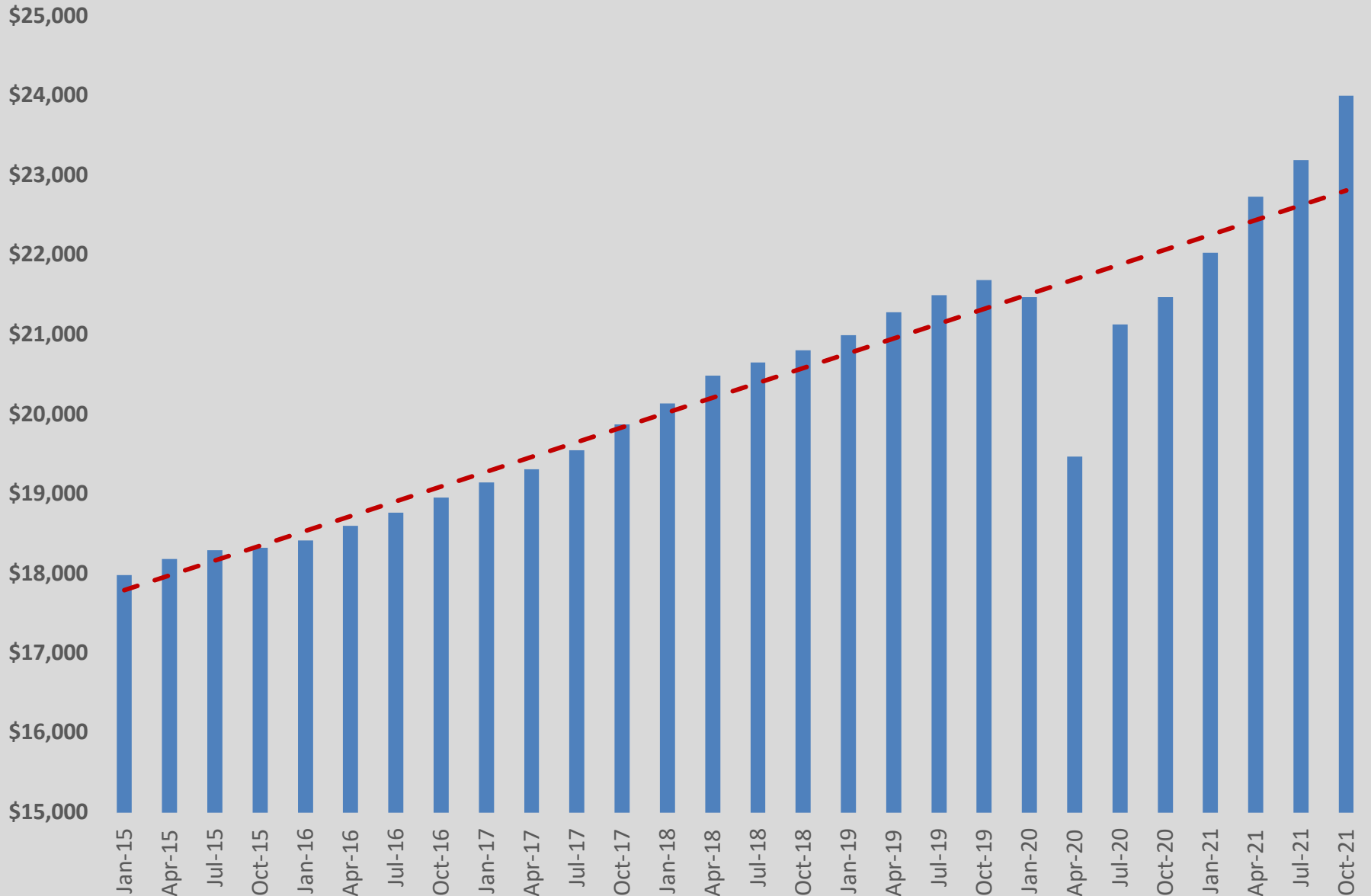
Pittsburgh's Construction Market SWOT Analysis 2022-2023

Update for AIA-MBA Joint Committee
March 30, 2022

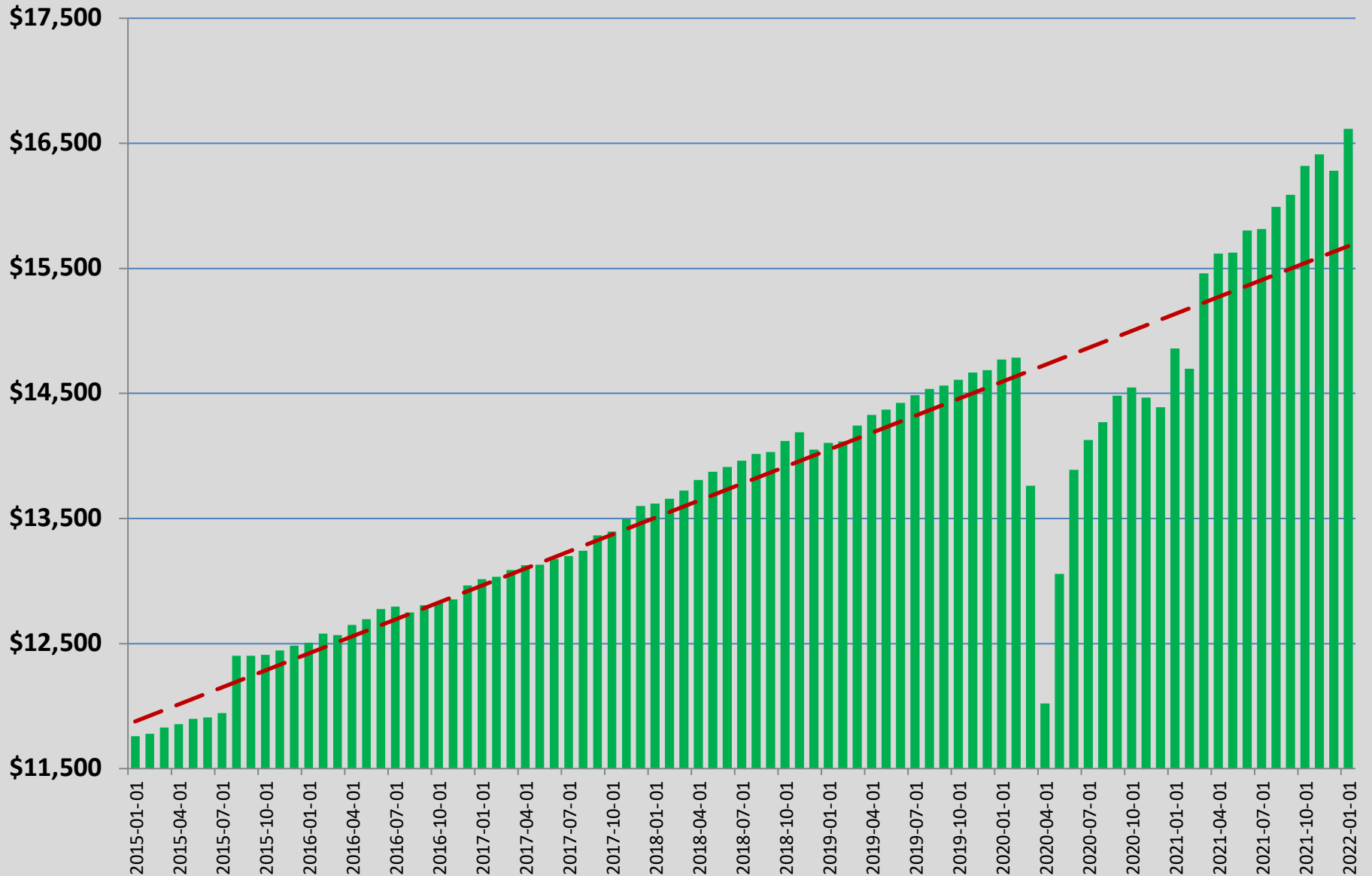
The Economics

- Short sharp recession followed by steep growth
- CARES/ARP were bridges to recovery; set up strong 2021, better runway to 2022
- GDP declined 3.5% YOY IN 2020; up 5.9% 2021
- Growth in 2022 forecast at 4% vs. 1.5% (2019 forecast)
- Consumer savings driving new spending
- Business investment high despite uncertainty
- Supply chain & inflation threats – supplanting COVID
- U.S. economy facing big secular shift
- Unemployment falling slower in Pittsburgh
- Workforce decline = lower employment in Pittsburgh
- Pgh economy more diverse; could be at tipping point

Total Gross Domestic Product (In \$Bil)

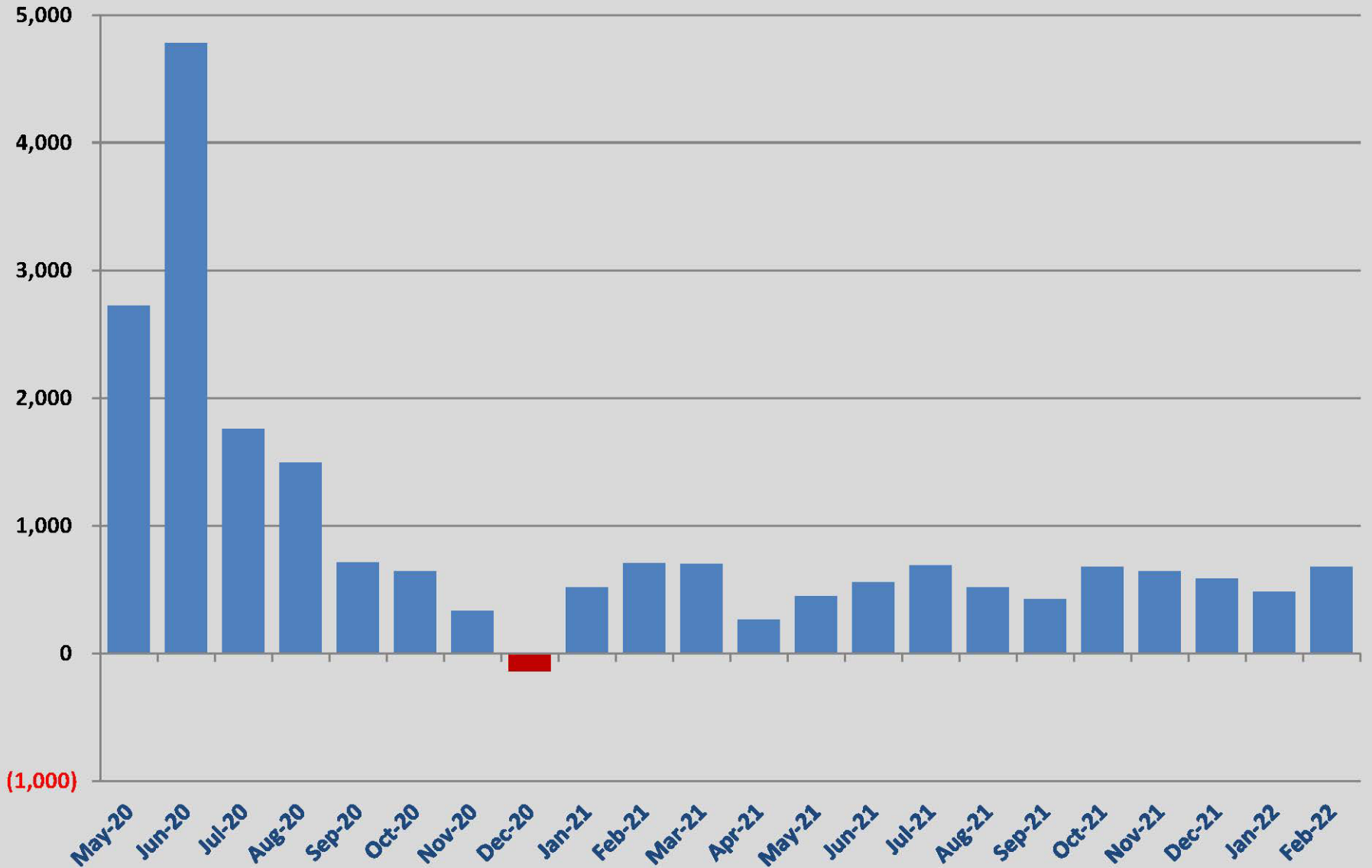


Consumer Spending (In \$Billions)

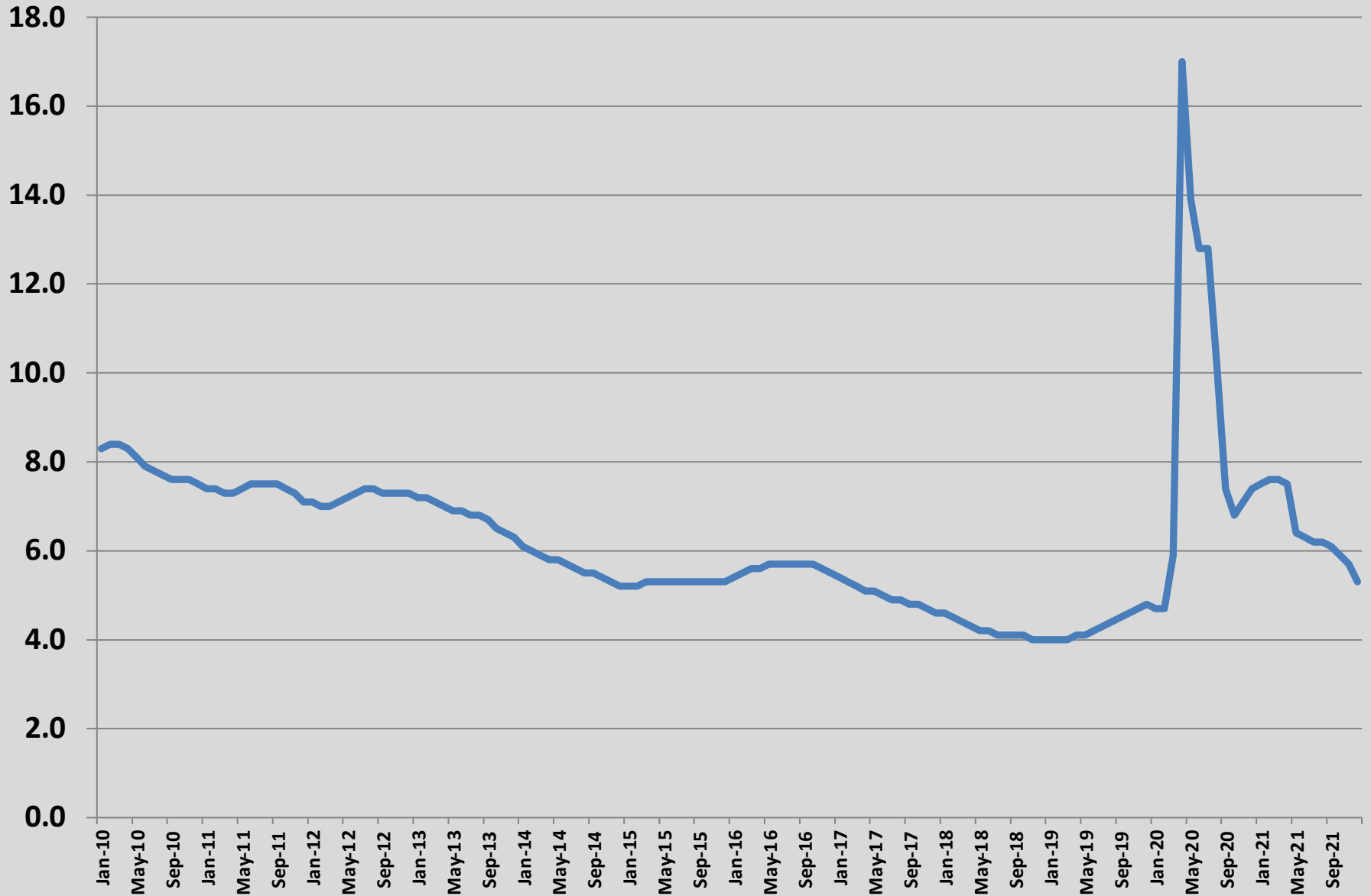


Monthly Job Creation

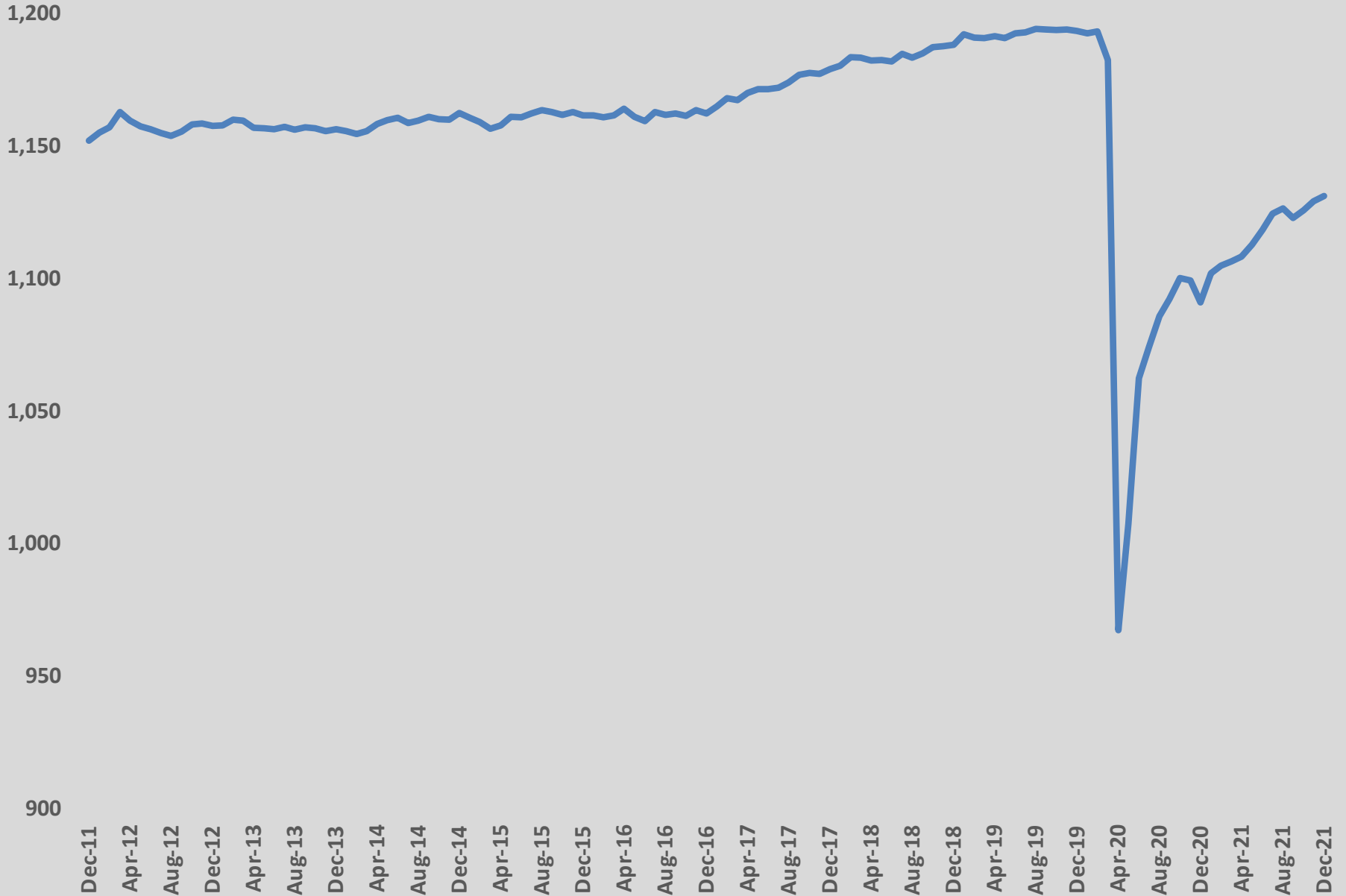
(In 000's - Source: Bureau of Labor Statistics)



Pittsburgh MSA Unemployment Rate



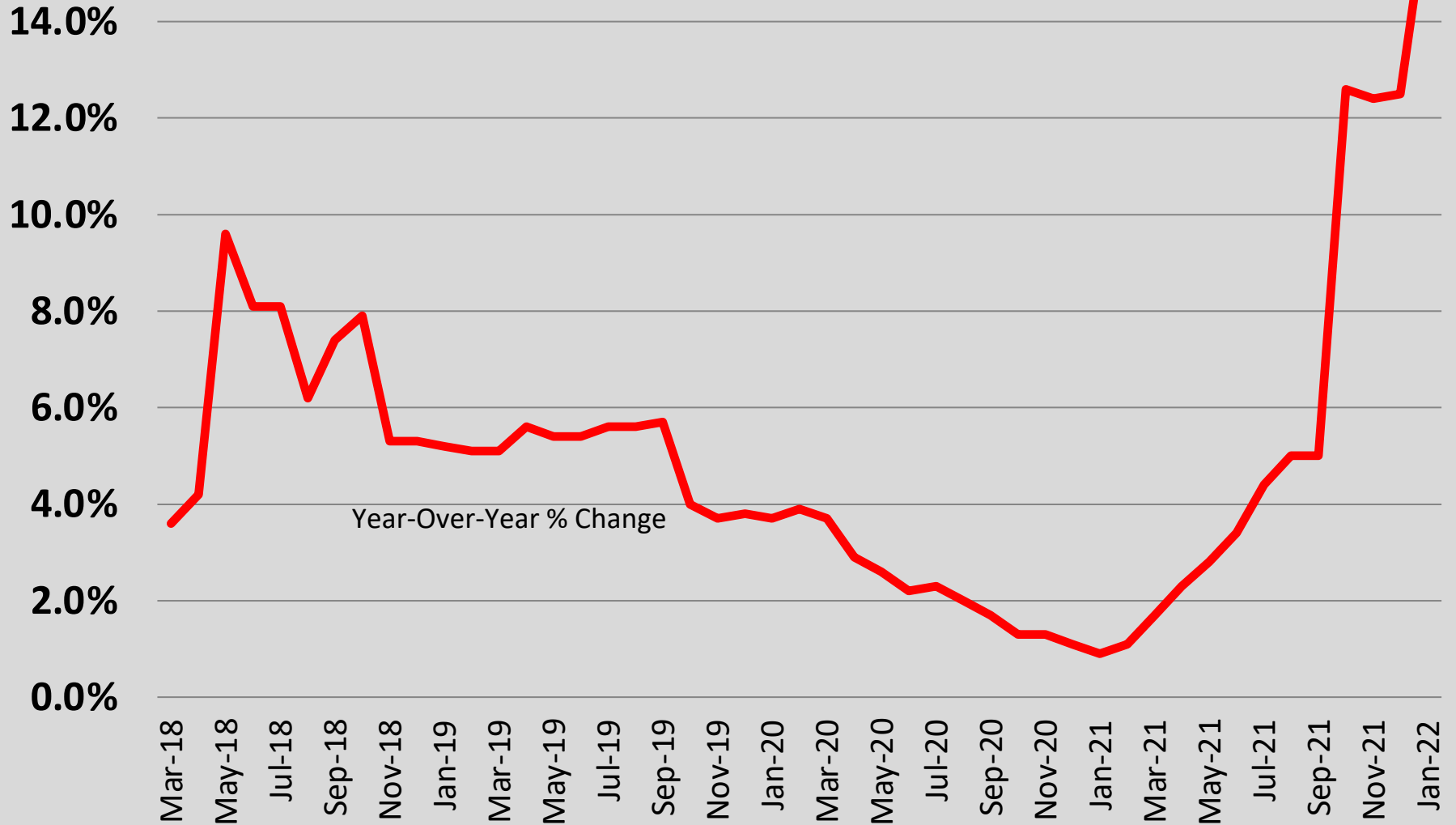
Pgh Total Non-farm Employment, Seasonally-adjusted (In 000s)



Inflation

- “Transitory” = 2 years
- Construction inflation 15% Y-O-Y
- Price hikes driven by supply chain/demand imbalances rooted in pandemic & response
- Last 2 months show slower rate of increase, broader inflation impact on materials
- Risk of “wait & see” growing in 2022 – could cost 30%
- Long-term supply/demand dynamics unchanged (steel, lumber, oil/gas) but short-term cycles accelerated
- Cyclical threat is wage inflation and reinforcing cycle
- Bond market still telling us not to worry
- 1990s inflation averaged >3%; July 2006 = 4.6%

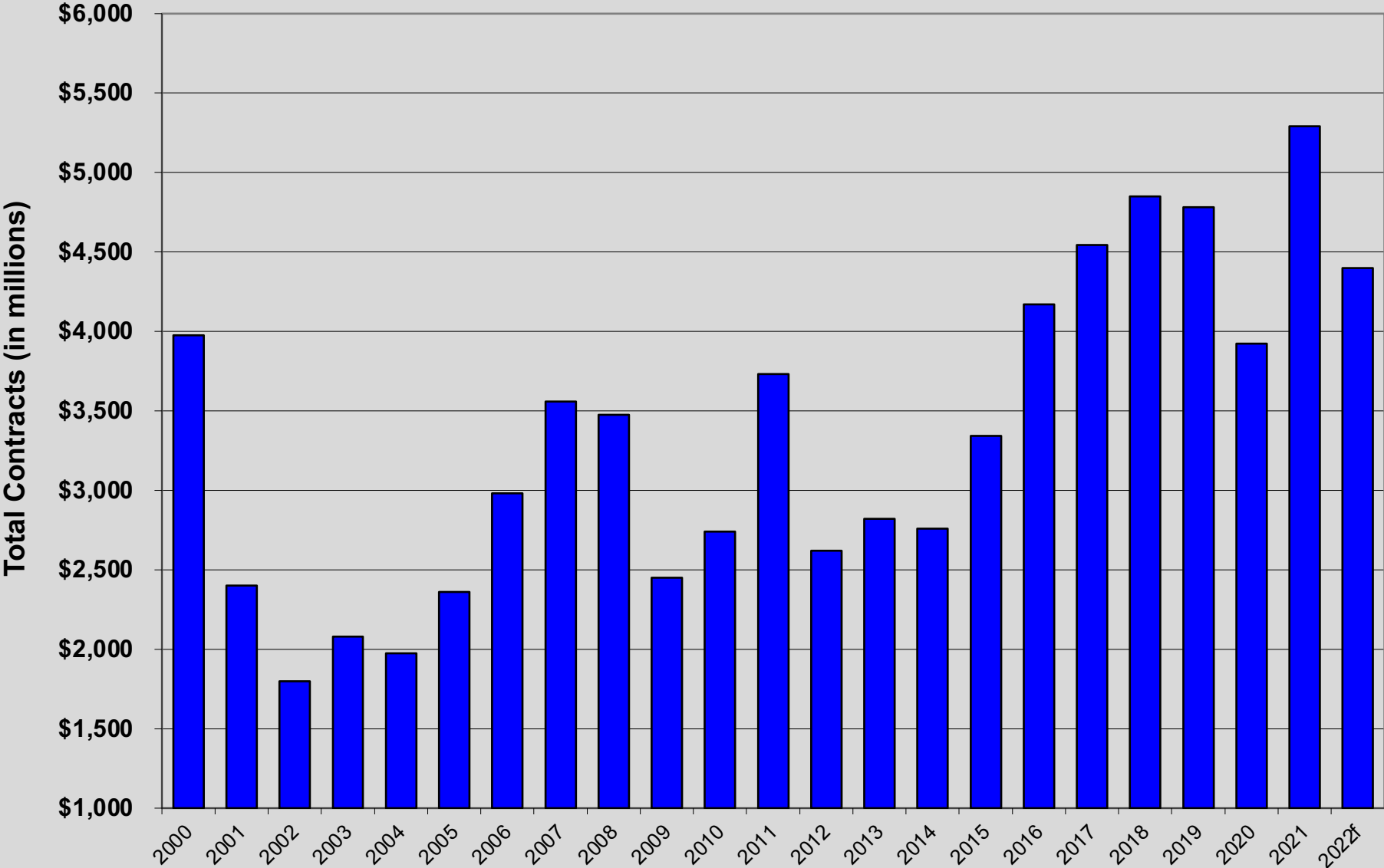
Producer Price Index for New Nonresidential Building Construction



The Outlook

- Construction market ready to return to strongest conditions in 40 years. 2021 was record \$5.29B
- Inflation, uncertainty will drag 2022 lower (\$4.4B - \$4.8B)
- Development is being driven by the same sectors as economy – emerging tech, logistics, healthcare
- Development aided by cheap money, excess equity
- Major projects returning now
- Inflation top concern in 2022; supply chain issues growing
- Labor market risk will be higher
- Issues influencing construction/real estate remain the same as pre-COVID (home inventory, office, population/births)
- Regional real estate rents will lag inflation, rates – upward pressure on cap rates, downward pressure on values

Pittsburgh MSA Nonresidential/Commercial Contracts



Major Jobs Moving in 2022-2025

- UPMC/Pitt Immunotherapy (\$220 million) *
- AGH Cardio Tower (\$300 million)
- UPMC Shadyside Tower (\$240 million)
- UPMC Presbyterian Heart & Transplant (\$900 million)
- Canonsburg General Hospital Replacement (\$140 million)
- 1501 Penn Avenue (\$300 million)
- Hillwood/Amazon Distribution Center (\$350 million)
- CMU Skibo Hall/Highmark Student Wellness Center (\$110 million)
- PIT Terminal Modernization Program (\$1.4 billion) *
- South Oakland Gateway Development (\$240 million)
- Pitt Central Utility Plant (\$100 million) *
- ALCOSAN Wet Weather (\$1.5 billion) *
- Suncap/Amazon Warehouse, New Stanton (\$125 million)
- Pitt Student Rec Center (\$180 million)
- Pitt Center for Human Performance (\$160 million)
- Bakery Square Expansion (\$500 million)
- Pitt Mid-Campus Residence Hall (\$140 million)
- Science@CMU (\$150-200 million)
- PTT Dilles Bottom Plant (> \$7 billion 2023-2027)