DEVELOPING Pittsburgh

Spring 2015

The Up-and-Coming Communities

NAIOP PITTSBURGH ANNUAL AWARDS

A CONVERSATION WITH GOVERNOR WOLF

YEAR-END MARKET UPDATES

NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
PITTSBURGH CHAPTER

2014 NAIOP Award: Best Mixed Use Development

Southpointe Town Center!

SPTC

LIVE | WORK | SHOP | DINE

ON MAIN STREET

Thank you!

DEVELOPERS: Miller Capital Advisory
Horizon Properties Group, LLC

DEVELOPMENT PARTNERS: First Commonwealth Bank
R.A.Smith National - Rycon Construction
Cooper Carry - Kemick Architecture - GMH Capital Partners
Grant Street Associates - Washington County Chamber of Commerce

OFFICE TENANTS: Hi-Crush Partners, LP - Modis - Burleson LLP
State Farm - Luckhardt - Bowles Rice - EdgeMarc Energy
BenchMark Wealth Management

RETAIL TENANTS: All Star Sports Bar & Grill - Zoup!
Southpointe Nails - The Spa & Salon at Southpointe
Crazy Mocha Coffee Company - Toscana Brick Oven - PNC Bank
Saga Hibachi Steakhouse & Sushi Bar - Yum Yum Yogurt
Montana's Rib & Chop House

And Many More!

Connect With Us! @SPTownCenter #SPTownCenter


GATEWAY
On Call. On Time. On Target.
Our Heritage. Your Future.
Experienced Civil Engineering and Sustainable Design
With over 60 years of experience and more than 150 professionals, Gateway Engineers provides total site and infrastructure solutions to meet your project needs. From concept to post construction, our clients benefit from our ability to navigate regulatory processes and meet tight schedules.
GatewayEngineers.com
A FULL-SERVICE CIVIL ENGINEERING FIRM
FOLLOW US:
Linkedin
@GatewayEngineers

CONTENTS | Spring 2015

NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
PITTSBURGH CHAPTER

New **Flex** Building Available for Lease

300 Merchant Lane, Pittsburgh PA 15205

Jendoco Real Estate is pleased to announce that a new Flex Building is ready for Lease in the Settlers Cabin Business Center complex located on 300 Merchant Lane, in Collier Township.

This 22,450 SF building is 100% sprinklered and energy efficient. It is divisible in 1,900 SF individual bays and can be custom built to your requirement .

With 24/7 access the building offers free parking. With naming rights available, the building offers a 70% to 100% Office with the option to have up to 30% Warehouse.

Its ideal location, next to Interstate I-376 and equidistant from Downtown Pittsburgh and the Pittsburgh International Airport, gives Settlers Cabin Building 300 the best tools to answer your next Flex needs.

412-361-4509 - www.jendoco-re.com - info@jendoco-re.com

NAIOP ULI

President's Perspective

PUBLISHER
Tall Timber Group
www.talltimbergroup.com

EDITOR
Jeff Burd
412-366-1857
jburd@talltimbergroup.com

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

ART DIRECTOR/GRAPHIC DESIGN
Carson Publishing, Inc.
Jaimee D. Greenawalt

CONTRIBUTING PHOTOGRAPHY
Carson Publishing, Inc.
Rycon Construction
NEXT Architecture
Desmone & Associates Architects
Massery Photography
The Elmhurst Group
Horizon Properties Group
Burns & Scalo Real Estate Services
Wilkinsburg Community Development Corp.

CONTRIBUTING EDITORS
Anna Burd
Karen Kukish

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

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

Remember Y2K? Do you recall Tony Soprano's introduction to the pop landscape? Hanging chads? It does not seem that long ago!

Who, as they were storing up batteries and rations in anticipation of the apocalypse, could have predicted that fifteen years later the Pittsburgh region would be where it is. Had you heard of Marcellus Shale in 2000? Was your only reference to a "cracker plant" the Nabisco factory in East Liberty? Can you imagine that it was only fifteen years ago when Google outgrew their garage office and moved into a new facility in Palo Alto with just eight employees! Who among us could have forecast that hundreds of Googlers would call Pittsburgh home in 2015 and that they would be working out of that "cracker plant."

Not even Punxsutawney Phil could have prognosticated the region that we have become. One simply has to take a drive to Southpointe………or Pittsburgh's East End…. or Cranberry to see the remarkable change in our economic landscape. In the Pittsburgh CBD the residential population has doubled since 2000.

NAIOP Pittsburgh also was in a very different place in 2000.

Membership was 198.

It was the first year for Night at the Fights. In the intervening years NAIOP Pittsburgh has helped to raise more than $500,000 for area non-profits.

Bill Hunt was one year away from becoming NAIOP Pittsburgh President and twelve years away from becoming the Chairman of the Board of NAIOP Corporate. A position that would bring much attention to the Pittsburgh region as he travelled throughout the country.

De Peart had just completed two years as NAIOP Pittsburgh President. He would soon leave his job in development and assume various positions within the Allegheny Conference on Community Development ending in his tenure as Executive Vice President, Economic Development and Public Affairs; President, Pittsburgh Regional Alliance and President, Greater Pittsburgh Chamber of Commerce. It is fair to say that De has contributed as much as anyone to our region's transformation and the success of NAIOP Pittsburgh. We wish him well in his new position as President and CEO of the Downtown Austin Alliance.

While I cannot say what the next 15 years will bring I can tell you that 2015 is shaping up to be a great year for NAIOP Pittsburgh.

We already have presented monthly programs on the economy and an update of Pittsburgh's commercial real estate market. Look for upcoming programs on energy, advocacy, development in and around sports venues, developing in the City of Pittsburgh, working with institutions of higher education and more.

Our Annual NAIOP Pittsburgh Banquet is on March 5, 2015. We expect more than 700 individuals in the commercial real estate industry and economic development who will network and celebrate this year's award winners.

We will have a robust advocacy initiative in 2015 that will promote issues of importance to our industry. Federal Tax Reform, transportation, efficient and consistent permitting, advantageous regulations and legislation, Bus Rapid Transit (BRT) and others.

2015 will also see the introduction of at least two new opportunities for networking and education among NAIOP Pittsburgh members .

I need your help to make 2015 a great year. I urge you to get involved in NAIOP Pittsburgh and help us to bring quality education, networking and advocacy to our members.

Enjoy this, our sixth edition of Developing Pittsburgh.

Sincerely,

Brian

Brian Walker
NAIOP Pittsburgh President

Bakery Square is the linchpin development that brought employment and new residential to transform East Liberty. Photo courtesy Walnut Capital Partners.

Pittsburgh's Up-and-Coming Communities

Imagine what your reaction would have been to an out-of-town friend who told you they were going out to dinner near Penn Circle ten years ago. Or how you might have advised a business colleague who wondered what your opinion was of buying a storefront or two on Butler Street near the 62nd Street Bridge in 2000?

The perception of these two neighborhoods – East Liberty and Lawrenceville – has been radically transformed by investment in development and a very different attitude about urban lifestyle. A variety of developers had plans for projects – a few even occurred – in East Liberty as far back as the mid-1980s. Lawrenceville began to get redevelopment of its business corridor and sporadic residential infill for at least that long, but on a very limited scale. A variety of factors combined to create swelling demand for living, working and playing in these formerly forgotten or blighted neighborhoods, mostly within the past five years.

Perhaps the tipping points were Whole Foods or certainly Bakery Square in East Liberty and the construction of the new Children's Hospital in Lawrenceville/Bloomfield. Perhaps it was just time in both communities for the redevelopment efforts and public investment to pay off. Whatever pushed East Liberty and Lawrenceville from pioneering to hot, the two neighborhoods are places people are waiting in line to inhabit and visit.

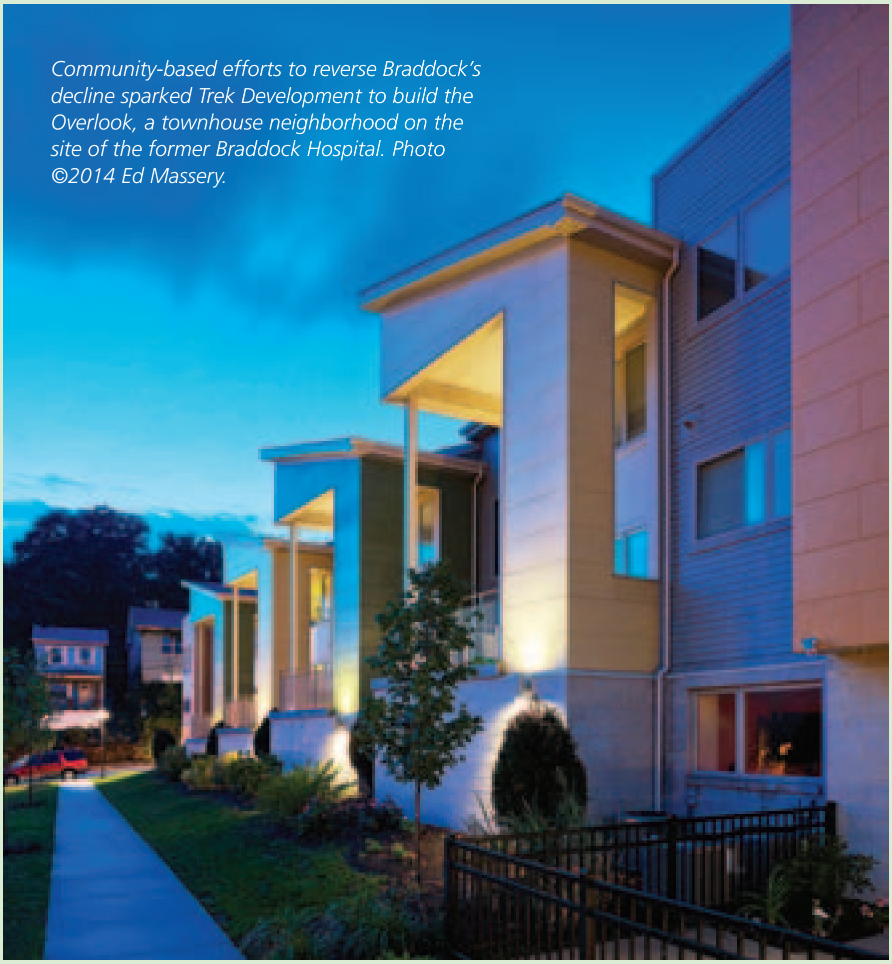
Pittsburgh is home to more than its fair share of East Liberty's. The collapse of Pittsburgh's industrial base and the gradual shift to the suburbs over several generations left many small towns and inner core neighborhoods without an economic base. Most of them will continue to struggle for some time but many of these communities are seeing the tide begin to turn. For a few of these places, a time in the sun seems possible again.

Braddock

Perhaps the most widely-known of the communities that are down on its luck is Braddock. A geographically small town perched above the Monongahela between two bends in the river, Braddock is a prototypical steel town. Roughly ten blocks deep and 15 blocks long, Braddock was home to 20,000 people in its heyday. Andrew Carnegie built his first steel mill there, and later his first free library. The city is home to the Edgar Thompson Works of U.S. Steel, the town's principal employer, where 5,000 people once worked. The Thompson Works still operates but employs slightly more than ten percent of its former workforce.

The 90 percent reduction in steelworkers multiplied out to virtually all other aspects of Braddock's community. At the 2010 census, roughly 2,500 people lived in Braddock. There has been a similar decimation of the businesses in town. The average house price fell to $6,000. As might have been predicted, crime followed the poverty into Braddock.

The plight of Braddock attracted an unlikely advocate in 6' 8" Harvard-educated John Fetterman. In 2001, Fetterman came to Braddock as part of Americorps, a Federal service program that endeavors to improve the lives of disadvantaged Americans. Working with young people to help them get high school equivalency accreditation, Fetterman was attracted to Braddock and moved there permanently. He was elected mayor of Braddock in 2005 and began a series of programs aimed at attracting people to Braddock and creating a new identity for the community.



Community-based efforts to reverse Braddock's decline sparked Trek Development to build the Overlook, a townhouse neighborhood on the site of the former Braddock Hospital. Photo ©2014 Ed Massery.

Fetterman founded Braddock Redux to improve Braddock through job opportunity preparation and initiatives to promote art and sustainability. He bought the First Presbyterian Church to renovate into a community center. Fetterman purchased other buildings in Braddock to renovate or occupy as havens for resident artists. In 2006, Braddock Redux leased the 47,000 square foot former Ohringer Department Store to offer free studio space to artists as a litmus test for the viability of Braddock as an artists' community. The building quickly filled up and in 2009 Braddock Redux purchased the building to ultimately renovate it.

It was during the recession that Fetterman became a nationally-known figure. Appearing on the Colbert Report, Fetterman used the forum to share a vision of a future Braddock that attracted the attention of the New York Times and the Guardian, as well as Levi Strauss & Co. The latter made a donation to the community and featured Braddock in a 2010 commercial campaign. After re-election in 2009, Fetterman led the fight to convince UPMC to keep Braddock Hospital open. The hospital system did not change its plans but the community's efforts weren't fruitless. With the support of then-County Executive Dan Onorato, Braddock won a deal that gained the property and UPMC's aid to redevelop the hospital site.

It's not hard to make the argument that the hospital's departure was a turning point in Braddock's revitalization. The town had as few as two open businesses prior to UPMC's decision to shutter the hospital. There was no vibrancy to lose. And while Braddock's civic leaders worried about the impact of the loss of the hospital, it offered a development opportunity that has been a significant first step forward.

Trek Development won the rights to develop the former hospital site and in 2012 began construction of 24 town-homes in a neighborhood called the Overlook. Last year Trek followed through with construction of a 20,000 square foot commercial building at 501 Braddock Avenue, which has already attracted tenants. The project's architect, Ken Doyno of Rothschild Doyno Collaborative, sees how the opportunity has changed Braddock and its leadership.

"Five years after the hospital closed you have a community that feels good about itself and is turning itself around," he says. Doyno speaks of the crime and poverty that created the negative atmosphere in Braddock. "The leaders of Braddock are saying we're not going to go there anymore. We're going to heal ourselves and we're going to ask others to walk with us."

Providing affordable housing in transitional communities is part of Trek Development's mission. Trek's CEO, Bill Gatti, says that the Braddock project was attractive to him because of the convergence of several positive factors.

"There was political leadership from Dan Onorato and Mayor John Fetterman. There was a good site central to the community and there was funding available, with the RACP grant," Gatti says. "Without all three of those things we would not have been able to accomplish the project."

Activity at the commercial building has gone about as expected. Allegheny Health Network signed a 15-year lease to take the second floor for an urgent care center. Rep. Paul Costa located his office to the building. There are 3,000 square feet of retail available, although Gatti says that an announcement of a corner tenant – "one that would not be expected for this location" – is imminent.

As compelling as the turnaround spirit is in Braddock, there remain many obstacles to a true revitalization. There is effectively no rentable commercial real estate in the business district. The community is still plagued by the kinds of crime that come with poverty, although residents and police are seeing improvements. And the public education options are still limited and too unappealing to attract families in any scale.

Braddock's best hope is in becoming a destination again. Thus far, there appears to be traction for the initiative to attract artists. The town has lost many of its commercial structures but what remains are inexpensive buildings with lots of opportunity to renovate and the artist in residence needs much less renovation than a full-service commercial building. Establishing an identity will make Braddock a place to live and work. Good things will inevitably follow that. For the rest of the decade at least, however, the town will be in the early stages of revitalization.

"There is a continuum in transitional communities. East Liberty is a transitional community but it's further along the continuum than Braddock is," notes Gatti. "If the question is do I think Braddock will be the next East Liberty, the answer is not anytime soon. If the question is do the people of Braddock deserve a chance for better care or a better place to live, the answer is yes. Braddock has hit bottom and is on the way up. We're happy to be part of that."

Wilkinsburg

Like Braddock, the Borough of Wilkinsburg was home to a surprising number of people in its best times and its downtown was a shopping district for many communities. In the late 1950s, there were 37,000 residents in the 2.2 square miles of Wilkinsburg, earning it the distinction of being the most densely-populated borough in America. Unlike Braddock, however, Wilkinsburg was not an employment center. Its population growth was attributable to the two nearby Westinghouse plants and the fact that transportation systems flowed from Pittsburgh through Wilkinsburg.

Pioneers have been able to purchase and renovate homes. This house on Whitney Street sold for $350,000.

The 1980s were as tough on Wilkinsburg as on many small communities in Southwestern PA. Population fell. Shopping slowed. The tax base declined dramatically, which had a debilitating effect on the school district. As prosperity waned and poverty began to spread, the kinds of problems emerged that affect most declining cities.

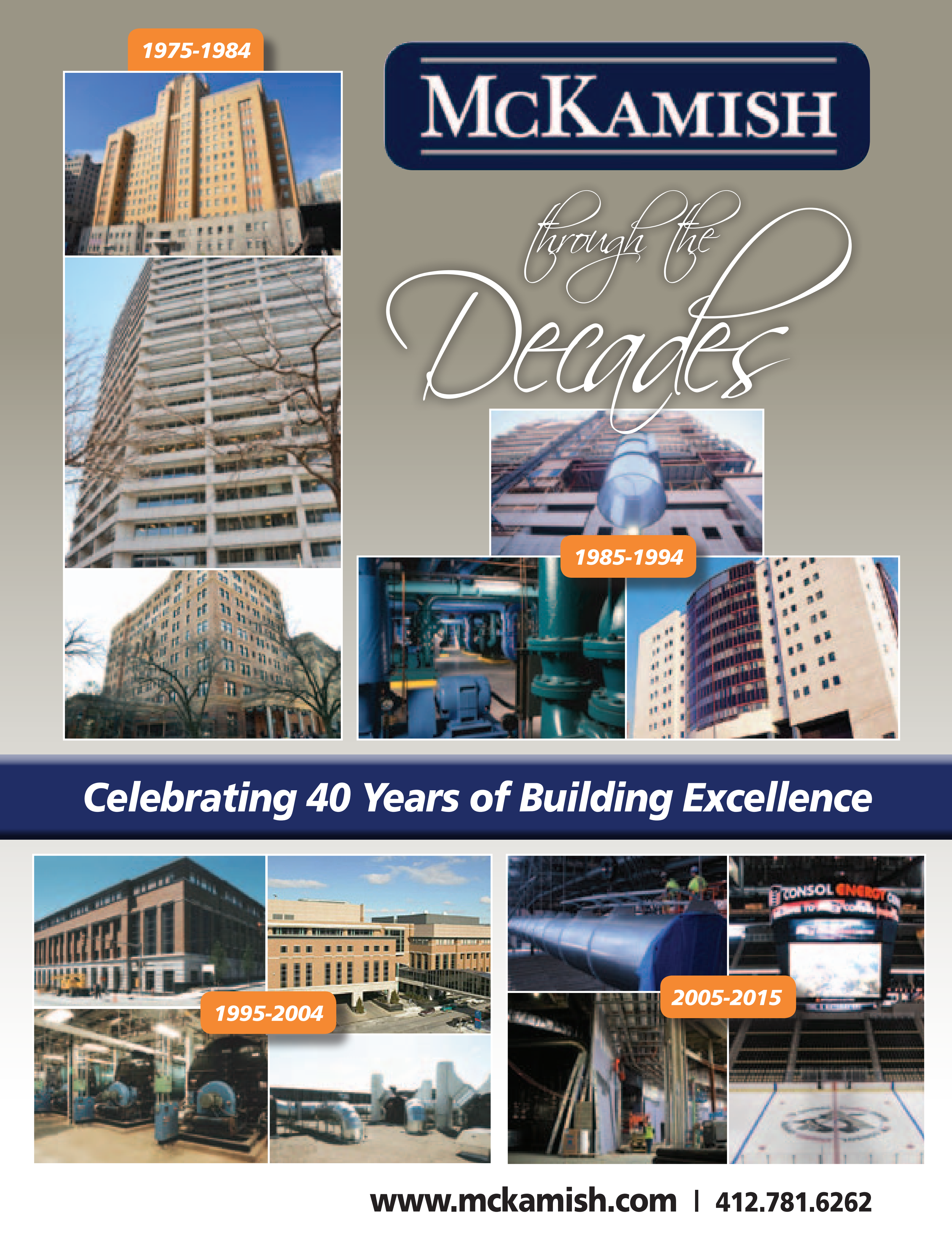
Wilkinsburg's finances caused it to fall under the Commonwealth's Act 47 oversight until 1990. While the borough has avoided falling back into that oversight, officials had a difficult time managing its finances until the past few years.

The cumulative impact on the community has been damaging. Over 800 properties or parcels are vacant in the borough. The business district has 154 properties, of which 47 are vacant. As the taxable entities disappeared the burden on those that remained went up. Wilkinsburg has the highest millage rate in the county and second highest in the state of Pennsylvania. It's an impediment to new investment in the commercial district. The community has a LERTA in place but leaders are looking to improve that assistance with a more aggressive tax abatement program.

At the same time, Wilkinsburg has undeniable assets. Penn Avenue is an enviable route for consumer businesses, as 36,000 cars pass through Wilkinsburg each day. The borough has a stop for the East Busway at two locations, with 1,500 passengers embarking and disembarking daily. Some 25,000 commuters pass Wilkinsburg on the Busway.

Today, a renewed sense of cooperation exists between the borough leadership and Wilkinsburg's civic leaders. A Community Development Corporation is having an impact on the revival of Wilkinsburg, attracting small businesses and assisting homeowners to find and improve homes in Wilkinsburg's tree-lined neighborhoods. The executive director of the Wilkinsburg CDC is a Point Park graduate named Tracey Evans, who was designing sets for the theaters

The Wilkinsburg train station is being positioned for restoration and repurposing as commercial space adjacent to high-volume commuter counts. Rendering by Sarah Rumbaugh, PLA.


1975-1984
McKAMISH
through the Decades
1985-1994
Celebrating 40 Years of Building Excellence
1995-2004
2005-2015
www.mckamish.com | 412.781.6262

Wilkinsburg's business district is beginning to attract interest again.

throughout the city when she backed into community development.

Evans got involved with the community in 2004 during a dispute over opening pedestrian tunnels to the East Busway and an effort to improve a neighborhood park. Her involvement grew from project to project until she was asked to chair an economic development committee.

"I really wanted to do beautification. I knew nothing about economic development," Evans says. The main goal was to get an economic development grant so that we could have the same things everyone else in the city had: banners, litter receptacles and trees. We started the process of applying for Main Street grants in 2008 and that's what the CDC came out of."

Pennsylvania's own financial woes in 2008 prevented additional Main Street grants and Wilkinsburg was denied. The CDC nonetheless successfully pursued a Neighborhood Partnership Program and with the help of gifts from TriState Capital and PNC Financial Services Group, began to do rudimentary marketing and assistance for the business district. Those efforts attracted the attention and help of other community and corporate partners, allowing for the funding of an executive director and staff. Tracey Evans was hired to lead the CDC in June 2010.

The hard work in the trenches has begun to pay off. Over the past four years, 35 properties have been sold and 12 vacant storefronts have been occupied in the business district. There are green shoots of recovery on the residential side too. Real estate values are going up. The single-family home sale prices are rising. The median home price is up.

Evans doesn't sugarcoat the obstacles, citing the tax structure and school district's troubles as challenges to overcome. But she and community leaders understand that redevelopment requires winning a lot of incremental battles. Civic leaders had to influence the Borough to get its financial house in order. The CDC has grown its resources so that it can research and apply for access to more funds for helping businesses or residents acquire and renovate properties. Rezoning was needed for the business district to allow for commercial uses – like live/work space or residential over storefronts – that weren't in vogue in decades past.

The hard work in the trenches has begun to pay off. Over the past four years, 35 properties have been sold and 12 vacant storefronts have been occupied in the business district. There are green shoots of recovery on the residential side too. Real estate values are going up. The single-family home sale prices are rising. The median home price is up.

Inquiries from businesses are also on the rise. When asked what is attracting the interest, Evans replies, "Location, obviously. We are getting a lot of businesses that are coming from East Liberty or Lawrenceville, people who are getting forced out as rents go up. We want to see more mom-and-pop businesses and ideally maintain that, not be another place where [businesses] stay for a while and then move out when rents go up."

There are two anchor projects in planning that could put strong commercial properties at either end of Wilkinsburg's main drag. One is the former Penn-Lincoln Hotel site. The hotel was an historic property that was dilapidated and in need of $16 million in repairs. Pittsburgh History & Landmarks Foundation – which has poured $36 million in investment into Wilkinsburg over the years – had spent some funds shoring up the building but ultimately decided to demolish it as it was unsafe. PHLF will look for partners to develop the property.

At the west end of town is the former railroad station, which sits by the East Busway station and is envisioned as a great prospect for transit-oriented businesses. WCDC has obtained a $225,000 grant and is seeking another $225,000 to restore the exterior and demolish the interior. The project will cost $1.6 million to complete.

On January 13, 2015 the Department of Community and Economic Development and Pennsylvania accepted Wilkinsburg into the Main Street Program. This program will provide Wilkinsburg with more financial and technical resources. Wilkinsburg businesses located within the designated downtown area will be eligible to apply for Enterprise Zone Tax Credits through the Neighborhood Assistance Program and Wilkinsburg will be eligible to apply for and receive façade grants and other funding.

"We are starting to get inquiries from developers who have been working in East Liberty or South Side, asking for tours or plans," Evans says. "We're moving away from subsidized development to folks that are looking at [Wilkinsburg] on its own merits, because it could be the next hot place. I think that's a great sign."

The Hill District

Pittsburgh's Hill District, including the Fifth/Forbes corridor uptown has been on an upward trend for much of the past decade. The Hill has seen several of its crime-plagued public housing projects replaced with Hope VI communities that offer subsidized homes for sale and rent that are architecturally pleasing and located on great sites. Businesses in technology or that serve the college or hospital markets have been locating in Uptown, attracted by the cheap rent and interesting spaces. The Hill's juxtaposition between the employment centers of Oakland and Downtown has made it the natural expansion point for businesses that want a foot in both places.

Cut off from Downtown by the Civic Arena some 60 years ago, the Hill's business district was displaced or died. Some 8,000 residents were displaced by the demolition of the Lower Hill to prepare the Arena site. As fate would have it, the construction of a new arena was the lynch pin for what may finally be the revitalization of the Hill District.

> Coincidental to the events surrounding the two arenas was an organic redevelopment effort that was unrelated to the Penguins.

The Penguins' move into the CONSOL Energy Center in 2010 sparked a surge in redevelopment on a one-off scale along Fifth Avenue. The move also freed up the 28 acres of the former Civic Arena site for redevelopment. The Arena, which inspired dispute from preservationists and some architects about its demolition, inspired few positive emotions from the Hill community. Once the demolition occurred, the opportunity unfolded to reconnect the neighborhood with the Central Business District and to extend the revitalization of Downtown east of the Crosstown Boulevard.

Coincidental to the events surrounding the two arenas was an organic redevelopment effort that was unrelated to the Penguins. South Side had been a neighborhood for pioneers and seekers of inexpensive commercial space in the 1990s but by 2010, it was no longer a bargain. Artists and pioneering small business people began to look across the Monongahela to the south side of the Hill District, the Uptown neighborhood, for up-and-coming space. And Oakland's lack of available space created a similar push to the west. Even before a major redevelopment of the Lower Hill could begin, the Uptown area had become a gap of perhaps ten blocks between businesses serving Oakland and Downtown.

U.S. Steel's new headquarters building will kick off a decade of redevelopment in the Lower Hill District. Rendering courtesy Clayco Corp.

In the post-recession years, Duquesne University began buying some of the storefront buildings along Fifth and Forbes as well, as it expands to the north off the Bluff. Pittsburgh Gateways acquired the former Connelley School on Bedford Avenue and began its conversion to the Energy Innovation Center, an expansion and renovation that will ultimately cost over $50 million. On February 11, Penn State announced that it was leasing 11,000 square feet on the first floor of the 185,000 square foot building to use for community outreach and research activities. Leases from Carnegie Mellon, University of Pittsburgh and Duquesne University are anticipated to follow.

There was bubbling activity on a small scale, including several new residential projects like the conversion of Fifth Avenue High School, and the Hill was primed for something big when the Penguins announced the first big deal of the Arena redevelopment project. That call came on November 24, 2014, when U.S. Steel announced that it had engaged Clayco Corp. to develop and design its new 268,000 square foot headquarters building along Centre Avenue and Washington Place. The project would be the cornerstone of the new development, bringing 800 employees – 800 consumers – to the portion of the property closest to Downtown. U.S. Steel's building should be the catalyst for the Penguins to kick off the next building, one of the low-rise mixed-use buildings that would attract retail and hospitality users who would benefit from the proximity to a major corporate entity. Clayco expects to start construction on U.S. Steel's project in the fall.

Prior to the start of the U.S. Steel project, developer McCormick Baron should begin work on the first of 1,188 units of housing, most likely a mix of apartments and townhouses like those built in the newer construction in Bedford Heights or Oak Hill neighborhoods.

In addition to the residential component, what the Penguins have proposed and taken through the Planning Commission and Zoning Hearing Board at the city is a mixed-use development with as much as 248,800 square feet of retail/commercial/entertainment; 632,000 square feet of office and 150 hotel rooms. Also included in the development is a concrete "cap" that spans the Crosstown Boulevard/I-579, allowing for pedestrian access and park space that links the new Lower Hill directly to Sixth Avenue. Plans also call for re-opening Wylie Avenue through the center of the development, connecting with Washington Place and into Downtown.

The project has not been without controversy, beginning with the demolition of the Civic Arena right on up to a final negotiation with Hill community leaders in January. Neighborhood leaders are concerned about employment during construction, gentrification, availability of affordable housing and a general mistrust that something will be done equitably for the Hill District. For their part, the Penguins intend for the project to fulfill its civic obligations.

"The redevelopment of the former Civic Arena site will be transformational for the entire region on many levels. It will reconnect the Downtown, Uptown and Hill District communities that have been separated by the Crosstown Expressway for decades; it will incorporate best practices in sustainable development and become the first LEED-ND development in Pennsylvania; and it will create over 3,000 jobs and generate over $20 million in tax revenues for the region," says Travis Williams, COO of the Pittsburgh Penguins.

"Beyond that, it will provide the greatest economic benefit to one community by a private developer in the history of the region by offering job, business, housing and wealth building opportunities directly to Hill District residents," Williams continues. "The cornerstone of this effort is a tax abatement program for the former Civic Arena site that will generate over $20 million for the Middle and Upper Hill District. All of these efforts will lead to further investment in the Hill District community and its residents."

Redevelopment of the Civic Arena site will be a decade-long series of projects. In the interim, there will be another downturn, the severity of which cannot be predicted. As impactful as the project may be, there is an organic inertia that will continue to offer opportunities for the Hill District to take off as a residential and commercial district.

A bus rapid transit system could link Oakland and the eastern neighborhoods with Downtown via easy, quick access. The transit stops along the route would become magnets for retail and clusters of housing units.

The completion of the Addison Terrace neighborhood at one of the highest points on the Hill will place hundreds of consumers adjacent to the Centre Avenue business district, with its new Shop 'n Save and storefronts near the Kirkpatrick Street intersection.

Progress has come painfully slow to the Hill District but there are catalytic factors accelerating the economic activity on many fronts. There are still problems – both perceived and real – with neighborhood schools and crime. Pittsburgh's urban neighborhoods have been increasingly attractive, especially to the younger demographic group that is growing in number in the region. These younger professionals are more pioneering and have more experience living in diverse communities than the prototypical Pittsburgh resident. What didn't work in years past has a much better prospect for success in the coming decade. The Hill may not become Pittsburgh's next hot neighborhood but the community will become a destination for those seeking to be close to the action.

McKees Rocks

McKees Rocks has arguably the lowest profile of the communities engaged in turnaround but it also has more momentum towards revitalization. The Ohio River community has also experienced population decline, although to a lesser degree, and has seen its Main Street become riddled with vacancy. Unlike the other neighborhoods above, however, McKees Rocks is larger and has the opportunity to use all of the advantages that those communities have in part.

The Rocks has an industrial base that is stable and growing. Its infrastructure and proximity are also excellent, especially now that I-79 has become such a vibrant connection to the emerging industries and the Ohio River connects to where the next industrial boom is likely to occur. After some short-term inconvenience, McKees Rocks will be linked to the City of Pittsburgh by a five-minute drive down a greatly improved West Carson Street. It is in the process of branding McKees Rocks and Stowe Township as an entertainment center that complements the city's venues. And, after decades, the railroad is returning to McKees Rocks full scale.

The railroad was the driver of prosperity in McKees Rocks. The town was the home of Pennsylvania & Lake Erie Railroad (P&LE) maintenance repair facility and rail yards. Around it were supporting industries like Pressed Steel Car Company, Lockhart Steel, and other companies that supported those businesses. At its peak P&LE employed 10,000 and Pressed Steel employed 6,000 people. Those industries provided the customers for a supply chain, restaurants, contractors and raw materials. McKees Rocks population peaked at 18,000 in 1930.

The loss of the P&LE facility had a ripple effect on employment and residential property. McKees Rocks suffered declining prospects like many small communities in the first ring outside the City that were anchored to industry. What was different in McKees Rocks was that there were a number of small to mid-size businesses that remained operating in McKees Rocks irrespective of the fortunes of the loss of the main employers. These companies – many of whom serve the construction industry – were in McKees Rocks because of the proximity to Pittsburgh and the relatively inexpensive real estate costs.

Efforts to revitalize McKees Rocks coalesced with the founding of the McKees Rocks Community Development Corporation (CDC) in 2003. The CDC received a real boost when it received a Strengthening Communities Partnership grant of $500,000 per year as part of the state's Neighborhood Partnership Program. The grant assured funding for six years, beginning in 2004. The grant

CHARTIERS AVENUE M

recognized McKees Rocks' potential for turnaround and the efforts to that date.

The plan for revitalizing McKees Rocks focused on areas of opportunity within the borough and neighboring Stowe Township. The highest-priority area of opportunity was the lower portion of McKees Rocks, which had a lot of inexpensive and underutilized land. This area included the compact downtown and the shopping plaza adjacent to it. The strategy was to invigorate the strip mall with a new owner and new stores.

Trinity Development was the owner that was successful in acquiring the McKees Rocks Plaza with the plan of re-branding it with new anchors. Craig Rippole, Trinity's president and a McKees Rocks native, says that the prospects for the center were better than expected.

"What's attractive about McKees Rocks is what was attractive 100 years ago. It's a great location," says Rippole. "If you drive through McKees Rocks you

see lots of pizza shops and food shops and you wonder how they stay in business; but if you drive around more you see all these small companies there. The employment base is surprisingly strong. When you think of the fundamentals that retail experts look at to evaluate an area, McKees Rocks met them."

Trinity Development attracted a new Aldi grocery store and Rite Aid and rebranded the center as Chartiers Crossing. The developer also responded to another, more extensive project that was proposed in a strategic property down river from the shopping plaza.

Beyond the residential and shopping district is the former P&LE yard. The property spans 105 acres between the Chartiers Crossing and the Neville Island Bridge and lays half in McKees Rocks and half in Stowe Township. McKees Rocks CDC looked to attract a developer for what it called Rocks Industrial Park. In June 2011, Trinity Development announced plans to develop the McKees Rocks portion of the site with about 460,000 square feet of Class A industrial space. While the developer was managing the environmental assessment and cleanup, the property received two major shots in the arm.

The plan for revitalizing McKees Rocks focused on areas of opportunity within the borough and neighboring Stowe Township. The highest-priority area of opportunity was the lower portion of McKees Rocks, which had a lot of inexpensive and underutilized land.

In October 2013, freight giant CSX Corp. announced that it was going to build a $50 million intermodal facility on roughly 60 acres of the Stowe Township half of the P&LE site. The completed facility would not be a big employer – creating perhaps 80-100 permanent jobs on site – but the facility would be a magnet for support businesses.

A year later, movie company Island Studios announced that it would be the anchor tenant in the Rocks Industrial Park. Housed in a converted Island Avenue warehouse since 2008, Island Studios intends to build a new 80,000 square foot building later this year.

Taris Vrcek, executive director for McKees Rocks CDC, says they are also working with a few local manufacturers who are experiencing great growth and looking to expand as tenants for the Rocks Industrial Park. The success of the

industrial properties is a critical piece of progress for the redevelopment of McKees Rocks, but Vrcek says there has been progress on another front that he hopes will be even more catalytic to his hometown.

The crowning jewel of the CDC's efforts prior to the advances at the P&LE yards is the new Father Ryan Arts Center in downtown McKees Rocks. The center opened in 2008 and is the de facto community center for the town. It's also the first piece of a plan to anchor entertainment to McKees Rocks.

The Roxian Theater is being renovated as a venue for up-and-coming national acts.

Vrcek and community leaders see an opportunity to create venues for live music and drama that will make a niche for the arts in McKees Rocks. In 2013, Aaron Stubna re-opened the Parkway Theater after renovating the venue. Stubna shows independent films, kids movies, and has an apprenticeship program working with the local high school. The Parkway is an anchor for the Broadway downtown district, which attracted the 1905 Eatery, a restaurant that opened last year.

The key piece of this arts/entertainment strategy is the restoration of the Roxian Theater. The Roxian opened in 1929 and was converted to a banquet facility in 1980 but the balcony, stage and theater structure remained intact. The plan is to reopen it as a 1,500-seat live music venue. Architects Westlake Reed Leskosky are working on plans for the $6 million restoration.

"The Roxian fills a void in Pittsburgh for that mid-sized concert venue and an environment where you have grand theater experience with the acoustics and sight lines, just the experience of being in an historic theater," explains Vrcek. "We have been working with a potential private partner and looking to make an announcement in the first quarter of 2015. That private partner is also an equity partner and will be bringing to the table the majority of the funding for the project.

The Roxian opened in 1929 and was converted to a banquet facility in 1980 but the balcony, stage and theater structure remained intact. The plan is to reopen it as a 1,500-seat live music venue.

"What we're hearing from artists is that they want to be in that kind of intimate historic setting that is authentic," Vrcek continues. "We're offering something different here and we think that's going to appeal to artists."

"We're building a venue size niche that is specific and unique in Pittsburgh. Right now there's a gap between Mr. Smalls at 600 seats and Stage AE at 3,000," explains Jeb Feldman, manager of economic development for the CDC. "There are a lot of bands that kind of fit in that range as their careers and following are growing. In terms of this

The Father Ryan Arts Center was the kickoff of re-making McKees Rocks as an arts and entertainment hub.

being a music venue, we consider it a regional draw and fitting into the overall Pittsburgh music market."

One of the difficulties in redevelopment of "first ring" communities is finding a differentiating factor that will attract both residents and businesses. The suburbs that grew after World War II made each inner ring closer to Pittsburgh somewhat obsolete, but there is a sameness to the suburbs that is no longer as appealing. McKees Rocks is looking to capitalize on its characteristic advantages to create an identity that will be a draw for families and residents looking to be someplace different.

"Each neighborhood has its own look and feel. That's what makes them special and unique. Each has its own advantages. I think with Hollowood Music being here, with the Father Ryan Arts Center opening, with the Roxian, we're developing the music scene," says Vrcek. "This smaller music venue just opened up last year that we helped put together called Dead Horse Music Cantina, which is about a 200-person venue. The Parkway Theater has live music on Friday nights. So can we be Pittsburgh's Beale Street, that music center downtown that drives a lot of that experience? You're starting to see that kind of arts and entertainment vibe building for the downtown and creating an identity for the downtown."

"No community benefits from becoming just like another community so it's about highlighting and enhancing the uniqueness of the place." Feldman agrees. "I think it's really important and key for us in our redevelopment efforts to make sure that we are enhancing the architectural uniqueness of the place, saving the older buildings and not becoming another neighborhood in Pittsburgh but a special one that's unique and has its own attributes."

Pairing an arts and entertainment vibe with a new industrial economic base is a recipe for success that most communities would relish having. McKees Rocks proximity to Pittsburgh's lifestyle amenities is among the best in the region. The community lies along rail infrastructure that makes it an ideal candidate for extension of a regional transit system. There are a lot of factors that are lining up in favor of McKees Rocks for the next decade. The key missing ingredient seems to be awareness of the possibilities.

"The biggest hindrance to Pittsburgh's growth is a lack of shovel-ready sites," notes Rippole. "McKees Rocks has land that is flat and ready to develop. People just haven't put it on the radar yet." DP

22nd ANNUAL AWARDS BANQUET

DAVID L. LAWRENCE CONVENTION CENTER

MARCH 5, 2015

NAIOP

COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION

PITTSBURGH CHAPTER

5:15 PM RECEPTION
6:30 PM DINNER AND AWARDS
9:00 PM NETWORKING AFTER PARTY

Member table $1200
Non member table $1500
Member single $150
Non member single $175

PRESENTING SPONSOR :

Columbia Gas of Pennsylvania
A NiSource Company

PLATINIUM SPONSORS :

Meyer, Unkovic & Scott LLP Attorneys at Law
MILLCRAFT INVESTMENTS
Cranberry Business Park
Horizon Properties Group LLC
Chaska Property Advisors
Washington County, PA Energy Capital East
Pittsburgh Business Times
Gateway
TriState Capital
Bakery Square
Walnut Capital

GOLD SPONSORS :

BDO
Blumling & Gusky
Buchanan Ingersoll & Rooney
Chapman Properties
Civil & Environmental Consultants
CREW Pittsburgh
Desmone Architects
Grandbridge Real Estate Capital
Imperial Land Corporation
Jendoco Real Estate
KU Resources
Newmark Grubb Knight Frank
Pennoni Associates Inc.
PNC Real Estate
RIDC
Sampson Morris Group
S&T Bank
The Elmhurst Group

RECEPTION SPONSOR : Pittsburgh Regional Alliance

AFTER-PARTY SPONSOR : Continental Building Systems

PRESENTATION UNDERWRITER : Dollar Bank

PARKING UNDERWRITER : Huntington

MEDIA SPONSOR : Tall Timber Group

NAIOP Pittsburgh Chapter

412-928-8303

www.naioppittsburgh.com

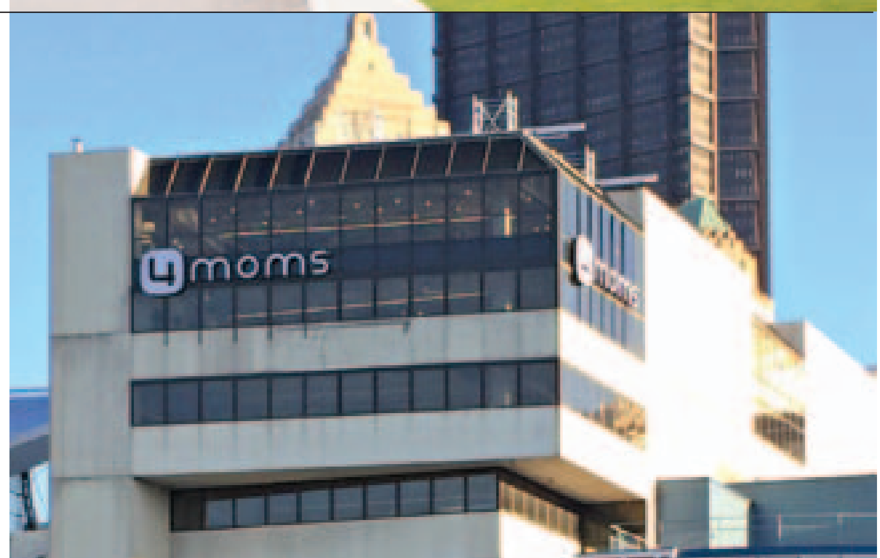
Best Build-to-Suit

Ansys Corporate Headquarters,
Zenith Ridge

100 Zenith Drive, Southpointe
The project is new construction of five stories and 186,000 square feet. The site-cast tilt-up building was completed in fall 2014.

DEVELOPER: Burns & Scalo Real Estate Services
CONTRACTOR: Clayco Construction Corp.
ARCHITECT: Forum Studio
TENANT'S ARCHITECT: NEXT Architecture

Best Renovation



912 Fort Duquesne Boulevard, Pittsburgh

The project is a renovation of a ten-story, 132,366 square foot Class A office building, which was renovated in 2013 and 2014.

DEVELOPER: The Elmhurst Group
CONTRACTOR: LYN Development
ARCHITECT: Strada Architecture LLC

Best Mixed Use

Southpointe Town Center
Southpointe II

The multi-building mixed use development includes 112,669 leasable square feet of office over retail space. The project was completed in August 2014.

DEVELOPER: Horizon Properties
CONTRACTOR: Rycon Construction
ARCHITECT: Cooper Carry & Associates

NAIOP AWARDS

Best New Park

Pittsburgh International Business Park
Cherrington Parkway Extension, Moon Township
Begun in 2012, Pittsburgh International Business Park will have six flex office buildings totaling 360,000 square feet. As of February 2015,
three buildings of 159,000 square feet have been completed and a fourth, 53,000 square foot building is under construction.
DEVELOPER: Continental/Chaska LLC
CONTRACTOR: Continental Building Systems Inc.
ARCHITECT (Buildings 100-110-210)
WTW Architects
ARCHITECT (Building 300) NEXT Architecture

Best Renovation – Industrial

Transformation of the Heppenstall Building for Carnegie Robotics
4501 Hatfield Street, Pittsburgh
The project was a renovation of 50,560 square feet of a former mill, completed in September 2014. The $2.5 million renovation included new HVAC, under-floor hot water radiant heating, new electrical service, structural steel, reconstructed concrete and epoxy-coated floor, storefront, and new roof.
DEVELOPER: Regional Industrial Development Corp.
CONTRACTOR: Franjo Construction
ARCHITECT: Desmone Architects

Supporter of Development Sam Spatter

Samuel L. Spatter was a pro's pro to his co-workers, a journalist whose advice was sought by developers and real estate agents alike, and perhaps most importantly, a loving, dedicated husband, father and grandfather.

It was fitting that Sam passed away on his way to work one week after celebrating his 87th birthday, and finished writing his last story — about the development at the former Schenley High School — two days earlier.

"Sam was the consummate professional," said Managing Editor Jim Cuddy Jr. "We benefited greatly from his experience and knowledge of Pittsburgh. We will miss him."

His impact on the real estate industry in Pittsburgh went beyond the newspapers for which he wrote. Mr. Spatter is remembered fondly by those that he covered as well.

"I've been in this business for 30 years, and when I was a 21-year-old developer, and I was trying to get coverage for a project, Sam took the time to talk to me," said Jim Scalo, of Burns & Scalo Real Estate, recalling the days Mr. Spatter was real estate editor for The Pittsburgh Press.

"Sam told me, 'When you have steel in the air, I'll come out and take a picture. All you have is a rendering, which means it may not be built. Steel in the air is a story,' " Scalo said. "I never forgot that, and I always talked to him when he called. He will be missed; he was a great man and legend in the real estate business for a long time. He was a man of the people and enjoyed what he did. It's great that he worked right to the end. That's a testament to Sam."

Sam Spatter visits with former President Bill Clinton.

Lucas Piatt, chief operating officer of Millcraft Industries Inc. of Washington County and Pittsburgh, echoed Scalo's comments about his more recent experiences with Spatter.

"Since I've been involved in the city, Sam was always on top of the story. He was very trustworthy, and he always knew what was going on," Piatt said. "He lived a great life, and I considered him a great friend. It was always a good conversation with Sam; he loved Pittsburgh."

Mr. Spatter earned a bachelor's degree in journalism from the University of Pittsburgh. He was an officer in the Army Reserve, retiring as a colonel.

His first newspaper position was with the former Valley Daily News in Tarentum in 1952. He worked in Equitable Gas Co.'s public relations department and in the city of Pittsburgh Planning Department as public information officer before joining The Pittsburgh Press in 1966.

Mr. Spatter became the paper's real estate editor four years later, a position he held until the newspaper ceased publication in 1992. He began writing for the Tribune-Review in 1994. He was the longtime real estate writer for the Tribune-Review and a recipient of a Lifetime Achievement Award from the Realtors Association of Metropolitan Pittsburgh,

Mr. Spatter is survived by his wife of 27 years, Sara Spatter. He is also survived by three children, Susan Lyn Breitenbach, Susan Booth and Megan Finkelstein; a sister, Ellen Lowenberg; and seven grandchildren.

NAIOP AWARDS

Developer of the Year
Walnut Capital Partners

Gregg M. Perelman brings more than 25 years of high-energy entrepreneurism and visionary leadership as founder and CEO of Walnut Capital, one of Pittsburgh's largest and fastest growing real estate management and development companies. Under his leadership, Walnut Capital continues to carve its role in Pittsburgh's revitalization. In addition to investing over $500 million in new construction and historic renovation at properties in high impact neighborhoods, Walnut has brought to life a dozen shopping centers and transformed blighted landscapes into economic engines – most notably the $300 million nationally recognized Bakery Square mixed-use developments.

Walnut Capital's $300 million Bakery Square development has had a transformational impact on the East Liberty neighborhood.

As a severe economic recession was beginning in 2009, Walnut Capital broke ground on their largest project to date, Bakery Square. The LEED-certified historic rehabilitation of the former Nabisco Bakery proved a resounding success attracting prominent business tenants such as Google, and hip urban retailers like Anthropologie and West Elm. With its 217,000 square feet of office space 100 percent leased, Walnut Capital broke ground on Bakery Square 2.0 in 2013. The project continues its sustainable and innovative redevelopment strategies and transforms another highly visible vacant property. At full build-out, the project will triple the amount of office space to more than 600,000 square feet, add more than 500 residential units and bring the total of onsite high-end job creation to more than 3,500 full-time, quality jobs, 800 construction jobs and 1,000 spin off jobs.

Gregg's deft business development and management expertise can be traced to the 1980s when he turned his father's drug store into the nation's leading provider of outcome-oriented pharmaceutical care, with revenues exceeding $250 million. Offering pharmaceutical care, social services and insurance management to patients suffering from life-threatening diseases such as HIV/AIDS and cancer, Stadtlanders' customer-focused business model not only created a new health-care delivery system, but improved customers' quality of life and decreased medical costs.

Only a year after selling the company in 1996, Perelman turned his entrepreneurial zeal and customer-focused philosophy to the real estate market. A "hands-on" CEO, he remains instrumental in implementing Walnut Capital's aggressive acquisition and development strategy, which includes collaborative partnerships with public and private stakeholders like Carnegie Mellon. Whether it is new hotels, innovative office space or high-end residences, Walnut Capital's many developments such as Beacon Commons, the historic renovation of the Highland Building, and their Strip District hotel project provides essential quality space for the growing Pittsburgh economy.

Walnut's developments are widely recognized as a key factor that is helping to contribute to Pittsburgh's long-waited "brain gain." More than half the residents at its Bakery Living project moved to Pittsburgh from other cities. The Bakery Square developments have been noted in national publications such as the USA Today and the New York Times. In 2014, President Obama picked Bakery Square as the site to announce a new national high-tech manufacturing initiative.

Coming and Going: Gov. Tom Wolf and De Peart

On January 20, Tom Wolf of York was sworn in as 47th governor of the Commonwealth of Pennsylvania. The governor took time from the busy first weeks of his new administration to answer a half-dozen questions from DevelopingPittsburgh and NAIOP Pittsburgh.

DP: What are your priorities for the first 100 days of your administration?

Governor Wolf: My focus is on three main tenets: jobs that pay, schools that teach and a government that works. I will work diligently to address the Commonwealth's $2.3 billion deficit, spur economic growth and produce government savings through innovative new programs, and restore the public's trust in government.

Pennsylvania Governor Tom Wolf

DP: What are some of the strategies you feel will attract businesses and good jobs to PA?

Wolf: State government must play a strategic role in "setting the table" for private sector investments and economic growth, by making key investments in education and workforce development, and 21st Century communications and trade infrastructure; attracting investments in research and development of new products; and expanding Pennsylvania's role as a transportation nexus between suppliers, manufacturers, and major U.S. and world markets. With our focus on these goals and more, I know we can grow the economy and build a stronger Pennsylvania for all residents.

DP: After traveling Western PA during the campaign what specific assets did you see that will attract business?

Wolf: Western Pennsylvania has been able to leverage its incredible infrastructure, economic and educational assets to create a 21st century economy. It has some of the best universities in the world, a valuable port and proximity to the Midwest. As a result of these assets, the region has seen tremendous growth in sectors like technology, health care, and many start-up industries. I hope we can use this economic development model and replicate it across the Commonwealth.

DP: What are your plans for the Commonwealth's RACP program and what role do you feel the state government has in facilitating private development vs. public development?

Wolf: The Redevelopment Assistance Capital Program can be very helpful to cities, but grants alone aren't the whole solution to urban and suburban problems. I will work with Secretary Davin to evaluate every avenue available to the Commonwealth and find the best mix of solutions to create jobs that pay and improve our communities.

DP: What plans do you have for streamlining or improving the review process by the Dept. of Transportation and Dept. of Environmental Protection for new commercial development (i. e. inconsistency among offices, length of time for approval)?

Wolf: Recently, I launched the Governor's Office of Transformation, Innovation, Management and Efficiency. This office will be tasked with finding solutions to streamlining processes to better deliver services, streamline overly complicated processes and innovate the way state government does business. Looking at how we facilitate new developments will certainly be part of our efforts.

DP: Are you a proponent of adding to the infrastructure improvement program that was instituted by the 2013 transportation Act 89?

Wolf: Right now, we are focused on implementing Act 89 and making sure the process is as efficient and cost effective as possible. This is why I have kept Barry Schoch as a senior advisor. Transportation and infrastructure are vital for our economy to grow, so I will continue to work with Acting Sec. Leslie Richards to identify and address areas for improvements. But, we must move beyond just fixing the roads and bridges, and begin to position Pennsylvania as the "Keystone" for moving goods to major markets in the northeast and Midwest. One of Pennsylvania's greatest assets is its geographic location, and we must utilize this to build a 21st century transportation and infrastructure system.

On January 30, Dewitt Peart left his multi-faceted role as president of the Pittsburgh Regional Alliance and Greater Pittsburgh Chamber of Commerce, as well as executive vice president economic development and government affairs for the Allegheny Conference, to join the Downtown Austin Alliance as CEO. Peart joined the Allegheny Conference on Community Development in 2004, after two years as a contract employee in partnership with NAIOP Pittsburgh working on government affairs.

De Peart

Peart's career at the Conference followed 22 years in private development working for Space Center, a large industrial developer in Minneapolis, and more recently for Value Properties in Ambridge. A native Pittsburgher, Peart sat down with DevelopingPittsburgh publisher Jeff Burd to talk about his new opportunity and his time working with the commercial real estate community in Western PA.

Burd: So why are you leaving us? What is the new position in Austin?

Peart: (Laughing) It's a good opportunity for me. It's a CEO position so I get to run the show, so to speak. The job is different from what I've been doing here. [Austin Downtown Alliance] is a public improvement district focused on the downtown Austin area, making downtown Austin more vibrant. The building owners, the investors and developers are the board of directors and the intent is to make the quality of place in Austin better. They have different challenges than we have in Pittsburgh. They have experienced tremendous population growth. Austin was the second fastest-growing city ranked by Forbes in 2014, but had been fastest-growing the previous four years.

They've got issues with transit and need a better transit system and that's part of what I'll be working on. They have downtown parks but not what we'd consider an urban park. And with all the population growth there are problems with affordable housing.

I've done this ten years and I'm a firm believer that you need to bring fresh ideas and fresh blood into the equation every so often. We just celebrated the 20th year at the PRA. When I think that the PRA has been here 20 years and I've been doing this for half of its existence I can't believe it. David Shapira was instrumental in getting it started and now his daughter, Laura Karet, is chair of the PRA, so we've kind of come full circle.

Burd: What are you happiest about your tenure at the PRA?

Peart: My involvement with the Conference going back to 2000 and 2001 was really NAIOP and the conference in partnership working on a couple of initiatives. That activity – back then we called it the Regional Development Consortium – was a partnership looking at things like transportation and the I-79 missing ramps. When I think back, when we started talking about it in late 2001 and started working on the implementation in 2002, I think this idea of partnerships is probably the biggest achievement, working together as a region to get things accomplished. I look back and say that was really when it all started to get traction.

The Mehrabian report in 1994 and the Working Together Consortium laid out the plan [for] how this region could regenerate itself, but the idea of the Pittsburgh Regional Alliance, working as a region to market itself, it took a while to get that established. I think in the early 2000s we started to demonstrate that we could get that done. In my mind, it was the development community that took a vocal role in making that happen. The development community tends to be on the front line of what's happening.

The role that the public sector plays in development, bringing the right infrastructure to the right places was the key. That dialogue started, beginning to meet with [Southwestern Pennsylvania Commission] and having the conversations and getting the whole region acting together. Going back to those missing ramps, I remember talking to Butler County about why it was advantageous for Butler County. When you look at when Westinghouse made their decision, one of the criteria was access to the airport and without those missing ramps you couldn't do it. It all started with people regionally working together and the development community, I think, played a key role in getting that ignited.

Burd: When did you get involved with the NAIOP Pittsburgh chapter?

Peart: I joined the chapter in 1994 when it was pretty new. I'm not sure exactly when it started but when I joined there were maybe 40 members. Ron Tarquinio got me involved and they made me an officer right away, secretary, and I was president of the chapter in 1998 and 1999. It made a big difference for me in looking at economic development. If I had never gotten involved with NAIOP I would never really have thought about economic development the way I do today. That sort of got my juices flowing about how important it is for the private sector and the public sector to work together.

[Developers in] NAIOP made the business case for working together with government. I think it demonstrates why the private sector and public sector need to work together. You don't need to be at odds. Figure out what the issues are and there's always a way to solve problems. What happened here in Pittsburgh is an example of that. I know at the national level when NAIOP chapters are talking about what's happening in their cities, what has happened in Pittsburgh is always an example of that cooperation.

I initially got involved because I was thinking of my career and the educational benefits to it, which I heavily believe in. It is focused on developers and having worked for a developer it made all the sense in the world. But then quickly at the first meetings we're starting to talk about how important it is for the region to market itself, to plan regionally, to market regionally. I remember going to meetings where Ron Tarquinio was basically preaching that we needed to get our act together as a region and I started to think to myself that he was absolutely right.

Pittsburgh was one of the first regions that really organized itself. There are a lot of regions that have modeled themselves after what we did here. There was a need to keep regenerating or improving ourselves. When you think about 70 years ago, the leaders of the Allegheny Conference and Mayor Lawrence talking about quality of life, cities and regions didn't talk about quality of life. If you're going to attract talent and keep talent you have to have quality of place. Pittsburgh was one of the first places to do that. Even throughout all the years, the staff here was smart enough to see that they really needed to engage the private sector. Sure, the CEO's of these major corporations could sit in the room but the developers were on the front line. They knew what the issues were, that the lack of infrastructure, the lack of sites was inhibiting our growth. It's to Pittsburgh's credit to have that strong civic leadership. It is the model.

Burd: What's the favorite deal you've been involved in? What's the home run?

Peart: Is there a home run? That's a good question. It wouldn't necessarily be the biggest one. I've never really thought about which is my favorite because I think in the aggregate it all feels good. When you look at how we've done comparatively with other regions, how we're ranked in the top ten for so many years for deals, that's what really feels good. We're competing region to region. It's not per capita; it's straight up competition. This new GE project that was announced, the additive manufacturing, that might be a good example of one that I'll think back on when I'm 75 or whatever and say everything that we as a region did worked to make that happen. If you think about location, within proximity to an interstate highway, if we had never gotten I-376 designated it wouldn't have been an interstate. The Findlay Connector got built so there was access to it. We worked with Business in Our Sites, the stimulus plan that brought water and sewer to that site. We helped Imperial Land and Findlay Township get the sewers to the site. "America Makes", the additive manufacturing Federal grant, located the facility in Youngstown but it's a tech belt regional initiative, a $60 million grant for additive manufacturing. All those pieces put together created the success: a pad ready site, with infrastructure on an interstate, with a workforce, with the training and universities willing to partner together, all of the ingredients that you need. And it was a national competition. Looking back, that may be a classic economic development deal that most people won't connect all the dots.

Burd: What do you think is the key for the continuation of Pittsburgh's transformation over the next decade?

Peart: I think we need consensus around a regional transportation plan with steps for implementation that looks at what is needed to keep Southwestern PA competitive leading us into the rest of the century.

Burd: Any regrets?

Peart: Personally I have no regrets. It is an emotional time to pull up and leave but it's time. There are other people out there who need to have a chance to get involved and make a difference. This place, the people that work here in the conference, outside these walls not many people see it. I know the leadership does but there are great things that go on here in terms of civic improvement that most regions around the country, around the world haven't been able to figure it out and we actually do it. Is it pretty? Very rarely but it doesn't have to be. We all have the right intentions in mind and the thing that we can do is at least work together side by side. DP

The proposed 158,000 square-foot office building at South Side Works. Rendering by DLA+ Architecture & Interior Design.

Highwoods
PROPERTIES

Highwoods Properties

Pittsburgh's newfound prosperity has attracted the attention of investors and real estate companies from around the globe. Raleigh-based Highwoods Properties is one of those companies. Unlike others who have invested in Pittsburgh properties and projects, Highwoods saw potential for a long-term relationship and invested in Pittsburgh people as well.

Highwoods was founded in Raleigh, North Carolina in 1978 by a group of local businessmen who had a vision of regional success. According to Highwoods' Chief Operating Officer (COO) Mike Harris, the original partners were successful but not necessarily experienced in commercial real estate.

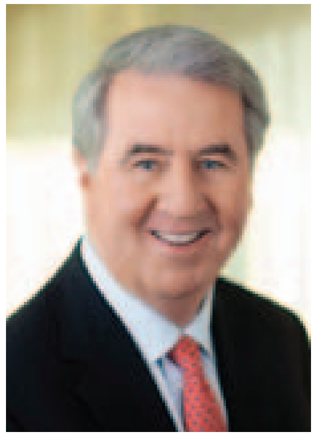
"Some of them had dabbled in real estate or other industries but they clearly saw a vision of Raleigh growing," Harris explains. "They acquired the 100-plus acres at the corner of Capital Boulevard and what is today the Beltline, I-40, for an office park. Remember this was 1978, post-recession; it was interesting times. They hired a guy by the name of Ron Gibson, who was with Koger Properties. Koger was a company that had office parks throughout the South."

Gibson led the company into development in a fairly traditional manner, building a small spec office, landing a build-to-suit client, building more spec offices as the leasing activity accelerated. Raleigh was experiencing rapid growth in the 1980s and Highwoods took advantage of the economy and grew as well. "They had success for around 12 years until the late 80s and early 90s when the world went kind of dark on real estate," recalls Harris. "We had a very deep, deep recession in real estate like we hadn't had in many years. To their credit, Highwoods never defaulted on a loan and stayed afloat."

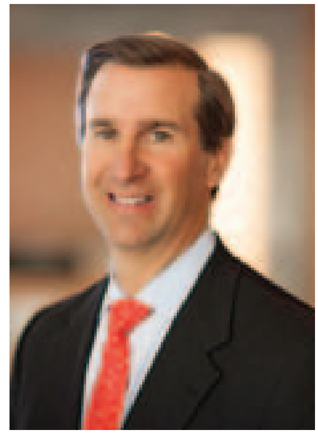
Commercial real estate's woes during that period were the result of tax-incented overbuilding and a major credit crisis, somewhat like that experienced in 2008. The savings-and-loan crisis was at the heart of the problems. Deregulated savings-and-loan companies had extended credit well beyond the experience of the industry. When the Reagan-era tax incentives were eliminated in March 1986, the resulting domino effect of defaults hit S & L's hardest and one-third of the institutions closed between 1989 and 1993. This credit crisis damaged the financing for real estate during the recovery. But by the early 1990s, the major investment banks developed a way to revive the once popular real estate investment trust (REIT).

"Wall Street found a way to recapitalize commercial real estate and came back with the REIT format with the public," says Harris. "So Highwoods decided to go for it and went public. This was in June of 1994 and Highwoods did an IPO. It was a $250 million IPO. What that $250 million did was allowed them to acquire assets, including the Highwoods campus where we sit today."

Throughout the remainder of the decade, Highwoods grew through a strategy of mergers and acquisitions. Harris says that the company looked at businesses with good assets but also good people. The company expanded throughout the South, from Richmond to the north, South Florida in the southeast and Kansas City to the west. By his recollection, Highwoods went through six or seven major acquisitions and development deals, "we call it the great pie eating contest," jokes Harris, until the dot com bubble burst. The end of that extended period of economic expansion again dried up financing. Highwoods found itself with a poor balance sheet. The recession that followed the dot com bubble and then the September 11, 2001 attacks effectively brought the second phase of Highwoods Properties growth.



Mike Harris



Highwoods CEO Ed Fritsch

"Wall Street found a way to recapitalize commercial real estate and came back with the REIT format with the public," says Harris. "So Highwoods decided to go for it and went public. This was in June of 1994 and Highwoods did an IPO. It was a $250 million IPO. What that $250 million did was allowed them to acquire assets, including the Highwoods campus where we sit today."

"We had a pretty good case of indigestion from overbuying and realized we need to step back and put together a strategic plan for how we are going to handle this," recalls Harris.

At this same time Ron Gibson retired and the company reorganized in 2003. The transition of the management team put Ed Fritsch in the CEO position, with Mike Harris elevated to COO. Fritsch, Harris and the new management team put together a strategic plan for the future that focused on people, portfolio, communication and balance sheet. The strategic plan was rolled out on January 1, 2005. Ten years later the plan is still in place.

Among the highest priorities was the sale of non-core assets. Beginning in 2005, Highwoods began the task of analyzing the many properties that had come along with its acquisitions and weeded out those that didn't fit with their core portfolio. Using the proceeds of those sales to pay down debt, Highwoods cleaned up its portfolio over the following three years. Those turned out to be years when commercial real estate was appreciating rapidly and cash was chasing deals. Mike Harris candidly admits that their good timing was somewhat out of necessity.

"We were in something of a survival mode. It was a great time to be a seller," Harris says. "But we had to have the discipline at the same time to not be a buyer because it would have been easy at that time to get caught up in the frenzy and overpay for assets. Our goal was to clean up our balance sheet. We had to take the proceeds, pay down debt, and primarily develop better assets." Some of the asset sales moved them out of markets but Harris says even that was for the better. "We like to be a big dog on a small porch but in some of those markets we weren't really on the right porch."

The timing of Highwoods "indigestion" and self-discipline about cleaning up its balance sheet couldn't have been better. While it may have seemed to many that Highwoods missed out on the booming years in mid-decade, the accelerating asset prices accelerated the company's return to health. In 2008, when the financial crisis triggered a deep recession and steep decline in real estate values, Highwoods had dry powder and a clearer definition of the

company's direction and focus; in fact, Highwoods was one of the few REIT's that did not cut its dividend during the next few years.

The company began looking at new markets to enter and one of them was Pittsburgh. As the management team assessed their position they felt that going into a gateway market – New York or Los Angeles – was out of their comfort zone, so they were looking at secondary market cities.

"During this time I have to tell you that Pittsburgh wasn't really on our map but, believe it or not, we have a lot of people in this company from Pennsylvania, Western Pennsylvania, who have Pittsburgh roots and they started whispering in our ears that we ought to think about it," says Harris. "We just loaded up and visited Pittsburgh for about three days and started looking around, taking the typical tour of the city. Every time we had up there we came back pleasantly surprised. I'm a banker from way back and used to bank with some of the companies that were in Pittsburgh in the early 1970s, when Pittsburgh wasn't such a great place. I was a bit of a naysayer at first but I saw what a great job the city had done to transform itself from that time to what it is today."

The management team loved the people and the interest that Pittsburgh's leaders had in Highwoods' entering the market. They like the diversity of the economy, its foundation on education, research and medicine. Harris says the beginnings of the Marcellus Shale exploration were apparent, but that the natural gas industry was to them at the time icing on the cake. The question then became how Highwoods would enter the market.

"We wanted to come into a new market by making a splash. We really felt that when we looked around at the iconic assets, what really stood out was PPG Place," recalls Harris. "It so happened that the Hillman family was interested in selling the asset so we threw our name into the hat and worked pretty hard with the brokers. We got very close to the people representing the Hillmans and they did a lot of due diligence on us too. They made it very clear that they wanted that asset to go to someone who was going to be a good steward of it, not just for our shareholders but for the city of Pittsburgh.

"We were not the high bidder as I understand it, but I think they felt we wouldn't be passive owners but would put our corporate flag on it and invest in it for the long term," he continues. "We have a term for it. We call it 'Highwood-tizing' it. I don't know how you spell that but it describes what we do to an asset once we buy it, how we very meticulously invest in it. Some of it you'll never see and others are very obvious aesthetic changes."

After being skeptical about Pittsburgh to begin with, Highwoods' team found itself in the position of becoming cheerleaders to sell their investors on PPG Place and the city. They put on a full-court press presentation in December of 2011 and succeeded in making all the investors who were present in Pittsburgh as enthusiastic as they were.

One of the first orders of business after the sale was to put together a team in Pittsburgh that would help Highwoods lease up the 1.6 million square foot PPG Place, which stood at 81 percent occupied, and to build its presence in the region. Terry Kennedy was hired as asset manager, a Pittsburgh native who was happy to move back to the city. Highwoods then set its sights on finding the market's division leader. In the process of interviewing and negotiating with brokers, Highwoods dealt with Andy Wisniewski (with CBRE at the time) several times and felt there was a fit with Andy.

Andy Wisniewski

"Andy's a Highwoods kind of guy, with his background, 20-plus years of experience in real estate. He knew Pittsburgh and had put down roots there," Harris says. "We were able to convince him to move over to Highwoods and now had the basis for a successful office in Pittsburgh."

Wisniewski was not in the job market when he began dealing with Highwoods at PPG Place. His career at CBRE traced back 24 years to the Galbreath days and he says he was at a point in his career where he wasn't interested in a career change. His initial contact with Highwoods was a sales call.

"We made a pitch to them to represent PPG Place," Wisniewski says. "I was impressed by the quality of the organization and of the people. They approached me about joining the company and I was intrigued about joining them. It was important to me that they were a long-term hold kind of owner after being 24 years at the same place."

As Highwoods spelled out their plans and expectations for a division vice president, Wisniewski was sold on the opportunity.

"They set up their offices to run the division as your own business. I think it's very effective to have the landlord in town," he explains. "It's very customer-driven. We don't refer to our customers as tenants. Both properties Highwoods acquired were well-maintained and operated and they expect to continue to maintain them at a high level. As a landlord, Highwoods is very broker-friendly. We have the ability to pay a broker within 24 hours of a transaction."

Wisniewski's charge as a division head was to be a rainmaker, to find other deals for the company. The strategy was to find another Class A asset in Downtown that would allow Highwoods to leverage their property management team in place. That next asset turned out to be EQT Plaza, a 616,000 square foot, 32-story office building that was over 92 percent leased. The acquisition closed in December 2012, bringing Highwoods' assets to 2.2 million square feet in its first year in the marketplace.

Harris says that the two acquisitions hardly whetted their appetite and his question to Wisniewski is always what the next deal will be. Although Highwoods is categorized as a suburban office REIT, the management team now looks at the company as a CBD-infill business, principally looking for infill buildings in the CBD or what Harris calls BBD, or 'best business district.'

"It doesn't necessarily have to be in Downtown. It can be a mid-town type location but it needs to be close to Downtown, someplace that is walkable," Harris notes. "We really think the world is going to a more [walking] than a driving-type situation. BBD's aren't always in the Central Business District. In Pittsburgh it happens to be Downtown but in a place like Atlanta, for example, the BBD is in Buckhead, which is just north of Downtown." That 'best business district' definition for Highwoods takes in parts of the city that aren't between the rivers. Harris points to the North Shore transit access and the proximity of commercial businesses just across the river from Downtown as the kinds of accessibility that many other cities don't have. He says the company is bullish on Pittsburgh because of its economy and opportunities for development so close to the center of the city.

Highwoods wanted to develop something ground up next and South Side Works offered all of the things Harris talks about in terms of the BBD atmosphere. The property gave it a chance to develop infill where shopping, working and living were already established within a walkable community. Wisnieswki's team began working with the Soffer Organization and the Urban Redevelopment Authority to look at developing some of the remaining property along the river that was designated for office use. After more than a year of negotiations, the four-building Highwoods at South Side Works was announced in October 2014.

The 400,000 square foot mixed-use project will be built just to the west of the Hofbrauhaus and will kick off with a 158,000 square foot office building. The start of the project will depend on the success of pre-leasing but Mike Harris is optimistic about the chances of landing an anchor and building out the property.

"We think the stage is set for growth down there, when you look at folks like Google making a big play in Pittsburgh. You also can't underplay the importance of Carnegie Mellon and University of Pittsburgh, the institutions of higher learning. It's not dissimilar to what we have here in North Carolina. That's a big catalyst for growth in these markets," Harris says.

"There has been a lot of interest in the location and a lot of interest in Highwoods' ability to perform," notes Wisniewski. "Having the ability [as a REIT] to act without financing allows us to react very quickly. That's a big advantage." DP

Quality….Begins with people who care

Congratulations! Chaska Property Advisors and Continental Real Estate Companies

Pittsburgh International Business Park

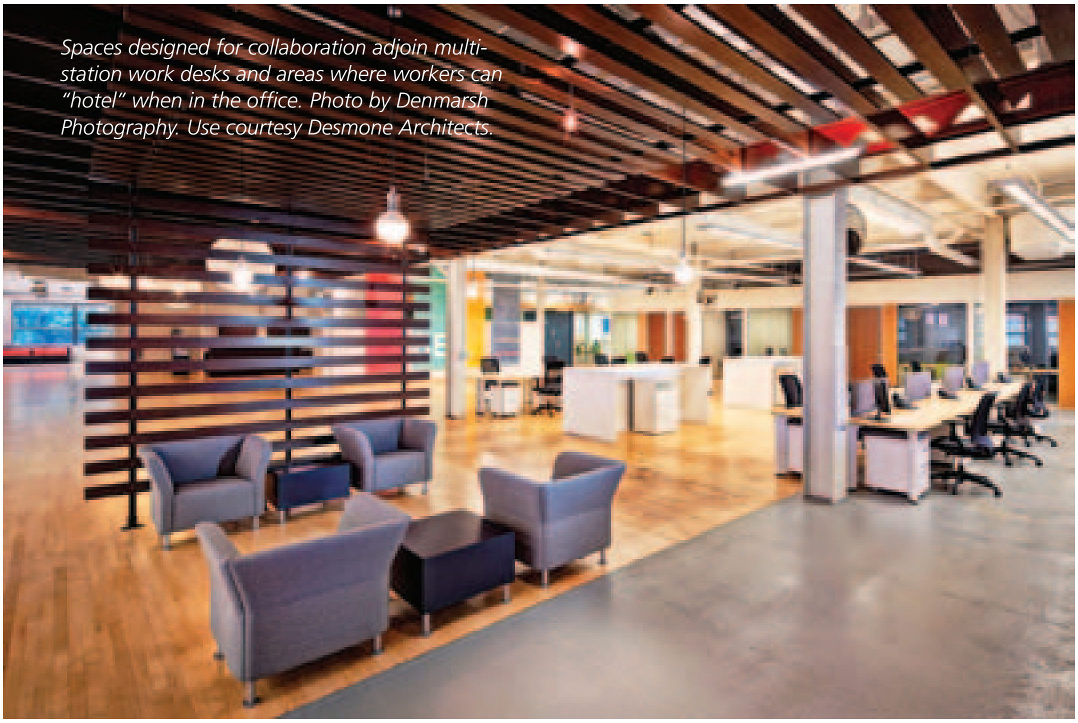
2015 NAIOP Best New Park Award

CONTINENTAL BUILDING SYSTEMS

GENERAL CONTRACTOR / CONSTRUCTION MANAGER

412-464-8933
www.continental-buildingsystems.com
Pittsburgh, PA / Columbus, OH / Cleveland, OH
Ranked as a top 100 Green Contractor

OFFICE•RETAIL•STUDENT HOUSING
WAREHOUSE / INDUSTRIAL•HEALTHCARE•EDUCATION
ASSISTED LIVING•INTERIOR / EXTERIOR RENOVATION



Spaces designed for collaboration adjoin multi-station work desks and areas where workers can "hotel" when in the office. Photo by Denmarsh Photography. Use courtesy Desmone Architects.

How Different is the "New" Office?

In a somewhat unlucky change in fortune, the cyclical recovery of the commercial office market has coincided with several significant trends in office utilization that are changing how much space is being used. Just as a better jobs market is driving business expansion, the way space is being used is limiting the demand for the space that businesses need.

Changes in how people want to work and what they expect from life, along with even more advances in technology, have significantly altered what an office looks like and how much space each worker needs. This isn't a new trend but the curve is steepening. Much like when personal computing and telephony was changing rapidly in the 1980s and 1990s, the current changes may be reversed in the future. But until that time, office owners and developers would do well to expect office requirements to be different.

"We're seeing bigger floor plates and more open plan to have more flexibility," observes Jim Scalo, CEO of Burns & Scalo Real Estate Services. "I was sitting with a 100,000 square-foot user [recently] doing some programming and I said that whatever we do will be wrong. I told him that his company was growing so fast that we had to build flexibility into whatever we came up with."

Businesses that have survived and thrived post-recession have had to do so in a more competitive environment, regardless of the industry. The deployment of new technology has been an important part of any successful company's competitive strategy. Secure mass storage of data and digital security created the space that cloud computing and mobile computing now occupy in the business world. That has changed how people work but also some fundamental physical requirements, like for document storage and filing systems.

This post-recession era has coincided with a major demographic shift, as America's large Baby Boomer workforce has begun to retire and a new, even larger generation has begun to mature into the workforce. The lifestyle expectations of the American worker in the wake of the recessionary stress are changing. People are less willing to spend as much time away from home and with the emerging technologies, work can be done away from the office, even for professions like the law.

Regardless of whatever demographic or technology trends exist, the ultimate driver behind the changing office environment is the business case. For Gerry McLaughlin, executive managing director of Newmark Grubb Knight Frank's Pittsburgh office, the trend is not new.

"I think it's always a business decision. Everybody is trying to reduce costs wherever they can," he says. "In Pittsburgh, rental rates continue to go up. One way to control that is to be more efficient in how you use the space to reduce the cost per square foot. It's been a steady transition. It used to be that offices had 300 or 350 square feet per person. Law firms were even more than that. Now we're seeing users in

Collaborative work spaces at Ansys's new headquarters. Photo by Mike Leonardi of Candidly Yours Photography. Use courtesy NEXT Architecture.

all facets getting down to 150 square feet per person. Law firms may never get to that number but corporations certainly are."

While cost control may be squeezing space, austerity isn't necessarily pervasive. "We're seeing heavier finishes. People want their space to be nice," says Scalo. "Amenities in suburban offices are as important outside as inside. We're putting in outdoor grills, walking trails and areas to play. It's about lifestyle as much as workspace."

Burns & Scalo is in the process of building or completing four buildings totaling more than 525,000 square feet, of which 360,000 square feet is speculative. CH2M is a tenant in one of those buildings and its architectural group – IDC Architects – is working on a number of large office plans like Scalo describes.

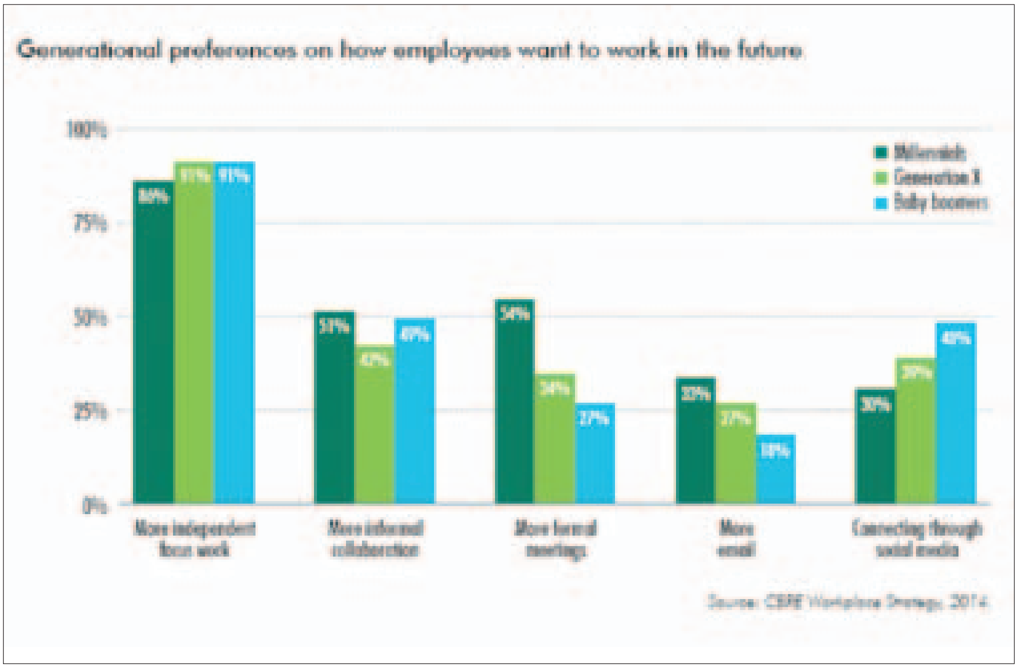
"There is always a certain driver [for open floor plan], which is budget. One of the things about open plan is that you can put more people in less space. We went from 40,000 square feet to 30,000 in this space," notes Jeff Murray, director of architecture at IDC. "Another piece is mobile technology allows people to work more

flexibly, so space can work better than in the 1980s when the ideas were first introduced. Third, I think that collaboration and teamwork are critical to a company's success so we create more space where interaction can occur."

Gerry McLaughlin cited the example of some of Heinz's newer space, which takes the open floor plan past cubicles and "hotel-ing" of offices, a practice where workers use workspaces as needed, like you would a hotel room.

"Heinz's open plan has eight people together in work tables across from each other. There's little or no file space; there's space for a computer," he says. "It's very innovative. When I first heard of it I thought it could be a bit weird but it's actually quite nice." McLaughlin admitted that as a Baby Boomer he might not find the arrangement comfortable and wasn't sure he would adapt to that workplace but notes, "The younger people working there are used to that kind of workplace."

Jeffrey Ackerman, CBRE's managing director in Pittsburgh, witnessed firsthand that same acceptance of a non-traditional environment in his 600 Grant Street office and finds he likes it as well. CBRE has been rolling out



an open plan environment throughout its global footprint over the past year. Because of the growth of the Pittsburgh office, Ackerman found himself deciding to renovate the local office ahead of schedule.

"CBRE first tried a workplace strategy in the Amsterdam office a couple years ago. It was open, collaborative, very high end with the conference rooms and client offices really beautiful," Ackerman says. "We tried it in the U.S. in the Los Angeles office, which is a really big office – over 300 people – and it worked very well. The strategy is being implemented across the country.

"We were out of space in Pittsburgh and had the option of taking additional space but I chose to renovate our existing space to use it more efficiently."

The redesigned CBRE office features an open floor with multiple work stations. There are private offices that can be reserved for short periods, as well as conference rooms for client meetings. Along with the new plan, there are also some significant changes in how the staff works.

Ackerman explains that the office is a "free address environment" where people use a workspace that is available rather than a static space. Employees punch in a code at whatever desk they are using and their direct calls are forwarded to that location. There is a "clean desk" policy that requires that the notes, pens and other items be removed from the work station at the end of the day. Files have been fully digitized and file cabinets have been removed. Ackerman finds the end result to be as liberating as it is different.

"I don't know where I'm going to sit each day. I sit where I'm needed," he says. There are also advantages to managing the office in this new environment. "I know when there's a problem now much sooner. And it's easier to keep track of everyone. You can't hide in your office."

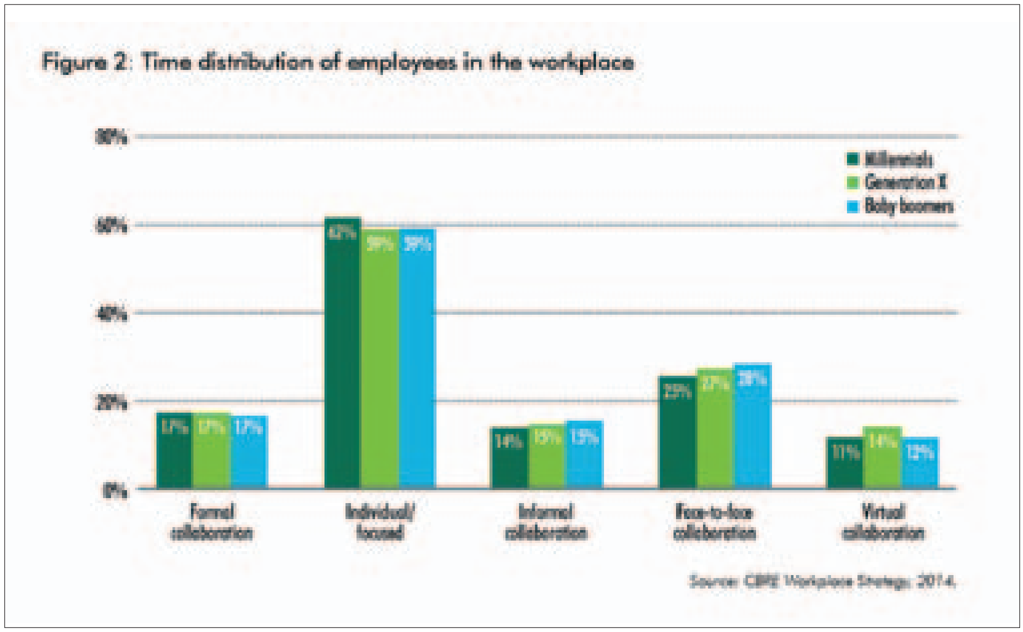
> Although the younger workers may be more adaptable to a more open environment, one truth that seems to be emerging is that the trends in office utilization aren't being driven by Millennials. A survey done by CBRE in summer of 2014 found that the workplace preferences of the three major demographic groups – Baby Boomers, GenX-ers and Millennials – weren't all that different.

Although the younger workers may be more adaptable to a more open environment, one truth that seems to be emerging is that the trends in office utilization aren't being driven by Millennials. A survey done by CBRE in summer of 2014 found that the workplace preferences of the three major demographic groups – Baby Boomers, GenX-ers and Millennials – weren't all that different.

The surprises of CBRE's The Evolving Workplace report were that while Baby Boomers – the oldest of the three cohorts – had the highest level of preference for independent focus space, that group also had the lowest preference for formal meetings. Only 27 percent of Boomers wanted to have more formal interaction, exactly half the number of Millennials who preferred formal meetings. Moreover, the share of Millennials who were seeking independent focus space was nearly as high as the Boomers or GenX-ers, 86 percent compared to 91 percent for the latter two groups.

Even more surprising was the fact that when asked how they wanted to spend their time throughout the work day, the replies from all three groups were virtually identical, with no more than three percentage points separating any response. Here again, Millennials surprised by responding with the highest preference for individual focus time, while all three groups replied that they wanted to spend 17 percent of their day in formal collaboration and 14 or 15 percent in informal collaboration.

Some of the usage data in Evolving Workplace showed that workers occupied their offices less than half the time, leaving the average workspace empty 32 percent of the time. Employees spend 21 percent of their work time away from the office. The workforce is evenly distributed, with no generation representing more than 24 percent of the workforce. Some 12 percent of the workforce is made up of those over the age of 65. Those workers at the end and beginning of their careers – Boomers and Millennials – make up the same portion of the workforce. Developers and designers essentially have to accommodate the expectations and culture of both parents and their children.



"We're seeing different designs for multi-generational workforces, different designs for different generations," notes Dan Delisio, founder of NEXT Architecture. "That was a huge requirement of CSC (the IT firm that was planning to move to Pittsburgh). Older employees tend to be managers or have more responsibility and need more privacy. One of our current energy clients is finding that it's a big part of their needs."

Part of what's evolving is a rethinking about how the office works for the administrative and non-management staff and part is a re-shaping of the culture of privacy. The trend towards free address or hotel-ing depends on employees not identifying a particular space as their own. That means no decorating and personalizing. It also means creating private spaces for human resources or for discussions that require privacy. And it means that executives have to adjust their expectations about their space.

"One thing we're seeing more of is a client that has a lot of private offices but wants to go down to almost no private offices in new space," says Chip Desmone. "We're going to more furniture systems. I don't mean demountable partitions but actual furniture systems to create the working spaces."

"The old idea was that you occupied an office like a hotel or dormitory room. You had your room and a small common area," Jeff Murray explains. "The modern office you occupy like your house. You have your own room but you move around and interact with others throughout the whole house."

More than one experienced observer noted that the trend towards open floor plans and smaller spaces has come and gone before. Some of that ebb and flow of opinion coincides with the ebb and flow of prosperity, but the long-term trend is still less office per worker. Even as there seems to be more traction for designing flexible open space there is already a certain amount of backlash against the more collaborative design.

"I've read a couple articles that were a reaction, although they had kind of a bitter tone," laughs Desmone. "You are giving up something with the open plan and people don't usually acknowledge it. You give up quiet space, a place to be alone and quiet with your thoughts. There is a belief that open office is detrimental to concentration."

"It depends on how it is implemented," agrees Delisio. "In theory [open plan] works great but if you have people in five-foot work stations on top of each other they can't even make a phone call."

Implementation at CBRE's 600 Grant Street offices has gone well, according to Jeffrey Ackerman. The renovation was completed in November and the staff has responded positively. "We're taking surveys of the employees and it's 90 percent favorable. Around the country it's 92 percent," he says.

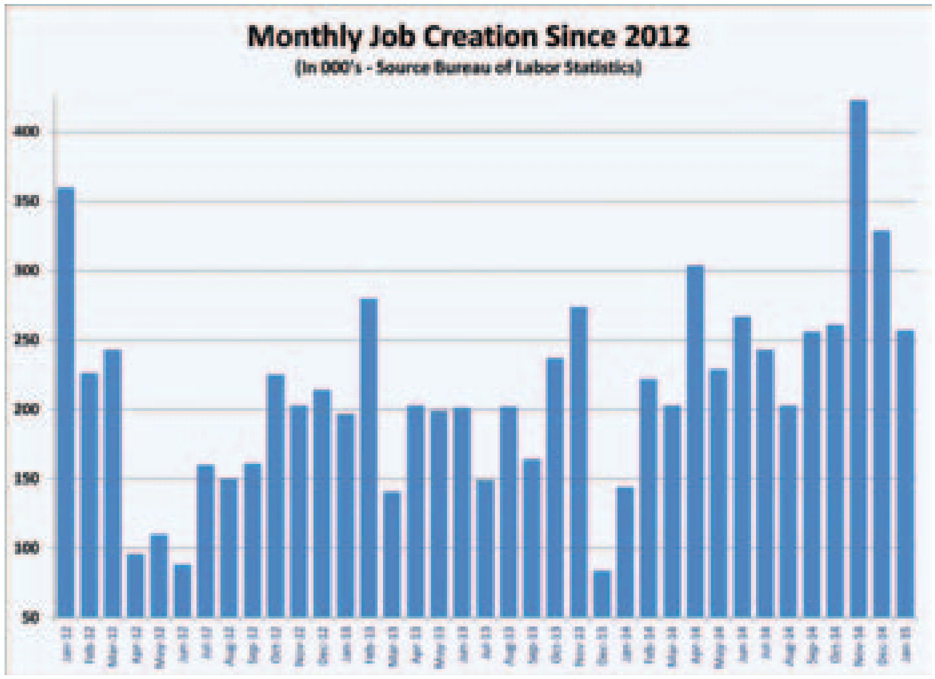
What The Evolving Workplace ultimately concluded was that the modern workplace was an important reflection of the culture and function of the business that occupied the workplace. Its objective findings were that companies that allowed employees to self select their work location experienced 10 percent to 15 percent higher employee satisfaction scores and higher productivity from their workers. Office cultures at tech companies like Google may seem like extreme examples but all businesses that want to excel will have to create an environment that is recognized as exceptional in some manner. With skilled talent becoming scarcer over the next decade, companies that wish to attract and retain the best people will use their workspace as an extension of their human resources department.

"The smartest companies I've worked with use real estate as a retention tool, not just as a workplace," notes Scalo. DP

The U.S. economy finally showed blossoms in 2014 after a long winter of potential. The economic winter that began with the 2008 financial crisis dragged on through false starts of confidence, global fears and slowdowns and eventually, an extraordinarily cold climate that froze demand during the first quarter of 2014. When the thaw – both figurative and literal – happened at last in summer of 2014, U.S. companies responded by hiring and expanding at a pace that was 50 percent faster than expected.

Going into 2014, economists liked the prospects for expansion because the headwinds of previous years were fading. As economists look into 2015, most see even less drag from government cutbacks and deleveraging by consumers and businesses. Augustine Faucher, vice president and senior macroeconomist for PNC Financial Services Group, emphasized these factors when he presented PNC's expectations for 2015 at a January 15 NAIOP Pittsburgh meeting.

Faucher pointed to the convergence of stagnant productivity and flush corporate coffers as the formula for increased hiring in 2015. The flat productivity is due to workers reaching their limit of working more for less. That matches up to an increase in the so-called "quit rate" – the number of people who are willing to quit their jobs for a better opportunity. The quit rate moves in concert with wages generally, and is expected to reach almost three percent of the workforce by the end of 2015. That's more than double the rate in 2010. PNC sees hiring increasing throughout 2015, causing wage pressure and raising discretionary incomes.



Economic expansion over the last half of 2014 peaked with an average of 363,000 new jobs in the fourth quarter.

Following the excessive borrowing of the mid-2000s, consumers and businesses had to reduce their debt leverage. Deleveraging continued past the point of the previous cyclical levels, dropping roughly 3.5 percent below that mark to an overall financial obligation ratio that is lower than any time since the 1980's. That leaves more room for consumer purchasing and investing.

Corporations took advantage of the increases in productivity in the early stages of the recovery to build earnings. While demand and sales returned, the average total labor cost did not recover until 2014. That means that GDP reached record high levels while the cost of production remained at or below the pre-recession levels, creating greater profits and cash that wait to be mobilized. Wavering confidence in the economy dampened business investment up to this point, especially investment in more employees. With most of the impediments removed from the economy, businesses are expected to increase investment in 2015 and will have the war chests to fund it.

Faucher's presentation is best summarized by his comment that, "I think by the end of the year people will be saying that this is what a good economy feels like."

If job creation is any indication, the good feelings about the economy may already be manifest. January's hiring was up 257,000 new jobs, according to the February 6 report by the Bureau of Labor Statistics (BLS) and wages rose 0.5 percent, the biggest monthly gain in six years. The trailing 12-month wage rate increase of 2.2 percent was well above the rate of inflation.

As important as the positive jobs surprise was, it was the revision to the previous November and December estimates that were the bigger surprise. December's job growth was revised upward to 329,000 and November's was revised to a whopping 423,000 new jobs. Job growth in the fourth quarter of 2014 averaged 336,000 per month, the highest since 1997. Even the one negative from the February 6 BLS report was viewed as a positive. The increase in the unemployment rate from 5.6 percent to 5.7 percent was due to a return to the workforce by 703,000 unemployed, another sign of more optimism in the economy's strength.

The National Association for Business Economics (NABE) quarterly Business Conditions Survey of 93 corporate economists showed that businesses in nearly all sectors expected to increase headcount, wages and capital spending in the first quarter of 2015. Of the 64 respondents who reported on their firms' planned spending on structures, 30 percent expect increased spending and 8 percent reported a decline. Respondents indicated a similar disparity of investment for the year 2014, with 51 percent reporting increased spending versus 33 percent in the third quarter.

Among the other highlights from the survey were: 51 percent of respondents said their companies planned to raise wages in the first quarter of 2015; 34 percent of the economists indicated that their firms were adding to payrolls; and three-fourths of the respondents said that the steep decline in oil prices would impact their businesses, but 57 percent indicated that the impact was positive, compared to 18 percent who viewed the oil price as negative.

Robert Bach, director of research for Newmark Grubb Knight Frank, is keeping an eye on the slowdowns in other parts of the globe for signs that demand is slowing in the U.S. He echoes other economic observers in his outlook for the domestic economy in 2015 and points out that the relative vibrancy of the U.S. market has investment appeal.

"Manufacturers are seeing a global slowdown and are concerned about the rising dollar hurting exports," Bach explains. "That could translate in factories. That's the property type most in the line of fire from overseas problems. But the lower cost of imports and lower gas prices should be better for consumer demand. That's best for warehouse/distribution centers and retail." Bach puts the U.S. economy into perspective compared to the rest of the world. "For years people called the U.S. economy the cleanest shirt in the laundry basket and that's certainly true now. For commercial real estate all skies are sunny now."

Kurt Rankin, assistant vice president and economist at PNC Financial Services Group, sees a couple of factors helping the U.S. manufacturing sector.

"We have the prospect of more business investment than in past years. There are a couple of reasons, chief among them is the prospect of rising interest rates," Rankin says. "With businesses having cash on the books, if interest rates rise it could prompt some businesses to borrow to expand before rates go higher. Another factor I'll be watching is capacity utilization. It's very close to 80 percent, which is where capacity utilization peaked during the boom. If that reaches 80 percent it may spark expansion to meet demand growth."

One sector not experiencing growth is energy. The declining oil price appears to be impacting hiring in the oil and gas industry. The Federal Reserve Bank of Kansas City surveyed energy companies and found that 25 percent expected to make "significant" cuts in staff in 2015. The layoffs are part of an increasing efficiency effort by U.S. drillers. Leaner headcounts, combined with continuous improvements in drilling technology in the shale formations, helps U.S. energy

> Among the other highlights from the survey were: 51 percent of respondents said their companies planned to raise wages in the first quarter of 2015; 34 percent of the economists indicated that their firms were adding to payrolls; and three-fourths of the respondents said that the steep decline in oil prices would impact their businesses, but 57 percent indicated that the impact was positive, ...

companies remain profitable even as oil drifts below $50 per barrel. While oil represents a negligible share of the extraction from the Marcellus and Utica formations, the companies involved in the natural gas play in Western PA are the same as in the oil business, and some of the staff reductions and reorganization have hit home in this region.

Chevron, for example, shelved plans for an Appalachian headquarters in Moon Township and has begun a restructuring that includes reducing its workforce in Pittsburgh, although the company has leased additional space in Cherrington. Other regional natural gas players have reduced the rate of growth as prices have fallen back to the $2.50 per million BTU range.

Even with the low gas prices, the industry itself should still be a source for some investment in midstream expansion in 2015,

A brighter employment picture is bringing increases in the quit rate and wages for workers. Chart courtesy The PNC Financial Services Group.

as collection and processing facilities still lag even the existing gas volumes being produced. And while price pressures on Shell could force a delay in the final approval for the ethane cracker plant in Monaca, contractors have mobilized for the first stages of what will be hundreds of millions in preparation work. Monaca is also not the only cracker plant on the boards in the Marcellus play.

Natural gas industry aside, the economic picture remains positive at the regional level. After a flat year for job growth in 2013, there were 12,600 jobs added to the employment rolls in metropolitan Pittsburgh in 2014, a 1.1 percent increase. Employment in the region reached another record high and at year's end 1.176 million people were working and unemployment for the seven-county metropolitan market was at 4.6 percent. Depending on the source, employment growth forecasts for Pittsburgh range from 14,000 to 20,000 new jobs annually for the next couple of years. Rosy as this data may be, there are signs of weakness that could limit the upside for Pittsburgh.

Manufacturing jobs in Pittsburgh declined by almost 1,500 year-over-year. The mining and logging sector, which includes the region's natural gas industry, grew employment by 700 year-over-year, but that rate represented a significant slowdown from the aggressive pace of growth in prior years. And barring unforeseen improvements in the business conditions in oil and gas, employment in the energy sector is likely to decline slightly in 2015.

Supply and demand dynamics within the commercial real estate sectors changed little from 2013 to 2014. Office occupancy rates remain above multi-cyclical high levels, although prospects for the Central Business District began to slow. Industrial development remains virtually nonexistent, even though little vacancy exists. Apartment development hit a generational high, with more in the pipeline. Likewise, construction of hotel properties increased, as did the occupancy and revenue rates in regional hotels.

According to Newmark Grubb Knight Frank (NGKF), office vacancy at the start of 2015 was 15 percent overall, with Class A at 11 percent. Absorption was positive for the year at 398,000 square feet. There were 800,000 square feet of speculative office space under construction, with half of that leased in January.

Industrial properties ended the year at 7.2 percent vacant, according to CBRE. Class A space vacancy fell to four percent. Absorption was overwhelmingly positive, at 800,000 square feet with another 850,000 square feet under construction. Research by NGKF showed rents declining ten cents in 2014 compared to the end of 2013, mainly because of the lack of available Class A space for which higher rents could be asked.

At the end of 2014, there were 11 hotels under construction. While that volume of construction is low compared to the gateway cities around the country, it represents an aggressive year in metro Pittsburgh, particularly in light of the higher-than-normal volumes that

Supply and demand dynamics within the commercial real estate sectors changed little from 2013 to 2014. Office occupancy rates remain above multi-cyclical high levels, although prospects for the Central Business District began to slow. Industrial development remains virtually nonexistent, even though little vacancy exists. Apartment development hit a generational high, with more in the pipeline.

occurred in 2013. Owing to the increased construction, the inventory of available rooms has grown more than 20 percent since 2012. In many markets that growth level would signal overbuilding but the fundamentals of the hospitality market are actually improved during that period of time.

As reported by Integra Realty Resources in its annual Viewpoint, Pittsburgh's average daily occupancy increased to 68 percent in 2014 and the average daily room rate went up to $116. That is slightly above the national average and $6.76 higher than the rate in 2012. While continued additions to inventory are going to eventually lead to an imbalance in supply and demand, it's clear that the Pittsburgh market hasn't reached that point in early 2015.

Apartments continue to be among the hottest of commercial properties in Pittsburgh. Construction of new apartments reached a generational high in 2013, with over 2,900 units started, and another 2,138 units started construction. With about 3,500 more units in the municipal approval pipeline, fears that the apartment market was becoming overbuilt would seem founded; however, occupancy remains high as does the demographic support for apartments. The accelerated pace of multi-family construction coincides with a prolonged slowdown in new single-family construction. How much longer the high demand for apartments can last will likely depend on how many new jobs – and thereby new households – are created over the next few years.

Guhan Venkatu, vice president and senior regional officer for the Federal Reserve Bank of Cleveland's Pittsburgh office, is optimistic about the regional economy but isn't as positive that a new jobs engine is revving up. He says that the economic climate in 2015 reflects the performance of the Pittsburgh economy coming out of the recession, when other regions were struggling with decline.

"When you look at the largest 150 metros and their gains during the early stage of the recovery, they are not that great," Venkatu notes. "If we are getting into a mature phase of expansion, we may be reverting back to the drivers that drove the last expansion. That means a slower growth rate for a region like Pittsburgh than in a region with faster population growth. I expect things to be relatively good but if we're not seeing large gains in population [in Pittsburgh], we won't see large gains in jobs." DP

Office Market Update

Overall vacancy in the Pittsburgh Office market ended the fourth quarter of 2014 at 15.0%, an increase of 30 basis points from the beginning of the year. Asking rental rates maintained an upward trend, escalating by $0.33 during the same timeframe, and year-to-date net absorption posted a positive 368,000 square feet. Class A product remained tight, ending the fourth quarter with an 11.0% vacancy rate. Tenants requiring larger blocks of existing space faced few options and competition from other users.

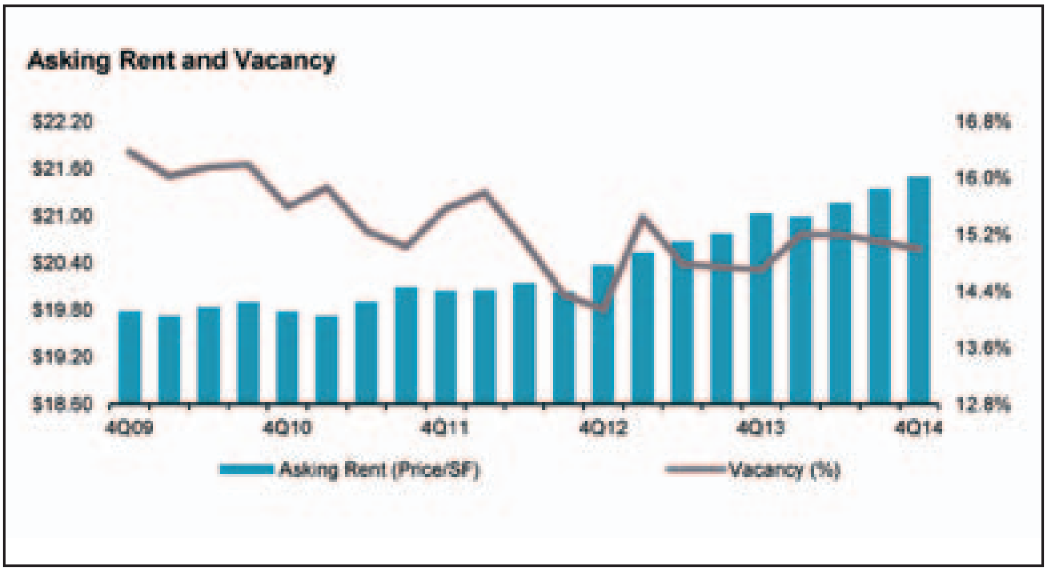
Larger lease commitments throughout the year included EDMC in a sale/lease back at 420 Boulevard of the Allies for 177,000 square feet. Additionally, EDMC renewed 117,000 square feet in K&L Gates Center. The University of Pittsburgh Medical Center (UPMC) gobbled up 140,000 square feet of sublease space at the Heinz 57 Center and 4Moms leased 80,000 square feet at 912 Fort Duquesne Boulevard. All properties are located in the Central Business District (CBD) submarket. Google further expanded in the Oakland East-End submarket, leasing another 66,000 square feet in the Bakery Square complex. In the North submarket, Accredo expanded by 56,000 square feet and renewed 43,000 square feet in Keystone Summit Corporate Park while Federated Investors renewed their lease for 94,000 square feet in the Park. In the Parkway West submarket, Calgon Carbon committed to 76,000 square feet at Westpointe Corporate Center Four and ANH Refactories secured 42,000 square feet in Building 210 at Pittsburgh International Business Park.

At the close of the year, 800,000 square feet of speculative building remained in the construction pipeline, with 400,000 square feet uncommitted. The Gardens in Market Square in the CBD progressed. The project will consist of 128,000 square feet of office space as well as hotel, retail space and parking. In the very tight Oakland-East/End, the 105,000- square foot Schenley Place moved forward. The building is located in the heart of Oakland at the corner of Bigelow Boulevard and Ruskin Avenue. Also in this submarket, construction began on the first of two 200,000 square foot buildings at Bakery Square 2.0 In the Parkway West submarket, the 53,000 square foot Building 300 in Pittsburgh International and Business Park broke ground, and the 60,256 square foot 400 Industry Drive progressed. Construction neared completion for a regional headquarters for Noble Energy Inc in Southpointe, in the South submarket. Noble will occupy 139,000 square feet in Town Square Center. In the North submarket, shovels have hit the ground on the 47,000 square foot Blaymore IV.

Office completions during the year included the 186,000 square

Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)
CBD/Fringe	**27,061,401**	**928,000**	**3,974,493**	**14.7%**	**55,487**	**89,063**	**$27.67**	**$21.30**
CBD	20,621,989	928,000	2,738,838	13.3%	-37,132	-56,420	$28.05	$21.17
Fringe	6,439,412	0	1,235,655	19.2%	92,619	145,483	$24.67	$21.58
Suburban	**25,565,419**	**688,256**	**3,931,224**	**15.4%**	**158,632**	**278,845**	**$22.98**	**$17.85**
East	3,398,818	0	1,060,659	31.2%	-34,056	-17,558	$22.52	$16.31
North	6,972,626	47,000	636,245	9.1%	25,617	30,145	$24.67	$18.90
Oakland/East End	2,120,689	321,000	120,883	5.7%	11,860	22,506	$27.52	$17.62
Parkway West	8,117,514	113,256	1,489,224	18.3%	-9,144	-52,188	$22.24	$18.44
South	4,955,772	207,000	624,413	12.6%	164,165	295,938	$22.64	$18.05
Pittsburgh	**52,626,820**	**1,616,256**	**7,905,717**	**15.0%**	**214,119**	**367,908**	**$24.33**	**$19.97**



Key Indicators

Total Inventory (SF)			52,626,820
	4Q14	3Q14	4Q13
Asking Rent (Price/SF)	$21.50	$21.34	$21.03
Vacancy Rate (%)	15.0%	15.1%	14.7%
Under Construction (SF)	1,616,256	1,809,256	2,087,200
	4Q14	3Q14	YTD
Net Absorption (SF)	214,119	147,165	367,908
Deliveries (SF)	246,000	230,000	700,200

foot Zenith Ridge One in the Southpointe segment of the South submarket, which will serve as the new headquarters for Ansys Inc. The company vacated 107,000 square feet in nearby 275 Technology Drive to accommodate expansion requirements. Also in Southpointe, the 150,000 square foot Zenith Ridge Two completed, as did the 60,000 square foot 400 Woodcliff Drive. Rice Energy leased the entire building. The 130,000 square foot Westpointe Corporate Center Four was added to the competitive inventory in the Parkway West submarket as was the 53,000 square foot Pittsburgh International Business Park Building 210. In the North Shore segment of the Fringe submarket, North Shore Place I & II delivered 80,000 square feet to the marketplace and welcomed tenants including Continental Office Environments and the Pittsburgh Post Gazette.

A lack of existing large blocks of Class A space as well as escalating rents prompted a surge in announcements regarding potential new construction projects.

Several sizable endeavors made the headlines during the year including the transformation of 192 brownfield acres at Pittsburgh International Airport into a world-class center for international trade. The center is envisioned to include office space, a research and development component and a hotel with convention space. Environmental re-

Several sizable endeavors made the headlines during the year including the transformation of 192 brownfield acres at Pittsburgh International Airport into a world-class center for international trade. The center is envisioned to include office space, a research and development component and a hotel with convention space. Environmental remediation measures, a new access road to the site and preparation for pad site development are expected to begin in the near future.

mediation measures, a new access road to the site and preparation for pad site development are expected to begin in the near future.

In the SouthSide Works of the Fringe submarket, Raleigh-based Highwoods Properties proposed a four-building complex comprising 400,000 square feet of office space. The initial structure would consist of a six-story glass office building along the Monongahela riverfront. In the North Shore sector of the Fringe submarket, Alco Parking Corporation unveiled plans for a pair of 11-story office towers totaling 600,000 square feet. The towers would be constructed above a 1,227-space parking structure on General Robinson Street. Each project is seeking an anchor tenant prior to ground breaking. Three Crossings, an 11-acre mixed use development in the Strip District segment of the Fringe, gained momentum. Consisting of 300 residential units, up to 375,000 square feet of office space and 1,200 parking spaces the project is expected to complete by 2018.

The most notable development announcement of 2014 came late in the fourth quarter, when U.S. Steel Corporation formally announced that it would build a new world headquarters on the 28-acre site of the former Civic Arena in the Central Business District (CBD). The steel giant will be the first anchor tenant for the development. When fully developed, the site will consist of 500,000 to 600,000 square feet of office and retail space as well as 1,100 residential units. The five-story headquarters building will comprise 268,000 square feet of space, of which U.S. Steel will occupy 250,000 square feet. The building will also feature a steel museum and retail space. Construction is scheduled to break ground in the third quarter of 2015, with a 22-month completion date. The vacation of 425,000 square feet by U.S. Steel from its current location at U.S. Steel Tower will not occur until 2017, and therefore, will provide no relief for new and expanding tenants in the CBD in the immediate future.

Looking ahead to 2015, demand in the office sector in the Pittsburgh region is expected to maintain. Tenants will continue to deplete inventory and rents will further escalate. Should low gas prices persist, growth in the energy sector will likely slow. However, Pittsburgh's diverse economy will assure balance throughout the marketplace.

For more information:
Gerard McLaughlin, Executive Managing Partner
Newmark Grubb Knight Frank
210 Sixth Avenue, Suite 600
Pittsburgh PA 15222
(412) 281-0100
gmclaughlin@ngkf.com
www.ngkf.com DP

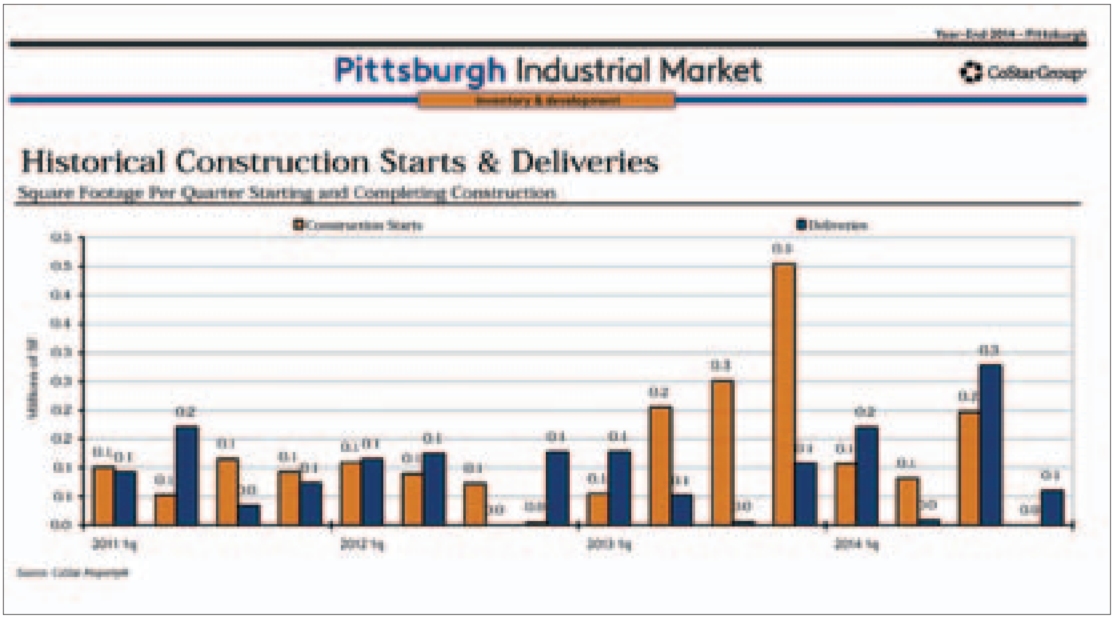
Gerry McLaughlin

Industrial Market Update

2014 saw a number of local developers break ground on speculative or partially pre-leased buildings in the Pittsburgh region. Eight of those structures are scheduled to be available for occupancy in the first quarter of 2015. Those projects will deliver 703,122 square feet of space of which 476,403 square feet (67.8%) is pre-leased. Gordon Food Service will be occupying one of these buildings, taking 400,000 square feet on Solar Drive in the Findlay Industrial Park.

The industrial real estate vacancy rate in Pittsburgh stood at 7.5% at the end of 2014. This figure is just slightly higher that the US industrial real estate vacancy rate, which stood at 7.2% at year's end. Throughout the US, the average quoted annual rental rate for all available industrial real estate was $5.50 per sq.ft.; in the Pittsburgh market that average quoted annual rate stood at $5.46 per sq. ft.

The Fourth Quarter of 2014 showed a negative net absorption of space in the overall market, in large part as a result of GE-Ionics moving out of 300,000 square feet of space in Canonsburg and United Stationers Supply moving out of 124,047 square feet in Cranberry. The amount of vacant sublease space in the Pittsburgh Market grew from 63,900 square feet at the end of the first quarter of 2014 to as much as 118, 829 square feet by the end of the year.



According to the CoStar Group's 2014 Year-End Pittsburgh Industrial Market Group, the largest

signed lease deal was for a total of 252,540 sq. ft. at 2250 Roswell Drive in the Chartiers Industrial Park. That space serves today as the Amazon Fulfillment Center. Another significant size transaction included a 144,000 sq. ft. expansion by Genco at the Allegheny Distribution Center in Blawnox. Also in 2014, The Pittsburgh Post-Gazette relocated its production and distribution operations to an existing 245,000 sq. ft. building in the Clinton Commerce park in Findlay Township. That building was constructed in 2009 by the Buncher Company for Flabeg, a German glass manufacturer. This facility replaces significantly older, separate, and less efficient structures located in the City of Pittsburgh.

One local industrial redevelopment project, Ambridge Regional Distribution & Manufacturing Center, announced plans in 2014 for the eventual construction of new flex buildings, totaling approximately 80,000 sq. ft., to complement the 1,000,000 sq. ft. of existing space, situated on approximately 85 acres, located high above the Ohio River in Beaver County.

Gene Pash, President of Ambridge Regional, indicated that in 2014 two specific long-standing tenants, who have grown their business at the industrial park, have been so successful they have relocated to new properties they purchased. Also, a 60,000 sq. ft. tenant signed a ten-year lease at a rental rate significantly higher than the prior lease term rates, according to Pash.

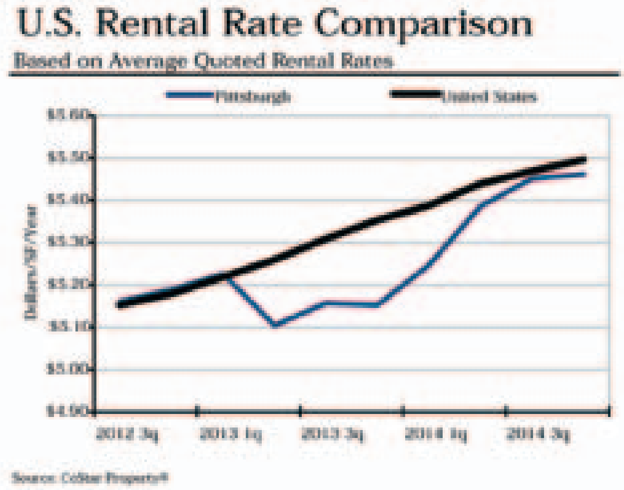
Most renewals done in 2014 also included tenants taking addition space, and rents for both new and renewal leases were up 5% - 8%, according to Debi Leopardi, general manager of Ambridge Regional. The impact of businesses operating in the Gas & Oil Industries has had a positive effect on land lease rates. Gene Pash stated that annual land lease rental rates have risen approximately 50% in the past seven to ten years.

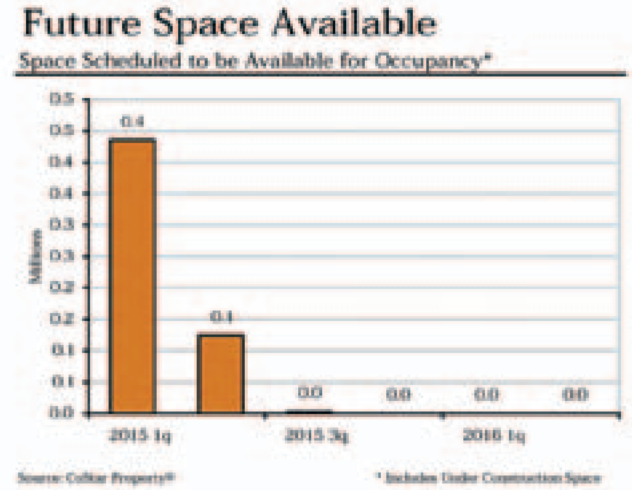
Fueling much of the 2014 business expansion and increased levels of leasing activities in our region is the return of a more favorable commercial lending climate. John Kline, a Senior Vice President in the commercial lending department of S&T Bank, stated that there was an 8% increase in 2014 over 2013 for all types of approved loan balances. Commercial lending activity at S&T Bank remained brisk at this early stage of 2015, according to Kline.

Much of the low vacancy rates in the Pittsburgh industrial real estate market can be attributed to the explosive growth of drilling activity in the Marcellus/Utica Shale Gas and Oil regions. The recent significant drop in oil prices has definitely scaled back operations of a number of such companies. One gas industry source cited October 2014 as the month when drilling-related activities began to slow down in the region. A best-case scenario for the length of this down-turn is six months and hopefully the worst-case scenario is about a year and a half, according to the same source.

As a result of the significant reduction in global oil prices in the second half of 2014, January 2015 brought news of significant cuts in both workforce and capital expenditures by several large energy-related companies currently operational in the Marcellus and Utica Shale

Much of the low vacancy rates in the Pittsburgh industrial real estate market can be attributed to the explosive growth of drilling activity in the Marcellus/Utica Shale Gas and Oil regions. The recent significant drop in oil prices has definitely scaled back operations of a number of such companies.





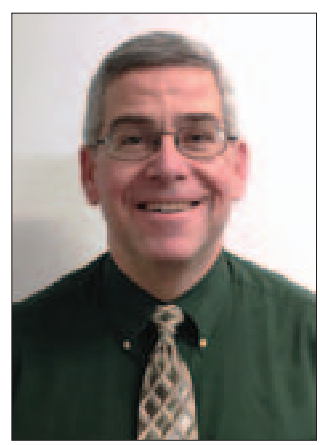
regions. Consol Energy announced it will spend $1 billion dollars in 2015, which reflects a 23% reduction from the $1.3 billion spent in the Marcellus and Utica shale in 2014. Similarly, Range Resources and Rex Energy have cut planned spending in 2015 by 40%. Chevron is laying off 162 of its 700 workers in Appalachia. These announcements will likely have negative ripple effects on the many suppliers and service firms to the gas and oil industries. Additionally, in late January Kennametal announced plans that it will close plants and lay off workers in response to both weakness in the energy field and overall softness in international markets.

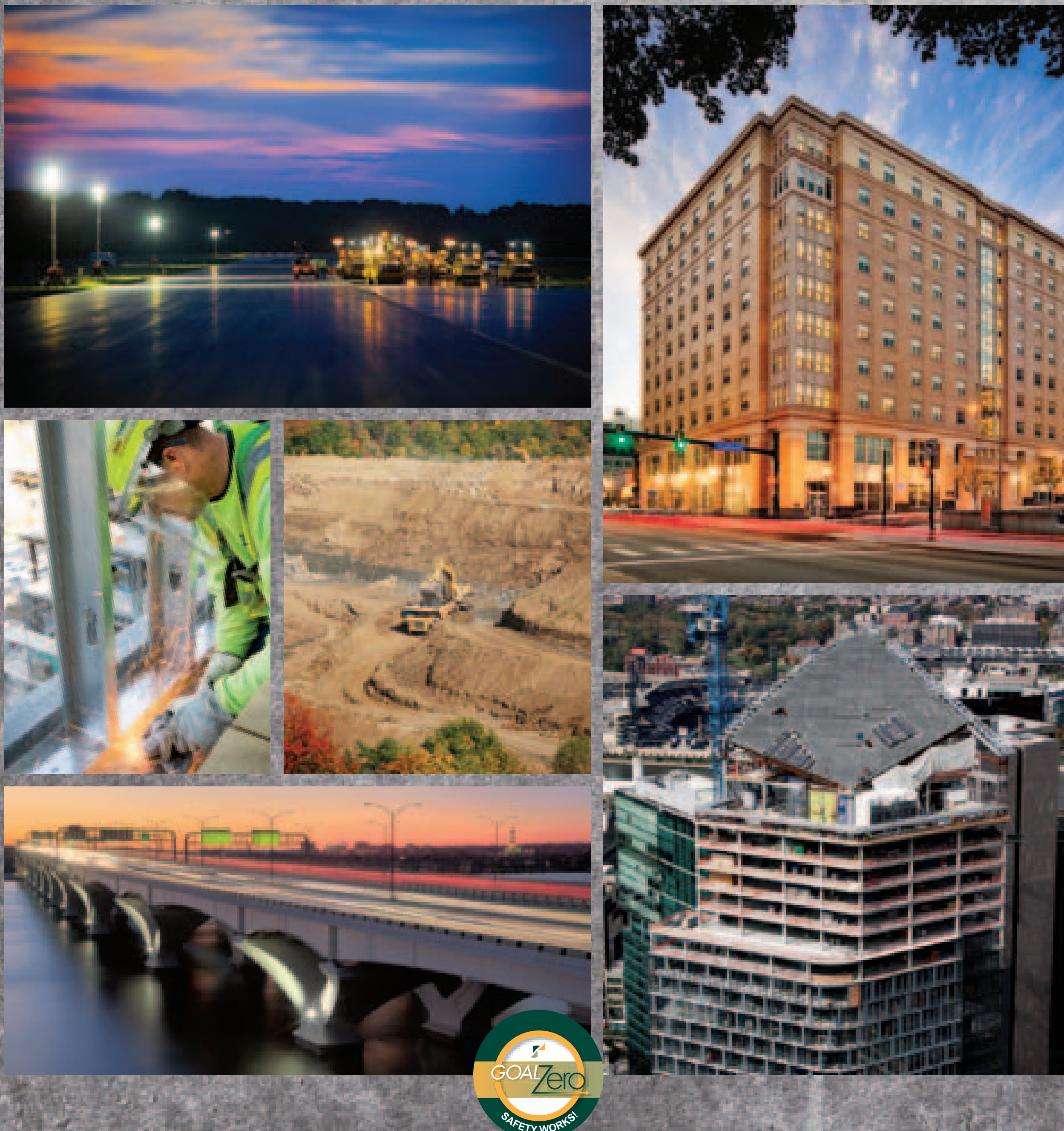
The expected downturn in the Energy Industry will test the widely held belief amongst economists, and hopes of government and business leaders that in 2014 the overall economy had "turned the corner" and that the economic recovery is strong and now broad-based. The Allegheny County Airport Authority clearly believes that as well, and announced in early 2015 that Al Neyer, LLC, a Cincinnati-based builder/ developer will construct a 200,000 sq. ft. warehouse/distribution building at the Clinton Commerce Park. Neyer officials indicated that groundbreaking could begin in June, and tenants could secure occupancy as early as January 2016. Another significant building project announced for 2015 includes a new 300,000 sq. ft. distribution facility for Fedex Ground to be constructed on 60 acres in Jackson Township, Butler County. Sippel Development Co. will be handling that project, which is ultimately expected to bring over 500 jobs to the region.

2014 saw a significant increase in rail freight traffic in the region. Mike Filoni, Vice-President of Sales & Marketing for Carload Express, stated that there was "double digit growth" over 2013 in freight traffic along Carload Express' Allegheny Valley Railroad system. The majority of that growth was directly attributable to the Shale Gas and Oil industry. Projections for 2015 rail freight traffic in the region, is for continued but slower growth. Mr. Filoni added that he expects 2015 to be another strong year for industrial firms from all sectors to continue seeking opportunities to ship both raw materials and finished products by rail.

Barge traffic on the rivers was also slightly up in 2014. The bulk of the materials moved, and the increase in those materials, was primarily related to the general increase in construction activity, and not the gas drilling throughout the region. According to one industry source, one negative impact on the river transportation in 2014 was the repairs made to the Ohio River dams at Emsworth, Dashields, and Montgomery, which slowed barge traffic by 2-3 days per destination trip. Additional funding is expected to be released in 2015 for Lock and Dam work, as well as improvements to multi-modal terminals in the region.

For more information:
Gene Galiardi
Vice President
PA Commercial Real Estate, Inc.
Benedum-Trees Bldg.
223 Fourth Avenue, Suite 150
Pittsburgh, PA 15222
(412) 995-2232
ggaliardi@penncom.com
www.penncom.com DP


Gene Galiardi


GOAL Zero
SAFETY WORKS!

Retail Market Update

When developer Jeff Paul contemplates the renovation of his newly acquired Curry Hollow Shopping Center he can't help but be optimistic. Jeff's company, Paul Property Management, purchased the property with an eye toward bringing the somewhat forgotten shopping center back to life. The Pittsburgh retail market is as strong as it has been in quite a few years and he sees this as a great time to acquire or develop retail property in Pittsburgh. "We are very excited about the Pittsburgh Market and the redevelopment of Curry Hollow Shopping Center. There are a lot of retailers in the market looking for fresh new quality properties", Jeff stated. Once the center is improved with new facades and signage, he is confident retailers will flock to that location.

Jeff isn't alone in his optimistic attitude toward the regional market for retail real estate. With vacancy rates at a four year low of 3.7% and limited opportunities for new construction, it's a great time to be a retail landlord in Pittsburgh. Rates have been rising for 16 straight quarters and, with the national economy coming back to life, there is no sign of a slowdown in the market. While the average rental rate is near $12 per square foot, top quality locations go for as high as $40 per square foot. Desirable new developments typically lease between $25 and $35 per square foot and landlords are in a position to provide fewer concessions to prospective tenants. According to Integra Realty Resources, a national valuation consultant, Pittsburgh's overall retail vacancy rate is the fourth lowest in the country and the average capitalization rate for sales of quality community centers is a healthy 7.25%. Stores continue to have a strong interest in the market, although the decision to spend on bricks and mortar locations is scrutinized very closely by many retailers.

Today's national retailers are looking for specific criteria when they consider where to put their physical locations. Ideally, most retailers are looking for retail locations with full stop light access, ample parking and at least one quality anchor tenant. For some national tenants Pittsburgh can be a challenging

Pittsburgh Total Statistics 2008-2014

	Existing Inventory		Vacancy				Deliveries		Under Const Inventory		
Period	# Bldgs	Total GLA	Direct SF	Total SF	Vac %	Net Absorption	# Bldgs	Total GLA	# Bldgs	Total GLA	Quoted Rates
2014 4q	13,030	135,697,548	4,985,853	5,030,818	3.70%	165,683	5	61,452	9	126,894	$12.20
2014 3q	13,025	135,636,096	5,098,231	5,135,049	3.80%	407,223	4	246,894	13	138,346	$12.30
2014 2q	13,022	135,391,302	5,259,230	5,297,478	3.90%	397,408	4	208,232	12	346,129	$12.22
2014 1q	13,018	135,183,070	5,428,249	5,486,654	4.10%	206,900	13	231,861	9	478,166	$12.18
2013 4q	13,005	134,951,209	5,344,998	5,461,693	4.00%	531,341	7	97,476	20	693,427	$12.09
2013 3q	13,000	135,158,474	6,108,054	62,000,299	4.60%	[illegible]	10	91,770	26	786,103	$12.15
2013 2q	12,991	135,069,816	5,897,936	6,065,477	4.50%	244,122	4	32,559	32	622,732	$11.48
2013 1q	12,989	135,048,657	6,097,910	6,288,440	4.70%	999,184	15	546,769	17	299,927	$11.52
2012 4q	12,975	134,503,388	6,572,261	6,742,355	5.00%	394,996	6	126,016	21	665,861	$11.45
2012 3q	12,969	134,377,372	6,835,241	7,011,335	5.20%	644,827	5	96,192	22	716,276	$11.98
2012 2q	12,966	134,285,492	7,377,480	7,564,282	5.60%	[illegible]	4	30,206	17	693,183	$12.05
2012 1q	12,963	134,257,248	7,101,338	7,241,113	5.40%	424,037	9	248,391	9	199,739	$12.12
2011	12,954	134,008,857	7,274,126	7,416,759	5.50%	1,546,051	29	627,246	14	286,597	$12.15
2010	12,931	133,418,958	7,987,213	8,372,911	6.30%	1,591,122	32	516,903	13	424,613	$11.39
2009	12,905	132,933,331	9,030,867	9,478,406	7.10%	909,723	43	953,979	25	486,534	$11.10
2008	12,867	132,098,857	9,168,344	9,553,655	7.20%	308,939	66	1,380,447	38	956,372	$12.46

Source: CoStar Property ©

market, due to its unique topography and convoluted highway system that makes large scale development difficult. High quality corner locations with full stoplight access are rare, and many national retailers are forced to either compromise or wait for their desired locations. Landlords with in-line locations that don't have full highway access may have to wait for a retailer that can't find their ideal locale. Many retailers may be forced to wait for the development of new property to meet their needs.

Most tenants agree that the Pittsburgh market could use more large scale developments and developers are doing their best to meet this need. Significant projects that are currently under development or planned include McCandless Crossing, Sienna at St. Clair, Newbury Market and Northway Collection. Anchored by Trader Joe's, Cinemark and Lowes, McCandless Crossing has proven to be a success for Adventure Development's Kevin Dougherty although completing transactions can be difficult. According to Kevin, "The amount of time to get decisions made has greatly increased. It is decision by committee. The negotiation is protracted and we had several retailers that completed the process and still could not pull the trigger and execute their lease." Many national retailers have a real estate committee that review location decisions, and a site that passes local review may not meet the committee's requirements.

The nature of modern retail development has changed, relying less on the large department store concept and leaning more toward grocery anchored and entertainment retailing, where restaurants play a larger role. "The tenant

Pittsburgh Sub-market Statistics — Year End 2014

Market	Existing Inventory #Buildings	Existing Inventory Total GLA	Vacancy Direct SF	Vacancy Total SF	Vacancy Vac %	YTD Net Absorption	YTD Deliveries	Under Const. SF	Quoted Rates
Armstrong County	158	1,448,581	38,200	38,200	2.6%	[illegible]	-	-	$9.00
Beaver County	789	8,558,384	551,269	551,269	6.4%	186,089	163,667	-	$9.84
Butler County	781	9,742,998	288,431	288,431	3.0%	61,869	32,116	5,723	$14.44
Central Business District	136	2,412,461	144,349	144,349	6.0%	[illegible]	-	-	$10.40
Greater Downtown	793	5,113,582	193,391	193,391	3.8%	31,839	19,433	-	$10.77
Monroeville	237	6,012,315	229,376	249,376	4.1%	3,928	39,388	-	$13.89
North Pittsburgh	1,371	14,705,358	316,792	328,460	2.2%	112,124	4,000	21,020	$16.98
Northeast Pittsburgh	890	8,550,351	480,265	488,412	5.7%	18,439	-	-	$12.80
Oakland	176	1,116,295	17,867	17,867	1.6%	[illegible]	-	-	$17.25
Parkway East Corridor	2,088	15,591,354	756,382	756,382	4.9%	157,650	39,100	18,960	$11.06
Parkway West Corridor	422	6,629,175	187,774	187,774	2.8%	23,160	-	-	$12.46
South Pittsburgh	2,220	23,334,823	519,781	523,731	2.2%	92,383	13,731	-	$10.05
Washington County	917	10,980,026	288,612	289,812	2.6%	335,073	374,967	23,040	$13.69
West Pittsburgh	392	3,122,204	119,951	119,951	3.8%	25,165	-	5,108	$8.87
Westmoreland County	1,660	18,379,641	853,413	853,413	4.6%	163,241	62,037	53,043	$10.39
Totals	**13,030**	**135,697,548**	**4,985,853**	**5,030,818**	**3.7%**	**117,214**	**748,439**	**126,894**	**$12.20**

Source: CoStar Property ©

mix is very important and retailers feed off of each other's uses," explained Mr. Dougherty. Part of this shift is due to lackluster sales from traditional department store retailers like JC Penney and Sears, who have not managed to keep up with changing consumer demands. Likewise Radio Shack has been trying desperately to stave off bankruptcy and close over 1,000 stores. While Radio Shack may be a victim of its own overexpansion, many blame the internet for this change in retail market strategies.

The effect of the internet on retail sales is real, although perhaps less catastrophic to real estate than some would proclaim. While internet sales have expanded exponentially over the past decade, online transaction figures are still miniscule compared to in-store sales. In 2013, in-store sales accounted for over $4 trillion, while online sales were $263 billion. According to the International Council of Shopping Centers, 94% of total retail spending is done in-store, while a recent MIT report showed that 80% of consumers check prices online. The belief is that consumers still prefer to see and touch the products that they purchase; they just do it with their smartphone in hand, or after doing research at home.

"I should say the death of the store has been greatly exaggerated. There will be a transformation of retail real estate, but not an end to it. You could step back and connect the dots and say, 'the world's going to have e-commerce only' and that 'stores are dead,' but we don't see that future at all – in part because I don't think consumers want that future. I think people like to shop and they like the serendipity of stores." – Devin Wang, President Ebay Marketplaces

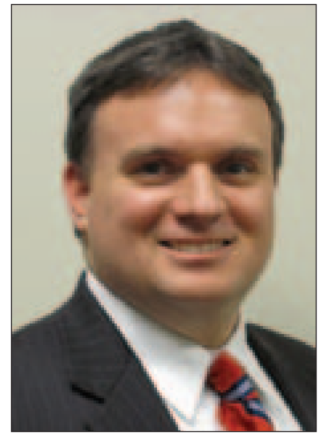
"I should say the death of the store has been greatly exaggerated. There will be a transformation of retail real estate, but not an end to it. You could step back and connect the dots and say, 'the world's going to have e-commerce only' and that 'stores are dead,' but we don't see that future at all – in part because I don't think consumers want that future. I think people like to shop and they like the serendipity of stores." – Devin Wang, President Ebay Marketplaces (source "How Digital is Transforming Retail: The View From eBay," McKinsey & Company, July 2014)

Many retailers, such as Crate & Barrel, Starbucks and American Eagle are moving toward an omni-channel marketing plan, where their online presence is integrated into the physical shopping experience or drives in-store sales. Consumers are still looking for a retail shopping experience beyond what they can find on the internet. The net effect on retail centers may be a proliferation of smaller scale stores that don't need to carry as much inventory, and a greater emphasis on restaurants and entertainment. While this move toward smaller stores may play out eventually, it hasn't stopped some significant merchants from expanding their large store formats. Value oriented stores like Walmart and Dollar General continue to aggressively expand their real estate presence throughout the country. Grocery stores like Giant Eagle and Wegmans continue to expand larger store formats that offer greater amenities for shoppers and higher per square foot sales numbers. At the opposite end of the size spectrum, smaller grocery concepts like Aldi's, Trader Joe's and Whole Foods continue their growth trends.

One big change for 2015 in Pittsburgh's retail landscape is the shuttering of Bottom Dollar's grocery locations, due to the chain's purchase by competitor Aldi's. Bottom Dollar over-extended itself with an aggressive growth strategy and the closing of Bottom Dollar's stores could offer an opening for competitors like Supervalu's value brand Save A Lot. Supervalu CEO Sam K. Duncan recently told analysts "We compete very well with Aldi. We will gladly take them on any time, any place." It is unclear how Aldi's will handle the divestiture of the former Bottom Dollar locations, although it is anticipated that most will be available for lease or sale. While Bottom Dollar focused its stores on a lower demographic profile, it still took spaces in some of Pittsburgh's top retail markets, such as McKnight Road. Those locations may be highly sought after by other retail uses.

The availability of the closed Bottom Dollar stores will help to relieve some market pressure on prospective tenants, but the Pittsburgh retail real estate market should remain tight for the foreseeable future. Rents are expected to continue to increase throughout 2015 and into 2016 with retailers facing stiff competition for high quality locations. Without substantial new development vacancy rates should continue to decrease. Developers will continue to look for opportunities for new development or the redevelopment of existing obsolete properties.

For more information contact:
Mark E. Anderson
Vice President, Office and Retail
Colliers International
Two Gateway Center, 603 Stanwix Street, Suite 125
Pittsburgh, PA 15222
412-321-4200 ext. 222
MarkE.Anderson@Colliers.com
www.colliers.com DP



Mark Anderson

zenithridge™
IN SOUTHPOINTE

ANSYS headquarters at Zenith Ridge is the 2015 NAIOP Build-To-suit Award Winner. Congratulations to Quattro Investment Group, L/P and Burns & Scalo Real Estate Services.

The 486,000 SF, $120 MM wooded campus features three private entrances with exclusive amenities that blend work and play.

Outdoor meeting areas with private grilling patio, fire-pit, and outdoor ping pong table will enrich the work day. Restaurants, hotels, and retail are only steps away.

Zenith Ridge is a true "walk work" community.

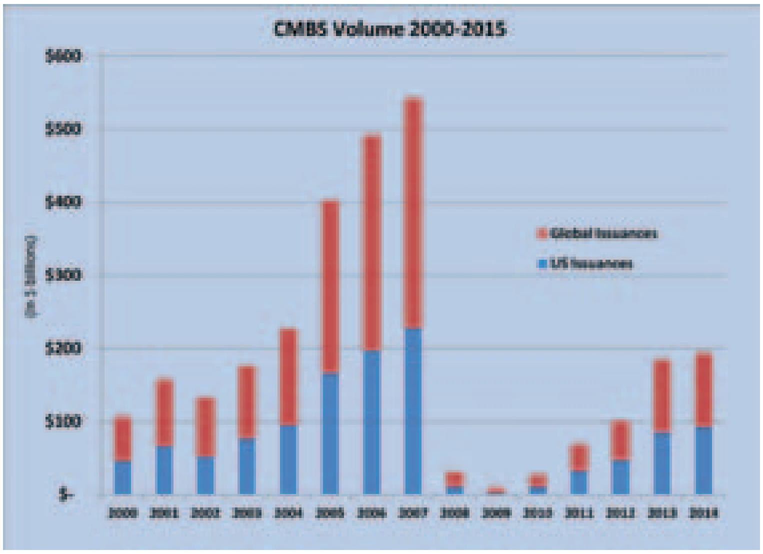
REAL ESTATE BURNS SCALO SERVICES, INC.

www.Burns-ScaloRealEstate.com

There are a handful of concerns about the prospects and prosperity of the capital markets at the start of 2015 but liquidity is not among them. Depending on the lending channel, concerns exist about regulation, spreads, competition and global economic health. What there is no comment about in 2015 is the availability of funds and the desire to deploy them in commercial real estate.

"Everyone is back in the game," says Daniel Puntil, senior vice president for Grandbridge Real Estate Capital. "The life companies have increased their allocations, CMBS is back and all lenders are back because of the relative value of the bond market."

Perhaps the discussion of capital market conditions should begin with interest rates. Up through the middle of 2014, there was anxiety about the impending end of the Federal Reserve's bond-buying program, or quantitative easing. Rates for the benchmark 10-Year Treasury bill jumped in late 2013 when the Fed began to taper its $85 billion monthly bond purchases, even though the Federal Reserve pointed out that the program would end because the economy was strong enough to withstand the loss of the artificial support. While markets rose early in 2014 with an eye towards an interest rate bump in mid-2015 – the Fed's stated plan – bond buyers gradually accepted the trajectory of the tapering, especially as the economy grew unexpectedly faster in the third and fourth quarter of 2014. With growing global issues driving more investors towards U.S. Treasuries later in the year, interest rates ended 2014 lower than the rates a year earlier.



Commercial real estate is the risk-on bet of choice for large institutional lenders when the risk-off bet – bonds – produces returns that are too low to meet the lenders' needs for yield. For example, life insurance companies have obligations and actuarial realities – death benefits – that require a sufficient return to cover the obligations and turn a profit. In a 10-Year Treasury environment of two percent or less, bonds won't satisfy the needs of such institutions.

Dividend yields for REIT's are roughly double the yield of the 10-Year and within one percent of the yield for BAA-rated corporate bonds. Until interest rates push the spreads between real estate returns and bonds further apart, capital will be looking for real estate.

Attendees of the Mortgage Bankers Association's (MBA) Commercial Real Estate Finance/Multi-family Housing Convention experienced the increased appetite for real estate firsthand. Attendance at the MBA convention was over 5,000 people, more than double what it had been in 2009. Puntil relates that Sun Life upped its allocation for real estate from $500 million to $800 million. Another of the life companies doubled its allocation to $1.2 billion, raising its minimum deal size from $25 million to $40 million in the process. The higher interest also coincides with a cyclical peak in maturing loans, which can erode the share of the commercial real estate loans in the lenders' portfolios.

"A lot of loans are rolling off for CMBS and life companies, so they would have to increase allocations just to meet their averages of 12 to 14 percent," notes Puntil.

While U.S. lenders are seeking yield, there will be increased interest and competition from foreign investors. According to the Association of Foreign Investors in Real Estate's annual survey conducted in December, 90 percent of respondents planned to maintain or increase the same level of investment in U.S. properties that they had in 2014. Foreign investors continue to rank the U.S. higher than other Western countries for stability and capital appreciation. This puts the United States, in terms of attractiveness, ahead of European economies and emerging economies like China and Brazil.

"The foreign capital coming into the U.S. is a currency hedge, a security hedge," says Gerard Sansosti, executive managing director for HFF. "The perception of the U.S. as a safe place for whatever fear is out there is why overseas investors are parking money here."

For borrowers, market conditions like those that exist today are extremely favorable. Investors seeking yield have few places to put their money, especially since the equity markets are at record highs. Treasuries offer safety and poor returns. With commercial real estate fundamentals improving, lenders and investors are working hard to mobilize their cash in acquisition and development projects. Add in the downward pressure on rates and spreads and the cost of capital is at historic low levels. But the danger in such conditions is that the competition for loans will encourage the kinds of practices that created the "frothy" markets of 2006 and 2007, practices that led to crises a few years later. Thus far, at least, lenders seem to be keeping their heads.

Feedback from lenders at the MBA Convention showed that loan-to-value ratios remained at or below 80 percent, with the exception of certain multi-family deals. Underwriters are considering rents in place for income, rather than trending rents to make deals work. CMBS underwriting is becoming more restrained for hospitality properties – which many feel peaked in 2014 – looking at trailing 12 months income and the performance for 2012. And while rates are still being quoted at between 175 and 250 basis points above the 10-Year Treasury rate, some lenders have begun putting a floor in their quote. This would keep rates at four percent, for example, even if the 10-Year rate dropped to 1.5 percent or lower.

Rate floors would be welcomed by most banks today. With interest rates at such low levels, banks need higher loan volumes to generate revenue from deals. Because of the extended period of low rates, refinancing has run its course and the results from 2014 – a 39 percent decline in mortgage originations to $1.12 trillion – showed that. With Fannie and Freddie re-introducing more products that will allow lower down payments – including a more streamlined loan with three percent down –originations should rise in 2015, but not enough to ease competition.

"The permanent market is driven more by competition with the banks. The banks set the bar," notes Puntil. "Everybody looks at CMBS as the bad guys but the preponderance of the lending is being done by the banks."

Numbers bear out Puntil's point. In the fourth quarter of 2014, chartered depository institutions held $1.6 trillion of the total $3.3 trillion in outstanding loans for commercial real estate and multi-family apartments. That's roughly half the market and nearly three times the CMBS loan total of $585 billion. Life insurance companies had the third-highest share at $350 billion in loans.

In the hey-day of the CMBS market, during the real estate bubble, CMBS issuances exceeded $300 billion in 2007. As designed, CMBS was always meant to be a vehicle through which investors could look for higher returns by investing in riskier assets. The attraction of CMBS bonds was that the higher risk properties were identified and aggregated together as "B" or "C" tranches of the bonds, allowing the buyer to price the risk higher and spreading the risk across many properties. CMBS was intended to appeal to seekers of higher yields while giving borrowers with riskier projects or properties a way to get to market, albeit with a higher cost. When the bubble burst, the CMBS market fell into a period of five years in which less than $50 billion in bonds were issued in the U.S.

As with most of the property-related financial instruments that were oversold in the 2000s, CMBS issues saw delinquencies and defaults rise dramatically through the post-recession period. Delinquency for CMBS peaked at 8.5 percent in early 2012 but has fallen to 4.03 percent at the beginning of 2015. Volume in CMBS issuances recovered similarly, hitting $94 billion last year in U.S. volume and $100 billion globally. Expectation for 2015 CMBS issuances are for between $110 and $115 billion. That's still only one-third of the 2007 peak.

"The forecast is for $125 billion [in CMBS] but I don't see that happening," predicts Sansosti. Even with 45 to 50 CMBS lenders in the market, Sansosti says the recent deals are showing that everything coming to CMBS is not getting into the bonds that go to market. "The recent deals have been starting with $1.3 billion pools but they have gone down to $800 million because the 'B' piece buyers are kicking deals out. That shows discipline to me."

For banks, the appetite to participate to a higher level also exists but the regulatory environment is still one that holds them back.

In the wake of the financial crisis of 2008, government and industry regulation grew tighter. Federal regulation has added significantly to the bank's cost of doing business in 2015, creating compliance requirements that have added to lenders' overhead. Global banking industry self-regulation by the Basel Committee on Banking Supervision also tightened. The main issue was risk rating for loans and the cash that banks were required to reserve as provision for loan losses. As might be expected, standards for risk rating were higher after 2008 and became quite arbitrary. There was no room for a loan with a "good story" from a long-term borrower with excellent credit.

"Someone asked me if the pendulum was swinging back the other way on credit. I told him that banks had all let go of the pendulum," jokes Chris Martin, president for Northwest Savings Bank's southwest region. "What's tethering us now is the oversight."

Compounding the risk oversight in 2015 is the implementation of Basel Committee regulations for High Velocity Commercial Real Estate (HVCRE). The definition of HVCRE is fairly broad, taking in some percentage of commercial real estate acquisition and development deals. Loans that meet the HVCRE definitions must be carried on the bank's books with a risk weighting of 150, meaning that it would be judged one-and-a-half times riskier and could require one-and-a-half times the reserves required in 2014. There are also some provisions that could be especially onerous for Pittsburgh developers.

For example, one restriction on valuation requires that any land put in as equity be valued at its cost, rather than its market value. Pittsburgh has more than its fair share of developers that have legacy land holdings that were acquired years or decades earlier. This regulation on land value could cost developers dearly, since the difference between the market value and the cost basis has to be made up in cash.

HVCRE regulations ignore many of the dimensions of credit-worthiness and underwriting. High debt coverage ratios or the fact that the commercial property is owner-occupied or adequately income-producing won't serve to offset the risk rating. As of mid-February there has been little time to evaluate how much HVCRE will impact loan production but the good news is that it appears not to be as intrusive as feared.

"HVCRE has already started to impact our business but only for developments that have less than 15 percent equity or above 85 percent of the appraised total value," notes Kris Volpatti, for First Niagara Financial Group. Volpatti says that the regulation is being interpreted differently by financial institutions and more time will be needed to judge any impact.

Pittsburgh regional bankers are mostly in agreement about the regulatory environment, and lending conditions in general for 2015. In a Tall Timber Group survey of banking executives and credit officers from Southwestern PA's publicly-traded and privately-held banks, over 81 percent agreed that the regulatory environment would be the same or tighter; that underwriting standards would be the same or ease; and that interest rates would stay within 100 basis points in 2015. The respondents were nearly unanimous in taking a more cautious view of apartments. The only area with slight disagreement was the question of their bank's expectation for loan production, which 63.6 percent thought would increase in 2015.

Underwriting standards	Same or easing: 81.8%	Tighter: 18.2%
Commercial lending goals	Same or less: 36.4%	Higher: 63.6%
Regulatory/internal oversight	Same or less: 18.2%	More diligent: 81.8%
Appetite for multi-family	More cautious: 90.9%	Same or greater: 9.1%
Interest rate increase	Same or <100BP: 81.8%	Greater than 100 BP: 18.2%

Almost all financial market observers agree with Pittsburgh's bankers on the subject of interest rates. The threat of rates jumping hung over the commercial real estate market like the Sword of Damocles over the past few years, yet even the most hawkish observers don't expect rates to go up until mid-year and then only slightly. Recent significant improvements in the job market and the economy in general seem to assure that the Fed will let rates rise mid-year but with little or no inflation, there won't be much pressure to continue. In fact, as global economies remain risky bets, demand for U.S. debt grows and the need to offer higher rates is nonexistent. What rate concerns exist are for 2016 and beyond.

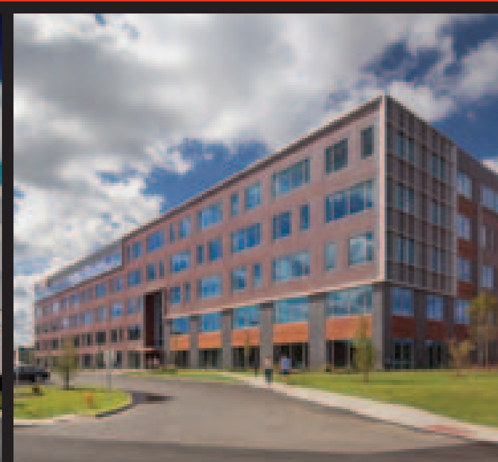
"The market condition or change that will have the most significant impact will be if interest rates actually rise. Astute developers are having conversations around the probability of rising interest rates," says Craig Howard, vice president, commercial real estate for Fifth Third Bank. "Increased interest rates could come in the form of increased base rates such as LIBOR, prime rate or U.S. Treasuries or in loan pricing spreads reflecting increased risk or increased costs related to the regulations of Dodd/Frank and Basel III (meaning HVCRE). This potential rising tide of rates will increase most developers' cost of equity and cost of debt. This increase in carrying costs could force many cost sensitive projects to be put on hold."

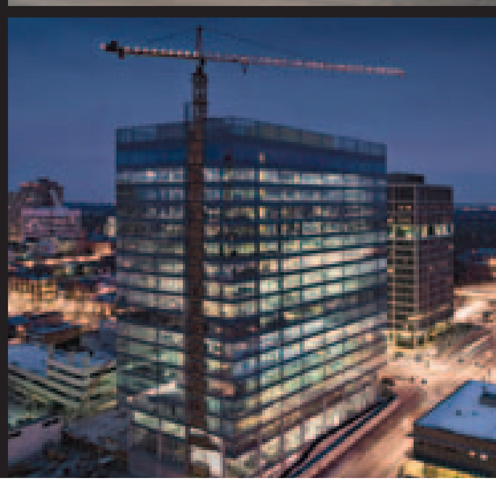
"What concerns me is the plan for easing, the unwinding of the rates upward," notes Paul Griffith, managing director for Integra Realty Resources. "What sort of unknown, what black swan event could occur that would blow up whatever plan the Fed has for easing the rates back to normal."

"We don't see the rate going up by more than 25 basis points or so. It's not the first increase that's important. It's that the trend is set," says Martin. "It's what happens after that that is important. Rates tend to go up more from there." DP





DICK'S





Pennsylvania Enacts Amendments That Significantly Alter The Mechanics' Lien Law

By Danny P. Cerrone Jr., Esq.

Two significant amendments to the Pennsylvania Mechanics' Lien Law (the "Lien Law") were enacted last year. On July 9, 2014, the Lien Law was amended to clarify that an open-end mortgage construction loan, where at least 60 percent of the proceeds are used to pay the costs of construction, will have priority ahead of any mechanics' lien claims, even when the visible commencement of work occurred prior to the recording of the open-end mortgage. The amendment also restricts, in certain situations, a subcontractor's right to file a mechanics' lien against residential property. On October 14, 2014, the Lien Law was amended to create a structured notice procedure. The amendment created a central repository for filing notices related to construction. The amendment will provide owners with a better method of identifying subcontractors and material suppliers that may have lien rights.

A. Open-End Mortgage Construction Loan

The July 2014 amendment was in response to the Superior Court's decision in *Commerce Bank/Harrisburg, N.A. v. Kessler,* 46 A.3d 724 (Pa. Super. 2012). Prior to *Kessler*, the Lien Law provided that, although a mechanics' lien generally has priority as of the date of visible commencement of work, a mechanics' lien was subordinate to an open-end mortgage where the proceeds are used to pay all or part of the cost of completing erection, construction, alteration or repair of the premises. The Kessler Court interpreted the Lien Law to mean that, in order for the exception to priority to be applicable, all of the loan proceeds must be used for hard costs and not for other purposes, such as closing costs, satisfaction of an existing mortgage or payment of other judgments and liens.

The amendment clarified that priority is enjoyed by all open-end mortgages "where at least 60 percent of the proceeds are intended to pay or are used to pay all or part of the costs of construction." In addition to clarifying that loan proceeds may be used for purposes other than construction costs, the amendment added an expansive definition of "costs of construction" to include all costs, expenses and reimbursements pertaining to erection, construction, alteration, repair, mandated off-site improvements, government impact fees and other construction-related costs, including, but not limited to: costs, expenses and reimbursements in the nature of taxes; insurance; bonding; inspections; surveys; testing; permits; legal, architect, engineering, consulting, accounting, management and utility fees; tenant improvements; leasing commissions; payment of prior filed or recorded liens or mortgages, including mechanics' liens; municipal claims; mortgage origination fees and commissions; finance costs; closing fees; recording fees; title insurance or escrow fees; or any similar or comparable costs, expenses or reimbursements related to an improvement, made or intended to be made, to the property.

The amendment will apply to mechanics' liens perfected on or after the effective date of September 7, 2014, including liens relating to construction of an improvement for which the visible commencement of work occurred prior to the effective date. Now that the amendment is in effect, open-end construction loan mortgages, where proceeds are used for purposes other than "hard costs," will regain their "super-priority" over mechanics' liens, as long as the threshold requirement for payment of the loan proceeds to "costs of construction" is met.

B. Payment May Be A Defense for Certain Residential Projects

The July 2014 amendment also eliminated a subcontractor's right to file a lien against residential property when the residential property owner has paid the full contract price to the prime contractor. This amendment only applies to a single townhouse or a building that consists of one or two dwelling units intended to be used by the owner or a tenant of the owner. Additionally, where the full price was not paid to the prime contractor, the amount of the mechanics' lien can be reduced to the unpaid amount of the contract price.

C. The Construction Notices Directory

The October 2014 amendment created an internet-based Construction Notices Directory (the "Directory"). The Pennsylvania Department of General Services ("DGS") was designated to create and maintain the Directory. The Directory must be operational by December 31, 2016. If the Directory is operational on a date other than December 31, 2016 (whether earlier or later), the DGS must publish written notice, in the Pennsylvania Bulletin, in advance of the actual operational date.

The amendment to the Lien Law applies to a "searchable project." A searchable project is a project in which the construction, alteration or repair costs are $1.5 Million or more. If the project costs are less than $1.5 Million, the amendments do not apply and the existing Lien Law procedures should be followed.

The amendment permits four types of notices to be filed with the Directory: (1) Notice of Commencement; (2) Notice of Furnishing; (3) Notice of Completion; and, (4) Notice of Nonpayment.

The amendment permits four types of notices to be filed with the Directory: (1) Notice of Commencement; (2) Notice of Furnishing; (3) Notice of Completion; and, (4) Notice of Nonpayment.

First, the Project Owner, or an agent of the Project Owner, may file a Notice of Commencement. The Notice of Commencement must be filed prior to the commencement of any labor, work or materials being furnished for the Project. The Project Owner may designate a contractor as its agent for purposes of filing the Notice of Commencement, if the contractor is specifically authorized by contract and the Project Owner assumes responsibility for the contractor's actions. The Notice of Commencement must include (1) the full name, address and email address of the contractor; (2) the full name and location of the project, including the county in which the project is located; (3) the legal description of the property upon which the project is being constructed, including the tax parcel identification number; (4) full name, address and email address of the Project Owner; (5) if applicable, the name and contact information of a surety for any performance or payment bonds, including the bond numbers; and (6) the unique identifying number that is assigned to the Notice of Commencement.

The Project Owner must post a copy of the Notice of Commencement in a conspicuous place at the property prior to the commencement of any physical work. The Project Owner also has an obligation to take reasonable measures to ensure the Notice of Commencement remains posted until the completion of the project. "Reasonable measures" means that the Project Owner must repost the Notice of Commencement within 48 hours after becoming aware of, or being notified (verbally or in writing), that the Notice of

Commencement is not posted. The Project Owner is required to make reasonable efforts to ensure that the Notice of Commencement is made part of the contract documents provided to all subcontractors.

Second, if the Notice of Commencement is properly filed and posted, a subcontractor is required to file a Notice of Furnishing. A subcontractor must file the Notice of Furnishing within 45 days after first performing work or delivering materials to the project. The Notice of Furnishing must include: (1) a general description of the labor or materials furnished; (2) full name and address of person supplying the labor or materials; (3) full name and address of the person that contracted for the labor or materials furnished by the subcontractor; and (4) a sufficient description of the project in order to identify it based on the description set forth in the Notice of Commencement. A subcontractor's failure to "substantially comply" with these requirements results in the forfeiture of lien rights. A contract for a searchable project must include a written notice that the failure to file a Notice of Furnishing will result in the forfeiture of lien rights.

The Lien Law amendment protects against an unlawful attempt to force a subcontractor to waive its lien rights by not filing a Notice of Furnishing. A subcontractor cannot be required to refrain from filing a Notice of Furnishing as a condition precedent to entering into a contract. Any person that requests, encourages or requires a subcontractor not to file a Notice of Furnishing may be subject to criminal penalties. If a subcontractor proves that it did not file a Notice of Furnishing, as a direct result of a Project Owner or its agent, the subcontractor will not lose its lien rights and will have a civil cause of action against the person who caused the subcontractor to not file a Notice of Furnishing. In such a situation, the subcontractor would be entitled to recover actual damages, in addition to reasonable attorney fees and court costs.

Third, the Lien Law amendment permits a Project Owner to file a Notice of Completion within 45 days of the actual completion of work. The Notice of Completion is transmitted, through the Directory, to all subcontractors who filed a Notice of Furnishing. The Notice of Completion is filed for informational purposes only.

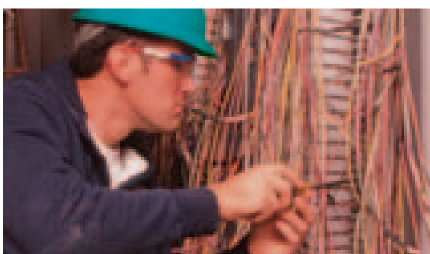
Fourth, and also for informational purposes only, a subcontractor is permitted to file a Notice of Nonpayment when payment is not received. The failure to file the Notice of Nonpayment does not impair a subcontractor's lien rights, nor does the Notice of Nonpayment relieve a subcontractor from its obligation to comply with the requirements to perfect a mechanics' lien.

Danny Cerrone is a member in Clark Hill PLC's Construction Practice Group. Should you have any questions regarding these amendments, or the Lien Law in general, please feel free to contact him at dcerrone@clarkhill.com or 412-394-7757. Learn more about Clark Hill at www.clarkhill.com. DP

From Construction to Service and Maintenance, *We're Here for You.*

With over 60 years of experience providing innovative Mechanical, Electrical, and Fire Protection Services to commercial and institutional clients, Scalise Industries is built for the long term, on enduring qualities that serve our clients well:

- Financial Strength
- Innovation
- Valued Relationships
- Staying Power



Check out some of our recent projects:

- PNC Bank Call Center
  HVAC, Piping, Electrical & Fire Protection
- Southwestern PA World War II Memorial
  Electrical Work to Provide Night Illumination
- Development Dimensions International (DDI) World Headquarters
  HVAC, Piping & Electrical

What Can We Do For You?

724.746.5400
www.scaliseindustries.com

EMCOR Services Scalise Industries 108 Commerce Blvd. Suite A Lawrence, PA 15055

EMCOR Services
Scalise Industries

More Population, More Opportunities
(And More Problems)

"It's clear that our region will be experiencing a third generation of transformation. Our diverse economy is strong, but a wave of demographic changes is coming that will challenge that strength. We can let it happen to us, or we can take the lead. If we are proactive and become a magnet for talent, we have the opportunity to have the youngest, best-skilled population in the country,"

Allegheny Conference on Community Development CEO Dennis Yablonsky introduced the Conference's 2015-2017 strategic plan with that assessment of Pittsburgh's human resource challenge. After engaging more than 1,000 conversations about the region's needs, the Allegheny Conference concluded that increasing the population of Southwestern PA was its highest priority over the coming years. This conclusion came from hearing the frustration of hundreds of business leaders about their difficulties in recruitment and from objective analysis of the demographics of Southwestern PA. In the final analysis, the demand for population growth is as much about maintaining strength as it is about growth.

To set the record straight, the need for people is not just a Pittsburgh problem. While Pittsburgh's much-publicized older population is indeed a reality, so is the fact that America as a whole is growing older. According to the Centers for Disease and Prevention, the birth rate in the U.S. reached an all-time low in 2013 (the last full year for which there is data). The general fertility rate in 2013 was 1.86 (the number of births divided by the mean number of women aged 15-49). That's well below the rate of 2.1 needed to maintain a stable population in the U.S. There were nine percent fewer births in 2013 than in 2007.

Without immigration to fill the gap between births and deaths, population will decline. So too, will the demand for services and the available labor force. Should a lower birth rate continue, the demand gap will accelerate as the demographic tsunami that is the Baby Boom ages and dies.

Metropolitan Pittsburgh has these same demographic issues, but to a greater degree. Even as the median age of a City of Pittsburgh resident is declining significantly, the median age of the workforce in the greater metropolitan area is not. Pittsburgh has the oldest working population of any major metropolitan area. The workers here also work longer. And these numbers aren't going to change without intervention. There are 135,000 to 140,000 more residents between the ages of 45 and 65 than there are between the ages of 24 and 45. And one of the real job creating engines in Southwestern PA, the energy industry, is aging much quicker than the average industry.

That means that by 2030, Pittsburgh's workforce will have gone through what the gas industry calls "the great crew change." The upside? Within a decade, Pittsburgh may well have the youngest workforce. The downside? Thousands of critical jobs may be unfilled. In a city with over 24,000 unfilled jobs in 2015, that's not an attractive prospect.

The problem is something of a chicken-or-egg question. A sudden or steady influx of population into Western PA would not in and of itself ensure future prosperity. People move to where jobs are being created but the migration also does create its own employment opportunities. When the energy crises of the 1970s made oil companies extremely profitable, hundreds of thousands of jobs were created in the oil industry. The economic driver attracted more than a million people to move to Houston. That in-migration in turn created jobs by the tens of thousands in industries that served consumers and businesses.

The Allegheny Conference's strategy is to target population on the move to attract talent. Some of those on the move are veterans, one-third of whom will transition out of service to a location that has jobs. Another initiative is Hola Pittsburgh, which focuses on the current emigration of educated workers from Puerto Rico. There is also an effort to provide what Laura Fisher calls "business boot camp" to arm college graduates with some of the skills needed to hit the ground running in the industries growing in Pittsburgh to keep grads in the region.

Fisher, senior vice president, special projects for the Allegheny Conference, sees the improving economy creating opportunities and challenges for the grads and employers. "The recession gave corporations the chance to get college graduates with work experience. That won't continue."

"If you look at the Southwest – Texas, Arizona, Colorado – places that have had a lot of in-migration over the last decade or so, over the past 20 years the movement to warmer, more hospitable climates has generated demand for jobs in hospitality or retail. These were not necessarily high income jobs," explains Guhan Venkatu, vice president and senior regional officer for the Federal Reserve Bank. "If you look at the Northeast, there hasn't been so much population growth as income growth."

Venkatu makes the point that population attraction isn't as important as an in-migration of people making better incomes. That is encouraging for an area that may not have all the natural advantages that a southern or western city has.

"People can move to a city because of better quality of life but if the city has tech jobs or higher-paying jobs then people can have a better quality of employment," he continues. "If you look at the data from the Sunbelt it shows that cities with a gradual influx of people are doing well. Cities that are attracting a better-educated population are also doing well."

Whether the Pittsburgh of 2030 needs a couple hundred thousand more people or just a couple hundred thousand people that are a better fit for the work being done in the region is the nub of the question. The answer may depend on the kinds of work being done. Certainly if the vision being cast by the natural gas industry comes true, there will need to be people living in Pittsburgh who aren't here yet, probably a lot sooner than in 2030 too. If there is a gradual shift in the kinds of jobs here to a more highly-skilled workforce, the solution may lie in providing better direction to those being educated at the present.

The latter will be a slightly easier solution. Attracting population to move to an old northern or Midwestern city is a daunting challenge and with it comes problems that Pittsburgh doesn't currently experience to a great degree.

Over the past decade the region has been honored with a plethora of "best of" awards that related to the quality of life, including affordability and safety. For those who advocate against growth for the sake of growth, an influx of population could risk those qualities.

Eben Fodor of Fodor Associates, an urban planning consultant, authored the 2010 study on The Relationship between Growth and Prosperity in the 100 Largest Metropolitan Areas. In the abstract of the study, Fodor wrote:

> "People can move to a city because of better quality of life but if the city has tech jobs or higher-paying jobs then people can have a better quality of employment,"

"This study examines the relationship between growth and economic prosperity in the 100 largest U.S. metropolitan areas to determine whether certain benefits commonly attributed to growth are supported by statistical data. The annual population growth rate of each metro area from 2000 to 2009 is used to compare economic well-being in terms of per capita income, unemployment rate, and poverty rate. The study finds that faster growth rates are associated with lower incomes, greater income declines, and higher poverty rates. Unemployment rates tend to be higher in faster growing areas, though the correlation is not statistically significant at the 95% confidence level. The 25 slowest-growing metro areas outperformed the 25 fastest growing in every category and averaged $8,455 more in per capita personal income in 2009. The findings raise questions about the efficacy of conventional urban planning and economic development strategies that pursue growth of metro areas to advance the economic welfare of the general public."

It's worth noting that the timeframe of Fodor's study ends with two unusually difficult years economically. That steep decline in employment in 2008 may have exaggerated the findings to some degree but during the full span of the study the data disputes the claim that rapid growth leads to prosperity.

Others are concerned that significant population growth would impact quality of life. "[Growth] is not always bad, but if adding more people made a place safer, the world's biggest cities would be safe havens," notes Tim Inglis, CEO of the Colcom Foundation, a Pittsburgh-based foundation committed to examining the causes and consequences of overpopulation and its impact on environmental sustainability. "We're learning that sustainability and safety go hand-in-hand. Growth is inherently not sustainable. I don't think we've noticed the correlation between the number of "Best in the U.S." and "Best in the World" ratings and our stable population."

Inglis uses an analogy of unsustainable growth and the early stages of childhood, pointing out that maintaining the growth rate of the first five months of a newborn's life would lead to the child weighing more than the planet Earth before age 30. In response to concerns about the potentially inadequate workforce, Colcom points out that a tighter labor market can lead to higher wages and quality of life benefits for a broader cross section of the region.

"We need to work even harder to help people who already live here through training and education, as opposed to the shortcut of importing talent," he asserts.

Fisher explains that working with the underserved populations in Western PA is a key piece of the workforce strategy. She points to the Three Rivers Workforce Investment Board (TRWIB) as an example of using the resources of the public and private sectors to more efficiently address the gap between those looking for work and employers looking for skilled workforce. One of TRWIB's board members, Mark Cherna, led the development of a Data Warehouse in his role as director of Allegheny County Department of Human Services. The Data Warehouse tracks anyone getting social services in the county, allowing those in a position to help or hire to have an inventory of those in need.

"It's not just a moral imperative but also an economic imperative to help educate and employ those in underserved communities," Fisher says. "It starts with the willing, those who want to move into family-sustaining jobs."

Providing training and opportunities to the underserved communities also helps with the lack of diversity in the region. A greater portion of those in poorly-resourced communities are minorities. Helping to pull the existing minority population into sustainable prosperity helps elevate the communities in which those people live and is a positive signal for considering Pittsburgh as a place to live. We can look to southeastern Michigan to see how an industrial region can appeal to ethnic or racial minorities.

The City of Dearborn has long been home to a disproportionate share of Arab and Muslim Americans. Attracted first by the job opportunities offered by Ford Motor Co., Arab immigrants have continued to come to Dearborn. Nearby Hamtramck is now home to a population that is nearly half Muslim.

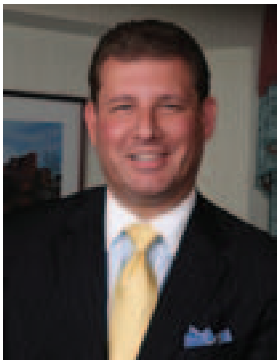
While the original immigration wave was primarily Lebanese, as a result of the warfare of the 1970s, the unrest in the Middle East over the past five years has driven another immigration wave of Iraqis, Syrians and Yemenis. The auto industry is no longer the job creator it once was but the immigrants continue to flock to southeastern Michigan because there are others like them there. That cultural familiarity gives refugees people to talk with, places to worship and interact while they learn to assimilate into American culture. Those who have studied the density of Muslim immigration in Michigan have concluded that the cultural familiarity is far more influential than the draw of a better economy that other cities can offer.

How does a community with small numbers of new immigrants – like Pittsburgh – create that cultural familiarity? In a country that is becoming more non-Caucasian, the lack of diversity may make Pittsburgh less attractive to talented people who would want to work in the kinds of jobs that are available. The challenge goes beyond matching up people to job openings.

"It starts with a job but it's about building a life in a place," explains Laura Fisher. "Is there depth in the opportunity? Will his or her spouse have work opportunities? Is there a community to meet ethnic or racial needs? How do you network in a city where you don't know anyone?" DP

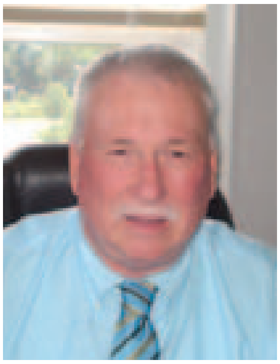
"What is the most important thing that the Wolf administration can do to help economic or real estate development in your county?"

Jeff M. Kotula
President
Washington County Chamber of Commerce



The most important thing the Wolf Administration can do to assist economic growth in Washington County and the Commonwealth is to seriously consider the effects of a severance tax on the natural gas industry. In the past decade, the natural gas industry has completely revitalized our economy creating thousands of jobs and bringing new opportunities. We want that growth to continue. A severance tax is more likely to cause production to stagnate than grow as well as cause us to lose any economic momentum we have seen in our state because of the industry.

Don Chappel
Executive Director
Greene County Industrial Developments Inc.



The diversity of the ten county southwestern Pennsylvania region is what makes the area unique when comparing it to the rest of the Commonwealth. One plan does not fit all qualifies for each individual county. The rolling hills and pastoral splendor is what makes Greene County green but also at times cost prohibitive to develop. Earth moving is costly in the entire region but even more evident in the extraction laden economy acreage of Greene County. Grant funding keeps us in the ball game since we are not gaming funds eligible. I urge Governor Wolf to maintain or improve the site development grant funding available through DCED to help offset the high costs of earth moving and infrastructure expenditures associated with developing pad ready sites in Greene County.

Michael P. Coonley AICP
Executive Director
Armstrong County Department of Economic Development

My initial reaction to this question was simply to say that I want the Governor to show me he has the ability to lead both sides of the aisle. If he can do this, many - if not most - of the obstacles facing successful economic or real estate development in my county can be overcome. Actually, if he can do this it will certainly work beyond the boundaries of Armstrong County.

In my world, economic development is defined by job creation, unfortunately, there are many more facets and the true definition is infinitely more complicated. Governor Wolf (and other elected officials) need to simplify rules and regulations to help the private sector create jobs. Keep the rules clear, the administration consistent and the review process both competent and timely (if this means increasing staff, do so). Make this the basis of all future decisions and rulemaking.

Other "things" to consider include; the need for consistent tax assessment between counties (in terms of both calculation and frequency), the pending state pension crisis (this is not just a Harrisburg issue), workforce development, continued infrastructure improvements, the growing divide between eastern and western Pennsylvania, etc..... Nobody said the job would be easy!

Kenneth Raybuck
Executive Director
Butler County Community Development Corp.

The Redevelopment Assistance Capital Program (RACP) is a great tool to assist with economic development projects and we look forward to the Wolf administration continuing to facilitate the program, helping applicants receive prompt turnaround and for grantees to receive quick funding when approved.

Roads, bridges, and money for sewer and other infrastructure projects continue to be critical for local economic development success. Continuing State Route 228 improvements is an example of the type of improvement we need to foster additional growth.

The Commonwealth must address the pension issue plaguing our schools and institutions of higher learning. We cannot delay pension reform.

James Palmer
President
Beaver County Corporation for Economic Development

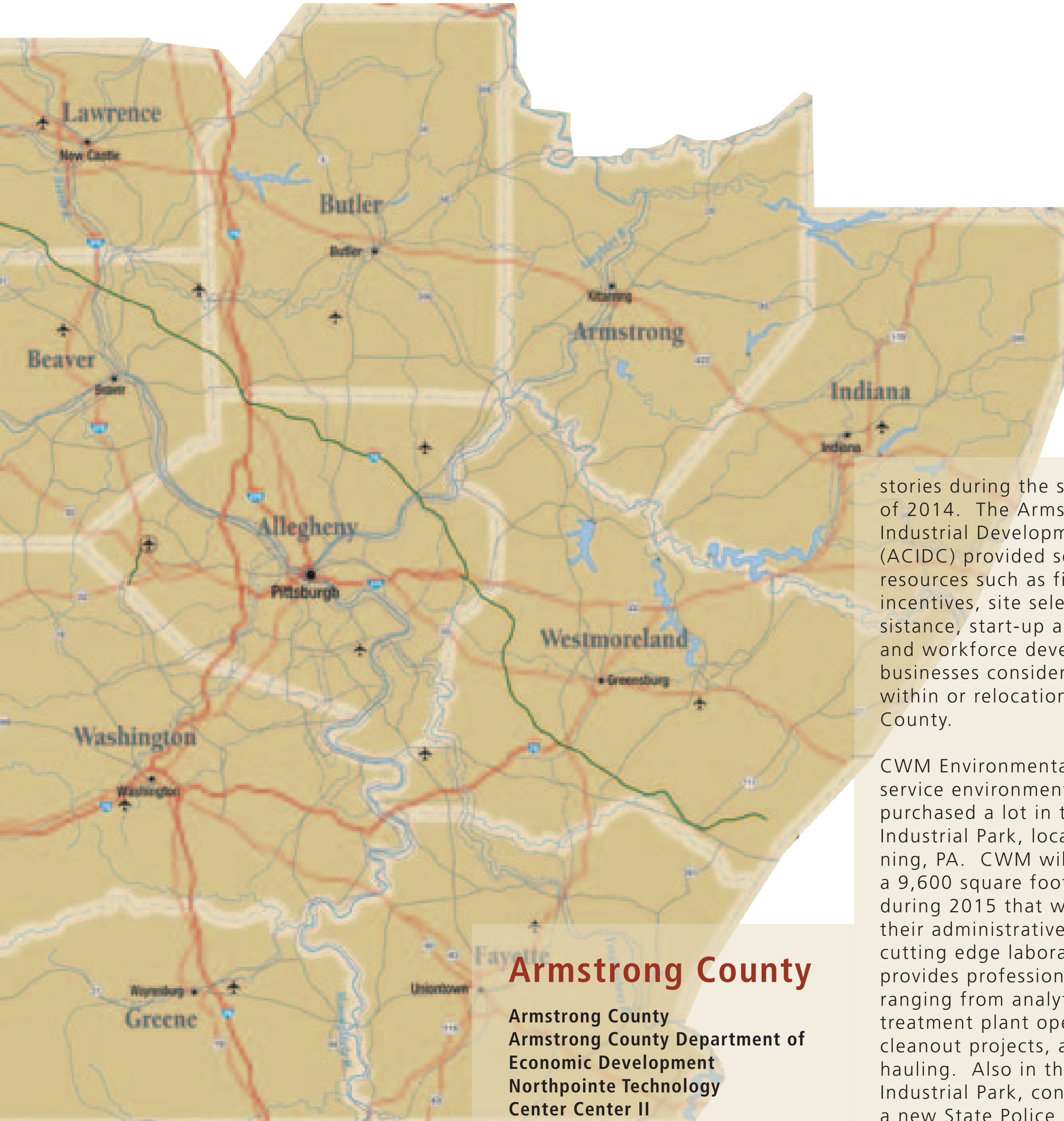
The mission of CED, a non-profit economic development corporation, is to support job creation and private investment. Part of CED's role is to invest in developing sites and facilities that would not otherwise exist without CED's participation. These investments are almost exclusively speculative.

Such investments occur in places where the costs to develop are greater than the market value of the properties after improvement. Causes could be environmental considerations, site development costs, and depressed real estate values due to community economic conditions. Part of the value equation as a non-profit becomes the job creation and increased tax base that would not have otherwise occurred without the investment.

CED invests its own resources and borrows funds to undertake its real estate projects. The value of the projects after improvement must be such that CED's investment is returned and its debt re-paid so as to be able to do future projects. Where the costs to develop exceed the return, grant support is essential to finance the gap between cost and value.

For many years the commonwealth maintained dedicated site development grant funds to support speculative investments in public infrastructure that filled this gap. Those resources have been vastly reduced, opened to other purposes, and/or not been supportive of speculative investment.

What the Wolf administration can do is re-establish a dedicated, speculative, grant funding source for public infrastructure for economic development projects. DP



Armstrong County

Armstrong County
Armstrong County Department of Economic Development
Northpointe Technology Center Center II
187 Northpointe Boulevard
Freeport, PA 16229
724-548-1500 (T) 724-545-6055 (F)
Michael Coonley, Executive Director
mpcoonley@co.armstrong.pa.us
www.armstrongidc.org

Economic growth in Armstrong County was tied to several success stories during the second half of 2014. The Armstrong County Industrial Development Council (ACIDC) provided services and resources such as financing, incentives, site selection assistance, start-up assistance, and workforce development to businesses considering expansion within or relocation to Armstrong County.

CWM Environmental, a full service environmental firm, purchased a lot in the West Hills Industrial Park, located in Kittanning, PA. CWM will construct a 9,600 square foot building during 2015 that will house their administrative offices and cutting edge laboratories. CWM provides professional services ranging from analytical testing, treatment plant operations, cleanout projects, and sludge hauling. Also in the West Hills Industrial Park, construction for a new State Police barracks is proceeding. The 11,410 square foot building will open in 2015. At the Parks Bend Farms Industrial Park in Leechburg, a precision manufacturer completed construction of a 12,000 square foot building. Metal Solutions moved into the facility in October 2014, purchased new Computer

Armstrong County (continued)

Numerical Control machining centers to improve product quality and timely delivery, and created new jobs.

Additional projects occurred during the second half of 2014 in Armstrong County. A 14,200 square foot building was constructed for Lutheran SeniorLife on the Armstrong County Memorial Hospital campus in the West Hills Industrial Park. The LIFE (Living Independence for the Elderly) facility will create 50 new jobs. Also at the Armstrong County Memorial Hospital, the emergency department underwent a $6.3 million expansion and renovation. The 14,800 square foot emergency department will include a reconfigured entrance, new nursing stations, trauma, triage, and treatment rooms. In Ford City, a 10,000 square foot adult education center was constructed at Lenape Technical School. The Nextier Bank Adult Education Center opened in November 2014.

Phase I of the Downtown Kittanning Revitalization project began in April 2014. It is anticipated that the project will be completed in mid-2015. The project includes the removal and relocation of overhead utilities, sidewalk replacement, decorative historic-style street lights and mast arm traffic signals, landscaping, and implementation of two-way traffic on McKean Street. Future phases of the Kittanning Revitalization project will go out for bid in 2015.

The ACIDC continues to promote the Keystone Opportunity Zone (KOZ) sites located in Armstrong County. For additional information about the services offered by the ACIDC, or to search available land and buildings in Armstrong County, visit www.armstrongidc.org.

Beaver County

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

The Beaver County Corporation for Economic Development (CED) completed an analysis of real estate opportunities along the PA Route 18 corridor in Potter Township, Beaver County, in the vicinity of the Horsehead Corp. former zinc smelter site. The purpose of the analysis was to identify specific sites for development; quantify potential impacts those sites could have in terms of building capacity, job impacts, and construction and real estate tax value; and identify and estimate off-site improvements necessary to support development of the identified sites. CED will use the analysis as part of its ongoing effort to insure a varied inventory of available sites and structures to support industrial growth.

CED signed an agreement with a developer for its Bridgewater Crossing property. Bridgewater Crossing is a site proposed for mixed-use development located at the confluence of the Beaver and Ohio Rivers in Bridgewater Borough, Beaver County. CED completed over $4 million in site improvements including site roads, water, sewers; a riverfront park; connections to a trail system that connects the Beaver and Ohio riverfronts; and, a transient boat dock to support on-site commercial uses. The developer is undertaking due diligence and market analysis to determine the appropriate mix of uses for the 12 acre site.

Finally, three occupants of Phase I of CED's Aliquippa Industrial Park are undertaking building expansions. The site is 100% occupied, with CED selling the final, available parcel of its 120 acre brownfield redevelopment project in 2013. The development is home to a variety of industrial and industrial-support businesses, and the expansions of these three original occupants continue to validate CED's investment in the site as well as all of the occupants' selection of the site as a viable business location.

Butler County

Community Development Corporation of Butler County
112 Hollywood Drive #102
Butler, PA 16001
724-283-1961 (T)
724-283 3599 (F)
Ken Raybuck, Executive Director
kraybuck@butlercountycdc.com
www.butlercountycdc.com

Butler County's building activity has remained quite robust as construction is continuing on the four-level $12 million county office building; a 48,000 square foot, $20 million Butler Health System medical office building and the completion of the 185,000 square foot UPMC Lemieux Sports Complex which will open later in the summer.

Freeport School District will open a $33 million middle school in fall 2015. XTO recently announced its headquarters will be relocated to 190 Thorn Hill Road which is a very welcome addition to Butler County. The U.S. Department of Veterans Affairs announced the selection of a site for a new 168,000 square foot VA Health Care Center to be built on 46 acres along Duffy Road in Center Township. Cambridge Health Care Solutions PA, the developer, noted that construction will begin this fall.

Finally, an exciting new project, spearheaded by the Butler County Tourism and Convention Bureau, is the restoration of the Kaufman House in Zelienople. This effort is very appropriate as Zelienople is not only revitalizing Main Street, but also celebrating its 175th birthday this year. Congratulations Zelienople!

The CDC recently reduced the price on 29 acres of shovel-ready land available at the Pullman Center Business Park. Lots are priced as low as $50,000 per acre. There are also 60 acres available at Victory Road Business Park in Clinton Township, a Keystone Opportunity Zone. Please contact the CDC at 800-283-0021 for information on land, commercial buildings and office space available for sale or lease in Butler County.

Fayette County

Fay-Penn Economic Development Council
1040 Eberly Way, Suite 200
Lemont Furnace, PA 15456
724-437-7913 (T)
724-437-7315 (F)
Michael A. Jordan, Jr., Executive Director
michaelj@faypenn.org
www.faypenn.org

Fay-Penn Economic Development Council ("Fay-Penn") was incorporated in 1991 and its mission is to foster economic prosperity in the county by assisting businesses to become more viable. To accomplish its mission, Fay-Penn offers a comprehensive set of business services, including site selection, financing, workforce development, real estate and business park development, local economy initiatives, tax credit incentives, consulting, and many others.

In 2014 Fay Penn was able to assist numerous businesses through its real estate/site selection programs. Notable among the projects was the acquisition by Fay-Penn of a building to accommodate a tenant that had outgrown their current space. The building that had been under lease was subsequently sold to house a community-based charitable organization that provides much-needed services to the county.

Fay-Penn worked tirelessly with Marathon Petroleum on the attraction of Speedway to the University Business Park. Groundbreaking is scheduled for spring 2015.

New development in the Fayette Business Park continues as one of the few remaining parcels was sold to Lee's Plumbing and Excavation for a new headquarters building.

The Boeing Company, also located in the Fayette Business Park, received a funding proposal from the Department of Community and Economic Development that included $336,000 in Job Creation Tax Credits. Boeing is projecting to double its employment at the site with the addition of up to 168 new jobs over the next three years. Fay-Penn, working in collaboration with the Governor's Action Team (GAT), coordinated the project. Boeing's Smithfield facility is part of Boeing Defense, Space & Security, one of the world's largest defense, space and security businesses specializing in innovative and capabilities-driven customer solutions, and the world's largest manufacturer of military aircraft. Headquartered in St. Louis, Missouri, Boeing Defense, Space & Security is a $33 Billion business with 56,000 employees worldwide.

Fay-Penn was awarded $500,000 in funding from the U.S. Department of Agriculture's (USDA) Rural Development Office to support small business development. This money will be made available as low interest loans to small businesses through Fay-Penn's Rural Microenterprise Assistance Program (RMAP). The RMAP is designed to provide affordable, non-conventional financing to eligible small businesses with 10 or fewer employees, or to individuals requiring a loan of $50,000 or less for a business start-up.

Since its inception, Fay-Penn has become the pre-eminent, "One Stop Shop" economic development organization in the county, serving businesses through its in-house programs and/or its partner organizations.

Greene County

Greene County Industrial Developments, Inc.
300 EverGreene Drive
Waynesburg, PA 15370
724-852-2965 (T)
724-852-4132 (F)
Don Chappel, Executive Director
donchappel@gcidc.org
www.gcidc.org

The second half of 2014 in Greene County saw serious infrastructure development that enhanced the utility of existing parcels in the EverGreene Technology Park in Waynesburg.

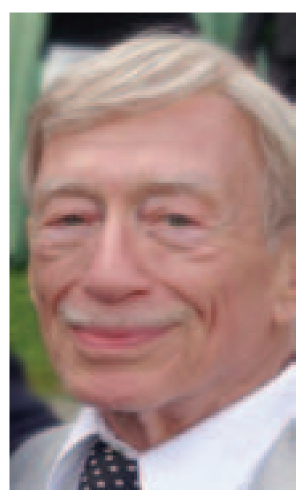
A 12-acre parcel of land in the EverGreene Technology Park was sold to Colorado's Vantage Energy LLC/Vista Gathering LLC. Vantage also has plans to drill an oil/gas well in Gilmore Township. Excavation and utility work was completed to create a new 12-acre pad-ready site in EverGreene to replace the one just sold.

Other infrastructure work in the park extended an access road 1,000 feet and extended a 12" public water line for new parcel development. Construction of two buildings was completed for housing gas and oil company FMC and a coal mine supply company, Irwin Car & Supply. These represent private company investments of $7 million and created 40 jobs.

The Commonwealth's Department of Community and Economic Development has a Small Business First program that provides financing. Working with them and the Southwestern PA Commission, we secured financing for a tenant to expand the size of their building in the Paisley Industrial Park in Carmichaels.

For more details, contact Don Chappel at 724-852-2965.

IN MEMORIAM



SAM SPATTER

Tribune-Review Real Estate Writer

1927 - 2014

We proudly salute and fondly remember Sam, recipient of the NAIOP Pittsburgh's Supporter of Development Award.

TRIB TOTAL MEDIA

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

Having recently celebrated its 100th anniversary, Indiana Regional Medical Center will expand upon its services with new operating room suites, a new intensive care unit, a post anesthesia care unit, a 15-bed post-acute care unit, an endoscopy unit, as well as numerous structural and patient service upgrades to the current facility.

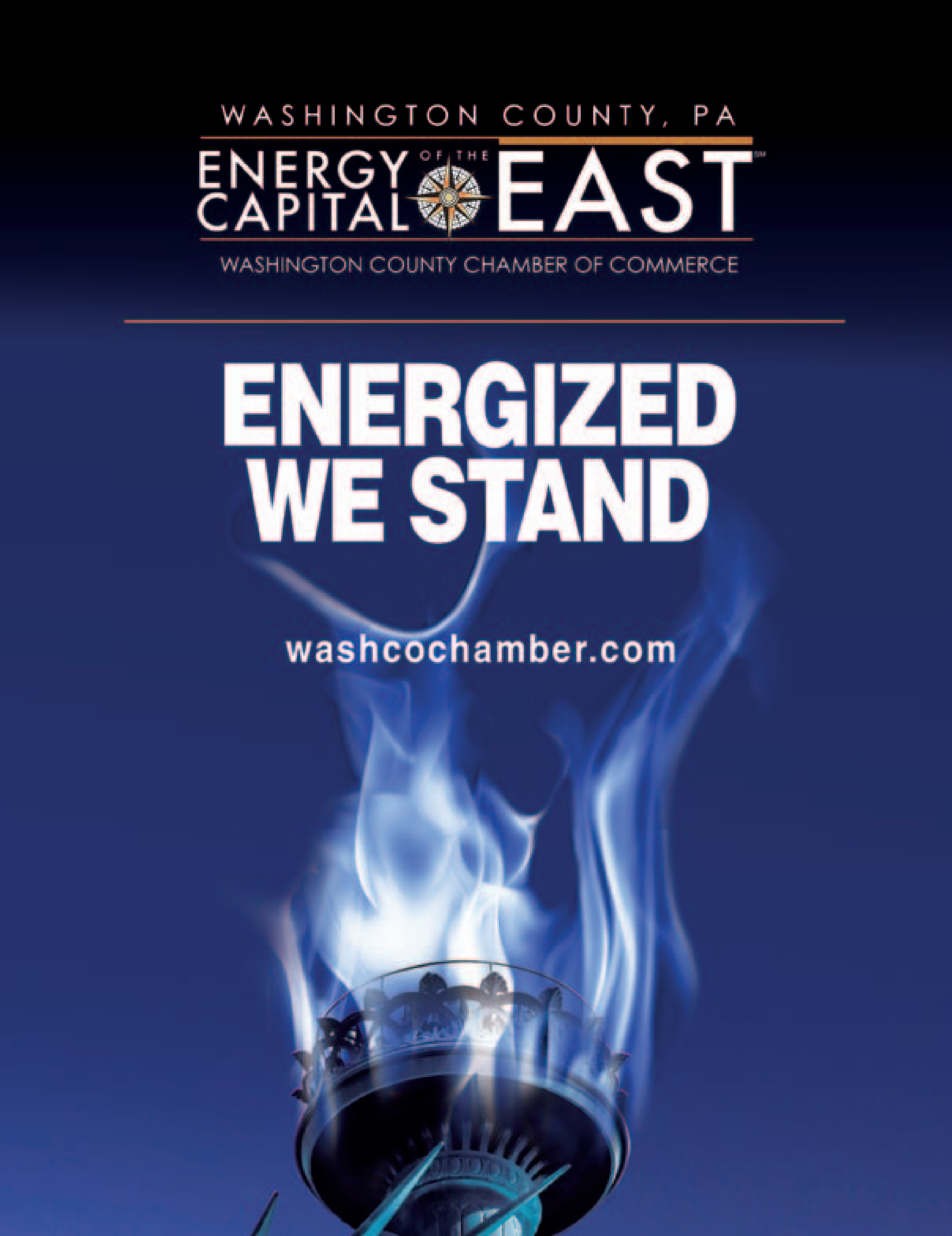
The Centennial Building Project will renovate about 45,000 square feet of the current facility and include approximately 40,000 square feet of new construction.

Development is progressing at the KOZ-designated 197-acre Windy Ridge Business & Technology Park. Approvals have been secured for SR 286 highway improvements and the land development plan. Highway construction, signalized intersections, and underground utilities to support pad-ready sites are scheduled to start this spring.

The 119 Business Park is now ready for occupancy, with the installation of street lights and completion of the road paving. The KOZ-designated park offers pad-ready sites totaling approximately 25 acres.

The Central Allegheny Challenger Learning Center received a $2 million grant from the Redevelopment Assistance Capital Program, which puts the project more than halfway towards the total fundraising goal. The center will also incorporate a STEM Academy dedicated to developing workforce skills in industries requiring disciplines in science, technology, engineering, and math.

Multiple restaurants are also opening up throughout Indiana County. Jimmy John's is opening along Philadelphia Street, and an Applebee's and Chipotle are both opening on Oakland Avenue.
To learn more about economic development opportunities in Indiana County, visit www.indianacountyceo.com.


WASHINGTON COUNTY, PA
ENERGY CAPITAL OF THE EAST℠
WASHINGTON COUNTY CHAMBER OF COMMERCE
ENERGIZED WE STAND
washcochamber.com

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

Although Washington County is known as the Energy Capital of the East for its large concentration of energy companies, the county also witnessed increasing expansion of its retail, public investment, manufacturing and real estate sectors in the last half of 2014.

The opening of Southpointe Town Center was celebrated in October 2014 with an open house sponsored by Horizon Properties and the Washington County Chamber of Commerce. The retail operation now hosts All Star Sports Bar, Zoup!, Southpointe Nails, Toscana Brick Oven, Crazy Mocha, and Yum Yum Yogurt with Montana's Rib & Chop House and Saga Hibachi Steakhouse & Sushi Bar due to open soon. Also, offices for Bowles Rice, Burleson LLP, State Farm Insurance, Modis, High Crush Partners, and PNC are located in Southpointe Town Center.

The Old Mill retail development in South Strabane Township welcomed Field & Stream, Hobby Lobby, Buffalo Wild Wings, Longhorn Steakhouse, Anytime Fitness, Valley Pool and Spa, Parry Custom Homes, Yes Yogurt, Sun Club, Noodles & Co.; Ichiban Steakhouse, Chic-fil-A and Penn Station East Coast Subs.

The county's growth has lead utility companies Pennsylvania American Water Company, West Penn Power and Columbia Gas making a combined $19.1 million in investments to expand and improve service delivery in the county. Also, Washington County invested nearly $6,000,000 to increase the footprint of the county airport and to improve the apron, runways and add hanger pads.

Universal Electric Corporation is investing $11,500,000 to add 81,000 square feet to their facility in Cecil Township and a start-up company, Quality Pasta, opened their facility in Charleroi.

The Meadows Casino invested $6,000,000 to upgrade its restaurants and bars as well as to add new slots and an outdoor arena.

Finally, Burns & Scalo started construction of the third building in the Zenith Ridge Development at Southpointe. DP

NAIOP Pittsburgh Wins Capitol Dome Award

NAIOP, the Commercial Real Estate Development Association, honored the Pittsburgh chapter with the 2015 Capitol Dome Award for Government Affairs, recognizing excellence in effectively impacting an issue of importance to NAIOP and the commercial real estate development industry. The chapter was presented with the award at NAIOP's annual Chapter Leadership and Legislative Retreat, held in Washington, D.C., during a special luncheon on February 10.

(left-to-right) Leo Castagnari, Rep. Keith Rothfuss, Dianne Weaver, Michael Sharp and Jamie White.

The NAIOP Pittsburgh contingent at the Leadership & Legislative Retreat in Washington included (from left) Michael Sharp, Dianne Weaver, Jamie White, chapter President Brian Walker, Executive Director Leo Castagnari, Melodee Bright and Bill Hunt

Grandbridge's Megan Zillweger-Jones (left) with Krista Foster from Al Neyer Inc.

(From left) Rob Karl from National Office with Bob Dezort from Anderson Interiors and CBRE's Jeremy Kronman (right).

David Eisen from M. J. Wilkow with CBRE's Kyle Prawdzik and Tony Rossi (right).

(From left)Pennoni's John Skorupan, Tim Goetz from Grant Street Associates and Dave Rudolph from TriState Capital.

Sharon Landau with Kim Donnelley and Joe Sisely from Westmoreland Industrial Development Corp.

Mt. Lebanon Office Furniture's Brandon Moore and Jim Droney Jr. (right).

(From left) Achieve Realty's Sharon Scheidemantle, Terri Sokoloff from Specialty Bar & Restaurant Brokers and Christy Neroni from Agency Assist Outsourcing Solutions at the CREW Holiday Party.

FedEx Ground's Sarah Lamperski, CREW President (left) with Guardian's Christina Bucciero, CREW past president.

M & T Bank's Steve Olsavsky with Angela Vicario from Huntington.

McCandless Crossing

NOW OPEN:

Lowe's Home Improvement
Hilton Home2 Suites Hotel
Dick's Sporting Goods
L.A. Fitness
CVS/Pharmacy
IHOP
WesBanco
Doodle Bugs! Children's Center
Sport Clips
Verizon/Wireless Zone
DiBella's Old Fashioned Subs
Handel's Homemade Ice Cream
GEICO Insurance
Nail Salon II
The Residence at McCandless Crossing

COMING SOON:

HomeGoods
Trader Joe's
Cinemark Theatre
Panera Bread
Chipotle Mexican Grill
Bonefish Grill
Longhorn Steakhouse
First Watch
GNC
Supercuts
UPS
Massage Envy
RE/MAX

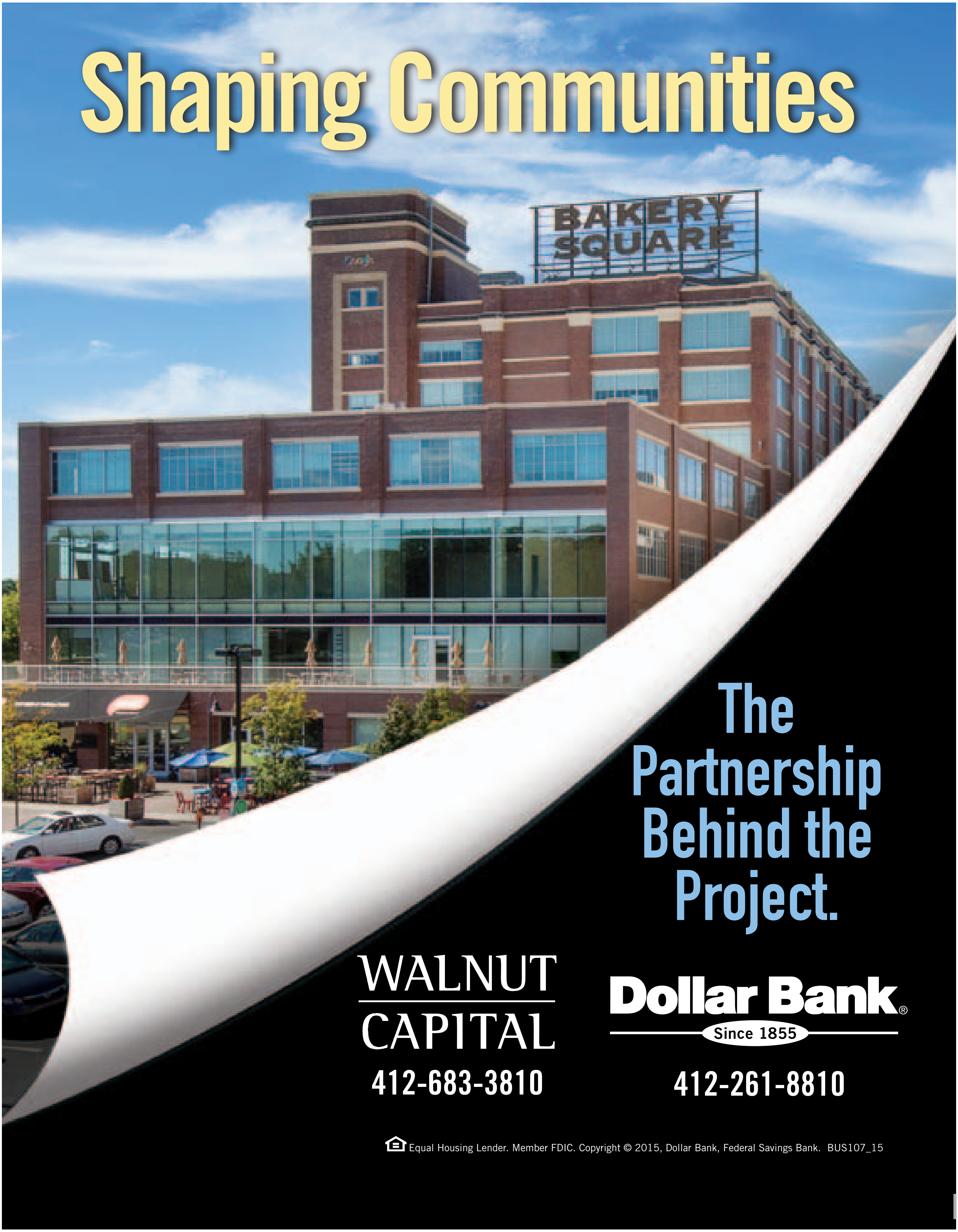
in the North Hills of Pittsburgh

www.adventuredev.com/projects/mccandless-crossing

Additional Development Opportunities
Call Kevin Dougherty at 919.965.5661

AdVenture DEVELOPMENT, LLC

111 E. Oak Street, Selma, NC 27576


Shaping Communities
BAKERY
SQUARE
The Partnership Behind the Project.
WALNUT
CAPITAL
412-683-3810
Dollar Bank®
Since 1855
412-261-8810
Equal Housing Lender. Member FDIC. Copyright © 2015, Dollar Bank, Federal Savings Bank. BUS107_15