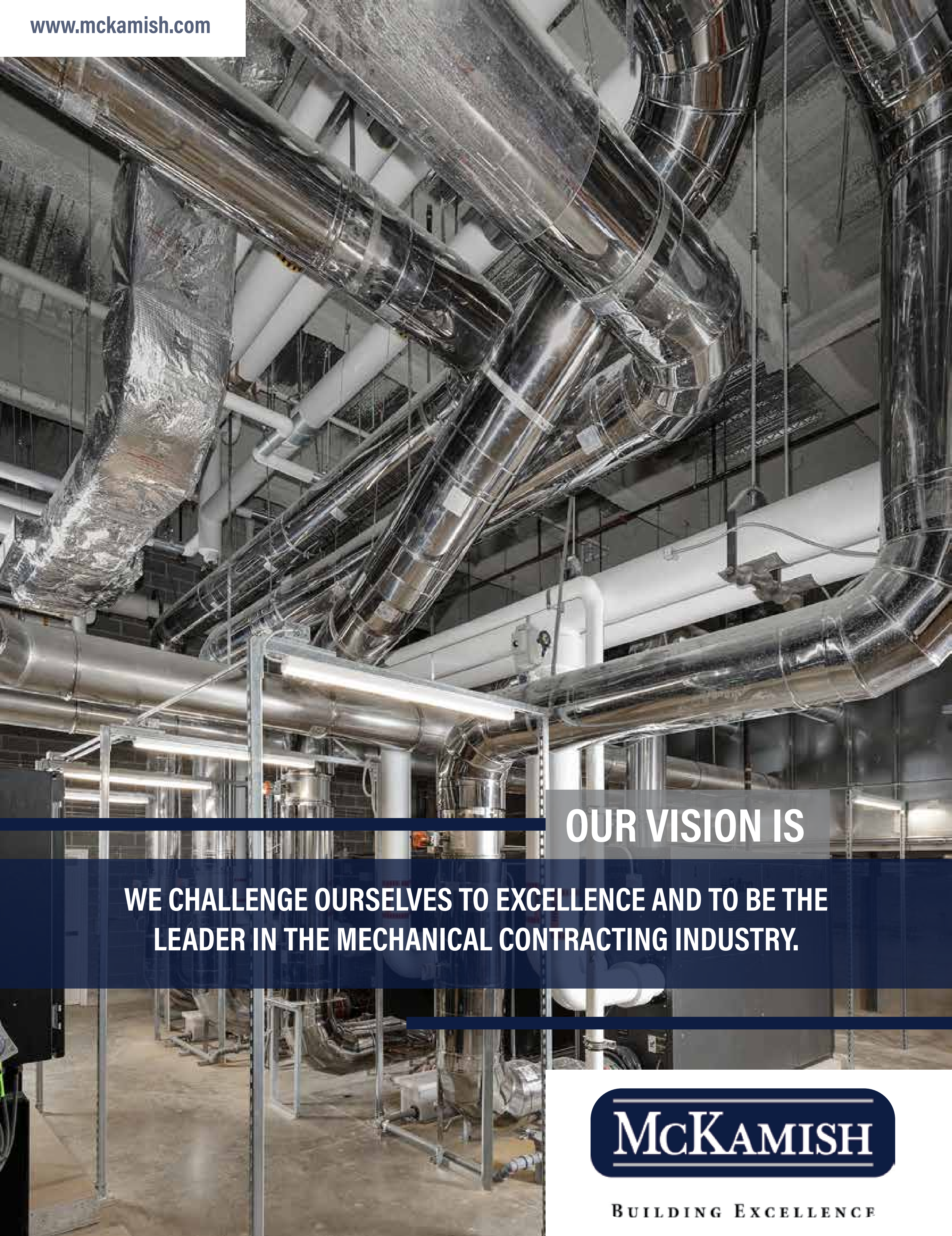
Breaking Ground

THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA

SEPTEMBER/OCTOBER 2023

HOUSING MARKET UPDATE

MBA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On the cover: Mulberry Lofts. Photo by Massery Photography.

PUBLISHER'S NOTE

In this edition of BreakingGround we are going to explore the housing market. I must confess this is something of a sweet spot for me. One way or another I have been keeping track of housing construction in Pittsburgh since 1994. Prior to that I spent a half dozen years working with building products manufacturers who served the housing market and got way more familiar with what was going on than I ever intended.

As you will read in the feature article, if you have not already experienced it first-hand, the housing market is in an unusual place right now. For a combination of reasons, it is very difficult to find a house to buy, whether it's an existing home or one that would be new construction. Not enough people my age are leaving their homes and too many people my kids' age want to buy homes. That has created a glut of demand and a severe shortage of supply. For those of you that remember your Economics 101, that is a recipe for rising prices. If you already own a home that's not such a bad thing, but the current conditions are tough for people trying to buy a home, even if they can afford to move.

This is a dilemma that will be difficult to remedy. I believe the government holds the key to solving this problem, but not in the way some of my Democrat friends may believe.

While demographics may be the root cause of this imbalance, the government, in the form of regulators, is a major obstacle to letting the free market solve the problem. Following the mortgage crisis in 2007-2008 that nearly wrecked the global financial system, Congress put a series of constraints on lenders under the auspices of the Dodd Frank Act. Many of these corrected circumstances that led to some of the market abuses during the housing bubble. As many of my banker friends have admitted, some of the regulations also prevented lenders from getting out over the tips of their skis during the last business cycle. But, not surprisingly, there were provisions which have kept lenders, developers, and builders from responding to the current excess of demand by building more housing.

Residential development is a risky business. The incentive for undertaking a new residential development is a commensurate return on investment for the risk. It was not a bad idea to ensure that developers had a reasonable amount of skin in the game in the form of equity, but there were many constraints placed on financing development that the risk became elevated compared to the return. Good developers will speculate on future opportunities by buying and holding land. That risk should be rewarded if it pans out. Dodd Frank created rules that limited reward. The result has been that developers have chosen not to take the risk of speculation. We have fewer new homes because of that.

Government regulations have increased the cost of lending, which ultimately increases the cost of borrowing. There are also more regulations on environmental impact than most developers can keep straight, particularly since those regulations have changed with each new administration.

To be fair, developers, builders, and lenders have earned their share of onerous regulations over the years. But the problem now isn't one of fairness to borrowers or homeowners. There simply are not enough homes available for people who want to buy them. And there are not enough lots available for builders to take up the slack.

The government has also been a partner in creating this mess of a housing market by deregulating in the past. The Savings and Loan Crisis came from Reagan administration deregulation. Relaxation of rules in the Clinton and Bush administration were meant to help everyone own a home but resulted in a near collapse of the banking system. And, in its way, the regulation that followed that near collapse was meant to make things better for the Average Joe and Jane by keeping those greedy banks in line. Instead, Jane and Joe can't find a house they can afford.

Maybe the next administration can consider regulations that are common sense. When conditions are too easy, lenders and borrowers begin to overlook the risks of buying or building a home. History has also shown that when government puts itself in the role of being the advocate or watchdog for one side or another, the pendulum swings too far and imbalances result. Developers and real estate agents may welcome some new incentives that would make home ownership or new construction more attractive, but that's just a different side of the same coin.

Like it or not, government plays a role in the process. It builds the infrastructure that makes housing feasible. It backstops the financial system, which allows the whole mortgage industry to efficiently exist. But it can also gum up the works, making the housing market more difficult and expensive than it needs to be. It took five years for the housing market to work through the foreclosures and excess inventory after the Great Recession. Government intervened and supported the market when the private sector could not. That full recovery is almost a decade old now. It's time for government to let the private sector figure out how to rebuild supply so that Americans who can afford a home can buy one.

The government can't ensure that everyone owns a home. It is not a birthright. The mortgage crisis is over. It is time to get the government out of the way so the work can begin.

Jeff Burd

REGIONAL MARKET UPDATE

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There was good economic news in the latest update on employment trends in Pittsburgh. There was also further evidence that economic growth will be constrained by the demographic trends that prevail in Western PA.

Pennsylvania's Department of Labor and Industry reported that unemployment in Pittsburgh fell to 3.7 percent in July, the latest month for which metropolitan data was available. The number of unemployed people remains lower than in February 2020, before the start of the pandemic. Job growth remains above two percent, or roughly 30,000 jobs, year-over-year. The gains in employment were led by three sectors, business and professional services, leisure and hospitality, and education and health services, which made up two-thirds of the job growth.

Year-over-year job growth has been much stronger than before the pandemic and is above the threshold that businesses use to identify markets with growth potential; however, the total civilian labor force in Pittsburgh has declined by roughly 45,000 since the pre-pandemic peak in 2019. The sources of that decline, accelerated retirements and stagnant population, are showing no signs of improvement.

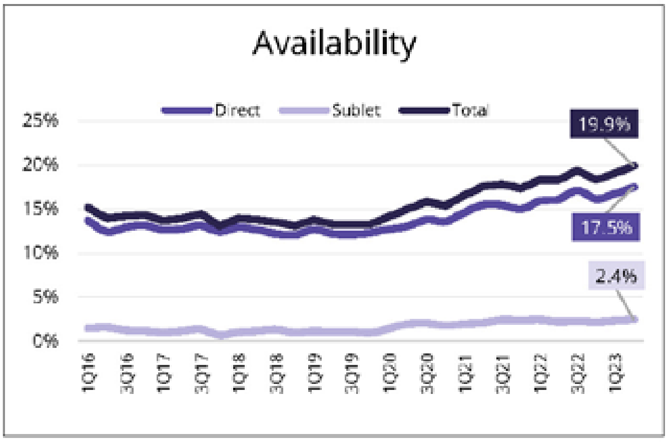
Those population and demographic trends will make it difficult to attract new business and development to Western PA, which will limit new construction over the long term. In the near term, however, construction is being influenced by the macroeconomic factors of higher interest rates and recession fears, and a healthy institutional market that is running counter to trend.

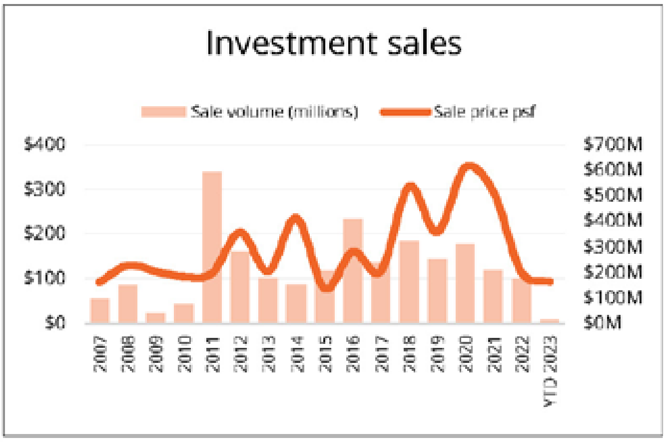
Commercial real estate development remains constrained by higher interest rates. Although rates have likely peaked for this business cycle – the 10-year Treasury yield has retreated below four percent again – the same is true for rents, making new construction deals hard to pencil out. The spread between construction financing, which is based on floating short-term rates, and permanent financing is above three percentage points. Developers without a pressing case for building now can look forward 12-to-18 months and expect short-term rates to be two percentage points lower, which is an incentive to defer construction.

While the office market outlook remains muddled, especially in the central business district, demand for most other commercial real estate property types is solid-to-strong.

Construction and financing costs are impacting multi-family, but the pipeline of projects that have been proposed and entitled continues to grow because of growing demand. Single-family construction dramatically lags demand, even as household formations grow. These fundamentals are supporting rents at the current levels, with small increases, but pro forma projections are not getting to where they need to be for construction. Since spring 2022, roughly 7,700 units of new apartments have been announced in Allegheny County. Most of that total has been either entitled or presented to the municipal planning and zoning boards. Through August, less than 10 percent of that total has gone to construction.

The other property type in high demand is industrial space. While the drive to build more logistics centers cooled in early 2022 when Amazon announced to investors that it was cancelling some of its planned expansion due to





Source: AVANT by Avison Young, CoStar

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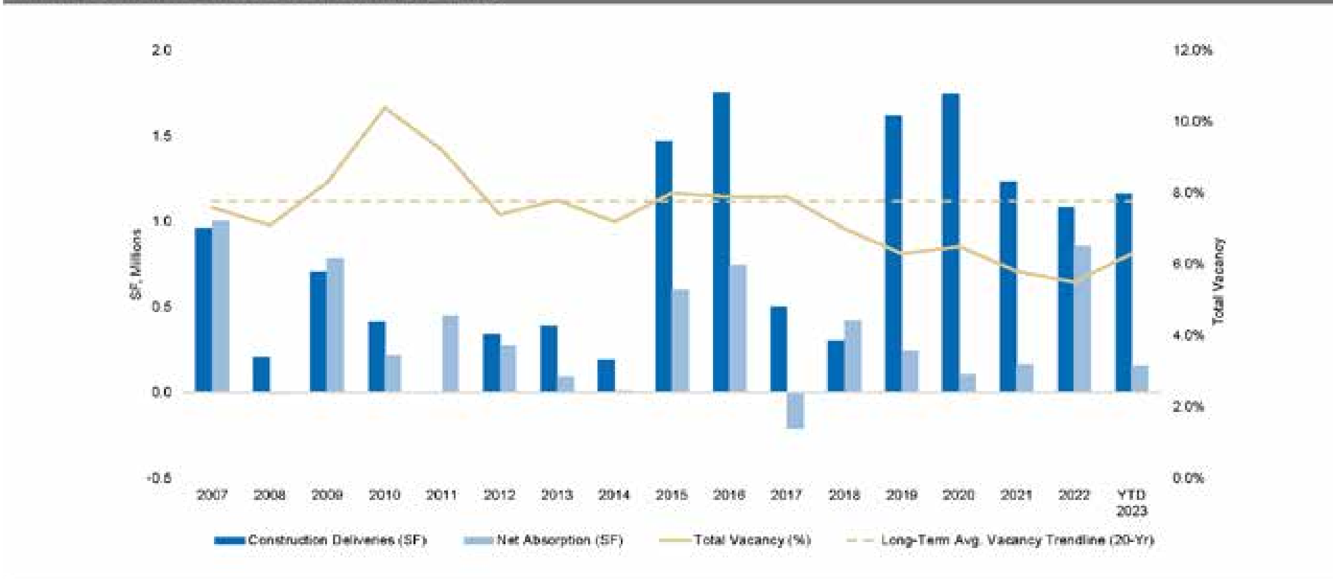
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

overbuilding, industrial demand remains solid. Construction of new distribution centers has been at or above one million square feet for more than five years, but absorption remains positive since 2018. Colliers Pittsburgh reports that facilities under construction top two million square feet as of July 1. Because of that construction, the vacancy rate ticked up slightly year-to-date, to 6.3 percent according to Newmark, but is well below the 20-year trend. Since the second quarter Elmhurst Group started construction on an 80,000 square foot warehouse on Neville Island.

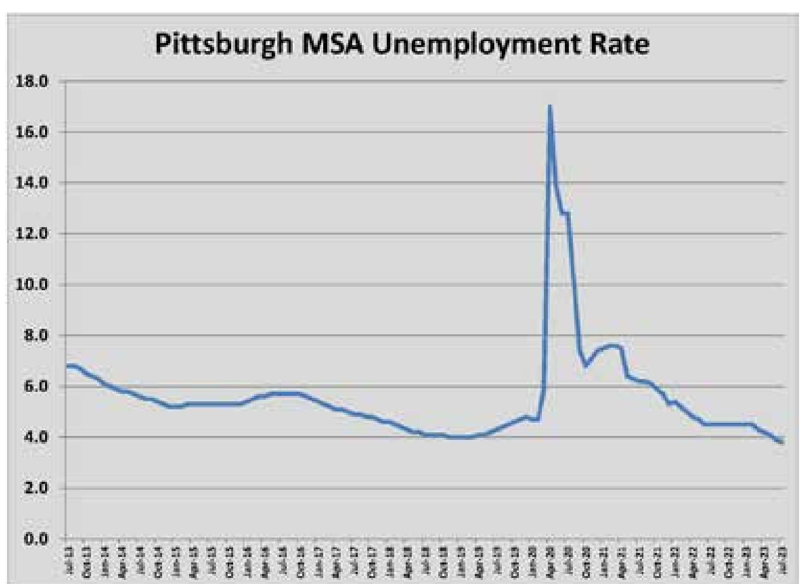
Two commercial property types, retail and office, have been more active in 2023 for tenant improvements rather than new construction.

Retail infill construction is up seven percent through August compared to the same period in 2022, which was also a better than average year for leasing and tenant construction activity. Most of the activity reflects increased interest in neighborhood retail centers and in hospitality. Most of the activity has been in newer neighborhood centers, like The Piazza and Newbury in South Fayette Township, or in established properties in growing communities, like the Cranberry/Adams corridor, the North Fayette/Robinson Town Center intersection of the Parkway Corridor, or the McKnight Road-to-Wexford stretch of Route 19 North. The leasing environment reflects the strong demand from shoppers and a bet from retailers that economic conditions will improve in 2024-2025.

The office market is mostly a zero-sum game until there is a resolution to the question of future demand for space, especially with a record level of sublease space available. But there is a marked increase in tenant improvements, even though leasing activity is off by 50 percent. More tenants are relocating and signing new leases and landlords are offering higher improvement allowances to attract and retain tenants. Many of the renewals include office refresh construction, and numerous landlords are investing several million dollars to establish amenity centers for their tenants. That is a nod to the growing evidence that new space is winning out over older buildings to an overwhelming degree. Through Labor Day, tenant improvement construction is up 28.3 percent year-over-year.

Institutional construction is facing some difficult structural challenges because of demographics and long-term cost trends; however, several of Pittsburgh's largest institutions are bucking the trends.

A demographic hole and a shift in expectations about higher education have colleges and universities scrambling to balance their economics ahead of a steep decline in enrollment in the second half of this decade. The ominous outlook has thus far not impacted universities that are in



Unemployment in Pittsburgh is at record low levels. Source: Federal Reserve Bank of St. Louis.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Year (SF)	Build-to-Suit (SF)	Speculative (SF)	Total (SF)
2016	1,456,681	916,656	2,373,337
2017	172,500	638,600	811,100
2018	68,000	441,540	509,540
2019	1,269,950	658,124	1,928,074
2020	1,306,368	228,400	1,534,768
2021	1,131,709	205,000	1,336,709
2022	732,524	1,199,985	1,932,509
2023 YTD	35,100	944,380	979,480
Under Construction	1,884,051	312,605	2,196,656
Planned	513,000	1,536,311	2,049,311

Build-to-suit represents less than 10 percent of the total industrial construction starts in 2023, which is down dramatically from previous years. Source: Genfor Real Estate.

highest demand, two of which are fortuitously located in the Oakland neighborhood of Pittsburgh.

University of Pittsburgh is underway with several of its $100 million-plus projects to improve athletic facilities and student living. Pitt's master plan calls for several more major projects to address student housing and its main science facilities mid-campus in the next 18 months. While those projects are advancing, the cost escalation of the past few years has extended the schedule for the start of construction into 2024 and 2025. Carnegie Mellon University (CMU) has seen its new mechanical engineering building, Scaife Hall, wrap up construction, along with two new residence halls, Fifth and Clyde and Forbes-Beeler, while the $110 million Skibo/Highmark Student Wellness Center project is nearing completion. CMU is finalizing the planning on its next two major projects, the $280 million R.K. Mellon Hall of Science, to be built by the Mascaro/PJ Dick team, and the $90 million Robotics Innovation Center at Hazelwood Green, to be built by the Mosites/Gilbane team. Both are expected to start in 2024.

Healthcare construction remains at a high level because of the UPMC Heart and Transplant Hospital at UPMC Presbyterian, but the number of projects underway is smaller than a year ago. Allegheny Health Network (AHN) and UPMC have shifted the focus of their capital budgets to much-needed mechanical and electrical infrastructure improvements, and for specific clinical needs in regional or neighborhood hospitals. AHN is moving forward with what will be the next major new project, hiring the team of NBBJ/RM Creative as the architects for its $425 million Cardiovascular Tower at Allegheny General Hospital. Construction is not set to begin until 2025.

Residential construction in Western PA is being buffeted by some of the same headwinds as the U.S. housing market, with one exception that differs from the national trends. Higher mortgage rates and low inventories of homes for sale have hurt affordability for homeowners and profitability for developers. In metro Pittsburgh, an extremely small supply of lots for new construction is limiting activity relative to demand. Like the rest of the U.S., the Pittsburgh market has seen apartment construction slow as 2023 unfolds, although the decline is more severe in Pittsburgh. Unlike in the U.S. overall, the number of multi-family units under construction in Pittsburgh is low because of fewer starts in 2022. (For more detail, see feature article page 16.)

According to the Pittsburgh Homebuilding Report, permits for new single-family homes are running roughly three percent ahead of 2022 through August. That translates to about 60 homes. Construction of new apartments has slowed to a standstill. Fewer than 700 units have begun construction through Labor Day. While another 700 units are poised to begin construction by fall, it is possible that some or all of those could be pushed back into 2024.

Construction activity has been strong throughout 2023 and will end up higher, probably by 10 percent or more, than 2022. Bidding activity after the Labor Day weekend is typically a good indication for how the year will end and how backlogs will fare going into the following year. Because of the amount of committed work that remains in the pipeline, however, the backlogs for contractors, architects, and engineers are unusually high. Unless there is a significant level of attrition in the backlog of projects that have not started construction, 2024 should be another strong year. BG

NATIONAL MARKET UPDATE

Construction spending through mid-year saw both residential and nonresidential trends reverse the trends of the past year. The Census Bureau's August 1 report on spending saw overall construction reach a new high, not adjusted for inflation, of $1.938 trillion in June. The increase from May to June was driven by a 0.9 percent gain in residential investment and a 0.3 percent increase in public nonresidential spending.

Below the headline number, it appears that the year-long gain in nonresidential spending has peaked and the decline in residential spending of equal duration has been reversed. The steady increase in nonresidential spending has been accelerated by a spike in manufacturing projects, which is 80.7 percent higher year-over-year. Although private nonresidential spending peaked in May and June, the total for the category was up nearly 20 percent year-over-year through the first half of 2023.

Residential spending was up for the sixth consecutive month in June, gaining 0.5 percent from May to June and 3.5 percent from June 2022. Multi-family spending has been the driver for the turnaround in 2023 – even as multi-family starts dipped in June – with a year-over-year increase of 21.8 percent. Spending on residential improvements seems to have finally turned lower for the business cycle, mainly because of higher borrowing costs and the depletion of household savings.

Higher borrowing costs have taken a toll on commercial real estate activity, although the total spending on commercial construction is higher than a year ago because of inflation. Private commercial construction has fluctuated between $121 billion and $123 billion (annualized) for the past five months.

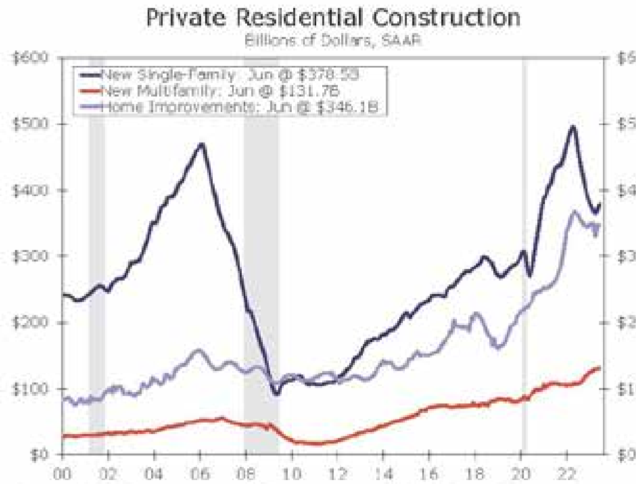
One of the more reliable indicators of future construction activity, the American Institute of Architects' (AIA) Architectural Billing Index (ABI) is flashing neutral through the summer. The July reading of 50.0 reflects an equal number of responding firms with increasing and decreasing billings from June to July. The July reading follows a June index of 50.1. The ABI has been positive or neutral four of the past five months, following a downturn from November 2022 through March 2023. The new design contracts index was also at 50. New inquiries declined to 54.5, the third consecutive month of decline.

AIA chief economist, Kermit Baker, noted that firms with commercial and industrial concentrations saw growth in billings and design contracts. Employment among architects grew more briskly in June, with 1,100 new positions at firms. For the full year, there are 3,600 more employees at architectural firms than a year earlier. Rising employment and billing growth are indicators of strength nine to 12 months in the future.

The U.S. economy continues to hum along as the third quarter wound down. There are, however, growing signs that the growth engines are running on fumes. Manufacturing indexes fell below expectations again, confirming that the sector is in a recessionary cycle (despite the dramatic increase in capital spending). Commercial real estate is also in a downturn, as transactions slow to a crawl and property values have declined because of higher interest rates. The most troubling indicator for the economy is the continued tightening of credit.

The July 2023 Senior Lending Officers Opinion Survey on Bank Lending Practices (SLOOS) was released by the Federal Reserve Bank on July 31. As expected, the report showed that lending standards had tightened further from the first quarter. Notably, more than a net 70 percent of respondents said that their bank had tightened lending standards for commercial real estate over the previous 90 days. Nearly 60 percent said that credit standards had tightened for commercial and industrial loans, a backbone of business

Source: U.S. Department of Commerce and Wells Fargo Economics



Source: U.S. Department of Commerce and Wells Fargo Economics

lending. The demand for business loans was at levels lower than during the pandemic.

Tighter credit standards were expected to provide the final tightening of the economy once the Federal Reserve stopped increasing rates for Fed Funds. Virtually all banks, regardless of size, reported a shift to serving existing customers over new business, and an increase in spreads over the cost of funds to guard against higher credit risk.

While it is worth noting that lenders seem to be responding to concerns about future credit deterioration, rather than scrambling to recover from current losses, tightening of credit tends to have a self-fulfilling effect on the economy and on loan delinquency. Many business loans have variable rates. As lenders increase interest rates and spreads, the cost for existing loans increases, in some cases by enough to cause non-payment. It is rare that a credit tightening cycle does not end in recession, if only because the shrinking credit availability slows demand overall.

It is the latter effect that was on the minds of many national retailers – such as Macy's, Nordstrom's, Foot Locker, and Kohl's – that reported earnings in August. While consumer spending remained strong, reaching new highs in July, forward guidance from the large retail outlets suggested that they expect the ride is nearing an end. Telling trends were cited in the decline in luxury goods and big-ticket items, which saw significant gains in sales following the pandemic, and in the gain in overall share of retail sales by discount retailers like WalMart, Target, Dollar Tree, and Marshall's. Each of those companies reported an increase in sales during the second quarter.

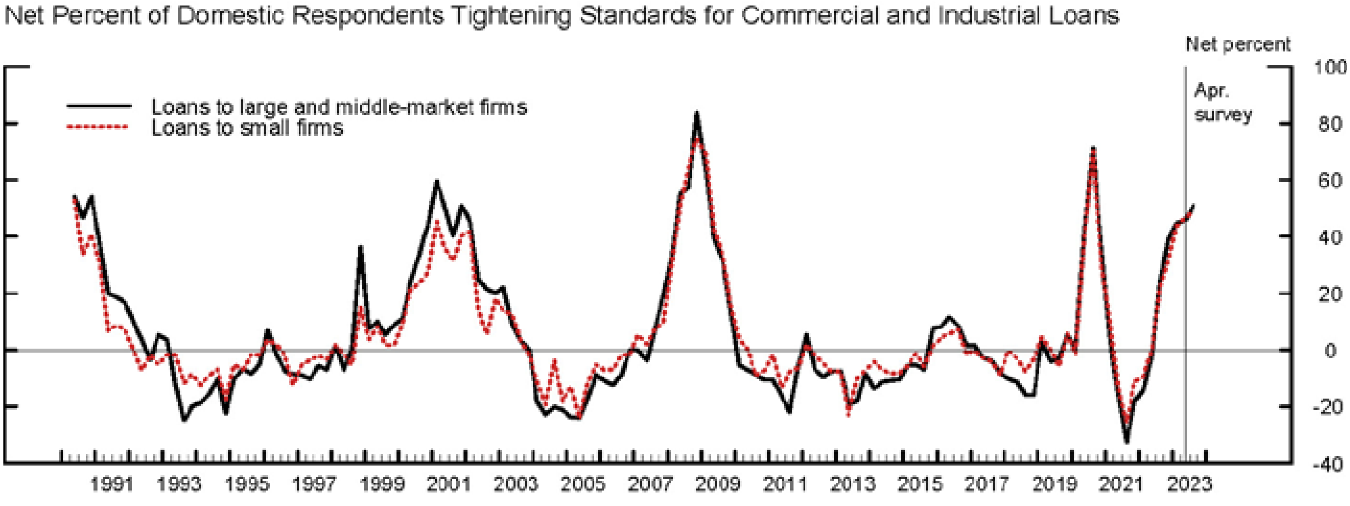
The two shifts discussed above, the decline in manufacturing and slowing retail sales, would be clear signs of an impending recession in other business cycles. Considering that the downward pressure on those two sectors is coming mainly from inflation and the tightening of credit that is intended to cool inflation, the path ahead for policy makers has narrowed. At the annual Jackson Hole conference in late August, Federal Reserve Bank Chair Jerome Powell reiterated the resolve of the central bank to see sustainable declines in inflation before cutting rates again. Coming on the heels of two months' data that showed inflation falling to roughly 2.5 percent, on an annualized basis, Powell's statements seemed to be aimed at preparing markets for little or no easing during the coming six months.

Those remarks implied that the Fed was not resolved to raise rates at its September 19-20 meetings, but that another 25-basis point increase later in the year was possible if the trend for disinflation stalled or reversed direction.

Another pause in September would be useful for allowing more analysis of the prices into the fourth quarter, particularly for items, like shelter inflation, that respond more slowly to monetary tightening. Because much of shelter cost changes when leases expire, reaction to tightening tends to lag by a year or more. That was evident in the July and August reports, when shelter inflation made up 90 percent of the overall inflation number. Wages remain elevated above the long-term trends but, like shelter costs, wages also tend to lag monetary tightening by a year or more. In the near term, that means wages are growing faster than the rate of inflation, which should provide relief for households.

There are a couple of unknowns that could add more pressure on the economy in the coming months.

Beginning in October, some 44 million Americans will resume monthly payments on student loans that had been in government-mandated forbearance since the pandemic began. Student debt payments represent somewhere between 10 and 20 percent of discretionary income. According to a July 2022 report by the Education Data Initiative, the average student loan is $43,090. That study found that student debt-to-annual income ratios were higher as annual income grew, with debt-to-income at 25 percent for those earning less than $20,000 per year and at 51.4 percent for those earning between $80,000 and $90,000. The evidence suggests that most borrowers can handle



U.S. banks have continued to tighten lending standards for business loans during the second quarter. Source: July 2023 Senior Lending Officers Opinion Survey on Bank Lending Practices.

the resumption of payments, especially since there was ample notice of when payments would resume; however, the fact that resumption is occurring at a time when it appears that most households have exhausted reserves is cause for concern about spending and saving going forward.

The other unknown is the extent of China's economic problems. The pandemic response from the Chinese government stressed its economy more than other G-20 nations and the pandemic came at a time when other structural problems – rapidly declining birth rates, an overbuilt real estate market, a reversal in government policy towards free markets, high youth unemployment, and local government debt – were beginning to slow growth. U.S exposure to the Chinese economy and its credit markets is somewhat limited, roughly $300 billion. China is the second largest consumer globally, which means that an extended recession there will bleed demand from Europe and other Asian countries.

Even a global recession seems unlikely to dent the U.S. labor market in the near term. While the number of open positions has eroded slightly, there are still more employers hiring than there are unemployed people looking for work. Unemployment has not been above 3.7 percent since the rate dipped below four percent in December 2021. Wage growth has begun to outpace the rate of inflation, 4.5 percent compared to 3.2 percent in July. Employers added 187,000 jobs in August.

While there are signs of trouble ahead for consumers – rising use of credit, lower savings, elevated levels of loan delinquency – low unemployment is a strong bulwark against recession in the U.S. As the balance of 2023 and first quarter of 2024 unfold, tighter credit may slow growth to the point that businesses will need to reduce head count. That change in trend would likely precipitate a recession. The trick for policymakers will be to thread the needle between smothering the last remnants of higher inflation and forcing a recession. BG

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WHAT'S IT **COST?**

The August 9 report on inflation showed real progress in the overall inflation battle. The headline consumer price index (CPI) increased year-over-year because the base inflation rate in July 2022 was lower than previous months. Of more importance was the fact that CPI was 0.2 percent higher from June to July, the same rate of increase from May to June. The overall producer price index (PPI) number increased 0.3 percent from June but was 0.8 percent higher year-over-year, an indicator of lower CPI in the future. Beneath the headline CPI gain, shelter inflation comprised 90 percent of inflation. Shelter inflation has the longest lag of any category in the CPI. The expectation is that shelter inflation will continue to be higher than the overall rate – although falling steadily – until spring 2024.

At the macroeconomic level, another lag is encouraging. The supply of money is a key driver of inflation, a concern that critics of the pandemic relief legislation voiced in early 2021. The most comprehensive measure of money supply – M2 – grew rapidly in 2021, peaking at 26.9 percent year-over-year in February 2021, when CPI was 1.7 percent. The peak for CPI increase came 16 months later. M2 began to shrink at the end of 2022 and CPI has declined at the same rate as M2 roughly one year behind M2. At the current trajectory, CPI will return to pre-pandemic levels by March/April 2024.

PPI for new nonresidential buildings declined by 1.4 percent from June to July, and by 1.3 percent since April 2023. Inflation for new nonresidential buildings fell to 3.8 percent compared to July 2022, a precipitous drop. In July 2022, the PPI for new nonresidential buildings was near its peak, 23.9 percent higher than July 2021.

Prices for most major construction materials were stable in July, with only stainless steel (up 5.6 percent) increasing by more than 1.7 percent. In the 37 sub-categories of construction materials measured by the Bureau of Labor Statistics, 14 registered declines from June to July. Among the largest declines included diesel fuel (falling 8.4 percent), steel mill products (down 7.6 percent), and fabricated structural metal (down 6.4 percent).

Turner Construction's Building Cost Index showed a similar decline, falling from 2.23 percent increase from the first to second quarter of 2022 to 1.19 percent in the most recent quarter. Turner Vice President Attilio Rivetti pointed to labor costs that were still overheated in parts of the U.S. as the main driver of inflation. Turner Pittsburgh's general manager, Drew Kerr, noted that the rate of inflation in Western PA was slightly lower because of the stability of long-term labor contracts. BG

PERCENTAGE CHANGES IN COSTS	July 2023 compared to		
Consumer, Producer & Construction Prices	1 mo.	3 mo.	1 yr.
Consumer price index (CPI-U)	0.2	0.8	3.2
Producer price index (PPI) for final demand	0.3	0.1	0.8
PPI for final demand construction	(1.3)	(1.2)	3.8
PPI for new nonresidential buildings	(1.4)	(1.3)	3.8
Costs by Construction Types/Subcontractors			
New warehouse construction	(0.7)	(0.1)	1.5
New school construction	(1.1)	(1.1)	3.8
New office construction	(2.3)	(2.3)	5.3
New industrial building construction	(1.6)	(1.4)	2.6
New health care building construction	(0.8)	(0.9)	4.5
Concrete contractors, nonresidential	(2.7)	(2.7)	(1.2)
Roofing contractors, nonresidential	0.2	0.2	12.2
Electrical contractors, nonresidential	(0.2)	(1.6)	4.5
Plumbing contractors, nonresidential	0.2	1.2	6.5
Construction wages and benefits	N/A	1.2	4.1
Architectural services	0.2	0.3	1.6
Costs for Specific Construction Inputs			
#2 diesel fuel	(8.4)	(19.5)	(45.2)
Asphalt paving mixtures and blocks	(1.9)	(1.3)	4.9
Cement	1.7	2.2	12.6
Concrete products	0.5	1.3	9.6
Brick and structural clay tile	0.0	0.2	7.6
Plastic construction products	(0.1)	(1.7)	(4.7)
Flat glass	0.3	0.0	6.9
Gypsum products	(0.3)	(1.6)	2.6
Lumber and plywood	1.6	0.4	(16.8)
Architectural coatings	0.0	0.0	2.6
Steel mill products	(7.6)	(3.1)	(20.9)
Copper and brass mill shapes	(2.8)	(7.0)	(22.0)
Aluminum mill shapes	(1.4)	(1.9)	(7.8)
Fabricated structural metal	(1.1)	(2.2)	(3.6)
Iron and steel scrap	(3.7)	(20.0)	(12.5)

Source Bureau of Labor Statistics, Updated August 9, 2023
Compiled by Ken Simonson, AGC Chief Economist

HOUSING MARKET UPDATE

The American housing market finds itself in a place that was unimaginable a decade ago. Reeling from a crisis that originated in a housing market that saw too many buyers own homes they could not afford, and lost to foreclosure, Americans were more wary of home ownership and lenders were forced to create conditions that kept demand constrained. An overhang of several million unsold homes led to steep declines in property values. Home price inflation was not front of mind.

The Helm on the Allegheny, developed by State Street Capital Partners and Oxford Development, was one of a handful of multi-family projects which began during the pandemic. Photo by Oxford Development Co.

After a decade of underbuilding and low interest rates, America's housing market has turned 180 degrees, from excess inventory to record shortages of homes for sale, from plunging property values to record price appreciation. The housing market is far healthier in 2023 than it was in 2009, but the problems that exist have slowed the market almost as dramatically.

Most homeowners do not view above-average price appreciation as a problem. Their investment – often the single biggest investment they will make – pays off when prices go up. For people who want to buy a home for the first time, unusually high appreciation is a barrier to purchasing that keeps getting higher. Over the past few years, as inflation ratcheted up and the inventory of homes for sale plummeted to record low levels, the price of homes surged at double-digit rates. That prevented many renters who had saved to buy a home from doing so.

When the Federal Reserve Bank began aggressively raising interest rates to combat higher inflation in March 2022, it was a double whammy for many would-be buyers and sellers. The additional borrowing costs of mortgages that were three or four percentage points higher than a year earlier became another barrier to purchasing. For existing homeowners interested in selling, the thought of trading a three percent mortgage for one that was double that rate was chilling.

As jarring as the home price inflation and rising mortgage rates were, the problem of affordability in the U.S. housing market began well before the COVID-19 pandemic that drove inflation and interest rates up. The demand for home ownership has outstripped the supply of existing homes for sale for nearly a decade. If the pandemic had not happened, prices would likely be lower than they are today, but it is unlikely that many more buyers would be able to afford a home.

The solutions to the problem are obvious, and also quite difficult to achieve. As is often the case, the government can be part of the solution, but mainly if it pulls back and allows the marketplace to work. Homebuilders are champing at the bit to build more houses, which would relieve the supply problem. However, there are not enough lots, nor enough workers, to make that happen. People are working hard to make home ownership more affordable, but it is going to take time for the solutions to be effective.

Affordability or Availability?

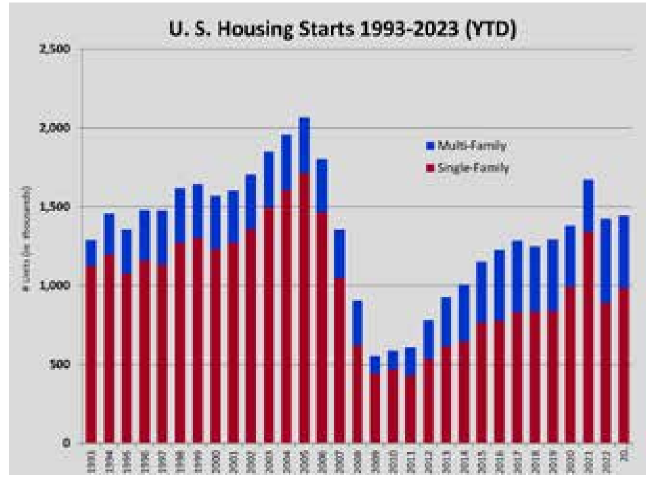
Housing is less affordable now than it has been since before World War II. At least that is the headline story about the U.S. housing market. By most measures, the cost of a home is higher than at any time in the nation's history. That is a trend that has been exaggerated since the start of the pandemic but has less to do with a virus than with long-term supply constraints.

Affordability is about more than cost, however. By many measures (home ownership rates key among them), home ownership is as affordable, or at least as attainable, as it has ever been. It may be accurate to say that more people would own homes today if the cost of housing was lower, but the greater problem seems to be the limited supply of houses and housing options to purchase. These two are obviously related concepts; however, with the supply of homes to buy at all-time lows, it is not possible to determine how much higher home ownership would go.

The peak of home ownership in modern U.S. history occurred during what we refer to as the housing bubble of the mid-2010s. Policies of both the Clinton administration and the George W. Bush administration encouraged home ownership by offering incentives to add to both supply and demand. There was an easing of regulations that encouraged more new construction and more demand. The latter was achieved mostly by loosening regulations on residential financing that encouraged more buying. When the bubble popped in 2007, financial chaos followed. Millions of homes entered

Project	Location
100-unit 43rd & Willow Apartments	Pittsburgh
123-unit Bedford Dwellings Redevelopment	Pittsburgh
131-unit South Aiken Apartments	Pittsburgh
150-unit 17th & Smallman Apartments	Pittsburgh
150-unit 6886 Forward Avenue Apartments	Pittsburgh
179-unit 50 26th Street Apartments	Pittsburgh
200-unit Larimer Apartments	Pittsburgh
211-unit Phoenix on Forbes Apartments	Pittsburgh
220-unit 6465 Hamilton Avenue Apartments	Pittsburgh
230-unit Shady Hill Apartments	Pittsburgh
234-unit The Maxx Apartments, 2929 Smallman	Pittsburgh
240-unit 1700 Fifth Avenue Apartments	Pittsburgh
240-unit Redevelopment of JAA Center Site	Pittsburgh
242-unit 3 Crossings Phase II	Pittsburgh
248-unit Bloomfield Square Apts	Pittsburgh
264-unit The Quad Apartments	Pittsburgh
272-unit Urbano Way Apartments	Robinson Township
277-unit Fifth Avenue Apartments	Pittsburgh
288-unit Brickworks Apartments	Pittsburgh
299-unit Butler & McCandless Street Apartments	Pittsburgh
300-unit City Club Apartments	Pittsburgh
300-unit Marketplace Apartments	Moon Township
305-unit General Robinson Street Apartments	Pittsburgh
308-unit Cranberry Ridge Apartments	Cranberry Township
312-unit Squaw Run Apartments	Findlay Township
350-unit 39th & Foster Apartments	Pittsburgh
375-unit Hill Neighborhood Apartments	Pittsburgh
378-unit South Side Apartments at 2329 East Carson	Pittsburgh
416-unit Apex Newbury Apartments	South Fayette Township
426-unit Oakland Crossings Apartments	Pittsburgh
750-unit 31st Street Studios Apartment Development	Pittsburgh

More than 8,000 apartment units have been proposed and advanced to entitlement in metropolitan Pittsburgh since the pandemic began. Source: Tall Timber Group.



At July's improved pace, new construction of single-family homes is expected to be 10.2 percent higher than in 2022, while apartment construction cools by 13.2 percent. Source: U.S. Census Bureau.

foreclosure. Home purchases slowed. New construction declined by two-thirds and took almost a decade to recover to equilibrium.

Through all that disruption, the home ownership rate fell five full percentage points, from 69 percent at the peak to 63.4 percent in the first quarter of 2015. But that decline took more than six years to unfold and the trough was at the same home ownership rate as in spring 1994, before the policies that encouraged the bubble were introduced. From all evidence, the peak to trough slide following the housing bubble was largely a function of a slower rate of new home ownership from the Millennial generation. The median sales price fell nearly $50,000 from the peak in 2007 to January 2009, but then grew steadily and was $30,000 more than at the peak of the bubble when home ownership hit bottom in 2015. Conversely, home ownership ticked up nearly five percentage points since 2016, even as the median sales price rocketed higher by 60 percent, or $180,000.

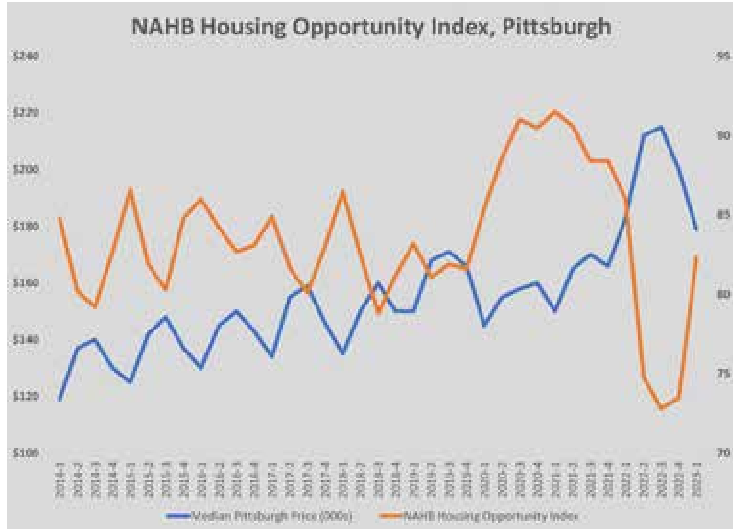
What has changed since that steep run up in prices and the recovery in home ownership has been the cost of borrowing money. The interest rate on a 30-year mortgage has gone from below three percent in November 2021 to 7.5 percent as Labor Day loomed. That is a difference in payment of almost $700 per month on a $240,000 loan.

That delta in monthly payment obviously meant the difference between buying and renting for many. The jump in mortgage rates also had a chilling effect on the supply of homes for sale. By the time the Federal Reserve Bank paused rate hikes earlier this year, the Mortgage Bankers Association (MBA), reported that 82.4 percent of current mortgages are below five percent, and 62 percent are below four percent. Homeowners with low mortgage rates were faced with payment increases that were undesirable, even if affordable.

"As you got closer to six percent, fewer homeowners were willing to switch out of their current mortgages," says Mike Henry, senior vice president of residential lending for Dollar Bank.

Of course, cooling off the housing market was one of the goals the Fed hoped to achieve when it began aggressively raising rates in March 2022. Home prices began falling at the end of 2022 and dropped by more than $63,000 year-over-year in July 2023. The aggressive tightening has not helped the inventory problem.

The August 22 report on the housing market from the National Association of Realtors showed some small steps in the right direction for supply. New sales slowed, but the inventory of homes for sale was off to a greater degree, 14.6 percent lower than a year earlier. The number of homes for sale did grow from June to July, however, rising 3.7 percent to 1.11 million homes. And the supply of homes for sale edged up from 3.1 month's supply to 3.3 month's supply from June to July. In the greater Pittsburgh market, however, the supply of homes for sale is less than two months' worth.



Source: National Association of Homebuilders.

"The challenge with the existing home market is that there is not one lever to pull that could take care of everything. It's a combination of several factors," says Howard "Hoby" Hanna IV, CEO of Howard Hanna Real Estate. "When you look at our population base, the Baby Boomer cohort is still such a big group and are behaving differently from previous generations. Today's 75-year-old isn't the 75-year-old of 40 years ago. They are more active and are willing to maintain their family house. Even those that are interested in downsizing are finding that there is little product to move into."

For new construction, the supply issue is a shortage of buildable lots. There too, the cause of the problem can be traced to the mortgage crisis. In the aftermath of the financial crisis in 2008, Congress passed the Dodd Frank Act and set up the Consumer Finance Protection Bureau. Among the many new regulations that were placed upon residential finance, constraints on commercial lending also impacted residential development. New housing developments are financed through commercial loans. Certain new conditions, which increased the required equity and diminished the value of long-term land holdings, made residential development less profitable. New land development for housing chilled and in Pittsburgh the effect was worsened by a shortage of lots that existed before 2009.

In the decade or so since Dodd Frank became law, some of those regulations have been eased or erased. But land prices appreciated at a more rapid rate in the interim and environmental regulations increased. The risk of new development is higher than it was in 2009. With higher interest rates squeezing margins, new development is even slower now, despite the perceived higher demand.

Builders that do not develop their own properties - the vast majority of builders in Western PA - have responded to the lot shortage by starting fewer, more expensive homes.

Creating Availability and Affordability

The remedy for new construction is more available land for development. In Pittsburgh, as in most older cities, that means more density of development, since available land is limited. In suburban areas, the obstacle to more density is municipal zoning and a lack of community support. In the most popular and growing parts of metro Pittsburgh, municipalities have revised zoning ordinances to reduce density over the past 20 years. Many have also created overlay districts that allow for planned developments that include apartments or townhomes, but new projects frequently face opposition from residents.

The opportunity for a significant increase in development is greater in the urban center of the region. While the population of the City of Pittsburgh has not grown, the demographic changes – the median age of a Pittsburgh resident is more than 10 years younger than a county resident – suggest that many more young people are moving to the city than the suburbs. Pittsburgh established a land bank is 2014 to take advantage of this trend and create more buildable property. That land bank has been ineffective.

Pittsburgh's governing council took a remarkable step on August 22 when it passed new legislation that enables the ineffective land bank to sell abandoned properties to developers and community groups. The new legislation allows for hundreds of vacant parcels and condemned buildings to be sold, clearing out administrative hurdles that had obstructed sales to potential owners seeking to bring new investment to under-invested neighborhoods. The move was applauded by the leaders of community groups like Bloomfield Garfield Corporation and East Liberty Development Inc., which have had successes in redeveloping troubled neighborhoods without enabling legislation.

The change does not necessarily assuage concerns about the land bank. Nine years after it was established, the land bank had failed to close on any properties until earlier this year and has only five sales to its credit. The legislation that passed on August 22 came only after significant council infighting about the role it would play in the land bank's operations. With clearer direction from council, the city's land bank has a pipeline of properties and $3.5 million in stimulus funds to begin acquiring and re-selling some of the roughly 5,000 properties that the City of Pittsburgh currently owns.

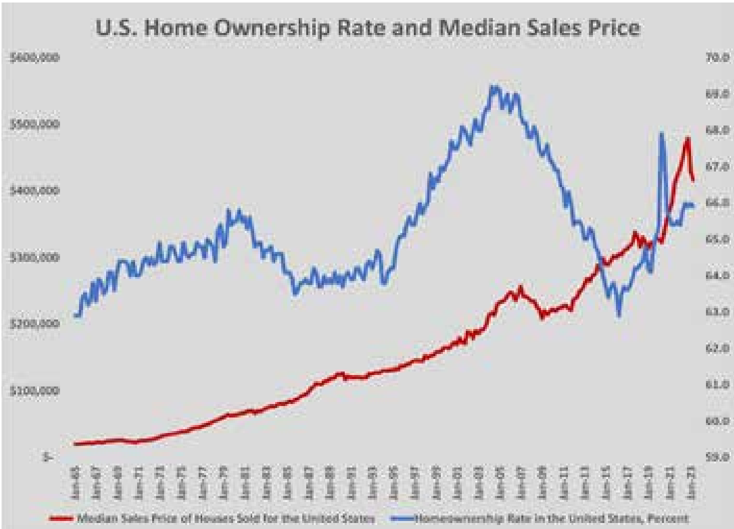
In the best-case scenario, a significant portion of those properties will be sold to developers of multi-family projects. Given the constraints on single-family development, construction of new apartments can relieve the shortage of housing more quickly than a surge in single-family development.

An annual study that is done by Realtor.com underscores how effective multi-family development can be in remedying the housing shortage. Realtor.com tracks the number of household formations and housing starts that the Census Bureau reports each year. In its report on the market in 2022, issued earlier this year, Realtor.com calculated that there was a 6.5-million-unit shortfall in the number of single-family homes needed to meet the demand from the 15.6 million household formations from the prior decade. If multi-family starts are included, however, the gap falls to 2.3 million homes.

The lead time needed to complete and stabilize a 300-unit apartment in Pittsburgh is roughly three years, from concept to lease-up. To complete a similar sized single-family development, of which there are few, it may be twice as long, often longer. The quicker route to meeting demand is through more multi-family development, a solution that the private sector seems to grasp. As of Labor Day, Tall Timber Group is tracking more than 8,100 multi-family units that have begun or navigated the entitlement process. That number represents new construction only, not adaptive re-use and does not include projects that have been announced but have not begun entitlement. Nor does the total include numerous projects that have less than 100 units, such as Presbyterian Seniorcare's 80-unit Oakland Gateway project or Hardy World's proposed 66-unit apartment at 1801 Boulevard of Allies.

Based upon historical performance, there is usually two-to-three years supply of projects in the pipeline at any given moment. Typically, the number of units in the pipeline work as a reasonably accurate forecast for the coming two years. That rule of thumb suggests that at least 3,500 new apartments will be built in 2024 and 2025, an increase of 63 percent over the total new units built in 2021-2022, and 30.5 percent more than were built in 2013-2014, the two most active years of the 2010s apartment "boom."

That pipeline is encouraging; however, it is likely that several thousand of those units would already be under construction were the financing conditions different. The elevated interest



Home ownership remains higher than at most times in U.S. history. Source: U.S. Census Bureau.

rate environment has wreaked havoc upon apartment development too. Higher rates have changed the calculus for investment in multi-family. As borrowing costs have risen, the projected net operating income for the property has fallen, and the value of the project with it. In the months since the Silicon Valley Bank failure in March 2023, lenders have increased their emphasis on debt service coverage and tightened up estimates of rental income. Construction costs are higher and average rents have hit a plateau or fallen. These are not the ingredients for an apartment development boom.

Nick Matt, senior managing director and Pittsburgh office co-head, JLL Capital Markets, says that virtually all deals his firm has done have been situations that had to be addressed, like loans that have matured or forced sales. Asked what would make financing an apartment deal work, Matt says, "The developer, and the people that believe in the developer, can come up with 35 percent cash. With that, we can get the shovel in the ground. But that's the disconnect right now."

"The primary issue is rates. Construction costs are elevated, and rents are what they are, even though we have a vibrant apartment market. Lenders don't care what the appraised value is right now; they care about debt service coverage," he continues. "The bank we're dealing with on one deal that is going forward is using a seven percent permanent rate and 25-year amortization and they want to be around 120 percent debt coverage. If you do that math, you come out to 60 or 65 percent loan-to-value. They are backing into the loan to value from the debt coverage, not the appraisal."

"The only deals getting done are those that have to get done,

that are maturing. Even those are very difficult to make work," says Dan Puntil, senior vice president at Colliers Mortgage.

Puntil explains that the reliable lenders for multi-family remained bullish on the market, even after the full run up in rates. The liquidity crisis in March and the downgrading of the U.S. bond rating in early August have changed that.

"Fannie and Freddie are still in the market. They never leave," Puntil says. "But several of the life insurance companies are on the sidelines for now."

Even with the challenges facing the marketplace, there are developers trying to get underway. In recent weeks, contractors have been taking bids for several of the projects proposed, hoping to get pricing that meets the new expectations of the market. Oxford Development has been moving forward with a different model for the 242-unit apartment building it is proposing for the second phase of 3 Crossings in the Strip District. Oxford has stripped out some of the amenity spaces that have come to be included in apartment projects, counting on the stand-alone amenities of the surrounding 3 Crossings neighborhood to suffice for residents so that they can offer new construction at rents that are 10 or 15 percent lower than the market.

"We're in design development now. I think the schedule for us to have a completed permit set by November or December," says Michael Barnard, vice president of development for Oxford Development. "We had a presentation for Strip District Neighbors two weeks ago and got a great response and a letter of support. This is unique in that it's effectively part of a master development plan. It should be a little easier to get approvals."

Other developers have been less fortunate with community representatives. Walnut Capital's Oakland Crossings project, which will bring 426 units of workforce housing to undersupplied Oakland, spent more than two years sparring with the city and Oakland Planning and Development Corporation to get its plans approved. Craft General has been hit with environmental opposition for its proposed 162-unit apartment at the Irish Centre site near Frick Park, even though the development will remedy existing stormwater problems. And Barnard admits that the 3 Crossings project will likely face hurdles with the city since the building will be on the riverfront.

Removing barriers to development may ultimately be the best solution government can provide. There are billions that have been distributed to cities and states as part of pandemic relief. Some of those funds, like the more than $80 million that have been committed to the City of Pittsburgh by Housing and Urban Development, can go directly to subsidizing housing development for low-income residents. But, in Pittsburgh, the private sector has responded to a shortage in supply by developing more apartments. Much of that development is still in the planning and entitlement stages. Business-friendly government can work to facilitate development, which would bring more competition into the marketplace.

The solutions to the housing shortage and affordability problems will emerge in time, just as the post-Great Recession market was healed. Beyond incentives, new construction will pick up when interest rates recede, and wages and rents catch up to the new normal for pricing (or when pricing moderates). Rate cuts unfortunately do not appear to be in the cards until mid-2024, so the problem is likely to persist for another year. Demand, on the other hand, will persist longer. Until the two are re-balanced, the housing market will be challenging.

"The general consensus is that rates will come down. We're thinking that within the year, rates will start to come down," says Henry. "Mortgage rates are not likely to go to three, but people are now used to 6.5 percent. If it becomes 4.5 percent or even 5.5 percent, you'll see some movement. I think that's the only thing that will unlock the housing market." BG

Photo by Massery Photography

PROJECT PROFILE

MULBERRY LOFTS

Even a well-planned, well-executed commercial real estate development can benefit from good timing. When Oxide Real Estate Development began planning for a 112-unit apartment building in 2020, demand for apartments was rising because of a tight housing market and rents were growing at a healthy rate. A year later, when the project was ready to start, rents were climbing at a double-digit pace, but you could forgive Oxide's principal, Shawn Kichline, if he felt a little snake-bit.

In spring 2021, the rollout of vaccines unleashed the U.S. economy. Fueled by pandemic aid, consumers and businesses more than made up for the loss of demand during the lockdown. The supply chain, unfortunately, did not respond as quickly. Prices surged. Materials and products were in short supply. Oxide had the right product in the right location. Getting the project bid and built would prove to be an enormous challenge.

"The biggest challenge was the disruption to the supply chain," says Kichline. "We closed on the land in early 2021 and were bidding the project that spring. There were still supply chain impacts from the COVID shutdowns. Commodity pricing was going up and it was super volatile."

"The timing provided some difficulty in the pre-construction and bidding phase of the project to achieve the desired finish and quality levels. It was that interim period where things were difficult to get scheduled," recalls Ryan Indovina, principal at Indovina Associates Architects.

Both Kichline and Indovina give credit to the project's construction manager, Rycon Construction, Inc., for successfully navigating the difficult environment. Kichline explains that Oxide and its partners had chosen to bring a construction manager on board during design, using a competitive proposal process. He recalls that one of the deciding factors was the sense that Rycon's team could work well with Oxide and Indovina.

"Rycon managed that process really well," Kichline says. "We locked in steel and lumber pricing very early. Steel was locked in before the design was 100 percent completed, so there were some last-minute modifications required to make it all work. Another example was the roofing material shortage. The insulation manufacturer was shut down during COVID, which would have led to a nine-month delay. Rycon worked with our roofing subcontractor to redesign the roofing system to solve that issue. I was most impressed with Rycon's ability to present solutions instead of problems."

Rycon's management team, Project Manager Tim Smith, and Project Executive Nick Schafer, agree that the biggest challenges

of the project were related to the supply chain. They give credit to the specialty contractors and vendors working on the project with helping create solutions.

"Through the purchasing process costs went up exponentially. We worked through that with Shawn and Ryan Indovina," says Smith. "When costs went upside down, we found alternate materials that brought us back within budget."

"Wood prices were fluctuating heavily. 84 Lumber was very good at telling us what was available at what price points," says Schafer. "One day we would get 2x12s and the next it would be joists. We went back and forth until we were able to get everything sourced. They have such buying power that they can keep their finger on the pulse, looking at the markets daily for what was available at the price we needed for the budget."

Schafer points out that there were shortages in nearly every category, recalling that drywall and many finish materials were on allocation. Components that had microchips were impossible to source. Major plants in Texas shut down because of the deep freeze. Commonly available products were often unavailable.

"It was difficult to identify a schedule for windows, brick veneer, and roofing for example. All those items were challenges for the whole team to identify the appropriate products and order them to meet the appropriate schedule," says Indovina. "Rycon was able to thread the needle and achieve the client's desired quality without sacrificing. That was a baseline challenge for the project. It was also the highest level of success, being able to provide what the owner wanted and being on budget, despite all the impediments."

The latter point was one Kichline reiterated. He had been working in development in Pittsburgh, primarily in Lawrenceville, since 2014. The site chosen for Mulberry Lofts was strategic for its proximity to both the Strip District and Lawrenceville. Oxide envisioned an upscale building that would fit into the context of the neighborhood. To accomplish that, Indovina Associates and design architect Hord Macht Coplan created a building that looked as though it could have been there for one hundred years but functioned like a high-end modern apartment. That meant a level of quality and finish that could not be compromised.

"We wanted to create something that was a better fit for the neighborhood today. We also wanted it to fit into the neighborhood contextually with the neighboring historic buildings, including Indovina's building," Kichline says. "Mulberry Lofts was designed with a goal of looking like it had always been there."

"We were committed to the design intent, so it created additional challenges to achieving that intent while staying on budget," he continues. "One change we made to the building design because of the pandemic was creating work from home areas within the building. Our common amenity areas were redesigned to reflect co-working and feel like a co-working space. We wanted the interior of the building to be very modern, very Scandinavian in influence. We wanted it to feel more like a boutique hotel."

"Oxide was very focused on providing the highest quality products on the front facing sides of the projects, on Penn Avenue and 32nd Street. They maintained the limestone details and full-depth brick on all four sides of the building," says Indovina "We and the developer pride ourselves on creating long-term buildings. We don't want to use lesser materials that the owner will have to deal with in 10 years. It was to Rycon's credit that they found the appropriate subcontractors and suppliers to get the work done in such a challenging environment."

Photos by Ed Rombout

"The main thing I remember is that we always had to change the materials we were using," recalls Schafer. "A big part of the success was that there was a good relationship between us, Oxide, and Indovina. Indovina's office was across the street so our superintendent would go over there, and they would draw up the detail on the spot. We were able to build a trust level that we weren't making these changes for our benefit but for the benefit of the project instead."

"Joe Lyons is an A-plus superintendent. I have been lucky to have been on the last three or four projects with him and he knows the details of multifamily in and out," agrees Smith. "Much of the credit goes to the strength of the subcontractors we had on site. We've been working with many of these subcontractors on multi-family for several years. They are difficult projects that require endless coordination, and they were up to the task."

Schafer points out that Rycon's ability to self-perform played a big role in hitting the budget and schedule milestones. For Mulberry Lofts, Rycon crews did the concrete, finish carpentry, and installed the windows and metal panels. Rycon's millwork division, now known as Craftworks USA, handled that scope of work. On most days, 20 to 30 carpenters on Rycon's payroll were on the project. Smith says the in-house carpentry capability also solved what could have been a major schedule breaker.

"Tapered insulation went upside down and delivery was pushed back to where it was a year-long lead time. We were just never going to get tapered insulation. We built the taper with wood framing so we could use flat insulation and build the slope for the TPO (thermoplastic polyolefin) roofing."

The project's site also presented a daily logistics challenge. Prior to the development, 3201 Penn Avenue had been the site of a gas station and service garage. The new six-story, 120,000 square foot building would fill the entire footprint of the site, which had no neighboring area for mobilization or storage.

"The building had zero setback. We had neighbors on two sides, an alleyway in the back, and Penn Avenue on the front. There was no place to lay down," says Schafer. "For wood framing we were bringing in loads of wood almost daily and trying to stage that while we went vertical. Logistics were a big challenge."

"It was just-in-time delivery for everything. We wanted to bring things in as early as we could to avoid material increases. There was a lot of planning for delivery and storing material," says Smith. "A lot of the subcontractors worked with us to help find some fields or areas near their warehouses to store things off site. There were daily communications between our superintendent and all the subcontractors to coordinate material deliveries. There were power lines around our building so there was endless utility coordination with Duquesne Light. That was time consuming."

Despite the challenges that were presented in 2021 and 2022, construction wrapped up on schedule in December 2022.

"There were a lot of challenges on the project, and Indovina and Oxide worked with us to get through them," recalls Schafer. "We built trust so that when we brought an issue, they understood that we were coming up with a solution that was good for the project."

"It was a pleasure working on the project. The team worked well together. It was one of those seamless and collaborative projects," says Indovina. "It was on budget. It was on time. Rycon did a great job of getting products delivered and working with the subcontractors to select products that were available. The building went up quickly and it has rented up nicely."

"The project was a huge success," says Kichline. "I was impressed by the team's ability to make changes. I attribute that to everyone working together as a team. There was transparency between the design, construction, and ownership teams. Everybody was working to find solutions, not problems." BG

PROJECT TEAM

Rycon Construction, Inc.	Construction Manager
Oxide Real Estate Development	Owner
Indovina Associates Architects	Architect of Record
Hord Coplan Macht	Design Architect
Gateway Engineers	Structural Engineer
Langan Engineering	Civil Engineer
Elk Air Conditioning Inc.	HVAC
Chris Levitt Electric	Electrical
Ryco Inc.	Plumbing
Aven Fire Systems	Fire Protection
Cost Company	Masonry
Costa Contracting Inc.	Excavation
Degol Carpet	Flooring
GBL Construction	Concrete Leveling
J.P. Phillips Inc.	Ceramic Tile
Mariani & Richards Inc.	Waterproofing
Overhead Door Co. of Greater Pittsburgh	Overhead Doors
R.A.M.E. Inc.	Roofing
Specified Systems Inc.	Storefront Systems
Patrinos Painting	Painting
Craftworks USA	Millwork

WHAT THE PA SUPREME COURT EXTENDING CONTRACTOR LIABILITY FOR OBVIOUS DEFECTS IN COMPLETED WORK MEANS FOR CONTRACTORS

BY MATTHEW L. ERLANGER AND LISA M. WAMPLER

In the construction industry, it is not uncommon for a contractor to be named in a lawsuit due to hidden (latent) defects in its work that injure a third party long after the work has been completed and turned over to the owner. For example, if several years after a contractor installs windows in a high-rise building, one of the windows falls to the street below and injures someone, it is likely that in the subsequent lawsuit, the contractor would be named as a party and held liable if it is determined that the window fell as a result of a defective installation.

Until recently, in Pennsylvania, it was less clear whether there would be the same result if the contractor and owner were aware that there was an obvious, or patent, defect in the contractor's work that increased the risk of the window falling and, despite this risk, the owner did not call upon the contractor to correct the defect. That is, does a contractor continue to bear the risk of injuries if an owner is aware of a defect but chooses not to correct it?

In the case of Brown v. City of Oil City, the Pennsylvania Supreme Court considered this issue and determined that the owner's knowledge of the defects did not shield the contractor from liability to third parties injured due to the defective work.

The facts of Brown are fairly straightforward. Within the City of Oil City (the City) is a public library built in 1904. Through weathering and aging over the years, in 2011, the concrete stairs to the library needed replacement. As a result, the City engaged Struxures, LLC and its owner, Harold Best (Struxures), to develop plans for the reconstruction of the stairs. Following competitive bidding, the city hired Fred Burns, Inc. (Burns) to remove the existing stairs and install new concrete stairs.

At the end of 2011, Burns completed installing the new concrete stairs. In early 2012, the city began receiving reports of imperfections in the concrete stairs and that the stairs were deteriorating. On February 28, 2012, the city notified Struxures of the condition and that it regarded the stairs as dangerous and defective. Then, on September 12, 2013, Struxtures notified Burns that it considered to be Burns' defective workmanship that created a dangerous condition.

Even though the city and both Struxures and Burns (the contractors) were aware of the defective condition, nobody repaired the stairs. Nor did anyone warn the public about the dangerous conditions. On November 23, 2015, more than three years after the city learned of the dangerous condition, Kathryn Brown and her husband, David Brown, exited the library and began to walk down the stairs. While doing so, Kathryn Brown tripped on a deteriorated area of the stairs and suffered a fatal injury.

In the lawsuit that followed, David Brown (Brown) named the city and the contractors as defendants. Ultimately, the city agreed to settle with Brown. The contractors, however, filed motions for summary judgment, seeking to have the action dismissed because they did not owe a duty to third parties after completing the project as the defect was known to the city. The trial court granted the motion, but on appeal, the Commonwealth Court reversed it, finding that the fact that the city knew of the defect did not relieve the contractors of liability.

On further appeal, the Pennsylvania Supreme Court agreed with the Commonwealth Court, finding that under Pennsylvania law, liability to third parties for defective work does not turn on whether the defect is latent or patent. Rather, the Supreme Court relied upon prior case law and determined that when a contractor "creates a hazard which, without the need for a prophetic telescope, proclaims potential injury to the public, he may not plead immunity from liability for resulting damage on the basis that his responsibility ceased with the insertion of the last bolt and the driving of the final nail."

In rendering its decision, the court recognized that an owner's inaction when aware of a dangerous condition may make the owner liable. Indeed, the city settled with Brown during the litigation. However, the Supreme Court did not determine whether the contractors were liable. It merely held that the city knowing about the defects in the concrete stairs did not shield the contractors from liability.

While the facts in Brown are somewhat unique given the collective inaction by the city and the contractors, the potential for being responsible for injuries due to obvious defects that an owner knows about is a scenario that a contractor wants to avoid. There are a few ways that a contractor can do so.

First, given the Supreme Court's statement that liability may extend to contractors for defects of which the owner is aware, a contractor should review its contracts and make sure that it is adequately protected. In a contract with the owner, contractors should negotiate terms that require the owner to defend and indemnify the contractor for third-party claims due to defects that the owner is aware of, but neither notifies the contractor nor gives the contractor an opportunity to correct.

Second, should a contractor become aware of defects, it must make efforts to correct the work. Rather than doing nothing, as in Brown, the contractor should request an opportunity to visit the site with the owner to assess the alleged defective work and determine what corrective work may need to be performed. If corrective work is required, the contractor should make an offer in writing to perform the work. If, despite making this offer, the owner decides it does not want the corrective work performed, the contractor needs to put the owner on notice that it will not assume any liability if the condition causes an injury to a third party and expects that the owner will defend and indemnify the contractor.

A contractor must create a record showing that it is doing everything in its control to correct the defective condition. This will prove useful if there is an injury to a third party and the contractor is named as a defendant in litigation.

In addition, if a contractor is named as a defendant in a lawsuit or has notice of an injury to a third party, the contractor will want to notify its comprehensive general liability insurance carrier to obtain insurance coverage.

While not addressed in Brown, there may be other defenses if someone is injured due to defects in a contractor's work. Most notably, if the owner is in possession of the work for an extended period of time, it may be that the owner did something to cause the condition to exist.

In addition, a contractor does not guarantee its work indefinitely. In Pennsylvania, any defective condition must present itself within 12 years from the completion of construction. After such time, there is no cause of action for injuries sustained due to alleged defects in the construction.

Also, in some cases, the third party may bear some responsibility for their injuries. For example, if a plaintiff sees a condition that they believe to be unsafe and ignores the risk, this will likely serve as at least a partial defense to the contractor.

Given the numerous considerations and potential defenses to liability, it is important to address defects before they cause an injury. An experienced construction attorney will be able to answer any questions about this decision and suggest ways to protect you from liability for claims of defective workmanship. BG

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FINANCIAL PERSPECTIVE

THE INFLATION REDUCTION ACT AND WHAT CONTRACTORS NEED TO KNOW .

BY BRIAN KASSALEN, CPA CFF

The Inflation Reduction Act (IRA) was signed into law in August 2022 and even a year later, there are still many questions contractors have on how they can benefit from the IRA. On the surface, the opportunities appear plentiful, however, the IRA is lengthy and complex, and "digging into the details" has proven to be challenging.

The IRA offers $499 billion in available funding and tax breaks for energy efficient projects. In total, the IRA has more than 70 separate tax credits. Most of these credits are entitlement credits while a small number are competitive and allocated. Overall, the IRA is considered the longest U.S. "energy policy" as many of the credits extend through 2032.

This article will break down a few key areas that contractors need to understand as they navigate the details of the IRA.

Domestic Content

Although not a new concept for certain project requirements, the IRA enhances the domestic content requirements for renewable energy projects that qualify for the production tax credit and investment tax credit. As an incentive, the IRA introduced a 10 percent bonus credit for projects that contain a minimum amount of domestic content for manufactured products. For projects beginning prior to January 1, 2025, the minimum threshold is 40 percent and increases in increments to 55 percent for projects beginning after December 31, 2026. Additionally, 100 percent of the steel and iron that is used in the project must be U.S.-sourced, as defined by the Buy American Act.

Prevailing Wage

Under the IRA, a two-tier "base rate" and "increased rate" structure for renewable energy credits was introduced. The increased rate can result in a 5x multiplier of the base rate if a project meets the prevailing wage requirements. Projects that are less than 1 megawatt in energy output or have met the "begun construction" test are waived of the prevailing wage requirement. The IRA requires that projects owners must ensure that any laborers and mechanics employed by contractors and subcontractors are paid prevailing wages. This requirement is in place during both the construction phase as well as for any repairs that are made subsequent to the construction period but through the applicable tax credit period. In order to meet the prevailing wage requirement, the following guidelines must be met:

- Trade and craft compensation packages are equal to or greater than local prevailing wage rates
- Compliance is supported with documented certified payroll records
- Contractor-signed documentation certifying compliance with prevailing wages

If the project fails to comply with the prevailing wage requirements, the result will be a reduction in the realized tax credit to the project owner.

Apprenticeship

Another aspect of the IRA is the Qualified apprenticeship requirement. While many contractors are already familiar with the prevailing wage concept, apprenticeship requirements are a much newer concept.

The Qualified apprenticeship requirement of the IRA defines a minimum percentage of total trade and craft labor hours (on a construction project in which four or more individuals are doing the work) that project owners must ensure are being performed by qualified apprentices. In order to be a "qualified apprentice", the individual must currently participate in a Registered Apprenticeship Program that is credentialed by the Department of Labor or a State Apprenticeship office, and meets the following criteria:

- Apprentice is paid on an incremental wage schedule based on experience and skill
- A minimum of 2,000 hours or one year of on-the-job training
- A minimum of 144 hours per year of classroom instruction
- One-on-one mentoring and supervision

The applicable percentage of hours that must be worked by a qualified apprentice are based on when the construction project began as follows:

- For projects that began before 2023, the required apprenticeship percentage is 10 percent
- For projects beginning in 2023, the required percentage is 12.5 percent
- For projects beginning in 2024 and beyond, the required percentage is 15 percent

Coordination of the IRA with Pennsylvania's new Commonwealth Workforce Transformation Program

On July 31, 2023, Pennsylvania Governor Josh Shapiro announced the creation of a "first-in-the nation job training program" that will provide up to $400 million in workforce development grants to provide the necessary skills needed for workers helping to build Pennsylvania's infrastructure.

The program is called the Commonwealth Workforce Transformation Program (CWTP) and will provide workforce development grants to companies, contractors, unions, and other organizations that will be performing infrastructure work in Pennsylvania that is being funded by the Infrastructure Investment and Jobs Act (IIJA) or the Inflation Reduction Act (IRA).

CWTP will provide grants up to $40,000 for each new worker an eligible employer trains and up to a maximum of $400,000 in grants per project. An eligible employer is any entity that received either a contract or grant from a Pennsylvania agency or the federal government under the IIJA or IRA for work occurring in Pennsylvania, or any entity that received a tax credit from the U.S. Department of Treasury under the IRA for a project of greater than $10 million or more located in Pennsylvania.

The grants will cover:

- Wages
- Supportive services
- Payroll taxes
- Pre-apprenticeship program costs
- Costs associated with establishing a training program
- Costs incurred for the use of a training facility

Pennsylvania has released a set of Q&A's and a fact sheet on the program, and we anticipate more details to be announced in the coming weeks.

The CWTP provides a great opportunity for eligible employers, including contractors. With these funds, contractors can capitalize on one of the key requirements of receiving enhanced Investment Tax Credits for energy-related projects as included in the IRA: the qualified apprenticeship requirement. This requirement defines a minimum percentage of total trade and craft labor hours that must be performed by qualified apprentices and eligible employers could potentially utilize CWTP grant funds to recruit and train new workers.

Contact an accounting or tax professional to understand the ways in which your organization can take advantage of the IRA and CWTP. BG

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STUDENT ARCHITECT GAINS REAL-WORLD CONSTRUCTION EXPERIENCE DURING SUMMER INTERNSHIP WITH MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA, INC.

BY MARILYN ROSSA KAIL

When Malia Hayes decided to investigate a career in architecture, she drafted a plan while still in high school to learn more about the profession -- despite what many might consider some steep odds. She started thinking about becoming an architect while taking advanced STEAM classes, including math and pre-engineering, but realized she needed real world experience to be sure architecture was right for her. So, she conducted research to find mentors and internships in her hometown of Pittsburgh to gain that real world experience, and found the support she needed with Partner4Work and Master Builders' Association of Western, Pa., Inc. (MBA).

Hayes reached out to Partner4Work, a Pittsburgh-based workforce development non-profit, to apply for their summer Learn & Earn program. The Learn & Earn Corporate program and the Learn & Earn Youth Summer Jobs program matches young people, ages 14 to 21, who meet certain income and residency requirements, with internships and job opportunities based on their interest, experience and skills.

Partner4Work matched Hayes while she was still in high school, with Christian J. Hughes, AIA, M.Arch, a Pittsburgh-based architect and founder of Drafting Dreams. Drafting Dreams' mission is to teach Pittsburgh-area K-12 students the principles of architecture and urban design, and to increase women and minority interest and participation in design professions. Hayes credits Hughes with teaching her the basic skills needed for a career in architecture, and introducing her to Hampton University, where she is both a Dean's List and academic scholarship student.

After two years interning with Drafting Dreams, she was sure she wanted to be an architect, and set out to learn more about what really goes into a build on an active construction site. "My main areas of interest include organic architecture because you are building with nature, not against it, as well as residential architecture and historical restoration. I wanted to land an internship that offered me access to general contractors, as well as to construction sites, so I could learn more about how these designs comes to life."

Malia Hayes

So, she reached out to Partner4Work again this year to help her land a summer internship that would provide construction experience. Hayes recalls that, although Partner4Work had never had a previous request from a student architect for an internship, true to their mission they found the perfect placement for her with MBA, the region's largest commercial construction trade association, whose membership accounts for more than 80 percent of the commercial construction in the Pittsburgh area.

"MBA and Partner4Work share a mutual commitment to regional workforce development, equity and inclusion, and Partner4Work's Corporate Learn & Earn program is the capstone experience for older applicants with more work experience," said Partner4Work CEO Robert Cherry. "Training young people now can help fill the gap when baby boomers retire." Since its start in 2015, Learn & Earn has connected nearly 6,000 young people with jobs at more than 400 worksites.

"There are very few African American Architects in America, and even fewer Black women Architects," said Lance Harrell, director, workforce development and diversity, equity and inclusion at MBA. Harrell pointed out that, according to data from the National Council of Architectural Registration Boards (NCARB), African American architects represent about two percent (2,324) of all licensed architects (116,242), and African American women represent approximately 0.4 (464). "So, Malia is definitely bucking that trend, and forging an amazing path for success that also makes her a role model for other young people of color."

"In my opinion, there are two issues contributing to the lack of minority representation in architecture," said Gerrod Winston, AIA, LEED, AP, owner, and principal at Winston Design + Development, as well as adjunct faculty at Carnegie Mellon University's School of Architecture in Pittsburgh. "Just the fact that the number of minorities in the field is so low makes it difficult for young people to see themselves in the profession. Being able to see yourself in the career you have chosen makes it a more realistic goal." Winston also points out that lack of minority representation in the profession creates another barrier to choosing a career in architecture. "Fewer minority architects mean the overall network and number of connections is smaller for minority students who are seeking advice and support from role models who share their life experience. That

The MBA's Lance Harrell (left) and Malia Hayes at Mascaro Construction project site at the Highmark Center for Health, Wellness and Athletics at Carnegie Mellon.

is why internships like Malia's at MBA are so valuable, as well as organizations such as the National Organization of Minority Architects (NOMA) and the UDream program at Carnegie Mellon."

Hayes says she wasn't aware, until much later, that she was bucking any trends with her chosen profession. "I didn't really know the statistics about the number of African Americans, especially African American women, in architecture," she noted, "so I didn't think of it as an obstacle. I just knew that I wanted to be an architect, and I was going to do it, and one day have my own firm." However, she would be delighted if her story would encourage other young women of color to pursue a career in a STEAM-related field.

Connecting with Partner4Work's Corporate Learn & Earn program to create an internship was an important step for us, and dovetails with MBA's strong commitment to supporting education," said Dave Daquelente, executive director, MBA. "In fact, since 1994, MBA has awarded over $800,000 in scholarship support to students in five industry-related categories. Malia's internship is a natural extension of that commitment to industry recruitment and education, and to creating a broad and diverse workforce. We want to get the word out to other students like Malia, through many channels, such as our support of the National Association of Women in Construction (NAWIC) and their inaugural CAMP NAWIC program in 2023, that the construction industry offers many different pathways to a great career and excellent income for everyone. That is one of the reasons we are launching our BuildWPA campaign, which includes a robust BuildWPA website that will serve as a "one-stop-shop" resource for education, recruitment, employment opportunities, and collaboration across all stakeholders in the construction industry." Content on the BuildWPA website will be informative, engaging and organized in such a way that information and resources and be easily found and accessed based on the specific interests of those visiting the site.

Hayes believes her internship with MBA will make her a better architect because it expanded her perspective of what is involved in bringing architectural design to life, and introduced her to connections eager to help her in her career. "I think the best advice I can give to another architecture student is to find an internship where you can visit construction sites and talk to contractors. Architectural studies focus heavily on design. Because I was able to visit active construction sites, I experienced how many different skills and types of knowledge go into a build, as well as the collaboration that is essential between an architect and contractor. It is so important that an architect can collaborate with a contractor, creating more build-able designs, and taking into consideration so many variables, such as the types of construction materials and the layout of the site, rather than bumping heads." Hayes is grateful that MBA members, such as Mascaro Construction, Co LP, and Mosites Construction Company provided access to their jobsites during her eight-week MBA internship, as well as A. Martini & Company for providing her with a tour of one of their business restoration projects. As a result, Hayes would like her next internship to be with a general contractor.

According to Harrell, "Malia has been an inspiration to us. Her journey has provided a blueprint for success on how to encourage students to consider a career in construction, engineering, and architecture, and highlights the critical importance of early STEAM education. Our goal was to provide Malia with an excellent learning experience and broaden her understanding of the collaboration between architect, contractor, and the trades. As part of that process, we learned a lot from her, too. For example, no one can imagine a career that they've never seen or experienced first-hand."

While interning at MBA, Hayes also helped build a strategic marketing plan, assisted with community outreach meetings with local and state leaders, and MBA networking events. Her MBA internship ended in August 2023. During school breaks, Hayes lives in Homestead, Pa., with her mother, Kelli Everett, her "biggest cheerleader, supporter and motivator." BG

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INDUSTRY & COMMUNITY NEWS

Pittsburgh City Council declared July 20, 2023, to be Raymond A. Volpatt Sr. Day in recognition of Volpatt Construction's work on historic restoration of numerous Pittsburgh landmarks, including St. Paul's Cathedral, St. Peter's on the North Side, Shadyside Presbyterian Church, Carnegie Library of Pittsburgh branches, and the Carnegie Music Hall, currently under construction. Pictured are (from left) Ray Volpatt, Jr, Chris Connors, Amy Volpatt Connors, Sharon Volpatt, Ray Volpatt, Sr., Councilwoman Erika Strassburger, and Michael Volpatt.

Nine students in grades 8-12 participated in Camp NAWIC, presented by the Pittsburgh chapter of the National Association of Women in Construction (NAWIC) from June 19-23. Pictured here, participants collaborated to tie rebar with workers at the Eastern Atlantic States Regional Council of Carpenters Joint Apprentice Training Center.

Industry speakers panel at Camp NAWIC included (from left) Kyra Sarver from TEDCO Construction, Jennifer Beck from Carnegie Mellon University, Crystal Carnes from Abate Irwin, TECO superintendent Molly King, Alicia Brentzel, owner of Brex Enterprises, and Sydney Zalewski from Mosites Construction.

Mascaro Construction's executive vice president, Michael Mascaro, participated for the seventh year in the CEO Soak, raising $300,000 for ALS on August 10. Pictured with Mascaro are (from left) former Pittsburgh Penguin Bryan Trottier, Pittsburgh Pirates' President Travis Williams, former Penguin Colby Armstrong, and Iceburgh (far right).

Mascaro's Human Resource Generalist Allie Chornick was named the 2023 Nazareth Prep Mentor of the Year. Chornick is pictured with John Mascaro.

Mascaro celebrated National Intern Day on July 27. The interns had a packed day of panel discussions and jobsite visits.

(From left) James DeWitt, Joe Zuzich, Jaden Gage, & Jim Hart from FMS Construction at the MBA Clay Shoot.

Matt Werner from LLI Engineering, PJ Dick's Chris Cooper and Coby Green and LLI's Chris White at the NAIOP Pittsburgh Developing Leaders golf outing on August 16.

(From left) Ken Umbel and Steve Mazza from the Eastern Atlantic States Carpenters Council, Adam Cummins from PJ Dick and PenTrust's Jamey Noland.

(From left) John Piccar, Timothy Hayden, Clark Guess, and Travis McGee from Hatzel & Buehler, Inc.

(From left) Mosites Construction's Mike Lackey, Alex Nine, Sam Reihs, and Sydney Zalewski.

(From left) Robert Powley from JLJI Enterprises, Justin Noblisee from Burns Scalo Real Estate, Emily Brown PJ Dick, and JLJI's Jay Hollis.

(From left) Neal Rivers from Easley & Rivers, Ruthrauff Sauer's Ray Gajski, Matt Jameson from Burns White, and SMACNA's James Strother at the ASA Annual Golf Outing at Chartiers Country Club on August 21.

(From left) Rich Yohe from Easley & Rivers, Mike Roarty from PJ Dick, E&R's Brooke Waterkotte, and PJ Dick's Justin Hough.

(From left) Chris Singleton from LW Supply, Dan Thomas from Wyatt Inc., Alliance Drywall's Gene Brown, and Wyatt's Jim McWilliams.

(From left) J.R. Reed from Reed Building Supply, Rycon's J.R. Bittner, Aaron Reed from RBS, and Neal Rivers from Easley & Rivers.

(From left) McKamish's Ed McCafferty III, Naley McKamish, Gary Haffely, and Bob Ward.

(From left) Bob Fusaro, Joel Niecgorski, and Steve Schrecengost from the East Atlantic States Regional Council of Carpenters.

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AWARDS & CONTRACTS

F.J. Busse Co. is the general contractor for the office refresh for Babst Calland at 2 Gateway Center. The project involves new finishes in the 52,000 square foot space on the sixth floor. The project was designed by Virginia Weida Designs LLC.

FMS Construction was awarded a $4.99 million general construction contract for the $6.9 million Cranberry Municipal Center Additions and Alterations in Cranberry Township. The architect is Designstream LLC.

Rycon's Special Projects Group is the construction manager for the refresh of a JCPenney location in Montebello, CA.

Rycon's Special Projects Group is the general contractor for a $1.6 million fit-out of a 6,800 square foot financial office in Las Vegas, NV.

Starbucks selected **Rycon's** Special Projects Group as the general contractor responsible for the renovation of two Starbucks locations, totaling $1.5 million, in Wexford, PA and Daytona, FL.

In Franklin Park, PA, **Rycon's** Special Projects Group is constructing a new $2.5 million WetGo Car Wash.

Rycon's Building Group is the construction manager at-risk responsible for the 48,500 square foot ground-up Dick's Sporting Goods store in Watertown, NY.

Rycon's Building Group will be performing the General Trades portion for the $50.6 million, 70,000 square foot final phase renovation of the University of Pittsburgh's Hillman Library in Pittsburgh, PA. The project includes new offices, a data lab, study rooms, workrooms, collections, and staff areas.

In downtown Pittsburgh, **Rycon's** Building Group is the construction manager completing a $6.8 million, 21,900 square foot office renovation on Wood Street.

Landau Building Company is in the initial stages of the Fairmont Medical Center's Surgery Endoscopy Renovation project. This project involves renovating approximately 11,780 square feet, modernizing two endoscopy procedure rooms, and coordinating patient and support spaces, including the addition of a new decontamination and scope processing room. Harley Ellis Devereaux is the architect.

PJ Dick is providing CM at risk services for the West Virginia University Medicine Ruby Hospital Renovation to floors 2, 4, and 6 and POC Level 6 master plan. This 165,000 square foot active hospital renovation project is being phased over a 40-month period.

Sheetz awarded **PJ Dick** CM at risk services for construction of a logistics center and distribution center expansion in Central Pennsylvania. The project includes construction of a new 160,000 square foot logistics center, a 41,000 square foot cooler and freezer storage addition to the existing distribution center and all associated site work for the additions and new construction.

PJ Dick Mid-Atlantic is providing CM at risk services for an 18,000 square foot, two-story classroom and laboratory addition at AIM Academy in Conshohocken, PA.

PJ Dick Mid-Atlantic is managing construction on Penn State University's Brandywine campus. The project includes renovations and alterations to approximately 6,000 square feet of space in the Vairo Library Building to create a multi-functional Academic Student Success Center.

PJ Dick Mid-Atlantic is managing multiple projects at Widener University in Chester, PA this summer. These include: Kapelski Learning Center Phase II, the Quick Business Center and, Kapelski, Sharples and Moll Residence Halls.

Turner Construction Co. is the construction manager for the Westinghouse eVinci Technology Hub at 51 Bridge Street. The project involves a tenant fit out of approximately 87,000 square feet. This second-generation adaptive re-use space will be transformed into a modern office with a shop area as the second phase of the project. Desmone is the architect for this project.

Turner Construction Co. has begun early site work for the Hazelwood Green Infrastructure for Cell & Gene Therapy, University of Pittsburgh's new cell and gene therapy research and manufacturing center at Hazelwood Green.

Citizens Bank selected **Massaro Corporation** as general contractor for the buildout of its new 60,000 square foot space at 4 Gateway Center. The architect is LGA Partners.

Burchick Construction is the general contractor for the $3.5 million vertical addition to the Orchard Hill Church in Franklin Park. The architect is RSH Architects.

University of Kentucky awarded a contract to **Carl Walker Construction** for parking garage repairs.

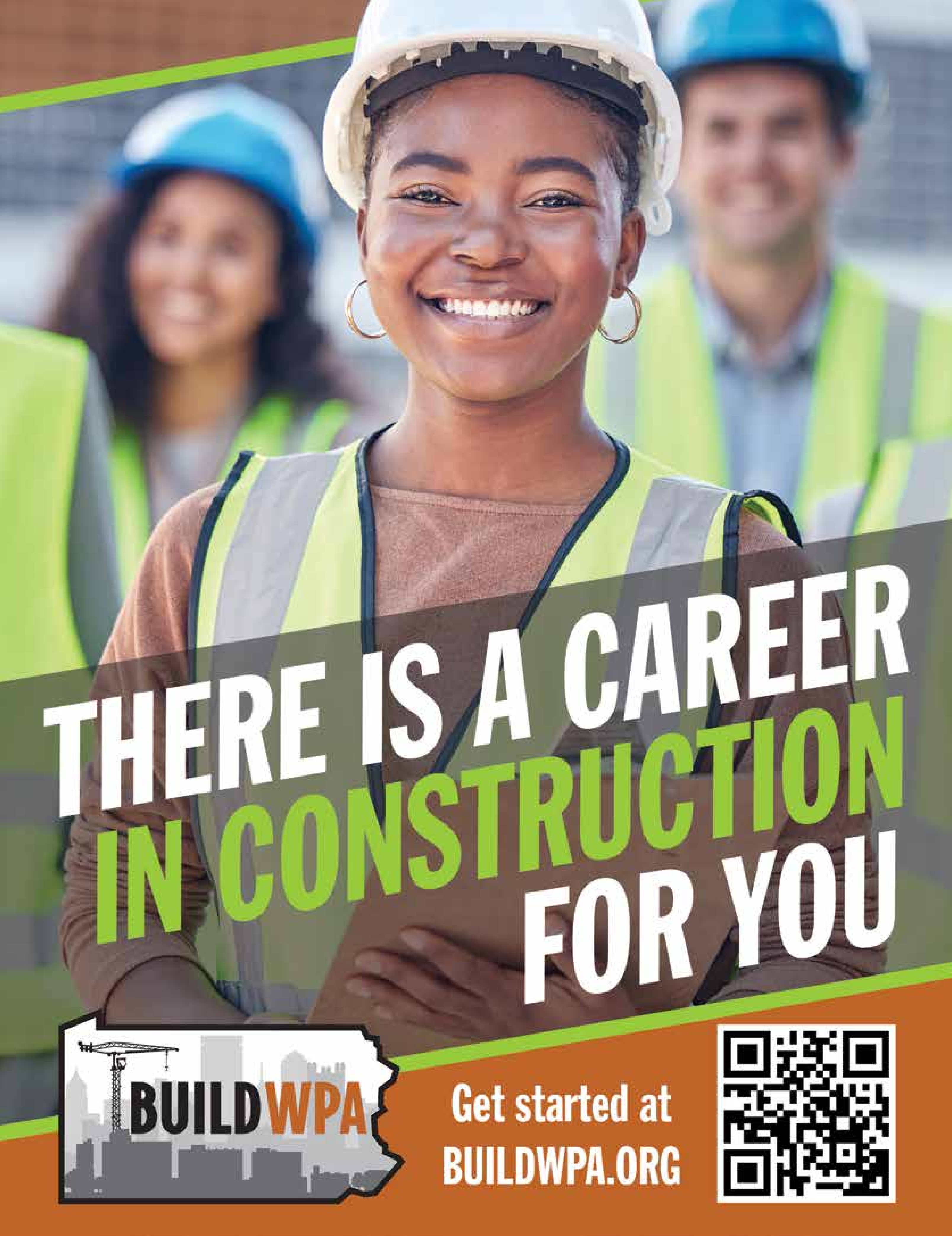
Carl Walker Construction was awarded a contract by the Erie Parking Authority for post-tensioning work at its parking garage.

PJ Dick has begun construction on the new offices for the R. K. Mellon Foundation at Smallman Terminal. The architect for the 18,000 square foot buildout is GBBN Architecture.

Merrill - Bank of America awarded a contract to **A. Martini & Co.** for the Merrill Reconfiguration in Greensburg, PA. The architect is David Allen Youse Architect.

A. Martini & Co. is the general contractor for Unum Insurance at Foster Plaza 5 in Green Tree. The architect is NEXT Architecture.

Volpatt Construction is building a $4.3 million, 10-bed residence and treatment facility for Veterans Place of Washington Boulevard in Homewood. The architect for the 6,000 square foot new building is Canzian Johnston & Associates.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FACES & NEW PLACES

Patrick Sheehan joined **Mascaro** as an assistant project manager on July 17. Patrick earned his bachelor's degree from the University of Dayton and was also a 2019 LANOPT Project Manager of the Year.

On July 17, **Amy Wisniowski** joins **Mascaro** as the wellness coordinator with over 10 years of health and wellness experience.

Joe Shipman joined **Mascaro** as a superintendent on August 14. He has over 38 years of experience in the industry and has held positions such as general superintendent, superintendent, safety director, lead superintendent and safety inspector in addition to his many years as a carpenter/journeyman.

With over 25 years of experience, **Dan Ford** joined **Mascaro's** Buildings Group as a lead estimator on August 14.

On August 14, **Mascaro** welcomed Project Engineer **Renato Ruzzini** to its Heavy Industrial Group. With over five years of highway design engineering experience, he is a graduate of the University of Pittsburgh Swanson School of Engineering.

Rycon Pittsburgh's Special Projects Group is pleased to welcome **Ryan Baranowski**, Kent State alumnus, as project engineer.

Jason King has joined **Rycon** Pittsburgh's Special Projects Group as assistant project manager. He brings over 10 years' experience to the team.

Greyson Messenger, Thomas Jefferson University alumnus, has joined **Rycon** Pittsburgh's Special Projects Group as assistant project manager.

Sarah Murphy joined **Rycon** Pittsburgh's Service Division as project engineer assistant.

Rycon Pittsburgh's human resources department welcomes **Trinity Sral** as payroll/human resources administrator.

Craftworks USA welcomes **Scott Wetter** as production manager. He brings over 25 years' experience to the team.

Landau Building Company is pleased to introduce **Elliot Frank** as a new project engineer.

PJ Dick welcomed Cost Accountant **Michelle Susa**. She holds a BS in accounting from Robert Morris University and an MBA from California University of Pennsylvania.

Project Engineer **Jake Swinderman** joined **PJ Dick's** Lindy Headquarters Expansion project team. Jake is a 2023 construction management graduate from Kent State University and previously completed an internship with PJ Dick at the UPMC Passavant project.

Kandace Palmer joined **PJ Dick's** safety department as a senior site safety manager. She brings nearly 10 years of experience to the team. Kandace is a Slippery Rock University graduate with a BS in safety management and a minor in Spanish.

Brandon Benedetti joined **PJ Dick** as a project engineer in our Construction Services Group. He is a 2021 civil engineering technology graduate of Point Park University and previously worked at S&B USA as a project engineer/estimator.

Jacob McNary joined **PJ Dick** as scheduling manager! He holds a BS in accounting from California University of Pennsylvania and has over a decade of experience.

Thomas Gosciniak joined **PJ Dick's** Mid-Atlantic office as a project superintendent. Thomas has been in the industry since 2001, serving in roles such as lead carpenter and project manager. He received an associate degree from Montgomery County College in applied science management.

Trevor Parkis joined **PJ Dick's** Saratoga Springs, NY, office as an assistant superintendent with 30 years of commercial and residential construction under his belt.

PJ Dick welcomed Project Administrator **Ashley Wehring** to the team. Ashley joins PJ Dick after 16 years with Cost Company working in projects, accounting, safety, and real estate.

Tara Connor has been promoted to a new role as preconstruction manager for **Turner Construction Co.** Tara has been with Turner for 27 years and has worked in various departments such as Estimating, Preconstruction, and Procurement.

Turner Construction Co. welcomed two new members to its Self-Perform Group. **Adam Mandella** will be working as warehouse foreperson/driver and **Brett McFadden** was hired as carpenter.

Volpatt Construction announced that **Alex Bancone** had been hired as project manager. Bancone is a graduate of the University of Pittsburgh, with a degree in architecture.

DEVELOPING Pittsburgh

2023 BUYER'S GUIDE

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T: 412.287.7333
Richard Witt, Jr. AIA, Chief Client Officer
rick@aeworks.com
Rachel Sweetland, Business Development Associate
rachel@aeworks.com

Leverage the power of diverse services delivered by one team. AE Works combines a range of design and consulting specializations to make building projects a better value. United by a culture of innovation and entrepreneurial spirit, our team is focused on better efficiencies, ideation, and trust. The result is better use of your time and money toward your capital project.

An award-winning firm, AE Works has been named to the 2023 Architectural Record Top 300. Experience spans commercial, healthcare, science and technology, infrastructure, and education projects. Services include architecture, interior design, building systems engineering, and planning + project services.

D3A

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

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

desmone

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

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

DLA+ Architecture & Interior Design

Foster Plaza 10, Suite 500
680 Andersen Drive, Pittsburgh, PA 15220
412-921-4300
www.DLAplus.com
Jennifer M King, NCIDQ – Principal
jmking@DLAplus.com

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

DRS Architects

One Gateway Center, 17th Floor, Pittsburgh, PA 15222
www.drsarchitects.com
Jon Funari, Principal
412-325-8617
jfunari@drsarchitects.com

For over 65 years, DRS Architects has been proudly delivering architectural, planning, and interior design services throughout Western Pennsylvania and the surrounding tri-state region. We are a certified small business specializing in higher education, healthcare, recreation, corporate, and government sectors. Our team provides services based on a strong commitment and focus on our clients' needs and goals, thoughtful design, and environmental responsibility. We maintain a deep commitment to our region and have worked with neighborhood groups and institutional clients to contribute buildings that support the strength and vibrancy of our communities.

HHSDR Architects/Engineers

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

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

ikm architecture

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

IKM Architecture has been in continuous practice for over a century and provides innovative and informed design solutions that continue to create enduring value for clients in an ever-changing world. We provide architectural, programming, planning, and interior design services. We serve clients regionally and nationally in Healthcare, Science and Technology, Workplace, Education, and Civic/Cultural markets. We put the vision and goals of our clients first and champion an immersive engagement process proven to creatively develop the project direction. Using an in-house Maker Space, IKM incorporates animations, VR, 3-D Modeling, and laser technology into the vision of our clients' projects.

LGA Partners, LP

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

LGA Partners is an award-winning professional design firm specializing in Aviation, Education, Healthcare, Housing, Retail and Workplace design. Our team of 75 talented and diverse architects and interior designers creates exceptional design solutions for outstanding project outcomes. Our mission is to form meaningful partnerships with our clients, consultants, and stakeholders to create an architecture that is both inspiring and enduring. LGA is consistently ranked as one of Pittsburgh's largest and fastest growing firms and has been voted a "Best Place to Work" four years running. After 30 years in business, we remain committed to our core value: *do good work, and work to do good by others*.

PWWG Architecture + Planning

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

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

R3A Architecture

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

R3A believes that empathy driven architecture shapes meaningful human experiences. Located in Pittsburgh's dynamic South Side neighborhood, R3A's team of architects and interior designers collaborates closely with our project partners to create built environments that support and enrich our communities – educational, scientific, workplace, residential, civic, non-profit or others. Our approach leverages design thinking to reframe the dialogue around our clients' needs beyond the obvious, using a research driven and iterative process of analytical rigor, to reimagine solutions that are not only responsive to our clients' needs and challenges, but that harmonize measurable performance goals with strategic aspirations.

ASA SPECIALTY CONTRACTORS

Overhead Door Company of Greater Pittsburgh

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

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

CIVIL ENGINEERS

The Gateway Engineers

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

Herbert, Rowland & Grubic, Inc.

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

Herbert, Rowland & Grubic, Inc. (HRG) is a 100% employee-owned, nationally ranked, full-service civil engineering firm offering professional water, wastewater, financial, survey and GIS, and electrical services, among many more. HRG assists with the planning, design, and management of communities. The primary focus of our work is people. We deliver friendly, responsive service with impeccable quality, professionalism, and care. HRG received PSMJ's 2022 A/E/C Premier Award for Client Satisfaction, and in 2021 HRG was recognized as ENR's MidAtlantic Design Firm of the Year. With 10 locations, our footprint reaches across Pittsburgh and beyond.

Kimley-Horn

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www.kimley-horn.com
Adele Beaves, P.E., Senior Project Manager
adele.beaves@kimley-horn.com

Kimley-Horn is a full-service consulting firm with more than 7,000 employees in 100+ offices nationwide. We provide comprehensive site consulting services including site civil engineering, environmental/wetlands consulting, permitting/zoning assistance, traffic engineering, land planning/landscape architecture, and parking studies and design. Working as a coordinated team, our experienced local staff delivers work you can depend on—projects that can be successfully developed, permitted, and built on time and within budget, taking advantage of the industry's best proven techniques and technologies. With Kimley-Horn, you can Expect More and Experience Better.

Mackin Engineers & Consultants

103 Technology Drive, Suite 200
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www.mackinengineering.com
Brian Fischbach, P.E. - Director of Civil Engineering
bfischbach@mackinengineering.com

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

CONTRACTORS

A. Martini & Company

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

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

Burchick Construction Company, Inc.

500 Lowries Run Road, Pittsburgh, PA 15237
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www.burchick.com
Dave Meuschke – meuschke@burchick.com

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

Carl Walker Construction

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

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

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

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

Jendoco Construction Corporation

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

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

Landau Building Company

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

Over the last 130 years, Landau Building Company has established itself as a leading construction management and general contracting firm serving the Western PA and surrounding region. As a fifth-generation family-owned and operated company, we have cultivated a broad portfolio of commercial, healthcare, higher education, and community-based projects, ranging from ground-up construction to major renovations. In 2006, we expanded our services to include northern West Virginia through our subsidiary, Marks-Landau Construction. To learn more information about why so many of our repeat clients continue to call upon Landau Building Company as their builder of choice, visit our website www.landau-bldg.com.

Mascaro Construction

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

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

McKamish, Inc.

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

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

PJ Dick Inc.

225 North Shore Drive, Pittsburgh PA 15212
T: 412-807-2000
www.pjdick.com
Bernard J. Kobosky | Bernie.kobosky@pjdick.com

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

Rycon Construction Inc.

2501 Smallman St., Suite 100, Pittsburgh, PA 15222
T: 412-392-2525
www.ryconinc.com
Lou Ferraro, Co-President - Pittsburgh &
Stephen Kosmer, Co-President - Pittsburgh

Founded in Pittsburgh, Rycon Construction, Inc. is an employee-owned company (ESOP) that provides construction management, general contracting, and design-build services nationwide. We have an in-house Architectural Woodwork & Specialty Fabrication Division that ships/installs nationally as well as a Service Division offering 24/7 emergency service, emergency restoration, and term service work in the Western PA region. Rycon is an ENR Top 400 Contractor and ENR Top 100 Green Contractor. We have eight offices: Pittsburgh, Atlanta, Cleveland, Fort Lauderdale, Fort Myers, Houston, Philadelphia, and Washington, DC., and specialize in new construction, renovations, and adaptive reuse projects. Rycon's portfolio consists of projects and developments valued up to $300 million each and we excel in preconstruction planning, MEP expertise, with experienced project team members focused in the multiple markets we serve.

Shannon Construction Company

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

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

Turner Construction Company

600 Grant Street, Suite 2740, Pittsburgh, PA 15219
412-255-5400
Chris DiLorenzo
cdilorenzo@tcco.com

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

Volpatt Construction Corporation

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

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

DEVELOPER

Ambridge Regional Center and ConAm3PL

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

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

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

The Buncher Company

One Waterfront Place
1251 Waterfront Place #201, Pittsburgh, PA 15222
412-422-9900
www.buncher.com

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

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

Elmhurst Group

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

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

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

Oxford Development Company

2545 Railroad Street, Suite 300
Pittsburgh, PA 15222
412.261.1500
www.oxforddevelopment.com

For over 60 years, Oxford has stood at the forefront of the marketplace as a developer and full service commercial real estate services provider with experience in the local, regional, and national marketplace. Oxford's mission is to elevate and inspire our people, our partners, and our communities by creating places of personal and economic opportunity for all.

We deliver real estate solutions to our clients that are innovative, cost-effective, and sustainable. Our team has the depth of experience to manage, lease and develop all types of facilities. Oxford's ability to create unique partnerships and complete complex transactions makes us a preferred real estate partner.

DOCUMENT HANDLING

Tri-State Signs & Reprographics, Inc.

2934 Smallman Street, Pittsburgh, PA 15201
T: 412-281-3538 | F: 412-281-3344
www.tsrepro.com
DJ McClary, Vice President
DJMcClary@tsrepro.com

Tri-State provides printing and document management to Architects, Engineers and Contractors. We utilize the latest in Online Plan Room Services, Scanning and Printing in both Black & White and Color. Our color division specializes in large format color, servicing the Trade Show Exhibit, Sign, Vehicle Advertising, and Window Display Markets among others. Our unique approach combines our years of experience with new technical knowledge and capabilities to equip us to continually present new possibilities to our clients.

ECONOMIC DEVELOPMENT

Community Development Corporation of Butler County

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

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

Indiana County Center for Economic Operations

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

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

Mon Valley Alliance

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

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

Washington County Chamber of Commerce

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

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

Westmoreland County Industrial Development Corporation

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

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

ENGINEERS

Civil & Environmental Consultants, Inc.

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

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

KU Resources, Inc.

KU Resources, Inc.
22 South Linden St., Duquesne, PA 15110
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www.kuresources.com
Tysen Miller, PE, LEED AP, CPESC
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KU Resources, Inc. provides a full range of environmental management and site development engineering services to industrial, commercial, and community based clients. The firm specializes in brownfield redevelopment, environmental site assessment, economic revitalization assistance, regulatory permitting and compliance, remediation design and implementation, and environmental risk management strategies. The firm's engineering and environmental consulting capabilities also include the areas of civil and geotechnical engineering, site development engineering, water resources engineering, mining and quarry services, water quality monitoring, and air quality compliance and permitting.

LSSE Civil Engineers and Surveyors Est. 1985

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Established in 1985, LSSE is a civil engineering and surveying firm with offices located in Coraopolis, Allegheny County (headquarters); Greensburg, Westmoreland County (branch), Albion, Erie County (branch), Center Township, Beaver County (branch), Pennsylvania and Dublin, Franklin County (branch), Ohio. LSSE has provided planning, surveying and design services for sites throughout Pennsylvania, Ohio, West Virginia and New York.

ENVIRONMENTAL

KU Resources, Inc.

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

FINANCE

Dollar Bank

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Matt Phillips, Senior Vice President
Business Banking Regional Manager
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Do what drives you. Dollar Bank's Business Experts will help you get there. How? By earnestly listening to your needs, understanding your ambitions and building financing solutions that are only made for one business - yours. From purchasing equipment, expanding facilities and increasing working capital to balancing ever-changing credit needs, we offer the flexibility and attention that can only come from an independent bank dedicated to business since 1855. Ready to do it? Contact David Weber, Senior Vice President, Business Lending today.

PNC Real Estate

300 Fifth Ave., Pittsburgh, PA 15222
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Jason D. Phillips, Senior VP and Market Manager
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PNC Real Estate is a leading provider of banking, financing and servicing solutions for commercial real estate clients. Our capabilities include acquisition, construction and permanent financing for developers and investors; agency financing for multifamily properties; and debt and equity capital for the affordable housing industry. And, through Midland Loan Services, we provide third-party loan servicing, asset management and technology solutions.

First Commonwealth Bank

501 Grant Street, Suite 250, Pittsburgh, PA 15219
T: 724-463-5741
www.fcbanking.com
Dave Reed, PA State President
dreed@fcbanking.com

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

INDUSTRY / TRADE GROUP

American Subcontractors Assn. of WPA

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

ASA Western PA is the united voice dedicated to improving the business environment and representing subcontractors before all branches of government, other construction industry groups, and the media. We strive to promote quality construction, ethical and equitable business practices, safety in the work environment, and best industry practices. Our scholarship program reaches students interested in the trades through partnerships and school visits.

A Mentorship Program is available for all scholarship recipients. ASA's Emerging Leaders create an environment of young professionals who have the potential to serve in leadership roles and provide networking opportunities that help to expand their careers.

Labor & Management ▸ Building Our Region's Success

Builders Guild of Western PA, Inc.

631 Iron City Drive, Pittsburgh, PA 15205
T: 412-921-9000
Jeff Nobers, Executive Director
jnobers@buildersguild.org

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

Guild initiatives include:

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

CREW Pittsburgh

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

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

Ironworker Employers Association of Western Pennsylvania

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

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

Master Builders' Association

631 Iron City Dr., Pittsburgh, PA 15205
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www.mbawpa.org
David D. Daquelente, Executive Director
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Leading the Industry, Building the Region! Our vision is to support and advocate for our members and community by promoting safety, diversity and inclusion, labor relations, and workforce development.

NAIOP Pittsburgh
PO Box 100085, Pittsburgh, PA 15233
www.naioppittsburgh.org
Brandon Mendoza, Executive Director
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NAIOP Pittsburgh is the regional association of developers, owners, investors, and professionals in commercial real estate. We are the leading industry resource to foster business relationships, promote responsible development and support growth of the region through education, leadership, and advocacy. Visit naioppittsburgh.com for additional information or contact info@naioppittsburgh.org.

Pittsburgh Works Together
631 Iron City Drive, Pittsburgh, PA 15205
Jeff Nobers, Executive Director
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Pittsburgh Works is committed to creating an inclusive vision of economic progress that embraces and respects both traditional legacy industries and emerging ones, while honoring the diversity of cultures and traditions inherent to each, while ensuring a sustainable environment. We seek a Pittsburgh and a region in which the lines between "old" and "new" economy are erased and respect is shown for our work ethic and dedication to community, while building a future for all.

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

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

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

INTERIOR DESIGNER

Design 3 Architecture PC
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William Snyder – was@d3a.com

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

LAND SURVEYORS

LSSE Engineers and Surveyors
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Established in 1985, LSSE is a civil engineering and surveying firm with offices located in Coraopolis, Allegheny County (headquarters); Greensburg, Westmoreland County (branch), Albion, Erie County (branch), Center Township, Beaver County (branch), Pennsylvania and Dublin, Franklin County (branch), Ohio. LSSE has provided surveying services for sites throughout Pennsylvania, Ohio, West Virginia and New York.

LEGAL SERVICES

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

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Understanding each client's business objectives, we provide timely, creative, and cost-effective solutions. We represent those in the business of real estate and companies who must have real estate in order to do business: our clients include manufacturers and service providers as well as owners, developers, managers, lenders, landlords and tenants, investors, contractors, brokers, and design professionals. Clients rely on us to counsel them on all facets of commercial real estate, retail, multifamily, office, and industrial, working with them on purchases and sales, land use and development, construction, financing, leasing, title insurance, property tax, assessment appeals, zoning, and eminent domain throughout the region and across the US. Our multi-practice firm enables us to ensure time and resources are used wisely and your deal closes on time.

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

NEWMARK

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

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Tri-State provides printing and document management to Architects, Engineers and Contractors. We utilize the latest in Online Plan Room Services, Scanning and Printing in both Black & White and Color. Our color division specializes in large format color, servicing the Trade Show Exhibit, Sign, Vehicle Advertising, and Window Display Markets among others. Our unique approach combines our years of experience with new technical knowledge and capabilities to equip us to continually present new possibilities to our clients.

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

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CLOSING OUT

PUBLIC FUNDING FOR DEVELOPMENT SHOULD BRING BENEFITS TO THE COMMUNITY

BY STEVE MAZZA

By the time a carpenter has worked through his or her apprenticeship, they learn a couple of lessons that apply to life in general. You build something big by finishing one step at a time. And the best solution to a problem is often the simplest one. It may be time to apply these rules of life to some of the more difficult problems that we face in the construction industry in Pittsburgh.

The good news is that there are opportunities to work at solutions for more than one problem at a time by taking small steps.

For more than a decade, we in the construction industry have been dealing with a shortage of skilled workers. For many more years, we have also been wrestling with how to make the construction workforce in Pittsburgh more diverse, to include people from different racial and economic backgrounds that have been underrepresented in construction. Unrelated to those issues, there is a shortage of housing options in Pittsburgh that shows no signs of ending.

Those are not small problems to solve. There is no one government agency or private company that is responsible for solving these problems and there is definitely not one solution for all of them. But construction offers some opportunities where the solutions to more than one problem overlap and right now there is a rare opportunity to fund solutions. The unanswered question is whether we have the will to take advantage of the opportunity.

During the past few years, Congress passed several bills that put funding in place to rebuild America's infrastructure, including funds that can be used by state and local government to address conditions that limit housing affordability. Pennsylvania's legislature has shown a willingness to allocate resources to support public and private investment in communities. So have the leaders of the City of Pittsburgh and the counties that make up metropolitan Pittsburgh.

There are ways to use these funds that will do more than throw dollars at a problem one time. Because much of what is spent will fund construction projects, there are opportunities to multiply those investments by training a workforce.

The Carpenters, like all the skilled trades, have been working hard at recruiting more new apprentices for a decade, so we can rebuild the journeyman workforce that is retiring at a greater pace over the next few years. We have also been working hard to make that workforce more diverse, including more people of color and women. One of the obstacles we face is having enough construction going on that can be the training grounds for the apprentices. That won't be a problem in the foreseeable future.

There will be hundreds of millions of dollars flowing through the economy in Western Pennsylvania because of these construction projects. These are taxpayer dollars. The businesses and projects that are the beneficiaries of these tax dollars can multiply the benefit those tax dollars bring to the widest community possible. How would they do that? They would pay wages to their workers that at least meet Davis Bacon standards and hire contractors that do the same. They would hire a significant share of disadvantaged businesses and would make sure that a significant share of the workforce people of color.

Public agencies, like cities and school districts, already have standards like these in many of their procurements. But many of these projects will be built by private developers that will use the federal and state funding to bridge a gap in financing that makes a project feasible. That will be especially true in multi-family and affordable housing. Developers that take advantage of this opportunity should also be able to bring benefits of those projects to the communities beyond construction jobs and new businesses. We know that this concept has worked elsewhere.

The city of New Rochelle, NY faces many of the same problems we have here in Pittsburgh. Leaders there worked with the labor and development communities to create standards for the projects that they were funding. Those standards were for living wages, minority business and workforce participation, and workforce development. As a result, $250 million was invested in affordable housing that produced more than a thousand jobs, including hundreds for people from underserved communities. The community got much-needed affordable housing and residents who are making a better living for their families. The construction industry saw new skilled workers enter the workforce. Developers earned returns that satisfied their investors.

Standards for wages, workforce training, or diversity would not be mandatory for development. If a developer's business model does not work with such standards, they should be able to go about their business as usual. But, if a developer is willing to accept these public funds, these standards would be some small steps to make sure the public benefits too. This influx of funding will be paid for by all taxpayers, not just those in a specific neighborhood or a specific industry. The benefits of that investment should be for the entire community too.

Steve Mazza is council representative for the Eastern Atlantic States Regional Council of Carpenters in Pittsburgh. He can be reached at smazza@eascarpenters.org.


Steve Mazza