

# ECONOMIC TRENDS



This report is designed to support the City of Pittsburg General Plan Update. The analysis contained herein describes existing economic development conditions, including patterns in sectoral employment, business activity, retail sales, and the commercial and industrial real estate markets. Building upon these economic and real estate market conditions, the analysis also translates projected employment growth into potential demand for new workspace during the planning timeframe, which generally runs from 2020 to 2040.

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This report is informed by a combination of public and private data sources (such as the U.S. Census, Bureau of Labor Statistics, Co-Star, and ESRI) and interviews with a range of local economic development and real estate professionals familiar with and/or active in Pittsburg. This approach seeks to identify issues and/or opportunities that could be addressed in the General Plan Update to better position the City to foster economic growth and establishment of new businesses, to encourage redevelopment of under-utilized land, and to encourage existing businesses to remain in the City of Pittsburg.

## SUMMARY OF FINDINGS

The key findings of the economic, real estate market analysis, workspace demand projections, and stakeholder interviews are summarized below.

- **Finding 1:** Pittsburg's economic base consists primarily of firms with less than 100 employees, as opposed to large corporate users.
- **Finding 2:** The City's retail trade, government, and manufacturing sectors are generally stronger than the region and State, while the transportation, services, and finance, insurance, and real estate sectors represent fewer employment opportunities in comparison to the region and the State.
- **Finding 3:** The employment sector with the lowest concentration within Pittsburg relative to the region is the services sector.
- **Finding 4:** Retail spending patterns of Pittsburg households are generally similar in proportion to those of households in the region; however, Pittsburg's households generally spend a larger percentage of their income in the food and beverage and general merchandise categories than households throughout the region and State.
- **Finding 5:** The retail sectors which experience the most retail leakage are the motor vehicle and parts dealers, clothing and clothing accessories stores, and gasoline stations. The retail sectors with the largest retail surplus in the City include food and beverage stores and general merchandise stores.
- **Finding 6:** The office and retail real estate markets have generally been experiencing increasing occupancy levels and rising rents for the last several years, indicating strength in the real estate sector. The real estate sector with the highest increase in rents (between 2018 and 2019) was the office market. The industrial real estate market has remained relatively flat in terms of inventory; however, occupancy has decreased slightly and industrial rents have risen.
- **Finding 7:** The number of employed residents in the City is projected to increase to 39,380 (an increase of 4,885 employed residents or 14.2%) by 2040 while jobs in Pittsburg will increase to 15,615 by 2040 (an increase of 17.1%). However, the City is projected to have significantly more employed residents than local jobs.
- **Finding 8:** The City is perceived as having constraints to sustaining its existing retailers and attracting new retailers. For example, residents in the City have varying levels of disposable income available to spend in the retail sector. Additionally, much of the City's workforce commutes outside of the City, and many of the City's local employees remain onsite during the rest and lunch breaks.
- **Finding 9:** Stakeholders identified constraints associated with the City's zoning code, including requirements for a conditional use permit for uses that are assumed to be allowed in a zone, the need for changes to promote the types of development that the City desires, and the need for flexibility to maximize opportunities.
- **Finding 10:** Stakeholders identified that Pittsburg will become increasingly attractive for start-up and e-commerce businesses due to increases in rental rates throughout Silicon Valley, noting there is current demand for smaller industrial and commercial spaces in the 2,000 to 8,000 square-foot range.
- **Finding 11:** Stakeholders identified the City's proven track record of thinking creatively around unique opportunities and optimism about working with City staff to resolve technical issues and develop long-term projects.

**ECONOMIC OVERVIEW**

This section provides a snapshot of the city’s major employers, a comparison of employment by industry, and Pittsburg’s household retail spending relative to the San Francisco-Oakland-Hayward Metropolitan Statistical Area (MSA) and the State.

**MAJOR EMPLOYERS**

Table 1 lists the major employers within Pittsburg with 100 or more employees. Many of the employers included in this list are driven largely by providing retail goods and services, such as government, education, and health-related services, to the City’s residential population.

**TABLE 1: CITY OF PITTSBURG’S LARGEST EMPLOYERS - 2019**

EMPLOYER WITH 100+ EMPLOYEES	INDUSTRY	EMPLOYEE COUNT
Los Medanos College	Community College	500-999
City of Pittsburg	City Offices	250-499
Contra Costa County Health Center	Public Health Programs	250-499
Dow Chemical Co.	Other Chemical and Allied Products Merchant Wholesalers	250-499
Walmart	General Merchandise	250-499
USS Posco Industries	Iron, Steel Mills, and Ferroalloy Manufacturing	100+
Durham School Service	School and Employee Bus Transportation	100-249
Winco Foods	Grocery Stores and Supermarkets	100-249
Safeway	Grocery Stores and Supermarkets	100-249
Diamond Ridge Healthcare Center	Senior Homes	100-249
Pittsburg Health Center	Public Health Programs	100-249
McCampbell Analytical, Inc.	Environmental Consulting	100-249
Winter Honda	New Car Dealerships	100-249
Cemcom Inc.	Brick, Stone, and Related Construction Materials Merchant Wholesalers	100-249
Bay Area Casino Express	Gambling Facilities	100-249
Cintas	Specialty Clothing Stores	100-249
Olive Garden Italian Kitchen	Full-Service Restaurants	100-249
Pittsburg Adult Education	Elementary, Middle, and High Schools	100-249
Pittsburg Unified School District	Elementary, Middle, and High Schools	100-249
Target	General Merchandise	100-249
Island Pacific Pittsburg	Grocery Stores and Supermarkets	100-249

SOURCE: WWW.THINKPITTSBURG.COM, 2019.

Table 2 shows the breakdown of all businesses within Pittsburg, by industry sector. The sectors are based on Bureau of Labor Statistics North American Industry Classification System 2-digit codes. The largest employment sectors in Pittsburg include Services and Retail Trade sectors, which account for 39.4% and 22.3% of businesses, respectively. Businesses within the Services and Retail Trade sectors comprise 823 of the 1,293 businesses within the City. Out of the 1,293 businesses in Pittsburg, only a small amount (21 businesses shown in Table 1) report 100 or more employees.

**TABLE 2: BUSINESSES BY INDUSTRY SECTOR IN PITTSBURG AND MSA - 2018**

INDUSTRY SECTOR	CITY OF PITTSBURG		SAN FRANCISCO-OAKLAND-HAYWARD MSA	
	NUMBER OF BUSINESSES	PERCENT	NUMBER OF BUSINESSES	PERCENT
Agriculture & Mining	21	1.6%	2,362	1.2%
Construction	95	7.3%	9,863	5.2%
Manufacturing	44	3.4%	5,770	3.0%
Transportation	34	2.6%	4,900	2.6%
Communication	22	1.7%	1,569	0.8%
Utility	7	0.5%	350	0.2%
Wholesale Trade	53	4.1%	6,699	3.5%
Retail Trade Summary	288	22.3%	37,101	19.6%
<i>Home Improvement</i>	17	1.3%	1,881	1.0%
<i>General Merchandise Stores</i>	12	0.9%	843	0.4%
<i>Food Stores</i>	41	3.2%	3,877	2.0%
<i>Auto Dealers, Gas Stations, Auto Aftermarket</i>	40	3.1%	2,733	1.4%
<i>Apparel &amp; Accessory Stores</i>	12	0.9%	2,670	1.4%
<i>Furniture &amp; Home Furnishings</i>	17	1.3%	2,946	1.6%
<i>Eating &amp; Drinking Places</i>	94	7.3%	13,299	7.0%
<i>Miscellaneous Retail</i>	55	4.3%	8,852	4.7%
Finance, Insurance, Real Estate Summary	98	7.6%	18,781	9.9%
<i>Banks, Savings &amp; Lending Institutions</i>	18	1.4%	2,882	1.5%
<i>Securities Brokers</i>	4	0.3%	3,044	1.6%
<i>Insurance Carriers &amp; Agents</i>	23	1.8%	3,219	1.7%
<i>Real Estate, Holding, Other Investment Offices</i>	53	4.1%	9,636	5.1%
Services Summary	509	39.4%	81,642	43.1%
<i>Hotels &amp; Lodging</i>	6	0.5%	1,292	0.7%
<i>Automotive Services</i>	61	4.7%	5,083	2.7%
<i>Motion Pictures &amp; Amusements</i>	34	2.6%	5,290	2.8%
<i>Health Services</i>	47	3.6%	10,342	5.5%
<i>Legal Services</i>	7	0.5%	4,822	2.5%
<i>Education Institutions &amp; Libraries</i>	40	3.1%	4,629	2.4%
<i>Other Services</i>	314	24.3%	50,184	26.5%
Government	43	3.3%	3,402	1.8%
Unclassified Establishments	79	6.1%	16,825	8.9%
<b>Totals</b>	<b>1,293</b>	<b>100.0%</b>	<b>189,264</b>	<b>100.0%</b>

MSA = METROPOLITAN STATISTICAL AREA.

SOURCE: ESRI BUSINESS ANALYST ONLINE, MAY 2019.

**EMPLOYMENT**

Table 3 shows a comparison of employment by industry sector within the City of Pittsburg, the MSA, and the State. This information is also presented graphically in Figure 1.

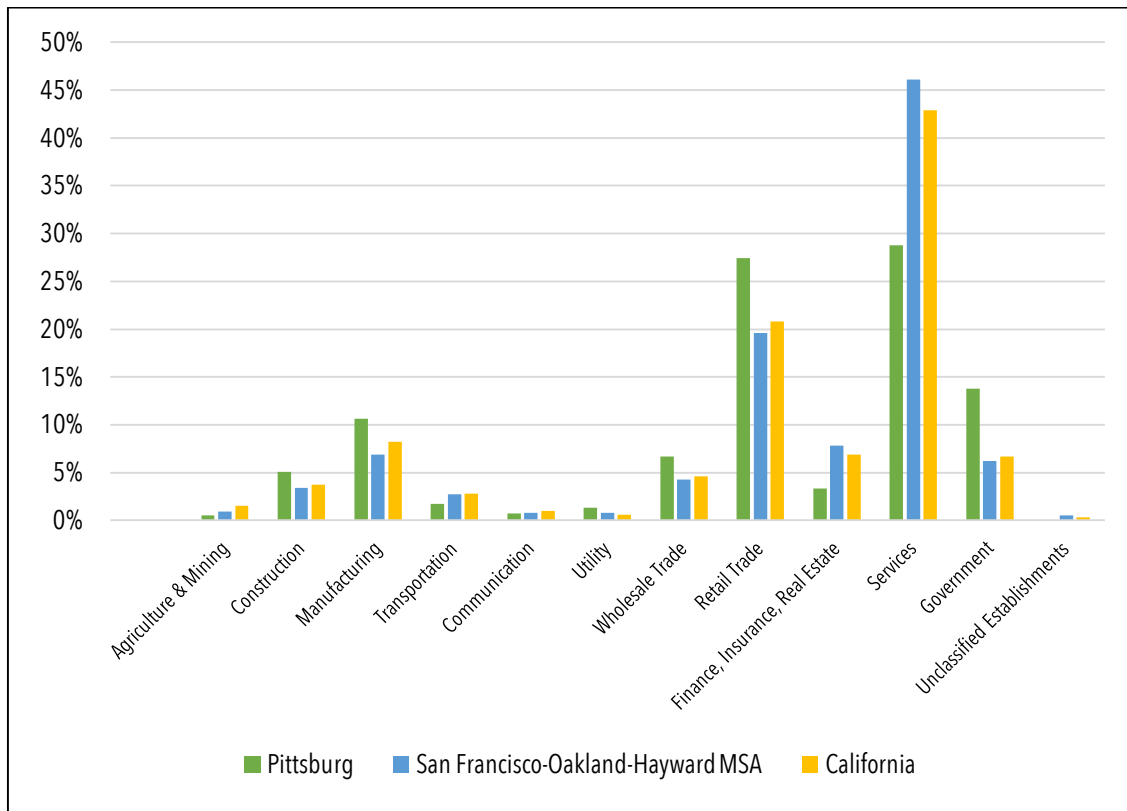
**TABLE 3: EMPLOYMENT BY SECTOR: PITTSBURG, MSA, STATE - 2018**

INDUSTRY SECTOR	CITY OF PITTSBURG		SAN FRANCISCO-OAKLAND-HAYWARD MSA		STATE OF CALIFORNIA	
	JOBS	PERCENT	JOBS	PERCENT	JOBS	PERCENT
Agriculture & Mining	86	0.5%	20,066	0.9%	236,960	1.5%
Construction	795	5.1%	76,405	3.4%	593,447	3.7%
Manufacturing	1,658	10.6%	153,100	6.9%	1,325,840	8.2%
Transportation	272	1.7%	60,100	2.7%	446,596	2.8%
Communication	107	0.7%	18,652	0.8%	164,494	1.0%
Utility	212	1.3%	18,602	0.8%	91,625	0.6%
Wholesale Trade	1,054	6.7%	95,237	4.3%	740,957	4.6%
Retail Trade Summary	4,301	27.4%	433,689	19.6%	3,355,908	20.8%
<i>Home Improvement</i>	204	1.3%	21,332	1.0%	202,796	1.3%
<i>General Merchandise Stores</i>	678	4.3%	36,318	1.6%	321,241	2.0%
<i>Food Stores</i>	890	5.7%	64,139	2.9%	429,352	2.7%
<i>Auto Dealers, Gas Stations, Auto Aftermarket</i>	424	2.7%	33,855	1.5%	321,215	2.0%
<i>Apparel &amp; Accessory Stores</i>	37	0.2%	25,989	1.2%	178,193	1.1%
<i>Furniture &amp; Home Furnishings</i>	87	0.6%	32,069	1.4%	208,726	1.3%
<i>Eating &amp; Drinking Places</i>	1,550	9.9%	158,372	7.1%	1,211,089	7.5%
<i>Miscellaneous Retail</i>	431	2.7%	61,615	2.8%	483,296	3.0%
Finance, Insurance, Real Estate Summary	519	3.3%	173,012	7.8%	1,107,307	6.9%
<i>Banks, Savings &amp; Lending Institutions</i>	156	1.0%	36,735	1.7%	244,612	1.5%
<i>Securities Brokers</i>	14	0.1%	37,067	1.7%	131,825	0.8%
<i>Insurance Carriers &amp; Agents</i>	82	0.5%	28,768	1.3%	216,552	1.3%
<i>Real Estate, Holding, Other Investment Offices</i>	267	1.7%	70,442	3.2%	514,318	3.2%
Services Summary	4,530	28.8%	1,021,217	46.1%	6,910,465	42.9%
<i>Hotels &amp; Lodging</i>	47	0.3%	38,156	1.7%	294,809	1.8%
<i>Automotive Services</i>	232	1.5%	30,048	1.4%	232,207	1.4%
<i>Motion Pictures &amp; Amusements</i>	355	2.3%	56,801	2.6%	597,601	3.7%
<i>Health Services</i>	385	2.5%	180,556	8.1%	1,473,063	9.1%
<i>Legal Services</i>	31	0.2%	40,939	1.8%	211,860	1.3%
<i>Education Institutions &amp; Libraries</i>	1,811	11.5%	162,775	7.3%	1,297,443	8.1%
<i>Other Services</i>	1,669	10.6%	511,942	23.1%	2,803,482	17.4%
Government	2,164	13.8%	136,609	6.2%	1,072,738	6.7%
Unclassified Establishments	7	0.0%	10,799	0.5%	53,819	0.3%
<b>Totals</b>	<b>15,705</b>	<b>100.0%</b>	<b>2,217,488</b>	<b>100.0%</b>	<b>16,100,156</b>	<b>100.0%</b>

MSA = METROPOLITAN STATISTICAL AREA. SIC = STANDARD INDUSTRIAL CLASSIFICATION.

SOURCE: ESRI BUSINESS ANALYST ONLINE, MAY 2019.

**FIGURE 1: EMPLOYMENT BY SECTOR: PITTSBURG, MSA, STATE - 2018**



SOURCE: ESRI BUSINESS ANALYST ONLINE, MAY 2019.

The make-up of the approximately 15,705 jobs within the City of Pittsburg is similar to that of the San Francisco-Oakland-Hayward MSA and the State of California overall. Noticeably, Pittsburg has a smaller percentage of jobs engaged in the Services sector (10.6%) than does the larger MSA (23.1%). The City also has a higher percentage of jobs engaged in the Government sector (13.8%) compared to the MSA (6.2%) and State (6.7%) and in the Retail sector (27.4%) compared to the MSA (19.6%) and State (20.8%).

The proportion of jobs in Pittsburg that are within the Manufacturing sector (10.6%) are higher than this sector’s share of jobs in the larger MSA. Further, the Education Institutions & Libraries sector of the City (11.5%) is higher than the share of jobs in the larger MSA (7.3%). The education-related employers listed within Table 1, such as Los Medanos College, likely contribute to the higher share of education-related employment within the City.

**RETAIL SPENDING**

Table 4 shows Pittsburg’s average household retail spending relative to the MSA and the State. Figure 2 shows the City’s retail spending patterns by category, in comparison to the MSA and the State. The current estimated household retail spending breakdown was obtained from ESRI Business Analyst, a data provider that businesses, including many retailers, rely upon for estimates of household spending potential. The data is based upon Bureau of Labor Statistics household spending patterns that have been applied to smaller geographies than the county-level geographies and includes factors to address inflation and various other economic variables. The retail spending estimates exclude household spending on some items, such as transportation, which contain a retail component.

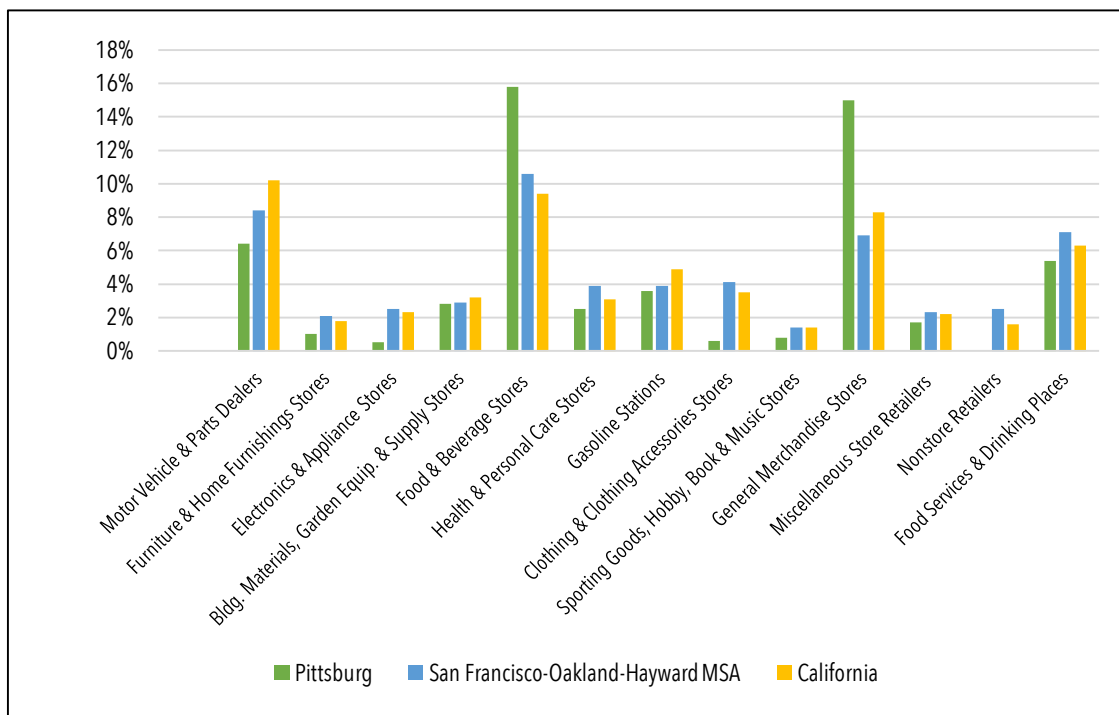
**TABLE 4: AVERAGE HOUSEHOLD RETAIL SPENDING: PITTSBURG, MSA, STATE - 2018**

RETAIL SECTOR	CITY OF PITTSBURG		SAN FRANCISCO-OAKLAND-HAYWARD MSA		STATE OF CALIFORNIA	
	\$/HH	SHARE	\$/HH	SHARE	\$/HH	SHARE
Motor Vehicle & Parts Dealers	\$3,539.99	6.4%	\$5,764.82	8.4%	\$7,221.81	10.2%
Furniture & Home Furnishings Stores	\$582.10	1.0%	\$1,452.96	2.1%	\$1,270.91	1.8%
Electronics & Appliance Stores	\$304.59	0.5%	\$1,713.55	2.5%	\$1,676.19	2.3%
Building Materials, Garden Equip. & Supply Stores	\$1,547.06	2.8%	\$1,992.28	2.9%	\$2,271.26	3.2%
Food & Beverage Stores	\$8,801.49	15.8%	\$7,335.00	10.6%	\$6,650.58	9.4%
Health & Personal Care Stores	\$1,404.29	2.5%	\$2,662.37	3.9%	\$2,184.93	3.1%
Gasoline Stations	\$1,977.98	3.6%	\$2,691.84	3.9%	\$3,448.78	4.9%
Clothing & Clothing Accessories Stores	\$306.67	0.6%	\$2,842.12	4.1%	\$2,472.02	3.5%
Sporting Goods, Hobby, Book & Music Stores	\$418.66	0.8%	\$993.78	1.4%	\$1,008.62	1.4%
General Merchandise Stores	\$8,333.98	15.0%	\$4,749.15	6.9%	\$5,873.91	8.3%
Miscellaneous Store Retailers	\$927.03	1.7%	\$1,580.36	2.3%	\$1,562.15	2.2%
Nonstore Retailers	\$20.79	0.0%	\$1,750.77	2.5%	\$1,151.24	1.6%
Food Services & Drinking Places	\$3,002.64	5.4%	\$4,927.06	7.1%	\$4,443.24	6.3%

SOURCE: ESRI BUSINESS ANALYST ONLINE, MAY 2019

The estimated spending patterns of Pittsburg households are very similar to those in the larger MSA and State. The retail sectors with the highest spending include: Food & Beverage Stores and General Merchandise Stores, which account for a 15.8% and 15% share of household spending, respectively.

**FIGURE 2: AVERAGE HOUSEHOLD RETAIL SPENDING: PITTSBURG, MSA, STATE - 2018**



SOURCE: ESRI BUSINESS ANALYST ONLINE, MAY 2019.

Table 5 shows Pittsburg’s retail spending gap relative to the MSA and the State. The retail gap is based on the amount of retail sales within the City in comparison to the projected retail potential of the City’s population, based on the total amount spent by consumers at retail establishments. A positive retail gap number reflects the amount of leakage occurring, indicating the amount that Pittsburg’s residents are spending outside of the City. A negative retail gap number represents a surplus, indicating that the City is capturing sales beyond the demand associated solely with Pittsburg’s residents.

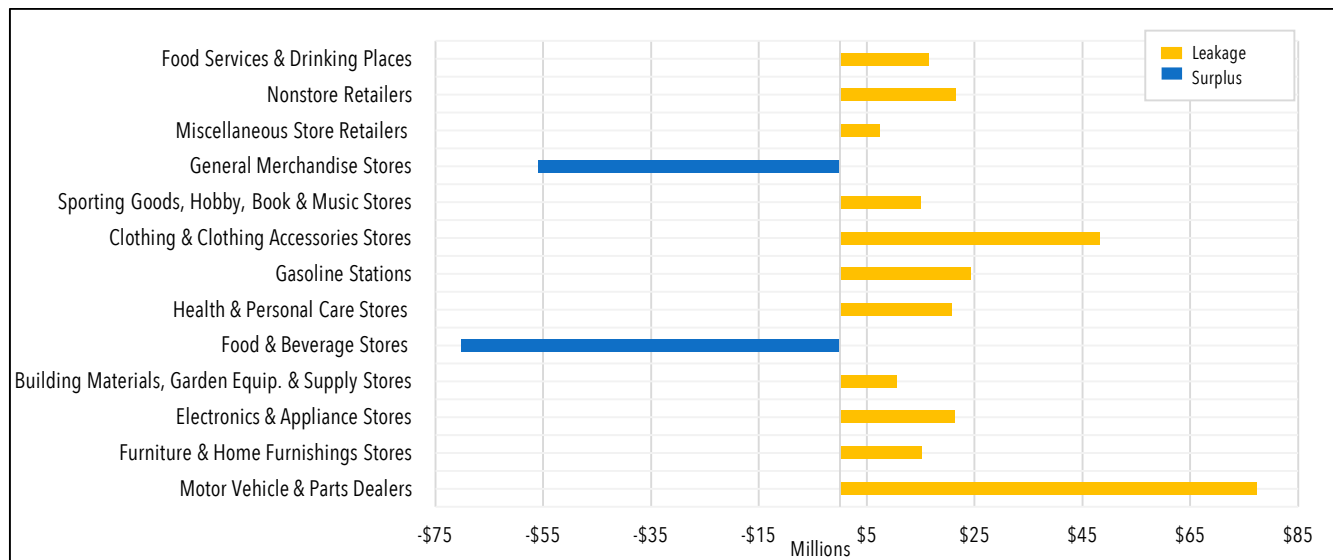
**TABLE 5: RETAIL GAP: PITTSBURG, MSA, STATE - 2018**

RETAIL SECTOR	CITY OF PITTSBURG	SAN FRANCISCO-OAKLAND-HAYWARD MSA	STATE OF CALIFORNIA
Motor Vehicle & Parts Dealers	\$77,270,913	\$7,168,590,207	\$10,802,446,108
Furniture & Home Furnishings Stores	\$15,156,466	\$675,634,784	\$2,559,381,965
Electronics & Appliance Stores	\$21,284,788	\$205,652,129	(\$2,922,698,182)
Building Materials, Garden Equip. & Supply Stores	\$10,499,672	\$1,638,301,049	\$1,209,742,215
Food & Beverage Stores	(\$70,212,457)	\$1,073,758,337	(\$3,932,159,981)
Health & Personal Care Stores	\$20,650,424	\$1,196,762,192	\$6,770,509,115
Gasoline Stations	\$24,257,039	\$2,589,305,005	(\$394,585,593)
Clothing & Clothing Accessories Stores	\$48,183,484	\$1,498,349,986	\$5,549,285,265
Sporting Goods, Hobby, Book & Music Stores	\$15,050,944	\$1,042,119,402	\$3,363,159,935
General Merchandise Stores	(\$55,907,080)	\$6,070,721,912	\$9,312,314,504
Miscellaneous Store Retailers	\$7,325,793	\$414,925,645	(\$1,403,507,889)
Nonstore Retailers	\$21,589,783	(\$454,838,084)	\$281,089,213
Food Services & Drinking Places	\$16,551,078	\$1,013,853,327	(\$1,477,868,705)

SOURCE: ESRI BUSINESS ANALYST ONLINE, MAY 2019.

As shown, two retail sectors experienced retail surplus in 2018 in the City: Food & Beverage Stores (-\$70,212,457) and General Merchandise Stores (-\$55,907,080). Retail surplus also occurred in the Food & Beverage Stores sector at the State-level. The retail sectors with the largest retail leakage in the City include: Motor Vehicle & Parts Dealers (\$77,270,913) and Clothing & Clothing Accessories Stores (\$48,183,484). The City’s retail gap is shown graphically in Figure 3.

**FIGURE 3: RETAIL GAP: PITTSBURG - 2018**



SOURCE: ESRI BUSINESS ANALYST ONLINE, MAY 2019.



## REAL ESTATE MARKET CONDITIONS

This section presents an overview of the current office, industrial, and retail real estate sectors and projected employment growth for the associated job sectors. The real estate market data presented below is based on data from CoStar Realty Information Inc. (CoStar). CoStar maintains an extensive database of commercial property that tracks inventory, occupancy, rent, and other metrics for office, retail, industrial, and flex properties within the region. It is noted that data is voluntarily reported by brokers to CoStar; for certain categories, including the 2018 and 2019 industrial rents, as well as rents for several subareas discussed on the following pages, no data had been provided to CoStar.

Table 6 presents the key office, retail, and industrial real estate market indicators for Pittsburg from 2013 through the first quarter of 2019. The indicators are discussed in the subsequent sections, which also address indicators for several of Pittsburg's market subareas including the Downtown, Garcia Avenue subarea, and Railroad Avenue subareas which are shown on Figure 4.

**TABLE 6: COMMERCIAL REAL ESTATE MARKET OVERVIEW: PITTSBURG - 2018-YTD 2019**

REAL ESTATE SECTOR	2013	2014	2015	2016	2017	2018	YTD 2019
<b>OFFICE MARKET</b>							
Inventory SF	520,141	520,141	520,141	502,714	502,714	502,714	502,714
Occupied SF	484,948	491,103	490,081	477,392	471,376	487,450	488,384
Occupancy Percent	93.2%	94.4%	94.2%	95.0%	93.8%	97.0%	97.1%
Net Absorption SF Total	(4,528)	6,155	(1,022)	(12,689)	(6,016)	16,074	934
Office Gross Rent Overall/SF/Yr.	\$15.49	\$16.14	\$15.09	\$15.45	\$17.53	\$18.40	\$24.48
<b>RETAIL MARKET</b>							
Inventory SF	2,540,288	2,540,288	2,540,288	2,548,726	2,558,726	2,561,446	2,561,446
Occupied SF	2,391,777	2,369,589	2,422,603	2,483,120	2,471,668	2,512,549	2,473,211
Occupancy Percent	94.2%	93.3%	95.4%	97.4%	96.6%	98.1%	96.6%
Net Absorption SF Total	(12,481)	(22,188)	53,014	60,517	(11,542)	40,881	(39,338)
Retail NNN Rent Overall/SF/Yr.	\$16.74	\$17.50	\$16.83	\$17.12	\$15.02	\$15.74	\$16.30
<b>INDUSTRIAL MARKET</b>							
Inventory SF	7,092,754	7,092,754	7,092,754	7,092,754	7,092,754	7,092,754	7,092,754
Occupied SF	6,550,356	6,478,068	6,350,118	6,553,129	6,441,966	6,669,762	6,399,977
Occupancy Percent	92.4%	91.3%	89.5%	92.4%	90.8%	94.0%	90.2%
Net Absorption SF Total	(6,259)	(72,288)	34,079	40,982	(111,163)	227,796	(261,025)
Industrial NNN Rent Overall/SF/Yr.	\$6.26	\$6.01	\$7.63	\$8.78	\$8.96	-- <sup>1</sup>	\$7.20 <sup>1</sup>

NOTES: NNN = TRIPLE NET; SF = SQUARE FEET; YTD = YEAR-TO-DATE.

<sup>1</sup> CoSTAR DATA UNAVAILABLE. YTD2019 INDUSTRIAL RENTS BASED ON INPUT FROM REAL ESTATE STAKEHOLDERS DURING THE STAKEHOLDER INTERVIEWS (DISCUSSED UNDER ECONOMIC AND REAL ESTATE PERCEPTIONS SECTION).

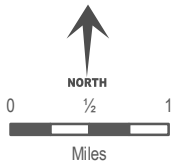
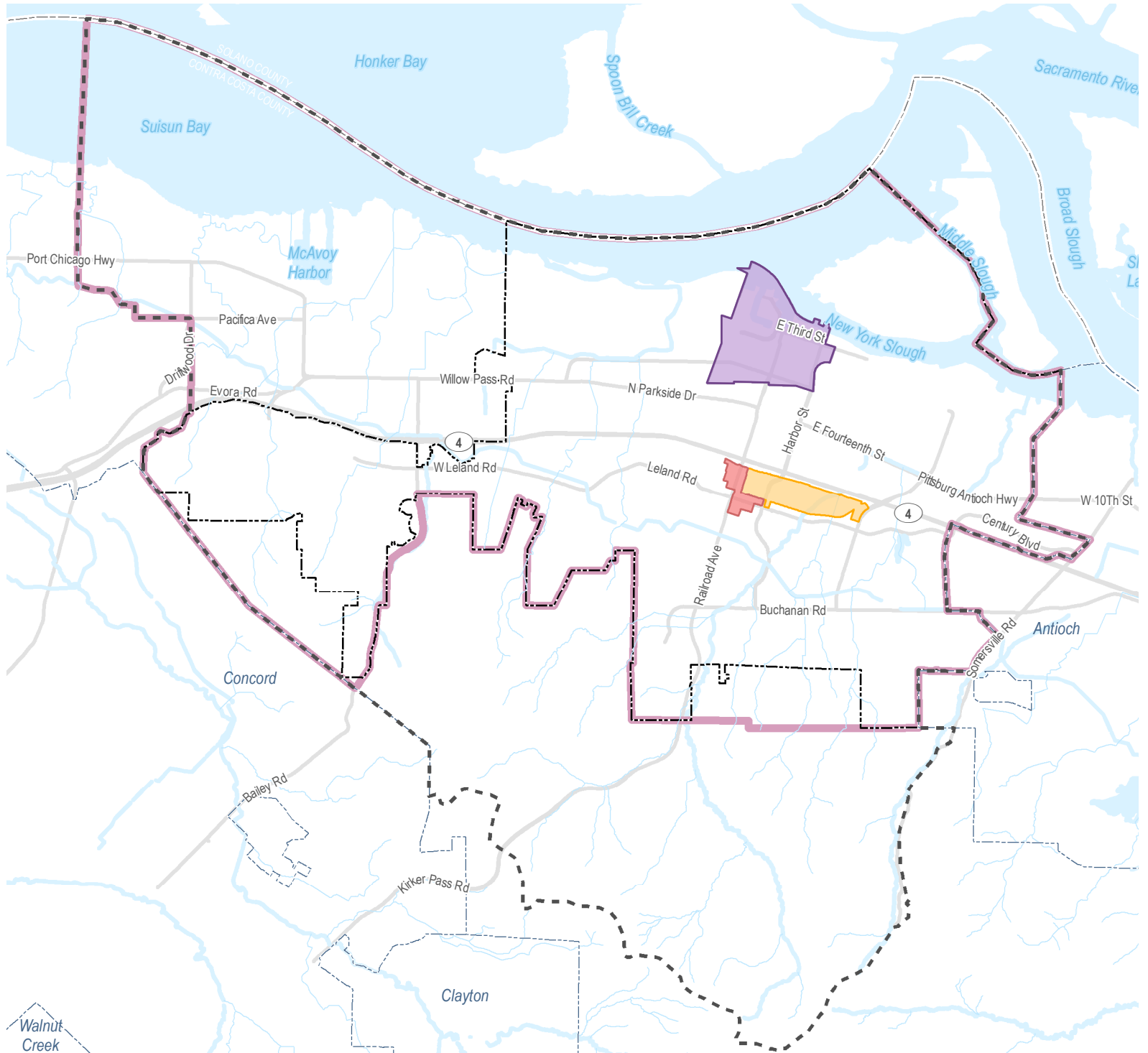
SOURCE: CoSTAR REALTY INFORMATION INC., 2019.

Figure 4:

# CITY LIMITS AND SUBAREAS

## Legend

-  Pittsburg City Limits
  -  Pittsburg Sphere of Influence
  -  Planning Area
  -  Neighboring City
- Subareas**
-  Downtown Subarea
  -  Railroad Subarea
  -  Garcia Subarea



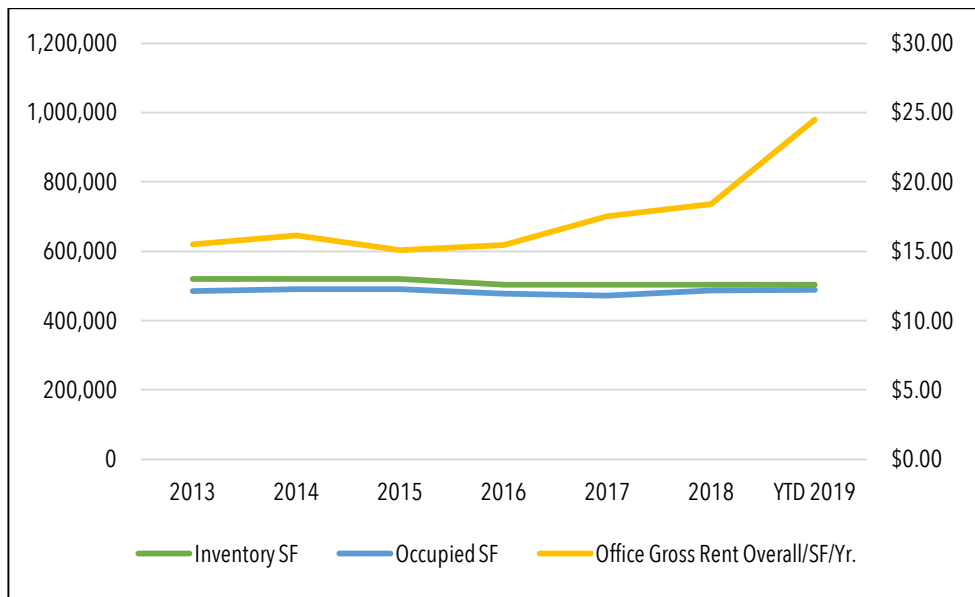
**OFFICE MARKET CONDITIONS**

Figure 5 shows the overview indicators for the office real estate market. Pittsburg’s office inventory has increased slightly over the last several years from 502,714 to 520,141 square feet (SF) during the 2013 to 2019 period. During this time period, there was a 3.4% decrease in the amount of office space from 520,141 SF in 2013 to 502,714 SF in 2019 and the occupancy rate ranged from a low of 93.2% to a high of 97.1%, which occurred in 2019. Office gross annual rents climbed from \$15.49/SF in 2013 to a high of \$24.48/SF in 2019.

Table 7 compares the citywide office market indicators, as well as the indicators for the City’s subareas. Nearly half (41%) of the City’s office inventory is located in the Downtown subarea and approximately 13% is located in the Railroad Avenue subarea. The occupancy rates for the City, Downtown subarea, and Garcia Avenue subarea are steady and at or near 100%, while the Railroad Avenue occupancy rate is approximately 87%. Office rents are generally higher in the Railroad Avenue subarea and less in the Downtown subarea compared to the overall City and subareas.

**FIGURE 5: PITTSBURG OFFICE MARKET OVERVIEW - 2013-YTD 2019**

*Office buildings are intended to house employees of companies that produce a product or service primarily for support services, such as administration, accounting, marketing, consulting, human resources management, financial, insurance, educational, medical, and other professional services.*



SOURCE: CoSTAR REALTY INFORMATION INC., 2019.

**TABLE 7: OFFICE MARKET COMPARISON - 2018 AND YTD 2019**

ITEM	PITTSBURG (CITY)	DOWNTOWN SUBAREA	GARCIA AVE. SUBAREA	RAILROAD AVE. SUBAREA
YEAR-TO-DATE 2019				
Inventory (SF)	502,714	204,622	16,320	69,075
Occupancy Rate	97.1%	98.7%	100.0%	86.5%
Gross Rent Overall/SF/Yr.	\$24.48	\$15.58	-- <sup>1</sup>	\$29.92
2018				
Inventory (SF)	502,714	204,622	16,320	69,075
Occupancy Rate	97.0%	98.8%	100.0%	87.6%
Gross Rent Overall/SF/Yr.	\$18.40	\$14.40	-- <sup>1</sup>	\$19.63

NOTE: <sup>1</sup> NO DATA REPORTED TO CoSTAR FOR THIS SUBAREA/TIME PERIOD.

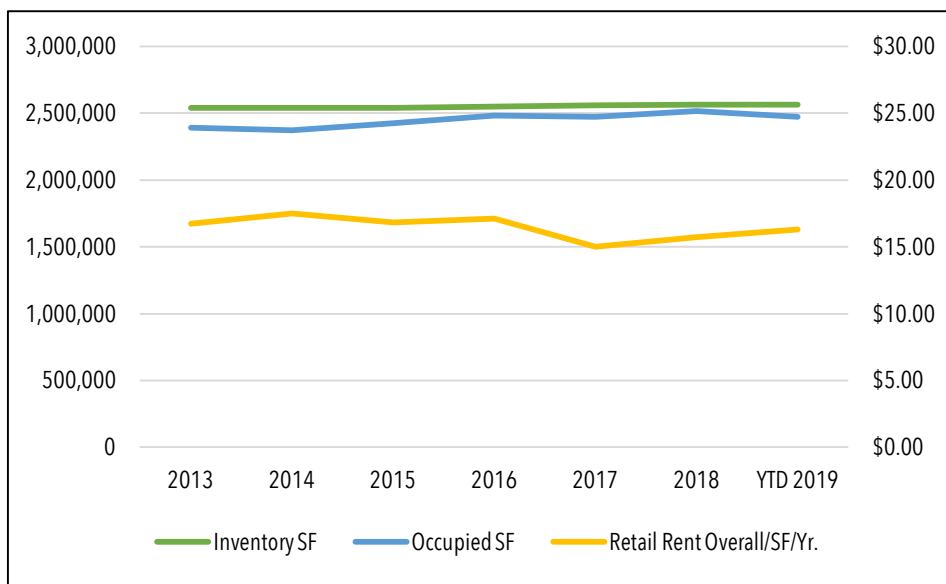
SOURCE: CoSTAR REALTY INFORMATION INC., 2019.

## RETAIL MARKET CONDITIONS

Figure 6 shows an overview of the retail real estate market indicators. While inventory has remained fairly constant, ranging from 2,540,288 SF in 2013 to 2,561,446 SF in 2019, the retail real estate market has seen more sporadic activity over the last several years, with fluctuating occupancy levels and retail rents. Retail space increased slightly by less than 1%, from 2.54 million SF in 2013 to 2.56 million SF in 2019 and the occupancy rate ranged from a low of 93.3% to a high of 98.1%, which occurred in 2018. Office gross annual rents climbed from \$15.49/SF in 2013 to a high of \$24.48/SF in 2019.

Table 8 compares retail market conditions citywide and by subarea. Approximately 13% of the City's retail inventory is located in the Downtown Subarea and approximately 9% is located in the Railroad Avenue Subarea. The occupancy rates for the City, Downtown Subarea, Garcia Avenue Subarea, and Railroad Avenue Subarea are generally steady and at or near 100%, although the 2019 year-to-date rate in the Downtown subarea is 87.8%. Retail rents in the Railroad Avenue subarea increased significantly by 87% from 2018 to early 2019.

**FIGURE 6: PITTSBURG RETAIL MARKET OVERVIEW - 2013-YTD 2019**



*Retail property's primary intended use is to promote, distribute or sell products and services to the general public. Retail buildings can be used for various sales opportunities, including, but not limited to, stand-alone (convenience stores to department stores), store fronts, strip centers (no anchors), neighborhood, community, regional, and super-regional malls, power centers, factory outlet centers, and fashion or specialty centers.*

SOURCE: CoSTAR REALTY INFORMATION INC., 2019.

**TABLE 8: RETAIL MARKET COMPARISON - 2018 AND YTD 2019**

ITEM	PITTSBURG (CITY)	DOWNTOWN SUBAREA	GARCIA AVE. SUBAREA	RAILROAD AVE. SUBAREA
<b>YEAR-TO-DATE 2019</b>				
Inventory (SF)	2,561,446	339,368	20,345	235,607
Occupancy Rate	96.6%	87.8%	100.0%	99.5%
Rent Overall/SF/Yr.	\$16.30	-- <sup>1</sup>	-- <sup>1</sup>	\$34.84
<b>2018</b>				
Inventory (SF)	2,561,446	339,368	20,345	235,607
Occupancy Rate	98.1%	96.5%	100.0%	98.9%
Rent Overall/SF/Yr.	\$15.74	\$25.50	-- <sup>1</sup>	\$18.62

NOTE: <sup>1</sup> NO DATA REPORTED TO CoSTAR FOR THIS SUBAREA/TIME PERIOD.

SOURCE: CoSTAR REALTY INFORMATION INC., 2019.

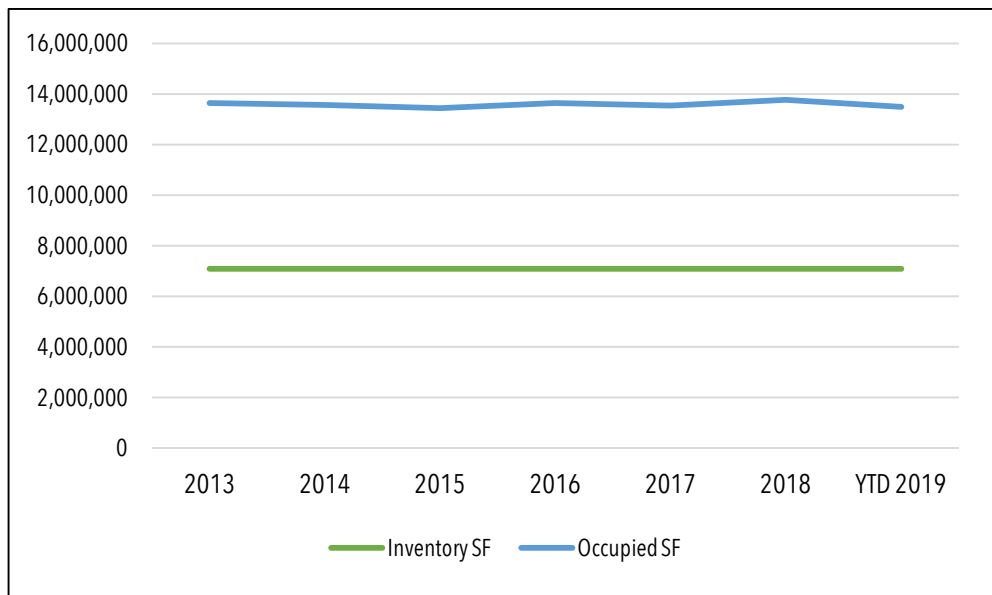
**INDUSTRIAL MARKET CONDITIONS**

Figure 7 shows an overview of the industrial real estate market indicators. Pittsburg’s industrial inventory has remained constant over the last several years at 7,092,754 SF of space. The occupied inventory has also remained relatively constant, ranging from a low of 6,350,118 SF (2015) to 6,669,762 SF (2018). The industrial gross rent has steadily increased since 2013. In contrast to the office and retail markets, which generally experienced an increase in occupancy from 2013 through 2019, the industrial real estate market’s occupancy rate declined during this period to 90.2% in 2019. Annual industrial rents increased from \$6.26/SF in 2013 to a high of \$8.96/SF in 2017; rental rates were not available for 2018 or 2019.

Table 9 compares industrial market conditions citywide and by subarea. Approximately 16% of the City’s industrial inventory is located in the Garcia Avenue Subarea. The occupancy rates for the City, Downtown Subarea, and Garcia Avenue Subarea are generally steady and at or near 100%.

**FIGURE 7: PITTSBURG INDUSTRIAL MARKET OVERVIEW - 2013-YTD 2019**

*Industrial buildings are typically adapted for a range of uses such as assemblage, processing, and/or manufacturing products from raw materials. Additional uses include warehousing, distribution, and maintenance facilities.*



SOURCE: CoSTAR REALTY INFORMATION INC., 2019.

**TABLE 9: INDUSTRIAL MARKET COMPARISON - 2018 AND YTD 2019**

ITEM	PITTSBURG (CITY)	DOWNTOWN SUBAREA	GARCIA AVE. SUBAREA	RAILROAD AVE. SUBAREA
<b>YEAR-TO-DATE 2019</b>				
Inventory (Sq. Ft.)	7,092,754	105,238	1,122,873	-- <sup>1</sup>
Occupancy Rate	90.2%	100.0%	99.2%	-- <sup>1</sup>
Rent Overall/SF/Yr.	-- <sup>1</sup>	-- <sup>1</sup>	-- <sup>1</sup>	-- <sup>1</sup>
<b>2018</b>				
Inventory (Sq. Ft.)	7,092,754	105,238	1,122,873	-- <sup>1</sup>
Occupancy Rate	94.0%	100.0%	99.7%	-- <sup>1</sup>
Rent Overall/SF/Yr.	-- <sup>1</sup>	-- <sup>1</sup>	-- <sup>1</sup>	-- <sup>1</sup>

NOTE: <sup>1</sup> NO DATA REPORTED TO CoSTAR FOR THIS SUBAREA/TIME PERIOD.

SOURCE: CoSTAR REALTY INFORMATION INC., 2019.

## EMPLOYMENT GROWTH PROJECTIONS

In addition to the existing commercial real estate market, employment growth projections produced by the Association of Bay Area Governments (ABAG) form the basis of future commercial space needs to support projected employment growth.

The planning timeframe for the General Plan Update is 2020 to 2040, so the employment projections by sector and the resulting commercial space need estimate, shown in the tables below, focus only on the 2020 to 2040 timeframe. ABAG's projections of employed residents and jobs through 2040 for the City of Pittsburg and Contra Costa County are presented in Table 10.

ABAG's projections for growth in employed residents between 2020 to 2040 are quite strong for both the city and the county, with a projected increase of 14.2% for the city and 12.9% for the county. Total job projections are even stronger for both the city and county, with a projected increase of 17.1% for the city and 20.2% for the county. ABAG projects Pittsburg will see a very minor decrease in employed residents between 2020 and 2030 (0.6% decline by 2025 and 1.8% decline by 2030). However, the number employed residents between 2030 and 2040 is projected to greatly increase. As shown in Figure 8, the number of employed residents and total jobs in the city are projected to increase at similar rates between 2020 and 2040.

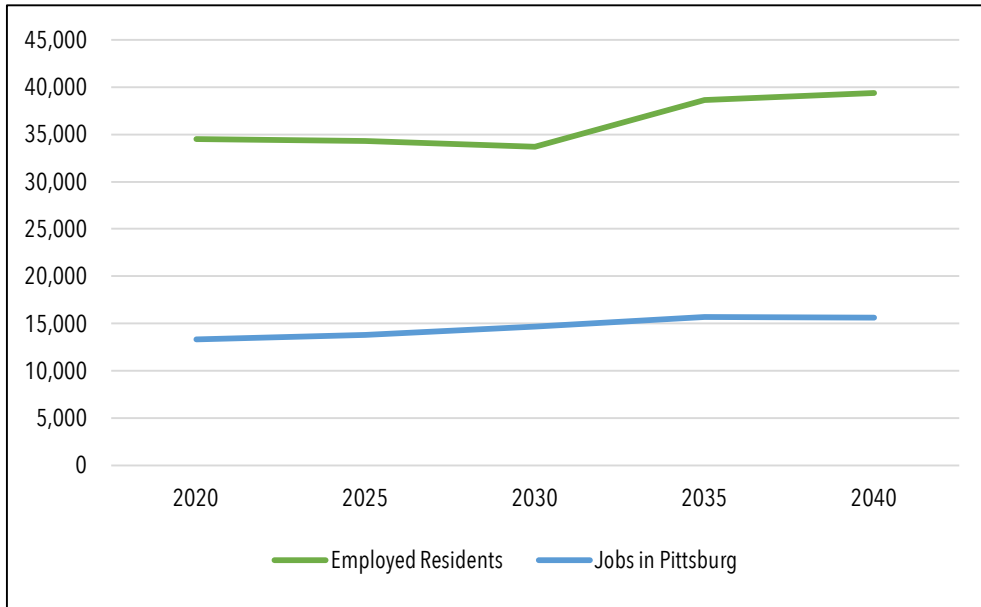
Table 10 shows that the number of jobs in the City will increase over the next 20 years. However, it also shows the number of jobs in the City will remain significantly less than the number of employed residents. In 2020, 13,330 jobs are projected in the City compared to 34,495 employed residents. This trend is expected to continue through 2040, when the City is projected to have 15,615 jobs and 39,380 employed residents. These numbers indicate that Pittsburg's workforce (employed residents) will need to leave Pittsburg for work opportunities as local jobs available are not projected to meet the number of employed residents.

**TABLE 10: EMPLOYED RESIDENT AND JOB PROJECTIONS: PITTSBURG AND COUNTY - 2020-2040**

PROJECTIONS	CITY OF PITTSBURG		CONTRA COSTA COUNTY	
EMPLOYED RESIDENTS	NUMBER	PERCENT CHANGE	NUMBER	PERCENT CHANGE
2020	34,495	N/A	589,810	N/A
2025	34,280	-0.6%	617,185	4.6%
2030	33,660	-1.8%	633,830	2.7%
2035	38,615	14.7%	655,135	3.4%
2040	39,380	2.0%	665,875	1.6%
<i>2020 to 2040 Projected Change</i>	<i>4,885</i>	<i>14.2%</i>	<i>76,065</i>	<i>12.9%</i>
JOBS IN PITTSBURG	NUMBER	PERCENT CHANGE	NUMBER	PERCENT CHANGE
2020	13,330	N/A	414,290	N/A
2025	13,800	3.5%	423,845	2.3%
2030	14,675	6.3%	458,255	8.1%
2035	15,690	6.9%	483,810	5.6%
2040	15,615	-0.5%	498,115	3.0%
<i>2020 to 2040 Projected Change</i>	<i>2,285</i>	<i>17.1%</i>	<i>83,825</i>	<i>20.2%</i>

SOURCE: ASSOCIATION OF BAY AREA GOVERNMENTS, PLAN BAY AREA PROJECTIONS 2040, 2018.

**FIGURE 8: PITTSBURG EMPLOYED RESIDENTS AND JOBS IN PITTSBURG - 2020-2040**



SOURCE: ASSOCIATION OF BAY AREA GOVERNMENTS, PLAN BAY AREA PROJECTIONS 2040, 2018.

Figure 9 shows the inflow and outflow of jobs based on 2015 data collected by the U.S. Census Bureau. According to the bureau’s data, 11,640 workers come into the City for employment. Out of all employed Pittsburg residents, 2,598 work within Pittsburg and 25,183 work outside the City.

**FIGURE 9: CITY OF PITTSBURG INFLOW AND OUTFLOW OF JOBS - 2015**



SOURCE: U.S. CENSUS ON THE MAP JOB COUNTS, 2015.

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## ECONOMIC AND REAL ESTATE PERCEPTIONS

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To augment the data presented in this report and to provide context regarding the City's economic conditions, New Economics & Advisory toured the City of Pittsburg and conducted stakeholder interviews to gather local insights about local business, land development, and commercial real estate conditions. Through its interviews and industry knowledge, New Economics identified the following challenges and opportunities related to the City's economic conditions.

### CHALLENGES

- Despite significant infrastructure improvements, State Route 4 continues to experience traffic levels that are problematic for existing businesses that rely on this highway to deliver items to customers and/or attract employees from longer distances. Traffic levels are also a deterrent for attracting logistics-related industrial users that are currently active in the Bay Area and Central Valley.
- The City's current configuration and demographic profile are restricting the ability to sustain existing retailers and attract new, experience-oriented retailers. The rise of e-commerce is placing additional pressure on traditional retailers to seek higher-income and higher-density areas, while new retail emphasizes experiences and services (such as gyms) that cannot be purchased on-line.
- The location of the Delta to the north and mountains to the south creates a linear population base for Pittsburg that prevents larger retailers from enjoying the more densely populated "radius" shape of customers available in other East Bay cities. In addition, as one of the most affordable cities in the Bay Area, Pittsburg's price points provide an important source of housing for workers who commute to relatively low-paying jobs. However, these residents also have lower levels of disposable income compared to residents of other East Bay cities.
- Multiple stakeholders reported that a large portion of the City's existing workforce commutes to areas all over Silicon Valley. They also reported that workers at the City's largest businesses tend to remain onsite during rest and lunchbreaks. This combined dynamic hurts local retail and commercial businesses that need more daytime business to remain stable in the long run.
- The City's geographic location and current demographics do not yet support demand for traditional office space. In addition, Class A and Class B office users in the East Bay continue to prefer locations on or accessible to Interstate Highway 80 or 880.
- Existing rents are too low for most new commercial or mixed-use development to pencil. This financial reality will continue to limit new development in the Railroad and Garcia subareas.
- Multiple stakeholders identified the City's zoning code as a barrier to economic development and felt changes were necessary to provide additional flexibility and maximize opportunities on key catalyst sites. For example, stakeholders suggested increasing the number of allowable commercial service uses in the Downtown to help increase foot traffic and support more traditional retail shops and restaurants.
- Longer term, new development at the Concord Naval Weapons Station could be a more competitive site for residential, commercial, and/or industrial development in the East Bay.

### OPPORTUNITIES

- There is ongoing demand for small floorplate industrial/commercial uses, some of which include yard space. Sought-after space generally includes 2,000 to 8,000 square feet that would be attractive to entrepreneurs. As rents increase, developers will be able to add this type of product to the market.



- If rental rates throughout Silicon Valley continue to increase, places like Pittsburg will become increasingly attractive for start-up and/or e-commerce office locations. The Railroad Avenue and Downtown subareas could be attractive locations for these types of users.
- Although the city cannot grow outwards, a number of large infill sites could accommodate substantial job and/or residential growth, including the former golf course site, power line corridor (if reconfigured over time), waterfront parcels, vacant retail land, etc.
- The City has a proven track record of thinking creatively around unique opportunities, and multiple stakeholders expressed optimism about working with City staff to resolve technical issues and envision longer-term projects.
- Smaller, more specialized retail stores that cater to the local community continue to play an important role in stabilizing existing retail centers and providing important goods and services in the City. Additional residential growth can help to sustain these retailers.
- Pittsburg is the only East Bay city in Contra Costa County with two BART stations. Over time, this higher level of access to the rest of the larger region has the potential to attract more workers to Pittsburg and increase the sales price of housing in the City.
- If the City can attract more jobs to Pittsburg that match the City's current workforce, it will help reduce or eliminate commutes and sustain local retail and service businesses.

### **STAKEHOLDERS INTERVIEWED (MAY-JUNE 2019)**

Kolette Simonton, City of Pittsburg (Economic Development)

Cory Anderson, USS Posco (Steel Manufacturing Company)

Scott Bertrand, Cushman Wakefield (Real Estate Brokerage)

Monica Couture, Pittsburg Chamber of Commerce (Economic and Workforce Development for Small and Large City Businesses)

Kris Hagar, Newmark Knight Frank (Real Estate Brokerage)

Doug Messner, Sierra Pacific Properties (Property Development and Management Company)

Sean O'Reilly, Transbay Cable (Utility Joint Venture Company with City)

Louis Parsons, Discovery Builders (Developer/Home Builder)

PJ Quesada, Ramar Foods (Food Manufacturing Company, Large Employer)

## JOBS CAPTURE / WORKSPACE DEMAND

The projected number of employed residents shown in Table 10 indicate that the City's workforce is anticipated to continue growing. As previously discussed, the City is not capturing sales in many retail spending categories indicating there is capacity for additional retail opportunities. Further, the City's office, retail, and industrial spaces generally have high occupancies and discussions with the business community have indicated the need for additional employment-generating uses and space. Table 10 and Figure 8 both illustrate that although the City has a strong employment base, the City exports many of its workers.

Table 11 identifies the net jobs projected to be exported during 2020 through 2040, based on the ABAG's projections. Were the City to seek to expand employment opportunities to capture 15% of the City's residents that do not have work options in the City, the City would need to ensure adequate land to accommodate workspace for approximately 3,565 more jobs by 2040. While the specific breakdown of job types and associated type of development (office space, retail and services space, and industrial space) is not known at this time, it is anticipated that this increase in employment would require approximately 68 acres of land designated for employment-generating uses. Were the City to seek to capture 25% of the projected increase in its employed residents, the approximately 5,941 jobs would require approximately 114 acres of land designated for employment-generating uses.

The Envision Pittsburg Existing Conditions Report indicates that there are more than 144 acres of land available for employment-generating uses, based on a review of sites designated as vacant by the County Assessor [Figure 1.1-4] and the associated General Plan Land Use Map [Figure 1.1-1]). While there appear to be adequate sites to accommodate employment-generating uses, the Envision Pittsburg Land Use Alternatives Report will further assess the capacity and appropriateness of vacant and underutilized sites to accommodate projected job growth as well as the types of commercial and industrial uses that are needed and/or desired to serve the community.

**TABLE 11: NET JOBS EXPORTED COMPARED TO POTENTIAL JOBS CAPTURE AND ASSOCIATED JOBS ACREAGE - 2020-2040**

YEAR	EMPLOYED RESIDENTS	JOBS IN CITY	NET JOBS EXPORTED	15% CAPTURE OF JOBS EXPORTED		25% CAPTURE OF JOBS EXPORTED	
				JOBS	ACRES <sup>1</sup>	JOBS	ACRES <sup>1</sup>
2020	34,495	13,330	21,165	3,175	60.7	5,291	101.2
2025	34,280	13,800	20,480	3,072	58.8	5,120	97.9
2030	33,660	14,675	18,985	2,848	54.5	4,746	90.8
2035	38,615	15,690	22,925	3,439	65.8	5,731	109.6
2040	39,380	15,615	23,765	3,565	68.2	5,941	113.7

NOTE: <sup>1</sup> PROJECTED ACREAGES ARE BASED ON AN AVERAGE OF 1 EMPLOYEE PER 500 SF OF DEVELOPED OFFICE, COMMERCIAL, AND INDUSTRIAL SPACE AND AN AVERAGE FLOOR AREA RATIO (AMOUNT OF DEVELOPED BUILDING SPACE PER ACRE OF LAND) OF 0.6.

SOURCE: ASSOCIATION OF BAY AREA GOVERNMENTS, 2018; DE NOVO PLANNING GROUP, 2019.