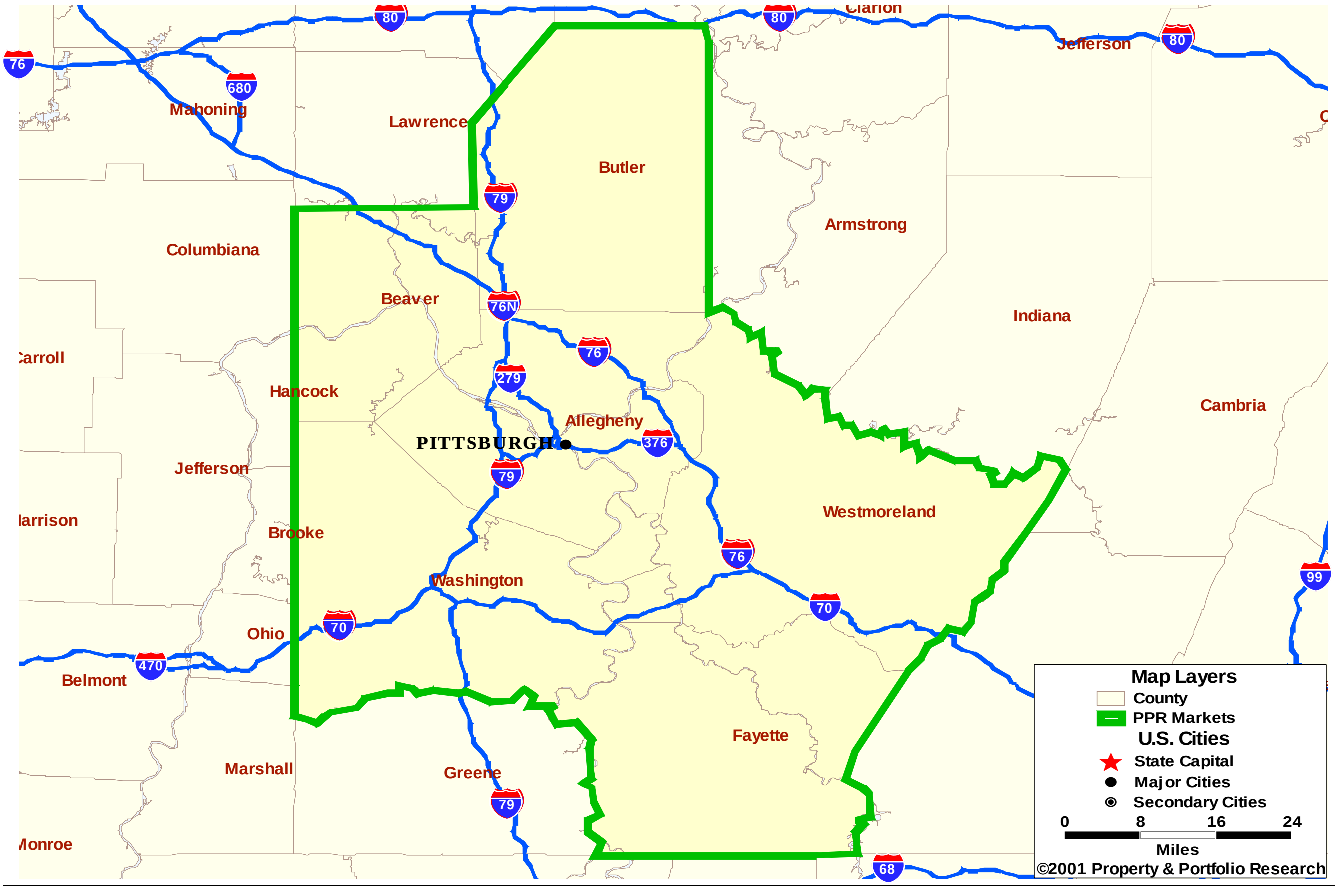
PITTSBURGH

Overview

Map



Summary of Last Twelve Months vs. Historical Minimum, Maximum, and Average

	Current Vacancy*					Net New Supply (000SF)**					Net Absorption (000SF)**				
	Current	Min	Min Date	Max	Max Date	Current	Min	Min Date	Max	Max Date	Current	Min	Min Date	Max	Max Date
Apartment	⇧ 5.8%	3.0%	95:3	5.8%	02:2	⇔ 617	-289	94:2	1,832	84:4	⇩ -788	-936	02:1	2,405	84:4
Office	⇧ 16.9%	9.7%	82:1	17.1%	92:4	⇩ 1,118	455	96:3	3,287	83:1	⇩ -65	-65	02:2	2,644	82:1
Retail	⇧ 12.8%	9.4%	00:2	22.6%	82:3	⇧ 2,282	549	95:4	2,350	02:1	⇩ -190	-2,118	82:1	4,214	99:4
Warehouse	⇧ 9.4%	6.6%	84:4	12.8%	92:2	⇧ 853	-234	93:3	1,013	88:4	⇩ 466	-1,217	91:2	962	93:4
Hotel	⇩ 58.1%	67.9%	90:2	57.9%	02:1	⇩ 259	-80	93:3	2,526	87:4	⇩ -535	-819	02:1	983	90:2

*Occupancy for Hotels

**Apartment and Hotel data are in units.

PITTSBURGH

Analysis/Economy

Notable Economic and Real Estate Market Events

- **ECON –** After averaging 1.6% per year from 1997–2000**, employment growth in Pittsburgh turned negative last year.** As of June, employment in Pittsburgh was down 1.1% on a year-over-year basis, equating to the loss of more than 12,900 jobs. Annual growth in services, which averaged 2.5% over the prior four years, stood at just 0.2% in June. All other sectors have lost jobs. Siemens and Intel are both in the process of opening new facilities in the metro, but **a lack of skilled labor will continue to limit Pittsburgh's ability to catch the attention of high tech employers.** Although Carnegie Mellon spawns and attracts software engineering, computer science, and robotics firms (among other disciplines), Economy.com estimates that only 3.3% of the local workforce is employed by high tech firms, compared to 3.8% nationally. In addition, only 20% of the university's tech-oriented graduates remained in Pittsburgh last year as many of Pittsburgh's brightest young adults often leave the metro for better opportunities elsewhere.
- **APT – Although construction has been fairly moderate (with completions averaging less than 1,000 units per year over the last four years), it has outpaced the metro's poor demographics, driving vacancy rates up to their highest level on record.** Permits and starts have both fallen off significantly this year, with the 112-unit Castle Ridge Apartments one of the few major projects to break ground recently. **Pittsburgh's demographic trends support a higher-than-average level of homeownership.** At 71.8% in 2001, the homeownership rate in Pittsburgh remained steady and about four percentage points higher than the national average. A relatively older population, above-average median household income, extremely low home prices, and the metro's inability to draw younger residents all serve to support the metro's single family market.
- **OFF –** Relative to tech-laden markets, **net absorption in Pittsburgh held up fairly well in 2001 until the fourth quarter when space give-backs began to outweigh tenant expansions.** This trend carried into the first quarter and preliminary data indicate that demand remained weak in the second quarter. **Speculative construction has slowed, but the addition of build-to-suit projects will keep completion totals near one million SF this year.** The largest project currently underway is a 235,000 SF, six-story office building in the North Side submarket dubbed the Alcoa Business Services Center. While named after Alcoa, the aluminum manufacturing concern will occupy only half of the building, relocating employees currently housed in the Allegheny Center. The Rubinoff Co., which is developing the project along with Legg Mason Real Estate Services, will relocate to the project from the Clark Building, and CoStar reports that the building is 82% leased in total. In Oakland, a five-story, 200,000 SF build-to-suit for UPMC Health Systems, the metro's largest employer, is due to complete this fall. Significant speculative projects include Trammell Crow's 120,000 SF, 50% preleased Cranberry Woods III and Scalo Case Development's 92,000 SF, 0% preleased Fountainhead at Southpointe in Cecil Township.
- **RET – Despite anemic population growth, construction levels remain fairly brisk.** Target, Wal-Mart, and Home Depot are all actively expanding in the metro and mixed-use projects like the South Side Works, The Waterfront, and The North Shore developments are adding significant new retail space to the metro's inventory as well. In Presto, a suburb southwest of Pittsburgh, **work has begun on the one million SF Collier Town Center.** However, the actual total of competitive GLA will be significantly lower than the project's total square footage as this mixed-use project will include a hotel, a number of restaurants, and a bank among other uses. Still, anchored by two colonial-style shopping centers and a high-end furniture store, it is likely that nearby centers will come under pressure upon the opening of the project's initial phase next year. **In contrast to big-box, lifestyle, and power center development, grocery-anchored construction is fairly subdued.**
- **WHS – With anemic population growth, it follows that demand for new warehouse space in Pittsburgh is minimal.** Located midway between the populous East Coast and the Ohio River Valley, Pittsburgh is reasonably accessible within the outer periphery of both regions. However, the metro's jagged topography limits the development of big-box distribution space that many national credit tenants have come to prefer.
- **HOT – Only two hotel projects broke ground during the first half of the year.** In Cranberry Woods, a 295-room Marriott got underway this summer and at 5308 Liberty Avenue in Pittsburgh, a 135-room Courtyard by Marriott is scheduled to complete early next year.

Demographic Trends

	2002*		Annual Growth Rates					
			1982-1991		1992-2001		2002-2006	
Category	Market	U.S.	Market	U.S.	Market	U.S.	Market	U.S.
Population	2,341	288,644	-0.6%	1.0%	-0.3%	1.2%	0.1%	0.9%
Households	961	107,955	0.2%	1.3%	0.0%	1.3%	0.4%	1.1%
Median Household Income	$47,515	$44,924	3.6%	4.4%	4.6%	3.7%	3.9%	3.4%
Apartment-Renting Households	278	36,052	-0.6%	1.7%	-0.6%	0.5%	0.6%	1.2%
Real Retail Sales Per Capita	$4,512	$4,493	1.7%	1.5%	1.5%	1.8%	1.8%	1.5%

Employment Trends

	2002*		Annual Growth Rates					
		Location	1982-1991		1992-2001		2002-2006	
SIC Category	Employment	Quotient	Market	U.S.	Market	U.S.	Market	U.S.
Total Services	418	1.2	3.8%	4.3%	2.0%	3.7%	2.4%	2.6%
Business Services	73	0.9	6.4%	6.6%	4.0%	6.2%	3.3%	3.1%
Other Services	345	1.3	3.5%	3.8%	1.6%	3.0%	2.2%	2.5%
Retail Trade	204	1.0	1.3%	2.5%	0.7%	2.0%	1.1%	1.6%
Government	124	0.7	-0.4%	1.6%	0.3%	1.3%	-0.1%	0.7%
Manufacturing	133	0.9	-5.1%	-0.6%	-0.1%	-0.6%	0.2%	-0.3%
F.I.R.E.	66	1.0	1.7%	2.2%	1.1%	1.5%	0.4%	0.9%
Wholesale Trade	56	0.9	0.5%	1.3%	-0.8%	1.4%	1.2%	1.2%
Trans., Comm., Util.	71	1.2	0.6%	1.1%	1.2%	2.0%	0.6%	1.0%
Construction	57	1.0	0.7%	1.4%	1.7%	4.2%	1.4%	0.6%
Mining	4	0.8	-6.9%	-6.0%	-1.6%	-1.6%	-1.2%	-1.2%
Total Employment	1,132	1.0	0.5%	1.9%	1.0%	2.0%	1.3%	1.4%
Office-Using Employment	252	1.0	2.4%	3.0%	2.0%	2.9%	2.0%	1.9%
Trucking/Warehouse Employment	70	0.9	0.3%	1.5%	-0.1%	1.7%	1.4%	1.2%

*All units (except for dollar denominated figures) in thousands.

Current Economic Indicators

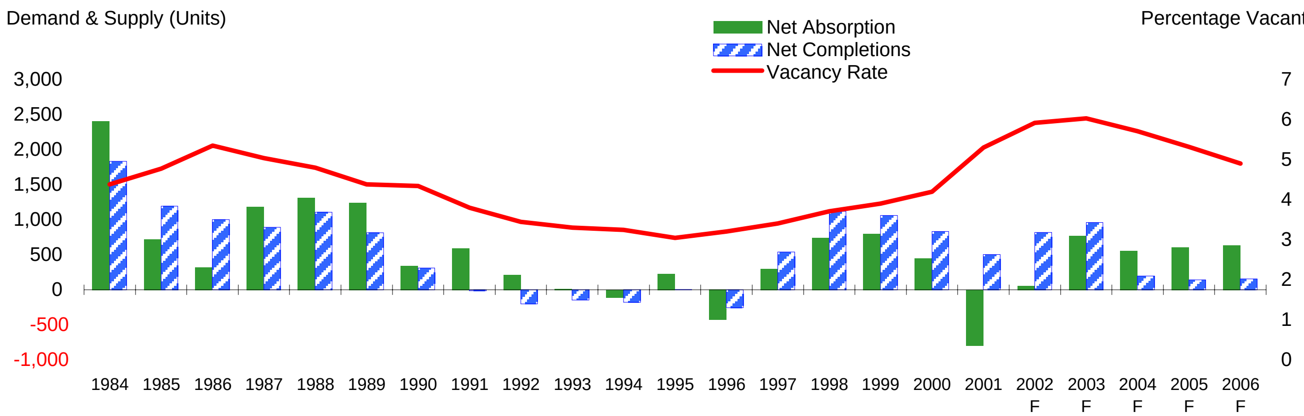
Employment Growth 6/02	Labor Force Growth 6/02	Unemployment Rate 6/02	Employment Volatility Ratio	Net Migration (000) 2001	Cost Indices (U.S. = 100) Business	Cost Indices (U.S. = 100) Living
-1.1%	-0.5%	5.0%	0.9	-6.1	106	93

Sources: PPR; Economy.com

PITTSBURGH

Apartment

Supply, Demand, and Vacancy

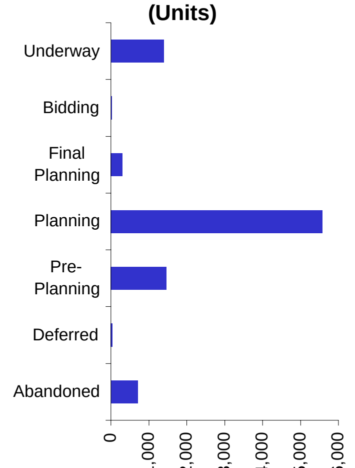


Apartment Market Statistics (Units)

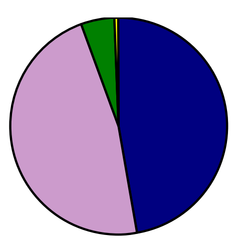
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Apt. Vacancy	3.4%	3.7%	3.9%	4.2%	5.3%	5.9%	6.0%	5.7%	5.3%	4.9%
Apt. Net Absorption	296	737	799	453	-793	52	772	557	601	633
% Growth	0.3%	0.7%	0.7%	0.4%	-0.7%	0.0%	0.7%	0.5%	0.5%	0.6%
Multifamily Starts	2,364	2,206	2,423	1,550	1,141	1,211	998	240	230	269
% Change	366.3%	-6.7%	9.8%	-36.0%	-26.4%	6.1%	-17.6%	-76.0%	-4.2%	17.0%
Net Apt. Completions	537	1,121	1,061	831	500	819	958	195	139	153
Apt. Inventory	112,163	113,284	114,345	115,176	115,676	116,495	117,452	117,648	117,787	117,940
% Growth	0.5%	1.0%	0.9%	0.7%	0.4%	0.7%	0.8%	0.2%	0.1%	0.1%
Apt. Rent Index	102	103	104	104	98	97	93	93	94	95
% Change	2.4%	0.4%	1.0%	0.4%	-5.9%	-1.5%	-3.4%	-0.8%	1.0%	2.0%

PPR/Dodge Pipeline Summary

Current Activity (Units)

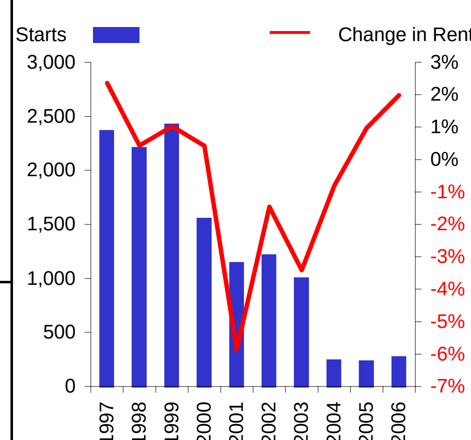


Multifamily Underway by Subclass



	Underway (Units)	%
Apartments	652	47%
Townhouse/Condo	653	47%
Low Income	69	5%
Unclassified	8	1%

Change in Rent vs. Starts

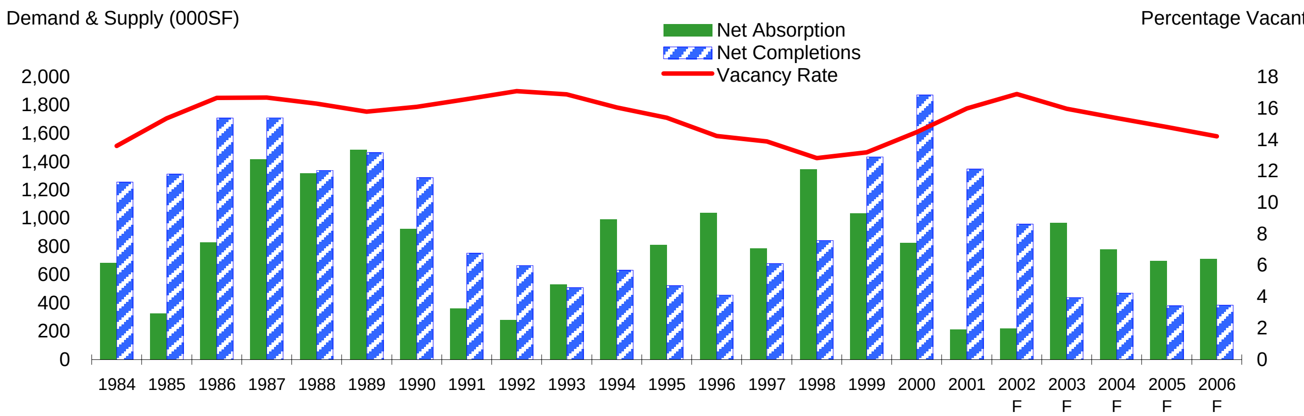


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

PITTSBURGH

Office

Supply, Demand, and Vacancy

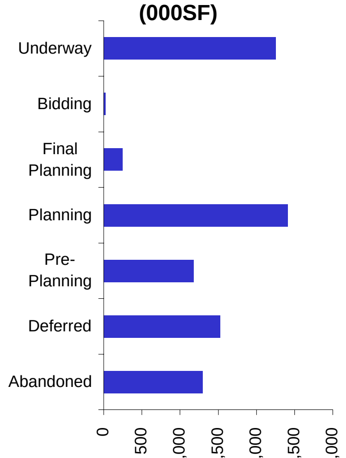


Office Market Statistics (000SF)

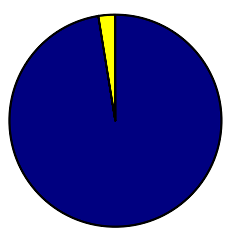
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	13.9%	12.8%	13.2%	14.5%	16.0%	16.9%	16.0%	15.4%	14.8%	14.2%
Net Absorption	784	1,347	1,033	826	211	217	968	778	698	712
% Growth	1.6%	2.7%	2.0%	1.6%	0.4%	0.4%	1.8%	1.4%	1.3%	1.3%
Starts	891	2,236	1,722	2,406	2,193	997	471	509	498	579
% Change	-27.4%	151.0%	-23.0%	39.7%	-8.9%	-54.5%	-52.7%	8.0%	-2.2%	16.3%
Net Completions	680	844	1,435	1,874	1,350	958	440	472	380	385
Inventory	57,403	58,247	59,682	61,556	62,906	63,864	64,304	64,776	65,157	65,542
% Growth	1.2%	1.5%	2.5%	3.1%	2.2%	1.5%	0.7%	0.7%	0.6%	0.6%
Rent Index	107	112	114	117	109	104	103	104	104	106
% Change	7.1%	4.5%	2.4%	2.4%	-6.7%	-4.8%	-0.9%	0.7%	0.5%	1.3%

PPR/Dodge Pipeline Summary

Current Activity (000SF)

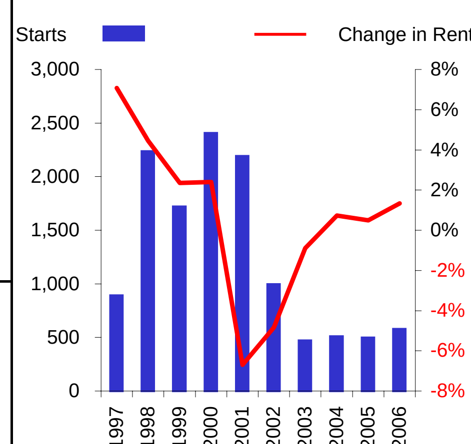


Office Underway by Subclass



	Underway (000SF)	%
Low Rise	2,186	97%
Mid Rise	-	0%
High Rise	-	0%
Office R&D	57	3%
Unclassified	-	0%

Change in Rent vs. Starts

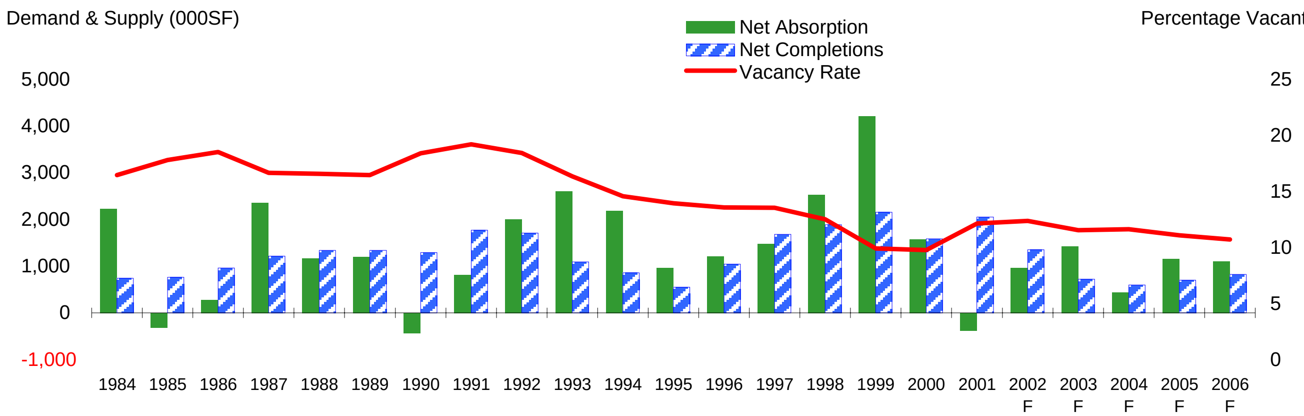


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

PITTSBURGH

Retail

Supply, Demand, and Vacancy

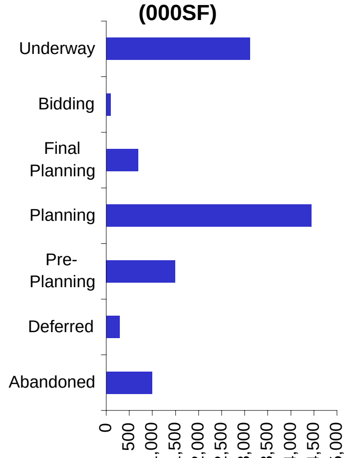


Retail Market Statistics (000SF)

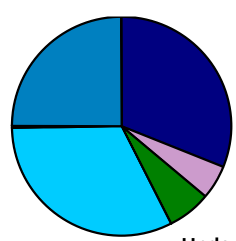
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	13.5%	12.5%	9.9%	9.8%	12.1%	12.4%	11.6%	11.6%	11.1%	10.7%
Net Absorption	1,474	2,534	4,214	1,568	-368	962	1,420	440	1,160	1,099
% Growth	2.0%	3.4%	5.5%	1.9%	-0.4%	1.2%	1.7%	0.5%	1.4%	1.3%
Starts	2,619	2,737	2,834	1,796	1,821	2,563	892	871	1,025	1,094
% Change	19.0%	4.5%	3.6%	-36.6%	1.4%	40.7%	-65.2%	-2.3%	17.6%	6.7%
Net Completions	1,679	1,886	2,157	1,585	2,050	1,350	723	596	704	823
Inventory	85,547	87,433	89,591	91,176	93,226	94,576	95,299	95,895	96,598	97,421
% Growth	2.0%	2.2%	2.5%	1.8%	2.2%	1.4%	0.8%	0.6%	0.7%	0.9%
Rent Index	108	106	105	103	98	98	99	100	101	103
% Change	8.2%	-2.3%	-1.2%	-1.8%	-4.2%	-0.7%	1.5%	0.6%	0.9%	2.3%

PPR/Dodge Pipeline Summary

Current Activity (000SF)

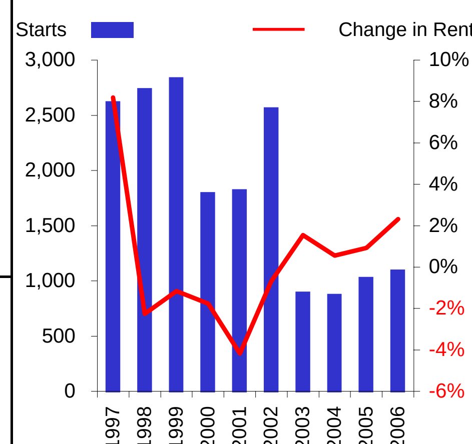


Retail Underway by Subclass



	Underway (000SF)	%
Freestanding Stores	967	31%
Neighborhood Center	153	5%
Community Center	200	6%
Regional	-	0%
Super Regional	1,000	32%
Outlet	9	0%
Unclassified	780	25%

Change in Rent vs. Starts

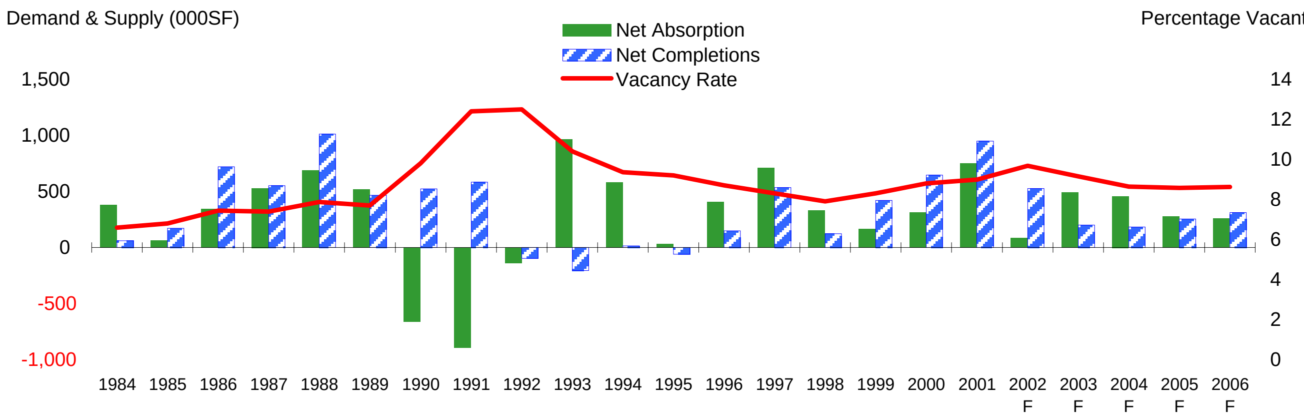


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

PITTSBURGH

Warehouse

Supply, Demand, and Vacancy



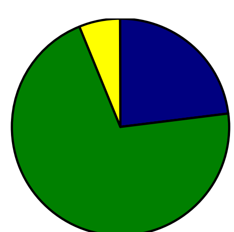
Warehouse Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	8.3%	7.9%	8.3%	8.8%	9.0%	9.7%	9.1%	8.6%	8.6%	8.6%
Net Absorption	709	333	164	311	752	85	491	457	275	259
% Growth	1.4%	0.7%	0.3%	0.6%	1.5%	0.2%	0.9%	0.9%	0.5%	0.5%
Starts	641	834	1,040	518	451	478	252	288	402	466
% Change	-17.7%	30.2%	24.7%	-50.2%	-13.0%	6.1%	-47.3%	14.2%	39.7%	15.9%
Net Completions	536	122	419	646	950	527	201	183	255	312
Inventory	55,005	55,127	55,546	56,192	57,142	57,669	57,870	58,053	58,308	58,620
% Growth	1.0%	0.2%	0.8%	1.2%	1.7%	0.9%	0.3%	0.3%	0.4%	0.5%
Rent Index	104	107	112	114	113	110	110	112	114	116
% Change	3.9%	2.7%	4.9%	1.9%	-1.0%	-3.0%	0.0%	2.0%	2.0%	2.0%

PPR/Dodge Pipeline Summary

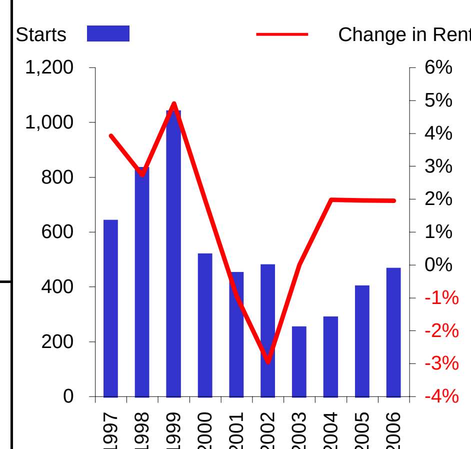
Current Activity (000SF)

Warehouse Underway by Subclass



	Underway (000SF)	%
Distribution	43	23%
Warehouse/Flex	-	0%
Light Industrial	132	71%
Unclassified	11	6%

Change in Rent vs. Starts

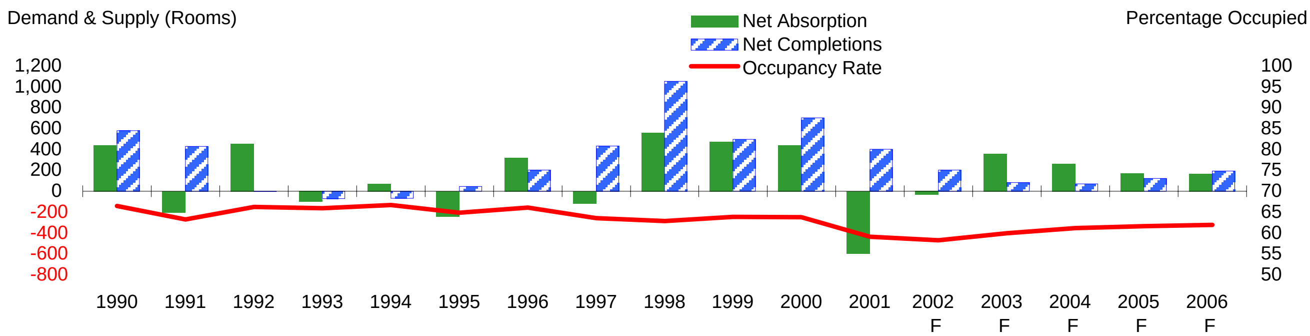


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

PITTSBURGH

Hotel

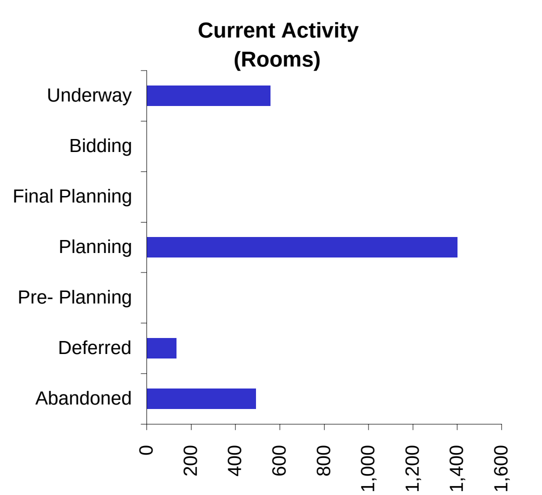
Supply, Demand, and Occupancy

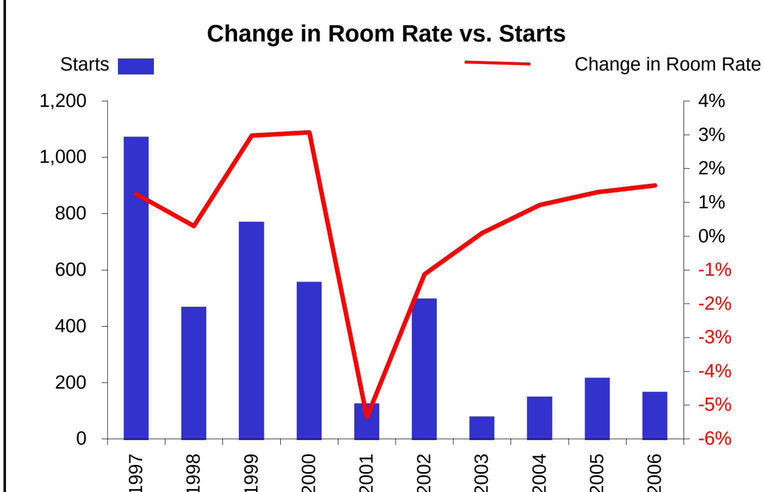


Hotel Market Statistics (Rooms)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Occupancy	63.5%	62.9%	63.8%	63.8%	59.1%	58.2%	59.9%	61.1%	61.6%	61.9%
Net Absorption	-117	562	474	441	-599	-33	359	261	170	164
% Growth	-1.2%	5.7%	4.5%	4.0%	-5.3%	-0.3%	3.3%	2.4%	1.5%	1.4%
Starts	1,069	465	767	554	123	495	76	147	213	163
% Change	86.2%	-56.5%	64.9%	-27.8%	-77.8%	302.4%	-84.6%	93.4%	44.9%	-23.5%
Net Completions	433	1,052	497	703	400	202	83	68	123	191
Inventory	15,560	16,612	17,109	17,812	18,212	18,414	18,497	18,564	18,687	18,878
% Growth	2.9%	6.8%	3.0%	4.1%	2.2%	1.1%	0.5%	0.4%	0.7%	1.0%
Room Rate Index	101	102	105	108	102	101	101	102	103	105
% Change	1.2%	0.3%	3.0%	3.1%	-5.4%	-1.1%	0.1%	0.9%	1.3%	1.5%
RevPar Index	97	98	101	101	87	87	90	92	94	96
% Change	-2.9%	0.7%	3.6%	-0.4%	-13.8%	-0.1%	3.7%	2.3%	2.2%	1.7%

PPR/Dodge Pipeline Summary



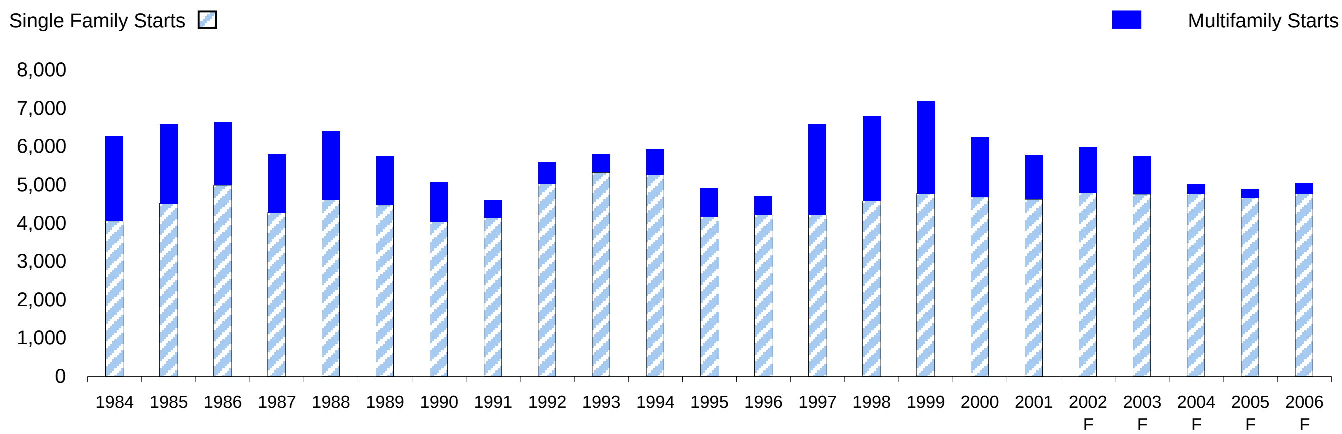


Sources: PPR; McGraw-Hill Construction - Dodge; Smith Travel Research

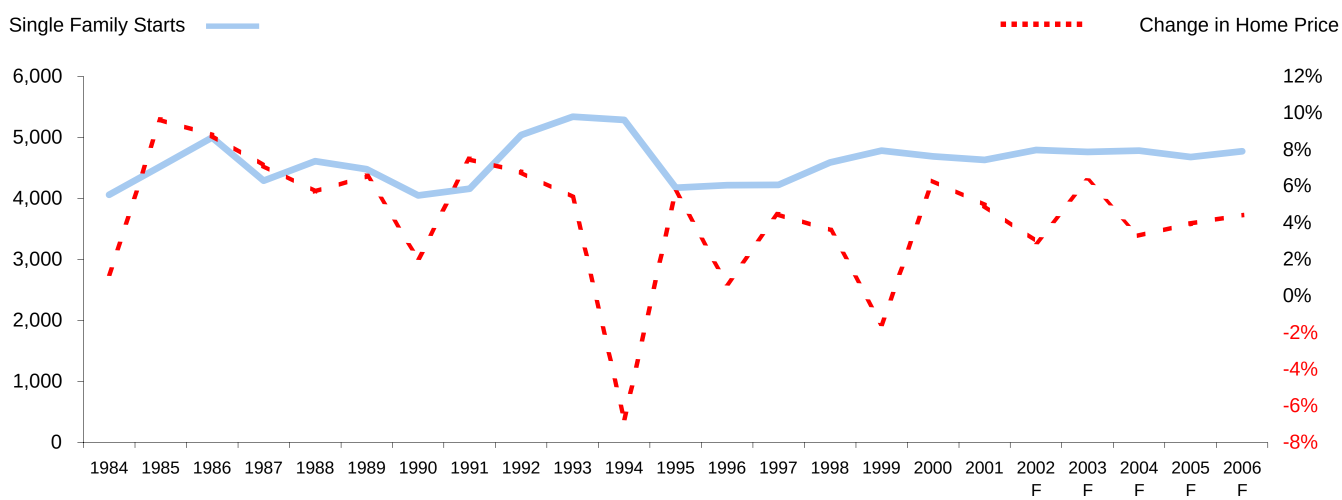
PITTSBURGH

Single Family

Housing Starts



Single Family Market



Sources: PPR; Economy.com

Single Family Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Starts	4,222	4,588	4,782	4,691	4,633	4,795	4,761	4,785	4,676	4,774
% Change	0.1%	8.7%	4.2%	-1.9%	-1.2%	3.5%	-0.7%	0.5%	-2.3%	2.1%
Completions	4,263	4,329	4,782	4,819	4,446	4,868	4,740	4,823	4,671	4,761

Apartment Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Multifamily Starts	2,364	2,206	2,423	1,550	1,141	1,211	998	240	230	269
% Change	366.3%	-6.7%	9.8%	-36.0%	-26.4%	6.1%	-17.6%	-76.0%	-4.2%	17.0%
Apartment Completions	537	1,121	1,061	831	500	819	958	195	139	153

Sources: PPR; McGraw-Hill Construction - Dodge

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Apartment Projects

Projects

Title	Address	Units	Stage	Target Start	Target Completion
Fox Chapel Apartments	1366 Old Freeport Road at the Fox Chapel Yacht Club, Northeast Allegheny County	398	Underway	11/01	3/03
Heinz Buildings Conversions	North Side Allegheny County	360	Planned		
Creekside Manor (aka Creekside Commons)	Route 19-Mercer Road along the Connoquenessing Creek, Harmony Butler County	300	Planned		
Armstrong Cork Complex	Cork buildings in Strip District b/w 23rd and 24th Sts., CBD Central	281	Planned		
Summerset at Frick Park II (Nine Mile Run Site)	Swisshelm Park, Squirrel Hill Allegheny County	256	Underway	1/02	3/03
Residences at South Side Works	East Carson Street and Marina Blvd, Southside Central	252	Underway	6/01	4/03
Ventana Hills Apartments Phase II	1350 Ventana Drive, West Miffin Allegheny County	240	Completed	3/01	5/02
The Waterfront Apartments	Old Homestead Iron Works, Homestead Allegheny County	235	Underway	12/01	12/03
Lincoln Property Co. High-Rise	at Seventh Street and Fort Duquesne Blvd, Cultural District Downtown	200	Planned		
Castle Ridge Apartments	Baldwin Street at St. Anne's Street, Castle Shannon Allegheny County	112	Underway	7/02	7/03

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Office Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Village of Southpointe II (former Western Center)	along I-79, Cecil Township Washington County	778	Planned		
The North Shore	E. General Robinson Street and E. Stadium Drive, Pittsburgh North Shore	750	Planned		
Alcoa Business Services Center Tenants: Alcoa; Rubinoff	Between Isabella and East General Robinson Sts., Pittsburgh North Side	235	Underway	8/01	2/03
BTS for UPMC Health System Tenants: UPMC	5115 Centre St. next to the Hillman Cancer Center Oakland	200	Underway	6/01	9/02
Quantum Two	in the South Side Works project, Pittsbugh South Side	180	Planned		
Dick's Clothing & Sporting Goods HQ Tenants: Dick's Clothing & Sporting Goods	Cranberry Woods Business Park, Cranberry Township Butler County	150	Planned		
Pittsburgh Technology Park Building	Hazelwood Allegheny County	125	Planned		
Cranberry Woods III Tenants: McKesson Automation	500 Cranberry Woods Drive, Cranberry Township Butler County	120	Underway	2/02	11/02
BTS for Oncology Nursing Society Tenants: Oncology Nursing Society	125 Enterprise Drive, RIDC Park West Parkway West	99	Completed	5/01	8/02
Fountainhead at Southpointe	555 Southpointe Blvd, Cecil Township Washington County	92	Underway	3/02	3/03

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Retail Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
The Mall at Robinson Town Centre	Parkway West & Hwy 60 Robinson Township	1,200	Completed	8/00	10/01
Tenants: J.C. Penney; Sears; Kaufmann's; Dick's Sporting Goods (75k); Gap, Aeropostale, Ameripage, Foot Locker					
Frazer Galleria Heights Mall	Route 28, Frazer Township in NE Allegheny County	1,200	Planned		
Deer Creek Crossing	site bounded by the Pennsylvania Turnpike, Route 28 and Route 910 Allegheny County	950	Planned		
Tenants: Target, Costco, Home Depot, Giant Eagle, OfficeMax, PETSMART, Best Buy and Dick's Clothing and Sporting Goods					
Cranberry Township	intersection of 228 and and I-79, Cranberry Township Butler County	900	planned		12/03
East Gate Shopping Center Redevelopment	Frankstown Rd & Robinson Blvd, Penn Hills Allegheny County	407	Planned		
Tenants: Shop n Save; Wal-Mart; Lowe's, American Eagle Outfitters, Bath & Body Works, The Children's Place					
Wal-Mart Supercenter	280 Old Mall Rd, Butler Butler Countty	220	Underway	5/02	5/03
Tenants: Wal-Mart					
Wal-mart SuperCenter	US Hwy 30 and Hwy 981, Latrobe Westmoreland County	200	Planned	2/02	11/02
Tenants: Wal-mart					
Target at Butler Commons	Butler Commons Shopping Center, Butler Butler County	109	Underway	4/02	9/02
Tenants: Target					
Allegheny Town Center	Route 56 Bypass, Allegheny Township Westmoreland County	100	Completed	5/01	5/02
Tenants: Giant Eagle (77 ksf)					
Northtowne Square	Route 8, Richland Township Allegheny County	80	Planned		
Tenants: Giant Eagle					

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Warehouse Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Tri-County Commerce Park Phase V	in New Sewickley Township, Northwest Butler County	220	Planned	6/01	6/02
BTS for Reinhart Food Service Tenants: Reinhart FoodService	in the Westmoreland Distribution Park, Greensburg Westmoreland County	150	Planned		
BTS for ABB Tenants: ABB	Westmoreland Distribution Park, South Greensburg Westmoreland County	100	Planned		4/03
Leetsdale Industrial Park Building A	450 Riverport Drive, Leetsdale Allegheny County	81	Completed	11/01	1/02
BTS for Fuhrer Wholesale Company Tenants: Fuhrer Wholesale Company	3100 E. Carson St., Pittsburgh Allegheny County	74	Completed	2/02	7/02
BTS for Sysco Food Services, Inc. Tenants: Sysco Food Services	along Rte 68, Harmony Butler County	43	Underway	2/02	9/02

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Hotel Projects

Projects

Title	Address	Rooms	Stage	Target Start	Target Completion
Convention Center Hotel	Penn/Liberty/Grant Avenue, Pittsburgh Central	500	Planned		
Marriott at Cranberry Woods	SR 228 & Cranberry Woods Drive, Cranberry Township Butler County	295	Underway	6/02	9/02
Pittsburgh Airport Courtyard Marriott	Northwest	144	Planned		
Courtyard by Marriott	5308 Liberty Ave Pittsburgh	135	Underway	4/02	3/02
Holiday Inn Express/Swimming Pool	20 S 10th St Pittsburgh	125	Completed	9/01	8/02
Hampton Inn Hometown (Slippery Rock)	off Rt. 79, Slippery Rock North	111	Planned		