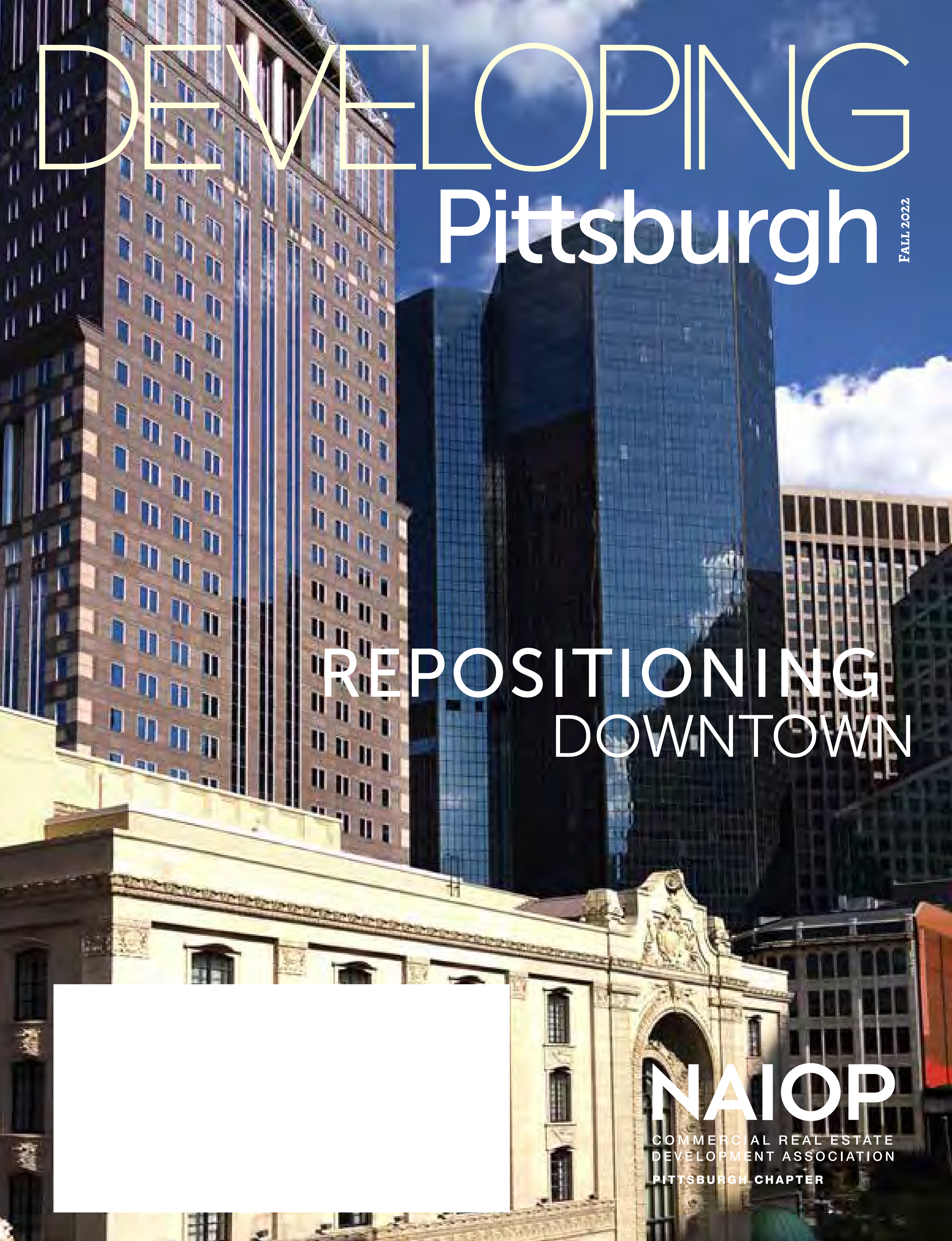
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DevelopingPittsburgh™ is published by
Tall Timber Group for NAIOP Pittsburgh
412-928-8303
www.naioppittsburgh.com

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# President's Message

DEI (Diversity, Equity, and Inclusion) means something different to each of us, depending on our background and experiences. NAIOP Corporate and NAIOP Pittsburgh have taken a very straight forward measuring stick when examining DEI at both our local and national organization… "Are minorities and woman both working within Commercial Real Estate (CRE) and joining NAIOP in proportion to demographics?"

Approximately 12 years ago, during NAIOP Pittsburgh strategic planning, this issue came up for discussion. We first focused on exclusion. What did we need to stop doing so that we are not excluding groups of people from our industry and organization? While this may have been an important first step, it did not yield results. In more recent years, we have been focusing on inclusion. How do we encourage minorities and women to work within CRE and those already established within CRE to become active NAIOP members? NAIOP has been making measurable progress engaging minority and women CRE professionals as a result.

However, regarding our total CRE workforce demographics, we are lagging other professional service industries such as law, medicine, and education, especially with regard to minority participation. For the past three years we have been actively working with Robert Morris University to create a summer program for high performing minority high school students to expose them to the many career opportunities withing CRE. To date, NAIOP Pittsburgh members have invested over $80,000 and well over 1,500 volunteer hours bringing this program to life. In the past two years approximately 43 high school students and 10 mentor college students have completed the program. Planning has already started for the 2023 CRE Immersion Program. As these students transition to college and work, we will see if this investment yields the anticipated return on investment. And NAIOP Pittsburgh is looking at expanding the investment to include mentoring of the program alumni through college. An additional benefit to the program is that RMU has developed some of the program classes into college business classes which will better prepare their graduates for opportunities within CRE.

Why does this investment matter?

CRE is a significant portion of the economy. Shortages of design professionals, contractors, skilled craftsman, property managers, analysts, brokers, and other jobs can be eased simply by including a more diverse work force. More important, expanding minority investment into real estate of all types increases the net worth of communities and improves the economic growth and stability of our nation. This allows additional CRE development that improves the quality of life within a community. So yes, there is possible future financial benefit to NAIOP members.

Those involved in redevelopment also benefit by having team members who better relate and communicate to minority communities affected by redevelopment, and can communicate the needs and expectations of those communities to those of us who have not lived there.

Most important, there is a moral obligation for those of us who have benefited from years of working within CRE to actively include those groups who have not been so blessed. Richard Rothstein's 2017 book "The Color of Law" takes a disturbing look at the discrimination that black Americans faced in the residential real estate market (and CRE) from before the Civil War to as recent as the 1970s and beyond. It wasn't until the 1970s, that women could obtain a real estate loan without a man co-signing. Just about all of us started work after discrimination was legally abolished (almost). So while we may have been good at not excluding, it is now our obligation to actively include.

This is my last "President's Message". For the five of you who read it to the end, thank you. Serving NAIOP Pittsburgh has been an honor. As president elect, Brandon Snyder is well prepared to take the chapter to new heights. I am genuinely excited for the future of NAIOP Pittsburgh.

Jamie White
NAIOP Pittsburgh President

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As we enter fall of 2022, it is apparent that our city has emerged from the pandemic and investment and economic activity has normalized. However, this return to growth has not been equal throughout our city and region. Particularly, downtown continues to lag in this economic rebound. To start 2022, Class A and Class B office vacancy rate was near 21 percent and that has impact throughout the entire Central Business District (CBD). Retailers, restaurants, our Cultural District, and most importantly our fellow Pittsburghers, need a thriving downtown. We in the commercial real estate (CRE) community have an opportunity to help propel our downtown's resurgence.

Following the lead of the Pittsburgh Downtown Partnership (PDP), our state, county, and city are preparing plans to invest $9 million in converting historic office buildings to multifamily residential. While this investment is only a pilot program, it is an important first step in our city's plans to revitalize our downtown. The CRE community must partner to help produce ROI and public value to justify further investment in these conversions. With a new Governor in 2023, we need to ensure that the next administration understands the importance of investing in our CBDs. Our legislative leaders also need to hear from the CRE community about the benefits of these investments.

Additionally, Target's move into downtown presents our city with an opportunity to prove that sizable retailers can thrive in the CBD. If Target succeeds, other top retailers will follow. We should support Target and encourage our networks to support them as well. Our downtown businesses showed resiliency through 2020 and 2021. Now we need to support these businesses with our spending. A vibrant downtown helps the entire economy, including the CRE sector.

If our city and region are going to fully bounce back from the pandemic, we can't leave downtown behind. Thankfully, the PDP is working hard to ensure there is a vision and strategy to rebound. We in the CRE community must continue to partner to help accelerate this rebound.

Brandon J. Mendoza
Executive Director
NAIOP Pittsburgh

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# ING

For many aspects of American life, the pandemic that began in March 2020 was an accelerator of trends that were already underway. For Downtown Pittsburgh, the initial measures to mitigate the spread of COVID-19 – sheltering in place and working from home – masked an underlying trend that had been accelerating since 2017.

Downtown Pittsburgh was becoming a more vibrant live/work/play center throughout the 2010s, but the "work" part of that equation had begun eroding in the middle of the decade. Once the third largest home to Fortune 500 companies, Downtown Pittsburgh lost tens of thousands of daytime workers when industrial giants moved out in the 1980s, even as five new buildings were built. After stabilizing and rebounding in the 1990s, office occupancy rates soared in the mid-2010s. Those single-digit vacancy rates belied the coming trend of subleases and structural downsizing that was to come later in the decade. The pandemic was the last straw.

In the fall of 2022, the effects of the pandemic are still palpable from 9:00-to-5:00; however, the vibrance of nights in downtown has returned. Restaurants and bars are full. The Cultural District is selling out again. Streets are full of residents walking dogs and suburbanites taking a night on the town.

If you had asked a civic leader for a vision of a vibrant downtown 20 years ago, chances are they would have described a scene like you can find on any given evening. Even the most optimistic promoter of downtown might not have expected the number of apartments and condos being occupied. It is safe to say that no one would have predicted that 80 percent of the daytime workforce would be absent.

Leaders now must set a new course for Downtown Pittsburgh. With any luck, the market will follow. That does not always happen. Tom Murphy had a vision of revitalized retail driving new residential development 20 years ago. When the city got out of the way and let developers set the vision, residential flourished and lifestyle amenities followed. But the health of the office market downtown was masked by several factors that were unrelated to the factor that drives office occupancy: job growth.

The job growth that is anticipated in Pittsburgh in the coming decade is unlikely to be in sectors that will gravitate to downtown. It will be tough to move the needle on the office occupancy levels downtown, even if everyone returned to the office by Thanksgiving. That does not mean that downtown faces a bleak future. What the market has already begun to demand – more residential downtown – is being met by converting

*The addition of permanent outdoor seating throughout the CBD helped restaurants survive the pandemic and is one reason why dining is stronger in 2022 than in 2019. Image courtesy of the Pittsburgh Downtown Partnership.*

more of the office buildings to apartments and condominiums. Public- and private-sector leaders seem to have recognized this. Policies and incentives are beginning to follow. It is clear that the future of Downtown Pittsburgh will be more residential, more 24/7. That will not be a bad thing, just a different thing.

### The Office Problem(s)

The principal problem facing the Downtown Pittsburgh office market is the same problem facing office markets everywhere: fewer people want to go to the office to work. That change in attitude, brought on by the necessity of working from home during the pandemic, may be temporary in nature; however, there are other forces acting as headwinds to office occupancy downtown.

Beginning with Citizens Bank's 2015 announcement of its intentions to vacate its space at 525 William Penn Place, multiple corporations relocated from downtown or downsized dramatically. Few, if any, of these changes were the result of a negative Pittsburgh experience, but the market nonetheless saw almost two million square feet of space available for sublease. The impact of this was muted because of three positive market influences a decade earlier. UPMC added more than a million square feet of absorption to downtown when it moved its headquarters from Oakland to 600 Grant Street. Point Park University acquired and repurposed a handful of obsolete office buildings between Fourth Avenue and the Boulevard of Allies. And a dozen office buildings were converted to hotel or residential use.

The vacancy rate plunged in Pittsburgh more because the denominator shrank. The numerator – the number of people occupying offices – remained almost the same.

Pittsburgh remains a home to a large number of law firms, accountants, and financial service providers. That is a remnant of the demand created by the industrial corporations that called Pittsburgh home. Indeed, many of the firms located in Pittsburgh today still serve those industrial giants all over the world, even though the clients have not been in Pittsburgh for decades. Improvements in technology reduced the number of administrative staff needed. Changes in culture and design shrank private offices and eliminated walls. The net result has been a reduction in demand for space, even as the firms in downtown have expanded.

These trends in office space were becoming impactful before the pandemic. Downtown's most recent big lease news is a perfect example. Dickie McCamey & Chilcote announced the signing of an 80,000 square foot lease in Gateway Center, a reduction of 20 percent from its existing space at the same time the firm reached the 200-attorney level for the first time.

Since March 2020, companies providing professional services, such as attorneys, accountants, and bankers, learned how to be effective for their clients while working outside the office.

Another factor making downtown occupancy more difficult is the increased competition from the areas just beyond the central business district (CBD), especially the Strip District. Developments like 3 Crossings, District 15, and Vision on 15th, have grabbed tenants that might otherwise have opted for the Golden Triangle, including a couple firms that were located there. While this trend effectively expands the perception of what is "Downtown Pittsburgh," it draws tenants away from the traditional downtown offices.

"When you see three million square feet being built on the periphery, where are those tenants coming from?" asks Jeremy Waldrup, president and CEO of Pittsburgh Downtown Partnership (PDP). "They will pull from the Golden Triangle and the 25 million square feet of office here."

Those are several strong headwinds working against occupancy levels in the CBD. None compare, however, to the disruption to office life that came from the pandemic. For all the regional market issues that might be making the downtown office market more difficult to lease more fully, the biggest problem has a simple solution: people need to return to the office. It is a simple solution that has thus far eluded the market.

The impact of work from home, either as a full time or hybrid policy, is dramatic. Daytime visitation to downtown is about 77,000 people now, compared to 137,000 a day before the pandemic. For a submarket in which 77 percent of building stock is office, one of the highest shares of office space among major metropolitan cities in the U.S., that is a dramatic change.

Waldrup notes that the return to office has crept up slightly in recent months but has essentially been range-bound around 20 percent since the late summer of 2021. The share of employees who have returned to work downtown is more than double that number, reaching 44 percent in June. The disparity between those numbers underlines the headache for downtown landlords and tenants. While nearly half the employees have come back to the office, only one in five occupies on any given day.

In contrast, the level of leisure and travel activity in downtown have returned almost entirely. Tourism recovered to between 80 and 90 percent during the 2021 football and holiday season, dropping off to the 70 percent range in recent months. The number of daily visitors to downtown has mostly recovered to pre-pandemic levels, however, suggesting that people from around the region are returning to enjoy the lifestyle amenities in downtown. One metric, the number of restaurant seats occupied, sits at 115 percent of the 2019 level.

If you have visited downtown in the evening or on a weekend, the vibrance that was palpable in 2019 is there. During the day, however, the CBD does not have the hustle and bustle of three years ago. That has changed how landlords are operating.

"Things are going to start changing and have changed already. The issue right now is that we don't know what things are going to change to. There has to be a strong office market in Downtown Pittsburgh, and I think there will be. It will take some time to adjust," says Gerard McLaughlin, executive managing director at Newmark. "If you own a building that is 80 percent occupied you should do everything in your power to attract tenants to your building. That means modernizing the building, adding amenities, and working with your leasing team to make the building as attractive as it can be."

McLaughlin notes that the shift to work from home swung the market in favor of the tenants, particularly the employees of tenants. The need to upgrade and "amenitize" buildings is a response to the challenge of retaining workers and attracting them to return to the office, even if on a hybrid basis. Tim Goetz sees corporate occupiers responding to the shift.

"We are seeing longer term leases again. In return, tenants are looking for amenities for their employees. The process has been more democratic. They are asking their employees what they want to see after working from home for two years," explains Goetz, who is managing director for Cushman Pittsburgh. "The landlords are committing to collaboration spaces, fitness centers, storage space, conference rooms, and other amenities to attract credit worthy, quality tenants. Landlords are going to need to do that if they want to compete. If tenants are trying to retain and recruit, they will need workspaces that are attractive to workers."

The new balance of market power means that the decade-long upward trend in CBD rents is likely to end. Office rents in downtown were the highest in the region, but Class A buildings in Oakland and the Strip have commanded higher rents than those in the CBD for several years. Competition from those submarkets will continue and the focus on employee wants also has employers evaluating their space needs differently.

"We don't have a lot of new companies coming into downtown. When leases come up for renewal, companies are looking at how they are using their space and often now are looking at using less space," notes McLaughlin.

"We are seeing landlords provide contraction rights, so tenants have flexibility if they make a longer-term competitive commitment. We are seeing landlords be more aggressive to retain tenants. That will bring rates down a bit," agrees Goetz. "On the other side of the coin, tenants that are moving and willing to make a long-term commitment understand that landlords are making a long-term investment and need market rates for that space."

Goetz emphasized that the market was still feeling its way through unknown territory and that tenants were still searching for what their needs will be as leases turn over. The way forward is unlikely to be known until that search ends. In the meantime, the conditions will challenge landlords to retain tenants and reward investors.

### The Downtown Office Solution(s)

Few observers of the office market or Downtown Pittsburgh expect a solution to the underlying problem to emerge. While a miraculous return to office occupancy would be welcome, landlords in downtown would still be challenged with the long-term structural trends. It is difficult to suggest what might trigger a return to normal office occupancy again. Some suggest that a recession, which leads to higher unemployment, might make workers less comfortable about their absence from the office, while others believe that a reversal of the trend will come if working from home begins to feel like missing out – maybe literally when it comes to raises and promotions. It may also be that employees will not feel obliged to change unless they are compelled to by employers.

3 MARKET SQUARE STATION

"A return to the office will have to be driven by the big employers," says Jim Scalo, CEO of Burns Scalo Real Estate.

One trend that will not be driving occupancy downtown is new development. While there are speculative offices in development and under construction in Oakland and the Strip District, there are no plans for new

*The Market Square BRT station at Fifth Avenue and Liberty Avenue will be across from the Fairmont. Rendering courtesy Pittsburgh Regional Transit.*

construction downtown. The flight to quality is simply outweighed by the difficulty and cost of construction in the CBD.

"There are issues working downtown that you don't have in the suburbs. There's a lack of lay down issue area. There are more labor issues. And then there's the time involved," says Scalo. "The biggest issue in town today is still permitting. We can do three projects in the suburbs in the time that we can do one in the city."

"When you're building in downtown it's that much more difficult, especially if you're trying to be sustainable. There is little room for laydown and staging so you need to make more trips to bring material in. There is little room for cranes. The duration of the project is longer in the CBD because of how you stage, how you deliver, and the number of hours you can work," explains Steve Guy, president and CEO of Oxford Development Co. "In downtown you also have to go more vertical, and the more vertical you go the cost per square foot increases and the efficiency decreases. The cost per usable square foot is going to go up in a CBD or urban core environment. In the urban fringe there is a natural benefit of at least three percent, probably five to eight percent, over what you can build in an urban core."

Guy argues that the math does not work for investors in the current market conditions.

"We all compete for the same rental dollars. We don't get better financing or cap rate in the CBD. When you're looking at the same rent dollar that extra $20 or $40 or $50 per square foot is a real differentiator in the yield," says Guy. "If you have to charge the same rent, your investors have to be willing to accept perhaps 150 basis points lower yield. Even if I believe the demand side opportunity is equal, why would I invest where I would get 150 basis points lower yield?"

Steve Guy's rhetorical question assumes that demand for office space downtown is equal to other parts of the region, an assumption that is difficult to accept. None of the growth sectors of Pittsburgh's economy – healthcare, robotics, artificial intelligence, or life sciences – are natural fits for high-rise office settings. (In fact, it's easier to argue the opposite.) In general, office demand is weaker now regardless

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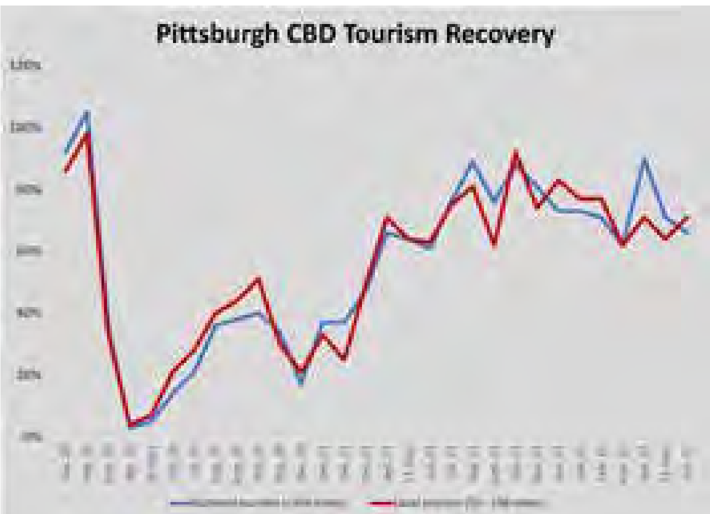


*Source: Pittsburgh Downtown Partnership*

of the location. But demand for residential space continues to grow and that may provide the solution to the downtown office problem.

There are 7,000 residents living in downtown in 4,100 dwelling units, most of which are rentals. That is roughly twice the number of people who lived downtown in 2000. The vacancy rate in downtown apartments is six percent. After a decade of adapting old offices and building new units – led by PMC Property Group from Philadelphia and the Piatt Organization (then Millcraft) – developers cooled on the CBD. That has changed since the pandemic.

PMC has started work converting the former Allegheny Building on Fourth Avenue into 177 apartments. Roughly 700 units in three major projects on the verge of construction in the Golden Triangle. The Former GNC headquarters building at 300 Sixth Avenue is being converted into 254 apartments by Victrix LLC. Douglas Development has proposed 142 units in the former Easter Seals Building at 642 Fort Duquesne Boulevard. City Club Apartments are 300 units of new construction being developed by Jonathan Holzman at 305 Wood Street. Another 125 units or so are proposed in numerous smaller buildings. That is the first wave of new residential.

Recently, Hertz Investment Group floated the idea of converting 3 Gateway Center to 300 residential units and Rugby Realty announced it was looking for a development partner to convert the 44-story Gulf Tower into a mix of luxury hotel and roughly 200 residential units on the upper 25 floors. In announcing Rugby's plan, Aaron Stauber referred to research that suggested that demand existed for 5,000 or more additional residential units in the Golden Triangle.

Jeremy Waldrup sees the conversion as a needed boost for the residential component of downtown, as well as for the troubled office market trying to rebound from the pandemic.

"Taking 500,000 square feet of commercial office off the real estate rolls will help the market. It will push current tenants in those spaces into other buildings. We are seeing the flight to quality play out in the leases that expired in the last two years, not just in Pittsburgh but everywhere," he says.

Waldrup thinks the relatively low number of downtown residents has impacted the return-to-work metrics in Pittsburgh, at least when compared to other cities with more residential downtown areas.

"Look at the residential makeup of Philadelphia. It has quadrupled over the last 20 years. Philadelphia is at 90-plus percent return to work, not because they have more people in the office, but because they did not lose people who worked and lived downtown."

Leonard Klehr, principal at Lubert Adler, is based in Philadelphia and saw that disparity as an opportunity when his firm looked at taking control of the redevelopment of the former Kaufmann's into apartments.

"Pittsburgh is not a foreign market to us. We know about it and think about it. The Kauffman's development was in a distressed situation. The developer found his way to us, and it was the kind of transaction that Lubert Adler specializes in," Klehr recalls. "We certainly had our questions about demand, especially given that the transaction took place during the pandemic. Traditional urban residential is dependent upon job growth and there wasn't any at that point. Lubert Adler has a history of adaptive reuse in a number of cities, and we wanted to take a shot at Pittsburgh. It was behind its sister city, Philadelphia, in developing residential units downtown."

The Kaufmann's Grand project and the conversion of the Commonwealth Building occurred during the lull in residential development in the early 2020s. Those properties now have waiting lists of prospective renters.

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As Downtown Pittsburgh sees more residential development, the developers will run into conflict with the desire of civic leadership to bring more affordable housing into the city. As Klehr noted, adaptive re-use of obsolete office buildings is usually complicated and complicated costs more money. Mayor Gainey launched the Downtown Conversion Pilot Program on July 1 to create opportunities for workforce housing by offering incentives to developers for up to 10 percent of the units and committed $2.1 million in American Rescue Plan (ARPA) funds to aid in financing. Though well intentioned, the program will need to bridge a larger gap in financing than the current funding level.

"This conversation about commercial conversion to residential will continue to be a priority for us. We have been lobbying the city, county, and state to provide additional funds for this. Right now, we have a $9 million commitment and we're looking to grow that to $50 million," says Waldrup. "We're interested in creating workforce housing, not just luxury units but opportunities for our service workers, healthcare workers, and restaurant workers to have access to downtown housing. That would be an amazing opportunity to provide but something that downtown landlords haven't figured out yet. We see it as a boon to recruiting healthcare workers or other service providers to our region. Imagine the opportunity to offer a 20-something person just graduating from college to work and live downtown instead of being forced into a suburban setting."

Another regional improvement that could facilitate the development of more housing, particularly workforce housing, is the bus rapid transit system (BRT) that will connect downtown to Oakland and other eastern Pittsburgh locations that are employment centers. The downtown phases of the $291 million project are scheduled to go out for bid in late 2022, with construction starting in spring of 2023. The new system will be operational before the end of 2024.

The BRT route will bring the buses west on Fifth Avenue into downtown and east on Sixth Avenue to the Steel Plaza Station, after which buses head east to Oakland and beyond on Forbes Avenue. Adam Brandolph, public relations manager for Pittsburgh Regional Transit (PRT), notes that all turns made in downtown will be right turns, eliminating the traffic problems that result from buses turning left. The pattern should reduce congestion from bus traffic and speed up the trips from downtown stations to eastern Pittsburgh destinations.

Stations will be built along Fifth Avenue at Ross Street, William Penn Place, and at Liberty Avenue, opposite Market Street. Along Sixth Avenue, the stations will be located at Wood Street and Steel Plaza on Grant Street. The latter two stations will be integral to connecting the BRT to the PRT's light rail system.

Pittsburgh Downtown Employee Recovery

*Source: Pittsburgh Downtown Partnership*

*Source: Pittsburgh Downtown Partnership*

"The BRT will connect with the light rail system at the Wood Street and Steel Plaza stations," says Brandolph. "From there riders can travel seamlessly to the North Shore or the destinations in the South Hills."

If these efforts to develop and attract more residents and visitors to downtown are successful, PDP recognizes that there will be increased focus on public safety and infrastructure in the CBD. After a decade of advocacy, funding has been freed to complete the redesign of Smithfield Street, which will improve pedestrian safety and traffic flow. Waldrup jokes that Downtown Pittsburgh needs another handful of similar projects and expects the public infrastructure upgrade to increase private investment. He also expects improvements in human services downtown.

"We're focusing on downtown being a welcoming. We will continue to focus on clean and safe. We're working with police department and homeless outreach providers to provide services. Things have changed. We have more people sleeping on our streets than we have in recent memory," Waldrup acknowledges. "There are a lot of organizations interested in supporting those individuals. The Second Avenue Commons shelter facility will open in mid-September. That should be transformative to providing services for folks in a low barrier setting. We don't have that now."

*The City Club Apartments will be the first residential new construction in downtown since the Lumiere Condominiums were developed by the Piatt Organization in 2017. Rendering by Indovina Associates Architects.*

Clean and safe are important ingredients for attracting retailers, another important component of developing an 18-hour downtown. Retail (including restaurants) was decimated by the COVID-19 mitigation measures in spring 2020 and the climate for shopping and dining did not improve much until after vaccines were widely distributed. Waldrup reports that 30 percent of the ground floor tenants went out of business downtown in 2020. New businesses have been backfilling those spaces and the survivors of the pandemic have seen demand recover.

"It's an interesting time for retail and restaurants. Coming out of the pandemic, there weren't enough people downtown to support these businesses. Now, these businesses are seeing more customers, but downtown workers don't make up most of that customer base like they did in the past," says Jason Cannon, first vice president at CBRE.

Adele Morelli, owner of Boutique La Passerelle, echoes Cannon's observations. Morelli says she took advantage of any available grants and incentive programs to survive 2020 and built a new website that gave her customers a way to buy without visiting the store. When foot traffic returned in 2021, she had a record year with a different clientele.

"2021 was a building back type of environment. PDP continued to have events and Visit Pittsburgh drew people into the city; so, while we lost our main client base of women working downtown, we gained clients from people who were visiting Pittsburgh," Morelli says. That's my biggest new client base. Every day someone comes in who is visiting Pittsburgh because people are doing more regional travel by car."

The synergy between residential development and retail is as real in Downtown Pittsburgh as it is in Cranberry Township. The reality that retailers need lots of rooftops – or at least lots of apartment doors – was misread by Mayor Murphy 25 years ago. Downtown office workers can support retail and restaurant businesses, but the daytime workforce in Pittsburgh was no longer large enough by the mid-1990s. Today, those businesses are thriving with a fraction of the daytime workforce as potential customers. The current environment proved attractive enough for Target, which is devoting half its floor space to groceries and staples.

"I think Target moving in gave people a sense of comfort that even in uncertain times, one of America's favorite retailers was willing to commit to downtown Pittsburgh," says Cannon.

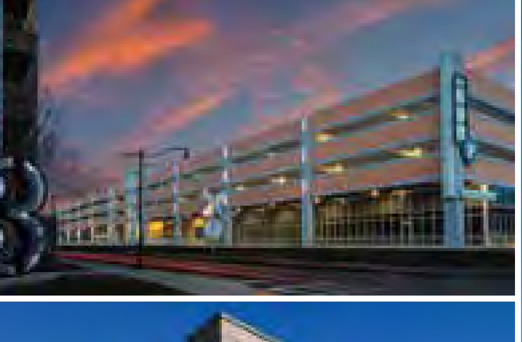
Downtown has changed more in the past two years than in two decades. As a 24/7 neighborhood, the changes have been incremental, almost unnoticeable to the untrained eye, except between 8:00 AM and 5:00 PM. But those changes have been dramatic. Office buildings are mostly empty most days of the week. Fewer restaurants are open at lunch. You can get a parking place any time of the day. Rush hour is not that rushed.

It is possible, maybe likely, that Downtown Pittsburgh in 2030 will look like 2019 looked during the workday. It seems foolish to predict when or how people will return to working in the office again. Until the new normal of office occupancy emerges, landlords and office tenants will be challenged to match space and needs. That will be true anywhere. If, in Pittsburgh, another dozen or so office buildings get a new life as an apartment or condominium, the commercial real estate market will benefit. It is worth remembering that Downtown Pittsburgh is home to 20 million square feet of office space. There is room for changes to occur.

Jerry McLaughlin believes that the basic value of the office – to offer a place where workers can collaborate to solve customer's problems to a profitable end – is unchanged. He reminds us that the Downtown Pittsburgh office market has seen troubled days before.

"Pittsburgh is very adaptable. We went from 1980 having all the Fortune 500 companies to very few by 1995," he says. "We'll adapt to whatever the future brings."

"We will get back to where the economy was pre-pandemic. Will offices look the same? Probably not. Once we all got a taste of working from home that became a game changer. Landlords will figure it out as well," agrees Goetz. "How much residential can we have in the CBD? It would be great to increase that core of residents. It is a cycle, but we are resilient in Pittsburgh." **DP**



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## Smithfield Condominiums

Bost Development is most of the way through the entitlement and design of the conversion of the properties that span 635-641 Smithfield Street from an historic office use to an unusual residential use. Thomas Bost is planning to start work late this year on a condominium that draws its inspiration as much from suburban neighborhoods as the downtown architecture.

"This is a boutique development and we're looking for anywhere from three units to 12. We are offering customizable condos. What that means is that not only are you able to select your floor plan and layout, but you will be able to do full customization as if this were a single-family home," Bost says. "Instead of providing lots; we're providing square footage."

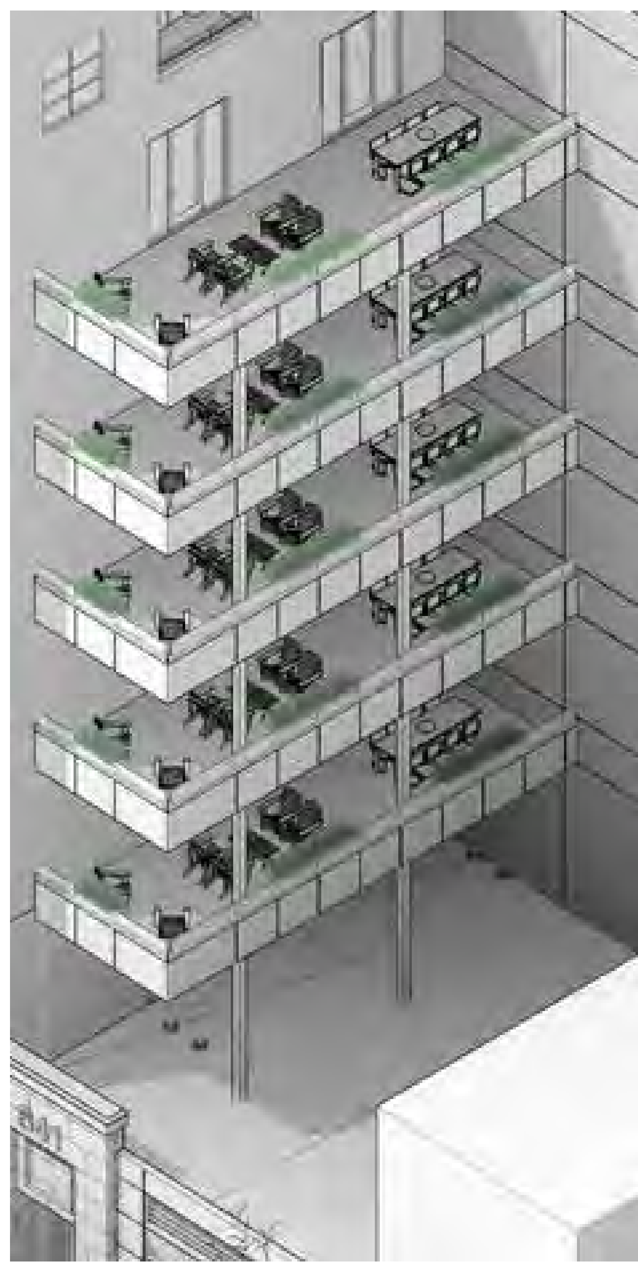
Bost was interested in developing residential downtown because of what he perceived as a shortage of inventory relative to other cities. As he examined the downtown market, he saw an opportunity at the upper end of the price range, where there is a limited supply of units available for ownership, and an even more limited supply of luxury product. He looked at how the residential units at 3 PNC Plaza were sold as an indication of what kinds of buyers might look for condos downtown, and how those buyers would want to behave.

"When the PNC condos were completed, they started out selling them fully finished and received a lot of pushback from buyers who were spending millions of dollars and wanted to customize them. The last units they allowed full customization, and they were able to sell them," he says. "The more people spend on a home property, the higher the expectation level. There's less willingness to sacrifice what they want. We're trying to make this as flexible as possible. That eliminates excuses that people might have who want to live downtown for the experience but can't find something similar to what they have in the suburbs."

*Rendering by Wildman Chalmers Design LLC.*

Of course, the Smithfield Condominiums is not a green field suburban development. The project will transform a Frederic Osterling-designed office building built just before the turn of the 20th century and build a new single-story retail building adjacent to it. The latter part of the scope of the project also involves demolishing the iconic Smithfield Café, which closed in 2012. The condos will be in an eight-story office building that has been vacant since Pittsburgh Technical Institute last occupied it in 2000. Sitting vacant has not resulted in condition problems.

"It's a well-designed building with a lot of character. Luckily, it is steel, concrete, and masonry so it was still in very good



*Units on the north side of the building will have large balconies which overlook the new construction below. 3D image by Wildman Chalmers Design LLC.*

condition. We have the opportunity to bring it back," Bost reports.

The fortuitous condition does not mean there are not challenges in restoring the building and bringing into it 21st century usage. Architect Chad Chalmers, partner at Wildman Chalmers Design LLC, spells out the issues faced in bringing 635 Smithfield Street back to life.

"First of all, it's an existing building in the city of Pittsburgh and existing buildings are always a challenge. It's an adaptive reuse for a building that was not designed to be residential in the first place" Chalmers explains. "Typically, we look for 25-foot bays for residential construction because that allows for 12.5 feet per room, which is a good size. In office construction you typically want 30-foot bays because it gives you three offices of 10 feet each. We're dealing with a structural component that is slightly different."

"Another challenge is that when you are changing use, you have to revert back to the full construction code compliance. There is no grandfathering. There is no 'that will work for now.' You have to be in full compliance," Chalmers continues. "For example, we are required to have a fire command center on the first floor that takes up 150 square feet of prime retail space. That was a change in the building codes that was driven by 9/11. Right away you're eating into the retail space. We also had to add stairs and elevators."

The floor plates typical of a 1900 Downtown Pittsburgh office building were two or three times as deep as they were wide. That is a configuration that does not lend itself easily to residential conversion, since the apartment or condo would have windows only in the front of each unit. Here, the large unit size proposed by Bost Development worked to the architect's advantage.

"We turned the building sideways. Normally the bedroom windows would face the front on Smithfield but because it's 120 feet deep, we faced them in the other direction. We maximized the number of windows in the bedrooms and living space by putting more windows on the north side of the building," Chalmers says. "We had to consolidate two pieces of property and build one building to achieve it."

Choosing to develop condominiums instead of apartments created another challenge for the developer: providing parking.

"If we couldn't get parking for the residents, it would not work as a condo. Even though there is plenty of accessibility with public transportation, Pittsburghers like to have their vehicles," Bost says. "Even if they're walking everywhere, they want to have the car for the weekend. We're working with the parking authority to have direct access to the building from the adjacent garage. You can get away with not having parking to a degree for apartments, although your rents will suffer, but for condos parking is a must."

The buyer Bost is pursuing will certainly be a discriminating buyer. Each floor is roughly 4,600 square feet, with a 560 square foot outdoor terrace that is private for that unit. The smallest unit is a 1,775 square foot half floor. Buyers will have the opportunity to take a whole floor or a floor and a half, which will be larger than 6,000 square feet. Bost also expects to offer two full floors, which will be more than 10,000 square feet, on the upper two stories. An additional outdoor entertainment space and swimming pool are planned for the penthouse. For the right mix of buyers, the Smithfield Condominiums could be home to as few as six residents. Bost is betting that there are sufficient buyers for this unusual concept to work.

"The size of the units sounds a little crazy, but we know there are a lot of people coming in from huge homes in the suburbs to the Cultural District who would prefer not to get in their car and drive back home. Those kinds of people have said it would be great to have the ability to walk to a restaurant, go to these events, and come back home," Bost says. "Here is that opportunity. I know that's not everyone's problem, but we see a need for it. That kind of buyer wants to own instead of renting. We think that the amount of square footage and the customization will be appealing."

Bost Development has begun marketing the building and Bost says that the feedback from the first prospective buyers interested in the Smithfield Condos have validated the assumptions about customization.

"The demographics of the people interested are all over the map, but the ones who get what we are trying to do are the people who have been through a custom home build experience," he says.

Pittsburgh Planning Commission gave the Smithfield Condominiums a green light at the end of July. Chalmers says there were no variances needed for the project and that Wildman Chalmers was completing the design and working towards getting a building permit approved. Franjo Construction has been providing preconstruction services.

"Pittsburgh Zoning Department was great to work with. The process there has not been too difficult. One of the reasons we chose that building was that it did not require multiple variances," Bost says. "It is taking a while to work through the infrastructure, seeing what utilities are there and what we need to provide. It's a little difficult to identify those things downtown because it's so old."

Bost hopes to close on the project by the end of 2022. The financing arrangements for the $9 million conversion have been made, but the property type – a condo – requires the presale of 50 percent of the units.

"We just started marketing in June," Bost says. "We have lots of interested parties but there are a lot of questions too. There's a lot of explaining of the process because frankly there has not been an option like this in Pittsburgh yet. Our marketing pitch is to get rid of all those excuses that people have for not living downtown. Our biggest marketing challenge is making people aware of this opportunity to own downtown without the typical options that don't work for them. We only need three to complete the financing."

Thomas Bost cut his teeth in the Pittsburgh residential marketplace as vice president of development for Milhaus when the Arsenal 201 project went through the planning and construction phases from 2016 through 2018. He believes that the conversion of older office buildings to better use is a trend that is nearer the beginning than the end.

"The shortage in supply of residential downtown was what prompted this conversion. We believe residential will be a big wave over the next few years," predicts Bost. "I have seen other cities and Pittsburgh is low on the density of residential to office downtown. I don't know that we'll ever be a 24-hour city, but I believe we can be an 18-hour city." **DP**

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## Adaptive Re-use: Office to Residential

Roughly a decade ago, office vacancy rates in Downtown Pittsburgh began plunging from the high teens, eventually reaching six percent of all occupied space. There were some success stories that drove office absorption higher, but one of the key factors in the declining vacancy rate was the removal of outdated office space from the market through adaptive re-use as hotels and residential units.

From the time of the Great Recession through most of the 2010s, more than 10 mid-rise office buildings were re-purposed, taking more than two million square feet out of the market. That trend cooled by the end of the decade. As the office vacancy rate has risen and the pandemic placed extraordinary stress on downtowns throughout the U.S., the Pittsburgh central business district has seen a revival of adaptive re-use of its office stock to residential and a new apartment tower proposed for downtown. The resurgent trend could not come at a better time for downtown.

Downtown Pittsburgh was a corporate headquarters location through the 1970s. At one point following World War II, Pittsburgh was behind only New York and Chicago as home to the most Fortune 500 companies. That is the reason why 77 percent of the building stock in Downtown Pittsburgh is commercial office, one of the highest office ratios among U.S. cities. Because the density of corporations headquartered in Pittsburgh traced back to the industrial boom in America, an inordinately high number of those office buildings are old.

Jeremy Waldrup, president and CEO of the Pittsburgh Downtown Partnership, points out that this last fact presents re-use opportunities that do not exist in newer cities.

"We have to work through the repositioning of downtown. I say that because when you look at our poorest performing buildings, the 30 buildings with the highest vacancy rates average 111 years old," Waldrup explains. "Those buildings have likely played out their useful life as commercial office structures without major renovations that our market will not stomach. You will not get the rents needed to turn them into class A or B+ spaces again. Residential conversion is the best option for those buildings."

Waldrup pointed to the former Kaufmann's Building and Commonwealth Building as examples of successful conversions. Both buildings are fully occupied (Kaufmann's Grand has a waiting list), but neither were easy conversions. Both projects were completed by different owners than those that began the development. Some of the difficulties were unique to the project, but the challenges underline the fact that not all office buildings adapt equally.

"One of the important factors for us is finding buildings that qualify for historic tax credits because that effectively gives you a 20 percent discount on qualified rehabilitation expenses, effectively your hard costs," says Leonard Klehr, vice chairman at Lubert-Adler, the successful developer of Kaufmann's Grand. "The kind of building that we look for has to have two fire stairs so that you don't have to build those. Window alignment is important. The depth of the building is important. Buildings that are too deep and, by the way Kaufmann's is a very deep building, create all kinds of issues. There is dead space where there are no windows. Because of building codes, you have to have windows for bedrooms. If there's a lot of space without windows you either have to have an atrium within the building or you use that interior space for things like amenities. You look for things within the building that will impact the layout for apartments. Not all buildings have the kind of shapes that you need."

Strada Architecture LLC worked on several of the first large-scale office-to-residential projects in downtown on behalf of Property Management Corporation (PMC) and the Piatt Organization, designing conversions like the Clark Building Apartments, Market Square Place, and the renovation of the former ALCOA headquarters on William Penn Place. The firm is currently involved in converting 642 Fort Duquesne Boulevard into 139 apartments for Douglas Development and 300 Sixth Avenue into 249 apartments for Victrix LLC. The architect also worked on the adaptive re-use of four Downtown offices into hotels – the Drury, Distrikt Hotel, Hotel Monaco, and the Embassy Suites. Dina Snider, principal at Strada, worked on some of those early adaptations.

"Until COVID, when a developer found a building in a good location, we looked at it for what was the best use, hospitality or residential. Quite often the floor plate laid out identically whether you're doing hotel or apartments, because there's a similar configuration," Snider recalls. "We were packaging them both ways and it was a matter of whose attention it got first. We would show how it could be done as residential and as hospitality and the developer would put feelers out to see who was the first to respond."

One of Snider's partners at Strada, Sean Beasley, is currently leading the design on the adaptation of 300 Sixth Avenue into apartments. He echoes Klehr's point about the need for tax credits.

"There is a considerable amount of work to be done outside of just the apartment piece," Beasley notes. "The infrastructure needs to be updated. That means elevator, sometimes even the stairs. We have found very few developers try to do adaptive reuse of those buildings without tax credits."

Beasley notes that many buildings with older infrastructure are often better suited to maintaining the office use. Complying with codes is much less rigorous when the same usage is being maintained. That isn't the case when going from office to residential.

"Most of the buildings we run into that aren't modern construction the elevators are too small, the stairwells are too narrow, and there's not enough shaft space

*Photo by 360 Captures. Use courtesy of Franjo Construction Co.*

because they weren't pushing air around the way we are now," Beasley says. "Those buildings were relying on the windows as the source of fresh air. No longer is that feasible with the modern energy code."

A survey of Pittsburgh's downtown office buildings reveals the breadth of architecture that developed over the course of the 20th century. After World War II, modern architecture drove development of offices like those on Wood Street, western Grant Street, and Gateway Center. Advances in structural technology drove the architecture in the high rises built in the last couple


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of decades of the century and the new buildings erected since 2007. The challenges of adapting these modern office buildings are different, but so are the opportunities.

"There are two types of office buildings: pre-war and post war. Pittsburgh has a nice mixture of both. The pre-war buildings are going to have much smaller footprints and, therefore, allow for maximization of perimeter windows and a reasonable loss factor on the residential circulation. They afford window-heavy, façade-heavy, smaller units," says Ryan Indovina, partner at Indovina Associates Architects. "Post World War II office buildings present a greater challenge because of their larger floor plates. You end up with a more centralized core, usually involving a larger number of elevators, stair towers, and circulation elements. Depending on the footprint of those buildings you have deeper façade-to-central core dimensions, which presents a challenge for today's efficient residential unit dimensions."

"The larger footprint buildings benefit, at least in the Pittsburgh market, from having floor-to-ceiling glass in those former class A buildings with beautiful views that maximize daylight," Indovina continues. That building type would introduce larger luxury units for rent, which are currently lacking in the market."

Regardless of the building typology, opportunities for office-to-residential conversion abound in Downtown Pittsburgh. Developers have noticed. After moving on from Pittsburgh in the late 2010s, PMC returned to the city and is currently renovating the Allegheny Building into 177 units. Douglas Development has proposed converting the former Easter Seals Building at 642 Fort Duquesne Boulevard into 142 units. Victrix LLC has begun the demolition on turning the former GNC Headquarters at 300 Sixth Avenue into 249 apartments. Within the past month, Rugby Realty and Hertz Investments have floated adapting the Gulf Tower and 3 Gateway Center respectively. Waldrup is confident the demand for such units exists.

"The units in the Commonwealth Building are drop dead gorgeous. That is a building in the middle of a block without a ton of light, but they were able to design very nice units. I think we have a dozen of those buildings in downtown," says Waldrup. "It's not cheap to do right. It will take creative financing to get some of those buildings to pencil out, but I think they will be very successful as residential. Buildings like the Commonwealth Building or Kauffmann's put the money in the right places, in my opinion, and they are 100 percent leased with a waiting list."

Beasley reiterates that office-to-residential is not feasible without the availability of tax credits to offset the burdensome infrastructure costs, but he sees no shortage of potential properties.

"Outside of the large corporate headquarters buildings I would say 50 percent of the buildings in downtown are feasible to be adapted to apartments," he notes. "Between the ones that are too small and the ones that are too large, there is a sweet spot of buildings that could become available, particularly around the Cultural District, that would be low hanging fruit if they were to turn over." **DP**

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The headline question for the U.S. economy is, have we entered a recession? Data printed on July 28 indicated that one metric of the economy, the estimate of second quarter gross domestic product (GDP), was in recessionary territory. Following a first quarter decline in GDP of 0.4 percent, the U.S. economy contracted again slightly in the second quarter, a 0.2 percent drop according to the Bureau of Economic Analysis (BEA).

As additional data is analyzed through September, it is possible that second quarter GDP could tip in the opposite direction. The variance between the advance and final estimates is typically 20 or 30 basis points, so the reading of decline could change. Moreover, the assessment of an economic recession rests on more than GDP, as Fed Chair Jerome Powell emphasized in his comments following the meeting of the Federal Open Markets Committee on July 27. The strength of the labor markets – above average job creation, near record low unemployment, and twice as many openings as unemployed persons – remains a bulwark against real recession.

Few economists forecasted a recession by mid-2022 but most have now moved on from the probability of a soft landing from the Fed's rate hikes and balance sheet reductions (which have the effect of a long-term rate hike by reducing liquidity). This shift came as the Fed made it clear that suffocating inflation was a higher priority than preventing inflation especially after the 75-basis point hikes in June and July. With a strong labor market making a severe downturn unlikely, the prevailing economic outlook is for a mild recession sometime between fourth quarter 2022 and mid-2023.

There are still indications that a slowdown without recession can be achieved. Four of the factors that the National Bureau of Economic Research – the agency that officially determines when the economy is in recession – watches continue to show growth. During the second quarter, industrial production, nonfarm payroll employment, income-less-transfers, and personal consumption expenditures all grew. The latter is especially important since the consumer will likely be the determining factor in whether there will be recession.

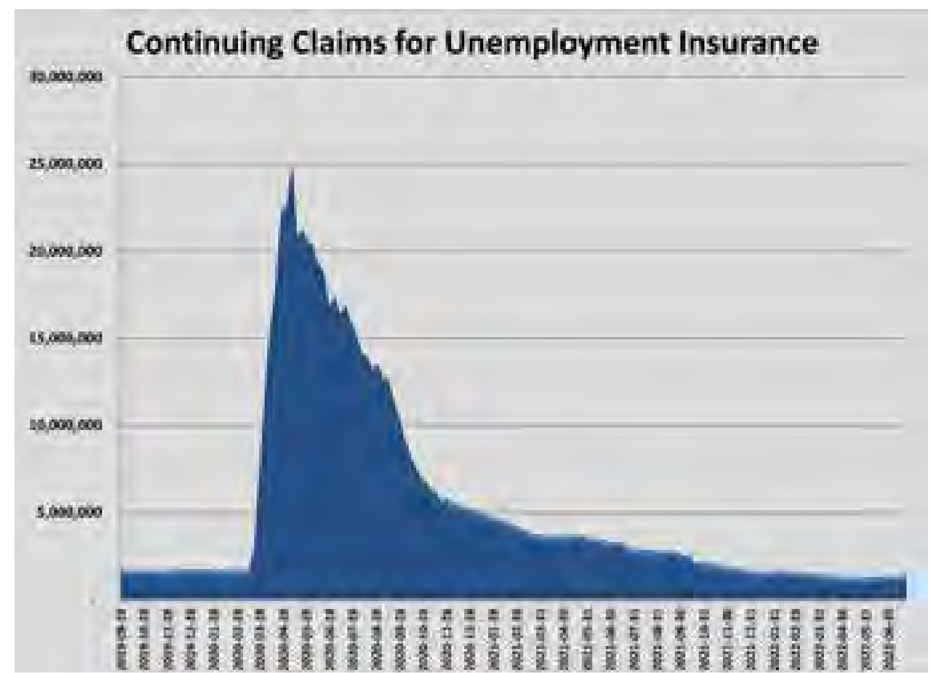
Coming into the third quarter of 2022, consumer sentiment fell to levels unseen since the Great Recession. That is not unexpected. Nearly two decades have passed since interest rates rose as quickly as during the second quarter. Thus far, however, consumers have continued to spend, shifting more of their income to services from goods.

JLL's chief economist, Ryan Severino, described the environment in which consumers tend to make economic observations in a June 14 blog post on inflation, noting that the dour mood of consumers did not match the overall state of the economy. "Consumers are not running models, carefully balancing positives and negatives. Set in an ocean of click-bait headlines and sophomoric analysis, consumers find themselves on small analytical life rafts," Severino wrote.

Severino's point about the overall economy was made in comparison to recent low points, such as the financial crisis in 2008 and the COVID-19 shutdowns in March 2020. The data on the economy supports his contention. For example, continuing claims for unemployment compensation just reached 1.4 million during the latter weeks of July 2022. That was one-third the number of claims in July 2021 and 400,000 fewer claims than in spring 2019.

Where the rubber hits the road, of course, is in how the consumer behaves. How much is the consumer spending; and how much is inflation suppressing personal consumption?

According to the BEA, real personal consumption in the first quarter of 2022




*Continuing unemployment claims fell to 1.3 million by the end of the second quarter. Source: Bureau of Labor Statistics.*

was $13.9 trillion (seasonally-adjusted annual rate), an increase of $71 billion compared to the previous quarter. With inflation running above eight percent during the first quarter, all the quarter-over-quarter increase was due to higher prices. But consumers nonetheless spent more. This data reinforces the historic reality that inflation rarely reduces consumer spending, even if inflation erodes the value of the consumer spending power.

Another relevant data point is the ratio of personal expenditures on gasoline and other energy to total personal disposable income. With gasoline at record high levels in the U.S., it is assumed that the dollars spent on filling up at the pump would replace dollars spent elsewhere; however, that ratio was 2.5 percent at the end of the first quarter. That was just 10 basis points higher than the average ratio of 2.4 percent during the past 10 years. With wage growth above five percent, workers are seeing personal disposable income grow faster than during most of the past decade.

Even in a dovish monetary scenario – and the Fed has been anything but dovish – interest rates are likely to be two percent higher in one year. That scenario puts the 30-year fixed-rate mortgage near seven percent and the 10-year Treasury above four percent without other pressures that might hold rates down. Those other pressures, such as a steep decline in home purchase demand or a surge in demand for the security of Treasury bonds, would be the types of desired outcomes for the Federal Reserve, since they would also push inflation lower.

In its mid-2022 economic reports, PNC economists forecasted that the rapid rise in interest rates would have the desired effect on demand, which would bring about a mild recession in 2023. PNC Chief Economist Gus Faucher pointed out that, unlike in 2007-2008, there is no sector of the economy that is severely out of balance. The higher borrowing costs should slow demand for homes and durable goods, sectors that need to cool off to re-balance supply and demand currently. Faucher notes that household balance sheets are relatively strong and that employment levels, and the shortage of workers, were further strengths of the economy.

Analysts that see a more aggressive Fed response to inflation expect the Fed Funds rate to reach four percent or higher by spring 2023. That scenario would have a more restrictive impact on the economy and on commercial real estate.

A Fed Funds rate above four percent will push long-term rates to levels that will increase the risk of commercial development and acquisitions. Lenders will have a reduced appetite for deals and spreads will increase, further reducing the returns on commercial real estate. This more aggressive Federal Reserve Bank scenario may not produce a more severe recession overall, but it is likely to have a more chilling effect on commercial real estate and construction.

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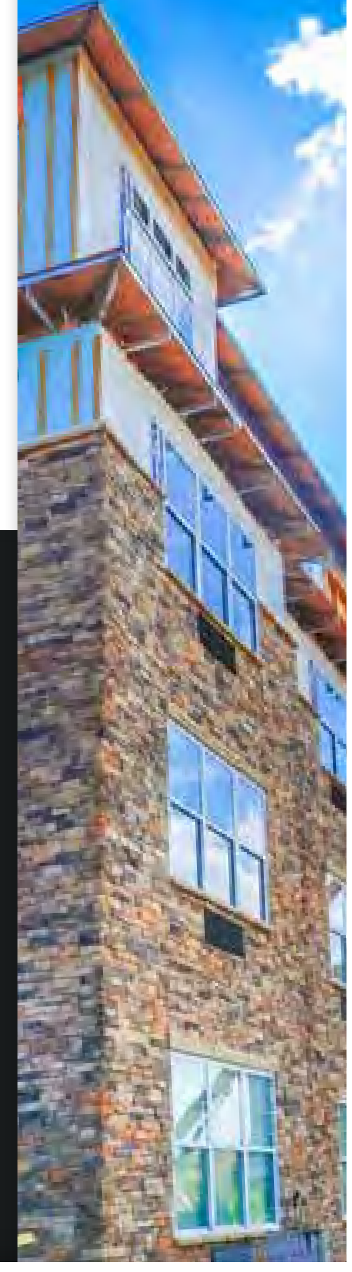

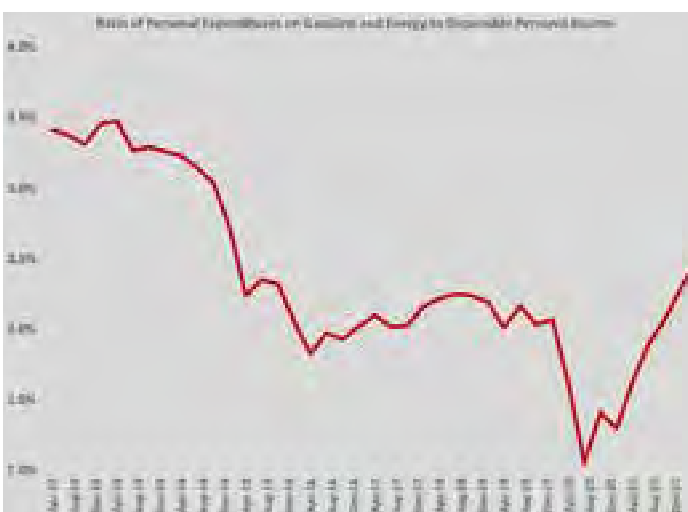

*Gasoline expenditures as a share of personal income have soared since spring 2021 but remain near the average for the decade. Source: Bureau of Economic Analysis.*

No financial institution or analyst has to date published a forecast of a steep recession. There is little chance that the expected slowdown will increase unemployment significantly. The banking system has few liquidity or leverage problems. Consumers have hiked their credit card and personal loan volume, but household balance sheets are such that an increase in unemployment should not create a problematic increase in delinquency or foreclosures.

The latest Employment Situation Summary, issued August 5, showed hiring that was above the trend for 2022. Following unprecedented job growth in 2021, U.S. employers have added fewer new workers each month this year. Employment growth has averaged more than 471,000 per month in 2022, but the pace has slowed to 379,000 over the previous four months. July's gain of 528,000 jobs reversed the slowing pace of growth. The unemployment rate fell to the pre-pandemic low of 3.5 percent. While worries about a recession have grown as the year as unfolded, the data suggests that job growth has been limited has much by the scarcity of available labor. The number of unfilled positions fell, but remains near the 2022 highs, at 10.7 million jobs.

Since June there has been a steady, if slight, increase in the number of both first-time and continuing claims for unemployment compensation. After falling as low as 166,000 in mid-March 2022, the number of initial claims jumped above 230,000 during the first week in June and has risen above 250,000 since late July. These levels remain below those that predict a significant increase in unemployment; however, if layoffs expand beyond industries that have been disrupted by higher interest rates – like housing and manufacturing – the impact will broaden the sense that the economy is in recession.

Should the psychology of a recession become more prevalent, with consumption and business investment falling more steeply, it is likely that many of those open positions would disappear; however, the gap of four million between job seekers and open

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*Inflation for construction materials used in nonresidential building has peaked above 19 percent year-over-year. Source. Bureau of Labor Statistics, Federal Reserve Bank of St. Louis.*

positions is a cushion that should keep unemployment from rising much beyond four percent.

In metropolitan Pittsburgh, the employment trends have also remained stable. Data on May's employment gains, which was released in late July, showed regional employers added 33,000 jobs year-over-year. The three percent-plus gain ranked Pittsburgh on par with benchmark cities like Columbus, Cleveland, Minneapolis, and Indianapolis, but was about half the job growth rate of the fastest-growing markets.

The reduced size of the Pittsburgh non-farm labor force continues to be the biggest drag on regional economic growth. May's total of 1,141,500 workers was 54,000 below the February 2022 level, which was near a 40-year high. That gap has remained consistent over the past 12 months, suggesting that the smaller workforce is the result of demographic changes – specifically the accelerated pace of retirements – that will remain in effect going forward. Those changes ensure that the regional labor market will remain tight, which will help keep unemployment from increasing as the economy slows.

Economic activity has been disrupted dramatically since March 2020. The path of the economy in summer 2022 seems clearer, if less upbeat. For businesses, the return to certainty means that planning for the future is easier. Even in the event of a recession, certainty allows businesses to prepare for new investment and growth.

For commercial real estate, the question of whether or not the U.S. economy is technically in a recession or not is largely irrelevant. Most of the underlying trends

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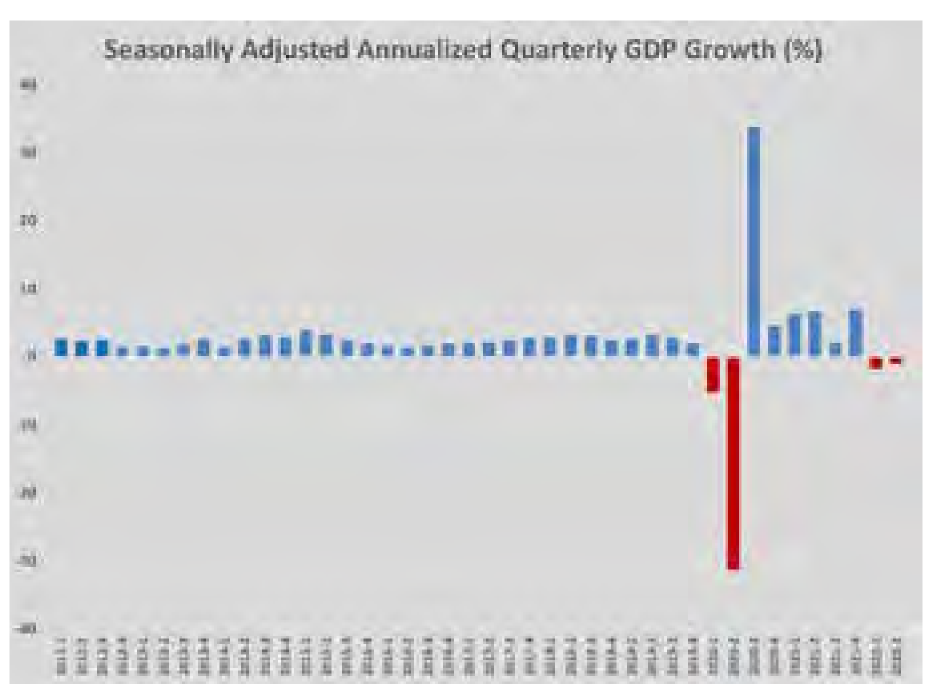
driving demand for commercial real estate are disconnected from the overall economy, even though the health of the economy certainly matters. COVID-19 wreaked havoc on demand for office and hospitality. Industrial demand remains solid because of e-commerce. Retail is in the midst of a decade-long structural realignment. A shortage of housing is pushing apartment occupancy. What weighs heavier on commercial real estate is disruption of finance and development that has been caused by inflation, an unreliable supply chain, and the Fed's heavy-handed response. To the extent that the U.S. economy is slowing to catch its breath, a pause that allows the imbalances of pandemic to recede, the pause is welcome. The last six months of 2022 should show clearly that the pain of restoring balance will be short-lived and allow the economy to re-set. Failing that outcome, a deeper recession into 2023 is more likely. **DP**




*Source: Bureau of Economic Analysis.*

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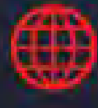

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As the region's largest employers stagger back into the office at an unhurried pace, locally held companies outside of the Top-10 by employee count have picked up the gauntlet and started a recovery of the office market. Industry leaders like Dollar Bank, TriState Capital Bank, Civil & Environmental Consultants, GNC, Duolingo, and Management Science Associates are continuing to leverage the physical office to establish culture and encourage collaboration.

### Who is benefitting?

- **The tenants.** Property owners have been more than willing to trade concessions that exceed pre-pandemic levels so long as their new customers return the favor with their creditworthiness and substantial length of lease term. Covid's impact on leasing caused the average length of lease term to plummet in 2020. Now, tenants are increasingly conceding to asks for term to secure tenant improvement allowances and rental abatement to offset occupancy costs.

- **Property owners that have invested in amenities.** Our region's amenities arms race started in Trophy and Class A office properties, primarily in the CBD and Greater Downtown. During the pandemic, those strategies have spread to the suburbs, to adaptive reuse developments and to repositioned Class B product. These suburban and repositioned assets have quietly stolen the show over the past 30 months.

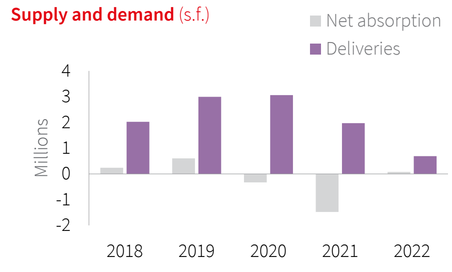
Where leasing has and has not occurred is a reflection – sometimes a sobering one – of who has and has not implemented return-to-office strategies. With a few exceptions, demand from Fortune 1000 and multi-market users of office space has yet to return to our region. We are also seeing an absence in mergers and acquisition activity as well as urbanization, the latter of which requires significant strategy execution at the CRE level. Pre-pandemic, some of our most celebrated deals were the result of urbanization, including Philips Respironics, Bombardier, Wabtec, Motional and Evoqua. The parallel between Covid and the halt in urbanization is glaring; companies are wrestling with return to office strategies for space already in their portfolios. Adding the complexity of return to office in a completely new submarket is even more challenging.

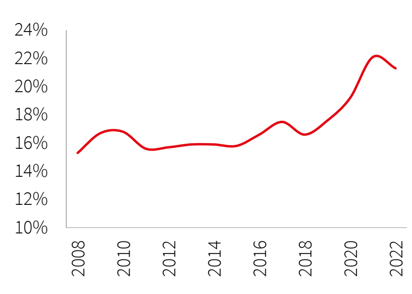
Closing the loop on M&A activity, our market has celebrated the shiny new leases with names like Bosch, 3M, Smith & Nephew and Honeywell. These companies are here solely because of their acquiring Pittsburgh-born businesses.

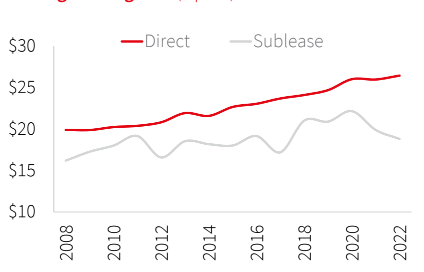
So, absent local Fortune 1000 demand, what's the good news? In addition to the leasing, we've seen from well-known companies already mentioned, there's been good-to-very good activity from younger companies that have had success recruiting locally. Names like Gecko Robotics, Castle Biosciences, Agility Robotics, Locomation and Fifth Season collectively absorbed a significant amount of space that we may not have predicted. What's so encouraging about this leasing activity is that it was entirely home grown, indicating that our local engineering and tech ecosystem is faring well. Further, there is evidence that these sectors may have more runway.

And, somewhat surprisingly, there's been significant leasing in projects that were not very active pre-pandemic. On the Parkway West, the Soffer Organization has secured 120,000 square feet of new leasing during the pandemic

| Fundamentals | Forecast |
|---|---|
| YTD net absorption | 76,461 s.f. ▲ |
| Under construction | 558,000 s.f. ▼ |
| Total vacancy | 21.3% ▲ |
| Sublease vacancy | 1,625,527 s.f. ▲ |
| Direct asking rent | $26.61 p.s.f. ▲ |
| Sublease asking rent | $23.06 p.s.f. ▶ |
| Concessions | Rising ▲ |



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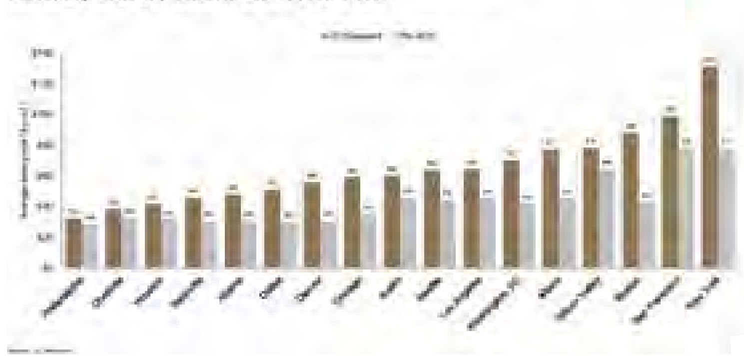

and Elmhurst's Airside Business Park has 50,000 square feet of new tenancy. Up north, Sippel Enterprises inked 50,000 square feet of new deals and if the Westinghouse sublease in Cranberry finalizes a thing or two in the near term, they will have landed 350,000 square feet of subtenants. The Parkway East is even on the board with M&J Wilkow's Penn Center East racking up 65,000 square feet of new leasing. Finally, in the city, McKnight Realty's The Highline has welcomed 100,000 square feet of new customers. These are all legitimately new deals, and they all occurred under Covid's spell. And most of these projects did not enjoy the leasing activity pre-pandemic that they are now.

Now, like on "Pardon the Interruption", let's go to the big finish.

The deals that I've mentioned in the preceding two paragraphs have been more of a flight to affordability as opposed to the widely and nationally reported "Flight to Quality". That is not to say that those projects, or the projects where the aforementioned tenants landed, are not well positioned. Quite the opposite; those owners won deals because they reinvested into their assets with capital improvements and amenities to deliver tremendous value to their customers. But the fact of the matter is that, despite certain pockets of leasing success, some of our region's newest and most expensive office space is sitting. The shortfall is not in the product. Our development community is doing an excellent job in delivering a quality office environment. The shortfall is in occupier strategy.

Demand from the Fortune 1000 and multi-market users will return to our region. Perhaps very soon. Why? The flight to quality data tells us so. Pittsburgh has never been accused of leading the charge in national trends. We are a secondary market and, well, trends are developed in primary markets, and we are in the second tranche of markets that will experience national market conditions.

National leasing data consists primarily of that from Gateway and major markets due to their collective scale. Since the onset of Covid, office product that's been delivered since 2015 has posted 86M square feet of positive net absorption. Compare this to 128M square feet of negative net absorption

**Flight to quality is now approaching 87 m.s.f. since the onset of COVID-19, with little sign of slowing down**

in product delivered between 1980 and 2000, and you can see what's coming. What exactly is coming, you ask?

Just as localized decision making has dominated leasing activity in southwestern Pennsylvania of late, the Fortune 1000 is who has been driving trends in the Gateway and major markets since those are the locations of their HQ and HQ2 operations. Have they been flying to affordability? No, they are taking the newest and highest priced office product available. That demand will return to secondary markets and, when it does, we will see increased leasing activity in our trophy-caliber product. And when this activity does return, it will be a broad rally not only from a standpoint of location but also in product type. In addition to delivering next-generation office space to the market during the pandemic, our development community has been hard at work in delivering purpose-built product for tech-flex and life science industries.

Our region has been getting it done during the pandemic. Now it's time for the rest of the world to take notice of its tremendous inventory of competitive work space. **DP**

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### Headwinds and Uncertainty

The first seven months of 2022 started off in a very challenging way, as concerns about rising interest rates, inflationary pressures and oil prices have disrupted the markets. The 10-Year Treasury finished 2021 at 1.52 percent; reached 2.32 percent at the end of the first quarter of 2022; peaked at 2.98 percent at the end of the second quarter and ended July at 2.69 percent. The CPI Index finished 2021 at 7.0 percent, reached 8.5 percent in March and June was at 9.1 percent. Economists are unable to reach consensus on if/when inflation will peak. The Federal Reserve is committed to raising interest rates until inflation is tamed with the hope of avoiding an economic recession in the process. GDP has slowed in 2022 but has not yet been defined as a recession. With that as a backdrop, it appears the industrial market has not been materially impacted, although there are signs that there may be a pause in decision-making (if not demand) to allow macroeconomic factors to work through the system.

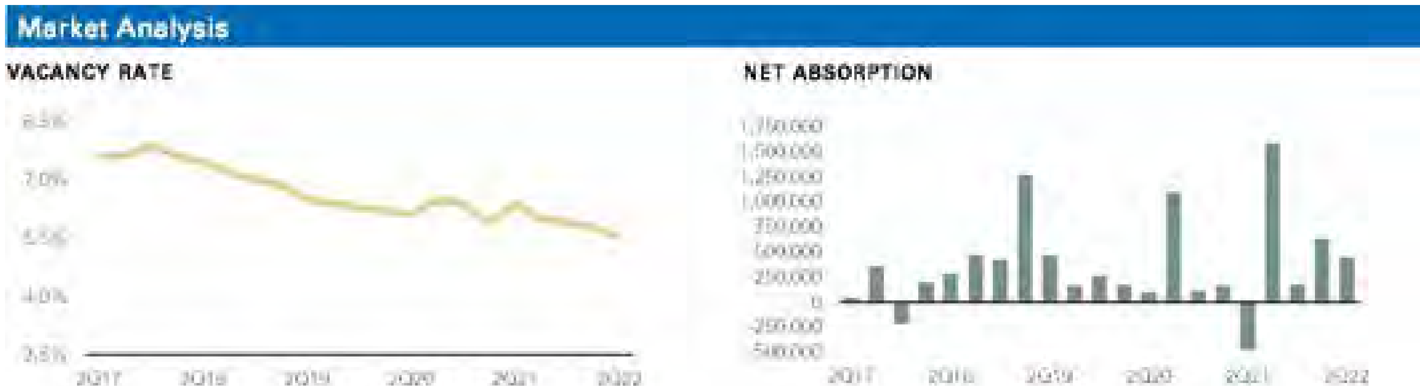
With respect to the Pittsburgh industrial market, the results of the second quarter of 2022 remained favorable, and the outlook for the balance of 2022 remains cautiously optimistic. The overall market tightened slightly in the second quarter of 2022, with occupancy at 94.0 percent and Class A occupancy nearing 98 percent. Overall absorption was positive at 440,000 square feet, with Class A

**Submarket Statistics**

| | Total Inventory (SF) | Under Construction (SF) | Total Vacancy (SF) | Total Vacancy Rate | QTR Absorption (SF) | YTD Absorption (SF) | CLASS A Vacant (SF) | CLASS A Vacant Rate |
|---|---|---|---|---|---|---|---|---|
| Beaver | 11,977,889 | 0 | 1,424,168 | 11.9% | 45,067 | 77,567 | 42,000 | 1.7% |
| Butler | 8,950,693 | 0 | 323,891 | 3.6% | 167,787 | 405,719 | 16,691 | 0.7% |
| East | 8,457,877 | 0 | 660,206 | 7.8% | 49,159 | 158,923 | 0 | 0.0% |
| Northeast | 14,716,033 | 0 | 550,267 | 3.7% | 15,755 | 26,249 | 49,500 | 1.4% |
| Northwest | 13,078,231 | 0 | 605,732 | 4.6% | 81,454 | -69,610 | 141,678 | 2.1% |
| Pittsburgh | 13,120,417 | 192,000 | 469,650 | 3.7% | 74,008 | 146,605 | 79,641 | 3.4% |
| South | 6,422,988 | 0 | 240,800 | 3.7% | 3,800 | 43,800 | 0 | 0.0% |
| Washington | 14,581,291 | 155,000 | 395,604 | 2.7% | 38,600 | 33,100 | 32,500 | 1.0% |
| West | 21,357,074 | 876,156 | 1,088,867 | 5.1% | -34,590 | 5,548 | 444,517 | 4.4% |
| Westmoreland | 32,588,193 | 700,232 | 2,208,109 | 6.8% | 2,595 | 248,445 | 108,728 | 1.4% |
| **Pittsburgh** | **145,280,486** | **1,933,430** | **7,987,534** | **5.5%** | **443,114** | **1,076,140** | **917,338** | **2.3%** |

**Class A Statistics By Subtype**

| | Class A Inventory (SF) | Under Construction (SF) | Class A Vacancy (SF) | Class A Vacancy Rate | QTR Absorption (SF) | YTD Absorption (SF) |
|---|---|---|---|---|---|---|
| General Industrial | 13,622,930 | 335,873 | 160,086 | 1.2% | 11,344 | 73,794 |
| R&D Flex | 3,895,975 | 192,000 | 390,325 | 10.0% | 30,960 | 30,960 |
| Warehouse/Distribution | 22,963,906 | 1,505,557 | 358,924 | 1.6% | 68,095 | 360,440 |
| **Pittsburgh** | **40,482,811** | **1,933,430** | **917,338** | **2.3%** | **110,399** | **465,194** |




space accounting for 110,000 square feet and Class B and Class C accounting for 330,000 square feet. This brings the year-to-date absorption total to 1,100,000 square feet, with Class A at 465,000 square feet and Class B and Class C at 635,000 square feet. This continues the trend of Class B and Class C space absorbing at a higher rate than Class A for two potential reasons: The first is the delay in construction of several speculative projects; the second is industrial users potentially settling for lower-quality buildings due to either lower pricing or absolute need for immediate occupancy.

### Market Activity

While no major blockbusters were announced in the second quarter of 2022, there was activity throughout the ten-county region and the primary-five county region Newmark tracks.

Within the City of Pittsburgh, the joint venture between the Urban Redevelopment Authority and the RIDC of Southwestern Pennsylvania announced they secured Ferguson Enterprises for a 150,000-square-foot build-to-suit at the newly named RIDC Fairywood. This site is situated in a historically active urban infill warehouse distribution market and involves the redevelopment of a former public housing project. While several private developers attempted to bring the site to market over the past 10 years, it took a public/private partnership to resolve site

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cost challenges to make the project a reality. There is one other adjoining site available to accommodate another 150,000-square-foot building.

While not within the City of Pittsburgh limits, the RIDC of Southwestern Pennsylvania announced another project in the East submarket on the former Carrie Furnace site. The plans call for multiple flex buildings throughout the 104-acre site in the Rankin Borough.

The RIDC of Southwestern Pennsylvania announced a joint venture with Armstrong County to rebrand Northpointe into the RIDC Armstrong Innovation Park located on Route 28 in Freeport. The RIDC committed to develop two 30,000-square-foot spec-flex buildings to provide inventory to serve the Alle-Kiski market.

***The Federal Reserve is committed to raising interest rates until inflation is tamed with the hope of avoiding an economic recession in the process. GDP has slowed in 2022 but has not yet been defined as a recession. With that as a backdrop, it appears the industrial market has not been materially impacted, although there are signs that there may be a pause in decision-making (if not demand) to allow macroeconomic factors to work through the system.***

In the West submarket, several developers continued their recent business model of providing new Class A inventory to serve the Airport Corridor. Chapman Properties announced the start of the first of two 99,000 square-foot buildings in Chapman Westport, adjacent to their existing 73,000-square-foot flex buildings.

At Westport Ridge, significant progress was made on the site improvements by NorthPoint Development for Buildings II and III of Westport Ridge in the Findlay Industrial Park. Building III contains 191,000 square feet and is on schedule for December 2022 completion. Building II, at 224,000 square feet, is scheduled for late January 2023 delivery.

In the Clinton Commerce Park, Al. Neyer Inc. started construction on a 70,000-square-foot building on the last remaining site in the Clinton Commerce Park. At the nearby Skyview Business

## Market Summary

| | Current Quarter | Prior Quarter | Year Ago Period | 12-Month Forecast |
|---|---|---|---|---|
| Total Inventory (SF) | 145 M | 145 M | 143 M | ↑ |
| Vacancy Rate | 5.5% | 5.8% | 6.4% | ↓ |
| Quarterly Net Absorption (SF) | 443,114 | 633,026 | -472,499 | ↑ |
| Under Construction (SF) | 1,933,430 | 1,524,082 | 2,072,607 | ↑ |
| Deliveries (SF) | 49,500 | 496,702 | 44,000 | ↑ |

Park, Neyer is nearing completion of a 280,000-square-foot shell and broke ground on an adjacent 110,000-square-foot building. Neyer also broke ground for 175,000 square foot build to suit at the NorthField site for an undisclosed tenant.

In the Northwest submarket, BCI Steel announced a new production facility in the Leetsdale Industrial Park, for approximately 90,000 square feet.

In the Butler County submarket, Al. Neyer secured Werner Transportation to lease the remaining 50,000 square feet in the 220,000-square-foot Jackson Distribution Center.

In Westmoreland County, the WCIDC announced several transactions, including a land sale to Fossil Industries to construct a second building in the Westmoreland Tech Park II. This 52,000-square-foot facility will complement the recently completed 41,000-square-foot facility. Also in the Westmoreland Tech Park II, Al. Neyer secured a buyer for its 150,000 square foot speculative building which will close in Q3. This sale will allow Al. Neyer to start construction on another 150,000 square feet on the adjoining site.

In the Jeanette Industrial Park, Scott Electric announced a lease for 50,000 square feet. At the Commerce Crossings, Al. Neyer completed the shell construction for its 250,000 square foot speculative building.

In Beaver County, Crossgates secured its second tenant in the speculative 105,000-square-foot building in the Westgate Business Park. Hello Fresh is opening its first warehouse to service the Pittsburgh area out of 31,500 square feet at 400 Enterprise Dr., which leaves 42,000 square feet available in the Westgate Commerce Center.

In Washington County, LaCarte Enterprises is working on two projects in the Alta Vista Business Park, including securing Bakery Barn for its 45,000-square-foot spec building in Alta Vista and starting construction on a 60,000-square-foot building adjacent to the recently leased 52,000-square-foot Bloom Engineering facility.

### Capital Markets

There were four distinct, significant industrial investment sales, two of which occurred in the second quarter of 2022 and two that closed in the late first quarter of 2022.

The most significant industrial investment sale in the second quarter of 2022 was the sale by Chapman Properties of its two multi-tenant buildings totaling 146,000 square feet in Chapman Westport to Sealy for $24.0 million, or $164/square foot. This was the highest price/square foot for a multi-tenant building in the Pittsburgh market.

Two sales were single-tenant, long-term net lease sales. In Butler County, SunCap sold the 220,000-square-foot build-to-suit for Bayer Healthcare/FedEx Supply Chain to an affiliate of Realty Income Trust for $27.5 million, or $125/square foot. In the Clinton Commerce Park, Stag added 1100 Clifford Ball Dr. to its portfolio in the West submarket. The 400,000-square-foot building was acquired for $50.0 million, or $125/square foot.

In the Northeast submarket, an affiliate of Kratsa Properties sold a multi-tenant 171,000-square-foot building for $7.55 million, or $44/square foot. There were two speculative "value-add" acquisitions in the Route 28 corridor, including the former 85,000 square foot Watson Standard Facility which sold for $3.3 million and the former 147,000 square foot L3 Harris facility which sold for $5.6 million. Both buildings are being marketed for single or multiple tenant occupancy.

### Looking Ahead

With interest rates increasing, it will be interesting to see how build-to-suit projects and acquisitions are priced and financed, as well as what the impact will be to lease rates on speculative construction that is underway or contemplating a start in the third or fourth quarter of 2022. With over 1.9 million square feet of new Class A inventory under construction in the region, any downturn in the economy could potentially disrupt the steady flow of successful industrial projects coming online throughout the region. Anecdotally, prospects in the market remain strong in the West submarket, although inventory remains limited in the outlying counties. Investor appetite for industrial assets remains high, although cap rates are increasing and may cause friction with sellers late to the party, with pricing expectations tied to 2021 instead of 2022. **DP**

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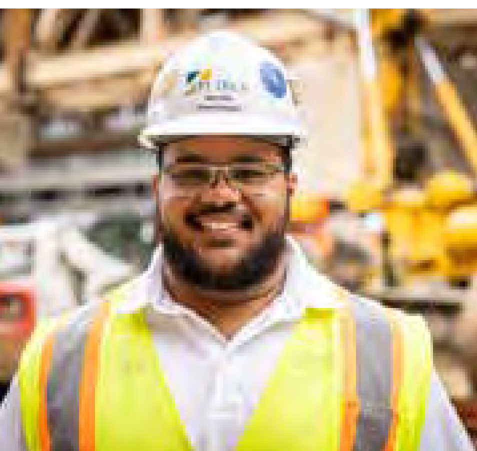

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Capital markets face a set of challenges in 2022, the likes of which have not been seen since the financial crisis. The extraordinary growth cycle that began following the rollout of vaccines of COVID-19 has ended. Added to that cyclical challenge are the prospect of interest rates and cap rates rising rapidly and inflation at levels not seen since the 1980s.

Challenging as those market conditions sound, the commercial real estate finance industry is in significantly better position to handle the challenges than it was 15 years ago. As jarring as the changes in conditions may be, none are unexpected. While the pandemic was a surprise, the financial and economic remedies to it - massive stimulus and government spending - produced demand that far outpaced supply and predictably led to both the inflation and the interest rate reaction that followed. In response to these unusual circumstances, lenders maintained liquidity and underwriting discipline, and became more cautious in anticipation of the consequences of the federal government's intervention.

During the second quarter of 2022 the capital markets endured multiple broadsides that may have signaled the beginning of a downturn in dealmaking.

In the April-to-June period, interest rates increased, the first signs of slowing industrial activity appeared, gross domestic product (GDP) declined, the chances of recession increased dramatically, and inflation reached 40-year highs. At the same time, the demand for financing remained strong, albeit lower than a year earlier. As borrowers and lenders sort out what the market will look like going forward, the battle to rein in inflation is garnering the most attention.

After responding slowly to the persistent inflation in 2021, the Federal Reserve Bank has made quashing inflation its highest priority. Since first hiking its Fed Funds rate by 25 basis points in March, the Fed has bumped rates higher three times, including 75 basis points increases in June and July. Fed Funds will remain at 2.25-to-2.5 percent until the September Federal Open Markets Committee meeting. Depending on the trajectory of the economy at that point, increases from 25 to 75 basis points are on the table.

There are increasing indications of disinflation – a lower rate of inflation – that suggest that the Federal Reserve Bank's monetary tightening is working. Among those indicators are sharply falling shipping rates (which account for roughly 35 percent of inflation) and industrial commodity prices, easing rents, and spikes in the inventories of graphic processing units and retail goods.

This potential shift in trend has not gone unnoticed by the bond markets. Despite the inflationary spike, bond yields have risen modestly. The 10-year Treasury bond has tested the 3.25 percent level several times, spiking to nearly 3.5 percent in mid-June before falling back to 2.8 percent by late-July. Two-year bonds also fell below three percent. Inflation swaps, which are hedges against higher inflation that rise with inflation expectations, peaked at the end of the first quarter but have fallen since the Fed began raising rates. Following the July 4 holiday, three-year forward expectations (as measured by the inflation swaps) were slightly above three percent. The five-year forward expectation was two percent.

The normalization of longer-term rates does not mean that capital markets are behaving normally. Pricing for commercial real estate is a function of a base rate – usually tied to a global standard – plus a spread to cover the lender's risk and profit. Base rates were two percentage points lower in January than in July. That makes it tougher to pencil out a deal and the difficulty is showing up in the marketplace.

One early consequence of the higher rate environment has been a slowdown in the mortgage-backed securities (MBS) market. Non-agency residential MBS activity plunged 39 percent in the second quarter, according to research by Inside Nonconforming Markets. The ripple of the Fed's tighter policies took roughly 60 days to reach the secondary mortgage market and the reduced appetite for loans made during the period of lower rates pushed volume down to $21.35 billion.

The Mortgage Bankers Association (MBA) updated its base 2022 forecast with the expectation that loan volume for multi-family properties will decline significantly for the remainder of the year. Following a record $487 billion in multi-family financing in 2021, the MBA predicts that volume will fall to $436 billion in 2022. MBA vice president for commercial real estate research, Jamie Woodwell, attributed the decline to uncertain economic conditions and significant changes in the lending industry because of the rapidly changing rate environment. Woodwell expects debt and equity markets to adjust to the new conditions by 2023, when the MBA forecasts an increase in multi-family originations to $454 billion.

Fundamental conditions of the multi-family market have not weakened, either nationally or locally. Vacancy rates remain below five percent nationally. Average rent for one- and two-bedroom units grew by 14.1 percent year-over-year in June, according to Apartmentlist.com. June's rent growth was slower than the 17 percent rate of January. Rents have increased 5.4 percent from January through June. The same report showed Pittsburgh's rent growth at 8.6 percent, one of the lowest rates of growth among cities with population of more than one million.

The rent picture for other commercial properties is mixed. Rent increases for industrial properties are expected to be much higher than other property types, although there are indications that the growth in demand for distribution space is cooling. Across the U.S., rents for industrial space are expected to grow more than 11 percent in 2022. (Prologis

*The yield curve inverted in mid-July, elevating concerns about recession. Source: U.S. Department of Treasury, Federal Reserve Bank.*

upped its own rent growth forecast to 25 percent at the end of July.) Because of the lag between perceived demand and construction/delivery of supply, the apparent pullback in e-commerce and fulfillment has not pushed vacancy rates higher. Owners of large, Class A industrial properties will be able to command rent increases that outpace inflation. As it relates to financing, the open question is whether industrial properties will be granted more underwriting flexibility in a time when cap rates for commercial real estate in general are increasing.

An analysis of 2,700 leases signed since 2019 by CBRE found that the flight to quality in office buildings is bifurcating rent growth trends. The study found that effective rents for Class A+/A office buildings increased by 3.8 percent in 2021 and by 6.7 percent through the second quarter of this year. Effective rents for Class B/C buildings fell by 3.4 percent in 2021 and by 1.1 percent through June 2022.

From 30,000 feet, commercial real estate appears to be healthier than the overall economy. Investors betting on the future of inflation and interest rates are expecting that conditions will be close to pre-pandemic levels by 2024-2025. Are these investors whistling past the graveyard, or have fears about the future incomes and values from commercial

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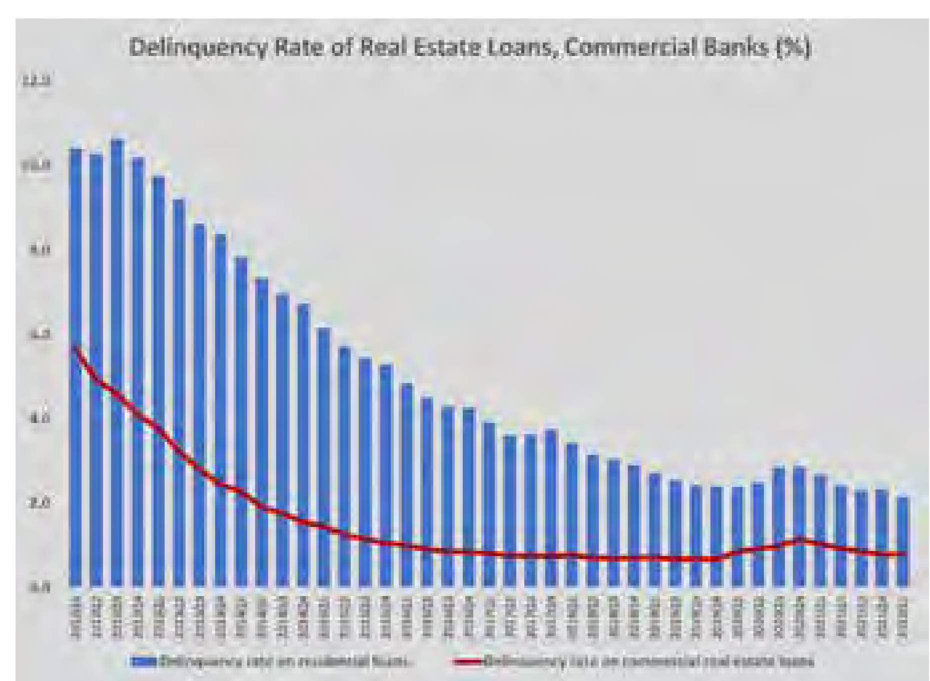
properties chilling the capital markets?

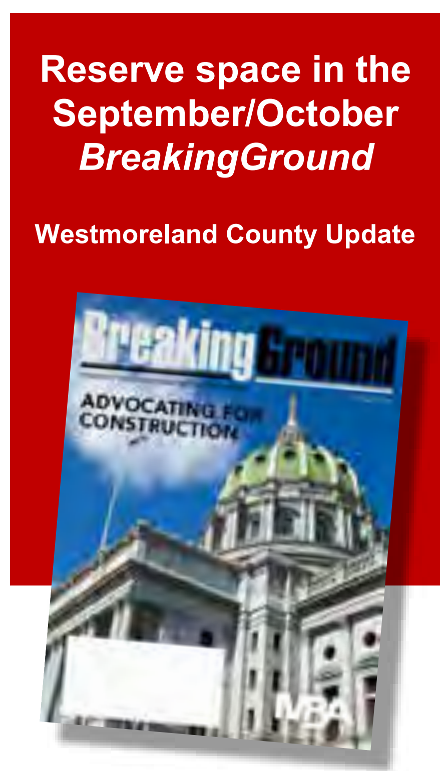
"I've heard from a number of lenders as well as institutional lending groups who have said that until things calm down, they are pencils down for a few months," says Nick Matt, senior managing director and co-head Pittsburgh office of JLL Capital Markets, Americas.

"It depends what property type, but we have seen enough evidence that cap rates have started to slide up," observes Paul Griffith, senior managing director for Newmark Valuation and Advisory. "Deals have been re-traded. Even on multi-family there has been an uptick on cap rate. It's subtle, perhaps 25 basis points, but it is across the board."

Dan Puntil, senior vice president and office manager for Grandbridge Real Estate Capital's Pittsburgh office, notes that the number of deals consummated daily by his peers across the country has fallen by more than 50 percent over the past year, with most of the decline visible since June. Puntil says that while none of the lenders have cut their allocations for commercial real estate, their caution means that those allocations are unlikely to be met in 2022. He quotes from a market update from a global life insurance company that was on pace to do $1 billion in 2022 until the rates began climbing.




*Delinquency rates on commercial and single-family loans edged slightly higher in late 2020 but have fallen back to cyclically low levels again. Source: Federal Reserve Bank.*

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***It is difficult to outrun the business cycle. The best developers and their financing partners work hard to anticipate the end of cycles and plan accordingly. At least half the time, however, changes in the business cycle cannot be anticipated and the best professionals adapt.***

"Our characterization of the market would be disjointed, as we are still experiencing a wide variety of spread quotes on any given day deal. Our appetite for industrial and multifamily remain strong along with grocery-anchored retail," Puntil laughs as he reads the report, noting that every lender's appetite seems to be the same. Puntil notes that the increase in spreads on corporate bonds influenced the life companies significantly.

"Spreads on corporate bonds widened to 200 basis points. For life companies that meant that the spread on mortgages had to widen by 25 to 50 basis points," he explains. "The sticker shock from the widening of the spreads and the run up in the Treasuries also contributed to the slowdown. Mortgages have had to compete with bonds to get deals done."

A reversal of the decade-long compression of cap rates has been expected, especially since base interest rates have been pushed higher quickly. Rising cap rates will dampen the proceeds for sale or refinancing, which will put downward pressure on property values. Thus far, cap rates have not lifted at the same pace as short-term interest rates, but investors seem to be expecting that to follow.

"The flow of deals is definitely lighter. I don't think cap rates have moved that much; it's more the result of the bid/ask spread between buyers and sellers," says Matt. "Deals have been pulled from the market. There have also been deals that were ready to go to market and sellers decided not to proceed. Based upon our national calls, it seems that pricing is anywhere from 10 to 15 percent below what it was in late 2021. That's a blanket statement but if you work out the rates and the required returns that's about where you would be."

Unlike in 2009, investor capital has not been decimated, but the desire to deploy it has cooled. Lenders are taking advantage of the way the market has slowed to tighten lending standards and increase the compensation they want for the increased risk.

"I had a hotel deal placed with a local bank that is being acquired. That deal should have closed two months ago but it had to go through the committee of the acquiring bank and the acquiring bank decided they weren't doing any hotels. We lost the deal and had to put it back together," says Autumn Harris, principal at Rose Finance LLC. "We are definitely seeing things like that happen in the market. We're seeing term sheets fall through and lenders reversing commitments."

Large publicly traded banks have begun to feel pressure from the Federal Reserve Bank about the level of real estate exposure for Tier 1 capital. The larger banks have tightened underwriting and the smaller regional banks have begun to follow. Construction loan allocations have begun to shrink. Construction loans that have been done are significantly more expensive than a year ago and the permanent financing may be 200 basis points higher than in 2021. One Pittsburgh banker noted that debt service coverage, which has not been a constraint on deals during the past decade, is now a constraint on almost every deal.

Matt spoke of a refinancing deal that the owner pulled from Fannie Mae after the 10-year Treasury hit 3.49 percent in mid-June. Just 45 days later, with the 10-year below 2.70, the deal is back in front of the lender.

"There's such volatility that it's almost impossible to transact," he remarks.

The outlook for commercial real estate financing is for a quiet fall and winter. There is still liquidity in the market that could be deployed if conditions improved unexpectedly, but there is no urgency to put it to work right now. Most commercial properties are performing in line with financing that was put in place before rates and inflation jumped. Delinquency rates remain low. The leading indicators of deal volume suggest that owners will play the hands they have been dealt for a while.

"Our volume of assignments has dropped a lot and, with the rate hike in July, I expect this quarter will see a real decline. After we get through what's in the pipeline for the next month, I think the third and fourth quarter will see a significant slowdown," predicts Griffith. "People will begin to sit on the sidelines, expecting that this time next year the Fed may be cutting rates. If you're not forced to refinance and you don't have to buy something it will be easier to sit on the sidelines. That shouldn't affect new construction as much as acquisitions."

It is difficult to outrun the business cycle. The best developers and their financing partners work hard to anticipate the end of cycles and plan accordingly. At least half the time, however, changes in the business cycle cannot be anticipated and the best professionals adapt.

For capital markets that means changing lending standards and pricing to recognize the increased risk. That usually means that fewer projects are financed. While that is not ideal for development, it is the way capital markets work when they are at their most efficient. It is clear that in 2022 lenders are anticipating that the risk of development will be higher and are responding as would be expected. Prudent developers are behaving similarly. When you consider the alternative - as occurred in 1986, 1999, and 2007 - tightening lending conditions ahead of a slowing market is short-term medicine the market needs to avoid longer and deeper pain. **DP**

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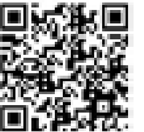

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# Three Ways to Streamline Entitlements

*By Michael Takacs, RLA, ASLA*

In the rapidly evolving land development industry, owners and developers often face expanding entitlements timelines and permitting snags that can slow down or even halt their projects. Seemingly inevitable, these challenges can be the result of a surge in applications, municipal and agency staff shortages, and, in some areas, enduring virtual procedures adopted during the COVID-19 pandemic. In other regions, challenges are caused by increasingly stringent regulations and complex approvals processes.

Regardless of geographic location or project type, however, development teams can follow a few best practices to keep delays at bay and control budgets in the face of entitlements uncertainties. To avoid slowdowns before they begin, teams should perform thorough due diligence, engage the local community, and strategize ways to work concurrently through waiting periods to keep projects moving forward.

Here are three steps development and design teams can take to minimize the impacts of increased entitlements timelines:

## 1. Engage the Design Team Early in Due Diligence

Your design team can help you identify important due diligence milestones and key factors impacting your deal structure. It is critical for the design team to establish priorities early on through due diligence and local stakeholder engagement. Consider sharing concepts, risk tolerances, and anticipated timelines at a project's start. This can help your design consultants identify, mitigate, and manage challenges — while shaping the timeline accordingly.

### *Obtaining data to inform project schedule*

Thorough due diligence often requires high-level expertise from site planning and consulting teams from the start — earlier than most developers would imagine. In Pittsburgh, for example, there's often a need to move forward on projects quickly and engage site civil engineers at the early stages of every project — even when you are still negotiating deals to buy land. This will allow the design team to develop a systematic approach to the due diligence process.

Ordering preliminary design documents, such as geotechnical surveys or environmental studies, early in the due diligence phase can inform closing dates, ensure on-time approvals, and reduce "down time" in the rest of the process. Engaging these consultants early can be a small cost up front that could save up to two months down the line.

### *Understanding the deal to strategize approach*

Help your design team understand the structure of the deal you are considering. Key elements like obligation deadlines, closing dates, and construction start are critical to helping the team form a strategy around your imperatives.

If breaking ground is your top priority, for instance, Bohler recommends taking specific steps, such as obtaining an early clearing or mass grading permit, to get the contractor underway faster. As initial sitework commences, the design team can complete the remaining permitting items to keep the project moving forward.

Developers should build ample time into agreements with tenants and banks to ensure developers meet their commitments and avoid incurring additional costs down the line.

### *Submitting plans concurrently to expedite timeline*

In Pittsburgh, advance planning helps smooth the path forward. When possible, run zoning and construction documents plan sets concurrently. Processing these reviews parallel with each other shortens the overall project schedule and potentially improves the permitting timeline.

Run site plan permits concurrently, as well. Submitting civil construction permits, such as driveway or utility connections and drainage permits at the same time, rather than waiting for site plan approval, also expedites the schedule.

## 2. Understand Local Permitting and Entitlements Nuances

Local expertise is particularly important when working with municipalities during the entitlements process. The longer the entitlement process, the more the project costs. Bohler has seen agency review times double in some regions, and these long wait times are costing developers — especially as prices on construction materials continue to rise.

### *Engaging local consultants to strategize approach*

Unfamiliarity with regional development delays can cause even longer timeline slowdowns. As developers expand their geographic reach and explore new areas of the country, it is often necessary to educate newcomers to the market on exactly what they can expect, emphasizing the importance of realistic timelines.

Teaming with land use attorneys and consulting agencies that know the region and local jurisdictions can dramatically reduce wasted time. This is especially effective where pre-established relationships can make processes easier or where newly created permits can slow a project already in progress.

### *Asking the right questions to identify potential challenges*

You may want to inquire about hidden timeline extensions that can affect projects regardless of region — plats, environmental concerns, changes to available construction materials, and local traffic departments can all introduce delays.

Likewise, jurisdictional sustainability requirements may be an additional source of potential slowdowns. New stormwater management regulations, implementation of solar panels and solar-ready facilities, and installation of electric vehicle charging stations are particularly likely to be affected.

**3. Collaborate with Communities and Municipalities**

There are local factors that influence a project's chance of success. These can include obtaining special permits in towns and villages that allow residents to vote on projects or navigating longer planning processes and formal community engagement efforts for large downtown developments and mixed-use projects before submitting final documents. The most important thing is to maintain flexibility to meet the community's needs.

***Taking small steps to win the community***

Bohler recommends approaching the site planning process in small steps. Some developers might be eager to move faster, but taking a deliberate approach helps the project progress more smoothly and saves time in the long run.

Breaking the process into small steps often begins with meeting with local stakeholders to discuss your chances of approval. Consider presenting a simple site plan rather than putting together a comprehensive package. This allows your team to gauge the interest of the community and make adjustments early on to ease their concerns.

***Meeting with reviewers to expedite approvals***

In many jurisdictions, an influx of unseasoned reviewers can make for a painfully slow experience for developers. Be proactive, educating municipal or agency staff through the process to help expedite reviews and secure approvals. For larger projects or more complicated designs, meet with reviewers in person or virtually to talk through the plans before they issue their first round of comments.

Meeting with officials allows developers and consultants to discuss development considerations quickly and offers an opportunity to explain design rationale. This approach tends to reduce extra rounds of comment. Any time you can eliminate one or two rounds of review comments, it shaves a couple of months off the project timeline.

***Creating community support to streamline the process***

Holding meetings with staff, agencies, and community members early in the planning process gives them a sense of ownership — helping to generate support, even for complicated projects. It's an effective way to approach the early design stages and due diligence. Community members and municipal staff often give glowing feedback because they feel heard and appreciated from the beginning.

***Maintaining Momentum***

While expanding timelines may be inevitable, engaging a land development consultant early in the site planning process can result in a more comprehensive strategy to keep the project moving forward — including more accurate cost and timeline estimates and better solutions to address potential schedule slowdowns. **DP**

*Michael Takacs is an associate and branch manager of the Pittsburgh office of Bohler. He can be reached at mtakacs@bohlereng.com.*

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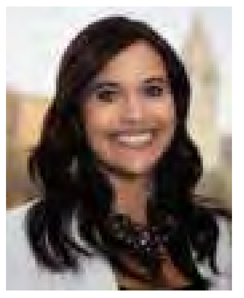
# Is there a substantial policy or change that would accelerate a recovery in the Central Business District?



**Kelsey Kanspedos, R.L.A, ASLA**
**Development Manager**
**RIDC**

"The primary challenge with downtown at the moment is the lack of demand as a result of COVID and remote work. Many retail, food and beverage-oriented properties are shifting to offering experiential opportunities as a way of attracting people to the city. But we also should be preparing now to enable a market turnaround as soon as possible, by improving permitting, reducing overall business regulation, and removing barriers to new business demand."

**Tom Frank**
**Designer**
**Desmone Architects**
**NAIOP Pittsburgh DevelopingLeaders Representative**

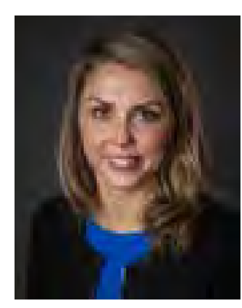
"Pittsburgh would benefit from a program similar to the Transformational Mixed Used Development Program (TMUD) which was implemented in Ohio.  This program provides tax credits against development costs for mixed use developments that may include residential, retail, structured parking, office, recreation and more.

Most developers in Pittsburgh are aware of the potential $2.1 million Mayor Ed Gainey has sought to unlock for Pittsburgh through the American Rescue Plan Act, however, this fund solely seeks to convert office buildings into residential spaces.

In my opinion, transformational mixed used developments will go above and beyond simply providing housing. Pittsburgh lacks a variety of abundant uses within the golden triangle and series of mixed-use developments may actually activate the Central Business District into a more active and vibrant piece of the city after the 9-to-5 business hours."

**Amy Broadhurst**
**Vice President**
**CBRE Advisory and Transaction Services**

"The office market has changed due to the flight to quality, and it may get worse for downtown if some of the big-name tenants in the market – like Citizens and K&L Gates – leave. If these large tenants leave, it will put financial pressure on buildings with lower occupancy levels. This might naturally happen for some of the class B and C buildings sooner rather than later. Statistically, visitor activity has increased, and residential and multi-family demand is there. To support that we need a clean and safe environment, along with retail growth through ownership incentives.  We can start fostering the environment that makes employees want to live/work in the CBD again.".



**Rachel Rzymek Sweetland**
**Business Development Associate**
**AE Works**

"For a thriving CBD, there are three things I believe need to be in play: places to live, work, and access to the right amenities. Even before the pandemic, our downtown would empty out quickly after business hours.

I do believe we are moving in the right direction with more multi-family. However, we still have some work to do. We need more affordable parking and everyday services such as grocery stores and doctors' offices so that people do not have to leave downtown to get the resources they need throughout the week. For our business district to thrive, we need reasons for people to stay in the city. To accelerate this recovery, I believe we need to continue the growth of multi-family while making it easier and encouraging retail operators to come into the CBD."

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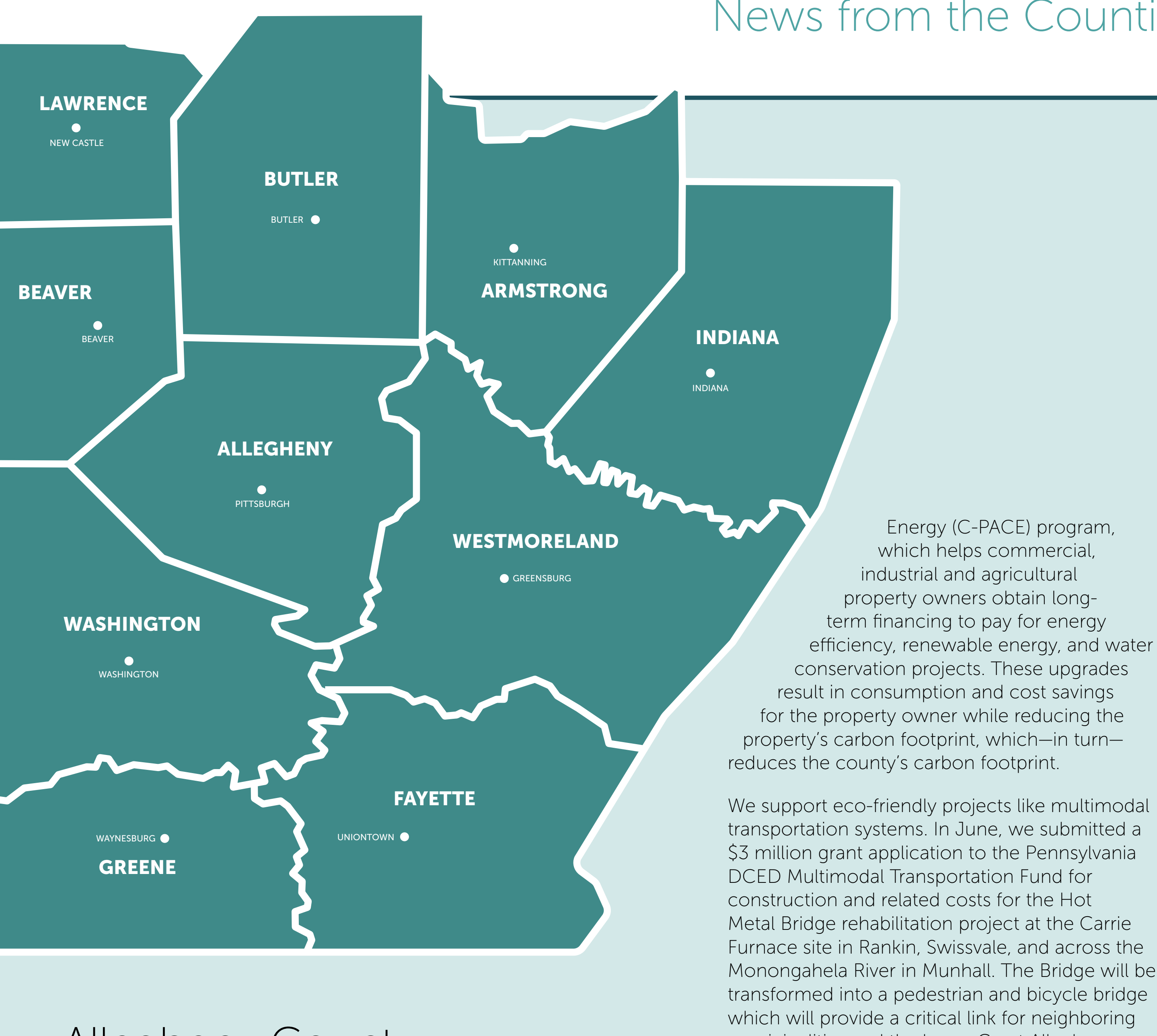


# Allegheny County

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**Lance Chimka, Director**
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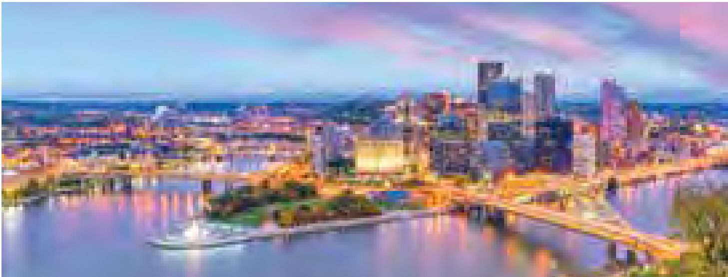
Allegheny County has long been a force in industry and energy. Today, we are primed to lead the global charge into a future of clean and renewable energy.

At Allegheny County Economic Development (ACED), we provide innovative approaches like the Commercial Property Assessed Clean Energy (C-PACE) program, which helps commercial, industrial and agricultural property owners obtain long-term financing to pay for energy efficiency, renewable energy, and water conservation projects. These upgrades result in consumption and cost savings for the property owner while reducing the property's carbon footprint, which—in turn—reduces the county's carbon footprint.

We support eco-friendly projects like multimodal transportation systems. In June, we submitted a $3 million grant application to the Pennsylvania DCED Multimodal Transportation Fund for construction and related costs for the Hot Metal Bridge rehabilitation project at the Carrie Furnace site in Rankin, Swissvale, and across the Monongahela River in Munhall. The Bridge will be transformed into a pedestrian and bicycle bridge which will provide a critical link for neighboring municipalities and the larger Great Allegheny Passage network. Full design and engineering for this project is underway. We also submitted a $250,000 grant application to the Appalachian Regional Commission Area Development program for the same project.

Projects that advance trail and active transportation has been prioritized through the Trail Development Fund program, which is run in coordination with the Redevelopment Authority of Allegheny County (RAAC). Open to nonprofits, municipalities, for-profit businesses, and councils of government, multiple projects that create new trail opportunities, expand and enhance existing trail facilities and facilitate local connections to existing trail and multimodal transportation systems have been funded.



When you think of Pittsburgh and Allegheny County, you also think about energy. From the first coal mine in Pennsylvania, in the late 1700s at Coal Hill, part of modern-day Mount Washington, to the drive to become one of this country's hydrogen hubs, this region has always led the way in powering our country.

In September, we will host the first ever Global Clean Energy Forum, a joint convening of the 2022 Clean Energy Ministerial and Mission Innovation ministerial. In making the announcement, Energy Secretary Jennifer M. Granholm lauded the region, saying it was chosen because it "exemplifies how a legacy energy and industrial-dependent economy can be transformed into a technology and innovation powerhouse."

Some may ask why Pittsburgh, but we know. The Pittsburgh region already offers everything the world needs to make the transition to a clean energy future for all. The toughest problems get solved here. Pittsburgh applies ingenuity, creativity, determination and grit to materialize big ideas that transform the real world, making it a better, more livable place. We know how to drive the next wave of energy and environmental transformation because we have done it before.

The world's eyes are on us and we are committed to finding new, inventive ways to create a future of health and prosperity for all through clean, sustainable energy. The future is now – and in Allegheny County, it is marked by sustainability, growth and innovative leadership.

Lance Chimka
*Director Economic Development*

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Pittsburgh, PA 15219

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alleghenycounty.us/econdev

Investments in trails, multimodal work, and other initiatives help us lower our carbon footprint, and has a direct impact on regional air quality. For county residents, air quality has been a multi-generational concern, but in April, the Allegheny County Health Department announced that the county again met federal air quality standards for fine particulate matter (PM2.5) at all eight air quality monitors.

Change is happening; further improvements are coming.

An energy journey that started in the 1700s at a giant hill of coal on the banks of the Monongahela River will soon lead to a low-impact hydroelectric facility on the Ohio River, an exciting project that will help the county reach its goal of producing 100 percent renewable energy from local sources. Last year, County Executive Rich Fitzgerald announced that the county entered into an agreement to purchase 7.4 MW of renewable electricity from a new run-of-river hydroelectric facility to be located on the Ohio River. This important development provides a clear map toward fully renewable energy and even more clean energy jobs in Allegheny County.

In May, Fitzgerald joined state and local leaders to highlight the region's pursuit to be designated as one of four Regional Clean Hydrogen Hubs in the United States. The initiative is part of President Biden's work to create jobs by expanding the use of clean hydrogen to accelerate the decarbonization of the industrial sector.

And the U.S. Department of Energy recently selected Allegheny County as the site of the first ever Global Clean Energy Forum, a joint convening of the 2022 Clean Energy Ministerial and Mission Innovation ministerial, to be held in Pittsburgh Sept. 22-23. Secretary of Energy Jennifer M. Granholm said the region was chosen because it "exemplifies how a legacy energy and industrial-dependent economy can be transformed into a technology and innovation powerhouse."

Proof of our "powerhouse" abilities came in June in the form of the 2022 U.S Energy and Employment Report (USEER), which showed that Pennsylvania is one of the top states in terms of percent growth in transmission, distribution and storage energy jobs, and our energy workers represent 3.3 percent of all U.S. energy jobs, and 4.6 percent of total state employment.

In Allegheny County and at ACED, we are committed to finding new, inventive ways to create a future of health and prosperity for all through clean, sustainable energy. The future is now, and we will not rest on our laurels as this county and region continues to lead in green jobs, clean energy, sustainability, and innovation.

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## Carrie Furnace Redevelopment Site

### Allegheny County, Pennsylvania

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# Fayette County

**Fayette County Economic Development**
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**Economic Development Coordinator**
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Fayette County continues moving forward, driven by strong leadership, a myriad of beneficial attributes, and perfectly timed investments. Well on its way to becoming an economic powerhouse in Southwestern Pennsylvania, Fayette boasts a low cost of living, convenient geographic location within a four-state region, and superb quality of life. Heavy investment in infrastructure and recreation have helped Fayette turn the corner on long-term growth and vitality.

That progress is bolstered by collaboration between county leadership, business owners, nonprofits, community groups and more. Those efforts were magnified in 2021, when those entities came together to vaccinate approximately 30,000 residents against COVID-19, effectively establishing Fayette County as a statewide leader in adaptability and innovation.

Fayette took steps to ensure it would emerge from the pandemic stronger than ever. All leadership levels have joined forces to formulate plans for future growth and development, including strategic use of federal and state aid packages.

Fayette County Commissioners Dave Lohr, Vince Vicites, and Scott Dunn continue taking steps to support economic growth and retention. They recently launched the Fayette County Infrastructure Bank and Property Database; two projects overseen by Economic Development Coordinator Mark Rafail.

Aimed at helping municipalities and municipal authorities fund infrastructure projects, the Infrastructure Bank will allow entities to apply for loans from a special county fund to be used as a quicker, more reliable option for financing necessary repair or improvement projects.

Launched in partnership with Community Networking Resources and HRG Engineering, it will help municipal leaders maximize their investment in infrastructure projects countywide. By advancing infrastructure that supports tourism, development, and public safety, Fayette's economy will see significant growth.

The Property Database seeks to create a central directory of vacant land; commercial or industrial buildings; or other properties for sale, rent or development. By completing the survey on the county website, municipalities and landowners can list their properties and receive marketing and development help from county officials.

INCLINE EQUITY PARTNERS FIT OUT

The Economic Development Office has also entered a new era of collaboration with Fay-Penn Economic Development Council. With new Executive Director Laura Kurtz Kuhns at the helm, Fay-Penn works with existing businesses, county government, the Fayette Chamber of Commerce, and regional organizations to market the county to potential new companies.

Fay-Penn provides a broad range of no-cost services to new and existing county businesses, having assisted more than 40 businesses this year alone. Fay-Penn has a revolving loan fund; small business incubator through partnership with Penn State Fayette; and partnership with St. Vincent Small Business Development Center to provide start-up business assistance.

Fay-Penn has close to 1,200 developable acres countywide, including properties in four developed business parks, all within close proximity to major highways, railways, and airports. Their staff and county representatives have shown a number of sites in recent months to new companies and will continue working together to market properties.

Additionally, Fay-Penn will construct a 100,000-square-foot, multi-tenant speculative building in Dunbar Township Business Park. The project is currently in the preliminary planning stages, with completion slated for 2023

Fayette's main economic sectors are tourism, agriculture, healthcare, and manufacturing. Additionally, transportation and warehousing are growing rapidly, due to Fayette's convenient location within a 500-mile radius of over half the U.S. and Canadian populations.

In addition to these thriving industries, county officials are focused on local business support and quality-of-life improvements for citizens, including maintaining and upgrading three county-owned parks and a world-renowned trail network. Groups such as the Fayette Living Well Coalition are working fervently to make Fayette a happier, healthier place to live, work and visit; while committees like the Fayette Agricultural Land Preservation Board are working to ensure the county's, natural assets are protected for generations to come.

As enthusiasm grows among local leaders, Fayette stands at the precipice of an economic and residential boom, prepared to meet the relocation and expansion needs of new and existing businesses with a plethora of resources. With development in its sights, Fayette County is never looking back.


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# Greene County

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Every month has seen new opportunities for economic growth in Greene County so far this year.

Waynesburg University received a three-year $1.5 million grant from the Health Resources Services Administration for the June launch of its Healthcare Workforce Resiliency Training Program. The purpose of the program is to impact community resilience and mental health in an environment of long-term stressors such as the COVID-19 pandemic.

Greene County Commissioners announced a new program to help pay for infrastructure development/ improvements called the Potential Infrastructure Opportunities Needing External Expenditures and Resources (PIONEER) program. The grant is eligible to all townships, water and sewage agencies and other eligible providers in the county for the specific purpose of advancing the county's infrastructure.

A business incubator program is being funded by a $1.4 million grant from the $1.5 trillion omnibus spending bill signed in March that will convert an empty building into an entrepreneurs' launching site. The county is partnering with Waynesburg University who will provide problem-solving skills and practical encouragement to help get new businesses off the ground.

The University of Pittsburgh Small Business Development Center has relocated to the office that houses the Greene County Chamber of Commerce on Mount Morris Road in Waynesburg. This will put opportunities and resources into one place making progress much more efficient.

In May the county was awarded a $1 million EPA Brownfields Grant to be used to continue a countywide brownfields assessment of potentially contaminated sites. The other project funded is in Morgan Township to remove and dispose of railroad ties on the Mather coal refuse site.

Recent awards in June:

The East Dunkard Water Authority was awarded a $2 million grant for upgrades to their water treatment facility…. Greene County Industrial Development Corporation sold a 10-acre parcel in its Paisley Park development in Carmichaels to Ryan Industrial Supply….Act 13 impact fee money is funding a $5.41 million program that the county will disperse to local townships….CNX Gas presents a $1 million grant to help the county expand its broadband initiative.

# Indiana County

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The Local Economic Revitalization Tax Assistance (LERTA) has become of interest in several Indiana County downtown communities. Currently Indiana Borough and Burrell Township have recently adopted the tax abatement program. Blairsville Borough is giving serious consideration.

Indiana Borough has aggressively revisited its downtown development opportunities, not only with the LERTA adoption, but also with other initiatives designed to promote and expand business in Downtown Indiana. The goals of Indiana Borough's LERTA Program are to: encourage economic redevelopment and long-term investments, encourage housing improvements, foster a general sense of wellbeing and prosperity throughout the community, improve the sustainability of tax revenue in coming decades and revitalize neighborhoods and support family housing.

Indiana Borough continues a robust relationship with the Downtown Indiana (DI) merchant's business association. Each "Third Thursday" from April through October, in Indiana Regional Medical Center (IRMC) Park, the Borough and DI showcase and present social and entertainment opportunities to engage both the local and the Indiana University of Pennsylvania (IUP) communities to "showoff" Downtown Indiana in its best light. Again, this year Indiana Borough and DI partnered to display the live blooming flower baskets on various utility poles.

In Homer City Borough, applications for more than $1.8 million of state grant aid for cleaning up downtown eyesores have been authorized by the borough council. The grant applications are among the first of Homer City's efforts to raise state aid toward a comprehensive $5.7 million plan to make central Indiana County a destination for outdoor sports enthusiasts and those with an appreciation for the preservation of the town's heritage, ironically, as a pillar of the coal mining industry. Homer City Borough is leading an ambitious campaign to clean area streams, develop a miles-long addition to the Hoodlebug Trail, and market the region as a destination for fresh-water trout fishing.

The Blairsville Community Development Authority (BCDA) has prepared a master plan along West Market Street that it hopes to attract developers to design and build a mixed-use marketplace / neighborhood, with the option to develop on adjacent parcels. Currently the owner and a historic restoration specialist are looking at the long-vacant Blairsville High School to advance historic restoration with retail / service / loft housing options.

Clymer Borough continues with several community development projects beginning most recently with the Sherman Street Park and Streetscape Improvement Project and Tate Park, a new park across the street from the borough building that honors Clymer's veterans — and the memory of a couple who inspired their son to give back to his community and to be a good public servant.

2022 is the Sester centennial (250 years) celebration for Shelocta Borough and the Bicentennial (200 years) for Cherry Tree

Borough. Indiana County is gearing up for the America 250 Celebration in 2026.

Indiana County's downtowns, 14 boroughs with opportunities for shopping, restaurants, fairs and celebrations are alive and well.

# Lawrence County

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The first half of 2022 has been a busy one for the Lawrence County Economic Development Corporation (LCEDC) and its countywide economic development partners.

The forthcoming City of New Castle's Enterprise Park District facelift project is full steam ahead thanks to a $1 million grant from the Commonwealth's Multimodal Transportation grant. The Enterprise Park District comprises a ten-block area in the downtown urban core of New Castle and is home to approximately nineteen businesses employing 240 people ranging from a neighborhood pizzeria to a global provider of plastics. The District is also currently experiencing new business and job growth, in large part due to efforts and investments by DON Services, including a new distillery, restaurant, and apartments. The grant will help fund Phase 1 of the project that will realize new sidewalks, curbing, decorative lights, and streetscape amenities.

The International Brotherhood of Electrical Workers Local 712 Western PA Joint Apprenticeship Training Center in Neshannock Township, Lawrence County, has been awarded its third, $1 million grant from the Commonwealth of Pennsylvania Redevelopment Assistance Capital Program (RACP). The $6.5 million project is using the funds to complete its state-of-the-art training center operation by installing solar-derived power generation for both building efficiency purposes as well as ensuring local workers have cutting-edge training on alternative energy technologies that are becoming more and more a part of modern production. The building's HVAC system will get a geothermal heat pump, and electricity will be generated by an on-site solar array. Additional alternative energy equipment will include vehicle charging stations, wind turbines, a welding and charging building, and an energy dashboard. With more automakers turning to electric and an increasing demand for alternative energy sources, the new equipment ensures that our workforce benefits from the most sophisticated, up-to-date technology.

Finally, Steelite International, a leading tableware company located in Millennium Park, recently announced plans to once again expand their warehouse/distribution operation at that site. In 2019, the company completed a $4 million expansion project adding 52,000 square feet to their Neshannock Township facility.

Development starts here in Lawrence County. The Lawrence County Regional Chamber of Commerce and the Lawrence County Economic Development Corporation are doing business under the Forward Lawrence umbrella. Forward Lawrence continues efforts to support our local businesses. Strategies are developing to make Lawrence County the best option for new businesses to locate. Small business development plans include researching the creation of a makerspace or business incubator. Work is being done to improve business park gateways and aesthetics. Most importantly, Forward Lawrence is actively working with area municipalities so that the City of New Castle, all boroughs, and townships are involved in the conversation on progress. It starts here.

# Washington County

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During the first half of 2022, Washington County has continued to observe positive economic indicators in terms of real estate demand, business expansion and job creation/retention.

This continued positive outlook was highlighted at the 10th Annual Washington County: State of the Economy event hosted by the Washington County Chamber of Commerce in February. The Chamber, along with its partners at Community Bank and the Washington County Commissioners highlighted 69 projects, accounting for more than $679.8 million in capital investment in Washington County. These projects were also complemented by over $7.2 million in additional investments the county recently made through the Washington County Local Share Account (LSA)-a fund capitalized by gaming revenues. These LSA investments were leveraged by an additional $8.8 million in public and private resources.

Washington County continues to cultivate a diverse economy across several industry sectors to maintain stability and encourage continued growth. M@C Discount, an online auction company, announced a new location in Washington, a 150,000 square foot expansion at the former Macy's in the Crown Center Mall. This is the online auction retailer's second largest location in the region and provides customers with a convenient pickup location.

In May, Mingo Creek Craft Distillers, purveyors of Liberty Pole Spirits, broke ground on their new, nearly 15,000 square foot distillery, tasting room, and barrel storage rack house. Mingo Creek Craft Distillers is a family-owned business that was launched in 2016 and is known for its award-winning brands of small batch whiskeys. This new destination distillery will attract visitors to the county and provide another entertainment option on the Racetrack Road corridor.

Manufacturing has long been a leading industry in Washington County and Perryman Co. has announced a major expansion at their California location. The company plans to install an open die forge press at their Coal Center

melt campus in California Technology Park. They also plan to add additional furnaces at the same location to increase titanium melting capacity by more than 60 percent. Both projects are expected to be underway this summer and will be completed by 2024. This dual expansion project marks a significant investment in Washington County and will support additional jobs at the plant.

In the Mon Valley, Bakery Barn, a protein bar manufacturer, has announced plans to occupy a 55,000 square foot manufacturing facility in the Alta Vista Business Park. The company will have 50 employees at the facility and is expected to open this year.

Another truly transformational project for Washington County is the Fort Cherry Development District - led by Imperial Land Company - which will redevelop more than 200 acres of previously strip-mined property in Robinson Township. The development will feature 25-to-75-acre sites for industrial, flex and distribution. Site and infrastructure development is currently underway on the first phase of the project with lots expected to be available in late 2022.

Washington County continues to prioritize infrastructure development and invest in the future through new roads, utilities, and broadband. One of the most significant infrastructure projects for Washington County last year was the Pennsylvania Turnpike Commission's opening of the Southern Beltway linking the Pittsburgh International Airport to Washington County communities. This delivers another main interstate to Washington County's front door and will be a major catalyst for development across the northern portion of Washington County, as evidenced by the aforementioned Fort Cherry Development District project.

Broadband development has also been a major area of focus for the county. The Washington County Commissioners have unanimously approved several projects to increase high speed internet service accessibility to unserved and underserved residents and businesses in the county. The initial pilot projects in the county have been awarded for Avella and Scenery Hill, with additional locations to be announced. The Washington County Authority is implementing this countywide project, which is expected to take approximately three years and has an initial budget of $30.0 million, funding made available through the American Rescue Plan Act of 2021.

In Washington County, many of our successes have highlighted the strategic diversification of our economy, the maximization of opportunities presented to (and by) our businesses, and our unique public/private partnership initiatives. This is exemplified by the two decades long partnership between the county commissioners and Washington County Chamber of Commerce, providing coordinated economic development services to the benefit of the customer. This approach has allowed Washington County to be nimble and respond to the market quickly, provide our partners with stability and a predictable environment, and help to assure that their projects will be a success. We remain prepared for new opportunities and welcome you to visit to see for yourself.

# Westmoreland County

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A lot of activity has taken place in the cluster of parks that encircle RIDC Westmoreland Innovation Center near the border of East Huntington and Hempfield townships, so we'll start there with our Westmoreland County midyear update.

In February, an Al. Neyer affiliate signed an option agreement to buy a 14.79-acre lot in Westmoreland Technology Park II. Al. Neyer plans to build a 150,000 square foot flex industrial/warehouse building. The property is across the street from a 13.39-acre lot where Al. Neyer currently is building its 150,000-SF Hempfield Commerce Center I facility. Also in Tech Park II, shortly after opening its 41,000 square foot facility earlier this year, start-up manufacturer Fossil Industries announced expansion plans. An affiliate of the company entered into an option sales agreement in April to buy an adjoining 5.72-acre lot so the manufacturer can build a separate, 52,000 square foot facility. Fossil Industries also plans to expand its existing building in the coming years.

Moving clockwise around RIDC Westmoreland, Roechling Industrial signed an option sales agreement to buy the final lot in Westmoreland Technology Park I in May. Roechling owns an adjacent lot and expects to break ground on an expansion project that will add 26,000 square feet to its existing 34,000 square foot building. Roechling — which manufactures custom CNC machined components made from a wide variety of plastic materials — plans a second, future expansion for the 6.39-acre new lot.

Continuing our clockwise journey, we come to Westmoreland Distribution Park East-West, where Performance Foodservice - Pittsburgh is in the midst of an expansion that will nearly double the size of its Reinhart Foodservice facility. The company announced in February that it will add 155,000 square feet to its 169,000 square foot facility. Next door is Westmoreland Distribution Park North, the site of the Westmoreland County Industrial Development Corporation's latest project — in June we began work to develop three pad-ready sites on 60 acres in the park. Given the market demand for industrial properties that we've seen in the county these past three years, we're eager to add these parcels to our portfolio of available sites. Work is expected to be completed by the second quarter of 2023.

As for RIDC Westmoreland, itself, City Brewing signed a five-year lease in January for 255,584 square feet of space for a warehousing and distribution operation. City Brewing, the largest full-service alcoholic beverage contract manufacturer in the nation, operates a brewhouse in nearby Latrobe. RIDC Westmoreland, a 2.5-million square foot multi-tenant facility, is now 70 percent

occupied. It has approximately 700,000 square feet of available lease space.

That's not the only drink industry-related development news coming out of Westmoreland this year. Frank B. Fuhrer Wholesale Co. has embarked on a major expansion project with construction of a 300,000 square foot office and distribution center on 40 acres at the intersection of Routes 22 and 66. The project, which is being built on a former Beckwith Machinery property in Salem and Washington townships, is expected to be completed next summer. The expansion will enable the region's largest beer distributor to nearly double its size.

Shifting our focus southward to the Waltz Mill exchange of Interstate 70, Al. Neyer is nearing completion of the first facility at Commerce Crossing at Westmoreland, a 250,000 square foot Class-A distribution center. That's not the only news coming out of the park — in April, M&G Realty entered into an option sales agreement to purchase a 21.78-acre lot. This leaves available two parcels — a nearly 30-acre lot with a pad area of 25.65 acres and a nearly 20-acre lot with a 9.8-acre pad area — in the Sewickley Township industrial park. Both offer rail-connectivity as an option.

In the central part of the county, BGH Properties LLC signed an option agreement in May to purchase a 3.86-acre lot in Westmoreland Airpark in Unity Township. Located along Route 981 across from Arnold Palmer Regional Airport, the Airpark currently has available eight lots ranging in size from 5.02 to 8.2 acres.

We'll finish with some news of the WCIDC's leasable property. After signing two new commercial tenants to long-term leases, we now have more than 99 percent of our leasable property under agreement. In May, Westmoreland Community Action opened its new administrative headquarters in our GreenForge Building in Hempfield. A nonprofit agency dedicated to strengthening communities and families to eliminate poverty, Westmoreland Community Action experienced significant program growth in 2020-21. And in June, Greensburg-based Scott Electric Company signed a five-year lease for 50,095 square feet of space in Jeannette Industrial Park. Scott Electric has been in business since 1946 and employs 680 people at multiple locations. It plans to move one of its wholly owned subsidiaries to the recently renovated suite. The Scott Electric lease brings the 212,000 square foot facility to full occupancy.

1960 - JENDOCO Truck
1940 - Home building in East Liberty
1926 - Eugenio Dozzi on the boat to America
1965 - Pete and Eugenio Dozzi
1968 - JENDOCO Office
1930 - Eugenio Dozzi (Pete's father)
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2022 - JENDOCO Field
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(From left) Oxford's Steve Guy, Lynn DeLorenzo from TARQUINCoRE, and Chris Duerr from NRP Group at the 29th NAIOP Awards on May 19.

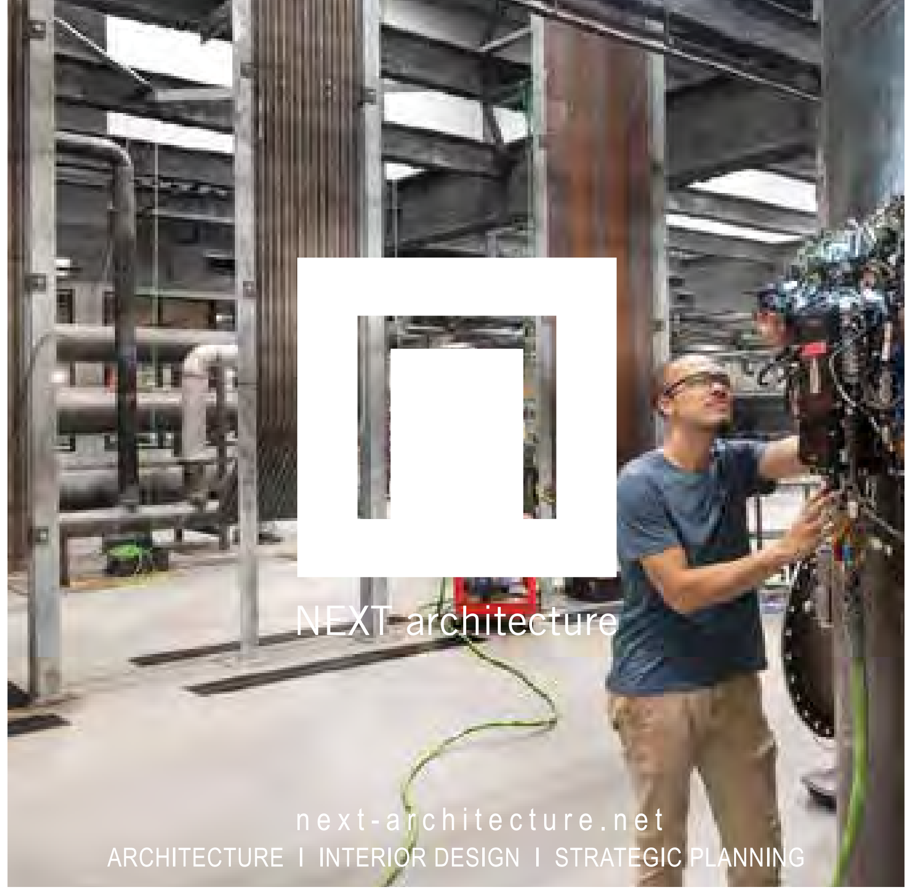
(From left) Erica Wilkerson from WorkSpace Solutions, ITS Corp's Micali Interval, Ruby Scalo from BSRE, Franjo's Katie Meehan, and CBRE's Ashley Koltonski.

(From left) Michael Weniger from Sentinal Construction, NAIOP Pittsburgh President Jamie White from LLI Engineering, and RIDC's Tim White.

RIDC's Kelsey Kanspedos (left) and Don Smith.

NAIOP gala co-hosts Clayton Morris from Sampson Morris (left) and Sentinel's Stacey Weniger.

Robert Cherry (left) and Dr. Carl Wesley from Partners4Work.



*Desmone's Eric Booth (left) and Pierre Brun from Jendoco Real Estate.*

*(From left) NAIOP's Brandon Mendoza, Robert Morris University president Dr. Michelle Patrick, Clayton Morris from Sampson Morris, and Mascaro's Alyssa Kunselman at the NAIOP/RMU Commercial Real Estate Immersion program.*

*The NAIOP/RMU Immersion program drew 24 students from 20 schools throughout Pittsburgh*

(From left) Pat Gilligan from Chaska Property Advisors, Elmhurst's Bill Hunt, Jim Noland from PenTrust.

(From left) RIDC's Mike Goldstrom, Thoro.ai CEO Patrick Mondi, NAIOP Pittsburgh Past President Don Smith from the RIDC, and Aurora co-founder Drew Bagnelli.

(From left) Mascaro's Alyssa Kunselman, UPMC's Margaret Bell, Dusty Elias Kirk from Reed Smith, and CEC's Mary Guinee at the NAIOP golf outing at Fox Chapel Golf Club.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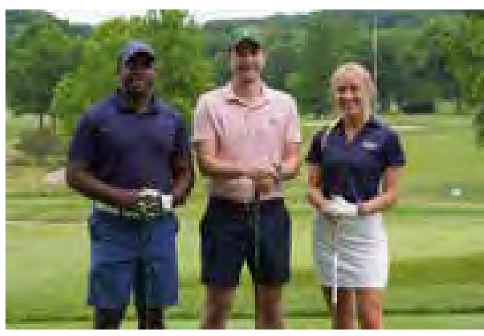
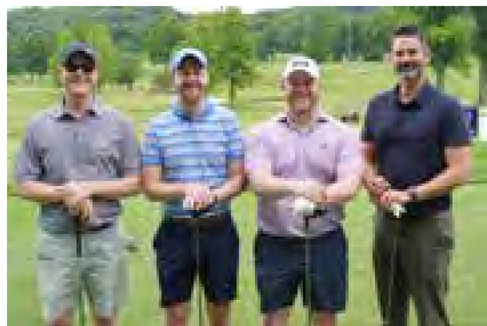
*Atlantic Engineering's Matt Kaufman (left) and Tyler Noland from PenTrust.*



*NAIOP Executive Director Brandon Mendoza (left), Oxford's Nate Tovornik, and Ruby Scalo from Burns Scalo Real Estate (right).*



*(From left) PJ Dick's John Robinson, Lance Lindauer from Partnership to Advance Responsible Technology, Dan Law from The Warhol, and Live Nation's Tom Loudermilk.*

*(From left) Will Thomeier from the Washington County Chamber of Commerce, Crossgates' Ryan Schwotzer, the Chamber's Jeff Kotula, and Loren Anderson from the Marcellus Shale Coalition.*

*(From left) Allison Sachs from Oxford Development, RIDC's Megan Corrie, Natasha Smith from Highwoods Properties, and Rycon's Danielle McCullough.*

*(From left) Michael Connor from Hanna Commercial, Bob Dezort from Anderson Interiors, RIDC's Kelsey Kanspedos, and Todd Irwin from KMA & Associates.*

Learn more about NAIOP in the western Pennsylvania tri-state region at **naioppittsburgh.com** or **412-928-8303**.

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Design 3 Architecture has been offering architecture, planning, and interior design services to the Pittsburgh region since 1982. We view inherent project constraints as potential opportunities for innovative design solutions. With a philosophy grounded in team collaboration, providing both personal attention and project leadership, Design 3 Architecture does more than solve problems. We provide solutions that are unique, exciting and affordable.

desmone

**Desmone Architects**
3400 Butler Street, Pittsburgh, PA 15201
412-683-3230
www.desmone.com
Eric Booth, AIA, President
ebooth@desmone.com

Great design is inspired by vision. We design buildings and spaces that allow people to thrive – physically, emotionally, and spiritually. Our unique service journey is rooted in effective delivery strategies and informed by principles of health and wellness. Our work reflects the range and diversity of the clients we serve. Each project is informed by a unique set of opportunities and constraints and is inspired by our client's vision. We design high performing buildings and spaces optimized for the people who live, work and play within. Health and wellness are a consideration on all projects, regardless of size, scale or type. Our work is designed to thrive.

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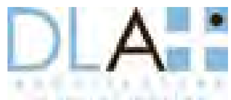



## DLA+ Architecture & Interior Design

**Foster Plaza 10, Suite 500**
**680 Andersen Drive, Pittsburgh, PA 15220**
**412-921-4300**
**www.DLAplus.com**
**Sheena Sundin – SMSundin@DLAplus.com**

DLA+ is a full-service architecture and interior design firm dedicated to providing our Strategic Architecture[SM] project approach through a collaborative and integrated partnership with our clients. Our corporate/commercial, higher education, sports, government, healthcare, and retail/hospitality clients seek our expertise to solve their unique objectives and support their overall mission, vision, and strategy. Our talented team has extensive experience in all aspects of architecture and interior design, significant LEED and design-build background, and comprehensive construction contract administration experience. We are committed to delivering a technically successful project, innovative solutions, and sound principles of sustainable design intended to serve your organization and the community well into the future.

## HHSDR Architects/Engineers

**40 Shenango Avenue, Sharon, PA 16146-1502**
**130 7th Street, 201 Century Building**
**Pittsburgh PA 15222-3413**
**T: 800-447-3799 | T: 412-281-2280**
**www.hhsdr.com**
**Andreas Dometakis – adometakis@hhsdr.com**
**Matthew Franz – mfranz@hhsdr.com**

HHSDR helps our clients deliver successful projects, on-time and on-budget, using a 360 degree approach to project planning, design and management. Our approach means detailed, Partner involvement at every phase, from initial studies through the phases of design, construction contract management and post-construction closeout. It means advocacy on our clients' behalf, through every stage of the project, with the same Partner and team members that started the project with you. It means a facility that is as effective as it is beautiful. It means having the confidence that comes from a firm with more than 67 years of experience. HHSDR looks forward to speaking with you about our 360 degree approach to your project.

## ikm architecture

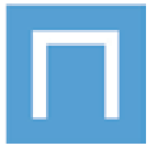
**11 Stanwix Street #2200, Pittsburgh, PA 15222**
**T: 412-281-1337 | F: 412-281-4639**
**www.ikminc.com**
**Joel R. Bernard, AIA, NCARB, LEED AP, Principal**
**jbernard@ikminc.com**

IKM Architecture is a dynamic design firm providing architectural, programming, planning, and interior design services to clients across the region in Healthcare, Science & Technology, Workplace, Education and Civic/Cultural markets. We champion an immersive client engagement process proven to creatively develop the direction of a client's project. Utilizing an in-house Maker Space IKM incorporates animations, VR, 3-D Modeling, and laser technology into the development and creative direction of our staff and our clients' projects. In continuous practice for over a century, IKM Architecture provides innovative and informed design solutions that continue to create enduring value for clients in an ever-changing world.

## LGA Partners, LP

**1425 Forbes Avenue, Suite 400**
**Pittsburgh, PA 15219**
**T: 412-243-3430**
**Paulette Burns, Partner**
**pauletteb@lga-partners.com**

LGA Partners is an award-winning professional design firm specializing in Aviation, Education, Healthcare, Housing, Retail and Workplace design. Our team of 70 talented and diverse architects and interior designers creates exceptional design solutions for outstanding project outcomes. Our mission is to form meaningful partnerships with our clients, consultants, and stakeholders to create an architecture that is both inspiring and enduring. LGA is consistently ranked as one of Pittsburgh's largest and fastest growing firms and has been voted a "Best Place to Work" three years running. After nearly 30 years in business, we remain committed to our core value: *do good work, and work to do good by others*.




## NEXT architecture

**1133 Penn Avenue, Suite 100**
**Pittsburgh, PA 15222**
**412-681-1145**
**www.next-architecture.net**
**Daniel J. DeLisio, Principal/Owner**
**d.delisio@next-architecture.net**

NEXT architecture focuses on creating and maintaining lasting client relationships. Our solutions strive to enhance the experience of space, context and craftsmanship. NEXT architecture is in business to serve our clients and dedicate ourselves to meeting their expectations. NEXT architecture provides the full range of architectural and interior design services. These include strategic and master planning, programming, design, image and branding consultation, project management, furniture selection, change management and engineering consultation. We pride ourselves in the ability to provide clients with a broad range of experience, a strong work ethic and the commitment to service.

## PWWG Architecture + Planning

**408 Blvd. of the Allies, Pittsburgh, PA 15219**
**T: 412.391.2884 | F: 412.391.1657**
**www.pwwgarch.com**
**Lisa Carver, AIA, LEED AP, Principal**
**lcarver@pwwgarch.com**

PWWG works throughout the tri-state area from offices in Pittsburgh and Cincinnati. Projects for developers and private clients include multi-family housing, cultural buildings, mixed-use commercial, and adaptive re-use of existing structures. PWWG's portfolio is 50% new construction and 50% renewal and re-use, creating new value for original buildings. Forward-looking clients partner with PWWG for exceptional design and detailing; cost-effective, buildable designs using sustainable principles; our meticulous, ethical approach to professional responsibilities; and the partnerships we nurture. Our turnkey services include: feasibility and space programming, concept studies, forensic assessment, support for funding applications, architectural & interior design, 3D visualizations, and project management.

## R3A Architecture

**48 South 14th St., Pittsburgh, PA 15203**
**T: 412-431-2480**
**www.r3a.com**
**Deepak Wadhwani – dw@r3a.com**

R3A Architecture was founded on the idea that design can be a catalyst for positive change. Located in Pittsburgh's dynamic South Side neighborhood, R3A's team of architects and interior designers collaborates closely with clients, industry experts, and communities to create built environments that support and enrich their most valuable asset: people. We help organizations in the markets of higher education, science + technology, workplace, advanced manufacturing, and public works solve their toughest challenges through design-thinking. Our approach places clients in the driver's seat, positioning their needs, challenges, and aspirations at the forefront of our process to ensure a uniquely responsive solution. By allowing design solutions to be shaped by a research-driven and iterative process, we ensure that our work harmonizes analytical rigor with poetic beauty.

## ASA SPECIALTY CONTRACTORS

### Overhead Door Company of Greater Pittsburgh

400 Poplar Street, Pittsburgh, PA 15223
T: 412-781-4000 Ext. 216 | F: 412-781-2446
www.overheaddoorpittsburgh.com
Jason Henze – jhenze@ohdpgh.com

Overhead Door Company of Greater Pittsburgh is a Veteran-owned business specializing in commercial, industrial, and residential door systems, loading dock equipment and operable partitions. Overhead Door has always produced and installed the highest quality products. Our superior craftsmanship and dedication to excellence has made us the leader in door systems for Western PA and the Tri-State Region. Our Red Ribbon trademark is your guarantee for receiving unequaled personalized service and expertise –from assistance with product selection through the timely completion of product installation. We also offer our customers preventative maintenance plans as well 24/7 emergency repair service 365 days a year.

### Pellman Electric Associates

1133 Woodward Drive, Greensburg, PA 15601
T: 724-838-7150 or 412-431-5955
www.pellmanelectric.com
Darren Pellman, President
Darren@pellmanelectric.com

Pellman Electric Associates specializes in cutting edge, high-end performance aimed at giving the customer what they desire. Pellman Electric Associates, LLC has a broad range of experience in commercial, residential, and industrial electrical construction. We also provide voice/data, fire alarm, building automation, lighting, design build, value engineering and energy audit services.

Our projects range from small service work to multi-million dollar projects. We realize that quality and reliability are the essence of success and longevity in the electrical contracting industry. Our clients deserve the highest value for their money. It's a simple fact, doing the job right the first time always costs less than doing it twice. Our experienced professionals arrive with the parts and equipment to do it once and do it right.

## CIVIL ENGINEERS

### The Gateway Engineers

100 McMorris Road, Pittsburgh PA 15205
T: 412-921-4030 | F: 412-921-9960
www.GatewayEngineers.com
Dan Dieseroth, President
ddeiseroth@gatewayengineers.com
David M. Heath, P.E.
dheath@gatewayengineers.com

Gateway Engineers and its predecessors have played an active role in the development of the Ohio Valley since 1954. Our incessant pursuit of project management excellence has created strengths in municipal engineering, consulting work, and all facets of private development including the burgeoning energy industries. The tradition of providing value-added engineering solutions carries on as the company continues to grow. Gateway Engineers staff of registered professional engineers, surveyors, construction inspectors, and landscape architects, along with qualified technicians, is ready to provide the expertise and personalized service which every project deserves. For more information, please visit the new GatewayEngineers.com.

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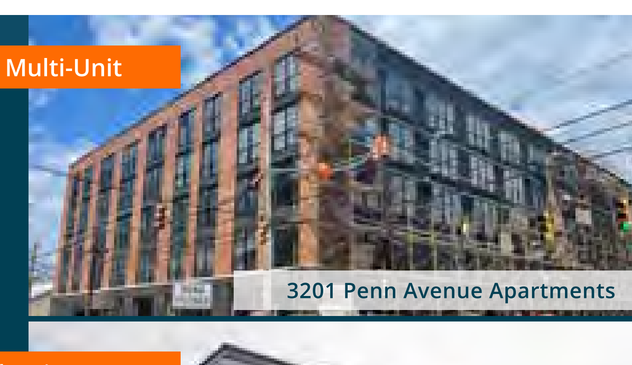

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James A. Feath, RLS - jfeath@hrg-inc.com

HRG is a 100% employee-owned, full-service consulting firm that provides quality, cost-effective solutions to clients in both the public and private sectors. Our professional team provides a wide range of services from planning, site design, permitting, and environmental assessments to transportation and survey and much more. HRG is celebrating 60 years of business and currently boasts eight office locations throughout Pennsylvania and West Virginia and has nearly 300 dedicated employee-owners including professional engineers, planners, landscape architects, geologists, environmental scientists, surveyors, specialty consultants, and related support personnel that provide a full-service approach to every project.

## Mackin Engineers & Consultants

103 Technology Drive, Suite 200
Pittsburgh, PA 15275
T: 412-788-0472
www.mackinengineering.com
Brian Fischbach, P.E. - Director of Civil Engineering
bfischbach@mackinengineering.com

Serving our clients since 1960, Mackin Engineers & Consultants continues to be a leader in the civil engineering field. We offer a wide range of professional consulting services for both public and private sector clients throughout the Commonwealth. Mackin places an emphasis on our staffs' ongoing professional development to best serve our clients. Our multi-disciplinary staff includes dedicated professionals in the fields of civil, traffic, transportation and structural engineering, landscape architecture, community planning, GIS mapping, and construction inspection/management.

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Penn Office Building
4314 Old William Penn Hwy, Suite 101
Monroeville, PA 15146
T: 724-325-1215
www.RedSwingGroup.com
Matthew E. Smith, P.E.
Matthew.Smith@RedSwingGroup.com
Scott R. Pilston, P.L.S
S.Pilston@RedSwingGroup.com

Red Swing Consulting Services, a Veteran-Owned Business, views its Client as Partners; focusing first and foremost on building and maintaining strong relationships and trust. This mutual trust is the foundation of a solid business partnership. Red Swing offers Land Development Consulting Services to take a project from concept through construction. Red Swing has experience in Surveying, Civil Engineering, Utility, and Water Resource Projects. Red Swing effectively maximizes the return on investment through a collaborative design approach, utilizing a low impact design philosophy that reduces project capital costs and produces the competitive edge that we and our partners demand.


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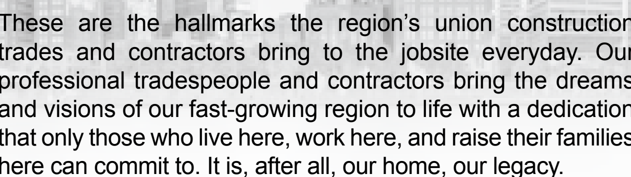
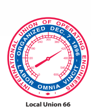



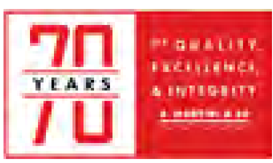
These are the hallmarks the region's union construction trades and contractors bring to the jobsite everyday. Our professional tradespeople and contractors bring the dreams and visions of our fast-growing region to life with a dedication that only those who live here, work here, and raise their families here can commit to. It is, after all, our home, our legacy.

We are also committed to providing opportunity for all who share these values and want to pursue a lifelong, lucrative and satisfying career. For more information on building with our union trades and contractors, or to explore career opportunities, please visit www.buildersguild.org where you will find direct links to our Trade Unions, Joint Apprenticeship Training Centers and Contractor Associations.

**Jeff Nobers • Executive Director • 631 Iron City Drive • Pittsburgh, PA 15205 • 412.921.9000**

**Labor & Management ▸ Building Our Region's Success www.buildersguild.org**

# CONTRACTORS



### A. Martini & Company

320 Grant Street, Verona, PA 15137
T: 412-828-5500
www.amartinigc.com
Emily Landerman – Emily.Landerman@amartinigc.com

As a fourth generation, family owned and operated General Contracting and Construction Management firm, we are celebrating our 70th year of operation. The principals of A. Martini & Co. continue to provide hands on participation as a commitment to our clients and each of their projects. We believe that building projects as a true partner to the owner, utilizing sustainable building practices, and promoting true diversity in our subcontractor selection are the best practices for our region. As a mid-sized CM/GC, we utilize current technology for project tracking and scheduling coupled with personal attention to details, and our client's needs. A. Martini & Co. provides construction management, general contracting and design build services for corporate, healthcare, senior living, restaurant, religious, retail, non-profit, residential, industrial, historic, and education clients.

### Burchick Construction Company, Inc.

500 Lowries Run Road, Pittsburgh, PA 15237
T: 412-369-9700
www.burchick.com
Dave Meuschke – meuschke@burchick.com

Burchick Construction is a full-service general contractor founded on the commitment to excellence that Joe Burchick brings to each project. Burchick's management approach is designed to ensure optimum results for our clients while setting the performance standard for construction services. Our executives and managers have broad-based experience delivering construction to the highest of standards with every delivery method preference. Burchick's project team and professional engineers on staff are equally comfortable with a completed design or with providing pre-construction assistance at the earliest stages of design. Burchick has managed commercial, institutional, and industrial projects from $1 million to $73 million with equal attention. Burchick Construction – Setting the Performance Standard.

### Carl Walker Construction

935 Vista Drive, Pittsburgh, PA 15205-1218
T: 412-490-2924
www.carlwalkerconstruction.com
Greg Heddaeus, Partner
gheddaeus@carlwalkerconstruction.com

Carl Walker Construction (CWC) has remained the industry leader for parking garage design, construction, restoration, and specialty concrete projects since its inception in 1996. We are a single-source solution for owners seeking accurate scheduling and cost prediction, turn-key design, streamlined and transparent contact, and thorough certification and training by a self-performing garage expert. Our experience is our advantage: we do not compromise on workmanship, product quality, design detail, or safety.

CWC focuses on the prolonged integrity and sustainability of the structures we restore and build, and take a proactive approach in applying improvements and beneficial modifications when applicable and cost effective.

We are proud members of the International Concrete Repair Institute and American Concrete Institute, and have earned multiple safety awards and acknowledgements for our dedication to industry best practices.

### Etzel Engineer and Build

205 West Water Street
Saxonburg, PA 16056
T: 724 524 1280
Twitter: @Etzel_Eng_Bld
www.etzelengbld.com
Rege Etzel - retzel@etzelengbld.com

Etzel Engineer and Build is a design-build contractor serving the mission critical and commercial construction industries. We are located in Saxonburg, Pennsylvania with roots dating back to 1987. Etzel has built strong relationships with subcontractors and equipment vendors serving the area. These relationships allow Etzel to better understand the local bid market; a more aggressive bid process reduces overall construction cost. Our capabilities reach beyond the Western Pennsylvania. We have completed construction projects from Kansas to Boston. We specialize in an open book, owner focused delivery method.

### Jendoco Construction Corporation

2000 Lincoln Road, Pittsburgh, PA 15235
T: 412-361-4500 | F: 412-361-4790
www.jendoco.com
Michael Kuhn – mkuhn@jendoco.com

JENDOCO Construction, founded in 1957, is located in Pittsburgh's East End and provides building construction services to the Western Pennsylvania region. Jendoco believes that the built environment should have a Net-Positive impact on people, nature, and communities and that designing and constructing the places in which we live, work, worship, learn, heal and play should be collaborative, creative, and fun. Through proactive solution development, sustainable building practices, community engagement, and charitable support, Jendoco continues to demonstrate our commitment to the Greater Pittsburgh Region.

### Landau Building Company

4378 Craighead Road, Allison Park, PA 15101
T: 724-935-8800
www.landau-bldg.com
Jeffrey Landau, President – jlandau@landau-bldg.com

Established over 130 years ago, Landau Building Company has become one of the premier family-owned and operated general contracting firms in Western Pennsylvania. Subsidiary Marks- Landau Construction provides construction services to the northern West Virginia region. Now in its 5th generation, Landau continues to build strong RELATIONSHIPS with its clients. Our commitment to integrity, honesty, and excellent client service has built our solid REPUTATION. We deliver exceptional RESULTS that exceed our client's expectations for quality and service and make Landau Building Company their builder of choice.

### Mascaro Construction

1720 Metropolitan St, Pittsburgh, PA 15233
T: 412-321-4901
www.mascaroconstruction.com
Michael R. Mascaro - mcclp@mascaroconstruction.com

Mascaro is one of the region's largest construction firms specializing in design-build, construction management, and general contracting. Founded in 1988 on the simple premise to deliver excellence in construction services, we bring to your project the 'Mascaro Advantage:' We are humble, hungry, and smart – not shying away from hard work and complex projects, but tackling each one proactively. We do what we say we are going to do, right, the first time. We will provide a family atmosphere, concentrating on the health and welfare of not only our employees, but also that of our clients and community. Our success is based on our market diversity, superior planning, building relationships, and, most importantly, delivering great experiences.

### McKamish, Inc.

50 55th Street, Pittsburgh, PA 15201
T: 412-781-6262 | F: 412-781-2007
www.mckamish.com
John Jordan – jjj@mckamish.com

Serving the mid-Atlantic region with over forty-five years of experience, McKamish is a full-service mechanical contractor specializing in commercial HVAC, plumbing, piping, industrial piping, custom metal fabrication, and 24/7 service and maintenance. McKamish is dedicated to "Building Excellence" on every project that we build. With a dedicated team of employees who are committed to our customers, you can feel confident that your project will be handled with integrity. A family-owned company with deep roots in the Pittsburgh community, our goal is to surpass customers' expectations and provide top quality service in everything we do.

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T: 412-807-2000
www.pjdick.com
Bernard J. Kobosky | Bernie.kobosky@pjdick.com

PJ Dick is a part of a Pittsburgh, PA based family of companies that provides best-in-class construction management staff to estimate, plan, and build the Mid-Atlantic region's most prominent projects. Since 1979, PJ Dick has served markets including commercial, government, hospitality, healthcare, higher education, industrial, K-12 education, multi-family and senior living, and sports and entertainment. Consistently ranked among the nation's top firms, PJ Dick offers unsurpassed general contracting, design/build, construction management, and consulting services while maintaining its values of safety, sustainable building, quality construction and innovative technology.

### Turner Construction Company

925 Liberty Ave., 3rd Floor, Pittsburgh, PA 15222
412-255-5400
www.turnerconstruction.com/pittsburgh
Drew Kerr, General Manager
akerr@tcco.com

Founded in 1902, Turner Construction Company is the largest general builder in the United States. Our continued success is built upon an unwavering dedication to our core values of teamwork, integrity, and commitment. Turner's roots in Western Pennsylvania date back to 1908, with a contract for work on Forbes Field. In the intervening years, we built or managed the construction of many of the city's signature buildings. We opened a full-time Pittsburgh office in 1976 and have since built or managed the construction of many leading commercial, residential, institutional, industrial, and healthcare facilities in the region. Turner's Pittsburgh office continues to provide our clients with industry-leading resources with a local, dedicated staff.

### The Buncher Company

Penn Liberty Plaza I
1300 Penn Ave., Suite 300, Pittsburgh, PA 15222
412-422-9900
www.buncher.com

The Buncher Company, headquartered in Pittsburgh, Pennsylvania, is a recognized leader in all phases of real estate development, including site acquisition, construction, brokerage and leasing, and property management.

We are experienced in providing innovative solutions to prospective clients and tenants, and we understand what it takes to effectively adapt to the constantly changing real estate business environment. Our highly experienced staff of real estate and construction specialists can help clients navigate the complexities of finding the perfect location to build and lease. They bring in-depth industry expertise and knowledge of every property, and consistently deliver high-level tailored services, unlimited accessibility, and timely results.

### Rycon Construction Inc.

2501 Smallman St., Suite 100, Pittsburgh, PA 15222
T: 412-392-2525
www.ryconinc.com
Todd Dominick

Rycon Construction, Inc. is a premier construction management and general contracting firm with offices in eight cities. An ENR Top 400 Contractor and ENR Top Green Contractor, Rycon specializes in new construction, renovations, and adaptive reuse projects for Owners of commercial, industrial, institutional, multi-unit residential, and governmental buildings. Rycon's stellar reputation for quality service is built on a solid history of successful projects completed on time and on budget, and an unwavering philosophy that puts customer satisfaction first. The results are repeat customers and steady company growth. Rycon is an employee-owned company with $560 million of revenue in 2021.

### Volpatt Construction Corporation

100 Castleview Road, Pittsburgh, PA 15234
T: 412-942-0200
www.volpatt.com
Ray Volpatt, Jr. President – rayjr@volpatt.com

From our first renovation in 1991, to over 800 industrial, commercial, and institutional projects, Volpatt Construction has successfully positioned itself as one of the most respected building contractors in the Tri-State area. With a focus on high quality, hands-on service, competitive pricing, and timely project completion, Volpatt Construction has built and maintained a long list of repeat clients, partnering with the finest businesses and institutions in the area. Today, the family-operated company continues to play an integral role in building the region into a top global destination for healthcare, education, and research.

### Elmhurst Group

One Bigelow Square, Suite 630, Pittsburgh, PA 15219
T: 412 281-8731
www.elmhurstgroup.com
Eric R. Schindler, Director of Leasing
eschindler@elmhurstgroup.com

The Elmhurst Group of companies is a 45-year-old Pittsburgh-based organization that invests in commercial real estate and the hospitality industry. Elmhurst's real estate holdings include 40 buildings on 21 sites, totaling more than three million square feet of office, distribution, flex, and hotel space.

Elmhurst's long-term strategy is to continually increase the value of each of its properties by providing strong and dedicated management and exceptional customer service. We maintain close personal contact with our customers. We operate with the understanding that we are in the service business—not the space business. And we recognize that our legacy is inextricably linked to the quality of our people and the service we provide.

### Shannon Construction Company

3257 West Liberty Ave., Pittsburgh, PA 15216
T: 412-341-1155 F: 412-341-2955
www.shannon1.com
Rich Amberson, Exec. VP
richa@shannon1.com

Shannon Construction is a commercial builder with a rich legacy handed down from generations of family. Our objective is to develop and deliver customized building programs that meet our client's goals. Shannon utilizes a creative, collaborative project approach to ensure client satisfaction and successful outcomes on every project. Clients benefit from our service philosophy rooted in personalized attention to every detail. We believe the best way to do business is to treat people fairly and do the right thing. Our services include General Contractor, Construction Management, Design & Build, Self-perform Construction, Building Construction Maintenance, and Green Building techniques.

## DEVELOPER

### Ambridge Regional Center and ConAm3PL

2301 Duss Avenue #1, Ambridge, PA 15003
T: 724-266-4661
www.AmbridgeRegional.com
www.ConAm3PL.com
Office@AmbridgeRegional.com

The Ambridge Regional Center offers over 1 million square feet of warehouse, distribution, manufacturing, lab and yard space for lease. Our tenants include Fortune 100 firms as well as small private companies.

ConAm3PL offers full third party logistics to international conglomerates as well as regional companies whom all utilize our distribution capabilities to maximize their operational efficiencies.

## ECONOMIC DEVELOPMENT

### Community Development Corporation of Butler County

110 East Diamond St., #201/202 Butler, PA 16001
T: 800-283-0021 | F: 724-283-3599
www.butlercountycdc.com
Joe Saeler, Executive Director
jsaeler@butlercountycdc.com

The Community Development Corporation of Butler County (CDC) is the lead economic development organization in Butler County. The CDC is your first contact for economic development in Butler County. The CDC works closely with you to identify the right location for your business. The CDC also has financing available for real estate, equipment, working capital and lines of credit.

# MBA

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**The MBA is the premier construction trade association of Western Pennsylvania, representing the region's finest union-affiliated general, sub and specialty contractors, performing work in the commercial, institutional, and industrial construction markets.**

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## CONTACT US

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Pittsburgh, PA 15205

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**Government Relations & Advocacy**
**Network of Valuable Industry Contacts**
**Personal Attention**

**Indiana County Center for Economic Operations**
801 Water St., Indiana, PA 15701-1705
T: 724-465-2662 | F: 724-465-3150
www.indianacountyceo.com
Byron G. Stauffer, Jr., Executive Director
byronjr@ceo.co.indiana.pa.us

The Indiana County Center for Economic Operations (the "CEO") was established in 1994 as a county-wide public-private initiative. The CEO Affiliates include the Indiana County Commissioners, the Indiana County Chamber of Commerce, the Indiana County Development Corporation, the Indiana County Tourist Bureau, and Indiana University of Pennsylvania, whom jointly seek to support the continuous improvement and vitality of Indiana County through increased business, economic growth, tourism, education, and the quality of life in Indiana County. The CEO facilitates access to information, resources, and the delivery of integrated programs and services to assist businesses in their efforts to grow and expand.

**Mon Valley Alliance**
235 W. Main Street, Monongahela, PA 15063
T: 724-565-5636
www.monvalleyalliance.org
Jamie Colecchi, CEO
jcolecchi@monvalleyalliance.org

The Mon Valley Alliance (MVA) is a non-profit, Certified Economic Development Organization, dedicated to industrial, business, and community development in the Mid-Mon Valley region, south of Pittsburgh, PA. MVA provides shovel-ready industrial land for sale or lease in 4 area business parks, build-to-suit projects, preferred financing through the Pennsylvania Industrial Development Authority, and access to tax abatements for companies creating and retaining family sustaining jobs. The organization serves as coordinator of the Mid-Mon Valley Regional Enterprise Zone and is a leader in community revitalization through improvement projects and blight removal in the historic downtowns.

**Washington County Chamber of Commerce**
375 Southpointe Blvd. #240, Canonsburg, PA 15317
T: 724-225-3010 | F: 724-228-7337
www.washcochamber.com
Will Thomeier, Director Economic & Tourism Development – will@washcochamber.com

The Washington County Chamber of Commerce is the largest chamber of commerce Southwestern Pennsylvania and leading economic development agency in Washington County. The Chamber focuses on marketing and business development initiatives to expand the economy of Washington County and was one of the first organizations to publicly support the economic benefits and job creation potential of the natural gas industry. Learn more at www.washcochamber.com.

**Westmoreland County Industrial Development Corporation**
5th Floor, Suite 520,
40 North Pennsylvania Ave., Greensburg, PA 15601
T: 724-830-3061 | F: 724-830-3611
www.westmorelandcountyidc.org
Jason W. Rigone, Executive Director
wcidc@wpa.net

Founded in 1983 by the Westmoreland County Board of Commissioners, Westmoreland County Industrial Development Corporation promotes growth in terms of job creation, economic output and a stable tax base for Westmoreland County. By developing a robust industrial park system, deploying a comprehensive marketing strategy, administering a proactive Business Outreach Program and collaborating in public/private partnerships, WCIDC supports business growth that results in job opportunities for the citizens of Westmoreland County.

## ENGINEERS

**Civil & Environmental Consultants, Inc.**
700 Cherrington Pkwy, Moon Township, PA 15108
T: 800-365-2324
www.cecinc.com
Christopher J. Remley, P.E. – cremley@cecinc.com

CEC provides integrated design, engineering, surveying, environmental, and construction-related services with a tailored approach to address diverse development/redevelopment requirements. We have the local and national expertise necessary to support developers and architects with cost-effective designs for projects of all sizes. We understand the desire to minimize cost and maximize your return on investment. We will provide objective opinions regarding project feasibility to enable you to make informed business decisions. The complete real estate development life cycle... WE OWN IT.™

KU Resources, Inc.

**KU Resources, Inc.**
22 South Linden St., Duquesne, PA 15110
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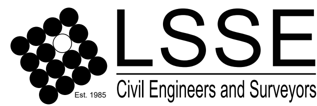
www.kuresources.com
Tysen Miller – Tmiller@KUResources.com

KU Resources, Inc. provides a full range of environmental management and site development engineering services to industrial, commercial, and community based clients. The firm specializes in brownfield redevelopment, environmental site assessment, economic revitalization assistance, regulatory permitting and compliance, remediation design and implementation, and environmental risk management strategies. The firm's engineering and environmental consulting capabilities also include the areas of civil and geotechnical engineering, site development engineering, water resources engineering, mining and quarry services, water quality monitoring, and air quality compliance and permitting.




**LSSE Engineers and Surveyors**
846 Fourth Ave., Coraopolis, PA 15108
T: 412-264-4400
www.lsse.com
Kevin A. Brett, P.E. – kbrett@lsse.com

Established in 1985, LSSE is a civil engineering and surveying firm with offices located in Coraopolis, Allegheny County (headquarters); Greensburg, Westmoreland County (branch), Albion, Erie County (branch), Center Township, Beaver County (branch), Pennsylvania and Dublin, Franklin County (branch), Ohio. LSSE has provided planning, surveying and design services for sites throughout Pennsylvania, Ohio, West Virginia and New York. LSSE recently services under a subcontract to the Site Architect, historic steel mill (Mill 19) located within the Hazelwood Green development.

## ENVIRONMENTAL

**KU Resources, Inc.**
22 South Linden St., Duquesne, PA 15110
T: 412-469-9331 | F: 412-469-9336
www.kuresources.com
Tysen Miller – Tmiller@KUResources.com

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## FINANCE

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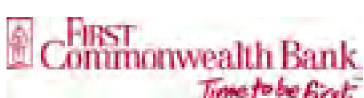
Jason D. Phillips, Senior VP and Market Manager
jason.phillips@pnc.com

PNC Real Estate is a leading provider of banking, financing and servicing solutions for commercial real estate clients. Our capabilities include acquisition, construction and permanent financing for developers and investors; agency financing for multifamily properties; and debt and equity capital for the affordable housing industry. And, through Midland Loan Services, we provide third-party loan servicing, asset management and technology solutions.




**First Commonwealth Bank**
501 Grant Street, Suite 250, Pittsburgh, PA 15219
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www.fcbanking.com
Dave Reed, PA State President
dreed@fcbanking.com

First Commonwealth Bank strives to become the best bank for you and your business with a focus on providing cash flow, improving back-office efficiency, attracting and retaining employees, protecting asset value and managing your personal finances. Ranked #1 SBA Lender in Western Pennsylvania and with convenient locations throughout the area, we are relentless about helping business owners get more business done.

## INDUSTRY / TRADE GROUP

**American Subcontractors Assn. of WPA**
565 Callery Rd., Cranberry Twp., PA 16066
T: 724-538-8227 | F: 724-538-8227
www.asawpa.org
Angie Wentz, Executive Director
angie@asawpa.org

ASA is the united voice dedicated to improving the business environment and representing subcontractors before all branches of government, other construction industry groups, and the media. We strive to promote quality construction, ethical and equitable business practices, safety in the work environment, and best industry practices. Our scholarship program reaches students interested in the trades and includes a Mentorship and Partnership Program. The Women of ASA help to promote the trades to local high school students. ASA's Emerging Leaders create an environment of emerging young professionals who have the potential to serve in leadership roles and provide networking opportunities that help to expand their careers.

Labor & Management • Building Our Region's Success

**Builders Guild of Western PA, Inc.**
631 Iron City Drive, Pittsburgh, PA 15205
T: 412-921-9000
Jeff Nobers, Executive Director
jnobers@buildersguild.org

A unique, non-profit labor/management initiative, representing 16 building trade unions and nine affiliated contractor associations. The Builders Guild is a positive forum for labor, management, and community relationships, and fosters a cooperative and productive climate for regional commercial construction development. Through the Builders Guild, unions and management have forged fair and equitable working partnerships which promote economic and professional growth.

Guild initiatives include:

- Promoting the professionalism, skill, and pride inherent with union construction;
- Training for long-term careers in the construction trades;
- Providing a reliable, skilled and diversified workforce; Facilitating diverse partnerships with like-minded organizations throughout Western Pennsylvania.

**CREW Pittsburgh**
CREW Network
1201 Wakarusa Drive, Suite D, Lawrence, KS 66049
www.crewpittsburgh.org
Admin@crewpittsburgh.org

Commercial Real Estate Women (CREW) offers unparalleled business development, personal leadership growth, and networking opportunities, both in our local Pittsburgh market and across 75+ chapters in the US, Canada, and Great Britain with 12,000+ members. The Pittsburgh chapter has 20+ years of providing educational programs and networking events to its members and the CRE community. Whether male or female, join CREW to have a global commercial real estate network at your fingertips and your contact info in that worldwide network.

**Ironworker Employers Association of Western Pennsylvania**
Bailey Center II
135 Technology Drive #311, Canonsburg, PA 15317
T: 412-922-6855
www.iwea.org
Danielle Harshman, Executive Director
dharshman@iwea.org

The IWEA is a Trade Association of Union Contractors who work in all aspects of the ironworking trade within the construction industry. We are a resource for all owners, developers and contractors who are looking for a qualified contractor with a well-trained workforce. Visit our website or call our office for additional information.

**Master Builders' Association**
631 Iron City Dr., Pittsburgh, PA 15205
T: 412-922-3912
www.mbawpa.org
David D. Daquelente, Executive Director
dave@mbawpa.org

Leading the Industry, Building the Region! Our vision is to support and advocate for our members and community by promoting safety, diversity and inclusion, labor relations, and workforce development.

**NAIOP Pittsburgh**
PO Box 100085, Pittsburgh, PA 15233
www.naioppittsburgh.org
Brandon Mendoza, Executive Director
info@naioppittsburgh.org

NAIOP Pittsburgh is the regional association of developers, owners, investors, and professionals in commercial real estate. We are the leading industry resource to foster business relationships, promote responsible development and support growth of the region through education, leadership, and advocacy. Visit naioppittsburgh.com for additional information or contact info@naioppittsburgh.org.

**Pittsburgh Works Together**
631 Iron City Drive
Pittsburgh, PA 15205
Jeff Nobers, Executive Director
info@PghWorks.com
www.PghWorks.com

Pittsburgh Works is committed to creating an inclusive vision of economic progress that embraces and respects both traditional legacy industries and emerging ones, while honoring the diversity of cultures and traditions inherent to each, while ensuring a sustainable environment. We seek a Pittsburgh and a region in which the lines between "old" and "new" economy are erased and respect is shown for our work ethic and dedication to community, while building a future for all.

Pittsburgh Works Together knows that we need an economy that works for everybody. Created after meetings of union leaders and officials from the manufacturing, steel, and energy sectors, our organization is committed to working with leaders of tomorrow's industries by reminding them that without everybody, there is no New Pittsburgh.

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**Society for Marketing Professional Services**
SMPS – Pittsburgh Chapter
www.smpspittsburgh.org
Rachel Rzymek Sweetland,
Chapter President 2022-2023
President@SMPSPittsburgh.org

The Society for Marketing Professional Services (SMPS) is a diverse community of marketing and business development professionals working together to move the Architecture/Engineering/Construction (A/E/C) industry forward. SMPS is the only organization dedicated to creating business opportunities in the A/E/C industry. Companies large and small are able to tap into our powerful national and regional network to form partnerships, secure business referrals, and benchmark performance. The Pittsburgh Chapter offers educational programs, professional development seminars, and networking opportunities to professionals from architectural, engineering, planning, interior design, construction, and consulting firms serving the Pittsburgh region. SMPS Pittsburgh has over 100 members representing more than 50 firms in the built industry.

## INTERIOR DESIGNER

**Design 3 Architecture PC**
300 Oxford Dr. Suite 120, Monroeville, PA 15146
T: 412-373-2220
www.d3a.com
William Snyder – was@d3a.com

Design 3 Architecture has been offering architecture, planning, and interior design services to the Pittsburgh region since 1982. We view inherent project constraints as potential opportunities for innovative design solutions. With a philosophy grounded in team collaboration, providing both personal attention and project leadership, Design 3 Architecture does more than solve problems. We provide solutions that are unique, exciting and affordable.

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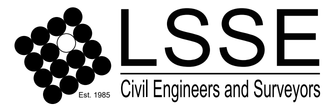


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Kevin A. Brett, P.E. – kbrett@lsse.com

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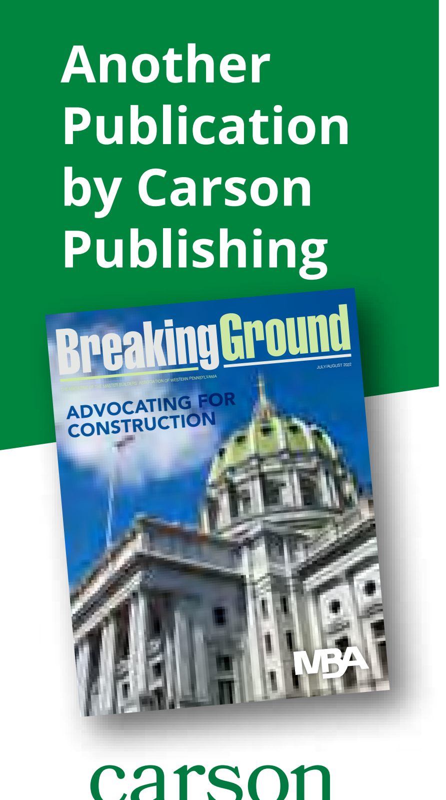

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Red Swing Consulting Services, a Veteran-Owned Business, views its Client as Partners; focusing first and foremost on building and maintaining strong relationships and trust. This mutual trust is the foundation of a solid business partnership. Red Swing offers Land Development Consulting Services to take a project from concept through construction. Red Swing has experience in Surveying, Civil Engineering, Utility, and Water Resource Projects. Red Swing effectively maximizes the return on investment through a collaborative design approach, utilizing a low impact design philosophy that reduces project capital costs and produces the competitive edge that we and our partners demand.

## LEGAL SERVICES

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Kevin T. Wills, Esquire
kwills@babstcalland.com

Babst Calland's attorneys offer experienced legal counsel in real estate development, finance, construction, energy, environmental risk assessment, zoning and land use, tax assessment appeals, eminent domain, and other corporate and litigation services. We provide creative, pragmatic advice to developers, landlords, tenants, investors, brokers and managers of commercial real estate to help them reach their goals, through attentive service that keeps the client's bottom line in mind. From acquisition to disposition, our approach to the practice of law gives our real estate clients an edge.

**Meyer, Unkovic & Scott**
Henry W. Oliver Building
535 Smithfield Street, Suite 1300, Pittsburgh, PA 15222
T: 412-456-2800
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W. Grant Scott – wgs@muslaw.com
Patricia E. Farrell – pef@muslaw.com
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Reserve space in the September/October *BreakingGround*

Westmoreland County Update

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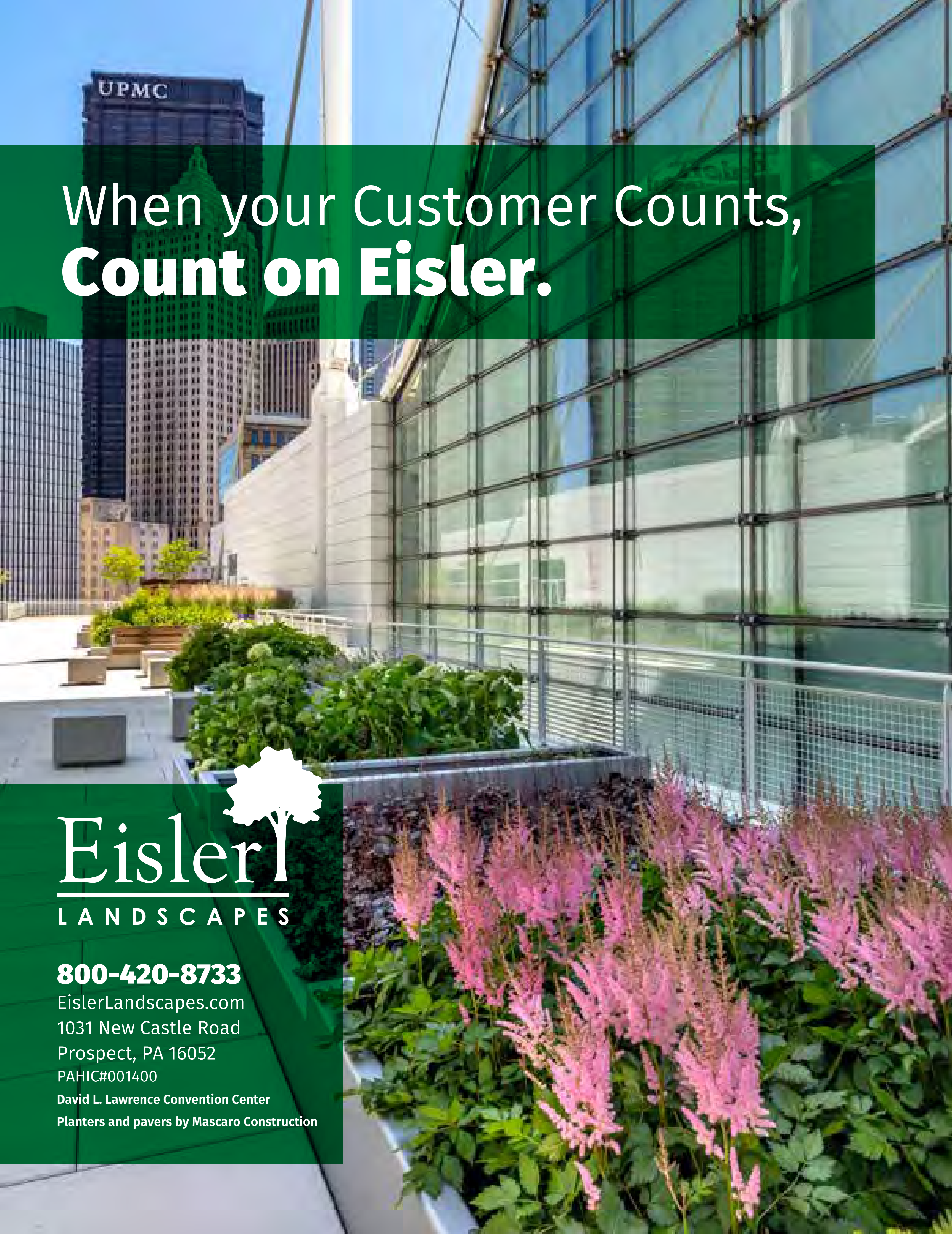
kkukish@talltimbergroup.com



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www.HannaLWE.com
A. J. Pantoni – ajpantoni@hannalwe.com

Hanna Langholz Wilson Ellis is rooted in the history of the Pittsburgh region. Our legacy in Pittsburgh real estate spans nearly 90 years through various companies & names, culminating with the merger of Langholz Wilson Ellis, Inc. and Hanna Commercial Real Estate. HannaLWE thrives by providing responsive, personalized service. Our disciplines of specialty include Retail, Office, Industrial, and Investment commercial brokerage services. We service all Western Pennsylvania and West Virginia. Our greatest asset is our people, who maintain the integrity of HannaLWE. Our unique structure creates an environment in which our agents and staff are often teamed together to extend both competence and energy to each client requirement.

NEWMARK

**NEWMARK**
210 Sixth Avenue #600, Pittsburgh, PA 15222
T: 412-281-0100
www.nmrk.com
Gerard McLaughlin – Gerard.mclaughlin@nmrk.com
Louis Oliva – Louis.oliva@nmrk.com

Since 1970, the Pittsburgh Newmark office has been a key contributor to the firm's strength in the Midwest. Our services have evolved to address the real estate needs of property investors, multi-market corporations and single-location tenants and landlords. Today, Newmark offers a full range of commercial real estate services, with brokerage professionals specializing in office, industrial, retail and investment product types, and a highly-skilled management services group that provides property, facility and construction management services for a diverse portfolio of properties. In addition, our team handles client accounting and lease administration for property investors and corporations.

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LLI Engineering provides mechanical, electrical, architectural, commissioning, and structural engineering services. Since 1910, LLI Engineering has been consistently recognized for providing top-quality engineering design services. We specialize in commercial, critical facilities, education, healthcare, industrial, infrastructure upgrades, green building design, energy conservation modifications, project engineering, and engineering estimates. Located in Pittsburgh, Pennsylvania, LLI Engineering has completed projects in over 20 different states.

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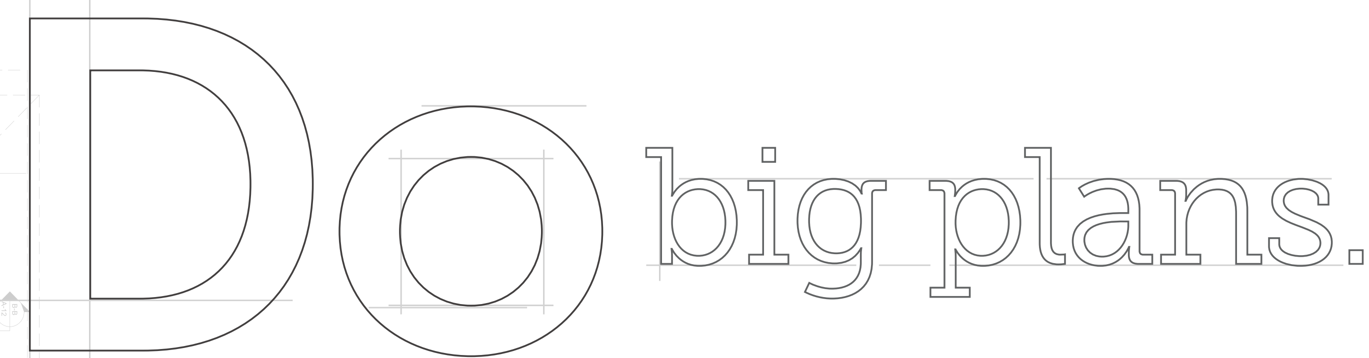


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