The growth of law firms, financial and professional services firms and the health care industry have the Pittsburgh office market experiencing near record low vacancy rates. This tightness in occupancy is driving up rental rates and causing a shift to a more landlord-favorable market.

PNC Bank announced during the second quarter that it will construct a new, 40-story office building by 2015 for its sole use. Buildings which currently have a sizable PNC presence, such as the U.S. Steel Tower and Allegheny Center, could be affected by any related consolidation.

Marcellus Shale-related activity continues to spur economic growth in the region, notably in the Southpointe park in Washington County. During the third quarter, Horizon Properties announced it will commence its development of Southpointe Town Center. The development plan calls for the 34-acre site to have a main street on which several office-over-retail buildings will be built. There will also be a 100,000-square-foot speculative office building along with 200 residential apartments, three restaurants, a fitness center and a town square with a coffee shop and bistro along the street. The project is scheduled to begin construction in 2012.

**Leasing activity**
- Federated Investors Inc. has agreed to an extension of its lease through 2021 at its Downtown headquarters in Federated Investors Tower, which is part of Liberty Center. The mutual fund company will continue to occupy about 250,000 square feet on 14 floors in the 27-story office building.
- Kaplan Career Institute confirmed it has leased 58,000 square feet at 933 Penn Avenue, an eight-story office building owned by Rugby Realty.
- Morgan Lewis & Bockius renewed its lease for 36,126 square feet at One Oxford Center, Downtown.
- Talisman Energy Inc. reached an agreement with Pennwood Commons to take an additional 22,000 square feet in the 100,000-square-foot flex office project's second phase. Occupancy is set for late fourth quarter 2011 or early first quarter 2012.

**Sales activity**
- MetLife signed a lease for 20,598 square feet of new space in Foster Plaza VI.
- MAYA Design announced it is moving into 19,000 square feet on the 16th floor of 444 Liberty Ave. in Gateway Center, Downtown. Currently, they occupy 13,888 square feet at the SouthSide Works
- PricewaterhouseCoopers is expanding its presence at the U.S. Steel Tower by 12,000 square feet. The build-out of the new space will span the next six to nine months and cost approximately $3 million.
- ShowClix, the online ticketing firm, signed a lease for more than 12,000 square feet at Centre City Tower on Smithfield Street.

**Sales activity**
- PPG Place, a Class A, six-building complex with 1.5 million square feet of office space, was sold during the quarter for a reported $179.4 million ($120 per square foot). The new owners, Raleigh, N.C.-based Highwoods Properties, purchased the complex from The Hillman Company, who has served as owner since 1999.
- McKnight Realty Partners is rumored to be close to purchasing the Class A, 468,914-square-foot Henry W. Oliver Building located Downtown, for an undisclosed amount.
- The 24-story, Class A, 11 Stanwix Street building -- formerly the Westinghouse Building – was sold to a multi-national real estate company, GLL Real Estate Partners GmbH. The group purchased the 432,238-square-foot building for $66.7 million ($154 per square foot), according to Allegheny County records.
• PMC Property Group is reported to be close to a deal to buy the Regional Enterprise Tower and convert its use from office to residential, further depressing downtown’s office vacancy rate. First Commonwealth Bank acquired the 30-story, Class B, Regional Enterprise Tower through a sheriff’s sale in the spring of 2011. The Downtown office building is 361,576 square feet.
• The 40,000-square-foot, Class B building known as Crescent Commons, located at 547 Keystone Drive in Warrendale, PA, was sold for a reported $5.4 million ($135 per square foot). The buyer is Mitsubishi Electric Power Products, Inc. and the seller was Pennsylvania Commercial Real Estate, Inc.

Construction activity
• PNC Bank announced that it will construct a new skyscraper downtown that will become home to its Pittsburgh headquarters. The 40-story, 800,000-square-foot green building, scheduled to be completed in 2015, will be PNC’s largest building and will have roughly 300 underground parking spaces and street-level retail.
• Horizon Properties is currently building a five-story, 180,000-square-foot regional headquarters for Range Resources, the area’s largest oil and gas exploration company working in the Marcellus Shale. The target completion date is November 2011.
• Horizon Properties has also kicked off construction for Embassy Park in Southpointe, which is a 60,000-square-foot, Class A office building.
• Chaska Properties is currently building 53,000 square feet of Class A Office/Flex building in Cranberry Business Park. The target completion date is October 2011.