



August 2, 2023

Allegheny Institute Op-Ed

630 words

Darkness without dawn for Pittsburgh's office vacancy rate?

By Colin McNickle

The website *writingexplained.org* reminds that it was English theologian Thomas Fuller who coined the phrase "It's always darkest before the dawn" in 1650.

"The idea behind this is related to the literal of dawn," the website notes. "*Dawn [emphasis in the original]* begins when the first light begins to show over the horizon from the sunrise.

"Therefore, there is the least light before dawn begins, because there is no sunlight at that point. That is also the longest point since last seeing light," the authors note.

But in metaphorical terms, it has come to mean one should not give up during hard times "because things are hardest right before they get better," the website recounts.

Whether that will be the case with Pittsburgh's still-foundering office vacancy rates remains to be seen. But that rate became worse in 2023's second quarter.

"The second quarter data show the area-wide vacancy rate for all classes of office space reached a new high of 22.5 percent—a rise of 0.7 percentage points," says Frank Gamrat, the think tank's executive director.

That represents the *seventh-consecutive quarter of increase*.

Pre-pandemic, the 2019 second quarter vacancy rate was just 14.9 percent. 2023's second quarter class A rate of 22.3 percent is 0.9 percentage points higher than the first quarter, while the class B vacancy rate of 22.3 in first quarter edged modestly higher to 22.8 percent in the second quarter, the Ph.D. economist says.

A number of critical metrics must improve before the city's stubbornly high office vacancy rates can begin to decline.

Those would be a scaling back of the pandemic-spawned work-from-home culture and ridding the Golden Triangle of the reality and perception of crime and the actuality of squalor.

“(T)he push to bring employees back into the office in Downtown areas especially should have a moderately positive effect on vacancy rates,” Gamrat says. “While firms are pushing to bring them back, it appears that the work-from-home culture will remain as employees are only doing so on a hybrid basis coming into the office only a few days a week.”

How, and if, that evolves will be critically important to the future of office space vacancy and development. A recession and the threat of job losses might force a return to the office on a more full-time basis.

However, a more important factor facing office buildings and firms is the prevalence of violent crimes and homeless squalor in many major cities, including Pittsburgh.

“If employees don’t believe the central business district is safe, they won’t return, and firms may be forced to relocate to safer areas,” the think tank scholar observes. “Local news articles suggest this is already happening in Pittsburgh.

But, “Even if crime data shows a decline, perception is a very hard notion to fight,” Gamrat cautions. “It could take years to convince employees that Downtown is safe. By then, office vacancy rates will be locked in at high levels.”

And that could bring about nothing short of financial chaos -- as vacancy rates rise and stay high, the value of buildings will decline and owners will seek reductions in their assessed values. This will reduce property tax revenues for the local taxing bodies.

“Business cycles and the work-from-home culture may be hard to fight,” Gamrat concedes. “But local officials can do something about public safety.

“And they had better do it quickly to avoid a long-term and possibly irreversible negative impact on Downtown employment and real estate values,” he concludes.

Or, in other words, a darkness bereft of the dawn’s reprieve.

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