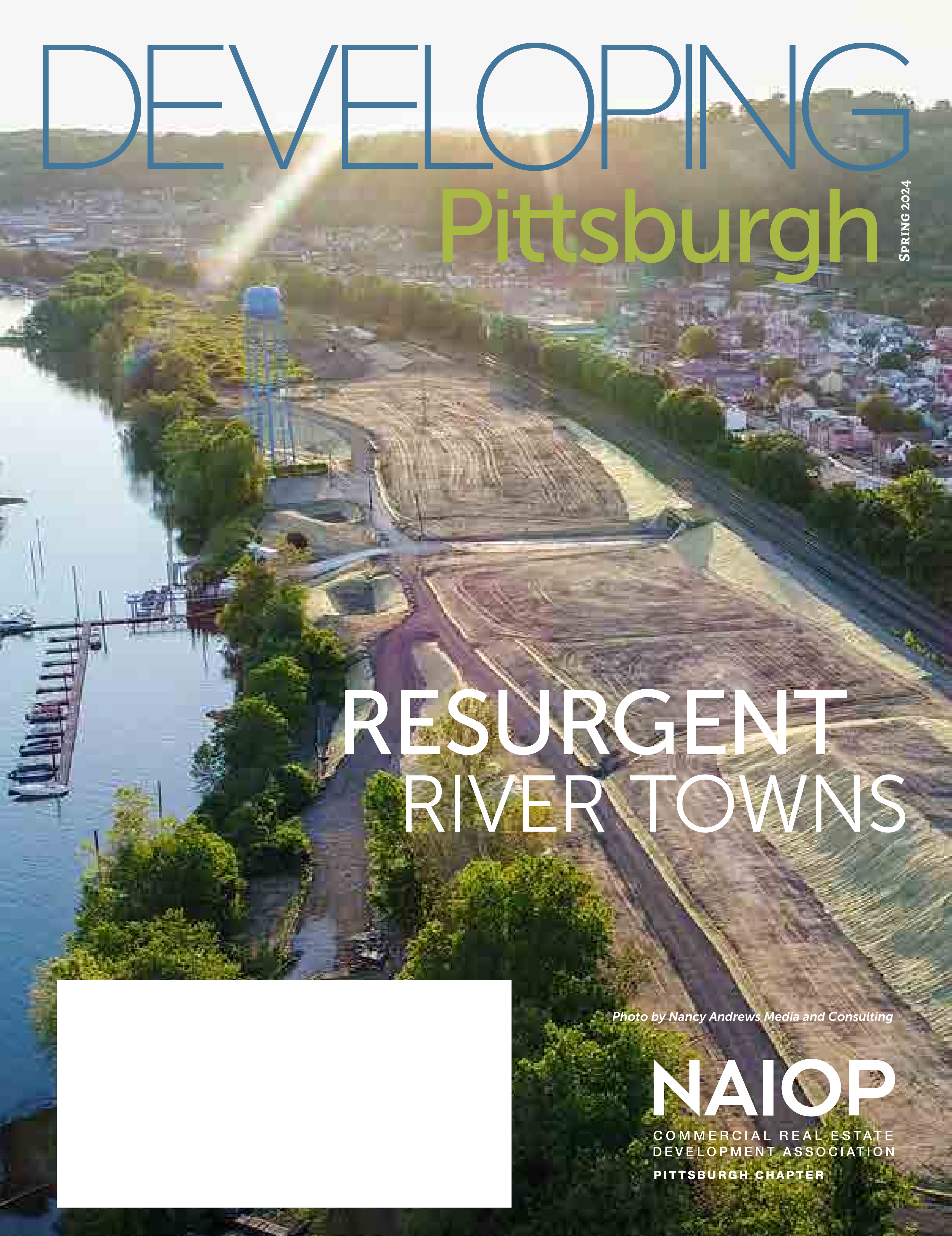

DEVELOPING Pittsburgh

SPRING 2024

RESURGENT RIVER TOWNS

Photo by Nancy Andrews Media and Consulting

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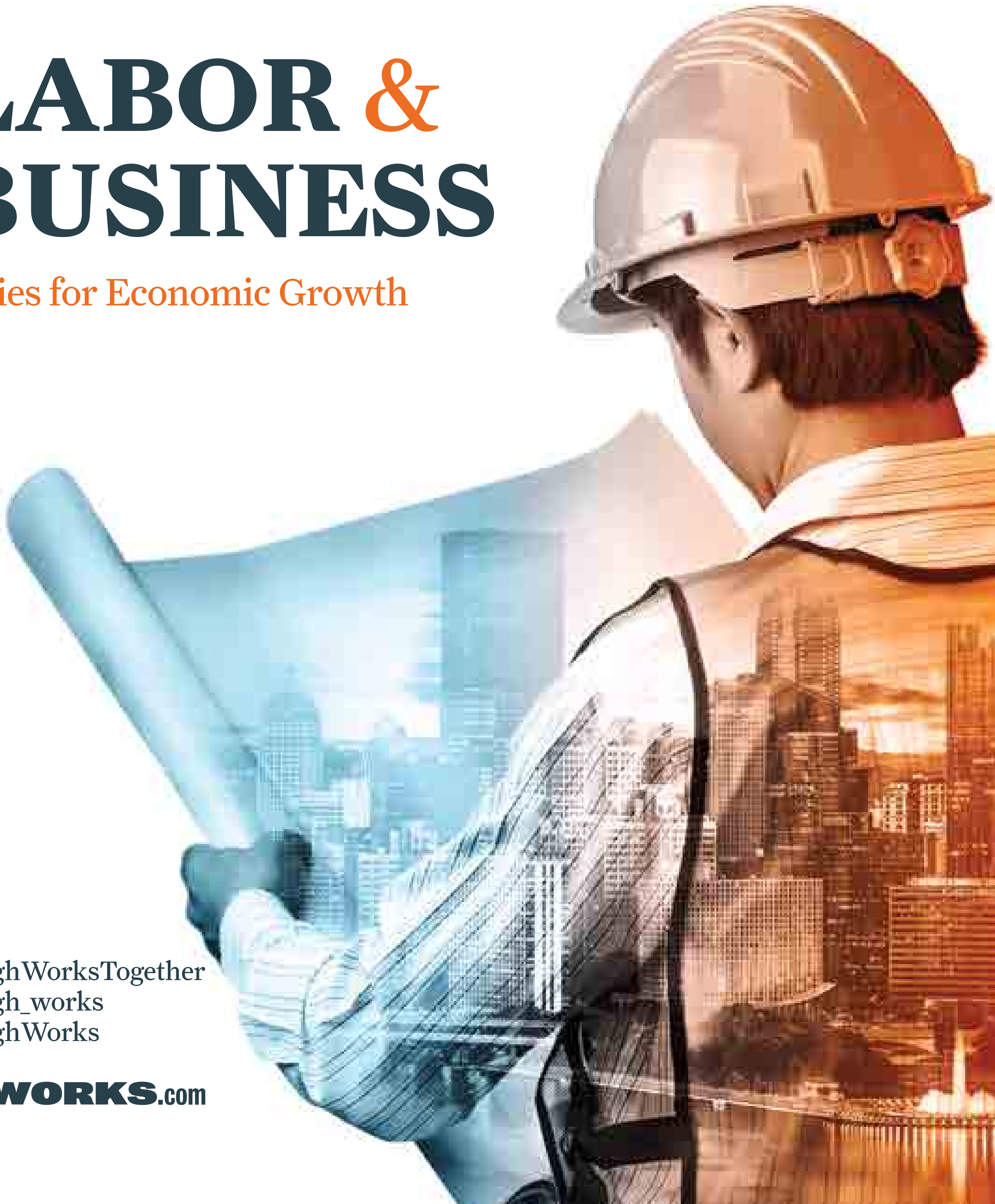

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PUBLISHER
Tall Timber Group
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EDITOR
Jeff Burd
412-366-1857
jburd@talltimbergroup.com

PRODUCTION
Carson Publishing, Inc.
Kevin J. Gordon
kgordon@carsonpublishing.com

GRAPHIC DESIGN
Blink

CONTRIBUTING PHOTOGRAPHY
80 HD Media House
Desmone Architects
Dronegenuity
Borough of Etna
Evolve EA
NAIOP Pittsburgh
Nala Marketing
Nancy Andrews Media and Consulting
Tall Timber Group

CONTRIBUTING EDITORS
Karen Kukish

ADVERTISING SALES
Karen Kukish
412-837-6971
kkukish@talltimbergroup.com

MORE INFORMATION:
DevelopingPittsburgh™ is published by
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412-928-8303
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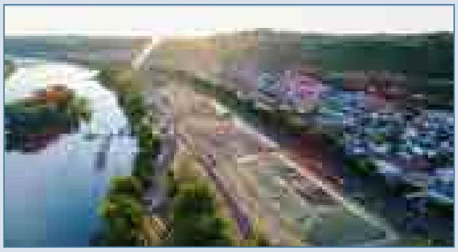


Allegheny Shores development. Photo by Nancy Andrews Media and Consulting

President's Message

Earlier this year, Governor Shapiro revealed his plan to create jobs throughout Pennsylvania and improve the Commonwealth's economy through a targeted economic development strategy. The plan focuses on sectors critical to transforming our state's employment base and leverages the talent and opportunities that exist here today. Agriculture, energy, life sciences, manufacturing, and robotics and technology are all areas where strong potential exists throughout the Commonwealth and most certainly exists here in Western Pennsylvania. According to Governor Shapiro's administration, this is the first statewide economic development strategy the Governor's office has presented in nearly 20 years.

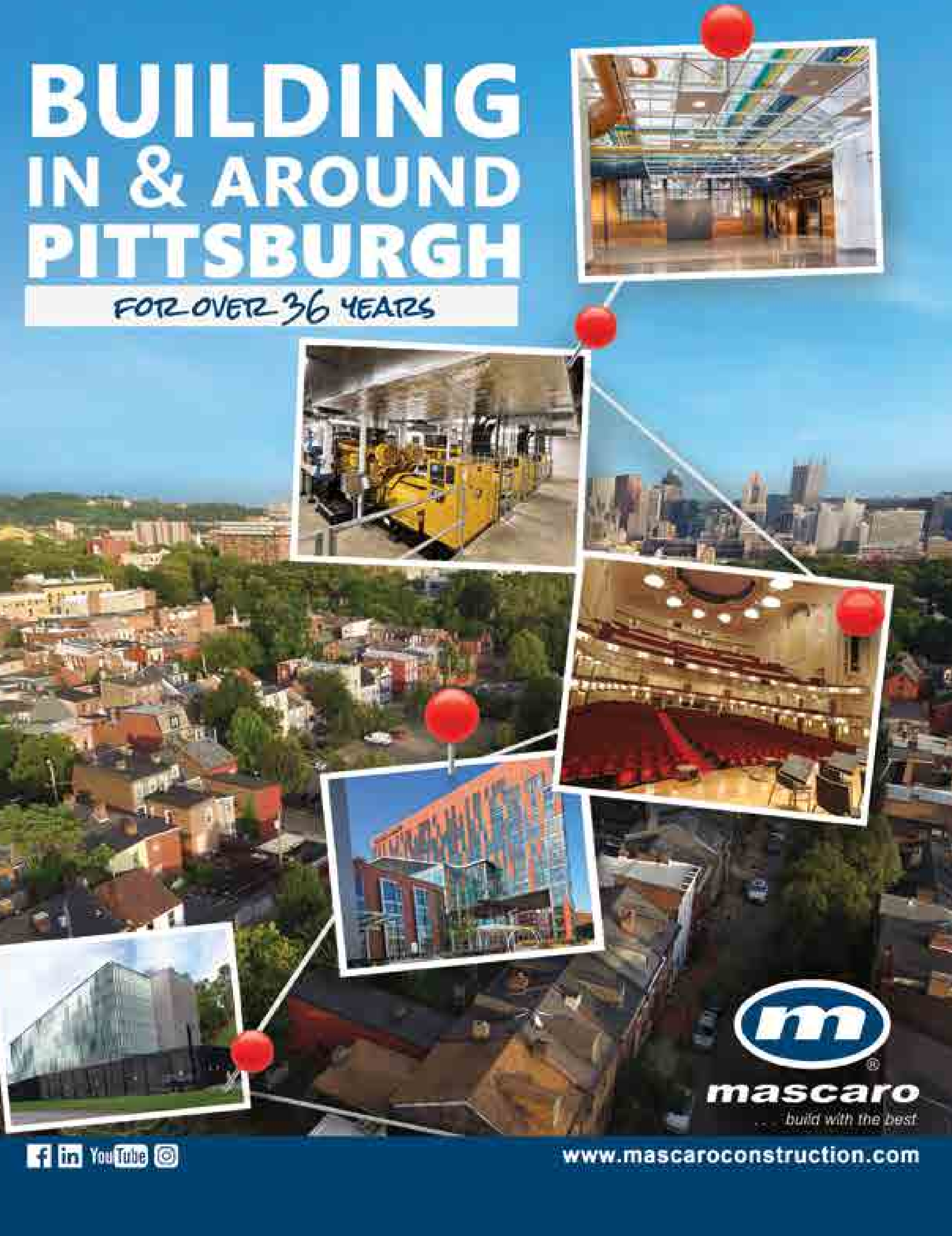
It is incredibly refreshing and energizing to see government leadership recognize the opportunities our Commonwealth has to provide solutions for companies in these sectors. We have watched our neighbors in Ohio succeed in landing nationally recognized projects. Long term investments and commitments by employers do not just benefit those fortunate enough to gain employment but the impacts on the surrounding communities are entirely beneficial. The commercial real estate industry will benefit from new projects and new people entering the marketplace. Pennsylvania has an opportunity to become a growth state in terms of job creation.

The plan does not outline specific increases in financial incentives or call for corporate tax structured programs that risk an employer's departure as soon as they expire. The plan is attempting to change the perception and culture of our business environment. Speed to market is a phrase often used in commercial real estate to capture the urgency prospective users of commercial real estate have when they've identified a real estate need and determined a requirement. The duration of our process for approvals and permitting needs to be improved to gain projects that have multi-state competition and our governor's office is now recognizing this as fact.

In February, several of NAIOP Pittsburgh's board and committee members traveled to Washington DC for NAIOP's annual Chapter Leadership and Legislative Retreat. Many chapters and ultimately the regions they represent are struggling with some of the same issues we're facing in Pittsburgh. NAIOP Corporate recognizes how significant a threat vacant and underutilized commercial buildings have on Central Business Districts throughout the country. NAIOP is calling for Congress to pass legislation that incentivizes adaptive reuse property conversions. While NAIOP Corporate is focused on the federal level, Pittsburgh does have an opportunity to spark an increase in adaptive reuse activity through the proper use of the Local Economic Revitalization Tax Assistance (LERTA) Act.

Pittsburgh has already seen many downtown office buildings succeed in appealing their property assessments and this trend will most likely continue as office demand has dramatically dropped in the aftermath of the pandemic. Conversion projects will drive new residents downtown. An increase in city residents may replace what has been lost from the daylight population diminishing over the course of the last four years. NAIOP Pittsburgh adamantly supports incentives with realistic affordability components and accelerated permit schedules to entice investment into our Central Business District.

Brandon Snyder
Al. Neyer LLC
NAIOP Pittsburgh President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In January I was hired to be NAIOP Pittsburgh's Executive Director. Brandon Mendoza left some big shoes to fill. From navigating our chapter successfully through the pandemic, starting a summer camp for high schoolers to help build our industries talent pipeline, tackling advocacy issues within our region and planning record setting events, Brandon pushed our chapter to the next tier. With help from our board, committees, Erica Loftus, David Caliguiri, and most importantly, our enthusiastic membership, I know we can continue our upward trend. It is because of you and your support that we continue to be the premier organization advocating for commercial real estate.

We have many exciting events in the coming months. We have our upcoming Annual Awards Banquet on May 9th that I hope to see you all at. Expectations are high for attendance, and we expect to rival the massive crowd that was present last year. In April we had our chapter breakfast focused on regional advocacy and economic development issues. In June we plan to expand that discussion into state and national issues by having Ben Kirshner, chief transformation and opportunity officer for the Commonwealth of PA, and either Toby or Aquiles, the two leading state and national affairs representatives from NAIOP Corporate, on our panel. In June we will also be hosting our annual summer camp with Robert Morris University and our golf outing which will be at Fox Chapel Golf Club again.

This year we are expanding our advocacy outreach. We have two advocacy committees this year, each with different action items. The first objective is to implement policies around third-party permit reviews and inspections for interior office fit-outs within the city of Pittsburgh. Our second objective is to review policies around wetlands, stormwater, and underground mines and the how that relates to Pennsylvania's new economic development plan. We want to ensure that the new plan aligns with the realities of providing shovel or pad ready sites in our region.

Everything mentioned above takes time and effort. I want to sincerely thank all our members that volunteer their time to NAIOP. Your continued effort serves to benefit our region. Furthermore, our events would not be possible with the attendance and sponsorship of our members. Your support has been critical in growing this chapter to be one of the strongest in the nation. Finally, I want to thank Erica Loftus, David Caliguiri, Brandon Snyder, and our board of directors for supporting me and putting our chapter in the best position to thrive. Thank you.

Tom Frank
Executive Director
NAIOP Pittsburgh


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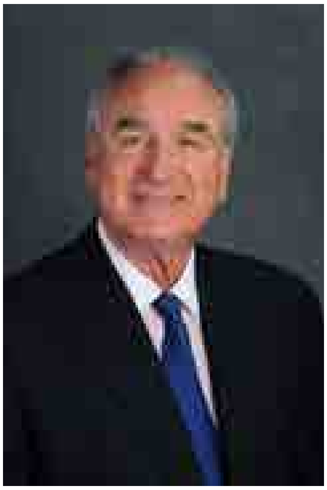

Steve Thomas, CEO, Chapman Properties

Steve Thomas began his real estate career in Los Angeles as a real estate investment broker at Coldwell Banker Company (predecessor to CBRE). He left the brokerage business in 1982 and founded Chapman Evans Company, a commercial real estate developer focusing on industrial, office and retail development in the Los Angeles area. In 1988, he relocated his family and the company to Pittsburgh, launching Chapman Properties, a real estate development company concentrating on industrial development in the ten county Pittsburgh region.

Chapman Properties grew under Thomas' leadership to become one of the largest Pittsburgh based commercial developers. Chapman currently owns and manages over three million square feet of industrial properties in the Pittsburgh region. The company is best known locally for its rehabilitation and expansion of the 152-acre, 2.2 million square foot Leetsdale Industrial Park. Thomas and his team oversaw the redevelopment of this former Bethlehem Steel plant and brownfield site into a teeming 94 percent-occupied business center that is home to 56 tenants. Chapman is also currently developing Chapman Westport, a 350-acre, three million-square foot master planned business park in Findlay Township located three miles from Pittsburgh International Airport on the Westport Road interchange of PA Turnpike 576. Chapman Westport's tenants include Amazon's massive 1.3 million square foot regional distribution center, General Electric, and a dozen other tenants occupying recently built flex industrial buildings. Work continues to progress on the 160 undeveloped acres in the master plan.

Mr. Thomas has been an active principal member of NAIOP Pittsburgh since the late 1990's, serving on its board of directors, in its mentorship program, and on NAIOP's Advisory Board, a position he still retains.

SUPPORTER OF DEVELOPMENT

Jason Rigone, Executive Director
Westmoreland County Industrial Development Corporation

Jason Rigone has served as executive director of Westmoreland County Industrial Development Corporation (WCIDC) and as director of Westmoreland County Department of Planning and Development since August 2011. He has more than 28 years of experience in the economic development, urban planning, and community development fields — 24 of those with the WCIDC.

Under Jason's leadership, the WCIDC has spurred investment and economic growth in the Westmoreland industrial market by redeveloping key sites and investing in industrial/business parks. Hallmark projects during his tenure include the Commerce Crossing at Westmoreland site, the redevelopment of the long dormant Jeannette Glass property, and numerous park expansion projects that have created some of the largest pad-ready sites in southwestern Pennsylvania.

WCIDC collaborated with Penn State New Kensington in downtown New Kensington on The Corner Launchbox project as well as with the RIDC on the large-scale redevelopment of the former Sony Technology Center, which is now the multi-tenant RIDC Westmoreland and the future home of the PennSTART test track. Last year, the WCIDC and RIDC expanded their partnership to acquire and revitalize the New Kensington Advance Manufacturing Park, a 70-acre former Alcoa manufacturing site that is home to Re:Build Manufacturing.

The WCIDC park system currently is home to 186 companies with more than 9,150 employees. It has more than 9.7 million square feet under roof and generates $7.2 million in property taxes annually.

Jason graduated from Pennsylvania State University in 1995 with a B.S. in Geography. He earned his degree with an emphasis in urban and regional planning and a minor in business logistics. He and his wife, Kristen, live in North Huntingdon Township. They have three children.

BEST TECH FLEX

51 Bridge Street

Developer: The AM Group

Construction Manager/Advisor: Dick Building Co.

Architect: Desmone Architects

AM Group transformed the former Spang Chalfant mill at 51 Bridge Street in Etna into an advanced research and development tech-flex facility. The 87,420 square foot building was renovated speculatively in 2021 through 2023. AM Group secured a full-building lease from Westinghouse Electric for its eVinci micro nuclear technology development, which will take occupancy in late 2024.

BEST BUILD TO SUIT INDUSTRIAL

Fairywood Industrial Park Building 1

Developer: Regional Industrial Development Corporation of Southwestern PA

Contractor: Rycon Construction

Architect: Pieper O'Brian & Herr Architects

Regional Industrial Development Corporation of Southwestern PA (RIDC) partnered with Urban Redevelopment Authority of Pittsburgh to develop the Fairywood Industrial Park on the former site of a public housing community. The first building is new 150,000 square foot Class A warehouse/distribution facility that is the new home to Ferguson Enterprises, which occupied the building in late 2023. The building includes approximately 20,000 square feet of office and retail counter space and 130,000 square feet of warehouse. This first phase of development is expected to bring approximately 100 new jobs to the community over the next five years. It is the first of two buildings planned for the site.

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BEST SPEC OFFICE BUILDING

Liberty East

Developer: LG Realty Advisors

Contractor: PJ Dick Inc.

Architect: MV+A Architects

Liberty East is a transformative 9.5-acre mixed-use development centrally located along Penn Avenue in the heart of Pittsburgh's East End. Phase I features a 50,000 square foot flagship Whole Foods Market and a 252,000 square foot trophy office tower, developed speculatively by LG Realty Advisors. Boasting LEED Silver certification, the tower offers unique amenities including multiple outdoor terraces, dedicated parking, advanced HVAC systems, two fitness centers, and more. Duolingo recently committed to lease nearly 150,000 square feet for its world headquarters.

BEST SPEC INDUSTRIAL BUILDING

251 Solar Drive

Developer: NorthPoint Development

Contractor: Miller Valentine Group

Architect: studioNorth Architecture

251 Solar Drive, also known as Westport Ridge 1, is a 276,706 square foot industrial building completed in September 2023. The property is already occupied by Home Depot, RAK Porcelain, and Hormann Flexon.

BEST MULTI-FAMILY PROJECT

Brewers Block

Developer: RDC and Commonwealth Development Partners

Contractor: Elford Construction/ RDC Design + Build

Architect: Desmone Architects

Brewers Block is located at the convergence of three Pittsburgh neighborhoods, next to Pittsburgh's oldest brewery, and once home to Sunshine Biscuit Company. Brewers Block consists of 377 market rate units across three residential buildings and 2,300 square feet of ground-floor retail space on Liberty Avenue in Building 1. There are 320 garage parking spaces within Buildings 1 and 2, as well as bicycle storage in Buildings 2 and 3. Buildings 1 and 2 are new construction. Building 3 is the conversion of a three-story former warehouse.

BEST GREEN PROJECT

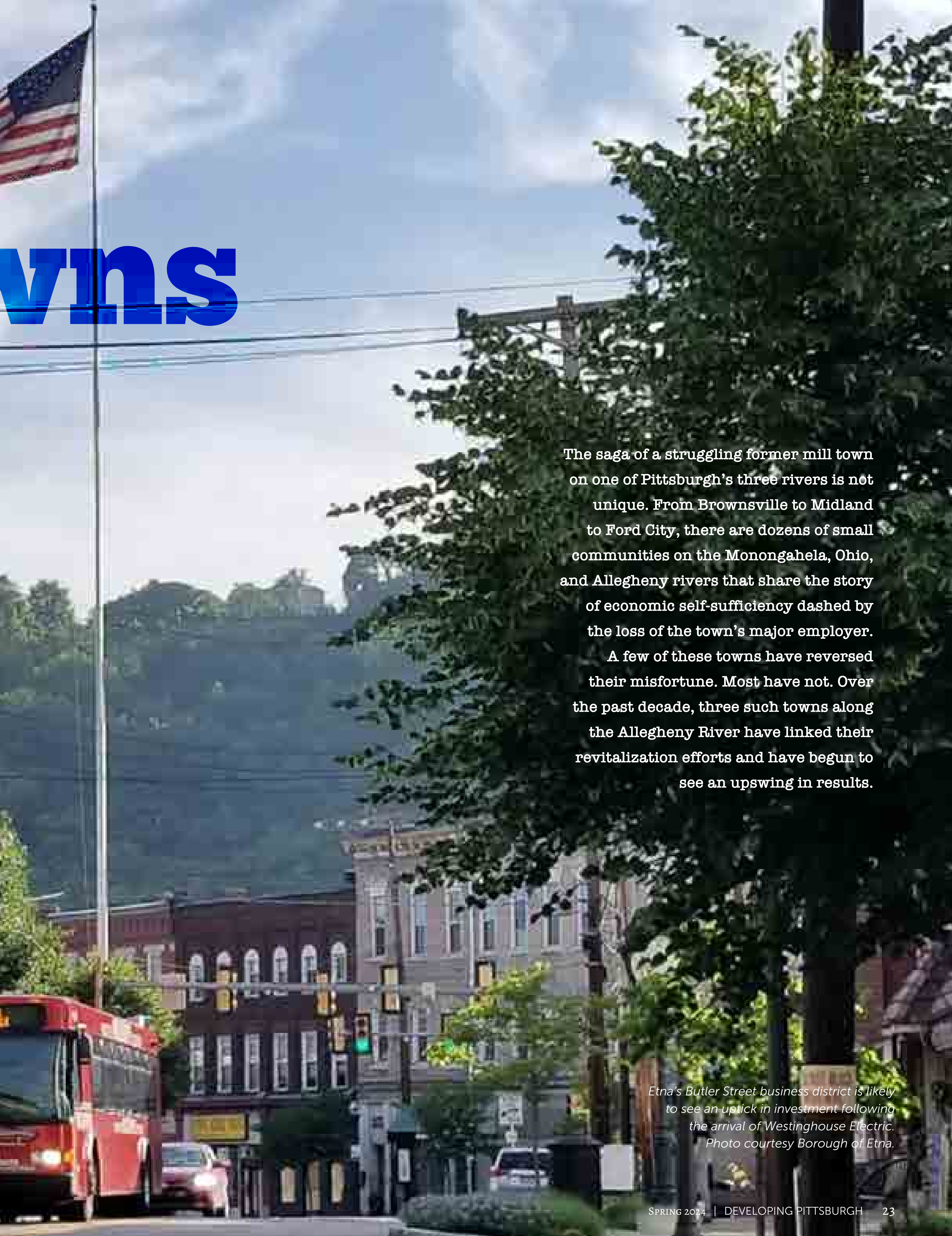
Omega Corporate Center

Developer/Contractor: Kossman Development

Consulting Electrical Engineer: McKim & Creed, Inc.

Kossman Development created one of the largest privately-owned solar arrays in Western PA at its Omega Corporate Center in Robinson Township. The Omega solar facility generates 4.77 megawatt hours of electricity, potentially offsetting approximately 85 percent of the energy consumed by the building, which was built in 2000, and its occupants. Kossman Development managed the installation of 8,838 solar panels, covering 6.74 acres. The solar array also provides covered parking for 534 spaces.

Resurgent River Tow



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The saga of a struggling former mill town on one of Pittsburgh's three rivers is not unique. From Brownsville to Midland to Ford City, there are dozens of small communities on the Monongahela, Ohio, and Allegheny rivers that share the story of economic self-sufficiency dashed by the loss of the town's major employer. A few of these towns have reversed their misfortune. Most have not. Over the past decade, three such towns along the Allegheny River have linked their revitalization efforts and have begun to see an upswing in results.

Etna's Butler Street business district is likely to see an uptick in investment following the arrival of Westinghouse Electric. Photo courtesy Borough of Etna.

The Millvale Market, which opened in January 2023, anchors Millvale's commercial main streets. Located at the corner of North Avenue and Grant Avenue, Millvale Market was the first fresh grocery store to open in the borough in more than two decades.

From west to east, Millvale, Etna, and Sharpsburg are three remarkably similar boroughs. They are contiguous neighbors along the riverfront. Each has a blue-collar past. Each had its own school district before merging with a suburban school district almost 50 years ago. The populations of the three boroughs are almost identical. All three share the same demographic problem, that of a disproportionately ageing population, but all have seen an influx of young people and families in recent years. In fact, the median age in all three boroughs is no older than that of Pennsylvania or Allegheny County residents, and in Etna and Sharpsburg the median is now three years younger than that.

Etna, Millvale, and Sharpsburg also traveled similarly troubled paths since the 1970s. There was little or no new employment base. Young people struggled academically and moved away when their education was complete. Poverty grew. Drug abuse became a problem. Property values were depressed and did not grow when values in neighboring suburbs did. Located at the bottom of watersheds from the North Hills, each community routinely suffered floods, some of which devastated families living in the lowest-lying areas. Each received lots of government assistance, none of which effected meaningful change.

It appears that it was the natural disasters, most specifically Hurricane Ivan in 2004, that may have marked a turning point for the three communities. Although the floods that resulted from Ivan's heavy rains did not affect Etna, Millvale, and Sharpsburg equally, all three adopted an approach to redevelopment that was based upon keeping their residents safe from such future disasters in the years that followed. That approach was not a "build it and they will come" strategy, but rather a focus on making the community a better place to live, with the assumption that economic growth would follow on. Since the mid-2010s, the green shoots of redevelopment have been noticeable.

Over the past year, two major projects have gotten underway in Sharpsburg and Etna. The leasing of 51 Bridge Street in Etna by Westinghouse Electric and the beginning of Mosites Company's long-awaited Allegheny Shores development in Sharpsburg brought headlines that highlight the resurgence of those towns. But the turnaround of fortunes, along with those in neighboring Millvale, have been ongoing for a decade, the product of hard work by faithful long-time residents and visionary newcomers.

What is Working?

There is near unanimous agreement that the environmental focus that each of the three boroughs has adopted has moved the needle. Setting aside all other metrics, the significant drop in median age is a clear indication that younger people have responded to the vision of a cleaner, safer, more equitable community. None of the leaders in the Triboros seem to be kidding themselves about what is working. They understand that affordability has been a key ingredient, whether that is the price of a house or the rent for a restaurant. It has certainly helped that the three communities are located directly across

two bridges from the hottest – and one of the priciest – neighborhoods in the city.

Success has come in different forms for each borough. By all accounts, Sharpsburg has seen the biggest turnover in residential properties. That tracks with being in Fox Chapel School District. Millvale has seen progress in its goal of becoming a center for the food scene. Etna has had the biggest success in attracting a major employer.

Commercial real estate successes have varied as well. None of the communities has seen a major new construction development. The redevelopment that has occurred has been confined mostly to new businesses adapting existing storefronts in the small business districts. Millvale has seen more of these redevelopments as the dozen or so restaurants, bars, and breweries have opened. Etna has seen a smattering of new businesses, but the interest in its business district properties has jumped since Westinghouse announced its lease at 51 Bridge Street. And in Sharpsburg, there will be a real demand driver kick in as hundreds of new housing units are built along the riverfront in the second half of the decade at Allegheny Shores. That will organically drive demand for more commercial space at the eastern end of Sharpsburg.

Despite the recent uptick in demand for property in the Triboro communities, there are limitations that will limit development. Not all property types are going to work in all communities. In the cases of Etna, Millvale, and Sharpsburg, the prospects for industrial development make the least sense, despite the legacy of manufacturing in those towns.

Mr. Smalls Theater, opened in 2002, is a small venue that attracts national indie music acts to Millvale.

There is an existing industrial base, especially in Etna and Sharpsburg, but the type of property is heavily skewed towards owner-occupied buildings. Mateo Villa, vice president at Genfor Real Estate, notes that there is rarely availability at the properties that are for lease because the tenant base behaves like owner-occupiers. He cites the change in requirements for industrial users as a problem for the properties that could be developed, since most are inadequate in size and access/egress for even a small industrial building.

"From a development standpoint, the properties in Etna and Sharpsburg are very constrained by the river, the cliffs, Route 8 and Route 28," Mateo says. "The exception could be the property that Mosites plans to develop on the riverfront, but there are challenges with that site – difficult access and egress and the configuration of the property – that make the highest and best use something other than industrial."

The likeliest scenario for industrial development would be the complete redevelopment of properties with functionally-obsolete existing buildings that would be demolished. That will require rents to rise substantially and the communities to become more supportive of large-scale demolition. In the meantime, the progress being made on attracting new residents and new businesses points to better prospects for adaptive re-use of the existing stock of mixed-use buildings in the commercial districts of Etna, Millvale, and Sharpsburg.

Millvale

Millvale is the largest of the three communities, stretching several miles north from a small riverfront district that is separated from the rest of the borough by a confusing Route 28 interchange. There are around 3,400 residents. The median income for Millvale's residents is $48,500. The median age is 42.9 years. Millvale is served by Shaler Area School District.

Millvale's revitalization has been an accumulation of singles and doubles, rather than a large-scale development. Those involved in the efforts to elevate Millvale's fortunes invariably point to the creation of the Millvale Ecodistrict in 2012 as a turning point. Working with EvolveEA, community leaders and elected officials developed a plan to address the most pressing concerns of residents and businesses. The Millvale Ecodistrict Pivot Plan 1.0 called for projects that would make Millvale an urban solar community, a center for restaurants and locally-sourced food, and a community that benefitted from its location at the base of a watershed.

Prior to the creation of the ecodistrict, Millvale had been something of a food desert, whose residents and businesses were frequently the victims of a flooding watershed. Millvale's residents had little control over their energy destiny. The focus on an environmental plan reflected a belief that making Millvale a better place for its residents would create the economic momentum that was desired.

"The community chose ecodistricts as an opportunity to no longer be a victim of these conditions, but to be changemakers to re-write their narrative and improve the quality of life for residents, while improving the environment," notes Anna Rosenblum, associate at Evolve EA, the architectural firm that developed the ecodistrict plan. "Ecodistrict wasn't chosen as an answer to an economic development problem, but instead was chosen as an environmental empowerment solution, that contributes to economic development as well."

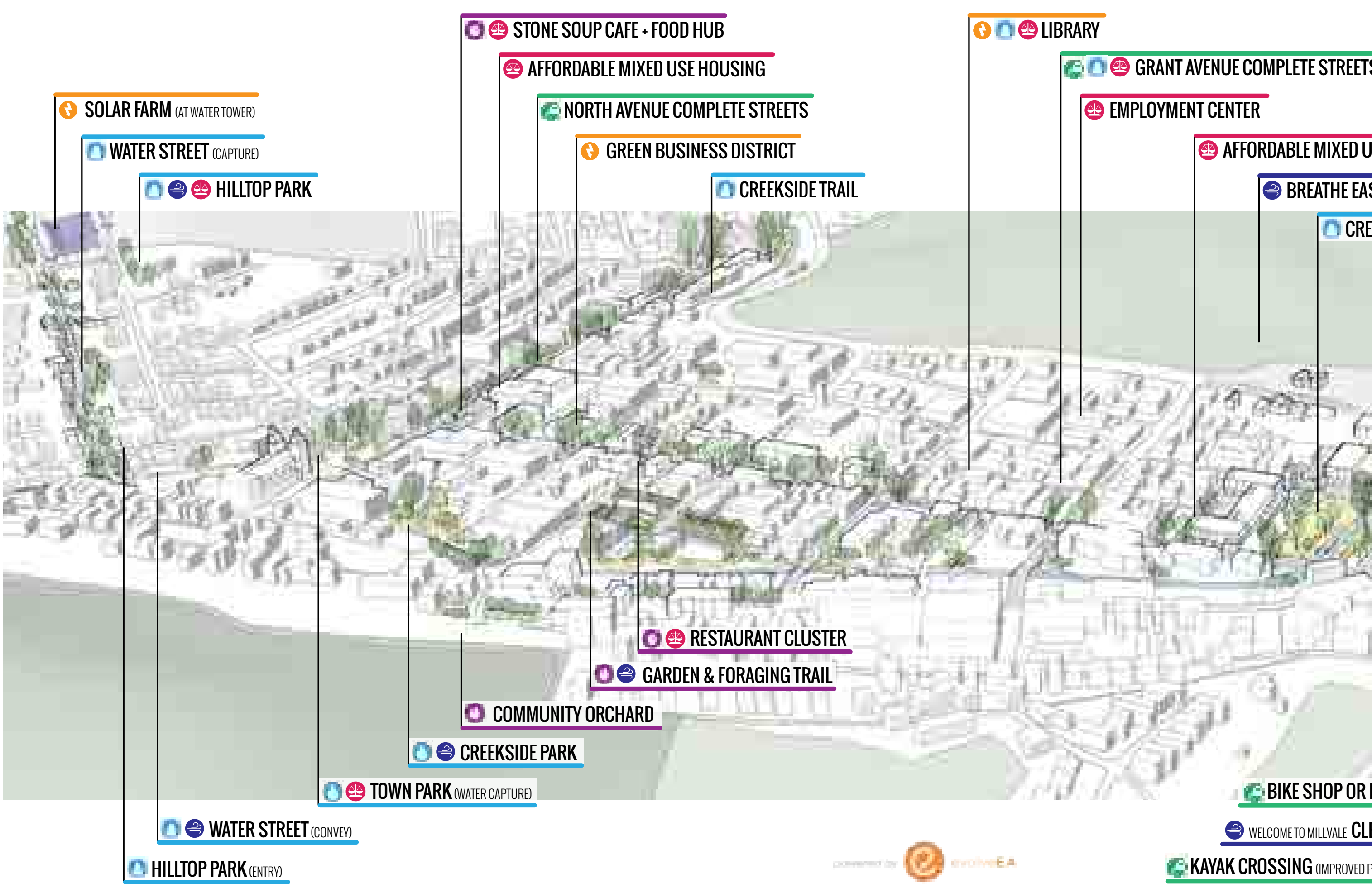
One of the first new projects that addressed these community needs was the Millvale Food + Energy Hub. Located in a 10,000 square foot former social hall at 112 Sherman Street, the Food + Energy Hub is home to the acclaimed restaurant Spreazatura and is powered by a solar microgrid. The facility offers live entertainment and is available for rent. An electrical fire damaged the Food + Energy Hub in January 2023, but the facilities reopened in December after renovations.

The focus on hospitality was well-timed, as Pittsburgh was in the midst of restaurant boom, and it built upon the success of four establishments that were already thriving, Mr. Smalls Theater, Jean-Marc Chetallier's French Bakery, Lincoln's P & G Diner (formerly Pamela's P & G) and the Grant Bar. In the late 2010s, a handful of new spots opened in Millvale. Among them were Strange Roots Experimental Ales, Double L, Abeille Voyante Tea Company, Iron Born Pizza, and Grist House Brewing.

Over the past two years, Millvale has seen additional investments in its food and beverage sector from Grist House Brewing, which expanded its tasting facilities, and Burgh'ers Brewery, which renovated a 13,000 square foot former PNC Bank at 400 Grant Avenue into its main brewing facility and restaurant/tasting room. The Poetry Lounge opened last fall.

Last year also brought the construction of two new modular single-family homes, a rare new addition to the housing stock in what is a mostly built-out community.

A key piece of the food-centric strategy is the Millvale Market, which opened in



November 2022. Millvale Market was the first new grocery store to open in Millvale in decades. It provides fresh food shopping for many of Millvale's residents – especially its senior citizens – who do not have access to a car and who would find it difficult to handle groceries on public transportation. The Millvale Market is located on the corner of North Avenue and Grant Avenue, anchoring the north end of what Millvale's leader hope to be a bustling commercial district that runs from North Avenue along Grant and Lincoln Avenue to the Roue 28 interchange.

In October 2023, Millvale Community Development Corporation (CDC) hosted a community-wide celebration of the groundbreaking for the renovation of 216 North Avenue, which includes the installation of a 40-kilowatt solar array and an L2 electric vehicle charging station. The building will become the home of Millvale CDC. The 6,400 square foot former furniture store and studio will also be renovated for leasing to as many as six retailers. The property fills in the remainder of the commercial space on the south side of North Avenue between the Millvale Market and the Lincoln Pharmacy/Lincoln's P & G. When leased, the project completes a significant piece of the Pivot Plan.

Millvale EcoDistrict Pivot 2 Plan. Rendering by EvolveEA.

Sharpsburg

The easternmost of the Triboro communities, Sharpsburg has the smallest footprint. There are 3,200 residents and the median income of its residents is $40,500. The median age is 37.4 years, the youngest median age of the three towns. Sharpsburg is served by the Fox Chapel School District, a significant asset for attracting families.

In 2021 Sharpsburg developed its own climate action plan. The result of a two-year effort in conjunction with the ICLEI-Local Government for Sustainability, Sharpsburg's elected officials and community partners performed an inventory of the greenhouse gas emissions originating from the borough and developed a series of feasible actions that could reduce the emissions.

In addition to the promotion of clean local energy generation, the climate action plan called for the transformation of its building stock to high-performing buildings as redevelopment occurred. Borough planning focused on creating commercial opportunities in Sharpsburg's walkable Main Street and Canal Street business district. The plan set a goal of a 20 percent reduction in Sharpsburg's greenhouse gas emissions (as compared to 2017 levels) by 2030.

Sharpsburg previously joined Etna and Millvale to form the Triboro Ecodistrict in 2017, a year after the borough began exploring what could be done to improve the quality of the environment for Sharpsburg's residents. In early 2021, the Sharpsburg Ecodistrict received formal certification, joining Etna and Millvale as the third such community in the world. A handful of community-based organizations join the borough government in working towards improving the environmental quality of life for Sharpsburg's residents. Those efforts are attracting younger families looking for an urban living experience that differs from Lawrenceville or the Strip District.

"What's awesome about Sharpsburg is that for a long time it has been an affordable place for all sorts of families, from all walks of life," says Brittany Reno, Sharpsburg's mayor and CEO of SWPA Municipal Project Hub. "You're in a school district that is excellent and provides services that would be hard to get if you were not in such a well-resourced district. We see people moving to the community for a lot of different reasons, but everyone seems unified in appreciating Sharpsburg for what it is, its history, and the fabric of the community that has been there for generations."

"That sense of community attracts people from all walks of life to pursue their dreams, whether that's opening a shop on Main Street, buying a home, or just digging in the garden. There are a lot of ways to become part of the community and it's harder to find places where that can happen, especially in a walkable community," she continues. "And the riverfront park is just awesome."

Dave Breingan is another young professional who chose Sharpsburg to live. The executive director of Lawrenceville United, Breingan was appointed to Sharpsburg Borough Council to serve an interim term that expired at the end of 2023. He echoes Reno's comments.

"Sharpsburg is just an awesome community. It has good bones. It has a great Main Street and good housing stock. My experience is that it is a diverse community, very working class with a lot of families," Breingan says. "Obviously, Fox Chapel School District is a big plus. It's been a great place for me and my partner to raise a child. We spent most of the last 15 years renting in Lawrenceville. We had an opportunity to buy from a friend in Sharpsburg and the price was good. To have all the great assets of Sharpsburg at a price point that is affordable to a working-class family is increasingly hard to find.

"Sharpsburg still has that for now, but I think it's a big challenge for the future. That was my focus when I served on council."

Of the three communities, Sharpsburg has seen the least amount of construction since the pandemic ended. Since 2020, Dancing Gnome built its new $1.6 million tasting room; a new 4,800 square foot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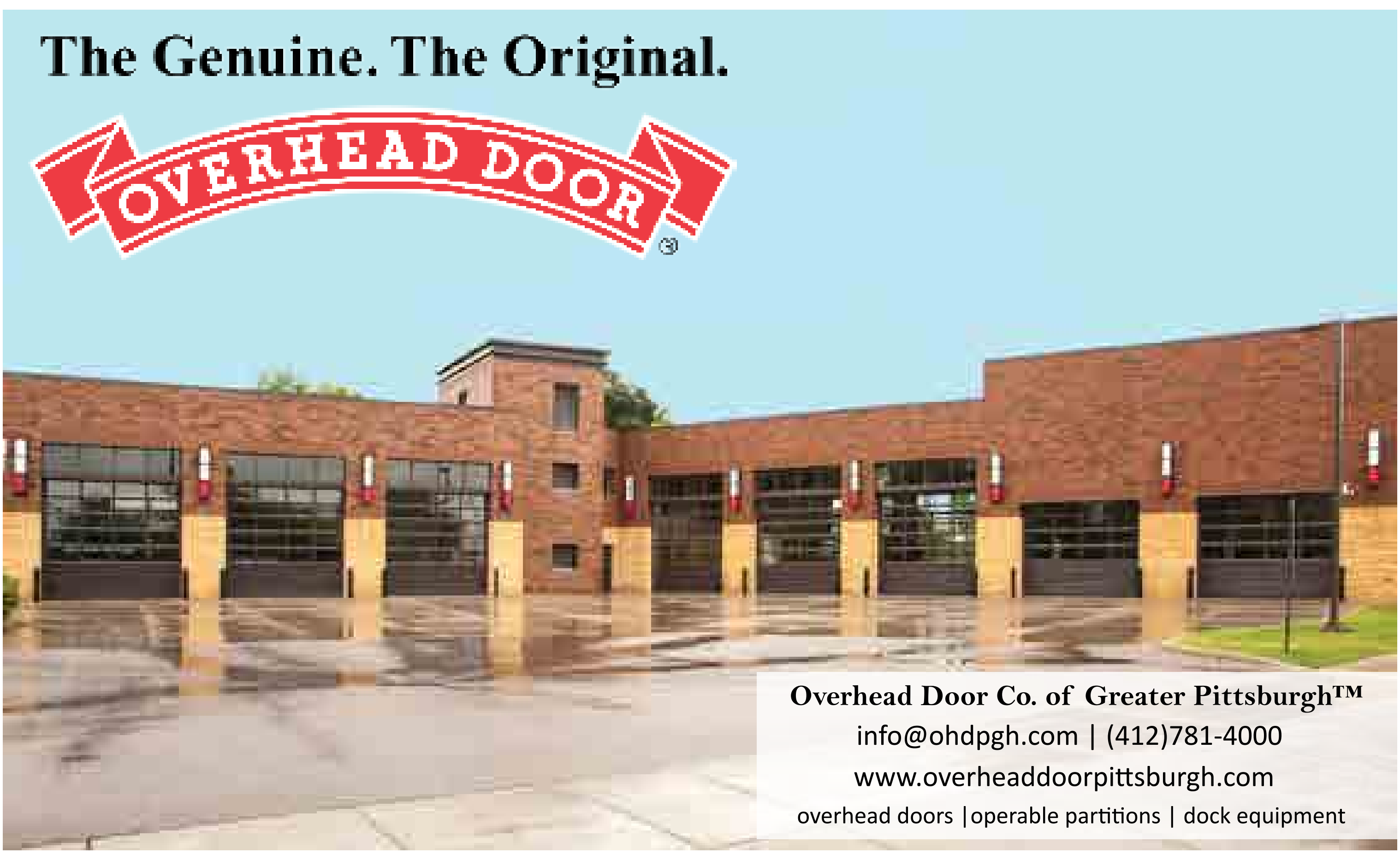
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public works garage was built; and Sharpsburg Lofts LLC renovated 1045 North Canal Street into 6,000 square feet of office for lease. In 2023 building permits for nonresidential projects total roughly $250,000, with no project investment exceeding $100,000. But Sharpsburg will be home to the largest investment to occur in the TriBoros, the Allegheny Shores development being undertaken by the Mosites Company.

When completed, Allegheny Shores will span 50 acres along Sharpsburg's waterfront, from Aspinwall Riverfront Park to 13th Street. Originally proposed as Riverfront 47 nearly a decade ago, the project has been through multiple iterations, including ones that included property in Aspinwall and O'Hara Township. The mixed-use development will now be entirely within the Sharpsburg borough limits. Mosites Company hopes to reconnect Sharpsburg to the riverfront in the same way it reconnected East Liberty to Shadyside and other eastern Pittsburgh neighborhoods when it developed East Side in the mid-2000s.

Community leaders from multiple municipalities and non-profit groups were trying to find a way to connect the former Ascon Metals scrap yard to the Allegheny River trail system that was being built out in the early 2010s. The former industrial site was directly adjacent to the Aspinwall Riverfront Park and there was concern that the Ascon Metals site would be redeveloped into an industrial use. Leaders contacted Steve Mosites to pursue a better use for the property. Mosites Company has invested millions in planning and preconstruction development activities. Pressure from Aspinwall residents pushed the project towards Sharpsburg. Market conditions have changed several times since Mosites purchased the initial 47 acres in 2015, leading to a plan that includes multi-family, affordable housing, dense single-family attached homes, and commercial space.

Allegheny Shores received a $5 million Redevelopment Assistance Capital Program grant in October 2022, which is helping to fund the demolition, site work, utility installation, and road work for the development. In July 2023, Sharpsburg's council approved an application to the Commonwealth Financing Authority for a $3 million Multimodal Transportation Fund Program (MTF) grant. That subsidy would help develop the infrastructure needed for access to the Allegheny River waterfront. In March 2024, the project was approved for a $500,000 MTF grant.

"We re-graded the site after demolition and took the crushed concrete to make a temporary trail out of it. We are honestly surprised at how many people are using it," Steve Mosites says. "I think people enjoy walking along the river. They spent most of their life driving across Highland Park Bridge looking down at a scrap yard. We're calling it 'The Sharpsburg Riviera'."

Mosites hopes to start vertical construction by 2026, but quite a few hurdles remain. Mosites Company purchased an additional 11 acres to meet the borough's easement requirements, and there are still planning and zoning issues to address. The process of preparing the infrastructure is also far from complete.

"We're trying to create this public space at 19th Street, a marina and village district that will anchor the whole development along the shoreline," says Mosites. "We are coordinating with ALCOSAN doing their tunneling project, which it hopes to begin at the end of 2025 and go for two and a half years. We're working with Hampton Shaler Water Authority to ensure enough water supply. There's a lot of old infrastructure from the industrial heritage of the site. We are in a brownfield. There's a

The early site work and re-grading has been completed on Allegheny Shores, a mixed-use development by The Mosites Company in Sharpsburg. Photo by Nancy Andrews.

railroad. The industrial heritage is not letting go easily."

Mosites Company is working with Action Housing to incorporate affordable housing in the development. When it is completed, Allegheny Shores will add several hundred new residents to Sharpsburg and community leaders share Dave Breingan's concerns about property values pushing lower-income residents out.

Sharpsburg's elected officials are trying to forge a path forward that allows long-term residents to remain and affordability of housing to remain one of Sharpsburg's advantages. That is a difficult needle to thread once a community begins to attract real estate investment. Reno points out that equity is one of the primary goals of the Ecodistrict plan. She sees plenty of work to still be done.

"We are nestled cozily between three highways and a railroad, so there is noise pollution and air pollution that we know are at higher levels than we want. Flooding is still a concern. The sewer system needs to be modernized. That's expensive stuff," says Reno. Forty years of neglecting infrastructure improvements adds up to a cost in quality of life and in dollars. It's a community overburdened by stormwater, and it will remain overburdened without improvements."

Etna

Etna was the second of the three Triboro towns to receive Ecodistrict certification, but it had begun efforts to transform its environment almost a decade earlier in the aftermath of devastating floods from Hurricane Ivan in September 2004. The rains that accompanied the hurricane created high volumes of stormwater runoff throughout the Pine Creek Watershed. Years of neglect by the Commonwealth and the communities through which Pine Creek flows led to a pile up of debris and created a dam of debris downstream in Etna. Etna's borough manager, Mary Ellen Ramage, recalls that time as a turning point.

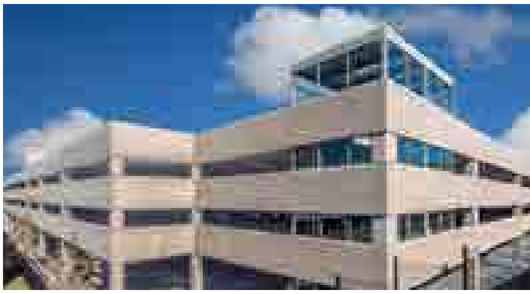
"Our focus on the environment and on the stormwater and flooding issues began after Ivan. After the hurricane, we were pretty well down and out. Prior to that, we were always pointing fingers at each other with the communities upstream. After Ivan hit, I remember seeing all the same people here helping us," Ramage recalls. "The borough building had seven feet of water in it so we were incapacitated to help people. After that we had a different attitude, and we worked very closely with our neighboring upstream communities."

Solving the problem for the long term meant that upstream communities – Shaler Township, Hampton Township, Richland Township, Pine Township, McCandless and others – needed to manage the debris collecting in Pine Creek and invest in new crossing structures that were wider and less likely to trap debris. Ramage credits the North Hill Council of Governments as a catalyst for cooperation. The communities crafted a 19-municipality watershed implementation plan and a joint stormwater management ordinance. She says it led to cooperative projects that were unheard of before the storm. For example, Etna approached Shaler Township with a proposal to build a debris catchment north of Etna's border. The idea of using Etna's funding for a project in Shaler Township raised a few eyebrows, but Etna's leaders had no problem with the concept.

"Etna benefits from the debris collection and removal, even though it is located outside of the borough proper," Ramage says.

Etna adopted a green master plan in 2014 to identify ways to protect Pine Creek by limiting stormwater overflows. One of the projects identified in the master plan, a green streetscape program, was underway by the time the plan was formally adopted. Stormwater is retained

Guyasota Square sits at the intersection of Sharpsburg's two commercial districts, Canal Street and Main Street.



in off-site underground storage tanks, a rain park, and tanks under the sidewalks and then allowed to infiltrate back into the soil. The latter are highlighted by a winding trail of drainage grates in the sidewalks that allow residents to see the program in action.

"I like to quote our late mayor, Tom Rengers, who used to tell everybody that the beauty truly is underground. I love that quote because all the blocks that we have improved have been removed from the combined storm water system," Ramage says. "We picked the business district simply because the roof area was so big. You could capture the most water because there is no open space anywhere there. It helped beautify our business district and it also got the attention of a lot of people. Etna won the governor's award for environmental excellence in 2017."

Ramage contends that the focus on the environment is one of the reasons that Etna's population has rapidly become much younger than that of Allegheny County or the Commonwealth of Pennsylvania. That is true for Etna's current mayor, Robert Turňón.

Turňón, a principal at architect Rothschild Doyno Collaborative, moved to Etna in 2014 and became involved in the community revitalization through the Etna Community Organization, a non-profit that Turňón now chairs.

"We were looking for a place in the city but when we were wrestling with the economics of buying a home, we found a home here that is an unbelievable value," he says. "I can't tell you

One of the stormwater mitigation strategies employed in Etna involves a connected series of drains set in a winding pattern in the sidewalks. Photo courtesy Borough of Etna.

how nice it is to live in a community where you can walk to the playground, to the park, the riverfront trail, or the pool within a couple minutes of everybody's house. It is unbelievably close to everywhere that I have to go for work."

Turňón says he got involved in the community after seeing how much was being done to improve the environment and how hard borough officials and residents were working on the problems. He credits Ramage and Rengers for encouraging new voices and perspectives and for mentoring younger residents who wanted to get involved.

One of the more recent amenities is the Etna Riverfront Park, which was built on property that had previously been industrial. During the planning process the borough found the scope of work creeping steadily higher because of demands by Norfolk Southern Railroad, which had a crossing on the property. With the help of an enterprising staff member of County Executive Rich Fitzgerald, the borough discovered that the crossing was public, which allowed them to avoid many of the expansive measures the railroad had demanded. That allowed Etna to invest more of its $3 million grant in recreational amenities for the park.

Of the three boroughs, Etna is the only one that has seen a slight increase in the median age of its residents since 2021, but the population is still relatively young at 38.5 years old. The population is 3,400. The median income for an Etna resident is $44,400. Like Millvale, Etna is served by Shaler Area School District.

Ramage notes that when Etna was home to several steel mills, more than 11,000 people called it home. The reversal of Etna's fortunes came in the 1960s when the mills began to close at the same time that PennDOT was building the interchange for Route 28. The design of the interchange resulted in the demolition of 400 homes, which was a devastating blow to Etna's tax rolls at a time its main employers were eliminating hundreds of jobs.

By the end of 2024, a new employer will bring back roughly 120 jobs to the borough. Westinghouse Electric is leasing the entirety of 51 Bridge Street as a research and manufacturing facility for its eVinci microreactor group. The decision to locate in Etna will have a significant impact on a

Residents get in an evening yoga session at Etna's Riverfront Trail and Park. Photo courtesy Borough of Etna.

business district that has been gradually attracting new investment. Westinghouse declined to comment on the average salary of the eVinci employees but confirmed that the technicians, researchers, engineers, and managers that will work there are six-figure earners. That provides a significant boost to the businesses in Etna and should turbocharge investment on Butler Street.

John Kostelnik, with Westinghouse Electric Advanced Reactor Programs, explained that 51 Bridge Street met all the technical criteria Westinghouse had for selecting a site. He also says that Etna's leadership check an additional box.

"On top of everything else, Etna was very welcoming. They were excited to have us," Kostelnik says. "We met with the borough manager, and they were very pleased to have the employees there. They worked with us in a timely manner."

Aside from 51 Bridge Street, in which AM Group invested $18 million to renovate, only $8.5 million in construction got underway from 2020 through 2023. Those projects resulted in a new O'Reilly Auto Parts store, the Rear End Gastropub, and CoStar Brewery.

One of the projects that is moving forward on Butler Street is a new public library and community center. The library will have shared programming with the Millvale Community Library and will be ECO's home.

"When the federal budget passed, we were able to clear the capital campaign for the library. It will be a community space for all ages, bringing technology and all those amenities into the heart of downtown Etna," says Turňón. "As we see the transformations that commercial development brings, it will add pressure on residents. It's really important to see something that is a public amenity for residents happening at the same time."

The library/community center is an adaptive re-use of a structure 341-343 Butler Street that was built in the 1870s. Etna Borough engaged Volpatt Construction as its construction manager agent, which is working with GBBN Architecture to get construction bids advertised and awarded in time for construction to begin this summer.

For commercial real estate, the redevelopment of the Allegheny River towns is still too early to judge the impact on property values. While it may be obvious to the eye that commercial buildings along Main Street, Butler Street, Grant Avenue, or Lincoln Avenue are worth more today than five years ago, there is not much data to support the anecdotal observation. Michael Leahy, director valuation and advisory services for CBRE, points out that most of the commercial development in Etna, Millvale, and Sharpsburg has been executed by adding significant value to obsolete properties, few of which have gone through the cycle of stabilization and sale. The best estimates of how far the tide has risen come from the appreciation of residential property values.

To long-time Pittsburgh residents, the revitalization of Etna, Millvale, and Sharpsburg may not be as obvious as the resurgence in Lawrenceville or East Liberty has been. Aside from the changes to dozens of storefronts in the Triboro towns, there has been little new construction. Much of the investments made in the three communities have been foundational in nature. Better streetscapes. Better stormwater management. A better environment for future investment.

Brittany Reno sees an environment that is supportive of generational change. Robert Turňón believes that the story of the three communities is just beginning. Mary Ellen Ramage lifts up those that chose not to cut and run during tough times.

"It's easy to celebrate all this when things are going well. I have to give a ton of credit to the people that hung in there and didn't leave. There were businesses that stayed despite the tough times. The grit and determination of the people in this community and the leadership are remarkable," she says. **DP**

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51 Bridge Street

51 Bridge Street sits at the entrance to Etna's business district.

The AM Group had been investing in Western PA for several years when its principals, Tom Sabol and Scott Wolkowitz, began a search for a property that could meet the needs of the emerging technologies being commercialized in Pittsburgh. Despite the challenges of the COVID-19 pandemic, AM Group was able to identify and purchase a building in Etna in September 2020.

That building, 51 Bridge Street, purchased from heating and air-conditioning contractor Janus Inc., was originally built in 1902 as a rolling mill for steel pipe manufacturer Spang Chalfant and Company, Inc. Tom Sabol, partner and co-founder of AM Group

"We were looking early on for a building that could be converted to use as tech-flex for robotics companies, tech companies, or life science companies. That's a combination of industrial, manufacturing, tinkering, and office space," Sabol says. "When we originally toured 51 Bridge Street you entered through the high-bay space. When you walked into that space and saw the volume and layout of that high-bay space, you could picture a company tinkering or manufacturing in that area."

Sabol and his partners believed there was enough demand from the companies being created and nurtured by Pittsburgh's universities that additional tech-flex space would find a tenant. AM Group looked at buildings throughout the city but were won over by the opportunity to revitalize a legacy manufacturing building in Etna.

"The building has great access to the city. Lawrenceville is just across the bridge. It has great access to residential neighborhoods and communities. Route 8 and Route 28 intersect right at our building. It had the capacity to create good parking," says Sabol. "Walking the main street of Etna, we could see the potential from the investments the borough was making."

AM Group hired Desmone Architects and construction manager/advisor Dick Building Company to oversee the design and renovations. The intent was to create tech-flex space with modern amenities while preserving the historic character of the building. Even without thorough inspection, there were a number of apparent issues. Sabol notes that the less apparent issues soon revealed themselves too.

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"When you take an older building as you get into it you always run into issues that you didn't foresee. You start peeling back the onion and discover a lot of things that need to be fixed," he says.

"The first challenge was existing conditions. "There were a lot of repairs, a lot of detailing that was needed just to get the building usable structurally and architecturally," recalls Jared Korchok, project architect for Desmone Architects. "The overhanging eave of the roof was deteriorating, and the Borough of Etna placed scaffolding along Bridge Street to catch falling debris and prevent pedestrians on Bridge Street from being hit. It was a challenge to create new details and repair the concrete and roof."

Selective demolition commenced in April 2021 and the first phase of renovation also included the hazardous material abatement, masonry façade restoration, full window replacement, and roofing replacement. The condition of the roof structure had a ripple effect on the project.

"Areas of the roof had collapsed. We learned early on that we could not put anything on the roof of the main high-bay building," says Korchok. That meant no mechanical or other building support system equipment. Usually, that equipment is located on the roof. We didn't have that luxury. We did reinforce the roof to put a roof deck up."

The structure of 51 Bridge Street was reinforced concrete throughout, which created additional headaches throughout construction. The state of concrete construction technology in 1902 was less precise than today's practices. That reality had implications for the building envelope renovations.

"It is a unique building with a lot of character. One of the bigger challenges was cutting holes in the concrete roof to put two stairwells and an elevator up to the roof deck," says Jon Bilski, superintendent for Dick Building Company. "There was a lot of core boring and saw cutting. Putting new windows in the old concrete openings was a challenge."

"Every window bay was a different size. Every single window opening was different by a fraction or by a couple of inches. All had to be verified individually," says Korchok. "We were able to come up with a fiberglass window system that's structurally molded so there's structural steel in the windows. We were able to use a more cost-effective and energy efficient window while still having the industrial look that we were seeking.

"We worked with Pella's window designers closely to make sure we coordinated all those conditions and provided flexibility for the movement of the building. The windows were a major hurdle for the design and construction."

Bilski recalls that the site and utility work was also more challenging than normal. Foundations from previously demolished Spang Chalfant structures were buried underground. New utilities were brought into the building, including the addition of seven HVAC units. New sanitary sewer connections were made to the municipal system. None of that basic construction proceeded as normal.

"Every time we did something, we ran into a situation we had to figure out. Nothing was cut and dried," Bilski chuckles.

The exterior of 51 Bridge Street in October 2020 before renovations and repairs began. Photo by Desmone Architects

Things were less cut and dried than usual on the development and leasing too. Sabol notes that the pandemic lingered well after vaccines rolled out in spring 2021.

"We began marketing the building actively in the beginning of 2021. The pandemic slowed leasing activity down generally as we were repositioning the building. The market was still going through that transition from everybody not being at work," Sabol says. "We signed a lease in April of 2023, so we were probably marketing the building the better part of two years."

That lease was with Westinghouse Electric Company, which selected 51 Bridge Street as a hub for its eVinci micro nuclear reactor group. Working with JLL, AM Group began negotiations with Westinghouse in fall 2022, ultimately agreeing to lease the entirety of the 87,420 square foot building.

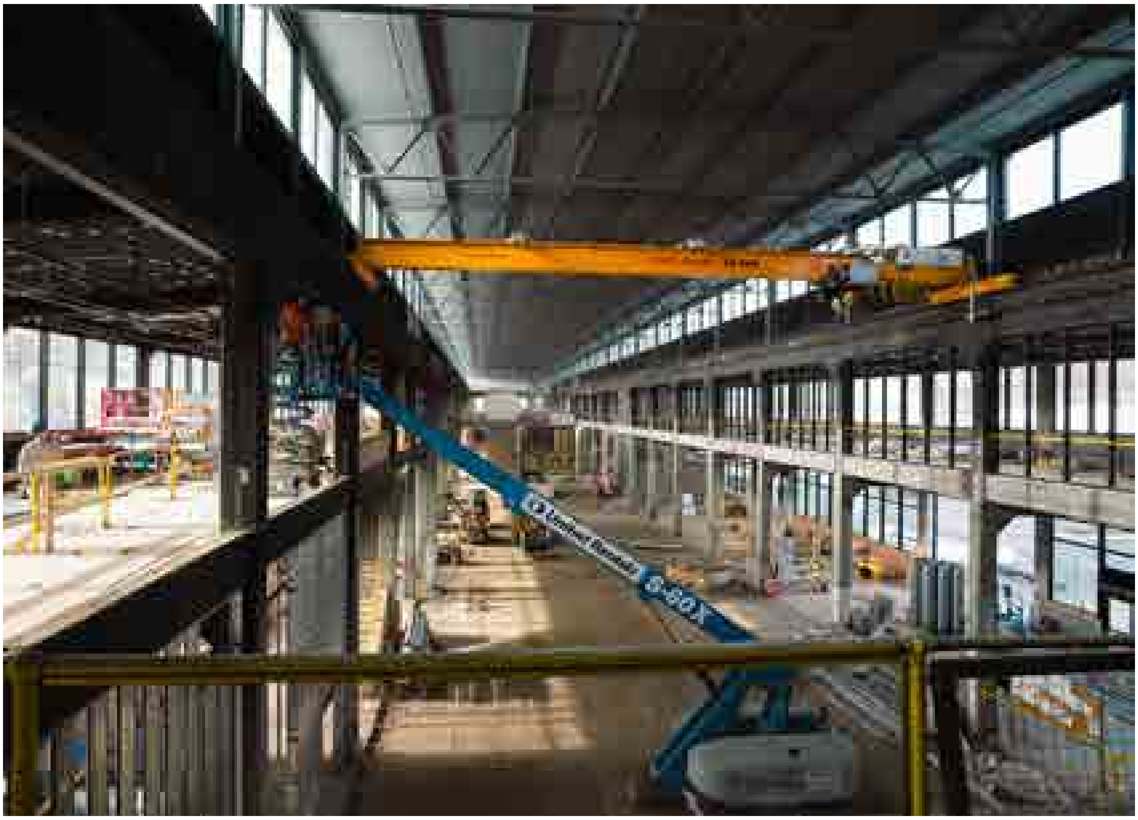
"We ran a strategic process. There was a desire to put folks together and collaborate, but there were seven criteria," says John Kostelnik, senior manager, strategy with Westinghouse Electric Advanced Reactor Programs. "The building had to be large enough. The ceiling had to be tall enough for a heat pipe with a 10-ton crane. We wanted to maintain our development schedule. We wanted it near our current employee base and our academic partners. We wanted to be able to recruit new and experienced hires. And we wanted strategic options with our partners and customers to be in an attractive place, so that if someone was coming to invest or purchase an eVinci, the building had a nice feel. We ended up looking at more than 10 sites, but 51 Bridge Street was the only location that satisfied all those criteria."

Speculative construction on the interior core and shell of the building got underway at the beginning of 2023, before a leasing deal was finalized. New elevator shafts and pits were constructed. Korchok recalls that planning for the prospective tenants was complicated by the nature of 51 Bridge Street.

"Ultimately, we ended up with a single tenant, but early on the building was designed for maximum flexibility with the potential to put eight different tenants in the space," he says. "Those early studies were very challenging because it is a linear building with very strict site conditions and limitations. We had to consider the building's core elevator access and parking. The single tenant made that all go away, but when you're evaluating a space like that you can never assume a single tenant."

Construction wrapped up during the first quarter of 2024 on Westinghouse's three-story office buildout. The renovations for the industrial and shop space will continue into the third quarter, when Westinghouse will take full occupancy of the building. Like most restoration projects, 51 Bridge Street required the coordination of many moving parts to succeed, especially in light of the impact of the global pandemic.

"Success was the culmination of a number of things. It was a good design team, and we think we had a good property that was well located. The borough of Etna's leadership was very supportive. We had great support from the state of Pennsylvania, support from our local senator, our representative, and the governor," Sabol says. "The project benefited from $3.1M in RCAP and Multimodal Transportation grants from the Commonwealth of Pennsylvania.



The massive high-bay space will be used as a maker space/manufacturing facility. Photo by 80HD Media House.

Allegheny County and Shaler Area School District supported the project with Local Economic Revitalization Tax Assistance (LERTA). All those things combine to make the project work."

"The building sits there as a gateway to Etna's main street. To put that back into use as a productive asset to the community was a great joy for us," he continues. "It was great to be part of what Etna's leadership has been striving to do to make it a great community. The borough is forward-thinking with their Ecodistrict and their planning. We were grateful to be part of it." **DP**

Key Design & Construction Trends in Industrial and Commercial Development

by Gary Gabor

In today's industrial and commercial landscape, evolving end-user needs, advancing technologies, aging assets, and lasting consumer trends are reshaping how facilities are designed and constructed. Speculative warehouse development, once characterized by large, single-tenant facilities, is now trending towards smaller footprints and multi-tenant structures. Design flexibility is now at the forefront of warehouse development as industries requiring specialty space, such as manufacturing and cold storage, remain resilient. The market also continues to see renovation and repurposing of both industrial and commercial assets driven by aging existing product and rising vacancy rates. As these trends continue and the market evolves, utilizing an efficient and cost-effective delivery method like design-build and partnering with an experienced contractor will be critical for success.

Speculative warehouse development is trending toward smaller footprints and multi-tenant facilities.

While the volume of speculative development nationally has reduced significantly, it is still occurring in key markets, especially among players opting for cash investments rather than relying on traditional debt and equity financing. New speculative developments are trending toward smaller footprints, and larger facilities are being built to accommodate multiple tenants, as leasing of large blocks of space has seen the greatest slowdown – a trend likely to continue.

Additionally, some markets nationally, including Pittsburgh, are seeing "storage condo" developments, characterized by total square footage ranging from 50,000 to 100,000 square feet, divided into smaller suites of approximately 3,000 to 5,000 square feet. These types of facilities cater to a wide range of tenants and small businesses within industries that don't require typical retail, office, or industrial space, such as early-stage robotics companies, electrical contractors, HVAC repair, plumbing, commissary kitchens, craft brewers, and the like.

Specifically designed for small-scale users, these multi-tenant developments are similar in nature to retail centers and are typically designed to be move-in ready. For example, each suite often has its own office space, restrooms, and amenity space such as a breakroom. Additionally, these facilities are designed for either drive-in trucking or dock height, unlike typical warehouses which are generally designed for both.

Industries requiring specialty space remain resilient, making design flexibility especially important.

Driven by a resurgence in onshoring and a focus on supply chain resilience, the manufacturing industry is driving demand for industrial space nationally. The resurgence has been particularly evident in advanced manufacturing, life science, robotics, and current good manufacturing practice users. Aging assets, combined with government incentives and advancements in manufacturing technologies needed for production of products such as batteries, electric vehicles, solar panels, and semiconductors, are also increasing the need for new manufacturing space.

The needs of tenants within these industries are highly unique, making flexibility in a facility's design crucially important as it allows for the accommodation of a wide range of users without the need to adjust the facility's fixed infrastructure, saving valuable schedule time on retrofit. While it is impossible to create a one-size-fits-all facility, there are key design elements that can be implemented to maximize flexibility and decrease time on tenant buildout. Advanced mechanical and electrical designs to support tenant operations are especially important. In addition to a robust electrical service, flexibility for increased water, sanitary, and gas services should be incorporated.

Many well-informed structural upgrades can also increase a facility's flexibility, such as increased roof loads, mechanical penthouses, and increased footing and column sizes to easily incorporate mezzanines for hanging equipment. To achieve the balance of maximizing flexibility without unnecessary spending, it is crucial to partner with an experienced design and construction partner.

Aging industrial product is prompting facility upgrades or new developments to accommodate advancing technologies and end-user operations.

With the average age of industrial product in Pittsburgh, as well as nationwide, being over 40 years old, warehouses are aging at a rapid rate as technologies advance and end-user needs evolve, especially among specialty users. Manufacturers, distributors, and logistics providers often require high ceilings, a significant number of dock doors, and ample trailer parking to accommodate operations and technologies like automation or robotics. However, older warehouses typically have lower clear heights, few dock doors, and limited parking. While users often choose to build a ground-up facility or renovate a new warehouse, for some, upgrading an existing, older facility makes sense. Modifications such as raising the roof or removing a second-floor mezzanine to increase clear height, adding more dock positions that meet current industry standards, and expanding parking lots to accommodate the growing requirements for cars and trucks are crucial upgrades. These improvements significantly enhance the functionality and adaptability of a warehouse facility to meet modern end-user needs and operational demands.

Additionally, aging cold storage assets combined with year-over-year online grocery sales growth have also put pressure on the cold supply chain. As a result, new developments from third-party logistics providers, as well as developers entering the speculative cold storage space, are increasing nationwide. The

New warehouse for Frank B. Fuhrer Wholesale in Salem Township was completed by ARCO Pittsburgh in fall 2023. Photo by Dronegenuity.

market is also seeing numerous build-to-suit, expansion, and retrofit projects for major players in the foodservice industry as they expand their operations nationally.

Advancing technologies and changing consumer trends within the pharmaceutical industry are also creating a need for cold storage space. For example, injectable products like Ozempic have different storage requirements than traditional pharmaceuticals. As demand for these types of products rises, the need for new temperature-controlled facilities will follow.

Commercial assets are being repurposed in response to lasting consumer trends sparked by the pandemic.

Markets nationwide are seeing the repurposing of commercial assets, especially office buildings, as lasting pandemic trends like working from home have led to increased vacancy rates. While offices are being converted to life science, mixed-use, and in rare cases industrial, most office conversion projects are office-to-multifamily. However, there are many considerations beyond the simple rise in multifamily demand and decrease in office demand that determine the feasibility and cost-effectiveness of these types of projects. The cost of conversion varies considerably depending on factors such as the original layout, existing conditions, and the exact scope of work. Zoning guidelines, floor plate and building core layout, structure type, façade, and mechanical/electrical infrastructure and venting all must be considered as well. Converted offices tend to be smaller, older, and more vacant than the average office building with floor plates that make for an easier conversion.

Factors such as government incentives aimed at historic restoration, which is popular in markets like Boston, New York, and Chicago, also play a role.

Additionally, increasing retail vacancy rates caused by the rise of online shopping during the pandemic have led to conversions of abandoned retail facilities into industrial warehouses. Abandoned retail properties are enticing to developers and owners looking for warehouse space for numerous reasons, the most prominent being location. These sites are usually located within population centers and near key transportation infrastructure, making them logistically ideal. Many retail structures, especially stand-alone facilities like shopping malls, boast features that seem compatible with industrial use, including multiple dock doors, ample parking, and significant clear height. However, major changes will have to be made to most of these structures to fully equip them for use as a warehouse. Designing an industrial facility within the confines of the existing property will require creative solutions, innovative construction techniques, and an expert understanding of potential complications in the structure and site.

Design-build delivery is especially beneficial in today's market and is critical for addressing the needs of specialty end-users.

Design-build delivery is beneficial from both a cost and schedule standpoint, as the integrated approach and work in the proposal phase consistently result in the most functional, cost-effective solution and tremendous time savings. Unlike traditional delivery methods that treat the phases of design, bidding, and construction sequentially, the design-build process combines the benefits of design ownership, financial risk, management of capital expense, and expediting schedule all under a single point of responsibility. Preliminary design is completed during the proposal process, and owners benefit from the speed at which design-build delivery moves. Once a project is awarded, the design-builder can move immediately through the buyout process to lock in material pricing and delivery dates while still completing the design.

In normal circumstances, design-build offers a substantial advantage over the traditional design-bid-build delivery process. In today's market, the benefit is not only advantageous but critical to navigating ongoing uncertainties and challenges. Additionally, as the industrial and commercial markets continue to evolve in response to advancing technology and end-user needs, partnering with a qualified design-build contractor with experience in complex project types like those in food and beverage, pharmaceuticals, and life science will be essential for success. This is crucial in helping clients navigate strategic design decisions and ongoing market challenges. **DP**

Gary Gabor is division manager for ARCO Pittsburgh. He can be reached at ggabor@arcodb.com.

As the first quarter of 2024 ended, the U.S. economy remained stronger than was expected just a year ago, continuing to grow while inflation cooled to within shouting distance of the desired two percent annualized level. Economic metrics were those of an economy in the later stages of a business cycle, with job and wage growth slowing, and gross domestic product (GDP) gaining at a lower rate.

Against the economy's strengths are pesky headwinds: a weakening credit environment, interest rates that are still restrictive, inflation that remains a drag on household budgets, low (albeit improving) consumer sentiment, and the uncertainty that accompanies a presidential election year. Below the surface, there are weaknesses in the banking system that could potentially send the economy into a recession, especially in an environment where the consumer growth engine has slowed. These potential banking problems – unrealized losses in Treasury bill holdings and commercial real estate loans – are closely tied to the steep rise in interest rates and the rate of inflation.

News about the latter has been primarily positive since mid-2023. An unexpected rise in the consumer price index (CPI) in January and February threw expectations for an early cut in rates by the Federal Reserve Bank out the window, but a reversion to the long-term trend in March rebuilt confidence that monetary policy will ease in the second half of the year.

The pace of decline in the Fed Funds rate, which is expected to accelerate in 2025, is unlikely to impact long-term rates significantly in 2024.

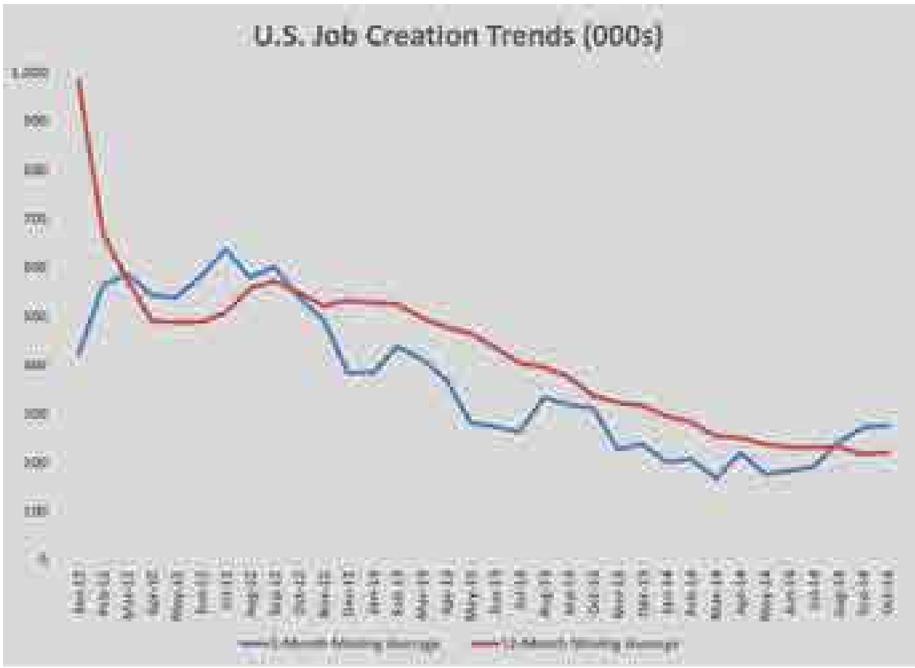
The most recent readings of the labor market show that employers have slowed the pace of hiring over the past year, but at a steady pace that exceeds that of population and workforce growth rates. The three-month moving average for job gains was 276,000, more than 50,000 less than the average monthly gain since March 2023. The three-month moving average has moved between 160,000 and 260,000 over the past 12 months, a range that is relatively narrow for the post-pandemic business cycle. Unemployment has ticked up from its historic low point of 3.4 percent, rising to 3.8 percent in March, but weekly first-time unemployment claims remain range-bound between 200,000 and 215,000.

Pittsburgh's employment situation remains steady, with unemployment falling to 3.3 percent in January, the most recent month with metropolitan data available. The number of unemployed persons averaged 43,000 for the full year of 2023, roughly 13,000 fewer than the pre-pandemic average in 2019. Employment grew by 13,100 jobs, or 1.1 percent, compared to January 2023. Pittsburgh's regional labor force remains roughly 30,000 shy of its pre-pandemic levels, primarily due to demographic trends (Baby Boomers retiring at an accelerated pace) and slightly negative net outmigration.

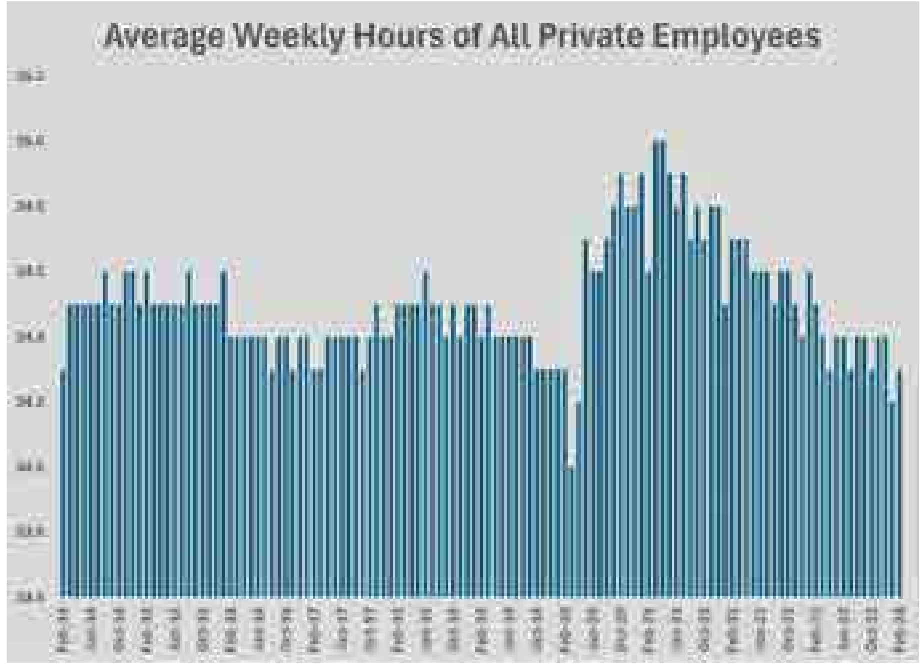
While the rate of employment growth still suggests that the U.S. economy has room to run, wage growth has slowed. Wages rose 4.1 percent year-over-year in March, but the pace of wage growth for the first quarter was 0.6 percent. Wages are still growing faster than the rate of inflation; however, the change in trend for both inflation and wage growth suggests that employees are seeing a balance between the two. A self-fulfilling cycle of wage-driven inflation now seems highly unlikely.

Below the headlines of the Employment Situation Summary, there are a couple of notable details that suggest the labor market has softened.

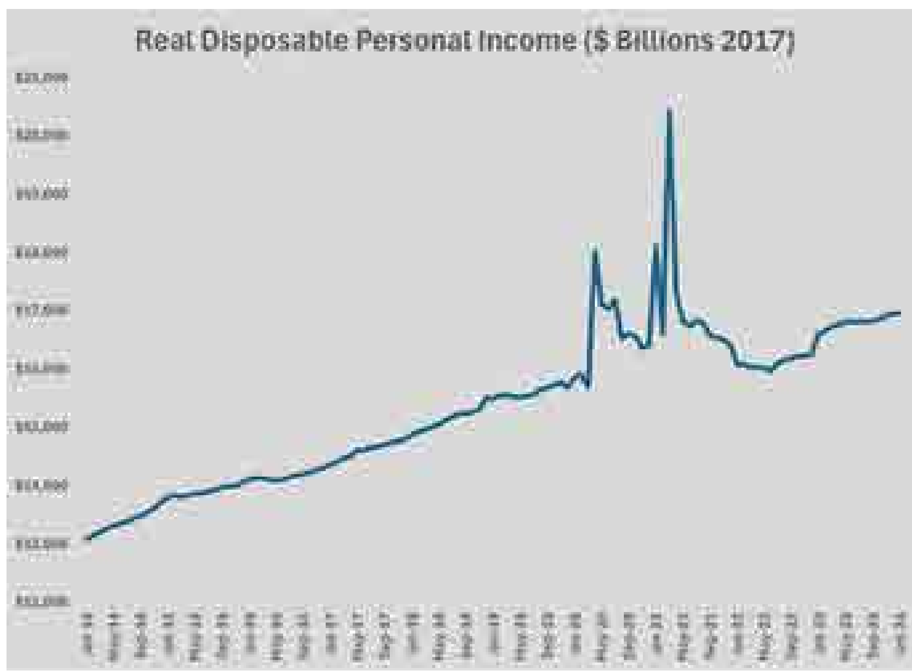
The share of part-time jobs created has grown significantly over the past 18 months. The survey of employers done by the Bureau of Labor Statistics (BLS) each month (as part of the Employment Situation Summary) showed 2.5 million new jobs created in 2023. The survey of employees done by the Bureau of Economic Analysis (BEA) monthly found that only 637,000 people were employed at the end of 2023 who reported as unemployed in 2022. Moreover, BEA asks about part-time versus full-time employment (BLS does not) and 921,000 workers reported that they had one or more part-time jobs at



Source: U.S. Census Bureau, Bureau of Labor Statistics.



Source: U.S. Bureau of Economic Analysis, Monthly Employment Situation Summary.



Real disposable income has recovered to the long-term trend line, following two years of volatility from May 2020 to 2022. Source: Bureau of Economic Analysis, Federal Reserve Bank of St. Louis.

the end of 2023. That means 284,000 fewer people were working full time. There are negative implications for economic activity from full-time workers becoming part-time workers.

The second trend worth watching is the reduction of hours worked, which appears to be a direct reaction by employers to paying higher wages. Average weekly hours worked increased steadily following the Great Recession from 33.6 to 35.0 in the spring of 2021. Three years later, that total fell by nearly an hour per week, dampening total compensation down as hourly wages grow.

These moderating factors will impact the economy in several ways. Central bankers will continue to look at the strength of the labor market as a trend that helps determine the timing and pace of rate cuts. Fewer hours worked will offset the increase in wage rates, giving consumers less disposable income. And a shift from full-time to part-time has historically preceded an increase in layoffs.

Thus far, the U.S. consumer has continued to spend more, even as the use of credit cards soared, although spending shifted more towards non-discretionary outlays in the first quarter. An uptick in unemployment will curtail the upward trend more quickly.

A change in U.S. consumer purchasing would have a ripple effect throughout the economy and cool demand for commercial real estate. There are other macroeconomic and business factors that have begun to impact commercial real estate demand.

The ratio of inventories to sales at general-merchandise retailers, which tracks how much companies have in stock compared with what they sell, fell to 1.31 in January from a pandemic-era peak of 1.68 in April 2022, according to the Census Bureau. January's ratio is 20 basis points lower than the January 2019 ratio. Retailers are using improved technology, including artificial intelligence, to better judge demand. The improvements are driving smaller, more accurate, inventory shipments. This trend will affect the size and distribution of warehouses. Retailers are increasing their reliance on third-party logistics (3PL) in place of in-house resources. Ric Ford, managing director, Ambridge Regional Distribution and Manufacturing Center, estimates that demand for space from 3PL users is up six percent in the first quarter of 2024.

Trends in global shipping are suggesting economic weakness. Colliers Supply Chain Solutions reports that the top nine ports are experiencing a decline of 13 percent in 20-foot equivalent units handled. The nation's largest freight companies reported fourth quarter revenue declines of between six percent and 17 percent.

Demand for new industrial space should not, therefore, should not be sufficient to drive a significant increase in development, either in the U.S. or Pittsburgh markets.

The prospects for multi-family are better in Pittsburgh than for the total U.S. market. The macroeconomic tail winds are still strong. Housing prices are still rising, albeit at a slower rate, and an insufficient inventory of homes for sale will keep upward pressure on home prices. Home ownership will remain less affordable for many first-time buyers. The tight inventory also forces would-be buyers to remain renters. Economic headwinds are gaining strength, however. Higher interest rates are slowing financing and construction. Construction costs have risen to compound the problem of higher rates, making more projects unfeasible.

These factors are true both in Pittsburgh and the overall U.S. market. The divergence in outlook is in the supply of new construction.

At the end of February, almost one million apartment units were under construction nationwide. Apartment completions jumped to 440,000 units in 2023 and more than 500,000 units are forecasted to be delivered in 2024. Multi-family starts fell by 11.8 percent in 2023 and were down by 34.8 percent year-over-year through February. The decline in new units will not materially benefit the apartment market in 2024.

In Pittsburgh, however, the jump in interest rates in 2022 cooled off construction significantly, with starts falling from 2,337 units in 2021 to 1,948 units in 2022, and then to 1,355 units in 2023. The pipeline of apartments that have been entitled swelled to more than 8,000 units at year's end. While that bodes well for new construction in 2024, the number of units that will be delivered over the next 18 months will be lower than any time during the past decade, less than 1.5 percent of the total inventory according to Marcus and Millichap Research Services.

These supply-demand dynamics are helping to support rents in Pittsburgh. Through February, rents increased 1.6 percent, the fastest rent growth rate among U.S. metropolitan areas, according to Apartmentlist.com. Rents in Pittsburgh again outpaced the national market in March, increasing by 1.1 percent.

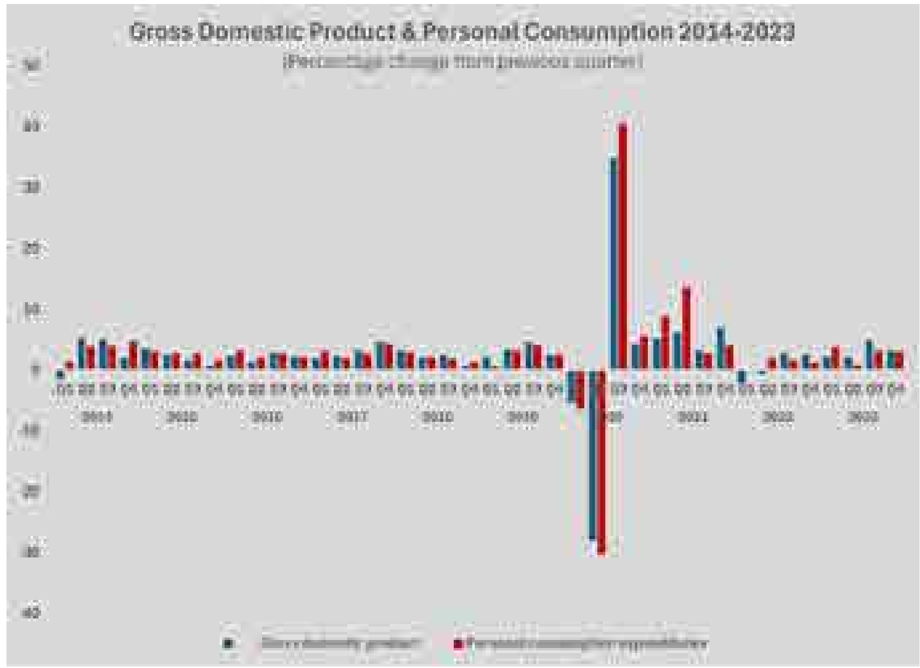
An overall slowdown in consumer spending was observed by retailers and hospitality services during the fourth quarter; however, the data suggests that consumers were only trimming purchase slightly, pulling back on the average purchase or meal by less than two percent. Data from the U.S. Travel Association shows that spending on domestic travel recovered to 98 percent of the 2019 levels in 2023, with leisure travel exceeding the 2019 level in 2022. Spending on business travel remains lower than prior to the pandemic. At the regional level, Visit Pittsburgh reported on March 28 that tourism recovered to the 2019 levels in 2023, with travelers to Pittsburgh booking 313,000 rooms for the year. According to CBRE Research, revenue per average room in Pittsburgh grew by nearly four percent in the fourth quarter of 2023, in contrast to a 1.8 percent decline nationwide.

Solid demand for retail and hospitality, combined with an extended dearth of new construction, makes for a stronger foundation in Pittsburgh for net income and values for those property types.

Setting aside the office market, which is undergoing dramatic structural changes, the economic support for commercial properties is significantly stronger than the past four cyclical declines. The possibility of a recession or further pullback in support from the consumer sector exists, but the likelihood of a demand-crushing event or trend is small. The near-term prospects for commercial real estate are largely dependent upon the easing of long-term interest rates.

One surprising trend that economists are observing is the uptick in expectations for capital expenditures due to the anticipated lower borrowing costs. Atlanta Federal Reserve Bank President Raphael Bostic referred to this as "pent-up exuberance" by businesses to react quickly to the first reduction in prime interest rates. There is concern that such a reaction could delay the final re-balancing of supply and demand, pushing inflation back up. While the prospect of increased business investment derailing plans for looser monetary policy seems remote, any signal that inflation was reigniting would likely trigger a pause in rate cutting by a nervous central bank.

Coming into 2024, the strength of the U.S. economy seemed sufficient to have growth despite the uncertainty that will accompany a highly contentious presidential election campaign. Through the fist quarter, that outlook remains intact. Less certain is the outlook for interest rates. In April, conventional wisdom settled on three cuts by the Federal Reserve in 2024, coming first in mid-year and being small enough to keep long-term rates slightly restrictive. That consensus varies dramatically from conventional wisdom on January 1, 2024. The common thread underlying the volatility is the certainty of lower rates. The variable remains the timing and magnitude of the reduction. **DP**

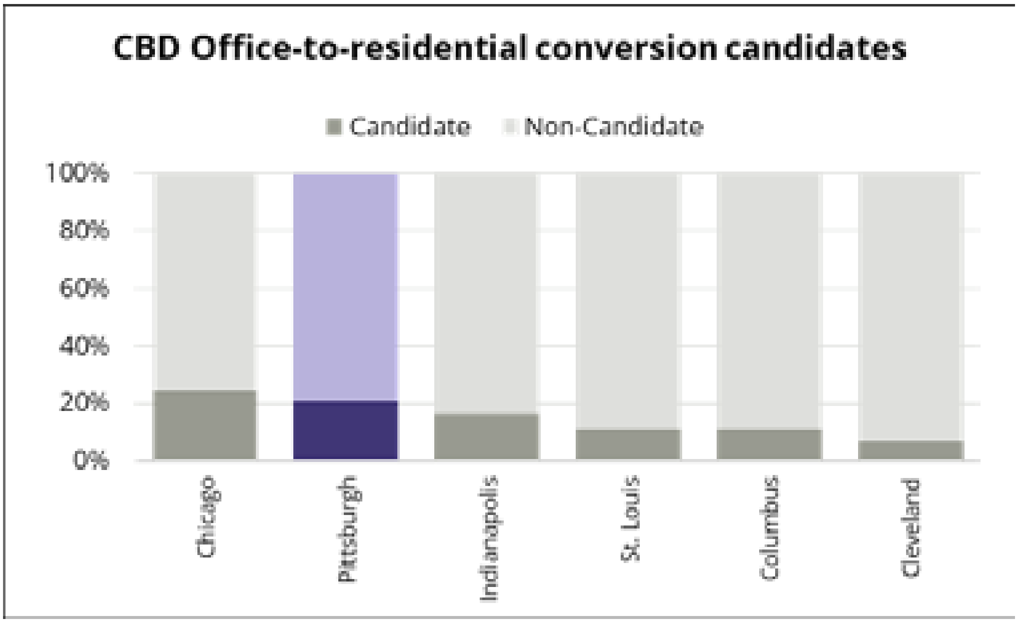


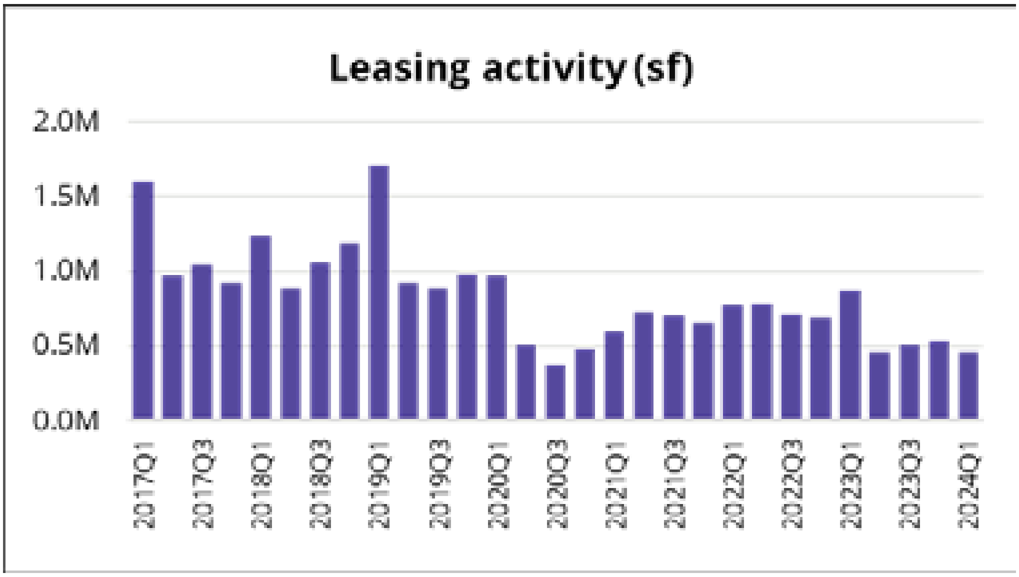
Source: U.S. Census Bureau,

Overview – 1st Q 2024

The Pittsburgh market is ready to recover. After a significant decline and an extended period of stagnation, the market has finally stabilized and is poised for the next chapter: growth and long-term decisions. Leasing activity has remained constant over the last five quarters, slightly down from 2022, but stabilized. Despite limited demand for office space, asking rents continue to climb slowly and approach a record average of $25.94/square foot across all submarkets. Contributing directly to this increase are the growing costs of construction and operating expenses. Landlords are able to achieve marginally higher base rents by increasing concessions in the form of extensive free rent periods and larger tenant improvement allowances. Accordingly, net effective rents have dropped for landlords in most cases. Availability declined quarter over quarter and grew only slightly over the last year up to 20.4 percent comprised of both direct (18.2 percent) and sublet space (2.1 percent). Direct availability is up +/-3.0 percent over pre-pandemic levels. While sublet opportunities spiked during the peak of the pandemic, they receded to historic norms over the last 2+ years at approximately 2 percent of the overall availability. Tenants continue to seek flexibility over long-term commitments, however, as more companies implement Return to Work plans and increase the number of days for employees to work in office, we expect to see tenants focus on long-term strategies and decision-making in the coming 20 months. Tenants will focus on improved space utilization and calibrating the optimal number of work spaces to accommodate a resurgence in office population, ultimately leading companies to achieve occupancy efficiencies. This benefit will likely be offset with most companies leasing less space in the future. Some companies have already realized this benefit, notably Giant Eagle leased +/-115,000 square feet in Cranberry Woods creating a new headquarters with a fresh look.

Excelitas committed to a 12-year lease of +/-50,000 square feet at Three Crossings, a huge win for the Pittsburgh region as this new location will create 250 jobs and be the new Headquarters office for Excelitas. Duolingo dramatically increased its footprint at Liberty East to +/-148,000 square feet. Education, healthcare, financial services, robotics,





and biotechnology continue to be the best performing sectors in the market, with AHN announcing a $1 billion dollar renovation and expansion project and the University of Pittsburgh announcing their plans to purchase the PAA in Oakland. FNB is readying for their move to FNB Tower. CMU continues development and growth at Hazelwood Green, and the continued growth of companies like Excelitas, Duolingo, Xylem, Gecko Robotics, and the like will continue to increase demand for space.

Conversions, Assessments and Debt Distress

While the office market remains abuzz over potential office to multifamily conversion concepts and the looming distressed debt markets, Pittsburgh property owners have taken matters into their own hands, appealing and successfully lowering real estate tax assessment valuations. These declining valuations are creating a "domino effect" for the local city, county and municipal operating budgets and the corresponding school districts, as landlords are appealing their property tax assessments. This reversal is negatively impacting the economy at large with the tax base shrinking, while other costs (especially labor and materials) continue to increase in the post-pandemic inflationary environment.

Several large reassessments have already occurred, most notably PNC Firstside valuation was reduced from $85 million to $43.5 million, Two PNC Plaza went from $53 million to $33.8 million, 525 William Penn Place had their assessment reduced from $58.8 million to $28.3 million and USX Tower went from $233.2 million to $141.5 million. Over the course of the last two years assessments have been reduced by more than $364.4 million in the CBD alone. The outcome most directly impacts the Pittsburgh Public Schools, which will contest these reductions to protect their revenue streams.

The reassessments are significant to landlords as it frees up cash otherwise encumbered by taxes. This newfound cash enables landlords to incentivize tenants, improve and add amenities, pay down debt and ultimately reposition their assets for leasing, as tenant demand increases and the market recovery progresses.

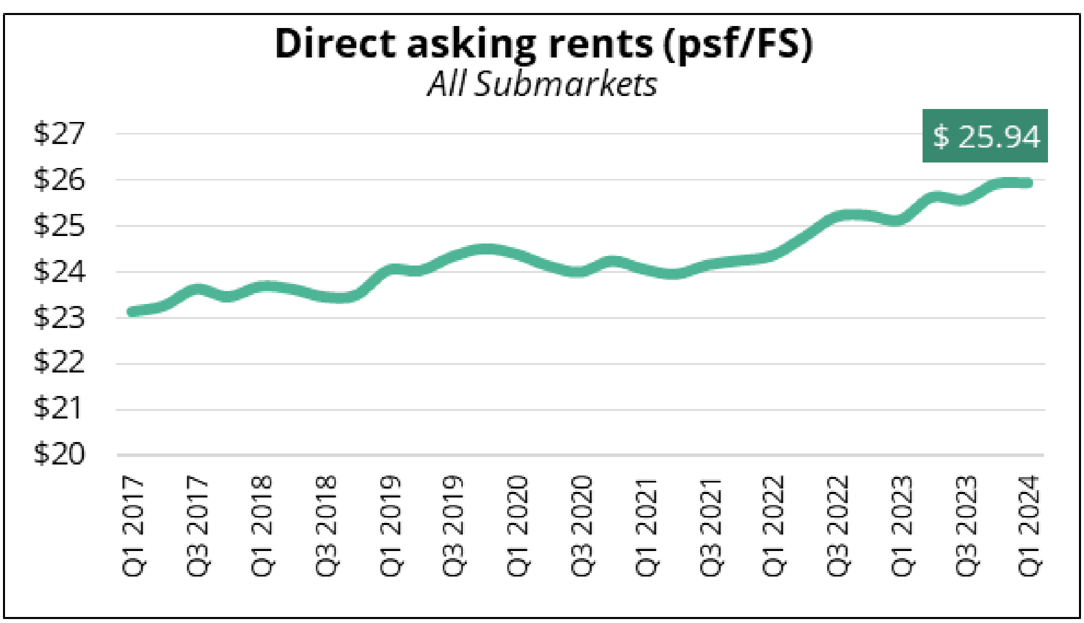
The three most significant office buildings in Pittsburgh that have advanced their feasibility studies for full or partial conversion to multifamily include the Gulf Tower (472,000 rentable square feet), Three Gateway Center (370,000 rentable square feet) and 525 William Penn Place (934,000 rentable square feet), where a partial conversion is under consideration.

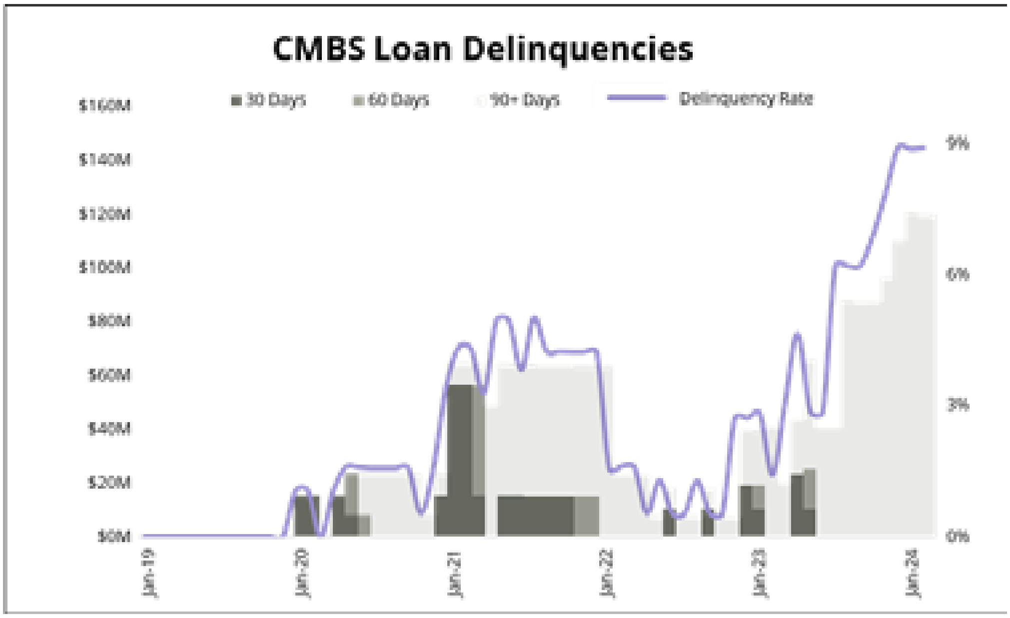
Conversions of older office buildings to multifamily use have been at the forefront of every CRE discussion over the last several years, especially in the Pittsburgh CBD. While very topical and interesting, the conversion process itself is not as simple or cost-effective as most people believe. Construction costs to convert office buildings to multifamily use is extremely expensive (+/- $400/square foot). This is the first and most challenging obstacle for landlords. However, floor plate size and configuration and building design are the next big obstacles. Not every building is ripe for a conversion, utilizing market data from across the country and applying certain benchmark criteria to Pittsburgh's Central Business District, only 20 percent of the buildings in Downtown Pittsburgh are viable for conversion. This number is slightly lower than Chicago (a much larger market) but higher than other comparable peer markets like Indianapolis, St. Louis, Columbus and Cleveland. This subject will continue to be a hot topic in Pittsburgh as a need for affordable urban housing remains at the forefront of every conversation.

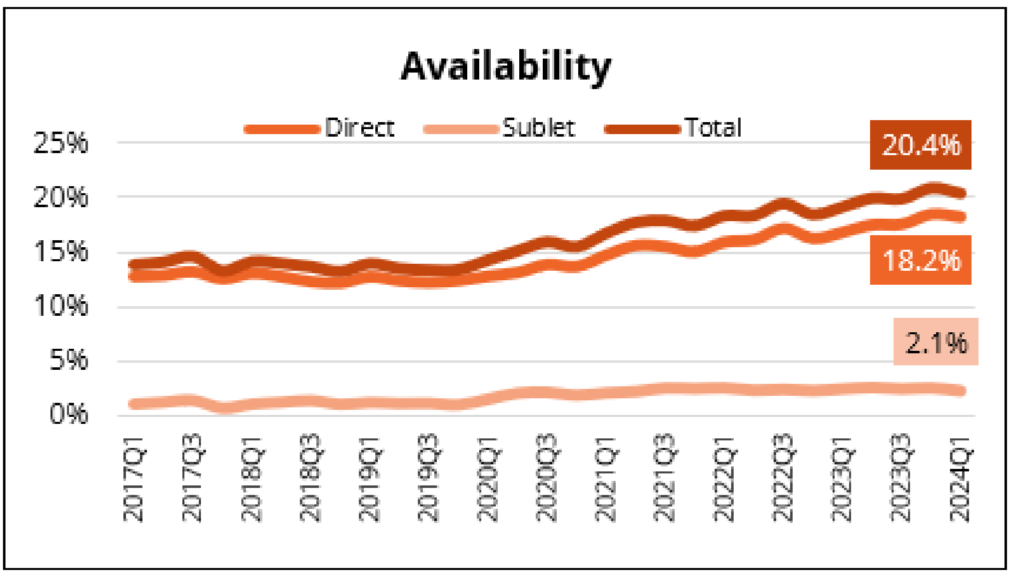
The three most significant office buildings in Pittsburgh that have advanced their feasibility studies for full or partial conversion to multifamily include the Gulf Tower (472,000 rentable square feet), Three Gateway Center (370,000 rentable square feet) and 525 William Penn Place (934,000 rentable square feet), where a partial conversion is under consideration.

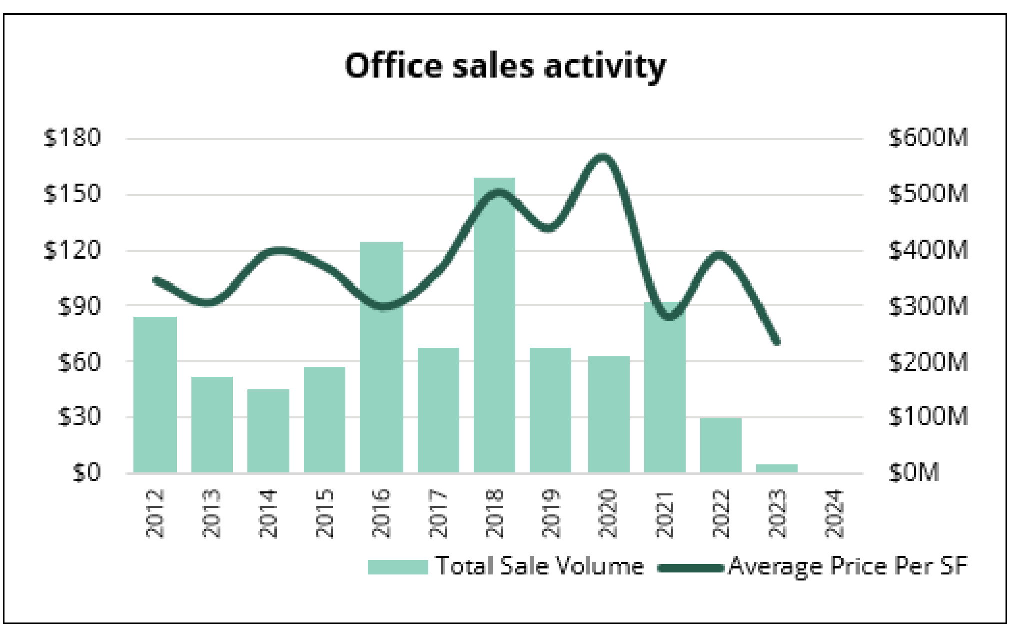
Debt Distressed

While reassessments have been very beneficial for many landlords, some find themselves in a more difficult situation. The underperformance of office buildings in recent years has put pressure on many landlords throughout the Pittsburgh market. Distressed office buildings are becoming more common as loan delinquencies tied to office buildings have increased and more buildings have been designated with "receivership" status every month. The interest expense on variable rate and newly issued mortgages has increased while occupancy levels have been declining. Most notably, Wilmington Trust is moving towards foreclosure on the Grant Building (450,000 rentable square feet) and Pacific Life filed a complaint in mortgage foreclosure claiming the owner of K&L Gates Center, One Oliver Associates (637,000 square feet), defaulted on their loan. The Grant Building was unable to renew or extend the lease with Huntington National Bank leading to Wilmington Trust's decision to move ahead with foreclosure and K&L









Gates Center's anchor tenant, the K&L Gates law firm, has a lease expiring this year for +/-250,000 square feet and has been in the market searching for new space, creating uncertainty for the building's long-term future.

Outlook

The stage is set, Pittsburgh is poised for a steady recovery. With more and more companies mandating Return to Work and in-person collaboration, we expect to see growth in leasing activity over the ensuing 20 months. Optimism in the market has been sorely missed but has finally arrived. FNB Tower has inked two more tenants, GH Advertising and Cohen Seglias. New York Life committed to 45,000 square feet in Station Square. BDO, Duquesne Light and Range Resources have kicked off searches for new office space and many other tenants have become more active in evaluating their own space needs and pursuing advantageous leasing opportunities across the market. **DP**

Michael Downey
Avison Young
4 PPG Place, Suite 300
Pittsburgh, PA 15222
412-944-2124
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Pittsburgh's Industrial Market: A Shift in Gears

The Pittsburgh region's industrial market continues to be a story of resilience and adaptation. Boasting a large demographic base, a diverse business landscape, and strong transportation infrastructure, the region has remained a steady location for warehousing, distribution, and manufacturing. However, data from Q1 2024 paints a picture of a market in transition.

Market Fundamentals: A Solid Foundation

With a population of 2.36 million and an average household income of $93,575, the Pittsburgh region (defined as 7 counties covering 5,300 square miles: Allegheny, Beaver, Butler, Armstrong, Westmoreland, Fayette, and Washington Counties), offers a robust consumer base for industrial businesses. Further fueling the market are over 87,000 businesses employing 1.3 million people, showcasing a dynamic and well-diversified economy. The low unemployment rate of 3.8 percent signifies a healthy labor force readily available for industrial operations.

The existing industrial inventory of buildings of 20,000 square feet and greater stands at a robust 170 million square feet, with warehousing and distribution facilities dominating the landscape at 57 percent. Manufacturing spaces account for 35 percent, followed by other industrial uses (excluding flex buildings) at seven percent, and a minimal presence of food/cold storage facilities (1 percent). While Class B and C buildings make up the majority of the inventory (over 90 percent), the presence of newer Class A facilities have been making an entrance over the last three to four years, which caters to tenants seeking modern amenities and specifications.

Vacancy and Absorption: A Balancing Act

Overall vacancy for Q1 2024 was 5.22 percent, a slight increase from the previous quarter. However, this needs to be seen in context. Vacancy rates have fluctuated in recent years, with a downward trend from 2021 to a low of 4.77 percent in Q2 2023. While Q1 2024 saw a rise it is important to note that vacancy levels are more in-line with what the market saw in the two years leading up to the pandemic, suggesting a return to a more normalized vacancy level for the Pittsburgh industrial market.

Absorption, which reflects the amount of vacant space occupied, presents a more nuanced picture. While Q4 2023 saw a seemingly high absorption level of 1.4 million square feet this figure was largely driven by a single, large occupancy event. In contrast. Q1 2024's absorption of 29,000 square feet suggests a potential slowdown in overall tenant demand. This shift aligns with the broader market transition of smaller average size lease transactions and follows a period of higher absorption fueled by strong post-pandemic activity.

Construction Activity: A Measured Approach

The amount of industrial space under construction has steadily decreased since its peak in Q4 2022. Currently, only about 980,000 square feet are under construction, reflecting a developer response to the changing market dynamics. This measured approach to construction suggests a cautious optimism. Developers are likely reevaluating their pipelines to ensure they align with current and projected tenant demand.

Despite the decrease in active construction, the pre-construction pipeline remains robust with 5.8 million square feet currently planned. Notably, over 5.3 million square feet of this pipeline are already approved or pad-ready, indicating these projects could move

The chart above displays quarterly vacancy (percent of total existing space not occupied) vs. net absorption (total square feet of new occupied space since the previous quarter).

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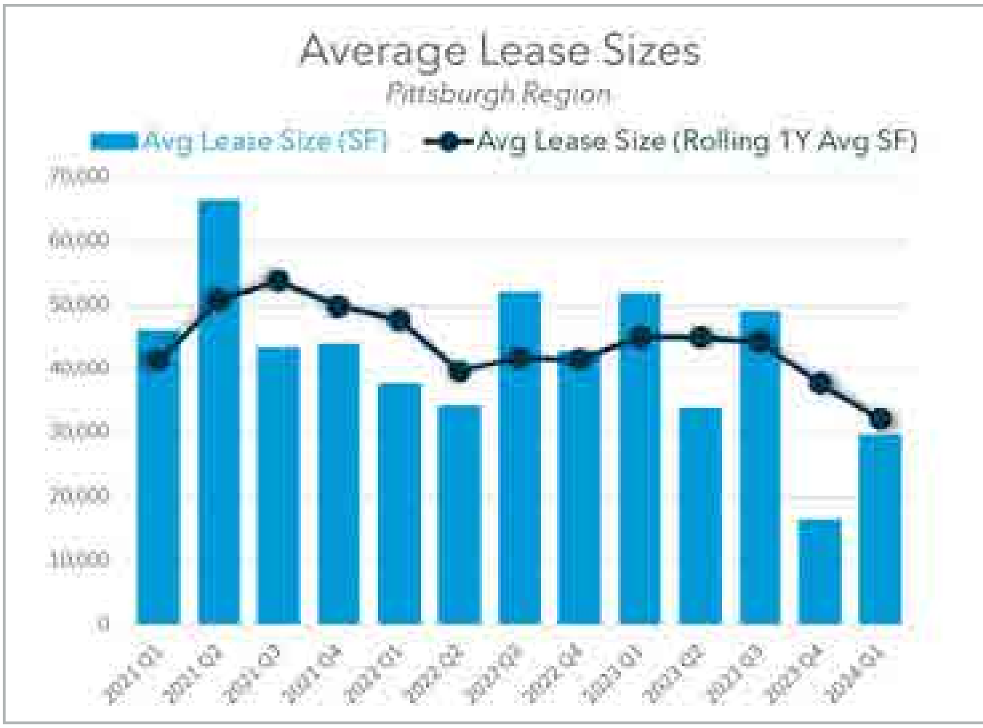
forward quickly when market conditions warrant. This signals developer confidence in the long-term prospects of the Pittsburgh industrial market.

Leasing Activity: A Trend Toward Smaller Deals

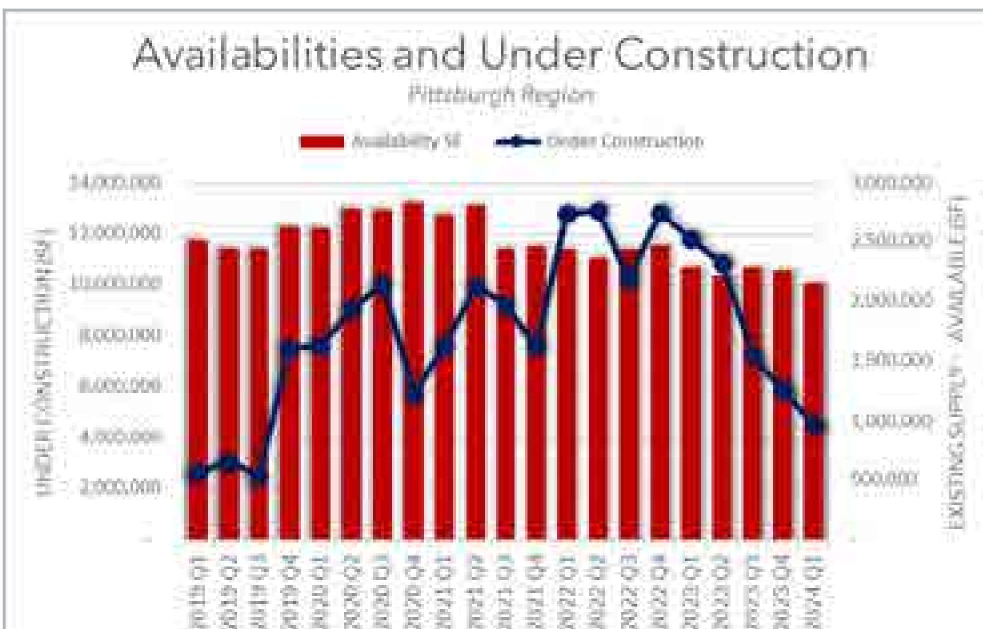
Leasing activity in the Pittsburgh Industrial market has shifted gears in Q1 2024. While the 740,000 square feet leased might seem positive on its surface, a closer look reveals a slowdown compared to the time period immediately following the pandemic. This trend is further confirmed by analyzing the rolling 12-month total of leased space, which suggests a potential broader market cooldown.

This slowdown coincides with a significant decline in the average lease size. From an average of 54,000 square feet in Q3 2021, the average lease size has shrunk to just over 32,000 square feet in Q1 2024. This shift points towards a market adapting to new tenant needs. The combined effects of lower leasing activity and smaller leases will have an impact on other key market metrics moving forward if these trends continue.

The current market landscape necessitates a strategic approach for both developers and tenants. Developers who can cater to the growing demand for smaller, flexible spaces stand to benefit. For tenants, this period presents an opportunity to evaluate their space needs and seek flexible lease options that align with changing business models. The smaller lease sizes may also lead to quicker backfilling of vacant spaces, potentially resulting in more competitive lease terms in the near future.



The chart above is a comparison of the average lease size per transaction to the one-year rolling average lease size per transaction.



The chart above displays the total square feet of new space under construction per quarter versus the available (space being marketed) square feet in existing supply.

Asking Lease Rates: A Continued Upward Climb

Despite the changing market dynamics, asking lease rates continue to rise. From an average of $5.05 per square foot in Q1 2019, asking rates have climbed to $7.06 per square foot in Q1 2024. The trends discussed in this article (slowdown in leasing activity, shrinking lease size, and potential market stabilization) can have a complex impact on lease rates and will be a trend to watch throughout 2024 to see how they respond to changing market dynamics.

Submarket analysis is crucial for understanding the average lease rates

The chart above displays the rolling one-year sum of space leased per quarter in comparison with the average asking lease rate per quarter.

in the region. Allegheny County for example, boasts the highest average asking rent within the Pittsburgh Region at $7.66 per square foot. Within Allegheny County, the Western Pittsburgh submarket – strategically located near the airport – commands the top price point of $9.18 per square foot. This market has seen an increase in new construction projects because of its location which are helping to fuel higher asking lease rates.

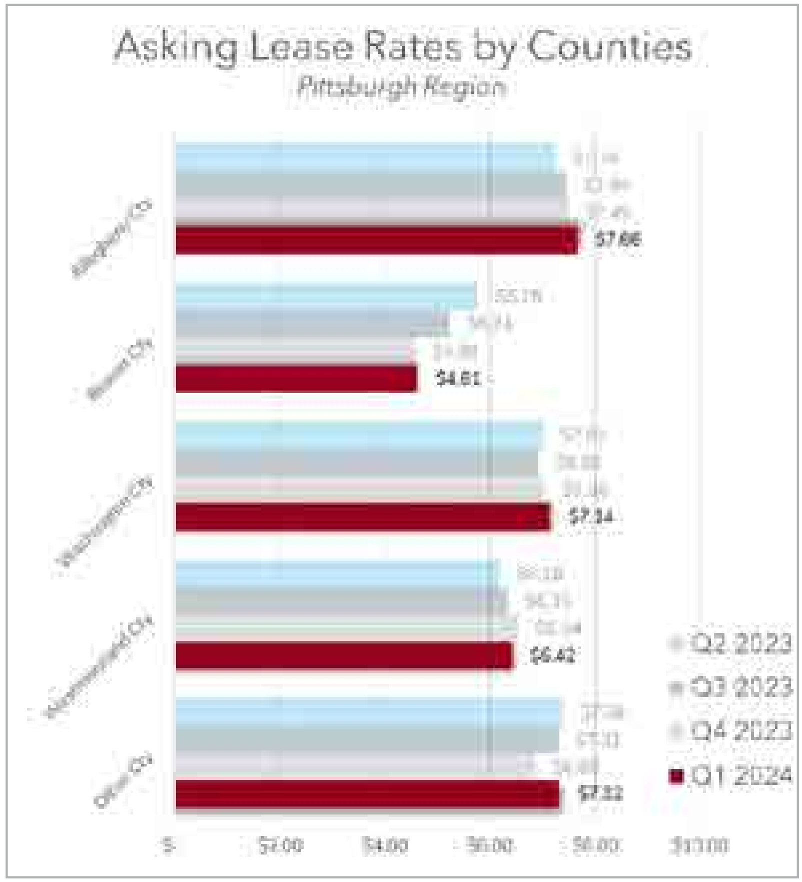
Conclusion: A Market in Transition, Not Decline

The Pittsburgh region's industrial market is in a state of transition, adjusting to post-pandemic realities. While vacancy rates have ticked up slightly, and absorption has slowed, these figures remain in line compared to historical trends. The decrease in construction starts reflects a developer response to a potentially changing market, but the robust pre-construction pipeline indicates confidence in the long term. The shrinking average lease size signifies a growing demand for smaller, flexible spaces, which presents an opportunity for developers to cater to this need.

Despite these adjustments, asking lease rates continue their upward climb which is a trend to watch throughout the year as the region responds to changing dynamics. By understanding the nuances of the market, particularly the variations within Allegheny County's submarkets, businesses can make informed decisions about their industrial real estate needs. **DP**

Lee & Associates of Western PA | Research
11 Stanwix Street | Suite 2250
Pittsburgh, PA 15222
412.339.2424
Heather Kreiger, CCIM –
Regional Research Director
hkreiger@lee-associates.com

The graph to the right displays the average asking lease rates for Q1 2024 compared to the three previous quarters broken down by the counties that make up the Pittsburgh Region. "Other Counties" is a combination of Armstrong, Fayette, and Butler Counties.



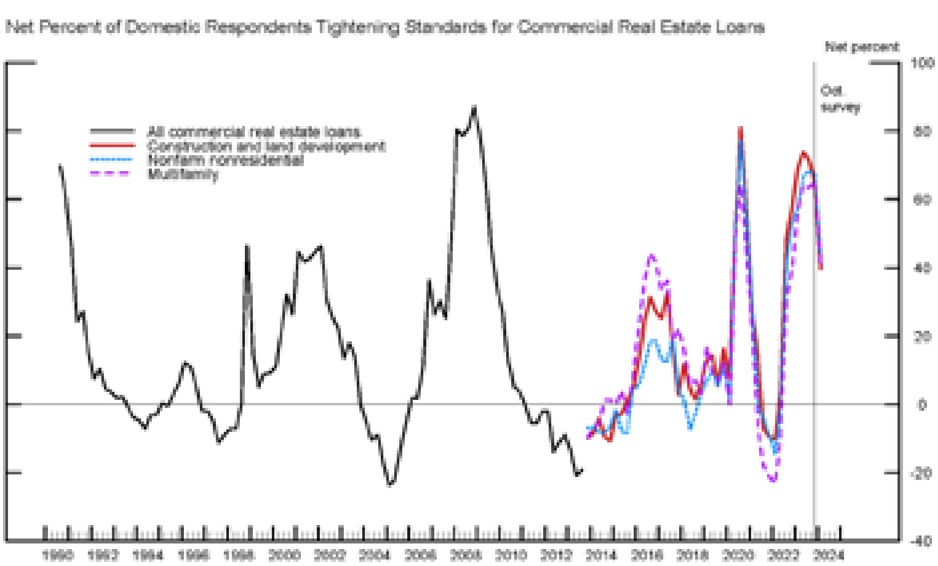
Virtually every lender and mortgage broker had the same forecast coming into 2023. A spike in long-term interest rates throughout 2022 was killing demand for commercial real estate, making it likely that there would be few deals done in 2023 except those that had to be done. That prediction became reality.

Access to and activity in the commercial real estate capital markets will hinge on the recovery of two primary market drivers: demand for commercial real estate and the strength of lenders. There will continue to be other factors influencing the capital markets – the path of interest rates, uncertainty of office occupancy, rising foreclosure activity, and the presidential election, among others – but a return to health will rest upon confidence that demand for space can support rent growth and that lenders have the capacity to extend credit without conditions that make acquisitions and development unfeasible.

For all the headwinds facing commercial real estate in 2023, the final quarter of the year brought net absorption to roughly the same levels as the beginning of 2019, with the notable exception of the office market. Wells Fargo Economics reports that retail (at 97.4 percent of 2019 absorption) and hotels (at 99.6 percent) were essentially back to level, with multi-family rebounding to 83.7 percent of the first quarter of 2019, and industrial at 69.7 percent.

The office market was buoyed in the fourth quarter by hiring growth in finance, professional services, and technology, and the strong labor market overall limited the negative absorption to 3.7 million square feet nationwide in the fourth quarter; nonetheless, net absorption for office space at the end of 2023 was 97.1 percent lower than the first quarter of 2019. Leasing activity continues to be defined by consolidation and downsizing.

The relative strength of demand for commercial space overall is a partial bulwark against the continued delivery of new construction that is above trend. This is most notable in multi-family, which saw nearly one million units under construction as 2023 ended, and industrial, which peaked in 2022 but had 140.7 million square feet completed in the final quarter of 2023. Permits for both property types declined significantly as 2023 wound down. Deliveries of retail properties were roughly 40 percent of the historical annual average, while office deliveries predictably fell to just over 10 million square feet.



The net percentage of banks reporting tighter lending standards for commercial real estate loans eased at the end of 2023 but remained at 40 percent. Source: Federal Reserve Bank of New York January 2024 Senior Loan Officer Opinion Survey on Bank Lending Practices

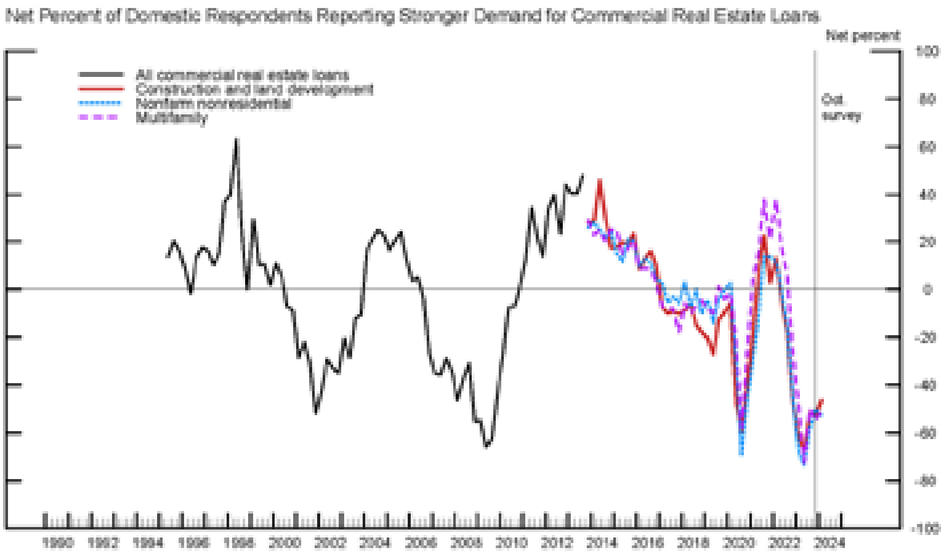
Property value losses decelerated in 2023, according to the MSCI Real Capital Analytics' World Real Estate Index, falling 4.7 percent. That decline came on the heels of a 24.5 percent decline in 2022. Grant Street CPPI: All Property Index pegged losses at 22 percent since the 2021 peak. Analysts are concerned, however, that the magnitude of lost value is being muted by the lack of transactions.

Value destruction again came primarily from increased cap rates across all property types, a direct result of the steep increases in the prime interest rates used for commercial loans. With more transactions and refinancing expected in 2024, cap rates are likely to increase further. CBRE forecasts another 25 to 50 basis points in expansion, putting multi-family at six percent and offices at 7.5 percent.

As might be expected, the decline in value and cap rate expansion pinched acquisition volume again in 2023. Acquisitions fell by at least 31 percent in all five major property categories, with sales of apartments falling the most, by 51 percent. Deals for offices fell by a smaller degree, down 32 percent from a year earlier, but that decline was compared to a severe drop in 2022, rather than an improvement in demand for office sales.

Credit availability has declined at a pace that exceeds the decline in demand. A slew of data points highlights the difficulty developers and property owners face in financing deals:

- The fourth quarter Senior Loan Officer Opinion Survey (SLOOS) showed only 1.7 percent of banks eased credit standards for commercial real estate, while 41.4 percent reported that standards had tightened somewhat (27.6) or considerably (13.8).



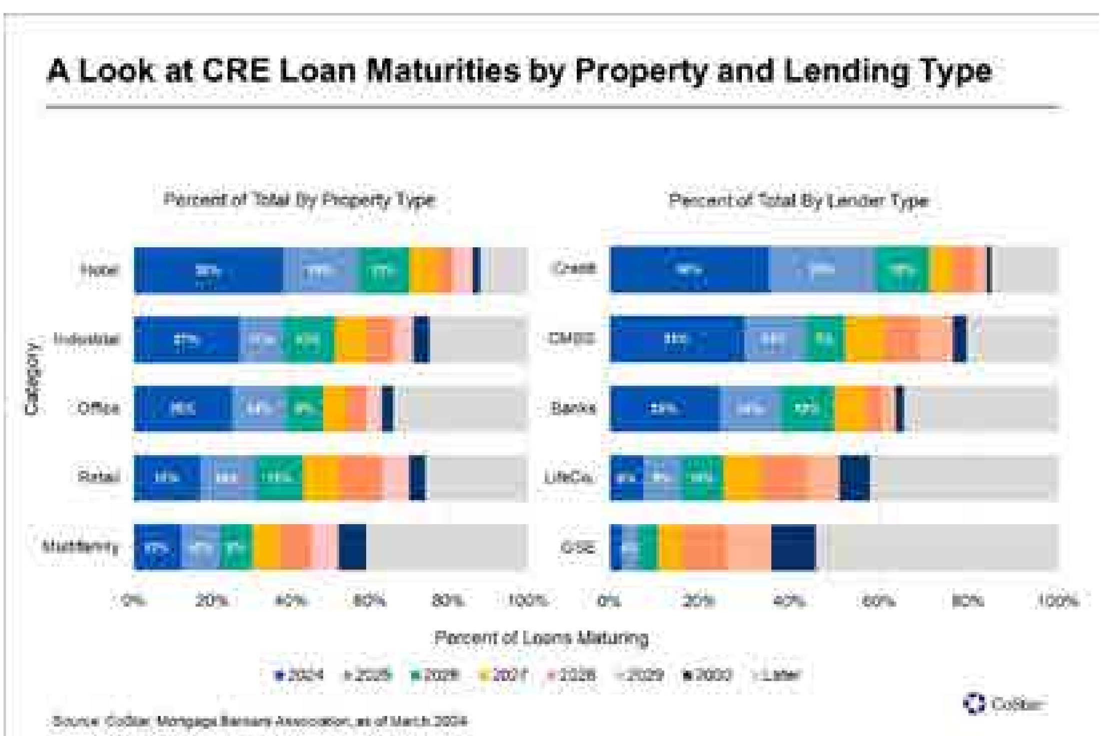
The net percentage of banks reporting increased demand improved at the end of 2023 but remained negative by more than 40 percent. Source: Federal Reserve Bank of New York January 2024 Senior Loan Officer Opinion Survey on Bank Lending Practices.

- 55.9 percent of loan officers reported a moderate or substantially weaker demand for commercial real estate loans in the SLOOS report
- Mortgage Bankers Association reported that lending was off 43 percent in 2023
- CMBS volume fell 65 percent in 2023, according to CRE Finance Council.
- A Trepp study found that bank lending (which provides roughly half the capital for the $6 trillion in commercial mortgages) declined 32 percent from 2019 to the end of 2023.
- The National Bureau of Economic Research issued a study that concluded that 14 percent of all mortgages – and 44 percent of office mortgages – have valuation deficits compared to the outstanding balance.
- Trepp research found that loan-to-value ratios had fallen by 10-to-18 percent, depending upon property type, since the end of 2021.
- Moody's Analytics reported that 69 percent of maturing office loans did not pay off in 2023

These are not data points that describe a healthy capital market. Moreover, there are lingering concerns over the health of the banking system. The Fed's Bank Term Lending Program, which swapped higher yielding Treasury bonds for bonds that were overvalued in the wake of the Silicon Valley Bank default in March 2023, has expired. There is evidence that banks used that reprieve to mark the lower yielding bonds to market, writing down those assets to bring their balance sheets closer to reality. The Federal Deposit Insurance Corporation (FDIC) reported on March 8 that net charge-offs rose 62 percent in 2023 and provisions for losses increased by 21 percent for the 124 FIDC member banks in Pennsylvania. Nationwide, that resulted in a 43.9 percent drop in net earnings in the fourth quarter of 2023, and reduced income for FDIC member banks 2.3 percent lower.

That data may be good news, depending upon how much of the Treasury losses were recognized in 2023. With more than two of three maturing loans remaining unresolved, commercial real estate losses have yet to be absorbed. While the bulk of those losses will hit equity investors, banks will not be unscathed. Banks that do better at improving their balance sheets in 2023 and 2024 will be better positioned as commercial real estate recovers, but it is clear that banks will be a less robust source of financing in 2024.

As the Wells Fargo data above illustrates, market conditions for property types vary widely, which is pushing some of the mixed buyer-seller dynamics. With ample



amounts of capital available from equity investors, the appetite for commercial real estate is still strong, but with more caveats about deployment. For lenders, the caveats about debt are showing up in tighter underwriting.

"The message I brought back from the [Mortgage Bankers Association] was that there is plenty of liquidity, plenty of capacity to fund deals," says Dan Puntil, senior vice president at Colliers Mortgage. "You just have to stay inside the credit box of the agencies. The limitation is debt service coverage not loan-to-value."

Lenders are using current market rents to project income for debt coverage over the life of the loan, according to Puntil, rather than applying even modest rent growth in future years.

The paucity of transactions since 2022 is affecting appraisals, which tend to lag big changes in market direction.

"Analyzing comparable sales is only one method that we look at as a means of extracting cap rates from the market. When the market is highly active and real-time data is accessible, this information becomes our most valuable tool. It is transaction-based and tailored to the asset class and local market," explains Michael Leahy, director of valuation and advisory services for CBRE. "Today, we're spending more time looking at the band of investment and debt coverage. Debt service coverage will have upward pressure on cap rates when interest rates are higher."

Puntil notes that the pressure on lenders has impacted new construction by upping the cash developers must contribute.

"Multi-family is still an asset class that banks are willing to lend for construction, but we have seen constriction on loan-to-cost that make some developments challenging," Puntil reports. "We're talking about 50 or 60 percent loan to cost. That ratio was 80 percent not that long ago. Banks are also participating in these kinds of loans. There are very few banks doing big loans by themselves."

In the permanent financing market, equity looking to be deployed still far outpaces transactions. In 2023, Fannie Mae and Freddie Mac both fell short of their $75 billion caps, closing $53 billion and $48 billion respectively. Despite lower caps of $70 billion in 2024, neither agency expects to reach its cap. Transaction volume remains depressed by higher cap rates, although there are signs of improvement.

The volatile MSCI World Real Estate Index fell for the second consecutive year in 2023. Source: MSCI Real Capital Analytics and Wells Fargo Securities.

"Our industrial team in Philadelphia is telling me that they are seeing cap rates decline 50 to 75 basis points because buyers are confident that the Fed is going to start cutting rates and have an ample supply of cash that they want to deploy," says Mark Popovich, senior managing director and Pittsburgh co-head for JLL Capital Markets. "Buyers want to be on their front foot as opposed to waiting too long. People are arguing how many cuts there are going to be and how deep the cuts will be, but there isn't any disagreement about whether there will be cuts.

"Buyers and sellers want to get ahead of it. It takes four to six months to effect a transaction. If a seller waits for rate cuts there may be other properties that hit the market first. The same is true on the buy side. Right now, you can be on the forefront and get either less of a discount or more of a premium depending on what side of the bargain you are on. That applies to multi-family and industrial and, to a lesser degree, retail and hotel. Office is still an underwriting conundrum, whereas the other property types are more cost of capital issues. That's why when rates turn, you'll see more investment."

Bryan McCann, senior vice president for Colliers Mortgage, suggests that the psychology impacting the markets in 2022 and 2023 may be changing to a mindset that accepts a new interest rate environment.

"There are a couple of dynamics in play on the bid-ask spread," he says. "When there is a volatile move in the interest rates, people tend to view it as a temporary blip. Initially, that created a large bid-ask spread."

McCann notes that properties were trading at four cap rates in Pittsburgh prior to 2022, which put prospective buyers in negative leverage when rates jumped 200 basis points. If sellers viewed the rate moves as temporary, they were disinclined to accept an offer from a buyer that valued the property at the higher cap rate. That has begun to change.

"Now that rates have stayed at this range for a year, sellers are realizing that we are not going back to three percent interest rates. We are probably staying in the five-to-six percent range for the foreseeable future," McCann says. "Sellers are looking at the conditions and understanding they have to underwrite to 5.5 or 5.75 cap rate. The bid-ask spread is tightening. We're already seeing more transactions to this point in 2024 than we did in 2023."

While volume is improving, there remains plenty of challenges before the markets return to pre-pandemic conditions. The principal challenge is an interest rate environment that is detrimental to values, financing, and new development.

The progress made on reducing inflation aside, expectations for lower rates have cooled since Fed Chair Jerome Powell's doveish remarks following December's Federal Open Markets Committee meeting. Reports of sticky inflation during the first quarter of 2024 pulled expectations for rate cuts back to mid-year, with the markets betting that Fed Funds will only fall below the five percent range in late 2024.

Other benchmark rates at the long end of the yield curve remain stubbornly higher after the temporary euphoria in December. 10-year Treasury yields are range bound between 4.2 and 4.4 percent. The Secured Overnight Financing Rate (SOFR) was at 5.3 percent for both 30-day and 180-day averages in early April. With demand for long-term bonds declining and the government deficit growing, there is little reason to expect mortgage rates to decline more than marginally in 2024. Once the Fed begins to cut the Fed Funds rate, borrowers with floating rate debt – like construction loans – will see some relief. Significant relief will not occur until the late third or fourth quarter of 2024.

The recipe for a return to normal capital markets involves more than lower interest rates. It is clear that lenders have a few hurdles to clear before concerns about liquidity fade. The first cut by the Fed will add some certainty about the bottom of this commercial real estate market cycle, but it will take the full year of cuts to judge how fast the rebound will come. The dramatic drop in new construction will begin to bring supply back to demand. The economy has mostly landed softly, which should keep unemployment from rising significantly. And investor liquidity remains solid. What remains is for these ingredients to come together, a prospect that may require another year's patience. **DP**

NAIOP Corporate Lays Out its Legislative Agenda

Commercial real estate faces challenging market conditions in 2024, most of which are the lingering aftereffects of the pandemic. Some of problems, like work-from-home, do not have solutions that can be legislated; however, many of the issues facing developers and landlords can be improved with thoughtful legislation or government intervention. NAIOP Corporate has focused on three issues that plague the health of the commercial real estate industry.

Adaptive Re-Use

Congress should pass legislation to incentivize the adaptive reuse of vacant and underutilized commercial buildings. Adaptive reuse property conversions can help increase the supply of affordable housing and help to restore economic vitality to cities and suburbs dealing with the impact of post-pandemic workplace changes on their local communities. Conversion of existing structures to better uses, rather than demolishing them, is also a cost-effective means of increasing housing supply while reducing environmental impact.

The aftermath of the COVID-19 pandemic and resulting remote work trends have led to historically high vacancy rates and underutilization of commercial structures in many communities. Hybrid work patterns are now widely believed to have become a permanent feature of modern-day labor markets. As a result, many currently underutilized commercial structures will become stranded assets unless repurposed for economically viable uses.

A study completed in November 2022 estimated a $413 billion reduction in real estate asset values resulting from continued remote work trends. Depressed asset values of vacant and underutilized buildings negatively impact state and local budgets, with less revenue from property taxes and taxes from property sales. Reduced worker traffic also results in less sales tax revenue from enterprises in areas with reduced economic activity.

Nationwide, both cities and suburbs are struggling with a severe lack of supply of housing, including affordable housing. In many instances, underutilized structures in these communities are suitable for conversion to residential usage and could become a part of a comprehensive approach to increasing housing supply.

Repurposing of existing underutilized structures is also environmentally sustainable compared to demolition. Adapting an existing building to provide housing or for other socially beneficial purposes is a better economic alternative that also results in reduced environmental impact, including reduced greenhouse gas emissions.

Members of Congress are considering initiatives that would spur conversions of underutilized commercial structures to residential use. Legislation introduced in the last Congress, modeled on the successful historic preservation tax credit program, would provide a 20 percent tax credit for the eligible conversion costs of an adaptive reuse project. Congress should pass legislation incentivizing these adaptive reuse conversions, thereby helping communities address inadequate housing supply and the structural economic changes brought about by permanent remote work patterns.

Tax Policy

Congress will be considering reforms and renewals of expiring tax code provisions over the next few years. Federal tax policy affecting the commercial real estate industry should align with the economics of real estate development and investment, promote capital formation and foster community development. Lower capital gains tax rates are a critical factor in ensuring sufficient investment for long-term, productive real estate assets. Cost recovery and depreciation rules should reflect the useful economic life of structures and their component parts.

Federal tax policy should recognize the long-term, capital-intensive nature of real estate assets, and the continued investment needed to maintain vibrant commercial real estate markets that lead to job creation and economic growth in our communities. A lower tax rate on capital gains income is needed to ensure investment in long-lived commercial real estate assets.

In commercial real estate, like-kind exchanges providing tax deferral under Section 1031 are particularly important. Real estate assets are long-lasting, and past depreciation increases the tax burden of transferring property, creating a "lock-in" effect. Limiting the availability of tax deferral under Section 1031 would severely undermine modern commercial real estate markets, threatening their liquidity and resulting in reduced investment and transactions.

Real estate partnerships and other "pass-through" businesses drive job growth and are an important source of entrepreneurial activity. The current 20 percent deduction for pass-through income in Section 199A of the tax code is designed to ensure that pass-through entities are not disadvantaged compared to corporations that are taxed at lower rates and should be maintained.

Congress should create tax incentives to spur the conversion of vacant and underutilized commercial buildings to residential use. These adaptive reuse conversions will help increase the supply of housing in many areas and contribute to restoring economic activity in communities negatively affected by hybrid and remote work patterns.

Capital and Credit Availability

Credit availability for commercial real estate has become severely constrained, creating potential risks for the U.S. economy. Congress must exercise strong oversight of the Federal Reserve and other federal financial regulatory agencies to ensure that adequate credit is available for commercial real estate. Clear justification must exist for regulatory actions that increase capital requirements on banks and further limit their ability to lend.

Bank lending to commercial real estate is at historically low levels and trillions of dollars in maturing debt are coming due in the next few years. Major causes include rapid and steep interest rate increases that have raised borrowing costs, and remote work patterns that have increased vacancy levels and reduced the value of office properties. Of note:

The Fed raised interest rates 11 consecutive times between March 2022 and July 2023. Interest rates rose from nearly zero in 2022 to over 5 percent a year later.

Approximately 19.6 percent of office space in major U.S. cities was not leased at the end of 2023, an increase from 18.8 percent the prior year, the highest vacancy rate since 1979, according to Moody's Analytics.

According to a report by the McKinsey Global Institute, the predicted loss in office property values in major global cities will be $800 billion by 2030, with an average loss of 26 percent from 2019 through 2030.

Commercial real estate loans exceed $6 trillion, with banks holding over 50 percent, according to the Financial Stability Oversight Council. The bulk of these loans were initiated at base interest rates near zero, but the current baseline federal funds rates are 5.25 percent to 5.50 percent. In the next two years, more than $1 trillion in commercial real estate debt will need to be refinanced at higher borrowing costs.

Regulatory uncertainty is creating additional obstacles. Banks have been under pressure from federal oversight agencies to reduce their portfolio of commercial real estate loans. Now, the Fed is moving to implement regulations proposed by the Basel Committee on Banking Supervision that would increase the capital requirements for banks with assets of $100 billion or more by an average of 16 percent, and 19 percent for larger banks. Increasing capital requirements on banks reduces their ability to provide credit.

Further restricting credit availability will increase defaults on maturing debt and hamper construction for multifamily and affordable housing, industrial, and other property types. The impact on many cities and localities of depressed commercial real estate markets will be profound. Local governments collected $581 billion in property taxes in 2020, or 30 percent of local general revenue according to the Urban Institute. **DP**

For more information on these issues contact Aquiles Suarez, senior vice president for government affairs at NAIOP Corporate at suarez@naiop.org or 703-904-7100.

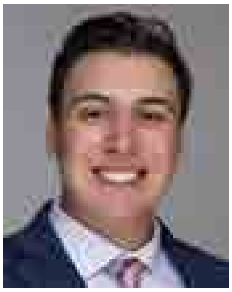
What amenities or commercial infrastructure would make Etna, Millvale, and Sharpsburg even more attractive to tenants and landlords?

Adarryl Dreher
Director, Capital Markets
Cushman & Wakefield

"Over the last decade, millions in funding have been invested in the Triboro area of Etna, Millvale, and Sharpsburg, resulting in enhancements to green spaces and parks, entertainment, and nightlife, as well as the emergence of unique small businesses and shops. These boroughs are close to Downtown and offer a lower cost of living, making it an attractive area for residents and investors alike. Many developers and stakeholders speculated that the area would capture population and development overflow from the Strip District and Lawrenceville.

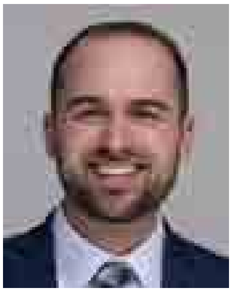
Despite substantial investment and revitalization efforts, the Triboro area has not experienced the anticipated growth comparable to that of the Strip or Lawrenceville. Several factors need to be considered, but a particularly notable one is the absence of major employers in the Triboro area. There is a critical need to focus on creating significant employment opportunities. Addressing this issue requires fostering an environment where large-scale employers are welcomed and can thrive. Employment opportunities serve as the fuel for the engine of economic development and are a key driver of economic growth.

Having a job and steady income allows people to spend more on goods and services. This increased demand drives business growth, as evidenced by UPMC Children's Hospital in Lawrenceville and Robotics Row in the Strip District, as these high-paying jobs have contributed to economic growth in both areas."



Louis V. Oliva
Associate
Newmark

"The Etna, Millvale, and Sharpsburg areas are urban infill properties that have been in existence for a long time. As a result, the existing infrastructure needs to be modernized, specifically, the building's mechanical, electrical, and plumbing systems. Many features that are the standard, or even mandatory, for modern industrial buildings were not in existence at the time of original construction. One example would be the compliance for safety and accessibility, including truck access and parking. Tenants put an extra level of emphasis on the safety, comfort, and productivity of their employees. Other examples would include upgraded breakrooms and common areas. These examples can bring in an entirely new tenant base and increase demand for these areas."



Cody Sharik
Senior Associate
Colliers International

"You can't create more land! In turn river towns near downtown Pittsburgh including Millvale, Etna, and Sharpsburg could become the 'new' Strip District/Lawrenceville. Twenty-plus years ago, few people envisioned the growth and success of the Strip and Lawrenceville. These same people don't want to make the same mistake across the Allegheny River, which is why the future of Millvale, Etna, and Sharpsburg looks strong.

However, only a handful of retailers, including the Grist House Craft Brewery and Iron Born Pizza, have opened so far. To attract more office tenants, more amenities in the local communities will need to be added. Although, this is sort of the 'chicken and the egg game', retailers would prefer there to be more end users in town first.

On the flip side, these areas do have a few things working in their favor, with the recently completed construction on Route 28, the access to town has been greatly enhanced and you can now be in town within 10 minutes. Additionally, they have the ability to offer free parking which is a huge benefit compared to downtown which has rates well north of $300 per lease per month in some garages."

Shannon Rometo
Senior Associate, Brokerage
NAI Burns Scalo

"When it comes to additional commercial amenities and infrastructure for the Sharpsburg surrounding area, I do believe we are well on our way to the next gentrification, such as Lawrenceville.

With the area already being in the Fox Chapel School District and neighboring the new anchor tenant, Westinghouse, both the office users and general public will be needing more and more sooner than later. From the word on the street, its first coffee shop, Redhawk, has been extremely successful and has brought out the younger crowds. This is what they need. Places for people to go and connect with other people while they get their favorite food and beverage.

After speaking with multiple sources, such as nearby residences and leasing agents in the area, it would benefit both the public and leasing efforts to see more development that included restaurants, convenience stores, grocery stores, bike shops, boutiques or privately-owned shops, salons, apartments with upgraded common areas, and additional parking to accommodate new development.

Now that most of the construction on Route 28 has been completed and the riverfront trail has plans for extensions, this is truly a significant time to invest in the area while it's early on its rocket ride of momentum."

Lauren Mastrogiacomo
Client Experience Advisor
Rise Agency Group

"Etna, Millvale, and Sharpsburg are on the cusp of evolving into a thriving real estate market. To facilitate their appeal to both tenants and landlords, several factors would need to take place to support a significant transformation. The conversion of newly acquired rail lines into biking and walking trails will enhance safety and convenience while adding green spaces, aiming to bridge the gap between robust economic clusters like the Strip District and Lawrenceville and neighboring smaller boroughs. These boroughs, like others in Pittsburgh, require more affordable housing as rental rates soar in popular areas. As trendy areas become saturated, neighboring boroughs have the potential to emerge as new hubs. The demand for amenities like restaurants, gyms, coffee shops, and bars will rise as the population grows. Investments are essential to address building vacancies and repurpose warehouses, attracting tenants and businesses."

Michelle Stewart
Senior Vice President, Retail
JLL

"To attract more tenants and landlords, Etna, Millvale, and Sharpsburg can improve their amenities and commercial infrastructure. They can take advantage of local support systems and their close proximity to downtown Pittsburgh. These neighborhoods already have lively retail spaces, including popular breweries. However, they can enhance their appeal by adding green spaces, mixed-use developments, and better pedestrian and bike infrastructure. These additions will not only create inviting spaces but also promote a sense of community and connectivity. By investing in these amenities, Etna, Millvale, and Sharpsburg can create an environment that attracts businesses and maximizes their potential for success."

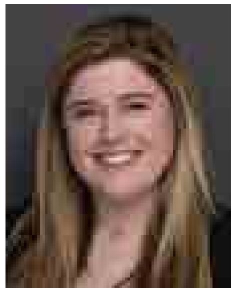
Mike Connor
Market Leader
Hanna Commercial

"First and foremost, the changes that we have seen in Etna, Millvale, and Sharpsburg in the last few years, as well what we know is on its way for these neighborhoods, is excellent to see but not a surprise. Since I started working in brokerage nearly nine years ago, I've viewed these neighborhoods as next in line for transformative change similar to what Lawrenceville, Bloomfield and other prominent urban neighborhoods have experienced over the last several years, and we're starting to see it unfold in Etna, Millvale and Sharpsburg.

As a resident of O'Hara Township, I've enjoyed the several restaurants, breweries, and shops that have established themselves in these neighborhoods within the last few years. Further, the housing market in these neighborhoods is strong for a variety of reasons including the affordability of homes compared to strength of school districts and proximity to regional amenities in neighborhoods along Route 28 as well as Lawrenceville, the Strip District, and Downtown Pittsburgh. I would suspect the inherent strengths of these neighborhoods played a role in attracting Westinghouse, which made a commitment to lease an 87,000 square foot flex/manufacturing property at 51 Bridge Street in Etna to develop its transportable nuclear battery. That commitment from such a prestigious enterprise in Pittsburgh is an exclamation point on how far these neighborhoods have come as of late.

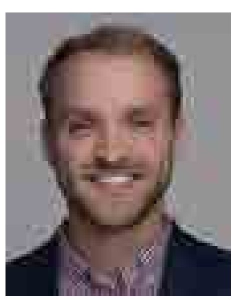
That said, there's always room for improvement. Due to the refreshed interest in these neighborhoods from residents and commercial uses, it will be imperative for the municipalities to be receptive to making changes that maintain this momentum. From the commercial real estate perspective, this would be revisiting the types of uses that are permitted by right within commercial zoning districts, outright changes to zoning code in some cases, and re-thinking parking requirements. Making strategic and thoughtful enhancements to zoning code that reduce or eliminate bottlenecks for desirable uses to come into the neighborhood will allow each to maximize their potential.

Further, each of these neighborhoods are penalized for reasons outside of their control by having significant portions of the commercial districts in a flood zone. This risk influences how financeable new projects are, how leases are structured and could cap the rents that can be commanded from these neighborhoods as well."



Caroline Muse
Senior Associate
Lee & Associates

"Focusing on amenities and infrastructure that cater to varied lifestyles and community well-being is crucial. Upgraded public transportation for seamless connectivity to Pittsburgh, development of modern, amenitized office, and fostering a diverse retail and dining environment stand out. These neighborhoods have a great sense of community, and have strengthened their appeal with breweries, boutiques, and restaurants, but continuing to do so will only further enhance stakeholders' experience. Additionally, extending riverfront parks through each locality could improve community engagement and attract more visitors. Investment in these areas can significantly increase commercial property values, occupancy rates, and attract a diverse range of high-quality tenants, positioning these neighborhoods as competitive locations for businesses and investors."



Cody Hunt
Associate
Colliers International

"The Greater Pittsburgh area is evolving into a prominent tech hub, drawing attention not just within Pennsylvania, but across the entire United States. In Millvale, Etna, and Sharpsburg, this trend is particularly evident. As an industrial specialist, I've had the pleasure of working with a variety of tech companies who inevitably focus on these areas. One can actively see the uptick in additional demand for retailers, new developments, and the adaptive reuse of existing infrastructure as a direct result from the tech interest.

Adaptive reuse projects like Sampson Morris Group's Sharpsburg Business Park and Tusk Development's Brewery Workshop Lofts showcase the potential for transforming functionally obsolete industrial sites into modern tech/flex spaces. Throughout the successful transition seen at both projects, we witness groups such as Hitchhiker Brewing Co., CC's Café, Dancing Gnome, Redhawk Coffee Roasters, and many more businesses develop a presence in Sharpsburg.

Mosites' mixed-use development Allegheny Shores, in Sharpsburg, promises to further revitalize one and a half miles of riverfront property along the Route 28 corridor. Additionally, The AM Group's 87,420 square foot project at 51 Bridge Street has already attracted a world-class tenant in Westinghouse, for the development of the company's new transportable nuclear battery. These projects will serve as catalysts for future growth in the submarket.

With infrastructure enhancements like the finished Route 28 construction and the enhanced Highland Park bridge, the corridor's prospects should only improve. Sustained private investment across all real estate sectors will be crucial for propelling additional growth; given the crossover success of past projects on other market sectors and ongoing infrastructure improvements within the areas, the trajectory for continued development in these vibrant communities looks promising."

Allegheny County

Allegheny County Economic Development
Koppers Building
436 Seventh Avenue, Suite 500
Pittsburgh, PA 15219
412-350-1000 (T)
412-642-2217 (F)
www.alleghenycounty.us/econdev

In Allegheny County, our diverse economy is the keystone to our continued energy and vitality. Our community successfully collaborates to advance key sectors within our region including higher education, healthcare and medical research, technology-infused manufacturing, energy and financial services. We have become a hub for artificial intelligence and robotics and a center for research and development. Those strengths have never been as evident as they are now.

For the first time in 60 years, our region is growing again. The 2020 Census marked a turnaround in population with an increase of 2.2 percent in residents that call our community home. It's more important than ever that we continue to build on that momentum, and Allegheny County Economic Development (ACED) will be an important piece of that. ACED has continued to support the revitalization of main streets through the Allegheny Together program. The municipal multi-year strategic plans are the framework to aid businesses and municipalities to ensure the continued vitality of those districts. In turn, our residents benefit from the many programs and opportunities they provide. Our quality of life and uniqueness is part of what makes this region so attractive.

Affordable housing, convenient healthcare and transportation have all been critical components offered to residents and supported by ACED. The Port Authority of Allegheny County consistently encourages input from citizens and commuters in order to improve local transportation initiatives. Major investments are being made in our transit infrastructure to expand Bus Rapid Transit service and modernize our light rail car system, the T. We also continue to focus on green infrastructure with sustainability and renewable energy on our minds on a daily basis.

The county's new Commercial Property Assessed Clean Energy (C-PACE) program provides low-cost, long-term financing for energy efficiency, renewable energy and water conservation projects. Because the cost to invest in new technologies can often be off-putting for property owners, the creation of the C-PACE program provides access to low-cost financing to support those investments.

Work to restore and reactivate key brownfield sites in the county also remains a high priority. The county's Redevelopment Authority has partnered with RIDC to develop the Carrie Furnace site which spans Munhall, Rankin, Swissvale, and Whitaker. We look forward to the opportunities that exist there for future economic activity and growth.

The Pittsburgh International Airport is undergoing its largest modernization investment in 30 years. By next year, visitors to the airport will enter and exit through a new landside terminal. The airport authority has announced several exciting new routes in the last few months, expanding offerings for business and leisure travelers.

ACED is a resource for all those who call Allegheny County home. Our staff are your family, friends, and neighbors. We attend our world class universities and use our nationally ranked hospitals. We roll up our sleeves and work beside non-profits.

Allegheny County continues to discover new and innovative ways to boost our diverse and thriving economy. We look forward to a future of continued growth, sustainability and maintaining our public and private partnerships to further our mission of making Allegheny County a national and international destination for years to come.

Allegheny County is open for business. We have plenty of room to grow and that's the plan. Join us.

Beaver County

Beaver County Corporation for Economic Development
250 Insurance Street, Suite 300
Beaver, PA 15009
724-728-8610 (T) | 724-728-3666 (F)
Lew Villotti, President
lvillotti@beavercountyced.org
www.beavercountyced.org

The Beaver County Corporation for Economic Development (CED) continues to strive to fulfill its mission of enhancing the economic well-being and quality of life for the Beaver County community. CED currently has focused efforts in our low interest rate loan program, our BHIVE Building entrepreneurship and innovation center, and our business district initiative program.

CED continues to offer our low interest rate loan program to assist local companies with their growth opportunities. This year, CED has assisted Selectrode Industries with their expansion by providing equipment and real estate loans. Selectrode Industries shows continued growth with the purchase of a third building in the Hopewell Business Park. Most recently they have purchased specialty racking systems and forklifts to help modernize and create a more ergonomic storage facility.

ALLEGHENY COUNTY
ALWAYS INSPIRING

As County Executive, my mission is to build an Allegheny County for All. My administration is working hard to make our region's jobs attractive and competitive and to bring new businesses here, while supporting our homegrown entrepreneurs. We want to attract top talent to jobs with good wages, good benefits, and work-life balance. People choose to make Allegheny County home for many different reasons: family, work, school, or quality of life just to name a few. Whatever the reasons was that drew someone here or made them decide to stay, I want to ensure we're building a welcoming community for all and a county where everyone can thrive.

Pittsburgh's past is often defined by the economic engines of coal and steel that drove our region. In more recent decades, we pivoted to investing in higher education and top tier medical facilities. Our future will be an all of the above strategy. We need to invest in clean energy, advanced manufacturing, robotics. We will need continued innovation from our partners in eds and meds as they create new opportunities from investments in research and technology.

And while our region is well positioned to weather a changing climate, the public sector will have to lead the way in investing in climate resilient infrastructure and decarbonizing large-scale public projects. We are partnering with state and federal leaders to invest in our infrastructure and regional economy, from Main Street programs to competing to lure start ups and big businesses to Southwestern Pennsylvania.

We all know that Allegheny County is a great place to live. From over 12,000 acres of public parks in the county, to our iconic sports teams, to vibrant attractions for tourists and visitors, Pittsburgh has something for everyone. Come downtown to see a performance at the August Wilson African Cultural Center, Heinz Hall, Benedum Center or any other one of our many thriving theaters in the Cultural District. Recently we've hosted everything from Picklesburgh to NCAA March Madness tournament games downtown. Our burgeoning food scene is gaining national recognition, including six restaurants that have been recognized by the James Beard Foundation in the last four years.

My administration is building on the best that Pittsburgh has to offer – our tradition of grit and resilience, our commitment to each other, and our capacity for reinvention. I look forward to working with you.

Sara Innamorato
Allegheny County Executive

Construction has been completed on the BHIVE Building located in Beaver Falls. The BHIVE Building is a center for entrepreneurial learning and a coworking space. It offers a fully renovated interior with dedicated internet access for entrepreneurs, local residents, small businesses, and visiting companies/organizations. The BHIVE Building offers a variety of spaces for users that includes dedicated office area, coworking group space, and conference rooms. The goal of the BHIVE is to provide a secure and inviting place where entrepreneurs in the region are comfortable and eager to go for guidance and help to launch and nurture their business; furthermore, the goal is also to collaborate with similar initiatives, organizations, and people in surrounding counties and institutions such as Riverside Center for Innovation, Penn State Beaver, Geneva College, and the Community College of Beaver County.

Lastly, in partnership with Town Center Associates, CED has started the Business District Initiative. This initiative aims to increase community vitality and decrease the vacancy rates of storefronts in the nine centrally located districts of Aliquippa, the Borough of Ambridge, the Borough of Beaver, the City of Beaver Falls, the Borough of Bridgewater, the Borough of Midland, the Borough of Monaca, the Borough of New Brighton, and the Borough of Rochester. In addition, this initiative includes a mini-grant program that is designed to assist new businesses in the nine districts by offering up to a $10,000 matching grant. The Business District Initiative Mini-Grant Program is funded by the Appalachian Regional Commission and is administered via the Beaver County Corporation for Economic Development.

Butler County

Community Development Corporation of Butler County
120 Hollywood Drive #101
Butler, PA 16001
T: 724-283-1961
F: 724-283-3599
Joseph Saeler, Executive Director
jsaeler@butlercountycdc.com
www.butlercountycdc.com

Work on the Route 228 corridor in Middlesex Township is continuing. The Balls Bend area will be reconfigured to accommodate growth in this area. New signals in the area will alleviate delays as the shops at the Middlesex Crossings Strip Mall begin to open.

The Community Development Corporation of Butler County is working with Petrolia Borough and Chicora Borough on stormwater and infrastructure upgrades in the northern portion of Butler County. Both boroughs received H2O grants to modernize their stormwater systems and the upgrades are set to begin in 2024.

Infrastructure improvements are also a vital component of Butler County's success.

The Capital Environmental Risk Transfer Alliance (CERTA) purchased the AK Steel Plant 2 property in late 2020. This 30-acre tract is adjacent to the Pullman Center Business Park. An environmental cleanup of the land took place and several of the buildings on the parcel were demolished. The CDC partnered with CERTA on conceptual plans for transforming the area into a business park for manufacturers. This site has all the utilities, as well as rail access making it very attractive to manufacturing firms. Look for some announcements on the companies interested in relocating to this site soon.

Collaboration is a large part of Butler County and the success that the County has had in recent years. The Butler County Growth Collaborative was unveiled in the Spring of 2019 and since that time it has enabled our County Representatives to speak with one voice. The Growth Collaborative includes the Butler County Tourism and Convention Bureau, The Community Development Corporation of Butler County, the Butler County Chamber of Commerce, the Butler County Community College, the Housing & Redevelopment Authorities of the County of Butler. These and other Butler County entities are committed to "speaking with one voice" and showcase Butler County to prospective businesses and residents. "By speaking with one voice, we are committed to eliminating the duplication of services and providing current and prospective business owners with the information that is needed for them to relocate or expand in Butler County," stated CDC Executive Director, Joe Saeler.

Fayette County

Fayette County Economic Development
Fayette County Courthouse
61 East Main Street Uniontown, PA 15401
724-430-1200 x 1501 (T)
Mark E. Rafail, Economic Development Coordinator
mrafail@fayettepa.org
www.fayettecountypa.org

An established leader across many industries, Fayette County remains one of Pennsylvania's most business-friendly destinations. In recent years, strategic investments and strong leadership have led to one of Fayette's biggest economic booms in its 240 years of growth and development. Fayette County Economic Development Coordinator Mark Rafail and the Fayette County Commissioners hope to attract new businesses and encourage existing businesses to "expand their view" in Fayette.

"By coming to our county, you'll have all the economic development resources at your disposal to expand your business; the recreational offerings and local amenities to expand your employees' comfort; and the potential to expand your view of the future," Rafail said. "We're always expanding our business park offerings through strong community partnerships with everyone, from the FayPenn Economic Development Council to private individuals, and with the dedication of our county commissioners."

Against a backdrop of picturesque scenery and storied history, Fayette County is working hard to enhance its infrastructure through a series of projects aimed at expanding connectivity and bolstering our communities.

Fayette County Infrastructure Bank

Launched in 2021, the Fayette County Infrastructure Bank awarded more than $14.1 million in loans to county municipalities and municipal authorities in its first two years alone. Aimed at helping such entities fund infrastructure projects, the infrastructure bank provides loans from a special county fund that can be used as a quicker, more reliable option for financing necessary repairs or improvements. "We continue to build on our momentum, making this program bigger and better every year," Rafail said. "The 2024 funding round just opened, and we're reviewing those applications now."

Fayette's program structure involves the county offering low-interest loans to more eligible applicants than what is available through traditional financing. The infrastructure bank focuses on public transportation and utility infrastructure to support economic development projects and public safety. In addition to investing county funds directly back into county municipalities, other benefits include creation of a legacy program for investment in local county infrastructure; increased access to capital at the lowest possible rates; project planning and delivery support from county officials; the ability to leverage additional funding sources and more.

Fayette Focused

Fayette County Commissioner Vince Vicites said Fayette County is focused on long-term growth and development. "My goals are to continue lowering our unemployment rate and keep a proactive focus on workforce development, in order to help maintain an available, vibrant workforce, and to train citizens for the jobs of the future in Fayette County," Vicites said. "We have site-ready business parks with available land and infrastructure, and we're located centrally to anywhere in the United States. Our recreational opportunities are second to none. Fayette County is a great place to live, work and raise a family."

Commissioner Dave Lohr said Fayette is "strategically situated for business on a direct line from Pittsburgh to Washington, D.C. and less than 250 miles from eight major metropolitan areas. We have every means of transportation necessary to conduct business, including our highways and travel via air, rail and water. Fayette County has a low cost of living - 22 percent lower than the national average and 18 percent lower than the average in Pennsylvania, positively impacting both operating costs for businesses and affordability for employees of those businesses," Lohr said. "My overarching goal is to put in place the tools necessary to further economic development, particularly with regard to infrastructure, including the airport runway expansion project and countywide broadband."

Broadband Expansion Project

In 2020, Fayette County committed more

than $5.3 million in federal COVID-19 relief funds toward Phase I of a Design Build Broadband Deployment contract focused on expanding WiFi Internet capabilities along the state Route 40 National Road Heritage Corridor. In the years since, several million dollars in additional grant funding have allowed for installation of dozens of broadband "hotspots" by contractor Vitalink LLC of Markleysburg Borough. "By reaching even the most rural corners of our county, we're able to bridge the connectivity gaps that became obvious in the wake of the pandemic, when more of our citizens were working and learning from home," Rafail said. "We're always applying for additional state and federal monies that will allow us to ensure all of Fayette County - especially our small businesses - have highspeed internet options available." With additional funding leveraged by many of our 42 municipalities, along with strong participation in needs-assessment surveys by citizens, broadband expansion remains one of Fayette County's fastest growing projects. With tourism, manufacturing and healthcare as its leading economic generators, connectivity remains a top priority among county leaders who recognize the importance of modernizing technology to attract new industries.

Fayette Forward

Commissioner Chairman Scott Dunn said Fayette's location within 500 miles of more than half the U.S. and Canadian populations - including 140 million Americans stretching from Chicago, Ill., to Atlanta, Ga., and the entire Eastern Seaboard, means the county is "uniquely situated in many aspects. Over 2.3 million people live within a 75-mile radius of Fayette County. There are available lots in our business parks, raw land and brownfields ready for rehabilitation. Our transportation assets include a robust, four-lane highway system leading to interstates in all directions. Transportation is further enhanced by rail, river barge and small-air travel," Dunn said. "An emphasis has been placed on improving our infrastructure, including water, sewage, power and high-speed, fiber-optic broadband. In some zones, Fayette is able to provide tax incentives to be competitive with neighboring areas and states." Dunn said all those assets - and much more - have helped county leadership develop a strategy to "create a diverse economy" that isn't "reliant on a single industry." "To that end, we have identified five focus industries: agriculture, healthcare, manufacturing, energy and tourism. Work to improve these industries is ongoing," Dunn said. "We have further identified two industries that will support these efforts - education and training will help build the needed workforce; and new housing will be needed to create the communities that our residents can thrive in," Dunn said. "It's important to note that none of these industries are in silos, and each can help enhance the others. A great example of this is our tourism."

Fayette Future: Come Grow With Us

Our leadership remains focused on supporting local businesses and quality of life improvements for citizens. Our strong infrastructure and vast collection of resources can help with relocation and expansion needs. Our nonprofits, government agencies and businesses are more connected than ever and all working towards a common goal: building a future in Fayette. "We're ready to grow, and we want everyone to see what we have to offer businesses, their employees and their families in Fayette County," Rafail said. "We continue working to get the necessary resources to get things done and support our economic future. Are you ready to come grow with us?" To learn more about what Fayette County has to offer, visit www.fayettecountypa.org.

Indiana County

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

Indiana County is located one hour east of Pittsburgh. It's a proven location for companies seeking excellent transportation infrastructure and a highly skilled workforce. The County's resources encompass a number of business parks, available office space, along with a strong community relationship with Pennsylvania State System of Higher Education, Indiana University of Pennsylvania, (IUP). IUP makes significant contributions to the workforce education and cultural strength of the region.

The Indiana County Development Corporation (ICDC) purchased the former Carriage House and Essex House apartment complex for a redevelopment opportunity. This 6.5-acre property may be aided by incentives available through the site's inclusion in a Federal Qualified Opportunity Zone, which encompasses most of Indiana Borough west of North and South Fifth Streets. A $2.5 million RACP grant was approved to redevelop the site. Interest in this attractive site remains high due to its strategic location and proximity to surrounding amenities, such as the University, Indiana Regional Medical Center, and the Jimmy Stewart Airport. Additionally, LERTA has been approved to assist with abating local real estate taxes.

The Windy Ridge Business & Technology Park located at the intersection of US 422 and SR 286 in White Township has seen an uptick in site activity in recent months. Windy Ridge is a designated Keystone Opportunity Zone (KOZ) site through December 2029. The business park recently received a $1.5 million Redevelopment Assistance Capital Program (RACP) grant in order to prepare additional acreage for development.

The Corporate Campus Business Park is designated as a KOZ through December 2028. This location has pad-ready sites as well as office building space for sale or lease. Recently, with the release of a $1 million RACP grant additional infrastructure funds are being targeted to develop 16-acres within the park.

Office space is available with 25,345 square feet of net rental space available at the Corporate Campus Office Building. This is a multi-tenant office building located in the Indiana County Corporate Campus Business Park in Burrell Township.

At the 119 Business Park, located in Center Township, roadway construction is currently underway to access a 10-acre tract with the help of an Appalachian Regional Commission (ARC) grant, a Commonwealth Financing Authority grant and County Liquid Fuels funding. A CFA Pipeline Investment Program (PIPE) grant in the amount of $1,491,402 was also received to construct the last few miles of natural gas distribution lines.

Various financial and tax incentive programs offer significant cost reductions for companies wanting to locate or expand in the County. Many of these programs offer capital at low interest rates and flexible terms. For more information, contact the Indiana County Center for Economic Operations at 724-465-2662 or visit, www.indianacountyceo.com.

Lawrence County

Lawrence County Economic Development Corporation
325 East Washington Street
New Castle, PA 16101
724-658-1488 (T)
724-658-0313 (F)
Benjamin G. Bush, MPA
bush@lawrencecounty.com
www.lawrencecounty.com

Forward Lawrence is an alliance of the Lawrence County Regional Chamber of Commerce, (Chamber), and the Lawrence County Economic Development Corporation, (LCEDC). Our combined mission is to be the driving force enhancing economic growth and opportunity throughout Lawrence County while serving as the voice of business and industry, promoting excellence in leadership, collaboration, and development activities. Our vision is to transform the lives of Lawrence County's citizens through the promotion and execution of a unified countywide plan that includes raising our standard of living, facilitating, creating, and retaining family-sustaining jobs, expanding the tax base of local governments, advocating for pro-growth public policies, and preparing promising leaders of tomorrow for business, government, and civic positions of responsibility.

Forward Lawrence's Critical Goals include:

1. Advancing the local and regional economy
2. Ensuring our membership and partners have the most excellent chance for business success
3. Developing, attracting, and retaining qualified talent

Forward Lawrence accomplishes these goals through: 1) Connecting businesses and the community to foster collaboration; 2) Advocating for pro-business policies at all levels of government; 3) Educating through various programs and partnerships to support continuous learning for businesses; and 4) Enhancing the community through economic development efforts. In 2023, Forward Lawrence made significant progress on key projects, advancing the county's growth.

The LCEDC recently purchased the former Elliott Brothers Steel Facility on Cedar Street. The $2.5 million project will utilize $1 million of RACP Grant Program financing and a grant from the Hoyt Foundation. The project will renovate and upgrade over 40,000 square feet of heavy industrial space, bringing back to use a New Castle industrial property that has been vacant for more than two years.

The LCEDC and DON Services continue to work with the City of New Castle to improve the Enterprise Park area from the Courthouse to Croton Avenue. The city was awarded a $1 million PA Department of Community and Economic Development (DCED) multi-modal grant.

Improvements began in late Spring 2023 and should be completed later this year. Once completed, the group will focus on Phase II of the project, which will include a truck bypass and signaled intersection on Washington Street in front of the courthouse.

In 2023, the LCEDC was awarded $1,122,500 to capitalize the PA State Small Business Credit Initiative, (SSBCI), a new, low-interest business loan fund program. Funding was made available from a federal American Rescue Plan allotment.

The LCEDC partnered with consultant Michael Baker International in late 2023 to conduct a Business Incubator Planning Study to assess the viability of a business incubator in Lawrence County. The study, partially funded by a $45,000 grant from the Appalachian Regional Commission, (ARC), will provide recommendations relative to the best model possible for the county. Areas of focus include location, size, program of work, and services that an incubator should provide. The recommendations will be presented later this spring.

Forward Lawrence offers numerous assistance programs to support business growth, including workforce and community development services; business development, retention, and expansion; grant writing and management; and public business financing.

Forward Lawrence also partners closely with the Duquesne University Small Business Development Center (SBDC), which offers no-cost in-person and virtual business consulting services to new and existing small businesses. These services include developing business plans, providing marketing guidance, assisting with incorporating, and providing financial projections.

Leadership Lawrence County provides an opportunity for current and emerging leaders and individuals committed to making a difference in Lawrence County and its surrounding region to build leadership skills and learn more about the programs, processes, and challenges that currently exist in the community. Leadership candidates learn from subject matter experts and earn 3.6 Continuing Education credits from Penn State for this program that begins each September.

In an effort to improve outreach, board meetings for both the Chamber and the LCEDC are now held offsite at venues across the county. In addition, Chamber board meeting minutes are now published on the Forward Lawrence website: www.lawrencecounty.com.

Forward Lawrence has events monthly ranging from Lunch and Learns, Membership Mixers, and signature events. To RSVP for upcoming events, visit https://business.lawrencecounty.com/events/calendar

Forward Lawrence welcomes new individuals and organizations to learn more about us and become involved with our program of work. Anyone interested can reach out to the staff by calling 724-658-1488 or e-mailing: info@forwardlawrence.com.

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Washington County

Washington County Chamber of Commerce
375 Southpointe Boulevard #240
Canonsburg, PA 15317
724-225-3010 (T)
724-228-7337 (F)
Jeff Kotula, President
jeff@washcochamber.com
www.washcochamber.com

Washington County is known as a stable and friendly place to grow a business and 2023 has brought that into sharper focus with several foundational institutions celebrating milestone anniversaries this year, along with continued growth across several sectors.

The Hollywood Casino at the Meadows celebrates 60 years of harness racing with continued growth and development, reporting annual revenue increases over the past two years. To date, this trend has continued with the available data from the first several months of 2023 showing revenues continuing to climb. In addition, Penn Entertainment, parent company of the casino, has made significant investments to improve the property, most recently a $6.8 million upgrade to the Barstool Sportsbook, which features the largest indoor video screen in the region and providing patrons with views overlooking both the gaming floor and the horse racing track. The casino is one of the largest employers in the county, in addition to being the largest tourism attraction, positioning the facility well for another 60 years of success in Washington County as a destination entertainment venue.

Two other tourism attractions will also celebrate landmark anniversaries this year – Meadowcroft Rockshelter and Historic Village and Pennsylvania Trolley Museum will mark their 50th and 60th anniversaries, respectively. Although officially celebrating 50 years since the discovery of the first artifacts, the Meadowcroft Rockshelter is the oldest known site of human habitation in North America, highlighting more than 19,000 years of history at the site and recreating historic villages that show what life was like for those who sought shelter under this natural rock outcropping over the centuries. History and heritage are also on display at the Pennsylvania Trolley Museum, which celebrates 60 years since opening in Washington County. The museum boasts a collection of over 50 trolleys, many of which have been restored to their original working condition and offer guests the ability to take a ride into the past along a two-mile track at the facility. In addition to the trolleys, the museum hosts several exhibits and allows visitors self-guided exploration opportunities of the trolley car collection. The Trolley Museum is also finalizing a brand new, state of the art Welcome and Education Center that will open later this year. This 21,000 square foot project will vastly expand exhibit space, providing new interactive exhibits and a new brick lined "main street" area that will transport visitors back to an era when trolleys ruled the streets.

Little Lake Theatre in North Strabane will commemorate 75 years of community theater in 2023. The theater has provided countless hours of entertainment for patrons and a community for performers, directors, and volunteers to perform and access the arts in Washington County. The staff and board at Little Lake Theatre have big plans to continue improving the facilities and providing community theater productions for many years to come.

And finally, the Washington County Agricultural Fair is celebrating its 225th anniversary. The fair started when John Adams was President of the United States and has provided a focus on farming and fun since our flag had 15 stars.

Looking forward, Washington County continues along a path of sustainable growth and remains one of the region's best places to raise a family, grow a business, and take advantage of countless recreational amenities.

Some highlights include an announcement that Burns Scalo Real Estate will develop a 21-acre parcel in the heart of the Fort Cherry Development District (FCDD), one of the region's newest industrial parks. The FCDD, developed by Imperial Land Corporation, is a premier light-industrial development along PA-576, also known as the Southern Beltway, in Washington County. This project by Burns Scalo will accommodate a 195,000 square foot, build-to-suit option for potential users and will catalyze additional interest and activity at the park. The FCDD is a transformative investment, providing users with convenient access to Washington County and points south, as well as many of the region's landmark attractions, including the Pittsburgh International Airport, the Shell Cracker Plant, and downtown Pittsburgh.

In the Mon Valley, the Mon Valley Alliance, a community and economic development partner, in conjunction with the Commonwealth of Pennsylvania, Fourth Street Foods, Key Bank, LaCarte Enterprises, and UPMC, have announced a Neighborhood Partnership Program (NPP) that will drive $1.5 million of direct investment into Charleroi Borough for community improvement projects. The Charleroi NPP is funded by Pennsylvania tax credits awarded through the annual Neighborhood Assistance Program, providing the participating private sector partners with state tax credits for funding qualified projects. This program will include projects to improve housing options for seniors and the disabled, fostering main street and economic development projects, and expanding community services including for Charleroi's growing immigrant population.

Washington County also continues to invest in itself-with a focus on downtown revitalization-as part of more than $8 million in Local Share Account (LSA) funding awarded to 45 projects across the county. Some highlights include the Washington Downtown Rising Revitalization project, which will invest $700,000 in improvements to the central business district of the county seat, along with the Washington and Canonsburg Façade Improvement projects that will collectively provide an additional $300,000 in façade improvement investments in these communities. The LSA program will also provide $3,294,295 for investments across 14 municipal water and sewer systems, expanding and improving the county's infrastructure. Additionally, the Washington County Commissioners, through the Washington County Authority, have also announced their largest investment yet in improving access to high-speed internet for county

residents. The latest allocation was for $12.8 million in funding to expand broadband services to another 2,200 unserved and underserved residents in the county. In total, more than $32 million has been invested in broadband infrastructure over the past few years.

Always looking to the future, Washington County continues to maintain positive momentum on many fronts including broadband infrastructure, industrial development, manufacturing, and tourism. The American Spirit Lives Here in Washington County and we invite you to join us.

Westmoreland County

Westmoreland County Industrial Development Corporation
40 North Pennsylvania Avenue # 520
Greensburg, PA 15601
724-830-3061 (T)
724-830-3611 (F)
Jason W. Rigone, Executive Director
wcidc@wpa.net
www.co.westmoreland.pa.us

A lot of development-related headlines were generated in Westmoreland County during the latter half of 2023.

In July, Hempfield Township and the Westmoreland County Industrial Development Corporation (WCIDC) announced a partnership to revitalize a 96-acre property that has been unused ever since the state closed the SCI Greensburg state prison complex in 2013. With concerns about deteriorating structures, the partnership aims to eliminate blight and stimulate economic development that aligns with Hempfield's comprehensive plan. Hempfield purchased the Route 119 property and will identify the land-reuse goals for the project. The WCIDC will lead the effort to demolish the prison complex and prepare the site for redevelopment.

In September, Frank B. Fuhrer Wholesale Co. — the region's largest beer and beverage distributor —held a ribbon-cutting ceremony for its new 300,000 square foot distribution center at the intersection of Route 22 and 66 in Delmont. At the time of the opening, company representatives said the $55 million facility would support more than 100 jobs.

In October, the WCIDC completed the second phase of development at Westmoreland Distribution Park North in East Huntingdon Township. This project — which created three pad-ready sites of 21.4, 10.4 and 4.1 acres — brings the number of available, pad-ready industrial sites in the park to five. We estimate that those lots can support up to 750,000 square feet of new building space. Westmoreland Distribution Park North is part of the clustered industrial development around RIDC Westmoreland, the former Sony plant. The WCIDC embarked on Phase II following a period of brisk sales involving several of the largest pad-ready lots available in our park system. These new lots will enable the county to continue to attract business while also providing land for the growing companies that already call Westmoreland home.

Following the announcement earlier in the year that the WCIDC and Regional Industrial Development Corporation (RIDC) were forming a new partnership, that joint venture formally acquired the nearly 70-acre New Kensington Advanced Manufacturing Park in October. Located in the cities of Arnold and New Kensington, the park — which was Alcoa's first industrial site — has a 130-year industrial legacy and 1.1 million square feet of space across 18 buildings. As work continued to prepare the 175,000 square-foot space that will be occupied by Re:Build Manufacturing, the joint venture began the process of transforming the complex into a modern manufacturing park.

November is the traditional month for giving thanks, so it was appropriate that the WCIDC chose that month to celebrate its 40th anniversary with the many partners and stakeholders who've helped the organization successfully promote economic development in Westmoreland County for four decades. During that time, the WCIDC business park system has grown to include 20 parks and assets that are located throughout the county. Today, the WCIDC park system:

- is home to 186 companies with more than 9,150 employees,
- has nearly 9.7 million square feet of building space, and
- generates approximately $7.2 million in annual tax revenue.

In December, Chelsea Building Products announced that it will build a 228,000 square-foot manufacturing facility on a nearly 30-acre lot it purchased at Commerce Crossing at Westmoreland in Sewickley Township. The new facility will be known as Chelsea Building Products East, and it will support a manufacturing operation that will extrude PVC-based window and door profiles. The facility is expected to employ 100-150 workers within five years. Chelsea will connect the property to a nearby freight rail spur operated by Southwest Pennsylvania Railroad.

Chelsea's purchase means only one lot remains available at Commerce Crossing at Westmoreland, a five-parcel 206-acre industrial park located along Interstate 70. The park's last available parcel has a 9.8-acre pad site that can support rail access.

The year closed out with multiple lease announcements in December. Watt Fuel Cell signed a seven-year lease for the 39,153 square feet it occupies at Mount Pleasant Glass Centre, and at New Kensington Advanced Manufacturing Park both APA Trucking and Affival extended and expanded their space. Affival now occupies 152,368 square feet of space in two buildings, and APA Trucking occupies 110,000 square feet in two buildings plus an outdoor lot for staging and storage.

(From left) Lisa Kelly from First National Bank, PenTrusts's Denise McGee, and TARQUINCoRE's Lynn DeLorenzo at the Master Builders' Association's Evening of Excellence.

(From left) Kelsey Kanspedos from RIDC, Megan Corrie from Turner, and JLL's Jackie Bezek at the Evening of Excellence.

CBRE's Mamadou Balde (left) with Diron Duaah from Berkshire Hathaway at the NAIOP/BOMA State of the County event.

NAIOP Executive Director Tom Frank and Allegheny County Executive Sara Innamorato.

(From left) RIDC's Tim White and Don Smith, with Burns Scalo's Brian Walker, the 2024 NAIOP Corporate Chairman.

(From left) ALCOA's Maureen Ford, Jeff Walentosky from Moody and Associates, CEC's Donald Groesser, and interior designer Virginia Weida.

People & Events

Mary Rose Hopkins from LGA Partners (left) and Katie Meehan from Lee and Associates at the NAIOP March chapter meeting.

(From left) TriState Bank's Jim Pascarella, Tyler Noland from PenTrust, Red Swing's Matt Smith, Bob Dezort, and Gene Pash at the February 2 NAIOP Ski Outing.

(From left) Herron Law Group's Matthew Herron, Chad Chalmers from Wildman Chalmers, David Caliguiri from C & G Strategies, Jamie White from LLI Engineering, and PenTrust's Thad Imbrie.

(From left) ARCO Pittsburgh's Gary Gabor and Dom Broglia, with Michael Shogry from Simu Tech Group at the 2023 Night at the Fights.

NAIOP Pittsburgh recognized retiring board members at its 2023 holiday party. Pictured from left are A.J. Pantoni from Hanna Commercial, Bohler's Mickael Takacs, CBRE's Tony Rossi, and NAIOP Pittsburgh president, Brandon Snyder, from Al. Neyer.

(From left) Alyssa Falarski from Totum Realty Advisors, Alexander Leventhal and Elliot Gould from Faros Properties, CBRE's Andrew Miller, and Faros' Jeremy Leventhal.

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casilejp@dollarbank.com
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Becky Yago
Senior Vice President
yagora@dollarbank.com
412-261-4288

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Vice President
brightms@dollarbank.com
412-261-8959

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