February 26, 2025 **Allegheny Institute Op-Ed**

640 words

Tracking Pittsburgh's stubborn office vacancy rate

By Colin McNickle

There might be a glimmer of hope in Pittsburgh's still-rising central business district (CBD) office vacancy rates. But an economist at the Allegheny Institute for Public Policy cautions that there remain numerous caveats.

Of course, the pandemic ushered in a new age of office work, more from home than in centralized office locations. And that only exacerbated often stubborn office vacancy rates that predated the pandemic, in addition to drastically lowering office building property tax assessments through myriad appeals.

And all that has led to a push to convert office space to residential, made quite dubious with governments dangling public subsidies to, pervertedly, make the conversions more "affordable."

The vacancy rate for all classes of buildings in Pittsburgh's CBD rose to 21.8 percent in the fourth quarter of 2024. That's up 2.3 percentage points over the third quarter. And it is 4.9 percentage points over the pre-pandemic fourth quarter of 2019, says Frank Gamrat, executive director of the Pittsburgh think tank (in *Policy Brief Vol. 25, No. 8*).

"For class A, or premium space, Pittsburgh's CBD vacancy rate ticked up from 17.4 percent in the third quarter to 19.6 percent in the fourth," the Ph.D. economist says. "It is slightly more than 4 percentage points higher than it was in 2019's fourth quarter (15.9 percent)."

For class A space, the Pittsburgh CBD had a positive net absorption of 24,673 square feet in the fourth quarter and a yearly amount of plus 40,941 square feet.

Gamrat explains that "net absorption" measures the amount of space that becomes leased ("positive absorption") against the amount that becomes unleased ("negative absorption") or vacant. But in 2024's fourth quarter, the total net absorption for Pittsburgh's CBD came in at a negative 142,437 square feet, implying that more space became vacant than leased.

But, “The implication is that more class A space went from vacant to leased, lending credence to the theory that firms were looking for space with better amenities to draw employees back to the office,” Gamrat says. Still, for class B office space and lower, the net absorption amount was a negative 213,060 square feet for the year.

All data come from real estate research firm Jones Lang LaSalle (JLL).

While the high vacancy rates resulting from the work-from-home culture are hanging on, Gamrat says there are signs that there could be an improvement soon as more firms are requiring employees to come back to work on a more regular basis.

“JLL research notes that in the fourth quarter of 2024, 21 percent of Fortune 100 firms nationwide require five days in the office while another 74 percent now require some in-office work with an average of 3.4 days per week,” Gamrat notes.

Only 1 percent allowed employees to be home full-time. In the first quarter of 2022, it was reversed with only 2 percent of Fortune 100 firms were full office with another 48 percent being hybrid and 30 percent being fully remote.

“This could lead to a decline in vacancy rates as firms begin to welcome employees back to the office and thus requiring larger spaces,” the think tank scholar says.

“Furthermore, the office-to-residential conversion movement may take some lower-class space out of inventory. But it should be done on the developers’ dime,” he cautions.

Simply put, taxpayers have no business subsidizing private developers. Gamrat cites the Downtown conversion project touted by the governor and containing taxpayer money for some office-to-residential conversions that should be a non-starter.

“The conversion process is going to be much more complicated and expensive. Since the developers are reaping the rewards, they should shoulder the cost,” Gamrat concludes.

Colin McNickle is communications and marketing director at the Allegheny Institute for Public Policy (cmcnickle@alleghenyinstitute.org).

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
X: AlleghenyInsti1