Commercial Real Estate Development SPRING 2024

Development

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Adaptive Reuse: From Historic Mill to Mixed-use Community 54

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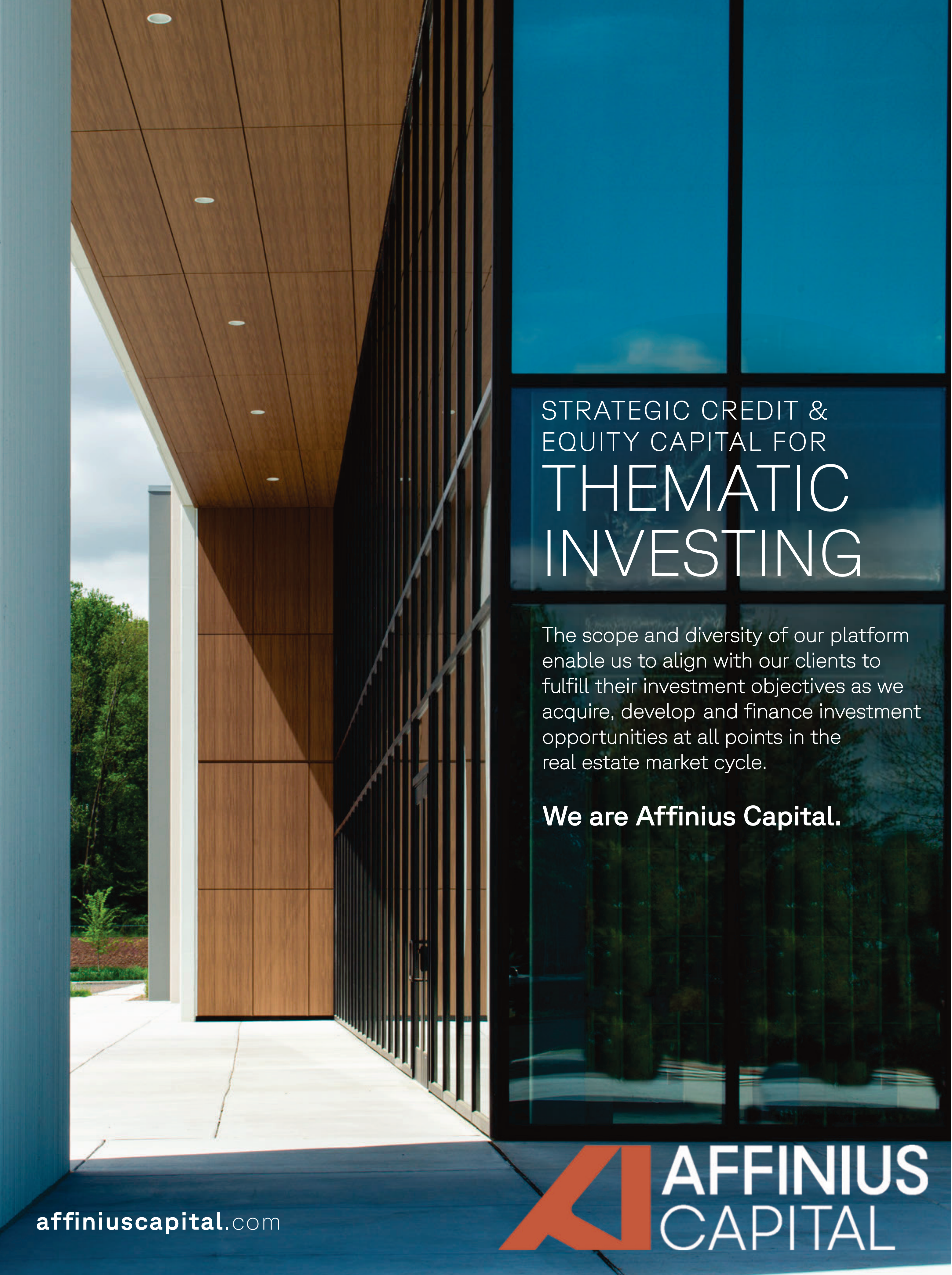

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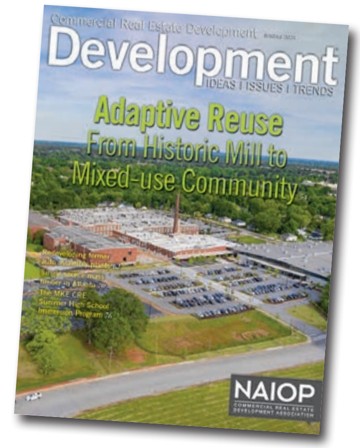

An aerial view of Judson Mill District in Greenville, South Carolina.

Photo by SeamonWhiteside (SW+), courtesy of Judson Mill District

COLUMNS

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A Note From the Editor

CRE Remains Steadfast Despite Challenges

The North American economies, remarkably, avoided falling into recession in 2023. Although challenges in the office markets persist, commercial real estate remains a vital part of economic growth. Last year in the U.S. alone, the development and operations of commercial buildings contributed $2.5 trillion to GDP, generated $881.4 billion in personal earnings and supported 15 million jobs.

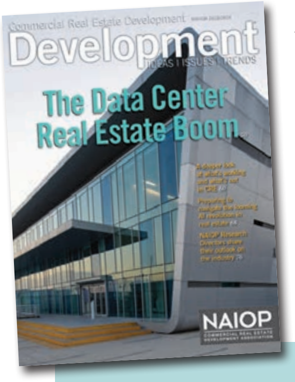
Jennifer LeFurgy

One of the most interesting, but often trickiest, solutions to dealing with obsolete properties is adaptive reuse. This issue of Development contains several articles on how outmoded and abandoned single-use developments were reimagined into environmentally friendly, mixed-use projects with affordable housing components.

Among the featured projects is Highland Bridge, a former Ford assembly plant in St. Paul, Minnesota. The Ryan Companies is transforming the 122-acre site into a vibrant new community with housing, retail, offices and civic space.

Speaking of the Twin Cities, I hope to see you at the National Forums Symposium in Minneapolis on May 8-10!

Stay connected,
Jennifer LeFurgy, Ph.D.
Editor-in-Chief



Most Popular From Winter 2023/2024

1. **"Data Center Real Estate: Challenges and Opportunities in the Digital Age"** (naiop.org/24datacenter/), page 50
2. **"What's Working and What's Not Working in CRE"** (naiop.org/24whatsworking/), page 60
3. **"Navigating the AI Revolution: A Blueprint for Real Estate Executives"** (naiop.org/24airevolution/), page 68
4. **"Actively Seeking Opportunities for Leadership Growth"** (naiop.org/24leadership/), page 92
5. **"NAIOP Research Directors Discuss an Industry in Transition"** (naiop.org/24transition), page 76

In Brief

Notable facts and figures on the state of the commercial real estate industry, culled from media reports and other sources.

ECONOMY

5.6% The 2023 unemployment rate as predicted by S&P Global. Unemployment that high would have slowed the economy to a halt, according to Propmodo. The 2023 U.S. year-end unemployment rate was 3.5%.

INDUSTRY OUTLOOK

5% The amount CBRE expects total investment volume to decrease year-over-year in 2024, after plummeting 45% in 2023. "Lower levels of investment activity are directly tied to expectations that the 10-year Treasury yield will remain elevated throughout the year. This will lead to some distress for Class B and C office buildings and for certain assets that were highly leveraged using floating-rate debt amid ultra-low rates. However, CBRE Research forecasts an average 10-year Treasury yield of 3.3% from 2025 to 2028, which will support investment activity and asset prices over the medium term."

OFFICE

19.6% The average office vacancy rate in U.S. cities at the end of Q4 2023, according to Moody's analytics, making it the highest since 1979.

Future NAIOP Events

- **National Forums Symposium**, May 8-10, 2024, Minneapolis
- **I.CON East**, June 5-6, Jersey City, New Jersey
- **CRE.Converge**, Oct. 8-10, Las Vegas

For the most current information on upcoming NAIOP events, both virtual and in-person, visit naiop.org/Events-and-Sponsorship/

$4 Billion Trepp's estimated amount of the $20 billion in office loans that could become delinquent in 2024.

13 The number of office buildings in Calgary, Alberta, slated for conversion into housing. The first project, the $38 million conversion of an underused 10-story office building into 112 apartment units, is nearly complete and expected to open in early 2024.

91% The percentage of companies that will require their employees to go to the office at least once per month in 2024; 75% will require employees to work from the office weekly, according to a survey of 800 business leaders commissioned by ResumeBuilder.com. The same survey found that 41% of companies plan to upgrade their office space as an incentive to return employees to the office.

INDUSTRIAL

5.2% The industrial vacancy rate, according to Cushman & Wakefield's Q4 industrial report for 2023. That represents the highest vacancy rate since the third quarter of 2020, although it is 120 basis points below the long-term 15-year average of 6.4%, as reported by GlobeSt.com.

19.3 Million The estimated number of square feet required by electric vehicle (EV) companies in North America, according to JLL's 11th Annual Industrial Tenant Demand Study. "The growing demand for clean energy and the rise of EV and batteries have contributed to an increase in demand for manufacturing facility requirements. In fact, demand for these facilities has more than tripled since 2018."

MULTIFAMILY

1.2 Million The number of multifamily units under construction. According to the 2024 U.S. multifamily outlook report from Yardi Matrix, deliveries are expected to top 500,000 units in 2024, with concentrations in fast-growing markets in the South and West. "However, the rise in construction financing is putting a lid on new starts, so 2024 is expected to be a peak year for deliveries." ■

Contractors Upbeat About Infrastructure but not Commercial Projects

Survey results also identify ongoing — though slightly improved — challenges with the supply chain.

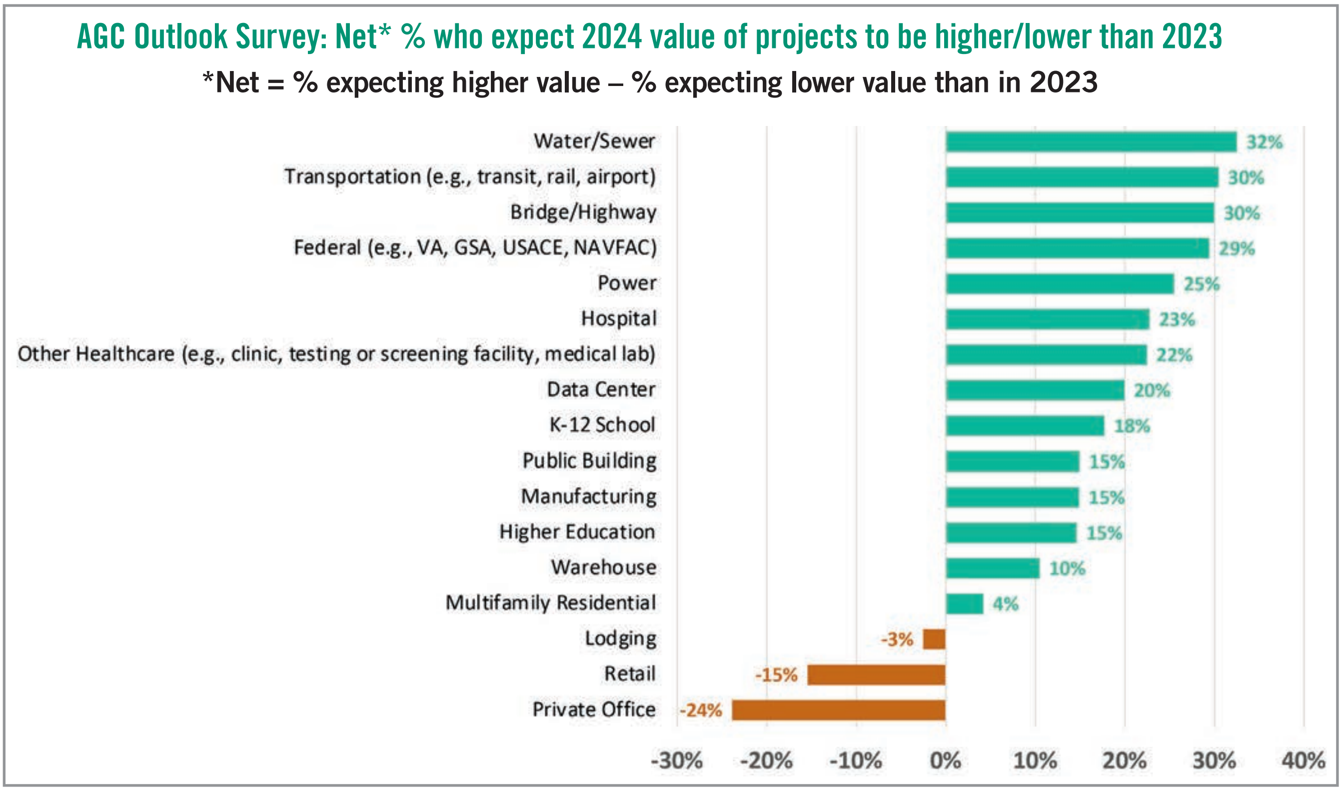
By Ken Simonson, AGC

Heading into 2024, construction firms were optimistic, on balance, about demand for projects — especially infrastructure and other public works. However, that positive attitude did not extend to most developer-funded construction, based on nearly 1,300 responses to a survey the Associated General Contractors of America (AGC) released near the beginning of January.

AGC member firms, which perform every type of construction other than single-family, were asked if they expect the dollar value of projects available for bid to be higher or lower than in 2023. For 14 of 17 project types, a larger percentage of respondents expect the market to expand than expect it to shrink. AGC summarized the difference between these percentages as a net reading.

The most widespread optimism was for water and sewer projects, with optimists outnumbering pessimists by 32 percentage points. Close behind were net readings of 30 each for bridge/highway and other transportation projects such as rail, airport and transit facilities. Optimism also ran high for work for federal agencies, with a net reading of 29.

Among predominantly private-sector categories, the highest reading was for power projects, at 25 percentage points, followed by hospitals (23) and other health care projects such as clinics, testing or screening facilities, and medical labs (22).



Source: AGC of America/Sage 2024 Outlook Survey; 1,293 total respondents

Nearly two-thirds of respondents reported that at least one of their projects had been postponed or canceled in 2023 or had been scheduled for 2024 but put off. The most frequently identified reason — cited by 53% — was rising costs, whether for construction, insurance or other reasons.

Among predominantly private-sector categories, the highest reading was for power projects, at 25 percentage points, followed by hospitals (23) and other health care projects such as clinics, testing or screening facilities, and medical labs (22).

Enthusiasm was less widespread for three segments that provided a substantial amount of work for contractors in 2023. Data centers received a net reading of 20, while manufacturing construction earned a score of 15 and warehouses drew a reading of 10.

Contractors were mostly bearish regarding rent-dependent properties. The net reading for multifamily construction was a positive 4 percentage points, whereas three other segments had negative readings: -3 for lodging, -15 for retail and -24 for office construction.

Only a quarter of participants reported no supply chain problems. However, this marked an improvement over the 2023 survey, when 90% of respondents reported taking steps to deal with supply chain disruptions. The most common response to supply chain issues in the 2024 survey was accelerating purchases after winning contracts, listed by 56% of respondents. In addition, 45% reported turning to alternative suppliers. (Participants could select any or all of four responses if they reported having supply chain issues.)

More than 1 out of 10 respondents listed specific items that were problematic. The most frequently cited items were electrical equipment such as switchgear and transformers. Numerous participants listed heating, ventilation and air-conditioning equipment as problematic.

Nearly two-thirds of respondents reported that at least one of their projects had been postponed or canceled in 2023 or had been scheduled for 2024 but put off. The most frequently identified reason — cited by 53% — was rising costs, whether for construction, insurance or other reasons. Rising interest rates were listed as a factor by 39% of participants, and 34% reported reduced funding availability.

Developers and project owners need to be aware of these continuing supply chain challenges and prepared to promptly authorize or, at minimum, discuss the strategies contractors propose for mitigating the problems. Responses to numerous other questions, along with breakouts by location and other factors, are available at www.agc.org. ■

Ken Simonson is the chief economist with the Associated General Contractors of America. Contact him at ken.simonson@agc.org.

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Seize Opportunities to Appeal Property Tax Bills

Office property owners should contest excessive assessments now, before a potential crisis drives up taxes.

By Molly Phelan, Esq., Siegel Jennings Co., L.P.A.

The Great Recession, from December 2007 to June 2009, was the longest recession since World War II. It was also the deepest, with real gross domestic product (GDP) plummeting 4.3% from a peak in 2007 to its trough in 2009.

Entering that recession, unemployment was at an unalarming 5%, on par with historical averages, and interest rates hovered around 6%. The roots of the recession lurked at the intersection of risky subprime mortgages and the repeal of the Glass-Steagall Act, which allowed for the mega-mergers of banks and brokerages to escalate.

The nation is still looking down a steep market slope. On the bright side, it is in a more advantageous position than at the beginning of the Great Recession. Through the fourth quarter of 2023, U.S. real GDP was a respectable $22.67 trillion (adjusted for inflation), up 8.2% from $20.95 trillion at the end of 2019. Unemployment

Although office leases historically pass through taxes and other costs to tenants, many negotiated leases now cap expenses for the tenant, potentially shifting a portion of expenses to the landlord. That is a key issue the taxpayer should address in the income analysis of an appeal.

Franckreporter/E+ via Getty Images

Given current market conditions, developers and property owners should take steps to protect themselves against excessive tax liability.

is low, and values in the single-family housing market are increasing again, in part due to a lack of supply.

The investors standing on unstable ground this time around are those heavily leveraged in major metropolitan markets, such as New York, Chicago and San Francisco, or other municipalities that rely on office values. The sharp increase in interest rates under the Federal Reserve's tightening monetary policy, and the extreme drop in demand for commercial office space that accelerated during the pandemic, will have significant ramifications on all property types.

Dire Developments

What kind of ramifications? Assume a hypothetical "Metro City" that, like most major markets, has a tax base with 75% of its independent parcels classified as residential and 25% as commercial real estate. However, the assessment values are strongly weighted on the commercial properties, with 30% of the entire assessment value born by office properties.

The municipality has a total tax levy of $16.7 billion and an overall assessed property value of $83.1 billion. The office portion of the property makeup is 30%, or $24.9 billion in assessed value. The office share of the total tax levy is $5 billion.

Now assume that the city's overall office market value collapses by 50%. This leaves Metro City with a $2.5 billion deficit — not a small number. To recapture that $2.5 billion, the city must increase its tax rate by 15%. That means tax liability increases by 15% for every taxpayer, even if their property's assessed value is unchanged.

Shadow vacancy, or space where the tenant is still paying rent but no one physically occupies the space, is the canary in the coal mine for an office building's future.

So, how can developers and owners protect themselves from excessive tax liability given current market conditions? One solution is to appeal property tax assessments aggressively. Regardless of the jurisdiction, regardless of property type, property owners must evaluate their opportunity for an assessment appeal.

Office-specific issues

Market transactions show vast valuation differences between Class A office properties, which are typically newer buildings with superior amenities, versus commodity properties that have been around 10 years or longer and offer fewer amenities. Properties that fall in the latter category have many opportunities for assessment reductions. Here are key points to consider:

Ensure the appraiser or assessor is using the property's current, effective rental rates. In many instances, an owner will show a tenant's gross rent on the rent roll without disclosing specific lease terms contributing to effective rent. For example, the lease may have been negotiated at $27 per square foot, but the rent roll does not account for free rent, amortization, free parking or other amenities the tenant receives.

Additionally, although office leases historically pass through taxes and other costs to tenants, many negotiated leases now cap expenses for the tenant, potentially shifting a portion of expenses to the landlord. That is a key issue the taxpayer should address

New & Noteworthy

1,270,000 sq. ft.

Building I at **CapRock Central Point III** is ahead of schedule. The 1.27-million-square-foot **warehouse** is the first phase of **CapRock Partners'** larger 2.7-million-square-foot, four-building speculative industrial complex in **Visalia, California**, an emerging logistics hub. Building 1 features 40-foot clear heights and on-site excess trailer parking with 542 stalls. The project's concrete walls are now tilted, and the roof structure is underway, forming the exterior structural shape and marking a major progress point in the 5-million-square-foot master plan's construction.

1,245,000 sq. ft.

Brinkmann Constructors, in partnership with **Flint Development**, recently completed the construction of two tilt-up **speculative warehouses** at **Flint 94 Commerce Center**, a 128-acre industrial park in **Kenosha, Wisconsin**. Strategically positioned near I-95, these buildings collectively total 1,245,000 square feet. The first building encompasses 735,000 square feet of warehouse space, while the second building includes 510,000 square feet of warehouse space. Both facilities are equipped with a shipping office buildout and amenities such as ample heavy trailer parking, ESFR sprinklers and LED lighting.

1 million sq. ft.

Carr Properties, **National Real Estate Advisors** and **The HYM Investment Group** recently completed **One Congress**, a 43-story, 1 million-square-foot **office tower** in **Boston's** Bulfinch Crossing neighborhood. Rising to 600 feet, One Congress is the only office tower in Boston to provide a full-floor amenity center for its tenants, including a 15,000-square-foot outdoor terrace and a 7,000-square-foot fitness center. It is certified LEED Platinum and is situated near several Massachusetts Bay Transportation Authority stations.

Pelli Clarke & Partners

in the income analysis of an appeal, because it provides evidence for a reduction in effective rental rates, as well as an imputed increase a buyer would demand in the capitalization rate to reflect the additional risk.

Appraisers need to understand this issue for rental comparables and for the subject property. Typically, they will confirm public information posted by various data services, but if they lack the finer details of a transaction, the rates they derive could exceed the true market.

Address vacancy and shadow vacancy. Before the pandemic, office vacancy in most markets hovered between 5% and 14%, depending on the location and building class. At the end of 2023, national vacancy was over 19%, according to CBRE.

CBRE reported that suburban Chicago's office vacancy remained at 25.9% in the fourth quarter of 2023. Manhattan's overall office vacancy rate, including sublease offerings, was 22.8%, according to Cushman & Wakefield.

Shadow vacancy, or space where the tenant is still paying rent but no one physically occupies the space, is the canary in the coal mine for an office building's future. If a building is 12% vacant, the assessor probably won't be sympathetic. But if the owner highlights that leases in the space expire in the next year or two, or that they are large blocks of space, the assessor (or at least the owner's appraiser) should acknowledge that risk and apply a higher cap rate for the subject property.

Adjust for interest rates. Investment-grade properties are now worth less than they were two years ago, simply because of the rise in interest rates.

Because interest rates have increased significantly, the property owner can argue that the assessor should use the "band of investment" method, which calculates capitalization rates for the components of an investment to produce an overall cap rate by weighted average. This methodology considers not only the increase in market interest rates, but also the equity demands of lenders. Interest rates have increased over 3 percentage points across the last two years, which in many cases equates to a 100% increase in interest rates.

Because interest rates have increased significantly, the property owner can argue that the assessor should use the "band of investment" method, which calculates capitalization rates for the components of an investment to produce an overall cap rate by weighted average.

Additionally, the equity requirements on commercial mortgages have increased from 30% to 50%. Increasing the base capitalization rate to reflect these changes in an income analysis will offer significant relief in the assessment.

Jurisdictions that rely heavily on office values to support overall assessment value in the tax base will be experiencing increasing tax rates. This rate increase is factored into the loaded capitalization rate, which means a lower market value for assessment purposes. Analysts and appraisers should review the increased rates annually.

The near term will be challenging for entities that invested in office properties prior to 2023, but these strategies can offer some protection in this stormy market. ■

Molly Phelan, Esq., is a partner in the Chicago office of the law firm Siegel Jennings Co., L.P.A., the Ohio, Illinois and Western Pennsylvania member of American Property Tax Counsel, the national affiliation of property tax attorneys. Contact her at mphelan@siegeltax.com.

The Future of the Warehouse: Automated Smart Buildings

Developers need to prepare now for the fast-moving evolution of warehousing and the growing expectations for last-mile delivery.

By Jake Donaldson, AIA, Method Architecture

It's the middle of the night, and a warehouse manager is stirred from his slumber by a notification ding on his warehouse control system app.

Across town, a self-driving, electric 18-wheeler pulls silently into a minimally sized loading court, its onboard computer calculating the exact turning radius needed to back into position. Its sensors have already alerted the building control system of its arrival, and the dock doors slide open.

As the truck backs into place, a charger extends to begin recharging the truck while the forklifts unload, the depalletizer unpacks, and an array of other bots begin scanning SKUs (stock keeping units) and moving items to narrow rack aisles and up vertical conveyors 60-80 feet in the air to their final designated rack positions.

As the outbound shipments depart and this perfectly coordinated technological logistics ballet concludes, the building lights turn off. All robots return to their charging stations and enter standby mode, in a state of perpetual readiness for their next task.

This may sound like science fiction, but the technological advancements of the past few years are making automated warehouses a reality.

Baranozdemir via iStock/Getty Images Plus

Delivery drones are likely to become key parts of future warehouse operations.

More than 80% of warehouses today have no automation whatsoever, but momentum is growing, and more than a quarter of U.S. warehouse inventory will be automated by 2027, according to market research firm Interact Analysis. This indicates that this sector is going to change dramatically over the next five to 10 years. Developers, architects and engineers will need to prepare for these changes or risk getting left behind.

Catalysts Driving Change

Several factors are driving the warehousing evolution, but the greatest catalysts are the rise of e-commerce during the COVID pandemic era, pressures in the labor market and advancements in technology.

Many nonessential workers became intimately acquainted with the concept of remote work during the pandemic. E-commerce, or online retailing, allowed consumers to work, live, play and eat, all from the comfort of their own homes. This greatly increased the need for point-to-point delivery — keeping a close eye on that "last mile" from warehouse to homes. Instant gratification and the expectation of same-day delivery dramatically changed the way things are inventoried, managed and shipped on a local and national scale.

New & Noteworthy

900,000 sq. ft.

SED Development LLC, **JMA Ventures LLC** and **Machete Group Inc.** revealed development plans for a **sports and entertainment district** to be developed on the 8.5-acre block adjacent to Amway Center in downtown **Orlando, Florida**. The 900,000 square foot mixed-use project will feature a 260-key lifestyle hotel, 270 high-rise apartments, a live music venue, 200,000 square feet of Class A office space and 100,000 square feet of retail space. The project will also have a green space programmed year-round with events.

123 Units

Cityview, a multifamily investment management and development firm, has completed **The Parker**, a 123-unit **mixed-use project** in the Pico-Robertson community of **West Los Angeles**. The transit-oriented community is built to LEED Silver standards and features studio, one- and two-bedroom apartments, including 13 affordable units, and 4,000 square feet of neighborhood retail. The community features a rooftop pool courtyard, co-working space, an open-air cinema and a rock-climbing wall. The Parker's sustainability features include energy-efficient HVAC and lighting systems as well as cisterns that harvest rainwater for irrigation and reduce water consumption by up to 60%.

422,000 sq. ft.

Alliance Architects

KDC broke ground on a new **distribution center** for **Oncor Electric Delivery Company**, Texas' largest electricity transmission and distribution company. The nearly 422,000-square-foot, LEED-certified build-to-suit industrial facility will sit on 60.7 acres at Railport Business Park in **Midlothian, Texas**, southwest of downtown Dallas. The building offers 36-foot clear heights and a cross-dock configuration, a significant amount of warehouse storage space, interior offices, a break room, training rooms, lockers and restrooms.

A Look Ahead

Vanit Janthra via iStock/Getty Images Plus

Companies are looking toward automation, robotics and conveyance systems to move products through their facilities more efficiently and stabilize operational costs.

According to a 2020 Forbes article, COVID-19 accelerated the growth of e-commerce by $52 billion, up 77% year over year, advancing the industry four to six years ahead of its organic growth trajectory.

As the demand for e-commerce grew, so did the need for more warehousing and labor. A typical warehouse distribution center employs approximately 53% more workers than it did five years ago, and labor costs make up more than 65% of an average facility operating budget. Record wage increases, coupled with historically high warehouse job openings, increased health care and benefits costs, and heightened competition for talent, created the perfect storm among warehouse and distribution operators to search for alternatives.

To stabilize operational costs, companies looked toward automation, robotics and conveyance systems to create a more efficient process for moving products through their facilities. The average human order picker can make 60-80 picks per hour compared with 300 picks per hour when using sorters and conveyors. Amazon announced

More than 80% of warehouses today have no automation whatsoever, but momentum is growing, and more than a quarter of U.S. warehouse inventory will be automated by 2027, according to market research firm Interact Analysis.

Relevant Research

In 2020, the NAIOP Research Foundation partnered with two MIT researchers to examine the frontiers of warehouse automation. The study, "The Evolution of the Warehouse: Trends in Technology, Design, Development and Delivery," describes how the acceleration of delivery timelines has reshaped industrial building interiors, with online retailers and third-party logistics firms making substantial investments in new technologies such as collaborative robots and automated storage and retrieval systems. In addition to increasing the productivity and profitability of industrial assets, new technologies are allowing retailers and building owners to add distribution uses to existing retail properties.

To view and download the report, visit naiop.org/research-and-publications. ■

Amazon announced last year that its Robin robotic handling system had sorted over 1 billion packages in 2022, or one-eighth of all the orders Amazon delivered worldwide.

last year that its Robin robotic handling system had sorted over 1 billion packages in 2022, or one-eighth of all the orders Amazon delivered worldwide. As the world's largest manufacturer of industrial robots, the company has deployed more than 750,000 mobile robots across its global operations.

Operations that have switched to pick/inventory management systems versus manual processes have seen a 25% gain in productivity, a 10% to 20% gain in utilization of space, and 15% to 30% more efficient use of stock, according to EasyPost.

Trends in the Future of Warehouse

To accommodate and fully capitalize on this increased use of automation, conveyance and robotics, building and site design will need to evolve. Building structures will have increased clear heights, thicker and flatter floor slabs, and stronger roof structures to allow for more efficient conveyance and rack support systems. Power infrastructure will need to be bigger to accommodate electric trucks, bots, charging stations and other devices. Facilities with more automation can run 24-7, leading to increased power usage. Rising energy costs and the unreliability of public transmissions systems during peak times will likely reignite interest in alternative sources, including renewables such as solar panels.

Building-technology needs will greatly increase to include more Wi-Fi cover-

New & Noteworthy

360,000 sq. ft.

The Opus Group started construction on **Alsip Park 294**, a two-building, **speculative industrial development** in the Chicago suburb of **Alsip, Illinois**. Located on 22 acres near the northwest corner of I-294 and 127th Street, it will bring 360,000 total square feet of space for warehouse, logistics and manufacturing users. Building A is 190,935 square feet with 32-foot clear height, 18 dock doors (expandable to 34) and two drive-in doors. Building B is 169,064 square feet with 32-foot clear height and 18 dock doors (expandable to 33). The development is a joint venture with **Principal Asset Management**.

320,000 sq. ft.

Modern Out West

Crandall Capital broke ground on **Studio Crossing**, a 320,000-square-foot **multiuse development** in **Park City, Utah**. The project will include 208 affordable housing units for the popular ski town, ranging from studios to three bedrooms, and around 100 market-rate townhomes and condominiums. It will also feature community-driven retail and dining, as well as open-air public spaces and a public transit station for getting to downtown Park City and Salt Lake City. **Steed Construction** will implement the project, and **Modern Out West** will serve as the lead architects.

300,000 sq. ft.

Trammell Crow Company

Trammell Crow Company and **STAG Industrial** broke ground on **100 and 200 Powell**, a 300,000-square-foot **industrial development** in **Gibsonton, Florida**. The two-building project sits on separate 18- and 12-acre sites. The single-story warehouses offer 160,000 square feet and 140,000 square feet of space, respectively. Features include 32-foot clear height, office space that will be delivered move-in ready, and a truck court with ample trailer parking. The facilities will be LEED certified. The development is located 15 miles south of downtown Tampa.

age for the Internet of Things (IoT), allowing devices to communicate with each other and centralized control systems, sensors and cameras. These robots will need charging stations and more stable climate control in the warehouse, but there will be less need for human support functions like offices, meeting rooms, drivers' lounges, restrooms and parking.

Site coverage ratios will increase due to self-driving vehicles and other logistics management systems operating more efficiently, eliminating the need for oversized loading docks, unused doors and wasted maneuvering clearances. Loading courts and the roofs of buildings will double as drone delivery/pickup staging areas.

However, all is not lost in the human element of the equation. These projects are most efficient when placed near residential rooftops, much like the retail model. This means developers and architects will need to get creative with site design to embed these automated warehouses more effectively into urban and residential last-mile locations, incorporating community amenities like walking trails and green spaces, retention ponds and local artist murals.

These projects are most efficient when placed near residential rooftops, much like the retail model. This means developers and architects will need to get creative with site design to embed these automated warehouses more effectively into urban and residential last-mile locations.

The warehouse box we've known for ages now has a new look and identity. It is finding itself a new home, closer to its clientele. Along the way, it is learning each day how to work smarter, not harder. Architects and designers who witness these changes firsthand with clients are at the forefront of these updates, and they are in high demand. It requires a major shift in how to think about design considerations that provide for the increasing presence of machines. ■

Jake Donaldson, AIA, is the managing partner at Method Architecture.


The Logistics Building of the Future

A new prototype aims to solve the challenge of putting industrial facilities in dense urban areas where land supplies are constrained.

In the Fall 2023 issue of Development, architecture firm Ware Malcomb put forth a prototype of logistics facilities for dense urban areas. It includes technologies such as machine learning and artificial intelligence that redefine how the building's components interact while enhancing synchronization and increasing efficiency to maximize throughput. It also features automated 120-foot clear height racking, stacked delivery vehicle parking, and solar and wind strategies. To read "The Logistics Building of the Future," visit naiop.org/23logistics. ■

Rethinking the Downtown Office-to-Multifamily Conversion

An architect suggests rightsizing CBD office space and new housing for the suburbs.

■ By Greg Lyon, Nadel Architecture + Planning

Significant industry chatter centers on how the downtown office sector continues to struggle and what the ideal solutions will look like.

The remote work/hybrid office paradigm shift means less weekly traffic to urban cores as employees opt to remain comfortably in their home office or suburban neighborhood office space. At the same time, economic uncertainty and inflation have generated a nervous tenant base that continues giving back office space while stalling on lease renewals.

The result is high vacancies in downtown urban core offices ranging from 30% to 50%, on top of reduced cash flow and decreased building values. Furthermore, empty buildings hurt their submarkets, and businesses serving downtown workforces are forced to close due to their dwindling customer base. A lack of business and social activity on downtown streets also raises concerns about public safety, as once-vibrant urban cores become desolate, further contributing to crime.

One solution that has been proposed — and enthusiastically accepted by many — is adaptive reuse. Specifically, converting empty downtown office buildings into downtown rental housing. Many municipalities are already providing incentives for developers to do just that. But before diving into office-to-multifamily conversion as a solution, it is worth examining potential hurdles.

Problems With the Theoretical Solution

In theory, the downtown office-to-multifamily conversion idea can solve two problems by putting empty office space to new use and creating much-needed rental housing. However, there are some challenges:

Not all downtown office buildings lend themselves structurally to residential use. Towering skyscrapers boast large floorplates, column supports and massive floor-to-ceiling windows that can turn into structural nightmares when it comes to redevelopment. Renovating these structures into usable multifamily properties requires enormous monetary resources. From a financial standpoint, these conversions don't pencil out.

Rezoning and replatting require time, effort and cooperation. Downtown office buildings are in areas explicitly zoned for commercial use. The adaptive reuse developer must spend time and money to work with city councils and planning boards on rezoning and replatting efforts. Depending on the municipality and its requirements, the process could take months — or even years.

For example, Metro Loft Management bought a 31-story office building at

In theory, the downtown office-to-multifamily conversion idea can solve two problems by putting empty office space to new use and creating much-needed rental housing. However, there are some challenges.

New & Noteworthy

102 Units

Habitat Metro and **Willmeng Construction** completed **ECO MESA**, an energy-efficient **multi-family project** in downtown **Mesa, Arizona**. The seven-story building, which spans 179,227 square feet and accommodates 102 residential units, including studio, one-bedroom and two-bedroom apartments, was constructed on an infill parcel that was once a parking lot. The high-performance building includes several features that reduce energy consumption. Key among these are 405 solar panels that top the building, an efficient exterior shell system that results in better insulation and a more air-tight seal, and energy-efficient appliances in each apartment. **CCBG Architects** designed the project.

74,000 sq. ft.

Sizemore Group

McCarthy + Barnsley, **A Joint Venture**, began construction on **Brookhaven City Hall in Georgia**, the first **municipal building** to be constructed using mass timber in the region. Located just **north of Atlanta**, the 74,000-square-foot, five-story building will be sited on a parcel adjacent to a MARTA rail station, serving as the centerpiece of the broader **Brookhaven City Centre mixed-use project**. It will include three upper levels occupied by city employees, a rooftop garden and one level of below-grade parking. Approximately 60% of the building will be allocated for use by the public.

29,060 sq. ft.

Ware Malcomb announced construction was completed on a **new headquarters** for global technology firm **Lenovo** in the **Santa Fe district of Mexico City**. Ware Malcomb provided interior architecture and design services for the 29,060-square-foot project. It partnered with **A&E Ingenieria** to provide technological upgrades. **T4 Construction** performed general contracting services. The design maximizes views of the city. Spaces include huddle rooms for greeting clients, a series of open and private spaces, an auditorium and three cafeterias. ■

Do you have a new and noteworthy project in the planning, design or construction stage that you'd like to share with fellow real estate professionals? Send a brief description and high-resolution rendering to developmentmagazine@naiop.org.

Zhudifeng via iStock/Getty Images Plus

Converting downtown office towers into functional multifamily properties requires significant financial resources and ample patience for rezoning efforts.

175 Water St. in Manhattan in 2019. The buyer planned to convert the top part of the former AIG headquarters building into residential units, going so far as to showcase renderings for the project. But Metro Loft fell behind on its mortgage payments. The developer also defaulted on the follow-up mezzanine loan it acquired from Vanbarton Group.

Vanbarton took control of the 684,000-square-foot building and considered an office-to-multifamily conversion. But a quirk in New York City's zoning law meant that Lower Manhattan buildings developed after 1977 were subject to extremely complex, stringent and expensive regulations related to conversions. The 175 Water St. building came online in 1983.

Vanbarton took a pass on converting and sold the property to billionaire Ken Dart in September 2022.

Downtown office buildings lack the necessary residential amenities. Available downtown amenities are geared toward downtown employees rather than downtown residents. Bars and restaurants are great, but residents need schools and community retail like grocery stores, gas stations and pharmacies. The argument is sometimes made that retail can follow residents, but people don't typically want to rent in places where a grocery store trip is a significant event instead of a convenient stop-off.

Although well-meaning, attempting to renovate downtown office buildings into multifamily could decrease the vibrancy in urban cores. The process would wipe out centralized commercial activity, replacing it with high-density bedroom communities or urban core suburbs.

Another Approach

These issues shouldn't suggest that adaptive reuse is not a solution, but focusing solely on converting downtown office buildings is not the only way forward. In some cases, downtown offices can be right-sized and upgraded for a variety of smaller tenants, while suburban office parks can be infused with new life.

Developers can convert suburban office into residential uses or tear them down more easily to rebuild for mixed-use/multifamily purposes. From a structural and location standpoint, this conversion type is far more effective than the adaptive reuse of urban core office buildings.

Owners of downtown office buildings could incentivize smaller businesses and firms to lease downtown office space. Many professional businesses, such as accountants, lawyers, financial companies and architects, are back to in-person work. In some cases, their offices are in low- or mid-level, older buildings in less dense urban and suburban submarkets. They may be looking for upgraded or differently configured space but do not want to pay higher rents in a downtown location.

Downtown landlords could offer lower rents, tenant improvements and smaller blocks of space. Businesses might happily trade their older workspace in the suburbs for the cachet of a downtown address and proximity to public transportation.

Mid-level, older suburban office buildings lend themselves well to multifamily conversions because their floorplates and windows are smaller. Furthermore, they are in areas that are closer to community retail services that appeal to renters looking for a home in proximity to everyday conveniences. In many cases, rezoning for residential use could also be less problematic. Developers can convert suburban office into residential uses or tear them down more easily to rebuild for mixed-use/multifamily purposes. From a structural and location standpoint, this conversion type is far more effective than the adaptive reuse of urban core office buildings.

Adaptive Reuse, Redirected

Converting empty office buildings to residential uses is on the right track, but the current thinking makes adaptive reuse more of a challenge than it needs to be. Developing massive blocks of downtown residential space is too expensive and erodes a city's centralized activities, employment centers and cultural activities.

New approaches mean that building owners and banks must rethink their current leasing and valuation models, while also requiring municipalities to ensure public transportation and safety in downtown corridors. Additionally, tenants need to be willing to relocate from suburban offices to downtown.

Balance is key. There is room for some residential conversions in the city and suburbs, as well as a need to reimagine how office space is used, now and in the future. ■

Greg Lyon is chair and principal at Nadel Architecture + Planning.

Adapting Underutilized Commercial Spaces for Residential Redevelopment: New Tools and Challenges

California recognizes a need for more legislative support for conversions.

By Brooke Miller and Shannon Mandich, Sheppard Mullin Richter & Hampton

Although vacant offices have received the most press in the post-pandemic era, even pre-pandemic, hundreds of thousands of square feet of structures were already semi-vacant, abandoned or functionally obsolete across the U.S. A convergence of factors has focused attention nationwide on redeveloping these underperforming properties, including the COVID-accelerated underutilization of offices, malls and parking lots; a housing shortage; and requirements to reduce environmental impacts, vehicle miles traveled and greenhouse gas emissions. Over the past two decades, California has enacted adaptive reuse legislation that could help other communities looking to revitalize their residential and commercial markets.

The need for additional housing is particularly pronounced. According to **Peter Dennehy** with John Burns Research & Consulting, building permit issuance for new housing in the Southern California market has not kept up with population and job growth in the region. The long-term average yearly building permit issuance dating back to 1947 for Southern California is 90,000 permits per year, with a peak of 205,000 in 1986 and a trough of 16,500 in 2009. The region has not been building at or above that long-term average for most of the past three decades. The projected number of permits for 2023 was 63,000.

However, the region has seen substantial population growth over this time frame. In 1947, the population base for Southern California was 5.095 million. Today, the region has a population of more than 21 million residents and nearly 10 million jobs, and it's still growing, with 1.93 million residents and 1.9 million jobs added since 2020.

Michael_witman via iStock/Getty Images Plus

An adaptive reuse ordinance has allowed for the creation of more than 12,000 housing units in downtown Los Angeles.

Given these factors, underused commercial properties present significant opportunities for adaptation to address current needs. As California and other states push forward legislation to address the need for housing, landowners and developers should become familiar with legal challenges and new tools for adapting these commercial properties for reuse.

Adaptive Reuse: Pros and Cons

In some cases, reuse of existing structures can be more cost-efficient and environmentally efficient with a quicker development timeline and less community opposition. On the other hand, some adaptive conversions can be more expensive than new construction, particularly where retrofitting is needed. There are other benefits of reusing existing structures in urban areas, including reductions in emissions from demolition and new construction, and revitalization of commercial properties.

If a potential redevelopment site is part of a larger overall integrated development and governance scheme, there may be recorded declarations of covenants, conditions and restrictions; maintenance and easement agreements; and cost-sharing agreements that could restrict the change in use.

Some of the challenges relate to local regulatory barriers, including use restrictions under local zoning; parking requirements that prioritize parking over housing; and strict building codes, particularly for residential uses. Some jurisdictions pioneered local adaptive reuse programs, demonstrating how they can be effective in facilitating adaptation as community needs change.

Aside from local regulatory hurdles, landowners and developers should be mindful of private restrictions and easements that may present barriers to reuse and redevelopment. If a potential redevelopment site is part of a larger overall integrated development and governance scheme, there may be recorded declarations of covenants, conditions and restrictions; maintenance and easement agreements; and cost-sharing agreements that could restrict the change in use. If implemented at a time when the property was intended solely for office or commercial use, often these documents will not contemplate a change in use to residential.

Common types of challenges that may be present in these documents include restrictions that prohibit residential use, or shared parking easements over a parking lot intended to be used as part of the residential development. The issues may also be more subtle, such as cost-sharing provisions based on formulas related to commercial use.

These documents may need to be amended so that they properly address the change in use. Amendment provisions vary from document to document but will usually require a certain percentage — or all — of the other property owners to consent.

California's Support of Adaptive Reuse

The city of Los Angeles' adaptive reuse ordinance (ARO) was the first of its kind when it was adopted in the downtown area in 1999. Since then, it has created over 12,000 units in downtown Los Angeles. The first project completed under the ARO in 2001, the Old Bank District at 400 S. Main, converted three historic office buildings from the early 1900s into 230 apartment units and over 100,000 square feet of ground-floor retail. Another example is the Broadway Lofts project at 430 S. Broadway, built in 1906 as a Bon Marché department store and converted into 58 housing units with ground-floor retail, completed in 2015. Before conversion, the building sat largely vacant for about four decades. Los Angeles' ARO was updated in 2003 and was again recently updated and expanded to increase adaptive reuse opportunities in 2023. Its four major provisions are:

- Allowing by-right use changes without triggering California Environmental Quality Act or discretionary approvals.
- Not requiring buildings to provide new net parking.
- Allowing a one-story addition on the roof by-right.
- Adding new building codes specific to adaptive reuse projects.

Defining Adaptive Reuse

Adaptive reuse can be defined broadly as the conversion of underutilized and underperforming properties into a variety of alternative uses, including housing. Adaptive reuse can include adding to or preserving parts of buildings, expanding into parking lots, or adding housing over existing commercial structures.

According to the California Department of Housing and Community Development, "Adaptively repurposing commercial buildings can serve as a valuable tool to increase the supply of housing; however, this entails navigating multiple obstacles that increase costs to the extent that it is difficult for developers to achieve affordable rents." ■

The city of Los Angeles' adaptive reuse ordinance was the first of its kind when it was adopted in the downtown area in 1999. Since then, it has created over 12,000 units in downtown Los Angeles.

Each of these provisions speaks directly to challenges specific to adaptive reuse, particularly for housing.

Three of these four components have now made their way into California state law. Senate Bill (SB) 6, the Middle Class Housing Act of 2022, and Assembly Bill (AB) 2011, the Affordable Housing and High Road Jobs Act of 2022, both took aim at allowing housing in commercial zones without discretionary rezoning. Both are limited to multifamily projects on parcels under 20 acres in urban areas and are subject to a variety of conditions relating to the proposed project and its location. SB 6 restricts conversion on or near properties designated for "industrial" use, which in some jurisdictions captures office parks, reducing the potential to use this approach for reuse of underused offices. AB 2011 focuses on "commercial corridors," as defined, and expressly requires inclusion of affordable units.

Although SB 6 lacks the ministerial approval feature of AB 2011, it may be possible to combine SB 6 with other laws such as SB 35, which allows for ministerial approval with the inclusion of a minimum percentage of affordable units. It is essential to involve an experienced design team and land use counsel to determine whether a site and project can use these laws to avoid the burden of discretionary rezoning or other approvals. Both laws became effective July 1, 2023, and sunset Jan. 1, 2033.

California has also tried to eliminate barriers relating to parking and funding. Local parking minimums add significant cost to multifamily housing development and limit potential for reuse of existing commercial parking, such as surface lots and shopping malls. AB 2097 prohibits local agencies from imposing or enforcing a minimum automobile parking requirement on most development projects within a half-mile of public transit. Notably, AB 2097 is not limited to housing development but applies to residential, commercial or other development (with some exceptions), which may facilitate reuse of parking lots. Regarding funding, AB 1695 makes adaptive reuse of existing buildings permanently eligible for the state's affordable multifamily housing loan programs.

Updating state building codes to address restrictions on conversion to residential use is still a work in progress. In 2023, the California Building Standards Commission adopted provisions of the International Existing Building Code that allow developers more flexibility for adaptive reuse of retail and office structures. Additionally, AB 529 directs the California Department of Housing and Community Development to convene a working group and make recommendations no later than Dec. 31, 2025, for amendments to state building standards to help support adaptive reuse residential projects.

Updating state building codes to address restrictions on conversion to residential use is still a work in progress.

Adaptive Reuse On-demand

The NAIOP Center for Education offers the on-demand course Fundamentals of Adaptive Reuse for developers, owners, investors and architects. The seven course modules cover evaluating an adaptive reuse approach, performing due diligence, financing the project, identifying challenges and solutions, and more. Visit learn.naiop.org/on-demand-courses for more information and to register. ■

Adaptive reuse of underutilized commercial properties represents a significant opportunity to meet current needs, especially relating to housing, by repurposing sites that no longer serve their original function. Due to the sheer volume and prime locations of obsolete commercial sites, effective reuse could go a long way toward meeting California's statewide goals relating to housing, vehicle miles traveled and greenhouse gas emissions. If California sees the same success as Los Angeles has witnessed under its ARO, more jurisdictions may follow suit. Although not without challenges, adaptive reuse can be achieved with the right site, structures and team — and appropriate legislative and policy support. ■

Brooke Miller and **Shannon Mandich** are special counsels at Sheppard Mullin Richter & Hampton.

Breaking Ground and Barriers: The Evolution of Industrial Redevelopment

Allstate's former corporate office campus is being transformed into 3.2 million square feet of modern logistics facilities.

By Douglas A. Kiersey Jr., Dermody Properties

Consumers' expectations for expedited goods and last-mile delivery have escalated the needs of logistics real estate occupiers, especially e-commerce and omnichannel retailers working to optimize their supply chains and warehouse networks. They want to be close to their customers and compete on delivery to maximize their pricing power and market share. This is why leading logistics developers seek to anticipate the timing, location and scale of demand to deliver new buildings. Subsequently, urban infill locations are becoming increasingly rare.

Dermody Properties has placed a strategic focus on actively exploring a variety of underperforming properties to repurpose and reinvest in — taking what was once established real estate made obsolete by cultural and demographic changes and redeveloping these properties into logistics facilities or campuses. The Logistics Campus, formerly the site of Allstate Insurance's corporate headquarters outside of Chicago, is Dermody Properties' most prominent example.

Courtesy of Dermody Properties

Upon completion, The Logistics Campus will have 10 buildings that range from 92,000 to 455,00 square feet.

From Office Park to Logistics Center

At its peak, 13,000 people worked at the Allstate Glenview, Illinois, campus, which the insurance company occupied from 1967 to 2022. It sits along almost one mile of frontage off the 10-lane I-294 Tri-State Tollway and was an iconic landmark for millions of commuters in the Midwest. It was also a prime example of an aging office campus facing the rise of remote work. As Allstate chose to allow many of its employees to remain working from home post-pandemic, the offices were left vacant, and the campus became an ideal candidate for redevelopment.

Given several key factors, including its location near population centers and highways, the site was optimal for logistics use. When Allstate decided to sell, Dermody Properties viewed it as a rare opportunity. The combination of scale (232 gross acres) in that location so close to affluent households (over 1 million residents within a 10-mile radius) was like finding a needle in a haystack.

The North Suburban O'Hare industrial market in Chicago spans from I-90 in the south to Lake Cook Road in the north, running along I-294. This is the best-performing submarket in Chicago in terms of both vacancy rate and rents. The submarket benefits from

As Allstate chose to allow many of its employees to remain working from home post-pandemic, the offices were left vacant, and the campus became an ideal candidate for redevelopment. Given several key factors, including its location near population centers and highways, the site was optimal for logistics use.

excellent access to O'Hare International Airport and the central business district of Chicago while also being home to some of the area's largest middle- to upper-income residential neighborhoods. Its access to transportation, labor and amenities is unparalleled relative to the entire metro Chicago market.

Residents of the surrounding communities were encouraged to express their support for or opposition to the redevelopment project during public hearings. As a result, Dermody Properties adopted changes to the plan to mitigate visual and noise concerns at the south end of the campus adjacent to a residential neighborhood and offered a design to shield most of the planned truck docks from Sanders Road, which runs along the west side of the campus.

In October 2022, Dermody Properties closed on the purchase of the campus from Allstate for $232 million. Transforming the office campus — with buildings dating back to the 1960s and 1970s — into modern logistics facilities required careful consideration, especially in integrating industry-leading sustainability practices during the demolition phase (see feature box on page 28).

The Logistics Campus is a planned 10-building logistics park. The buildings range from 92,000 square feet to 455,000 square feet, for a total of more than 3.2 million available square feet with flexibility to accommodate build-to-suits. Dermody Properties is seeing strong interest from specialty light manufacturers, including in the food and pharmaceutical industries, in addition to logistics companies. Most recently, UPSIDE Foods selected The Logistics Campus as the location for its Midwest headquarters.

The project is distinct in that it is adjoined on three sides by the I-294 Tollway, a Cook County forest preserve and a neighborhood retail center anchored by a grocery store. Road infrastructure at Sanders Road, Willow Road and the adjacent tollway interchange were previously sized to support the 13,000 daily Allstate employees commuting to and from the campus. Mature landscaping screens most of the project from Sanders Road. This rare combination of factors was a major consideration for the village of Glenview when it approved the annexation and rezoning of the land for logistics uses. Once the logistics campus is complete, estimates are that daily traffic volumes will be only 75% of what they were during the prior office use.

The economic impact of The Logistics Campus will be significant. When fully developed, approximately $650 million of private capital will have been invested. Of that, approximately $150 million will have been paid in construction labor costs. It is estimated that it will house 1,900 full-time jobs in the community and generate $134 million in property tax revenue over a 10-year period that will support local schools, Cook County, the city of Prospect Heights and the village of Glenview, as well as other local taxing bodies such as libraries and the forest preserve.

Challenges in Logistics Conversions

Communities are often reluctant to replace low truck-intensive uses with relatively higher ones, which are assumed to place stress on existing ground-transportation infrastructure. This is the No. 1 challenge developers must overcome in the conversion of retail or office uses to logistics. It is therefore important to select sites adjacent to or near highways and interstates to minimize or eliminate the impact of truck traffic on established commercial arterials, especially residential streets.

Communities are often reluctant to replace low truck-intensive uses with relatively higher ones, which are assumed to place stress on existing ground-transportation infrastructure. This is the No. 1 challenge developers must overcome in the conversion of retail or office uses to logistics.

Logistics uses are often considered positive for communities that seek to stabilize and grow their commercial property tax bases. This is especially true for blighted sites suffering from chronic vacancies and deteriorating values. However, in cases where the prior use generated significant sales tax receipts for the municipality, conversion to a logistics use may generate local opposition, even if the existing retail buildings are obsolete. Faced with this dilemma, some communities have chosen to oppose conversion to logistics uses in favor of preserving residents' hopes of finding a future retail use.

The demolition of antiquated facilities creates another area of uncertainty and risk for developers. Infill sites tend

Demolition of antiquated facilities creates another area of uncertainty and risk for developers. Infill sites tend to have complicated environmental factors stemming from previous uses.

to have complicated environmental factors stemming from previous uses. Structures built before the mid-1970s are often riddled with asbestos. Developers are tasked with removing potentially contaminated materials before demolishing buildings to ensure the safety of the demolition crews and neighbors. At The Logistics Campus, Dermody Properties remediated the asbestos materials in advance of physical demolition and used massive misters during the most abrasive activities to contain airborne particulates. Navigating these risks requires patience, time and money. Dermody Properties spent over $500,000 in legal and consultant fees before closing on what would become The Logistics Campus.

With e-commerce continuing to grow — 24% of retail purchases are expected to take place online by 2026, according to a 2023 Forbes Advisor article — logistics companies will covet infill locations to serve increased customer demand. As this happens, there will continue to be a natural tension between consumers' desires for fast delivery and their concerns over truck traffic in their communities. Logistics property developers must balance these considerations and propose projects that balance all stakeholders' needs. ■

Douglas A. Kiersey Jr. is CEO and president of Dermody Properties.

Taking the Environment Into Account

Courtesy of Dermody Properties

Concrete and asphalt gathered during demolition were ground up and used as fill on The Logistics Campus.

Environmental, social and governance (ESG) considerations are a strategic priority for Dermody Properties. Numerous sustainability efforts have been undertaken at The Logistics Campus, including the reuse or recycling of nearly all material generated from demolition activities. From the steel at the campus to interior items like sinks, toilets and doors — which were sold to salvage companies — everything is evaluated for possible reuse or recycling. Even the concrete and asphalt gathered during demolition were ground up and used as fill on the campus, thus diverting thousands of tons of construction waste from landfills.

At all properties owned and managed by Dermody Properties, including The Logistics Campus, customers are encouraged to explore energy reduction and seek facility upgrades and features that align with LEED certification, such as LED lighting with motion sensors, skylights/clerestory windows and reflective roofing systems. The facilities will accommodate alternative fuel sources and electric vehicle charging stations, and are structurally designed to be "solar ready," meaning they can accommodate the additional roof load weight of solar panels.

When meeting with the local community about The Logistics Campus, Dermody Properties heard how important it was to preserve the atmosphere of the parklike campus. Dermody Properties is preserving 50 years of mature plant life and ground cover on the periphery of the campus. Approximately 165 trees were relocated to a tree farm created on campus temporarily until they can be brought back. This accelerates decades of tree growth (compared to planting new, low-caliper trees) to maintain the character and views of The Logistics Campus similar to what they were with the former office campus. The project design of The Logistics Campus blends modern architecture with thoughtfully repurposed natural landscape, seamlessly integrating into the community from a visual perspective. ■

The Attraction Game: Creating Community Hubs From Old Uses

The developer's role is expanding as redevelopments become a key ingredient of placemaking.

By Scott Arnoldy, Triten Real Estate Partners

The demographic shifts that occurred during the pandemic, along with new types of demand for residential and commercial real estate, have forever changed the built environment. Long commutes, job loss or change, or even a desire for a fresh start in a new location were among several contributing factors.

This new reality is putting pressure on developers to step into a different role — one that creates distinct urban experiences. Properties will continue serving as catalysts for interaction, but many will also need to be redefined as community hubs for residents, businesses and surrounding neighborhoods alike, while becoming destinations in their own right.

Redevelopment is no longer defined by identifying stagnant properties on a map that have the potential for strong return on investment. The approach now involves a bit of psychology and an understanding of post-pandemic demand. Increasingly, consumers are embracing community and mixed uses and want to interact with neighbors and colleagues in settings that will not only enhance their lives but also foster connectivity. Accordingly, towns need to have vital places to attract residents and tenants.

Creative Adaptive Reuse in Texas

Roughly two-thirds of U.S. metro areas witnessed an increase in population between 2021 and 2022, as reported by the U.S. Census Bureau. Texas metros Dallas and Houston benefited from the migration trend by having the highest and second-highest numeric increases, respectively, during this time.

All photos courtesy of Triten Real Estate Partners

M-K-T is an adaptive reuse project in Houston's Heights community that includes retail, dining, office, greenspace and neighboring multifamily.

Dallas and Houston have both profited from a booming economy backed by energy, technology and manufacturing; affordable living; and diverse cultures with thriving entertainment and sports scenes. However, both regions have vast areas of aging, low-density, single-use development. New generations of Houstonians and Dallasites are attracted to the idea of being able to live, work, shop, eat and play in one place. As dramatic population growth continues in these two metro areas, developers can respond to these new preferences and look to reuse existing but obsolete industrial and retail sites to meet the demand for mixed-use lifestyle hubs.

M-K-T Project

Located six miles from downtown Houston and five miles from the Energy Corridor, the Heights is a

The five industrial buildings that Triten Real Estate Partners and Radom Capital purchased were preserved and repurposed in the development of M-K-T.

historic district and Houston's first master-planned community. Over time, the neighborhood has evolved into a coveted location for young professionals and businesses thanks to its walkability, suburban feel and proximity to downtown. Today, it boasts a population of 67,930 and a median age of

A Look Ahead

A single community inclusive of retail, residential, office and entertainment has proved to be a sound investment approach because risk is spread across several asset classes rather than just one.

Assembly Park includes creative office space, a community park and new multifamily development.

36, according to U.S. Census Bureau data.

In May 2018, Triten Real Estate Partners and Radom Capital purchased five industrial buildings on 12 acres of land along the beloved Heights bike trail. They then partnered with Michael Hsu Office of Architecture to redesign and repurpose the development into M-K-T, a dynamic mixed-use destination inclusive of retail, dining, office, greenspace and neighboring multifamily.

M-K-T is a true adaptive reuse project, preserving all five existing industrial buildings without adding any new construction. The deep footprint of each building was strategically sliced open to connect the space and to provide natural light. A yellow, structural "spine" covers a paseo linking the entrance to the adjacent trail and bioswales. Vivid murals by local artists and colorful façades delineating uses energize the development.

Despite taking the development to market in the fourth quarter of 2020, M-K-T was able to lease 15% of its available space. Today it sits at 92% occupied, marking a confluence of placemaking woven into a civic amenity. The project took inspiration from the West Loop in Chicago and Armour Yards in Atlanta, both of which transformed existing industrial infrastructure into community hubs.

The transformation of outdated industrial infrastructure into a vibrant community center brought several financial and environmental benefits. A single community inclusive of retail, residential, office and entertainment has proved to be a sound investment approach because risk is spread across several asset classes rather than just one. Using existing urban infrastructure and programming the development to prioritize walkability and green space also decreases the need for cars and encourages a more sustainable lifestyle.

Assembly Park

In January 2021, following the success at M-K-T, Triten Real Estate Partners pursued a similar development conveniently located along Central Expressway and Spring Creek Parkway in Plano, Texas. The 300,000-square-foot property known as Plano Market Square Mall was originally built in 1983 but had in recent years fallen dormant.

The existing infrastructure has since been repurposed and rebranded into Assembly Park, a walkable mixed-use neighborhood that provides residents and visitors with a modern destination featuring eclectic dining and retail, creative office, and urban-style living options.

The 300,000-square-foot Plano Market Square Mall had fallen dormant before being repurposed and rebranded into Assembly Park.

Consumers and tenants have shown, through the success of Armour Yards, M-K-T, Assembly Park and other adaptive reuse projects, that retail and office are not dead — they just look different.

Partnering again with Michael Hsu Office of Architecture, Triten Real Estate Partners reimagined the existing mall's western half as creative office space, while the eastern half was demolished to accommodate a one-acre community park and new multifamily development. An additional portion of the previous mall's parking lot was demoed to add hike-and-bike trails connecting the new multifamily with neighboring parks.

The property is now home to frequent outdoor events, providing the community with a weekly source of entertainment.

An Influx of Opportunity

Pursuing opportunities beyond the traditional mixed-use retail model has proved successful for Triten Real Estate Partners. More adaptive reuse projects that retrofit outdated properties into holistic community centers are underway, including The Mill, which will introduce 341 multifamily units and more than 6,000 square feet of diverse retail within a walkable environment in Houston's East Downtown. Named after a lumber mill located on the site in the 1890s, phase one of The Mill is slated for completion this year.

Developers today are being challenged to reconceptualize how the built environment can function. Consumers and tenants have shown, through the success of Armour Yards, M-K-T, Assembly Park and other adaptive reuse projects, that retail and office are not dead — they just look different.

With the influx of people comes an influx of opportunity. As more individuals are drawn to a life of convenience — where work commutes are no longer time-consuming, and retail, dining and entertainment options are easily accessible — developers can benefit by turning their attention to the most unlikely areas to make such communities a reality. ■

Scott Arnoldy is the founder of Triten Real Estate Partners.

Adaptive Reuse

RentCafe's annual Adaptive Reuse Report estimated that the number of adaptive reuse projects in the pipeline hit a record high of 122,000 in 2023, with 19% of those projects representing warehouses, factories and storage facilities. ■

On Leadership: Angela Eldredge

The chief operating officer of Price Real Estate in Salt Lake City is also a member of NAIOP's 2024 Board of Directors. She shares her insights and lessons learned from 20-plus years in the commercial real estate industry.

By Ron Derven

Angela Eldredge

"I always tell our team, 'Think as if you are the owner because if you think like an owner, you are likely to make the right decision.'"

— Angela Eldredge, COO, Price Real Estate

Development: *Could you talk about the founding and growth of Price Real Estate?*

Angela Eldredge: Price Real Estate was founded in 2002 by our owner, **Steven Price**, who continues as CEO. Steve's father founded JP Realty, Inc., a REIT listed on the New York Stock Exchange, which both Steve and I worked for. In 2002, the company merged into General Growth Properties and later into Brookfield Companies. JP Realty owned regional shopping malls and strip and community centers throughout the Western U.S. and an industrial real estate portfolio, of which Steve managed about 2.5 to 3 million square feet. Steve is passionate about industrial real estate, so when his father's company merged, he started Price Real Estate on his own to focus solely on industrial real estate. I joined his company shortly thereafter.

I was fascinated with malls and retail working for JP Realty, and I handled leases for some of retail's biggest names, which was very exciting. When I joined Price, it was quite a challenge to pivot into industrial real estate. For the first few years, we focused on acquiring industrial buildings to build up cash flow while we were buying land for future industrial development. We concentrated on acquiring land in strategic transportation corridors and paid close attention to drive times, accessibility to freight infrastructure, and freeways. By 2008, we began developing industrial buildings on our acquired land.

Since that time, we have developed and have under management about 4.5 million square feet of industrial space. While we have sold some of the older buildings we acquired early on, we have never sold any of the properties that we developed. We are a legacy, long-term hold developer.

Development: *What drew you to a career in commercial real estate?*

Eldredge: After college, I was interested in a career in law but was not ready to make the time commitment to go to law school. I did, however, earn a paralegal degree with hopes of working in a law firm to gauge my long-term interest. I applied for positions but discovered law firms were hiring paralegals with a lot of experience — five years of experience.

A position opened at JP Realty in the legal department. I applied for the job figuring if I could get my foot in the door as a paralegal, I could leverage experience as a steppingstone to move on to a law firm. At the time, I had no interest in commercial real estate. As I worked there, I fell in love with the business.

Development: *What is Price's strategy for growing the business?*

Eldredge: We have somewhat of a slower growth model than many companies in the business. We build out of cash and then we finance into permanent debt. The most we have ever built in one year are four buildings, which added about 1 million square feet of industrial to the market. That was our biggest growth year.

We have buildings in multiple Western U.S. markets, including Utah, New Mexico, California, Idaho and Wyoming, but we do not have employees on the ground in those markets. Everything is housed in Salt Lake City. We are a lean company and operate with only 16 employees.

Development: *As one of the leaders in the company, what does leadership mean to you?*

Eldredge: Leadership for me is about being part of someone else's journey. As a leader, I want people to see the talent they have within themselves and build their capabilities. It's exciting to see people develop talent they didn't know they had.

Development: *What is your primary role as COO of Price Real Estate?*

Eldredge: Top leadership consists of our founder and CEO, our CFO and me. The CEO oversees acquisition, growth and construction; the CFO manages finance and accounting; and I handle legal, leasing and property management. Depending on where we are in a cycle, I might be heavily involved in negotiating leases, or I might be working on property management issues we have out in the field. Building relationships is an important part of my job. When we sign leases with tenants, we prioritize getting to know them and their businesses. We want to know how our building supports their business and how we can operate together.

Development: *What qualities do you look for when hiring senior staff?*

Eldredge: We have an entrepreneurial team, and when we hire a new person, we need them to fit well into that culture. I always tell our team, "Think as if you are the owner because if you think like an owner, you are likely to make the right decision." I also look for people who are good collaborators. We're a strong team at Price. Our CEO began the culture that continues today. We often refer to it as a "Navy SEAL team" approach. Until recently, we didn't really have hierarchy or job titles; we just did what it took to be successful with a project. We want people who respect our process, respect each other, trust each other, and want to continue to grow and learn.

"Women are respected in ways that perhaps we weren't previously because we have proven ourselves."

— Angela Eldredge

Development: *You have been with Price Real Estate since 2003. What has been your greatest leadership challenge at the company?*

Eldredge: The biggest leadership challenge for me is maintaining the entrepreneurial spirit that we had when we started the company. Often, this comes down to hiring the right person who has that entrepreneurial flair.

Development: *When internal conflicts arise or mistakes are made, how do you handle the issue?*

Eldredge: We have an honest conversation. I may talk about how the issue could have been handled differently or how to deal with it in the future. I think dealing with a problem when it happens is where you can find the best resolution and growth from the situation.

Development: *What is your outlook for commercial real estate in your markets over the next three to five years?*

Eldredge: We are optimistic about commercial real estate in our markets. One of the great things about the markets we're in is that we're competing against prudent developers who are not building projects just to build them. In the Salt Lake market, we have almost no new product being delivered this year because developers understand where interest rates, demand and achievable lease rates are. I think the market is positioned for a lot more growth in the future.

Development: *Could you talk about the mentoring work you have done and what it means to you?*

Eldredge: Mentoring allows me to see how I can help bring out talent in my employees. I would hope for the mentee, that I would inspire them — particularly women — because I am fortunate to be an active mother with a career. I try to demonstrate that you do not need to be a stay-at-home mom to be a good parent.

Development: *How have you seen the business change, especially for women, over the two decades-plus that you have been in commercial real estate?*

Eldredge: Women have been able to break into the business and become part of this profession, more so than when I started. Women are respected in ways that perhaps we weren't previously because we have proven ourselves. Commercial real estate has changed in other ways as well. Today, the financial side seems to be the focus over the brick-and-mortar side. The commercial real estate business has also become a very attractive sector for people coming out of college.

Development: *How have you benefited from joining and being a leader in the NAIOP Utah Chapter and being appointed to the National Board of Directors?*

Eldredge: Being a leader at NAIOP tells the market that women are rising in the commercial real estate industry. Serving on the NAIOP board has helped me build my leadership skills and relationships in the industry.

Development: *What is the best advice you have received in the commercial real estate business that has helped you in your career?*

Eldredge: Our CEO tells us to never be fearful about trying something new. When we get into uncertain situations, keep on going. He gives us the time and space to figure things out, which has been extremely helpful in my career.

"By focusing on relationships, by doing the right thing and the smart thing, and by always going for quality, good things happen, and you can go far."

— Angela Eldredge

Development: *What advice do you have for women entering and prospering in the business today?*

Eldredge: Be willing to learn. I try not to make it about being a woman and just do the job. If we make it about the job, we can all rise to do what needs to be done.

Development: *What crucial lessons have you learned in the commercial real estate business that you could pass on?*

Eldredge: By focusing on relationships, by doing the right thing and the smart thing, and by always going for quality, good things happen, and you can go far.

Development: *Being COO of Price Real Estate is a highly demanding job. What are your interests away from the office?*

Eldredge: Right now, I am knee-deep in being a mom. I have a 15-year-old who plays highly competitive hockey and a 12-year-old who does competitive cheerleading. When not at work, you can find me in a gym or at an ice rink. Other than that, I do a lot of activities with friends and try to maintain close relationships with people who matter to me. ■

Ron Derven is a contributing editor to Development magazine.

Strategic Approaches to Mastering Triple Net Lease Properties

Taking a data-driven approach positions these assets for sustainable success in the long term.

By Michael Salafia, STAX Real Estate

Triple net (NNN) leases have long been a popular investment vehicle for commercial real estate, promising stable and secure rental income streams for property owners. NNN leases offer landlords several advantages over traditional leases because under this structure, tenants are responsible for property taxes, maintenance and insurance.

However, the COVID-19 pandemic highlighted the risks of overreliance on single-tenant properties and transformed investor strategies for NNN properties. This article explores more thoughtful approaches to mitigating risk, maximizing returns and future-proofing NNN investments in a rapidly evolving market.

WendellandCarolyn via iStock/Getty Images Plus

STAX Real Estate analyzed factors such as consumer behavior patterns and demographic forecasts to help it predict the earnings potential of more than 5,000 gas stations.

The Foremost Challenge: Gaining Tenant Transparency

The main difficulty with managing NNN properties is gaining transparency into tenants' operations and business performance. Traditionally, tenants provide sales reporting so landlords can assess business profitability at the property level. Often, however, tenants aren't required to disclose this or are unwilling to do so.

When reliable data is lacking, conducting independent analysis to understand a property's true potential becomes imperative. Factors such as location, competition, demographics and industry trends determine what a tenant's business can realistically support regarding rent payments.

STAX Real Estate recently conducted an in-depth analysis of over 5,000 gas stations nationwide so it could predict the earnings potential for these specialized assets. It did this by developing a proprietary database that could aggregate sales data from gas stations and fuel suppliers. Having comparable unit-level sales data is essential.

Next, STAX analyzed other factors, including consumer behavior patterns, demographic forecasts, market saturation and economic trends. The datasets from mobile analytics providers were particularly helpful in establishing "revenue per customer visit" benchmarks.

It completed the picture with financial analysis, using data comparable to sales and capital markets. The rent, sales, interest rates and cap rates must all align with STAX Real Estate's criteria for a deal to be feasible.

One of the most significant challenges is connecting the datasets from various sources. Artificial intelligence tools have been critical in STAX taking fragmented datasets and creating consistency for accurate analysis.

One of the most exciting findings is the correlation between residential areas meeting specific demographic criteria and the nearby areas of employment and education. Analyzing this correlation along with traffic patterns and mobile customer site visit data helps STAX understand why people tend to stop at one location versus another.

This strategy can be applied to other types of retail as well. For example, STAX is developing a similar model for medical retail, which also brings in

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datasets from health care providers to aid in forecasting the average spend per patient. (This concept was inspired by Meta/Facebook and its strategy for developing habit loops in user experience design.)

Cultivating Tenant Relationships Is Critical

One thing landlords can do to address transparency issues is build strong relationships with tenants to foster open communication. Maintaining a dialogue creates opportunities to better align business goals and renovation needs. Creating a standard operating procedure for the scheduled delivery of financial reports is one of the best practices for cultivating a prosperous landlord-tenant relationship.

Keeping channels open long term is equally important through tenant transitions. When it is time to reimage a property or bring in a new occupant, hands-on developers can more efficiently oversee renovations and conversions by coordinating directly with tenants based on their layout preferences and branding standards.

For example, the STAX team has successfully rebranded outdated fast-food locations into new Starbucks stores by facilitating refresh designs tailored to the coffeehouse chain rather than handing off a blank canvas. While this level of ownership in the process is more labor intensive, it also creates superior outcomes. There is opportunity to capture more of the profit margin between the underlying real estate acquisition and the disposition of the newly redeveloped asset.

From the developer's perspective, there will be opportunities to engineer additional value. From the investment sales perspective, there will be more time to run a full market process, and they will have private access to development progress updates. This approach enables them to deploy capital and achieve a return on investment in a more compressed time frame than the typical independent developer can.

Harnessing Technology for Smarter Decisions

On the technology front, data analytics tools can provide valuable insights to optimize decisions. For instance, determining whether adding electric vehicle chargers makes sense hinges on quantifying actual local EV demand. This can be accomplished by analyzing metadata such as mobile traffic patterns to count the daily number of EVs passing retail sites.

Comparing data points from consumer demographic clusters, EV saturation, EV charging station locations, and mobile foot traffic patterns helps identify where most people stop and why. Once understood, it is easier to identify sites to fill the demand for additional EV charging. This data-driven approach allows for properly calibrating investments to avoid under- or overbuilding. To start with mobile foot traffic analytics and traffic pattern analysis, there are useful AI-powered tools like AlphaMap.com.

Project management technology also streamlines property oversight. Productivity platforms like ClickUp offer central hubs for coordinating contractors and tracking construction timelines. Features such as dependency mapping automatically adjust schedules when delays arise, saving countless emails and headaches. Solutions such as Airtable help to create custom databases and business applications to track, manage and share critical data throughout an organization. Adopting platforms such as these amplifies productivity, speed and returns.

Insights From the Investing Trenches

In summary, the key lessons from decades of experience are:

- Understand the business fundamentals supporting your real estate assets.
- Take a partnership approach to tenant relationships.
- Leverage technology to remove the guesswork.

While NNN properties still offer attractive income streams, taking a data-driven approach positions them for sustainable success in the long term. By evolving strategies to meet tomorrow's demands, NNN investments can continue delivering durable value. Those exploring the single-tenant net lease asset classes can use these approaches to help guide more informed investment decisions. With the right toolkit and perspective, NNN properties remain compelling vehicles for long-horizon investors. ■

Michael Salafia is the founder and managing partner of STAX Real Estate LLC, a platform for sale leasebacks of single-tenant net lease retail assets, located in Miami Beach.

Maintaining Assets for the Long Haul

Keeping properties viable over decades requires not only sustaining tenant relations but also proactively managing taxes, insurance, maintenance needs, renovations and transitions.

In the case of long-term holds, evolving consumer preferences inevitably necessitate redevelopment. As portfolios age, landlords must assess their facilities with fresh eyes to spot emerging needs for layout changes, technology upgrades or aesthetic improvements that will bolster competitiveness.

Repositioning projects also presents opportunities to boost rents closer to market rates when leases are renewed. Well-timed renovations optimally balance costs with the rent premiums enabled after the refresh. ■

The Future of Connection in Commercial Real Estate

Commercial real estate is at the forefront of integrating distributed antenna systems, particularly in the health care, retail and office sectors.

By Aditya Singh, Clemson University

Using a cell phone was never easy in a crowded athletic arena made of concrete, steel, glass and other materials that block cellular signals. However, the advent of distributed antenna systems (DAS) now allows for clearer connections, vibrant sounds and less chance of dropped calls. DAS use a network of small antennas to boost cellular connections, providing stadium patrons with uninterrupted access to data streaming, which can greatly enhance their experience.

This raises a question: Can owners and operators of other types of real estate also benefit from DAS?

Using DAS in Other Real Estate Sectors

Although DAS are currently found in stadiums more often than in other types of properties, that is likely to change because of the technology's usefulness. For example, the rapid digitalization of the health care industry is creating a need for DAS in these facilities to accommodate the electronic transfer of medical records and prescriptions. Doctor-patient interactions are increasingly taking place through wireless connections, and DAS can allow those connections to be solid and consistent.

Property owners also stand to gain because DAS serve as a means of differentiating their buildings from those of competitors.

Ipopba via iStock/Getty Images Plus

Seamless cellular connections have become vital to modern operations in various commercial real estate environments.

In retail real estate, customers actively use their phones for shopping — ordering new merchandise, making payment, and browsing for deals online. Retail stores connect with customers by sending promotional emails and updating them with shipping times and order locations. In the event of an in-store pickup, stores may require customers to call before arrival so that an employee can be alerted to bring their order out. Digitalization is also essential in making no-contact payments work. DAS accommodate all these activities through uninterrupted signal connections.

Modern office space presents yet another use case for DAS. As hybrid work becomes increasingly common, office building owners and operators must provide safe and secure digital networks to those working on-site. DAS achieve this by allowing individuals to work from home or the office through seamless cloud-based systems that run uninterrupted on all devices. DAS also provide applications such as Zoom and Skype clear video and audio, allowing quality connection to bridge the gap for businesses across long distances.

A seamless cellular connection is vital to modern operations in all these environments. Retail and office tenants, as well as the customers they serve, benefit greatly from stable and reliable cellular service. However, DAS implementation has implications that extend beyond the individual user. Property owners also stand to gain because DAS serve as a means of differentiating their buildings from those of competitors. Providing access to DAS satisfies the demands of professionals who are looking for ease in modern compatibility, many of whom take the quality of cellular service into account when deciding where to do business.

“Technologically efficient, convenient and connected buildings are quickly becoming the standard in today’s CRE market. Buildings that do not live up to this standard impact future revenue and risk losing tenants, lowering leasing rates and diminishing ROI when looking to divest the property.”

— Christopher Lange, CEO, Intenna Systems

According to Intenna Systems CEO **Christopher Lange**, “Technologically efficient, convenient and connected buildings are quickly becoming the standard in today’s CRE market. Buildings that do not live up to this standard impact future revenue and risk losing tenants, lowering leasing rates and diminishing ROI when looking to divest the property.”

Per a 2023 MarketsandMarkets report, 87.1% of the total DAS market operates within commercial real estate, with public venues, health care organizations, and educational institutions having the highest demand for the technology. With proper usage, DAS can be a tool for property owners who wish to improve the desirability of their buildings in a market full of competition.

Challenges of Implementing DAS

DAS address one of modern technology’s most significant problems — connection issues. However, the technology comes with some problems of its own.

First, there are cost considerations when deciding between passive and active DAS. Passive DAS do not require analog-to-digital converters and have relatively simple installation and maintenance requirements. However, there is the need for a more accurate link budget calculation. A link budget is used to determine the received signal strength and test the performance of that signal from the transmitter to the distribution system. According to WilsonPro, Passive DAS cost approximately $1 per square foot and are recommended for buildings spanning 500,000 square feet or less.

Active DAS use ethernet and fiber-optic cables that can effectively span unlimited distances. However, due to the need for an analog-to-digital converter, the base price for these systems is much higher than passive DAS, as they create a new cellular signal rather than distributing an existing one. Active DAS charges, on average, are $2 to $4 per square foot, and can be as high as $10 per square foot, according to WilsonPro. Active DAS are more effective in buildings that exceed 500,000 square feet.

When deciding between the type of DAS to use in a building, trade-offs must be made between coverage, capacity and cost. If more cellular data usage is anticipated in one location, such as a massive stadium, a DAS emphasizing capacity will be necessary to handle immense cellular usage condensed in one area. Alternatively, a location such as a public plaza will benefit more from a coverage-based DAS that accounts for less condensed data and spans a significant distance. DAS can offer both coverage and capacity, albeit at a significant cost to the system operator.

Poised to Drive Worldwide Connectivity

In this age of advanced technology, DAS have the potential to revolutionize connectivity on a global scale, from a single device to a huge stadium. Commercial real estate is at the forefront of integrating this technology, particularly in the health care, retail and office sectors. DAS technology plays a crucial role in ensuring stronger and more widespread cellular signals across vast distances. Despite some installation and cost-related challenges, DAS are poised to become cornerstones of digital infrastructure that will drive worldwide connectivity in all industries for years to come. ■

Aditya Singh is a Master of real estate development candidate at Clemson University.

How DAS Work

Rather than creating a cellular signal, distributed antenna systems attract an existing signal to an on-site distribution system. The signal is then dispersed to a network of small antennas placed throughout a building. DAS, in general, can be split into passive and active systems.

Passive DAS take an initial signal and distribute that signal using coaxial cables, splitters and couplers. Active DAS create a “master unit” that converts the radio frequency signal to a digitalized signal and distributes it across the building with fiber-optic and ethernet cables. These digitalized signals are then converted into radio frequency signals to connect to mobile devices.

DAS are ideal for arenas because these facilities are large and experience high cellular network traffic; their operators rely heavily on wireless networks to satisfy visitors and conduct business activities during events. Most stadiums use active DAS because these systems are reliable and allow immense capacity for thousands of devices. The distribution component of these systems is typically located where it can easily connect to nearby cell towers, with smaller antennas placed throughout the stadium to relay the signal more efficiently. The goal is to attract a strong, secure signal and strengthen it with the distribution system, thereby expanding the entire network’s coverage and capacity. ■

Taking a Look at Second-tier Markets

Considering up-and-coming secondary markets can be a wise move.

By Colin Underhill and Matt Willinger, Pluris Real Estate

Experienced investors understand the advantages of having a diversified portfolio, and second-tier markets can be part of such a strategy. As the economy continues to waver, large institutional investors can afford to centralize and maintain dominance in stable metros with high migration rates like Dallas, South Florida and Nashville. However, secondary markets such as Louisville, Kentucky; Indianapolis, Indiana; Birmingham, Alabama; Kansas City, Missouri; and Buffalo, New York, have less competition and lower barriers to entry and may benefit from recent federal programs aiming to boost North American manufacturing (see feature box on page 44).

No two markets are created equal, and some of the best places to invest are in cities on the cusp of a boom. By entering these cities now, investors and business leaders can learn the communities, their cultural identities and their economic strengths, and be privy to locals' needs as the city grows. Those interested in exploring these cities should consider the following strategies.

Tim Furlong Jr., courtesy of Pluris Real Estate

Germantown Mill Lofts involved an extensive renovation of an entire city block in the Germantown neighborhood of Louisville.

Evaluating a City's Growth Potential

Well-positioned real estate maximizes the opportunity for a profitable outcome, and there are several ways to determine a city's long-term potential.

Industry growth

A key indicator of a city's growth potential is the health of its job market and the presence of major industries. A diverse job market reflects economic resilience because it is less susceptible to single-sector downturns. A thriving job market also indicates a higher quality of life because it creates opportunities for stable employment and income growth for residents. Subsequently, these residents are more likely to invest in the community and support local businesses and infrastructure development, in turn attracting more businesses and talent to the city. Major industries are also a source of technological advancement and innovation that attract skilled workers and entrepreneurs, further driving economic development. The health care and technology sectors are two key industries to watch. As these sectors continue to migrate from the coasts and find homes in Midwestern and Southern states, the cities where they plant their roots should be noted.

No two markets are created equal, and some of the best places to invest are in cities on the cusp of a boom.

Physical space for growth

Unlike major urban hubs, smaller markets still have physical space for growth. With less space having already been developed across these metro areas and their surrounding suburbs, residents, business leaders and investors can acquire properties at reasonable prices. As neighborhoods continue to grow, property values will increase, and so will the demand for

The health care and technology sectors are two key industries to watch. As these sectors continue to migrate from the coasts and find homes in Midwestern and Southern states, the cities where they plant their roots should be noted.

local amenities and housing. Investors with an established presence in these markets will be knowledgeable about community needs and positioned to be leaders in answering demand.

Resident lifestyle
In a post-pandemic world, cost of living is a key factor for industry leaders, entrepreneurs, young talent, skilled laborers, and families looking to plant roots. Beyond that, people are searching for a sense of community, urban amenities and timeless allure, and second-tier cities often have that small-town feel that inspires collaboration and propels business. This environment is a breeding ground for local businesses, startups and grassroots initiatives that are catalysts for economic growth.

Second-tier cities sound like an ideal investment environment, but real estate expeditionists need to be tactful in working with the local market, not against it. Residents of large urban hubs are accustomed to frequent new developments and national chain presence, but smaller-market residents can be turned off by inauthenticity and an avaricious approach. Instead, they typically value culture and an appreciation for the historic charm of their city.

Entering these markets now, while they're still novel, allows investors to learn the market well and position themselves for the long-term growth these cities will experience.

Secondary-market Spotlight: Louisville

Michael K. Greer/Wirestock Creators - stock.adobe.com, courtesy of Pluris Real Estate

- Population: 633,000 (largest in Kentucky); 1.4 million (metropolitan statistical area)
- No. 3 top housing market for 2023 (Realtor.com)
- No. 4 U.S. city for job growth in 2022 (Gusto Inc.)
- Top 5 U.S. metro for economic development in 2022 (Site Selection magazine)
- Named a "Next 25" tech talent market in 2023 (CBRE)
- A top logistics hub for 2023 (Business Facilities magazine)

Strategies for Navigating Second-tier Markets

As is the case with all markets, second-tier cities require market research, due diligence and tailored investment strategies to create well-received, profitable outcomes. But these markets need investors who will celebrate the city's culture rather than metropolize it.

For example, Louisville's rich heritage and historic charm have created a surge in tourism, and the city ranks on top ten lists for housing and job growth (see feature box above). It also serves as a gateway to the Kentucky Bourbon Trail, is home to the world's largest baseball bat and the world-famous Kentucky Derby, and possesses a vibrant arts scene. Developers can leverage both historic and tourism tax credits to create entertainment venues and hospitality services in historic buildings or that integrate cultural experiences.

Furthermore, outside investors must learn about a city's neighborhoods, diverse populations, industry clusters and population patterns. Simply replicating another market or emulating what locals are already doing could leave gaps.

To keep up with migration and economic factors, Louisville has

Tapping local partners is a strategic approach that can significantly improve the chances of realizing higher-quality, long-term return on investments.

experienced a surge in multifamily properties. Typically, these properties are developed in a more suburban part of town, and outside investment and development firms may see this as an opportunity to grab a piece of the pie or develop nearby amenities. However, a thoughtful investor will notice that the city's historic charm is concentrated around its urban core and old neighborhoods. Neighborhoods like NuLu, Butchertown and Germantown have experienced exponential growth in recent years and draw locals and transplants to the city. While there is less space to develop new properties in these neighborhoods, redeveloping and reimagining urban and underperforming spaces can result in more immediate cash flow investments by entering the project with a finite set of outcomes, eliminating the zoning and permitting procedures, and shortening the design process.

Local Partnerships Improve Outcomes

Opportunity abounds in second-tier markets, but for investors, developers and business operators who are not locals themselves, learning these lesser-known markets can be a challenge. Tapping local partners is a strategic approach that can significantly improve the chances of realizing higher-quality, long-term return on investments.

Especially in "everyone knows everyone" cities like Louisville, a local developer or joint venture partner can simplify market analysis, streamline projects and improve outcomes in the following ways:

- Local partners offer intimate insights into a city's market dynamics and regulatory landscape and its residents' needs. Leaning on this expertise enables outsiders to identify gaps and make informed investment decisions to reduce risk.
- As locals and business operators, their community connections are expansive. Outside investors can tap into these networks to speed up the development process, reduce costs and expedite project timelines.
- Learning the identity of a second-tier market is a crucial step for entering it successfully. Local partnerships enable investors to forge strong connections with community organizations, business associations and residents, and engage in meaningful conversations that will improve the investment approach.

Investing in untapped, second-tier markets can be profitable, but without institutional investors showing others how it's done, those looking to enter the market must be creative, resourceful and adaptive. Leveraging both personal experience and insider insights will create greater potential for success.

By aligning development strategies with the unique characteristics and aspirations of cities such as Louisville, investors have the opportunity to shape their trajectory and create lasting value for residents and businesses alike. ■

Colin Underhill is the president and co-founder of Pluris Real Estate. **Matt Willinger** is the chief financial officer and co-founder of Pluris Real Estate.

Relevant Research: Onshoring Boom for the South and Midwest?

Second- and third-tier markets may benefit from the return of American manufacturing. Recent federal incentives such as the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and the CHIPS and Science Act have made available a total of half a trillion dollars through federal funding and tax credits to attract, grow and support key sectors of manufacturing in the U.S.

A report commissioned by the NAIOP Research Foundation ("Forging the Future: Manufacturing Growth and Its Effects on North American Industrial Markets") found that firms in the high-tech, automotive, energy and biomanufacturing sectors are making the largest investments in new manufacturing in the U.S. Most of this growth will take place in Midwestern and Southeastern states, particularly in rural and exurban locations that can offer adequate supplies of affordable energy and skilled labor.

Get the report at naiop.org/research-and-publications. ■

Brighter Days and Darker Nights: Lighting That Appeals to Circadian Rhythms

Wellness advocates believe integrating biological lighting solutions in buildings would boost both productivity and health.

By Alice Devine

Las Vegas casinos, with their constant brightness and windowless rooms, have long understood that human bodies respond keenly to light. More property owners are starting to pay attention to that relationship too.

Circadian rhythms (derived from the Latin, with circa meaning “around” and diem meaning “day”) refer to the human body’s cyclical response to transitions between day and night. This rhythm repeats roughly every 24 hours.

Wellness advocates are embracing new science about how the human eye and brain react to light. Although requiring initial design effort, lighting that addresses brightness, color and wavelength spectrum appeals to human internal clocks and may create more productive and healthier environments.

What Is Circadian Lighting?

More specifically, “Circadian lighting is defined as lighting that influences a nonvisual, physiological response within the human body,” according to **Keith Graeber**, director of engineering at the California Lighting Technology Center (CLTC) at the University of California, Davis. Circadian lighting is synonymous with changes in light over the course of a day.

To improve a lighting environment, experts focus on the most significant attributes: brightness, color quality and a wavelength spectrum that contains both visual and nonvisual cues.

BIOS

Rooms in Freedom House, a memory care center in San Antonio, feature layered lighting and other elements that capitalize on circadian rhythms.

Modern lifestyles, in which people have easy access to constant light and increasingly engage with phone, computer and TV screens at all hours of the day (and night), disrupt circadian rhythms. At the 2023 CLTC conference, experts **James Benya** and **Deborah Burnett** cited studies showing that this disconnect from natural rhythms disrupts “metabolic function, immune response, cognitive performance — even genetic expression.” **Robert Soler**, vice president of biological research and technology at BIOS, a biological lighting solutions company, said that society sees “consequences of circadian disruption as we age — not just that you go to bed a little later than you might like … We are doing ourselves no favors with the lighting environment we are providing.”

Brightness, Color and Spectrum

To improve a lighting environment, experts focus on the most significant attributes: brightness, color quality and a wavelength spectrum that contains both visual and nonvisual cues.

Brightness — measured in lux — corresponds to the sun’s light patterns and is perceived by the human eye. The human body undergoes physiological changes in concert. For instance, at approximately 6:45 a.m., humans experience the sharpest rise in blood pressure, followed by the cessation of melatonin (the hormone that makes humans sleepy). A period of high alertness occurs around 10 a.m. Nature’s grand biological clock undergoes a reverse process at night — until humans confuse the transition with electronic screens.

Quality of light color matters too. At the Well Living Lab, which studies indoor environments, researchers found

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> **"You can have a hot new office that looks trendy and it looks healthy because it has a living wall, but if you have a standard LED spectrum, you're kind of missing the whole point of what drives true health."**
>
> *— Robert Soler, vice president of biological research and technology, BIOS*

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that color tuning to bluer, cooler tones improved task switching and perceived productivity. Conversely, the warmer tones of sunrise and sunset provided contrast and cued transition to calmer, sleepier states.

Simple color tuning, however, is not enough. In the 2000s, researchers discovered a photoreceptor in the human eye tied to perceiving time of day rather than images. This nonvisible cue — measured as Melanopic Equivalent Daylight Illuminance (M-EDI) — occurs higher on the light spectrum than what typical LED and fluorescent lighting offer. In general terms, M-EDI represents the artificial equivalent of daylight.

As a result, industry standards such as the WELL Building certification now measure M-EDI. The daytime goal is 250 M-EDI, with lighting measured vertically at the eye, in the primary viewing direction. This key metric explains how much light sources affect human nonvisual systems.

Spectrally optimized LED lights do what typical LED lights stop short of — alerting the melanopsin that produces wakefulness. "You can have a hot new office that looks trendy and it looks healthy because it has a living wall, but if you have a standard LED spectrum, you're kind of missing the whole point of what drives true health," Soler said. Companies such as BIOS produce spectrally optimized LED boards that can replace standard LED boards inside light fixtures. Additionally, BIOS has developed a 20-inch-tall smart table lamp that can deliver specifically optimized light to individuals.

> **Because light significantly affects human physiology by influencing sleep, well-funded hospitals and health facilities have proved to be early adopters of circadian lighting systems.**

Freedom House, a 72-bed memory care center in San Antonio, undertook a large lighting renovation to capitalize on circadian rhythms. Rooms now contain layered lighting in the form of ceiling lights, sconces and lower-level strips of light. Resident rooms are outfitted with amber LEDs to provide a nighttime guide to bathrooms without interfering with sleep cycles. According to BIOS, residents in these renovated spaces are seeing fewer falls and behavior issues and are experiencing better sleep.

Wellness

"Sleep," as Shakespeare wrote, "knits up the raveled sleeve of care." Because light significantly affects human physiology by influencing sleep, well-funded hospitals and health facilities have proved to be early adopters of circadian lighting systems.

At Kaiser Permanente Medical Center in San Diego, an all-LED, indirect lighting system displays cool blue light during the day to stimulate wakefulness and transitions to warmer colors in the evening for better rest. Patients and caretakers have individual control of the lighting. For instance, touchscreens outside patient rooms allow medical staff to control lighting without disrupting occupants. Lighting designers have a sense of whimsy too — in the labor and delivery unit, pink and blue lights announce births.

Although important, sleep does not tell the whole story on wellness. As Soler cautioned, "If we rely on sleep as a whole to be the reason for why people are more productive, that gets really confusing. … What you get in the daytime affects your sleep at night." The nonvisual cues benefit both daytime performance and nighttime serenity in addition to alertness, visual adaption (glare), sensory processing and mood.

Cost and Codes

Adapting existing buildings to accommodate circadian lighting may require retrofitting with LED boards or entirely new fixtures, plus the cost of labor. Soler estimates that spectral lighting boards cost approximately 20% to 40% more than traditional LED boards. The upcharge relates to the LED board components only and represents a small portion of the entire light fixture.

Lighting codes, such as California's Title 24, can also cause difficulty reconciling the bright light humans need for productivity with the goal of conserving energy. Because illumination is generally underdelivered during the day (and overdelivered during the night), increasing light can threaten code compliance.

While circadian lighting systems cost more than more traditional LED systems, they improve the balance sheet in other areas. Early adopter hospitals chose to renovate lighting to reduce patient stay times, with quantifiable results. Lighting developer Kumux reports reduced hospital stays in the 15% to 30% range due to human-centric lighting.

In the quest for brighter days to boost productivity and darker nights to encourage health, lighting works best when sensitive to the human body. ■

Alice Devine is the author of *Suite Deal: The Smart Landlord's Guide to Leasing Real Estate* and a lecturer at the University of California, Berkeley's Haas School of Business.

Navigating EV Infrastructure Ordinances: A Developer's Guide

It's possible to comply with regulations while also taking advantage of opportunities that enhance development projects.

By Ben Crowder, PE, Bohler

Electric vehicles (EVs) have taken center stage as a feasible and eco-friendly means of transportation in today's growing landscape of environmental sustainability and responsibility. According to PwC research published in September 2022, an estimated 27 million EVs will be on U.S. roads by 2030.

However, as EV use gains momentum, the need becomes critical for accessible and efficient charging infrastructure. According to the same PwC research, the number of charging ports across the country will increase from 4 million to a stunning 35 million by 2030.

As a result, property owners and developers nationwide are increasingly being required to include EV parking spaces in their developments. These spots must be "make-ready," or equipped with the utility infrastructure required for an EV car-charging provider to install charging stations. In New Jersey, for example, the DCA Model Statewide Municipal EV Ordinance requires up to 15% of commercial parking spaces to be designated make-ready, depending on the specific property use.

It is important to understand the complexity of EV infrastructure codes and how to not only comply with regulations but also take advantage of

According to PwC research, the number of charging ports across the country will increase from 4 million to a stunning 35 million by 2030.

Mad Squid Productions via iStock/Getty Images Plus

Locating EV charging stations so they're accessible for all users, including those with disabilities, is an important consideration for property owners and developers.

opportunities that enhance development projects while contributing to a sustainable future. This article offers guidance on becoming acquainted with the various mandates, understanding how to capitalize on existing incentives and using strategic techniques to maximize return on investment.

Strategizing Charging Locations On-site

Complying with these regulations involves more than simply designating parking spaces for make-ready EV charging. It requires strategic planning for the placement of these spaces within the site.

It may be beneficial to locate the charging stations close to the site's entrance or exit near the street, where they will be most visible and most accessible to users. This allows for rapid entry and exit while reducing the impact on internal circulation. Locating spaces near available utility infrastructure on the property frontage may also be more cost-effective.

On the other hand, developers may consider locating the spaces near the building. Depending on the use, this could be appealing to the tenant, enticing charging station users to buy, eat or explore while their vehicle charges. Grocery stores, for example, ranked fourth for best location for charging stations, according to survey results from the Boston Consulting Group. Survey recipients cited this spot as being ideal due to paying multiple visits to the store per week and spending enough time shopping to get a substantial EV charge by the time they finished.

Work with your design team to find the best location for EV charging spaces based on the unique operations of the facility or center. Consider factors such

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continued from page 50

as proximity to main entrances, ample signal strength for a smartphone to connect with the charger, availability of parking spaces, and accessibility for all users, including those with disabilities. Additionally, conducting a thorough analysis of customer behavior and preferences can identify areas within the development that experience high foot traffic, thus making them ideal for installing EV charging stations.

Leveraging the Benefits

Compliance and strategy are not the sole considerations. There is also the prospect of increasing the value of your property, leveraging zoning benefits and taking advantage of federal funding.

Developers may consider locating the spaces near the building. Depending on the use, this could be appealing to the tenant, enticing charging station users to buy, eat or explore while their vehicle charges.

Zoning relief: In some instances, the EV spaces provided will allow the project to meet code requirements even if the physical space count is lower than required. Depending on the site, EV make-ready spaces can count for twice the space count, up to 10% of the zoning requirement. This means that a developer with a property with insufficient parking may be able to avoid a parking variance.

Hands-off installation and maintenance: Once the EV parking spaces are approved and make-ready, the developer or owner may choose to self-operate or lease these spaces to one of the many car-charging-station providers in the market. There are many providers and agreement options, including a completely hands-off approach in which the vendor manages all installation and maintenance of the charging stations.

Phased buildout: EV charging stations generally do not have to be installed all at once. In New Jersey, for example, a phased build and installation of charging stations over a defined timeline — two to five years — is recommended. This method allows for the installation of charging stations to coincide with market demand while maintaining essential utility infrastructure.

Federal funding: The Infrastructure Investment and Jobs Act invests $7.5 billion toward EV charging. This includes the $5 billion National Electric Vehicle Infrastructure Formula Program and the $2.5 billion Charging and Fueling Infrastructure Discretionary Grant Program. Furthermore, the Inflation Reduction Act has been amended to cover EV charging infrastructure installed through Dec. 31, 2032, making it eligible for a tax credit of up to $100,000.

Moving Forward With EV Infrastructure

The legislation and available funding for EV infrastructure is complex and varies by state and municipality. Engage a knowledgeable and experienced land development consultant to assist your team in assessing potential impacts to site layout and design, strategizing the best location for designated EV charging stations, and maximizing any available benefits — particularly those related to zoning and parking ratios. ■

Ben Crowder, PE, is principal and branch manager for Bohler's Ridgewood, New Jersey, office.


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Transforming a Textile Mill Into a Vibrant Mixed-use

At a Glance

- The historic Judson Mill complex, which produced textiles for more than a century, is being converted into a mixed-use district with apartments, retail and offices.
- Federal, state and local incentives are integral to making historic reuse projects such as Judson Mill feasible.
- Belmont Sayre focused on the challenges of converting for multifamily development before moving to other phases. ■

A pool sits between completed and future residential developments in the Judson Mill District.

Community

SeamonWhiteside (SW+), courtesy of Judson Mill District

The Judson Mill District honors Greenville, South Carolina's rich textile manufacturing history as it weaves a new plan for the future.

By Anthony Paletta

Greenville, South Carolina, once styled itself the "Textile Capital of the World." While it might be difficult to quantify that superlative, there's no question this small city along the Reedy River in the foothills of the Blue Ridge Mountains had ample claim to being one of them.

The city and its surrounding landscape once contained 18 textile mills, only two of which remain operational today. Four of the mills burned down or were demolished, but the rest remain standing, and they have proved to be excellent fabric for reuse. At least nine have been converted to new functions, including residential, office and mixed use. The most recent conversion is Judson Mill, an 800,000-square-foot complex that has returned to life as a mixed-use project containing apartments, retail, offices and more.

A Century of Industrial History

Adaptive reuse is often an undertaking for buildings that have long sat dusty, but this wasn't the case at Judson Mill, which produced textiles from 1912 until 2015.

Renovation of the mill began in 2019 as a project of Belmont Sayre Holdings of Chapel Hill, North Carolina, and Taft Family Ventures of Greenville, North Carolina. The project was designed by the Greenville, South Carolina, studio of McMillan Pazdan Smith Architecture.

The mill was added to the National Register of Historic Places in 2018. Three original 1912 structures remain — the main mill, the picker room and the weave room — with a number of additions from subsequent decades, some built as late as the 1990s. The original facilities were designed by Lockwood, Greene and Associates, a firm that built eight of Greenville's mills. The designs were highly functional, focused on supporting the fabrication process. They are defined by thick masonry, load-bearing walls, large windows, and timber and steel framing to support the considerable loads of machinery and textiles. Architectural details were simple and sparse, but the ensemble retains considerable historic distinction.

Whereas prior mills had been built as tall structures — inefficient in that they required moving materials up or down multiple stories —

Christopher Decker, courtesy of Triangle Construction Company, Inc.

A variety of exterior spaces have been constructed, including private patios, courtyards and new circulation paths that connect the buildings.

Judson Mill's design was "modern." At only two stories high, it was designed to facilitate the easy transfer of fabrics and other products. There were other practical reasons for limiting the height to two floors: Picker rooms, where fabrics were stretched, generated tremendous static electricity and easily caught fire.

The mill's layout reflects a century-plus of industrial history. Separate buildings were gradually linked and expanded to ease integrated manufacturing processes and the rise of centralized air conditioning and heating. The complex gradually developed into one immense amalgam that over its life span produced everything from blankets to sheeting to slips to camouflage fabric for the U.S. military.

Historic Reuse

Belmont Sayre, a real estate investment and development company that specializes in the adaptive reuse of historic buildings, knows a thing or two about mill conversions. The company has worked on similar warehouse projects in recent years in the neighboring state of North Carolina, ranging from the American Tobacco live-work-play complex in Durham to CAM Raleigh, a contemporary art museum whose home is a converted forge and welding company warehouse dating to 1910. Taft Family Ventures has also worked with similar structures, notably the Clayton Spinning Mill in Clayton, North Carolina.

Belmont Sayre acquired the Judson Mill project in 2017 alongside financial partner **Matt Springer**, principal at Madrock Advisors. In 2019, Taft Family Ventures, a real estate investment and development firm, joined with Belmont Sayre to transform the historic textile mill. They purchased the site directly from industrial manufacturer Milliken for $6 million.

As Belmont Sayre President **Ken Reiter** observed, mill renovations in the South have taken on steam in the past few decades. "It's been a relatively recent phenomenon in places like Charlotte, Richmond, Durham, even Atlanta. What was happening in the Northeast and the Midwest is making its way to the South. Previously, there wasn't the kind of density to support this redevelopment. A lot of those people now want to live in a more urban setting."

Belmont Sayre's calculus for approaching these projects begins by evaluating the state of the buildings, which in the case of Judson Mill, was good. The company then considers if a local market will support a range of tenants (different in each case), whether neighborhood and community support is present and, finally, if tax credits are available.

Historic reuse makes eminent financial sense, with federal, state and local incentives (in this case, a specific Greenville County measure to incentivize mill conversions) invaluable in undergirding these projects. These are vital from a financial standpoint, Reiter said: "You need all of that to offset the extraordinary cost and complexity of doing these types of projects."

> "We think there's real value in rejuvenating and transforming these neighborhoods that were once thriving. **We want to use real estate to have a positive impact.**"
>
> *— Ken Reiter, president, Belmont Sayre*

The Innovate Fund, a community development entity in Greenville, South Carolina, allocated $16.5 million in New Markets Tax Credits, making the Judson Mill redevelopment its largest investment. Source loans came from Reinvestment Fund and Community Works. The project also utilized federal and state historic tax credits and additional credits from the South

Kevin Ruck Photography, courtesy of Judson Mill District

The Lofts at Judson Mill opened in summer 2021 and were nearly 100 percent leased within 10 months.

Carolina Textile Communities Revitalization Act.

The Judson Mill District was a substantial undertaking. "It rivals anything … most people have done," Reiter said. "It's almost a million square feet. That's a big project no matter where you are, [but] especially for Greenville. There's barely a million people in the MSA [metropolitan statistical area]."

Such projects are typically launched with a single substantial tenant, but there was little chance of one emerging in this setting. As Reiter recalled, "I talked to our commercial brokers at the time and said, 'What's the biggest lease that's been signed in Greenville in the last 10 years?' And they said, 'Well, it's 100,000 square feet.'" For context, the building in which Belmont Sayre chose to begin the development, a building originally containing a weave and a picker room — now the Lofts at Judson Mill — was over 300,000 square feet.

Reiter expressed a particular interest in these types of projects. "We think there's real value in rejuvenating and transforming these neighborhoods that were once thriving. We want to use real estate to have a positive impact."

Navigating a Textile Labyrinth

Another issue was the complex's layout and plotting how to approach the site. Almost every structure had been gradually connected to the others, creating a vast labyrinth of a building. Belmont Sayre hoped to trim more of the interstitial links between the original buildings, but negotiations with the National Park Service resulted in just a few excisions, all of which aimed to improve circulation and internal natural lighting while exposing original structural elements.

The elements removed were primarily the more recent additions to the mill site. A large power station, totaling approximately 30,000 square feet, was demolished to provide space for residential outdoor amenities. Another 16,000-square-foot addition from 1956 was removed to create a public courtyard between the residential and commercial portions on the west end of the site. The rest of the removals were minor — mostly later accessory buildings that had been built adjacent to historic buildings to house air conditioning and mechanical ventilation.

"The buildings also had very large floor plates, which challenged us to come up with a creative design solution that was historically sensitive, impactful and attractive," Reiter said. "We spent almost a year figuring this out."

Belmont Sayre was intent on developing a mixed-use project from the start. As Reiter explained, "It gives you a hedge against residential and commercial ups and downs. We quickly surmised that doing commercial development and office development first wouldn't make sense, so we were committed to making multifamily development work."

Weaving Apartments Into the Mix

Architecture firm McMillan Pazdan Smith developed a sense of which programmatic uses would be most

Judson Mill District

An overview of the layout of the Judson Mill District.

appropriate for each building. **Anthony Tiberia**, principal and project manager, explained, "When we saw the original mill buildings that face the street, we felt they would be good candidates for residential development. They're similar to other mill buildings in the area, which are long and linear, with repetitive structural bays and large windows that make them conducive to multifamily adaptive reuse."

This was not where McMillan Pazdan Smith started, however. Instead, the Lofts at Judson Mill were designated for the largest building, which originally contained a weave and a picker room. As Reiter related, "It was positioned deep into the site; you cannot see it from the public right of way. We try to take on the toughest piece first because you don't want to tie all of your financial success to the last phase."

"It was really this huge, for lack of a better word, pancake," Tiberia attested. "It was about a football field or more in each direction. It's a giant square, and it was partially underground."

"We recognized that the large floor plate was the first problem that needed to be solved," Tiberia said. "To make the building efficient, we had to provide units in the middle of the footprint, as well as at the perimeter."

To do this, the architects needed to partially demolish the center of the floor plate to provide interior courtyards that some units could face. McMillan Pazdan Smith worked with the State Historic Preservation Office to determine the size and arrangement. Originally, the firm proposed two large courtyards, but it ended up with four smaller courtyards. "We used these courtyards to provide outdoor spaces for each of these inward-facing units," Tiberia said. "Even the second-floor units have balconies."

After tackling these challenges, the rest of the renovation was more typical of other historic mills, Tiberia said. The existing building was in good condition, but it required a new roof. Many of the windows had been bricked in over time, so bricks were removed and new windows installed that matched their historical configuration.

The building's floors were inadequate for residential use. "Historic mill buildings have thick, multilayer wood floors, which unfortunately transmit sound very well," Tiberia explained. "To mitigate the sound transmission, you either acoustically treat the floor or the ceiling, which means covering one of them up. Since the original floor was in bad shape, we elected to cover the floors in most cases and open the ceilings. It allowed us to expose all the overhead wood decking, heavy wood beams, and large wood and steel columns. These massive, exposed structural elements are truly what make these buildings special and connect us to their industrial beginnings."

"We recognized that the large floor plate was the first problem that needed to be solved. **To make the building efficient, we had to provide units in the middle of the footprint, as well as at the perimeter.**"

— Anthony Tiberia, principal and project manager, McMillan Pazdan Smith

Other original features remain, including huge concrete buttresses on the exterior of the buildings. "They look like they're there to support the floors, but in actuality they were often added after the original buildings were built," Tiberia said. "The reason they're there is to brace the buildings against lateral movement because when the newer textile

J. Silkstone Photography, courtesy of Judson Mill District

A photo taken in 2020 shows the interior condition of a portion of the Judson Mill complex before renovation began.

J. Silkstone Photography, courtesy of Judson Mill District

The Warehouse, a 100,000-square-foot building that originally stored cotton, is now home to a variety of office, retail, nonprofit and entertainment spaces.

machinery was working in unison, it would shake the entire floor plate of the building."

The Lofts at Judson Mill opened in summer 2021 with a range of offerings, from studios renting at around $1,250 per month to 3-bedroom, 2-bathroom apartments renting for around $3,400. They were nearly 100 percent leased within 10 months.

From Cotton Warehouse to Community Connections

With the lofts completed, the architects moved on to the second phase, known as The Warehouse — preparing a 1990s cotton warehouse of about 100,000 square feet for a mixture of uses, including office, retail, nonprofit and entertainment spaces. Reiter sought to engage tenants who would fulfill local needs.

"We reached out to the United Way of Greenville County, the YMCA of Greenville, the homeowners association, the school district and the surrounding churches," Reiter said. "What we determined was there were three kinds of main pieces missing in the Judson neighborhood, which was a thriving community back in the day." The identified gaps were access to food, affordable housing and "a total lack of development of minority- and women-owned businesses and enterprises." The goal, Reiter said, was "to create a space within the real estate development that could facilitate each of those three areas."

Tenants now include Jud Hub, a socially minded innovation hub connecting social entrepreneurs, community developers and nonprofits; and Feed and Seed, a food hub working to increase access to local foods and establish a sustainable food system built on profitable farms and independent markets. It is also home to BlocHaven, one of the largest rock-climbing gyms in the Southeast; The Foundry at Judson Mill, a music venue; Play Café at Judson Mill, an experiential play space for children; and the Greenville office of site design firm SeamonWhiteside.

The renovation of this building involved different issues than the prior. Tiberia outlined these elements: "The 1990 cotton warehouse was completely different from the other buildings on-site. It's an enormous steel-framed, open-air building with precast concrete walls, plastic panel clerestories and a metal roof with bagged insulation. Renovating that building was a challenge from an energy standpoint. You have this unconditioned, lightweight building that was meant to store cotton or other raw materials."

McMillan Pazdan Smith replaced most plastic panels with glass and added considerable amounts of insulation.

The third phase, called The Annex, consisted of more than 100,000 square feet of space, including the original pumphouse and warehouses from the 1910s to 1950s. It was completed in April 2023, with a focus on dining, recreation and entertainment, including Magnetic South Brewing, an axe-throwing venue (Stumpy's Hatchet House) and more. It will feature event spaces in the former pumphouse, also known as the Smokestack.

"The Smokestack building is truly special because you get to experience everything that makes these mills wonderful," Tiberia said. "It's a great big space with a tall roof, large windows and clear structure of brick, steel and wood. Along with The Annex event space, it's one of the best places at Judson to get a sense of what the spaces were like early in their history."

A variety of exterior spaces have also been constructed. Private patios adjoin much of the ground floor of the Lofts at Judson Mill. Other spaces are public or connected to various tenants. A pool is between the first and future residential developments, and a courtyard sits between entertainment and residential phases.

"When we started the project, we all realized we needed to adapt the connections between the various buildings," Tiberia recalled. "Rather than create a fixed overall master plan for the entire site, we took a more organic approach during each phase of development. We left public spaces at the edges of buildings and created interior and exterior passageways where we had to divide buildings or tear down later additions. These new circulation paths were connected to each other at each new phase of development. When the project is complete, not only will these paths connect the buildings, but [they will connect] the site to the overall neighborhood."

The Final Stitches

Phase 4 will include the renovation of two additional mill buildings, the Westervelt and Jenny buildings (which are about 180,000 and 60,000 square feet, respectively), over the next few years for commercial and residential uses. There are also 12 acres of land for additional development, and the project intends to add more parking.

The site is sorting out to be approximately 60% residential and 40% commercial, which is close to the original estimates for the project, according to Reiter.

BlocHaven

Among the tenants that call The Warehouse home are BlocHaven, one of the largest rock-climbing gyms in the Southeast.

Looking Back at Judson Mill

According to local historian Don Koonce, creator of the documentary "Building an Empire: The Textile Center of the World," Greenville had 18 textile mills within less than 3 miles of downtown. "Nowhere else in the world had that many mills that close to an urban center," he said.

Judson Mill, built in 1912 and originally called Westervelt Mill, was the largest textile mill in Greenville County. It was part of the Mill Crescent, a collection of textile mills along the western border of the city of Greenville.

When the Westervelt Mill went bankrupt in 1913, its president was replaced by Bennett E. Geer, whom Koonce described as "head of the English department at Furman University and a Shakespearean scholar — [not] totally equipped to come over and take over a textile mill." Despite his lack of experience, Geer obtained capital to revive the mill from tobacco magnate James Buchanan Duke. Geer renamed Westervelt Mill after Charles H. Judson, a professor at Furman, and eventually ended up running eight mills. Geer also introduced then-innovative rayon blends to Judson Mill in the 1920s, Koonce said.

Judson Mill was also "one of the first Southern operations to produce fine yarns and linens," Koonce pointed out.

According to a history posted on the Events at Judson Mill website, Deering-Milliken took over operation, and eventually ownership, of the mill in 1933. "As the textile industry advanced during and after World War II, Deering-Milliken made a series of additions and alterations to the mill complex that allowed the company to innovate. … The company expanded the floor plate devoted to research and manufacturing at Judson by tying together many of the distinctive buildings that originally comprised the complex." This would prove to be a challenge for Belmont Sayre when it decided to convert the complex for residential use as part of the larger mixed-use development.

Judson Mill was once surrounded by its own company town. As recounted by the website, "The history of the mill is marked by a deep sense of community and pride. Mill workers both lived and worked in the community, with everything they needed nearby, like gardens, schools, and even a streetcar stop." ■

The site is sorting out to be approximately 60% residential and 40% commercial, which is close to the original estimates for the project.

Tiberia was pleased with the opportunity to work on the Judson Mill development. "I come from a historic preservation background, so it's been a fulfilling project to me personally and professionally," he said. "As Greenville has continued to grow, there's been a ton of interest from the public to live, work and otherwise enjoy these historic spaces."

Reiter stressed the long-term commitment it took to return the complex to use while retaining almost all its existing elements.

"There were other developers who were interested in the project. I think there were eight pursuing it. Only two were going to rehabilitate the site, and the others were just going to knock the buildings down and build single-family residential or whatever. That's just not what we do," Reiter said.

"Many times, municipalities will have these big complexes, and they think they are sitting on a gold mine," he said. "What they don't understand is it's hard to do a 10-year pro forma and make it work. It's incredibly complicated, and it takes a unique type of partnership to do this type of transformation. Everybody needs to be rowing in the same direction. … It's hard to get all of the plates spinning on a stick at one time. Every so often, one of those plates is wobbling. You've got to go back and spin it, but that's also what makes it fun." ■

Anthony Paletta is a freelance writer living in New York City.

Judson Mill District – Project Summary

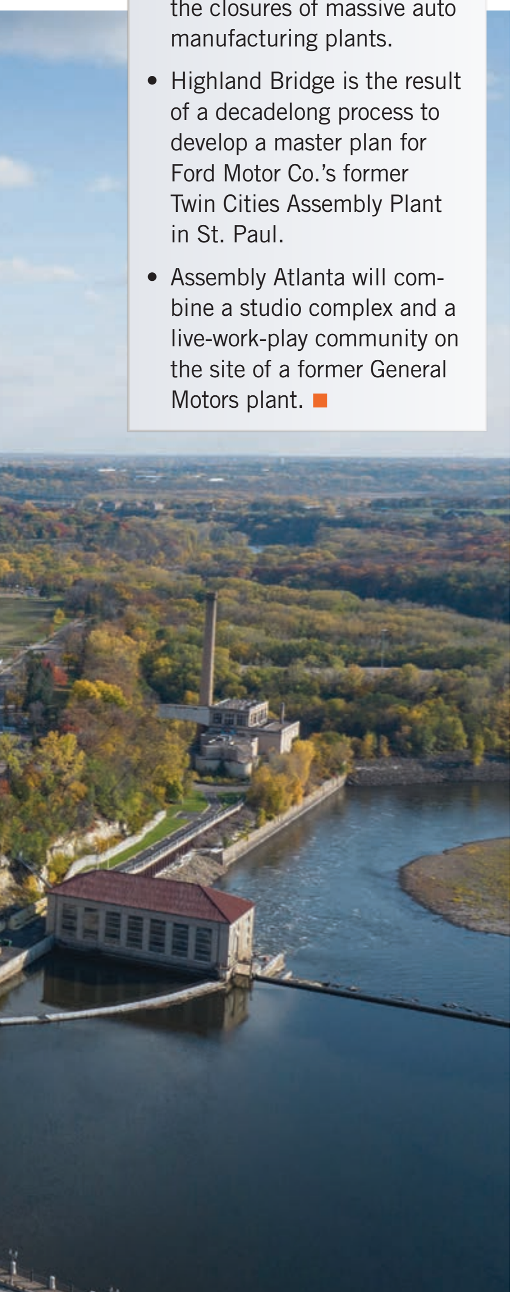
Project Location	Greenville, South Carolina
Project Name	Judson Mill District
Type of Site	Urban
Development Type	Ground Up/New Development (future but approved), Redevelopment, Adaptive Reuse, Mixed Use, Transit Oriented
Transportation Modes	Car, Transit, Pedestrian
Mix of Uses	Retail/Restaurant, Recreational, Office and Entertainment: 215,000 square feet Residential: 204 apartments with refined residential amenities Common Space (SF): Roughly 2 acres Other: Approximately 250,000 square feet for rehabilitation of additional historic structures for commercial and residential uses, and 12 acres of land for additional development as part of Phase IV and future phases of the project
Parking	Surface (approximately 1,100 spaces)
Site Dimensions	Total Acreage: 36 acres Total Floor Area Ratio: Approximately 2.0 for existing structures; new construction will be 3.0-4.0 FAR Total Square Feet: 850,000
Current Development Team	Developer: Taft Family Ventures, Belmont Sayre Project Architect: McMillan Pazdan Smith Interiors Architect: McMillan Pazdan Smith General Contractor: Caldwell Constructors, PR3, Clayton Construction, Triangle Construction Company, Inc. Leasing Agents: Avison Young, Greystar Civil Engineer and Landscape Architect: SeamonWhiteside (SW+) Project Managers: NAI Earle Furman
Financial Partners	Belmont Sayre LLC, Taft Family Ventures LLC, United Bank, Foss and Company / JP Morgan, Stonehenge Capital, The Reinvestment Fund, CommunityWorks, Truist Community Capital, SC Community Loan, Innovate Fund
Municipal Funds or Tax Incentives	Bailey Bill
Financing	Construction Loan: $58 million Short-term Debt: None Long-term Debt: Same as construction loan Other Financing: Federal/state tax credit, new market tax credits ($75 million)
Timeline	Land Acquisition: 2017 Submitted Initial Plans: October 2016 Phase I Completed: June 2021 Project Completed: Project is ongoing. Phases II and III, which include 215,000 square feet of office, retail, entertainment and recreational space, were completed in 2023. The developers are looking toward Phase IV and future phases of the project.
Development Cost Information	Acquisition Cost: $6 million Phase I Hard Costs: Roughly $40 million Phase II Hard Costs: Roughly $15 million Phase III Hard Costs: Roughly $15 million Soft Costs: $74 million Total Project Costs: More than $100 million

Steering Former Auto Plants in a Different Direction

Ford Motor Co.'s Twin Cities Assembly Plant is being redeveloped into Highland Bridge, a 122-acre multiuse community that overlooks the confluence of the Minnesota and Mississippi rivers.

At a Glance

- Redevelopment projects can help fill the gaps caused by the closures of massive auto manufacturing plants.
- Highland Bridge is the result of a decadelong process to develop a master plan for Ford Motor Co.'s former Twin Cities Assembly Plant in St. Paul.
- Assembly Atlanta will combine a studio complex and a live-work-play community on the site of a former General Motors plant. ■



Drone Brothers

Two redevelopment projects showcase the possibilities for converting closed auto assembly sites, even when hitting bumps in the road.

■ By Will McDonald

Between 1979 and 2011, 60% of American auto manufacturing plants closed; 72% of those closures occurred at plants that were one of the top three employers in their communities.

The increase in imports, coupled with advancements in manufacturing technology that replaced the conventional assembly line process, rendered the massive manufacturing plants constructed during the peak of the U.S. auto industry outdated, resulting in deserted factories in local communities. However, such challenges also create opportunities, as evidenced by two redevelopment projects that aim to generate new employment opportunities on the premises of these former economic engines.

■ Highland Bridge, St. Paul, Minnesota

Ryan Companies is redeveloping the site where Ford Motor Co.'s Twin Cities Assembly Plant once stood into Highland Bridge, a 122-acre multiuse community of housing, retail, office and medical in St. Paul's Highland Park neighborhood, an affluent area in the city's southwest corner. The development is the result of a 10-year process undertaken by the city of St. Paul to create a master plan for the site, which overlooks the confluence of the Minnesota and Mississippi rivers.

History

The plant was built in 1925 on what was mostly farmland, surrounded by a community of about

25,000. Henry Ford chose the site due to its proximity to the Mississippi River, which he saw as the source of abundant and inexpensive hydropower. The plant operated until 2011, and at the time of its closing was the oldest continuously operating Ford plant in the U.S.

Ford spent the next year removing equipment and decommissioning the plant. Demolition started in June 2013, and Ford began the cleanup process soon after, removing approximately 440,000 cubic yards of contaminated soil as part of the process. It cost Ford $81 million to remediate the 122-acre site, with the Minnesota Pollution Control Agency approving the conditions in May 2019.

In December 2019, Ryan acquired the site from Ford for $61 million.

When Ford issued a request for proposals for the site, it was important to the company that the winning developer had legacy connections to the community, according to **Maureen Michalski**, vice president of real estate development for Ryan Companies. "I think that is why Ford chose Ryan. We're a national developer, but our corporate headquarters are here in the Twin Cities," Michalski said. "I think that was what compelled the cleanup too. To create a legacy project, particularly along the river."

Commercial Space

Highland Bridge includes 150,000 square feet of retail anchored by a Lunds & Byerlys grocery store, 265,000 square feet of planned office and a recently completed 60,000-square-foot medical office building anchored by M Health Fairview.

According to **Frank Richie** of Transwestern, who leases the medical office building on behalf of Ryan, that property is over 80% leased. He said the building is attractive to tenants because it is located near public transportation and can accommodate patient access from multiple points of entry and 285 parking stalls, most of which are in the facility's parking garage (which comes in handy during Minnesota's harsh winters).

Drone Brothers

Highland Bridge includes 150,000 square feet of retail, 265,000 square feet of planned office and a 60,000-square-foot medical office building. The master plan also calls for 3,800 housing units, including up to 760 units of affordable housing.

A second phase of the medical office component, which would add another 80,000 square feet to Highland Bridge's health care offering, is planned.

Green Space and Sustainability Features

Michalski credited the city's 10-year planning process for addressing concerns that the increase in density brought by the project would lead to more traffic in the neighborhood. Public green spaces, including four new public parks, were important to achieving that compromise. Community reception to those aspects has been overwhelmingly positive, Michalski said.

Most of the stormwater will be collected from the surrounding buildings and flow into an open pond, five rain gardens and five underground filtration systems. The water will eventually empty into a stream that runs over Hidden Falls, a nearby waterfall.

Ryan's environmental commitment to the project led to a LEED campus certification for the entire Highland Bridge development. Michalski explained that campus certification will streamline the certification for each vertical development as construction proceeds.

Part one of the master plan's vision involved reconnecting the street grid so that the community can access the river, Michalski said.

The budget for infrastructure was $85 million, which included roads, utilities, sidewalks, and pedestrian and bike paths. That work was partly financed through tax increment financing (TIF); the remaining work will be paid for through a combination of fees and tax assessments to the vertical developments.

Affordable Housing

The master plan includes 3,800 housing units on the site, 90% of which will be rentals and 10%


Ryan Companies US, Inc.

The creation of public green spaces, as shown in this rendering, was important in addressing community concerns that the development would lead to more traffic in St. Paul's Highland Park neighborhood.

for purchase. Of the housing units, 20% must be income restricted below 60% of Area Median Income (AMI), and half of the income-restricted housing must be restricted below 30% of AMI. In total, that would add up to 760 units of affordable housing at Highland Bridge.

Providing low-income housing was a primary goal of the master plan, Michalski said. Ryan was able to subsidize the construction of the affordable units by pairing them with market-rate housing through TIF. Weidner is building the market-rate apartments, and Pulte Homes is building a 15-block row home district, with prices starting around $650,000. Project Pride in Living, CommonBond Communities and Habitat for Humanity are delivering the affordable units. Presbyterian Homes also built 300 units of senior housing, which includes memory care and assisted living. Michalski said a second phase of senior living that will add 125 units of housing for people 55 and older is underway.

Policy Setbacks

Hurdles to completion recently arose when voters in St. Paul approved a 2021 ordinance that would cap rent increases by 3% annually. Financing for Highland Bridge had been arranged prior to the ordinance's passage, and the new policy brought construction of market-rate housing to a halt. Weidner completed The Collection at Highland Bridge in 2022, a 230-unit market-rate complex above the Lunds & Byerlys grocery store, but has since stopped building any additional market-rate units. The policy does not impact homes available for purchase, nor does it affect the affordable housing, assisted

Ryan's environmental commitment to the project led to a LEED campus certification for the entire Highland Bridge development. Maureen Michalski explained that campus certification will streamline the certification for each vertical development as construction proceeds.

living or 55-plus housing due to the nonprofit status of those developers and their access to alternative financing that is not available to traditional developers.

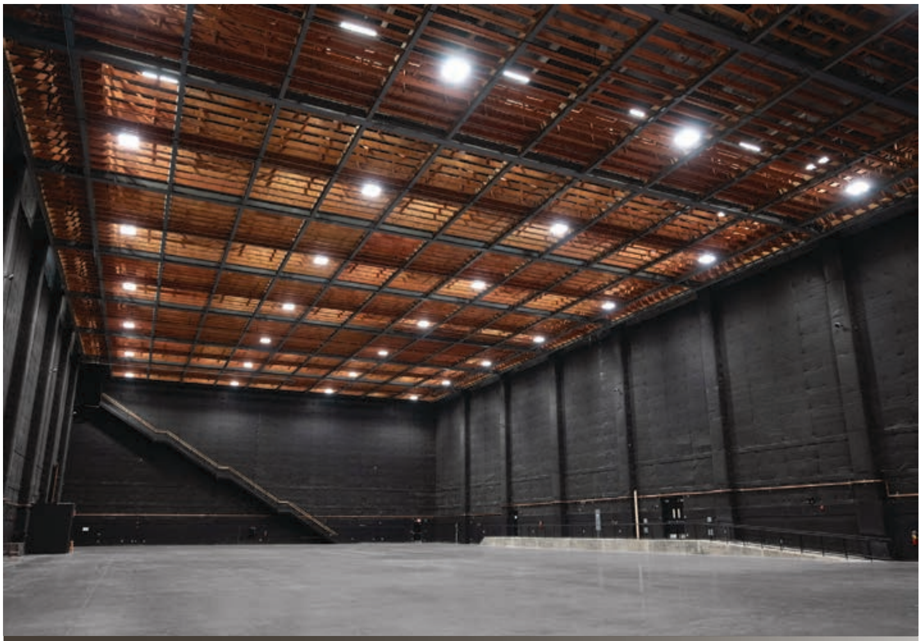
In September 2022, the city approved an amendment to the ordinance that creates a 20-year exemption for newly constructed residential rental properties.

But Michalski said that wasn't particularly helpful because developers assess everything from a 30-year perspective, given the terms of real estate loans. Ryan is advocating for another amendment that extends the exemption period for new construction to 30 years.

"The rent cap has meaningfully slowed advancement of the project, and it has changed the playing field for the development," Michalski said. And that was all before the interest rate climate changed. "While we were assessing the impact of the new rent control policy, interest rates got worse. So now we're dealing with a combination of challenges."

One of the master plan's overall goals was to bring jobs to the community that had left with the Ford plant's closure. Michalski said that when all is complete, Ryan estimates a $1 billion asset value for the entire project and 1,000 to 1,500 permanent jobs created. In her conversations with city leaders, she reminds them of this vision and what is at stake with the project. New council members were recently elected, and their terms began in January. Michalski said Ryan looks forward to working with them.

"Land development comes with particular risks," Michalski acknowledged. "It is important to have mechanisms in place to adjust for unexpected policy changes."



Lucie Content

Assembly Studios includes 19 individual sound stages and 350,000 square feet of total stage space.

One of the master plan's overall goals was to bring jobs to the community that had left with the Ford plant's closure. **When all is complete, Ryan estimates a $1 billion asset value for the entire project and 1,000 to 1,500 permanent jobs created.**

■ Assembly Atlanta, Doraville, Georgia

The General Motors Assembly Plant was once the heartbeat of the city of Doraville. At its peak, the plant employed over 3,000 people, according to **Justin Campbell**, vice president of studio operations for Gray Television. Originally built in 1947 for production of GM's Buick, Oldsmobile and Pontiac lines, the 1.9 million-square-foot plant had sat empty since 2008.

Georgia's Booming Film Industry

The same year the plant closed, Gov. **Sonny Perdue** signed the 2008 Georgia Entertainment Industry Investment Act into law. Campbell credited the legislation for the state's blossoming film, television and music industry, which employs roughly 86,000 people.

"The Georgia Entertainment bill offers entertainment companies up to a 30% tax credit on their qualified spend in the state of Georgia,"

Phase II of Assembly Atlanta will include architecturally distinct retail, office and housing, with the buildings also serving as filmable exteriors for TV and film productions.

Campbell said. Although the tax credit cannot be applied to real estate development costs, it explains why there has been an increase in demand for studio production space in the state.

It's also why Gray Television was ready to finance, entirely with its own private funds, a state-of-the-art studio complex and live-work-play community on the site of the former GM plant, a project Gray is calling Assembly Atlanta.

New Owner, New Plans

Gray's CEO, **Hilton Howell**, was introduced to the site by the company's development partner, the Gipson Company, in 2020. At the time, another developer, Integral Group, owned the site. Integral acquired the site in 2014 from GM and had plans for a more traditional mixed-use development, with heavier reliance on office, retail and housing. Integral built car dealerships on the north end of the site and the Third Rail Studios complex and a new headquarters building for Serta Simmons Bedding at the southern end.

When the COVID-19 pandemic began in 2020, the feasibility of Integral's plans diminished. It sold the remaining 135 acres of developable land to Gray for $80 million. Gray owns TV stations in 113 markets across the country and has built some of its own stations, but construction of this scale is not the broadcast company's forte. Which is why Gipson, a 50-year-old development firm based in Atlanta, was brought on as a development partner.

"We were just coming off a 200-acre master-planned project in Mount Juliet, Tennessee, but this project is in and of itself unique because in addition to the residential and commercial components, you have the studio element that sets it apart from any previous project we've done," said **Jay Gipson**, who focuses on development and construction management for the Gipson Company.

The team's first task was to remove and recycle over 90 acres of concrete still on the site so that it could begin laying the groundwork for Phase I of Assembly Atlanta's ambitious plans — Assembly Studios.

Assembly Studios

Assembly Studios' location in Doraville is strategic. The northeastern Atlanta suburb is accessible to both Interstates 285 and 85, and only a half-hour drive from Hartsfield-Jackson Atlanta International Airport. Assembly Studios includes 350,000 square feet of stage space, which accounts for 19 individual sound stages. With production offices, warehouses and mill space, Assembly Studios comes to just over 1 million square feet and constitutes 43 of the site's 135 acres.

In 2022, Gray signed a 15-year lease agreement with NBC Universal at Assembly Studios. In addition to serving as the project's anchor tenant, NBC Universal will provide facilities management and building operations services to the complex. This will be NBC Universal's second-largest operation — larger than its London facility and only slightly smaller than its complex in Los Angeles.

This isn't Georgia's first studio complex, but Gray and Gipson wanted to be sure it was above and beyond what the industry expected from them. Some sound stages have grid heights of 50 feet, and each is outfitted with 200 tons of HVAC (75 tons is industry standard) and served by 4,000 amps of electrical power. Also on-site are grip and electric gear, transportation, prop rental, wardrobe, sign fabrication and a paint booth, all available to any team filming at Assembly. Gray and Gipson even invited Atlanta resident and award-winning filmmaker **Tyler Perry** to the site to get his thoughts on their plans. Gipson said Perry was especially impressed by the on-site mill amenities, which Perry said would save millions in transportation costs because production teams can wheel their set designs straight to the stages from the mill.

Working With the City

One of the most remarkable accomplishments at Assembly Studios is that it took only 18 months from the project start date to completion.

"We would have never gotten here without the partnership with the city of Doraville," Gipson said. "They got our vision early on, and we delivered on that vision."

The company had weekly meetings with the entire project team, including every major subcontractor, from technology to construction, followed by weekly meetings with the city's planners, managers and third-party consultants. Permits took a total of three weeks to receive, which Gipson noted was substantially faster than the standard three months for a project of this scope.

"It was an incredibly interactive relationship between us and the city, and we were all working toward the same goal," Gipson said.

Sustainability

Campbell said all of the stormwater at the site was brought above ground and incorporated into an amenity for content creators.

"We've essentially used the stormwater on-site to create a retention

Assembly Atlanta

The 1.9 million-square-foot General Motors Assembly Plant being redeveloped into Assembly Atlanta had sat empty since 2008.

"In addition to the residential and commercial components, **you have the studio element that sets it apart from any previous project we've done.**"

— Jay Gipson, development and construction management, Gipson Company

Although the entirety of the GM plant was demolished, none of the 90 acres of concrete left behind by GM was taken off-site. Instead, it was crushed down and reused as aggregate under the roads, infrastructure and slabs.

An Update on The Assembly, Pittsburgh

Prior to the large-scale adoption of the assembly line, Ford created a nationwide system of "branch plants" that were housed in multistory buildings and included everything from parts assembly to showrooms and dealerships.

The Assembly in Pittsburgh is one such facility. In 2018, Wexford Science & Technology partnered with the University of Pittsburgh Medical Center on a $300 million effort to transform this historic former Model T plant into a state-of-the-art biomedical research center. Development magazine featured the project in its Spring 2022 issue. Since publication of the article, Apple has reportedly leased 70,000 square feet in the building. ■

pond that serves as one of the world's largest wet stages," Campbell said.

Additionally, although the entirety of the GM plant was demolished, none of the 90 acres of concrete left behind by GM was taken off-site. Instead, it was crushed down and reused as aggregate under the roads, infrastructure and slabs.

Although the previous developer had registered the site as a brownfield with the state, the actual cost of the environmental cleanup was less than anticipated.

"We originally budgeted for $2.6 million, but it only cost us $1.4 million," Gipson said. "Our biggest issue was lead. When the plant was first built, they still used lead paint. Over the years, rain deteriorated the paint, and that gathered in two different places. But it was still only a moderate amount of soil that had to be removed and taken to a special landfill."

Second Phase of Assembly Atlanta

Phase II of Assembly Atlanta is what Campbell calls an "unconventional take on the live-work-play model." Plans include architecturally distinct retail, office and housing. This second phase will differentiate Assembly from the traditional Hollywood backlot, Campbell said, because the buildings will also serve as filmable exteriors.

"Before we started the project, we went to the film and television industry and asked, 'What are the reasons you don't film in Georgia?'" Gipson said. "And the answer was that we didn't have the exterior sets that they require. We didn't have a New Orleans set, or New York brownstones, or a true European street. So the fronts of the housing and commercial buildings were intentionally designed to be used in productions."

Assembly Studios opened its doors in a red-carpet ceremony fit for Hollywood in October 2023. They are already over 80% leased, and Campbell expects them to be fully leased in the next few months. He believes the combination of Georgia's growing entertainment industry and an environmentally friendly, architecturally distinct mixed-use development will create a one-of-a-kind destination location. Gray is targeting 2030 for completion of all construction on the site.

Once fully operational, Campbell expects Assembly Atlanta to have created over 4,000 jobs for Doraville — or roughly a thousand more than the automobile factory that was once this small city's economic engine.

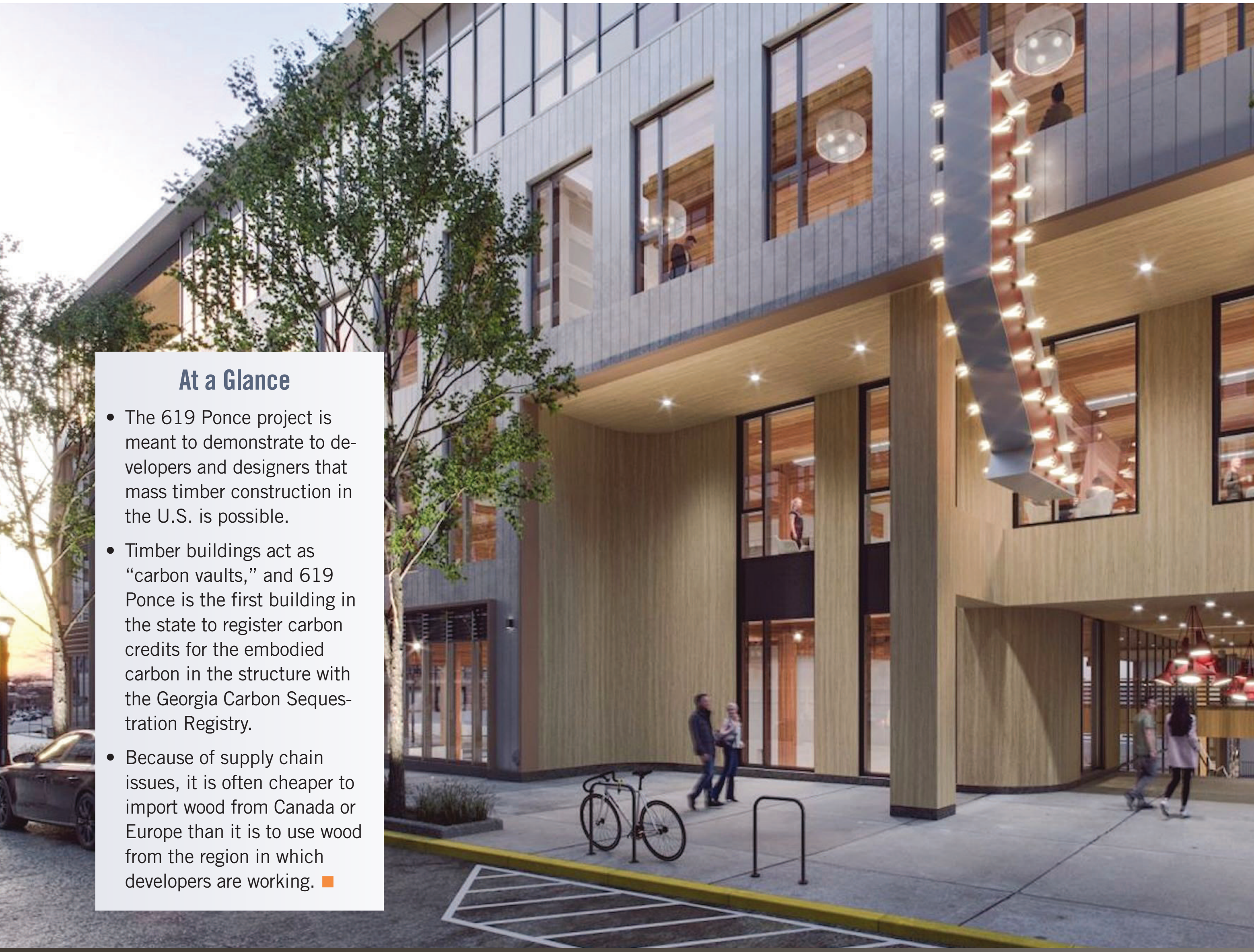
A Vision for Redevelopment

Backfilling the gap left by a changing auto industry is a tall order. Highland Bridge and Assembly Atlanta are evidence of opportunities to adapt the former plants into projects that have more in common with the present and future state of the U.S. economy.

These projects are being led by ambitious developers with roots in the communities impacted by plant closures, but ambitious development plans alone aren't enough. A vision must be agreed upon before any planning begins, and even then, developers need to underwrite the project with enough latitude to adjust for changing political and capital trends. Similarly, local and state governments need to be flexible if their ultimate goal is the realized vision of redeveloping these important sites in their communities. ■

Will McDonald is a freelance writer in Brooklyn with prior professional experience as a commercial real estate broker.

Seedlings to Solutions: Single-source Mass Timber Takes Root in Atlanta



At a Glance

- The 619 Ponce project is meant to demonstrate to developers and designers that mass timber construction in the U.S. is possible.
- Timber buildings act as "carbon vaults," and 619 Ponce is the first building in the state to register carbon credits for the embodied carbon in the structure with the Georgia Carbon Sequestration Registry.
- Because of supply chain issues, it is often cheaper to import wood from Canada or Europe than it is to use wood from the region in which developers are working. ■

Handel Architects' illustration of a finished 619 Ponce, which is expected to open later this year.

619 Ponce is part of Georgia's efforts to boost sustainable building practices.

By Steve Wilent

Last year, Jamestown, a global design-focused real estate investment and management firm, received the results of a surveillance audit of its timberland management in five states: Alabama, Georgia, New York, Pennsylvania and Indiana. The company holds a certificate demonstrating that its practices meet the Sustainable Forestry Initiative's forest management standard, which promotes sustainable forestry practices based on 13 principles, 17 objectives, 41 performance measures and 141 indicators. These practices include measures to help protect water quality, biodiversity, wildlife habitat, species at risk, and forests with exceptional conservation value. Accredited third-party certification bodies conduct regular audits, and the 2023 audit, by an experienced forester with Bureau Veritas North America, didn't find any nonconformances.

Almost as an afterthought, the auditor commented at the end of the report, under Notable Practices: "Jamestown is promoting the use of sustainably managed wood to construct mass timber buildings. The company used wood from its own sustainably managed forest to build a mixed-use building in downtown Atlanta. This represents a commendable effort to promote sustainable forestry."

The building, 619 Ponce, named for its location on Ponce de Leon Avenue in Atlanta, will be the first locally grown, locally sourced mass timber building in the U.S. Southeast. It is being built using cross-laminated timber (CLT) panels, glulam beams and columns made in part from wood grown on Jamestown's Georgia timberland. The four-story building was designed with a focus on sustainability and wellness, and to achieve net-zero operational carbon, LEED core and shell certification, and Fitwel certification. Jamestown aims to leverage best practices for material specification, including carbon reduction and local sourcing of materials from within 100 miles where possible. When completed in mid-2024, it is expected to have 25,000 square feet of retail and 85,000 square feet of office space. Pottery Barn, the U.S.-based home furnishings retailer, will occupy the 18,000-square-foot ground floor.

The building will be the newest element of Jamestown's Ponce City Market, a mixed-use development in Atlanta with retail anchors, restaurants, a food hall, boutiques, office space and residential units. The market is one of the most popular destinations in Atlanta, with more than 3.5 million people visiting annually.

Jamestown LP

Logs from Jamestown Timberland's property on the way to Georgia-Pacific's lumber mill in Albany, Georgia.

> **"It was actually going to be less expensive to source the mass timber panels and beams from Austria than from the U.S.** Being a timber landowner in Georgia, and Georgia being the No. 1 forestry state in the nation, we believed that was unacceptable."
>
> —— *Troy Harris, managing director of timberland and innovative wood products, Jamestown*

A Focus on Mass Timber

Jamestown believes mass timber is the future of sustainable development, especially if the timber is locally sourced. 619 Ponce is meant to demonstrate to developers and designers that mass timber construction in the U.S. is possible. The project is a centerpiece of a "mass timber blueprint" awareness campaign under development by the Georgia Forestry Foundation (GFF) and its partners, including the Atlanta and Georgia chapters of the American Institute of Architects, the U.S. Forest Service and WoodWorks-Wood Products Council. The aim of the campaign, called Seedlings to Solutions, is to "tell the story of mass timber in Georgia, from tree planting to building."

As a "forest to foundation" project that shines a light on a homegrown mass timber building, 619 Ponce may influence not only developers, architects, engineers and construction companies but also a public increasingly interested in locally sourced, environmentally friendly products and green buildings.

The 619 Ponce Mass Timber Supply Chain

If 619 Ponce is a unique and interesting building, so is the supply chain that brought the mass timber to the site. For a company with a significant investment in real estate and timberland, it's no surprise that Jamestown is interested in using mass timber products. But **Troy Harris**, managing director of timberland and innovative wood products at Jamestown, was surprised by bids for the construction of the building.

"It was actually going to be less expensive to source the mass timber panels and beams from Austria than from the U.S. Being a timber landowner in Georgia, and Georgia being the No. 1 forestry state in the nation, we believed that was unacceptable," he said.

Harris met with executives of Georgia-Pacific (GP), which also is headquartered in Atlanta.

As Harris explained, "I said, 'We're building a mass timber building in Georgia, and it should be made out of Georgia lumber. You have a mill in Albany, Georgia, and we have forestland that supplies wood to your mill. What if we partnered in a way that made this price-competitive with Austria?' They agreed very quickly." GP holds a Sustainable Forestry Initiative fiber sourcing certificate for its Albany mill.

Harris then approached SmartLam North America, which has a mass timber production facility in

Jamestown LP

Workers at SmartLam North America's production facility in Dothan, Alabama, prepare a mass timber panel for 619 Ponce.

Dothan, Alabama, less than two hours from Albany. It also has a production facility in Columbia Falls, Montana. Both facilities have Sustainable Forestry Initiative chain of custody certificates. After a planned expansion, the SmartLam facility in Montana will be the largest mass timber facility in the U.S., according to the company.

Harris wondered whether the 619 Ponce project could have a single timber source and could show exactly where this wood came from, similar to the farm-to-table movement. "If we can do this," Harris said, "we'd create an amazing story for mass timber." SmartLam agreed and joined the project.

Jamestown already had two contracts in place to provide timber from parcels south of Columbus, Georgia, to the GP mill in Albany.

"We worked with **Kim Woodall**, one of the few women logging company owners in the Southeast," Harris said.

Woodall delivered the logs to the mill in Albany, and GP agreed to process them all together — something most mills rarely do — during a single night shift. And SmartLam agreed to use only the Jamestown lumber in manufacturing the mass timber elements of 619 Ponce, making it Georgia's first and only locally grown mass timber building.

Seedlings to Solutions: A Mass Timber Blueprint Project

GFF was founded in 1989 to support the long-term sustainability of the state's 22 million acres of working forests. In recent years, GFF has devoted much of its energies to promoting and supporting the mass timber market by reaching out to the architecture, engineering and construction sector, key policymakers and the public.

"At the highest level, we are trying to increase awareness and understanding of mass timber and its sustainability benefits, and especially tying it back to sustainable forest management," said GFF Vice President **Nick DiLuzio**. "We've hosted field trips to let people see mass timber structures. It's one thing to hear about it, but it's another to see mass timber buildings."

Large mass timber buildings came to Atlanta in 2019 with the opening of T3 West Midtown, a seven-story, 205,000-square-foot structure developed by Hines, with StructureCraft doing the mass timber work. The building includes five floors of mass timber above a concrete podium; the five floors are leased commercial office space.

"T3 is a great example of a timber building. It gave us something tangible that people could actually walk into and get the experience of being surrounded by wood," DiLuzio said. "But the wood was sourced from Europe. In just about every tour I've given in that building, people ask where the wood came from, and I have to tell them that the lumber was shipped from Europe to Canada, where the mass timber components were made, and then shipped to Atlanta. They wonder why it wasn't sourced from the U.S., and I agree. There's no reason we shouldn't be growing our own buildings. We just need the supply chain in our region to catch up."

GFF's Seedlings to Solutions initiative is aimed at catching up. GFF lists four ways that the initiative unites its mass timber outreach and education:

- A documentary video series depicts the 619 Ponce supply chain from the forest to the finished structure.

Jamestown LP

Assembling 619 Ponce's mass timber superstructure.

- A portable mass timber "pop-up" structure with interpretive information has been installed at Ponce City Market.
- A permanent mass timber pavilion, Forest at Ponce City Market, is designed to be an attractive public event space with information about sustainable forestry and mass timber structures.
- The Mass Timber Acceleration Technical Assistance Program will help with projects.

GFF received a $199,100 U.S. Department of Agriculture Forest Service Wood Innovations Grant to support the pavilion's development. It also received a $10,000 Community Grant from the Sustainable Forestry Initiative to help with the design and construction of the pavilion.

Technical Assistance for Architects and Developers

GFF's Mass Timber Acceleration Technical Assistance Program, or mass timber accelerator, as DiLuzio calls it, was formally launched at the end of 2023.

"Architects or developers who are in the early stages of a mass timber project can apply to participate in the accelerator program," DiLuzio explained. "If they are accepted, they receive a $25,000 cash award to help offset some of the time involved in participating. They will also receive high-level technical expertise from WoodWorks, including two design charrettes with the project team. With the funding we have, we can support up to eight projects."

The WoodWorks team will work with a developer's existing concepts to determine the best options for incorporating mass timber in the building. WoodWorks also will produce a comparison of the costs of using traditional materials such as concrete and steel versus using mass timber and provide an analysis of the carbon benefits of using mass timber in place of traditional materials.

According to Think Wood, T3 Minneapolis, a seven-story mass timber commercial building completed in 2016, **was erected in just 2.5 months at an average of nine days per floor.**

CLT Advantages

The building at 619 Ponce is the first in the state to register carbon credits for the embodied carbon in the structure with the Georgia Carbon Sequestration Registry. The voluntary program provides forest landowners, municipalities, and public and private entities with an official mechanism for the development, documentation and reporting of carbon sequestration projects undertaken in Georgia.

"Builders and designers in Georgia who use timber products can calculate the difference between using mass timber and concrete and/or steel, and the net difference of the embodied carbon in that project can be placed on the registry," Harris said. "Timber buildings are carbon vaults. The credits in the registry can be sold to a company that's looking to offset its carbon dioxide emissions, whether it's an

Cross-Laminated Timber Fast Facts

Compared with other types of hardwood, CLT is more stable and its mechanical properties less variable.

- **Its panels are made of** cross-grain layers, making them less likely to deform under the effect of moisture.
- **State and local building codes**, such as those in Oregon, Washington and California, are changing to accommodate CLT.
- **Insurers are covering CLT** buildings post-construction, although some still require builders to take additional structure-strengthening measures.
- **In 2020, CLT cost an average** of about $50 per square foot, which in many cases is about $14 per square foot less than a traditional concrete and steel building.
- **In the U.S.**, 2,035 multifamily, commercial or institutional mass timber projects were in progress or built as of December 2023.


Jamestown LP

619 Ponce's mass timber superstructure.

Mass Timber Standing Tall

The Ascent MKE building in Milwaukee stands as the world's tallest mass timber building at 25 stories and 284 feet. Revisit Development's Summer 2021 cover story on this unique project, "How Ascent Is Pushing Mass Timber to New Heights," at naiop.org/21timber.

airline or a manufacturer. Tenants can use the credits to offset their carbon footprints. Or the owners of the building can use those credits to keep their emissions as net zero."

Such credits can help compensate for the higher cost of using mass timber compared with concrete or steel — a premium of 10% to 15%, according to Jamestown. "That premium is due to the newness of the product and limited number of providers, but the goal is to increase suppliers and demand for the product, which should reduce the material premium," Harris said. "We also haven't fully realized the savings on the schedule side yet — which helps offset the premium — but as more and more contractors complete these projects and get familiar with the building material and its benefits, the more that premium should be reduced."

According to Think Wood, T3 Minneapolis, a seven-story mass timber commercial building completed in 2016, was erected in just 2.5 months at an average of nine days per floor.

Sourcing Mass Timber

Mass timber accelerator participants won't be required to use U.S. wood.

"We are certainly going to encourage them to use Southern yellow pine, but it probably won't be a requirement," DiLuzio said. "One of the challenges that we're facing is that it's 10% to 15% cheaper to import wood from Canada or Europe than it is to use wood from the Southeastern U.S. The developers I've talked to appreciate the benefit of using wood from the region they are working in, but the price differential in such projects can be huge."

European companies have been making and using mass timber for at least 30 years, so their supply chains are more mature than those in the U.S., DiLuzio said.

"The optimist in me says that in the next five or 10 years, as demand for mass timber continues to increase in the supply chain in the South, we'll get to the point where we are competitive with the international markets," he added.

According to Forisk, an industry research and consulting firm, there are 38 mass timber production facilities in the U.S. and Canada, including 24 that can produce CLT.

DiLuzio often hears from people who ask whether a substantial increase in mass timber demand will result in overharvesting of forests in the region.

"In the Southeast, the answer is no," he said. "Southeast-wide, we actually have an oversupply of wood on the stump. Stumpage prices crashed in 2008 with the collapse of the housing market, and they haven't really recovered since then."

Although it may seem counterintuitive, Harris argues that to ensure the long-term sustainability of Southeastern forests, there is a need to increase harvest. Georgia grows, on average, 48% more timber than is annually harvested.

Will the stars align again for another single-source mass timber building using Jamestown's timber?

"We want to do another project, and I hope we can," Harris said. "The reality is that single sourcing like this is very hard. We had the right timberland, in the right place, with the right mill, which was close enough to the SmartLam plant in Dothan. We really want to do more mass timber projects with Southern yellow pine. Could we build with timber sourced from Georgia? Or [do] a building in Charleston, South Carolina, with timber grown in that state? Yes, absolutely. That can work in other states, too — Douglas fir in Oregon or hemlock in Maine. And I think it's a great story to tell, even if it isn't single-sourced — a story that says this building was made from sustainably harvested timber grown not in another country, but right here in your state."

Steve Wilent is a freelance writer in Zigzag, Oregon. Contact him at SWilent@gmail.com.

Immersing Students From Underrepresented Backgrounds in the Possibilities of CRE

Andy Hunt

The MKE CRE 2023 cohort poses alongside guest speaker Jen Manna (front row, far left), program director Andy Hunt (second row, far right) and program associate Melanie Roepke (front row, far right) in Dr. E. J. and Margaret O'Brien Hall.

A program partnership between Marquette's Center for Real Estate, NAIOP Wisconsin and Physicians Realty Trust could serve to create a pipeline of diverse talent for the industry.

By Andrew Goldstein

More than a dozen high school students spent the last week of a fleeting Milwaukee July the way one might expect: making new friends, exploring the city and taking in a baseball game. However, this group also did plenty of other things that don't align with the typical 16-year-old's summer, such as touring commercial real estate projects under construction and listening to panel discussions by bankers and developers.

At the MKE CRE Summer High School Immersion Program, all those experiences exist side by side.

"We want to help students to realize that commercial real estate is more than just a job or a course of study; it's literally everywhere around them, shaping their neighborhoods and their lives," said **Andy Hunt**, Vieth Director for the Center for Real Estate at Marquette University.

At a Glance

- This program provided 20 students opportunities to learn about the industry through lectures, mentoring and site visits.
- It promotes greater diversity, equity and inclusion in commercial real estate.
- Companies that sponsor the program regard it as an investment in the industry's future. ■

The intensive summer program, approaching its third year on Marquette's campus and fourth overall, is a joint venture between the College of Business Administration's Center for Real Estate (CRE) and the Wisconsin chapter of NAIOP.

Both organizations recruited diverse high school students from southeastern Wisconsin who were interested in real estate careers and provided them opportunities to learn from industry leaders through lectures, one-on-one mentoring and site visits. The program's goal is to encourage students to make decisions about their futures while learning about designing, building, managing and selling properties.

Students applied for the camp in spring, and 20 were selected several months before attendance, with preference given to those entering their junior or senior year of high school. Several sponsors, including Physicians Realty Trust, the Mandel Group, Northwestern Mutual, Tri City National Bank and Hammes Partners, donate more than $30,000 per year to ensure the program remains accessible regardless of students' socioeconomic backgrounds. NAIOP Wisconsin also helps raise funds to offset program costs.

Andy Hunt

Ivan Gamboa, senior vice president of Tri City National Bank, teaches students about banking.

"The community support in time, talent and treasure has been overwhelming," Hunt said. "Milwaukee is a special city with special commercial real estate leaders."

Michael Riopel, a NAIOP Research Foundation governor and a member of the Marquette CRE advisory board, brought the idea to Hunt in 2019 after seeing a similar collaboration between Drexel University and NAIOP's Greater Philadelphia chapter. Hunt, who also serves on Marquette Business' diversity, equity and inclusion committee, thought a youth camp would pair well with the college's ongoing initiatives. After finding volunteers and sponsors, the first immersion program launched online in the summer of 2020, with Riopel, Hunt and NAIOP Wisconsin CEO **Jim Villa** as co-leaders.

Andy Hunt

Students heard from multiple guest speakers throughout the week, broadening their understanding of key issues in commercial real estate.

Villa hopes the immersion program will create a pipeline of diverse talent for the industry. People from underrepresented backgrounds who want to work in commercial real estate often face structural barriers to entry, such as lack of access to affordable education or a professional network.

"At NAIOP, the diversification of real estate is incredibly important to us, not just in terms of real estate deals, but in terms of the people doing it," Villa said. "The future of our communities depends on the people coming up in the industry who are going to make real estate development work for everybody. This program is a great chance to introduce the next generation of real estate leaders to different perspectives."

Learning the Industry

Attendees spent a week on campus, staying overnight in campus residence halls under resident assistant supervision. Students often started the day listening to guest speakers talk about the construction process or how investment firms select properties to buy. After lunch, the cohort received in-person illustrations of the morning's lecture with guided tours of new high-rise apartment buildings or downtown retail locations. Each day typically ended with dinner and group activities, such as a bowling night at the Union Sports Annex, an on-campus restaurant.

Jade Hendricks, assistant vice president of investor operations at MLG Capital in Brookfield, Wisconsin, saw herself when looking at the summer scholars. Hunt and Villa invited Hendricks to be a panelist in 2022, and she returned this past July. Students often met with Hendricks after her talk to ask additional questions, eagerly scribbling down the career advice she provided.

Hendricks admitted that she didn't initially anticipate how much interest the students would have in real estate at their young age or the degree to which they would grasp advanced concepts despite being exposed to the industry for the first time only days before.

"I'm always surprised by what the students ask because they're just so in tune with what you're saying," Hendricks shared. "I get questions like 'Did learning about real estate help you manage your money?' and 'How do you contribute to your company?' It's always interesting to think about what their world is currently like and how they can try to visualize themselves in my shoes."

Michael Emem, president and CEO of the Emem Group, also spoke to the group. The Emem Group's extensive portfolio includes development in the predominantly African American neighborhoods of Harambee, King Park and Bronzeville in Milwaukee. His firm's goal of building communities and promoting home ownership struck a chord with the immersion program campers.

"It's important for young professionals to see other young professionals who look like them and who come from similar backgrounds because it's a lot easier for them to relate and visualize themselves doing similar work," Emem said.

In between guest speakers, **George Cashman**, the Marquette Business Robert B. Bell Sr. Chair in Real Estate, taught students commercial real estate basics such as banking and site development.

"MKE CRE is the reason you go into teaching," said Cashman, who is also a NAIOP Research Foundation Distinguished Fellow. "Watching the kids get excited about real estate, picking up the lingo and seeing the opportunities available is incredibly rewarding."

Investing in the City

Physicians Realty Trust, a local company that invests in medical office buildings, was the immersion program's title sponsor. Its involvement went beyond donations; the firm also invited the students to tour its offices in Milwaukee's historic Third Ward neighborhood. **Jen Manna**, vice president and associate general counsel, and senior investment analyst **Patrick McCoshen** spent the week answering students' questions and participating in activities with them, while **Mark Theine**, executive vice president of asset management, hosted a panel of young real estate professionals.

Companies that sponsor the program regard it as more than a charitable donation; they see it as

Cultivating DEI in CRE

Inviting students to campus in the summer is just part of the Center for Real Estate's efforts to promote diversity, equity and inclusion in the industry. Marquette also partners with the Local Initiatives Support Corporation's Milwaukee chapter on the Associates in Commercial Real Estate program, commonly referred to as ACRE. Over nine months, between 20 and 30 adult learners of color, ranging in age from 23 to 73, go through a professional development program that teaches them how to manage, invest in and develop real estate assets. Founded in 2004, ACRE has trained more than 300 aspiring commercial real estate professionals.

ACRE helps solve one of the many ways that people of color are passed over for job opportunities: lack of connections. Many college business students complete at least one internship during their undergraduate career; nearly 90% of students in Marquette's College of Business Administration do so, and more than 50% complete at least two. This often involves coordinating transportation to the internship site, setting aside time from classes and work-study programs, or even finding temporary housing — things that students with access to resources can do more readily.

"At the heart of it, commercial real estate is a relationship business," NAIOP Wisconsin CEO Jim Villa said. "What this program is doing is helping students establish relationships not only with themselves, but with professionals." ■

Andy Hunt

Campers got a look inside the Marquette basketball locker rooms at the Al McGuire Center, the campus athletics facility.

an investment in their own industry's future.

"We're a Milwaukee-based company, and we believe in this city," Manna said. "We think it's so important for future leaders to take an interest in real estate because they're going to be the ones shaping our city in the future."

Hunt and **Ivan Gamboa**, senior vice president at Tri City National Bank, wanted to engage students through visits to recognizable landmarks around Milwaukee. Students toured Fiserv Forum, home of the NBA's Milwaukee Bucks and Marquette basketball, and heard from arena personnel about the process of building and maintaining the $1.2 billion venue.

After visiting Fiserv, students took a trip next door to the Trade Hotel, a 207-room, nine-story Marriott Autograph Collection property that opened in May 2023. Both the stadium and the hotel are part of Deer District, a 30-acre mixed-use development neighborhood in downtown Milwaukee that gained national attention during the Bucks' 2021 NBA championship season.

Prior to the MKE CRE camp, students might have viewed the neighborhood on television simply as the place where the Milwaukee Bucks play basketball. Afterward, it became a living example of how commercial development can transform a neighborhood for the better and a window into the kind of world the students could inhabit one day.

"A lot of these kids aren't exposed to the same kinds of possibilities as their peers in different parts of the city," Hunt said. "A lot of them never dreamed that they would be the ones to build places like Fiserv Forum or some of the other high-rises around the stadium. Then they meet the people who did it and, suddenly, it becomes possible. That's what this camp is all about."

The teenage students, not always easy to impress, saw value in the experience. "I love this camp because these people are giving out their financial advice for free," camper **Jasmine O.** said.

Jaylen W. added, "My favorite part about this week was connecting with different people and getting tours around a bunch of places I've never been before."

Diversifying the Talent Pool

As the only commercial real estate program to be housed within a Catholic, Jesuit university, Marquette's nationally ranked Center for Real Estate abides by the idea of business with purpose, using sound principles, academics and ethics to positively influence its surrounding community. Hunt sees the summer immersion program and the Associates in Commercial Real Estate program (see feature box above) as being in line with that mission, creating more opportunities in a field that does not have nearly enough minority representation.

"All of us in the Center for Real Estate decided a long time ago that diversifying the industry is important, and we wanted to do that in a way that aligns with Marquette's mission. One of the university's core values is *cura personalis*, or caring for the whole person, which calls us to create these growth opportunities whenever and wherever we can," Hunt said.

"There are a lot of excellent candidates out there that aren't getting identified because they didn't get to go to the same school or have the same privileges that someone else had, but they're just as capable and would be just as good of a fit at a commercial real estate company,"

Andrew Goldstein

Alumni from the MKE CRE Summer High School Immersion Program returned to campus to impart their wisdom to current students.

McCoshen said. "We view it as our job to work hard and identify those candidates."

Although it will take a while for the high school-age scholars to mature into interns and entry-level job candidates, the MKE CRE program offers a more immediate benefit to companies that engage with it: information about city neighborhoods provided by the people who experience them every day.

"I like going to the immersion-week classes and listening to what the kids want to see in the city," Gamboa said. "We should always go in with a mindset of what the next generation wants to do."

"You need to have diverse opinions and diverse backgrounds in a room to come to a really good solution to a problem," Manna said.

Pursuing Lifelong Value

The summer immersion program concluded with students presenting their sole assignment for the week: a TikTok video demonstrating one thing they learned from their time at Marquette. Over the preceding days, students had gathered into groups and devised everything from dances to lip-syncs to summarize some of the lessons from the week's speakers.

After friends and family finished enjoying the students' creativity, Hunt and Villa addressed the room one final time, inviting the students to stay in touch. If they need advice, a reference or someone to make an introduction for them, it is just an email away.

"You were with us for one week, but we'll always be with you," Hunt told the crowd of students before they departed.

Although the immersion program has existed only since 2020, there are signs that students have taken Hunt's message to heart. Students from the 2022 program came back for a reception to talk to the 2023 group, providing a start to what the program's organizers hope will become an active immersion alumni network. Future program offerings may include an internship program during the school year.

Andy Hunt

Vieth Director for the Center for Real Estate Andy Hunt (left) poses with a camper alongside Physicians Realty Trust Vice President and Associate General Counsel Jen Manna and Tri City National Bank Senior Vice President Ivan Gamboa.

Some students will go on to study commercial real estate in college, perhaps even at Marquette. Some will study business elsewhere. Many will pursue something outside of business altogether. Regardless, all of the participants are now aware of possibilities for their futures. They have gone from thinking of real estate as an abstraction to viewing it as a foundational part of their lives and communities. ■

Andrew Goldstein is a marketing communications associate with the Marquette University College of Business Administration.

Relevant Research

The NAIOP Research Foundation published "Diversity, Equity and Inclusion in Commercial Real Estate: Best Practices and Common Challenges" in September 2023. To view the report, visit dei-in-cre-2023.pdf. ■

Basel Endgame Regulations Could Squeeze Real Estate Lending

New rules meant to protect against insolvency would reduce the amount of credit major banks can provide.

By Aquiles Suarez

New banking rules promulgated by federal regulators could spell tighter credit for commercial real estate owners at a time when many will need to refinance debt that is coming due on their properties. The new regulations, part of what is known as the Basel III Endgame, would increase capital requirements on major banking institutions in the U.S. The result could be less credit availability for businesses in general, higher financing costs for commercial real estate and a dampening effect on economic growth. The business community has been raising concerns with regulators and elected officials since the policy changes were proposed, and the volume of concern is very likely to increase this year.

Boogich via iStock/Getty Images Plus

Many major banks have already tightened credit to office properties because of historically high vacancy rates.

Background of Basel III Endgame Regulations

The Federal Reserve, the Federal Deposit Insurance Corp. and the Office of the Comptroller of the Currency jointly proposed the new capital regulations in July 2023, with the period for public comment closing early this year. The Basel Committee on Banking Supervision, an international body located in Basel, Switzerland, of which the U.S. is a member, developed the regulations. The Basel Committee is responsible for setting standards to enhance the safety and soundness of the global financial system, which member countries can then implement through their own laws or regulations. Basel III is a set of measures developed in the aftermath of the 2007 global financial crisis, and the final iteration is known as the Basel III Endgame.

The technical details of the regulation are complicated, but the rule essentially requires major banks — those holding more than $100 billion in assets — to increase their highest-grade capital by an average of about 16% across the board, with the larger banks required to hold up to 19% more in capital. Increasing the amount of capital that banks must keep in reserve compared with their outstanding loans serves as added protection against insolvency, thereby reducing the risk they could pose to the global financial system. However, this action also reduces the amount of credit these banks can provide and lowers their profitability. While the regulations will be phased in over a period of years beginning in 2025, banks will need to begin adjusting their lending strategies and portfolio management now to ensure future compliance.

While the regulations will be phased in over a period of years beginning in 2025, banks will need to begin adjusting their lending strategies and portfolio management now to ensure future compliance.

Impact on Real Estate Finance

The Financial Stability Oversight Council, a federal government organization established in the aftermath of the Great Recession, stated in its 2023 annual report that banks held half of the $6 trillion in commercial real estate loans. Commercial real estate is the largest loan category for almost half of all U.S. banks. Of the outstanding commercial real estate debt, over $1 trillion will mature in 2024 or 2025 and will need to be paid off, extended or refinanced.

Commercial real estate is the largest loan category for almost half of all U.S. banks. Of the outstanding commercial real estate debt, over $1 trillion will mature in 2024 or 2025 and will need to be paid off, extended or refinanced.

Much of the commercial real estate sector is already facing a challenging finance environment, due in large part to the Federal Reserve's steep increases in interest rates. In addition, office properties are confronting starkly different market conditions resulting from the permanence of post-pandemic remote work patterns, which have led to historically high vacancy rates. At the end of 2023, 19.6% of the office space in major U.S. cities was vacant, marking an increase over the prior year, according to a report by Moody's Analytics. Previous office vacancy records were recorded more than 30 years ago, in 1986 and 1991.

The Federal Reserve finally signaled a pause in interest rate increases this past December, and financial markets are hoping for reductions this year. However, that might not offer much help in the near term for many commercial property owners looking to refinance. The bulk of these loans had borrowing rates near zero, while the effective federal funds rate at the beginning of this year was between 5.25% and 5.5%. Furthermore, higher vacancy rates have led to decreased market valuations for many office properties, which could result in their owners having to put up more equity when refinancing.

Reduced rental revenue — resulting from lower occupancy and higher debt service costs associated with refinancing at higher interest rates — combined with higher insurance and other operating costs due to inflation were already factors leading major banks to tighten credit to the sector and reduce their holdings of what had become, in their view, risky commercial real estate assets. The Federal Reserve even issued a letter to banks urging them to work with commercial real estate borrowers to extend or modify existing loans. There is little doubt that layering stricter capital requirements on banks, on top of the negative economic conditions already affecting commercial real estate, would have a pronounced impact on the availability of financing for the industry.

Layering stricter capital requirements on banks, on top of the negative economic conditions already affecting commercial real estate, would have a pronounced impact on the availability of financing for the industry.

Industry Response to the Proposal

The banking industry began sounding alarm bells soon after the proposal's release. The U.S. Chamber of Commerce also weighed in, arguing that the proposal could limit the availability of credit for business activity. The bipartisan, nonprofit public policy organization Center Forward put the issue on its agenda, running television ads against Basel III Endgame. NAIOP has made the availability of capital and credit for commercial real estate a top public policy issue for 2024. Republican senators and representatives and moderate Democrats have already voiced concerns with the proposal.

While Federal Reserve Chair **Jerome Powell** has stated he wants to ensure the regulation addresses legitimate industry concerns, few believe regulators will want to delay finalizing the rule beyond the second half of the year. Under the Congressional Review Act, Congress has 60 days after a regulation is finalized to introduce legislation to overturn or modify the rule. If Congress adjourns before the end of that period, then the clock will reset.

The Biden administration will want to push federal agencies to finalize regulations well in advance of the November congressional elections while Democrats have majority control of the Senate. This would prevent the next Congress from overturning the regulations in case Republicans take over the Senate and retain their majority in the House of Representatives. Either way, expect maintaining adequate credit for commercial real estate to be a major advocacy focus for NAIOP and its industry allies in 2024. ■

Aquiles Suarez is senior vice president for government affairs at NAIOP.

Chapter Profile: NAIOP Minnesota

The state's solid infrastructure opens opportunities for adaptive reuse and redevelopment.

By Jonathan Rollins

Minnesota is home to many of the nation's most recognizable corporations and nonprofits, including Target, 3M, General Mills, US Bancorp., Cargill, Best Buy and the Mayo Clinic. Its economy is known for its diversity, with the Twin Cities of Minneapolis and St. Paul ranking as the 17th most diverse economy out of 384 U.S. metropolitan areas. In its annual Best States Rankings for 2023, U.S. News placed Minnesota at the very top of its infrastructure rankings and ranked it second in the economic opportunity subcategory.

> "We are extremely fortunate to have some of the most innovative developers, investors, and engineering, design and construction companies in the nation right here in our backyard. That bodes extremely well for capitalizing and leading the next cycle of opportunities in this market."
>
> *— David Anderson, president, NAIOP Minnesota*

Ahead of the NAIOP National Forums Symposium in Minneapolis, May 8-10, Development magazine asked NAIOP Minnesota President **David Anderson**, senior vice president at Frauenshuh, Inc., to provide some perspective on CRE trends and issues in the North Star State.

Development: *What are the market conditions for member companies in your area?*

Anderson: Depending on sector and geography, market conditions vary. The central business district multitenant office sector continues to face headwinds where pressures around hybrid work and shrinking office demand are exacerbated by rising interest rates and capital market constraints. That said, the flight-to-quality, first-class assets enjoy reasonable levels of activity and performance, particularly in select suburban and urban subzones. On the industrial side, the market has been relatively resilient. While there are some signs of slowing, the fundamentals of the market remain relatively strong across the region. Health care continues to forge ahead, with many of the region's and state's largest systems continuing to plan major strategic investments.

Development: *What are the challenges you're facing in either the business or regulatory climate in your area?*

Anderson: Minnesota has enjoyed a storied history of founding, growing and sustaining numerous Fortune 500s and some of the most successful companies in the world. Unfortunately, the state is facing fierce competition from other regions of the country to attract talent and innovation, including some regions that are providing more aggressive incentives to private sector investment. As a state and region, we need to invite companies to locate and grow in Minnesota and build on our strength around innovation, productivity and quality of life, while remaining cost competitive with reasonable, streamlined regulation.

Development: *What are the big opportunities in commercial real estate in your area right now?*

Anderson: Adaptive reuse and redevelopment of assets in the core and inter-tier suburbs are opportunities that continue to present themselves across sectors. As a region, we are fortunate to have reasonably well-developed and maintained infrastructure that allows for this type of redevelopment and reinvestment. I would add that we are extremely fortunate to have some of the most innovative developers, investors, and engineering, design and construction companies in the nation right here in our backyard. That bodes extremely well for capitalizing and leading the next cycle of opportunities in this market. The next few years will be a remarkably exciting time.

Development: *What are some of your chapter's legislative priorities?*

Anderson: The chapter's primary legislative priority remains commercial/industrial property tax relief. Minnesota is the only state in the country that taxes commercial and industrial property exclusively through the state general levy. Our public policy team has worked tirelessly to reduce or eliminate this tax. To support this effort, we educate policymakers with research on Minnesota's tax on commercial/industrial properties.

S. Greg Panosian/E+ via Getty Images

The Stone Arch Bridge invites pedestrians and bicyclists to explore Minneapolis. About 60% of Minnesota's population lives in the Minneapolis-St. Paul metropolitan area.

The team also works with policymakers to reduce cost and regulatory burdens on business owners, entrepreneurs and employers. We shape policies that encourage businesses to stay, invest and expand in Minnesota.

Development: *Education is an important part of NAIOP's mission. Have there been educational sessions specific to your chapter recently?*

Anderson: Since the 1980s, our chapter has held annual office and industrial market updates with local experts and panels. These programs continue to be well attended and provide timely and insightful information to our members.

NAIOP Minnesota also holds a series of small-group, member-only education opportunities under the banner of "Closer Look" discussions. These Closer Look events strategically target and engage principal members and receive exceptional markings in effectiveness. In the past year, topics have focused on the state of Minnesota's economy with a speaker from the Federal Reserve Bank of Minneapolis, a case study of the Destination Medical Center in Rochester and the rise of

"The chapter's primary legislative priority remains commercial/industrial property tax relief. Minnesota is the only state in the country that taxes commercial and industrial property exclusively through the state general levy."

— David Anderson

life sciences, and a primer on public financing options.

The chapter also continues its annual University Real Estate Challenge program, which will celebrate its 21st year in 2024. This competition serves as a way for the chapter to engage the next generation of industry leaders.

Development: *Is there a question I didn't ask you here that you'd like to answer?*

Anderson: Yes. What is your chapter doing to cultivate the next generation of commercial real estate and development industry leaders? NAIOP Minnesota is proud of its Developing Leaders (DL) program, which we view as a highlight of our chapter's success. Now in its 17th year, the DL committee provides robust programming and networking for young and emerging industry professionals. Additionally, the annual mentorship program brings together emerging leaders with industry veterans to build a tremendous knowledge-sharing and relationship-building network. We see this not only as an area of success but also as an area of continued growth and tremendous added value to NAIOP Minnesota's membership. ■

"NAIOP Minnesota is proud of its Developing Leaders (DL) program, which we view as a highlight of our chapter's success. Now in its 17th year, the DL committee provides robust programming and networking for young and emerging industry professionals."

— David Anderson

Jonathan Rollins is the managing editor of publications for NAIOP.

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Forging the Future of North American Manufacturing

Report examines how reshoring and nearshoring are reshaping industrial real estate.

By Shawn Moura, Ph.D.

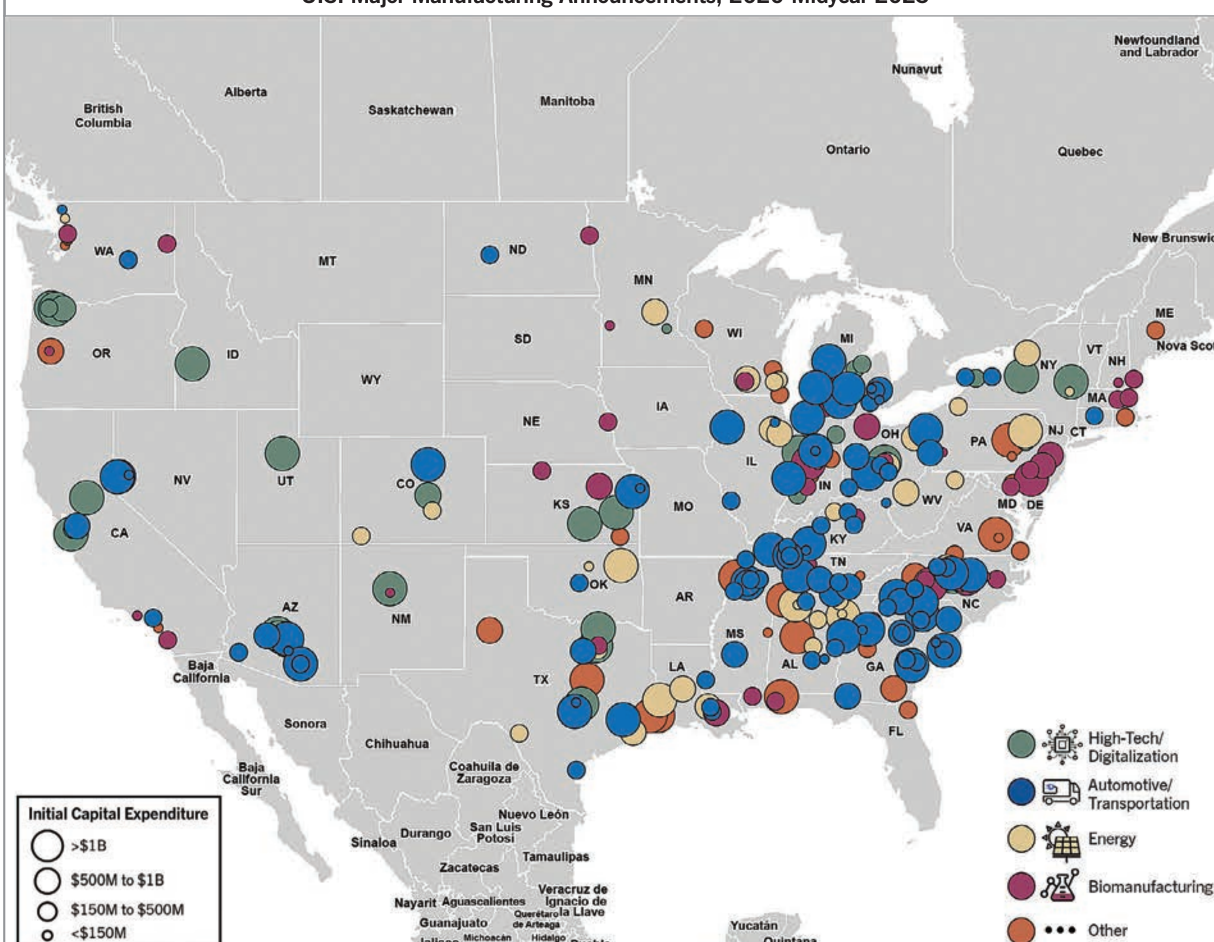
As demand for warehousing and distribution space slows from pandemic-era highs, manufacturing has given industrial real estate markets in North America a second wind. Manufacturing construction starts surpassed warehousing construction in dollar terms in the U.S. in 2022 and continued to outpace warehousing in 2023. Disruptions caused by the COVID-19 pandemic added to the perceived risk of globalized, just-in-time supply chains, which already faced stress from trade disputes between the U.S. and China.

U.S. government investments in infrastructure, green energy, electrification and strategically important technologies have further tilted the scales in favor of North American manufacturing in several industries. Manufacturers have responded by announcing plans for new facilities across the U.S., and many are nearshoring supply chains by investing in plants in Mexico and Canada.

The NAIOP Research Foundation's February 2024 report, "Forging the Future: Manufacturing Growth and Its Effects on North American Industrial Markets," examines the trends behind reshoring and nearshoring and the industries behind new manufacturing construction. The report's authors, **Lisa DeNight** and **Elizabeth Berthelette** at Newmark, analyzed manufacturing plant announcements and interviewed developers, investors and other commercial real

What Are the Top Growth Markets?

U.S. Major Manufacturing Announcements, 2020-Midyear 2023



Source: Newmark Research, various press and media sources estate practitioners to quantify recent and projected construction activity and evaluate how the expansion of manufacturing will affect demand for commercial real estate.

Newmark Research identified more than 300 large U.S. manufacturing facility announcements since 2020 that collectively represent $400 billion in pledged investment and 250 million square feet of new construction. The new facilities are expected to create 210,000 jobs. Most large plant announcements have been concentrated in industries that stand to benefit from new government incentive programs, such as the high-tech, automotive, energy and biomanufacturing sectors. Companies have announced plans to open new plants across the U.S. but are gravitating toward lower-cost locations that offer sufficient access to skilled workers and a reliable supply of affordable energy. Midwestern and Southeastern states have attracted more investment than other regions.

Most new manufacturing construction is owner-built or build-to-suit, but reshoring activity has also increased demand for speculative industrial buildings that can accommodate manufacturing uses and has contributed to demand for warehousing and logistics spaces that support manufacturing supply chains. The opening of new plants is also expected to spur local markets for retail and multifamily real estate, particularly in smaller communities where a new plant can have an outsize effect on the local economy.

The report observes that the United States-Mexico-Canada Agreement has encouraged greater integration of North American supply chains and more foreign direct investment in manufacturing in Canada and Mexico. In 2023, Mexico replaced China as the top advanced manufacturing exporter to the U.S. Nearshoring investments in Mexico are also spurring demand for logistics and complementary manufacturing facilities near key border crossings like Laredo, Texas.

New plant announcements and manufacturing construction starts have come at a rapid clip over the past two years as companies race to complete buildings in time to receive the full benefit of federal programs. As the window to receive government subsidies closes, this activity will likely slow, but the current expansion will reshape the landscape of North American manufacturing for decades to come. ■

Shawn Moura, Ph.D., is senior research director at NAIOP.

Visit naiop.org/research-and-publications to read "Forging the Future: Manufacturing Growth and Its Effects on North American Industrial Markets." ■

In Memoriam: Robert Cutlip

Former NAIOP and Research Foundation Chair Robert Cutlip passed away unexpectedly on Feb. 13, 2024. Bob was a strong advocate for NAIOP, the National Forums and the Research Foundation.

Bob joined NAIOP in 1993 and served as NAIOP Chair in 2006. His achievements during his term included launching the awards program for young professionals, forming a partnership with AMPIP (the Mexican Association of Industrial Parks), spearheading an international trade mission to China, and initiating NAIOP's support of organizations dedicated to attracting minority groups into commercial real estate.

After serving as chair, Bob continued his involvement in NAIOP as a member of the Industry Trends Task Force and the Industrial Development I National Forum, and as a governor and trustee with the NAIOP Research Foundation, where he served as chair in 2014. At the beginning of 2024, Bob was appointed Senior Visiting Fellow with the Research Foundation, a role he had looked forward to because it would keep him connected to the industry and NAIOP throughout his retirement.

His contributions to NAIOP and CRE were numerous, and he will be missed greatly. He is survived by his wife, Jean, and their daughters, Lisa, Bonnie and Stacy. Please contact Bennett Gray at gray@naiop.org if you are interested in donating to the Research Foundation in remembrance of Bob. ■

Refreshed Courses Address Critical Skills for Today's Workforce

On-demand offerings are an asset for CRE professionals.

By Brielle Scott

Attracting, training and retaining talent has grown more challenging for commercial real estate firms in recent years as the COVID-19 pandemic escalated the retirement of baby boomers and the historically low unemployment rate placed pressure on employers to compete for workers. Simultaneously, ongoing technological innovation and the evolving needs of the industry are continuously shaping the skills required of commercial real estate professionals.

Last year, NAIOP surveyed member developers, building owners, investors and asset managers to identify the skills and credentials that are most important to development-related professionals today. Financing, capital markets and underwriting; project planning and due diligence; pro forma creation/financial modeling; and asset valuation were consistently listed among the top hard skills.

To build these sought-after skills, and to develop competency in other core areas critical for a career in commercial real estate, professionals can look to the NAIOP Center for Education. The online hub is a comprehensive resource for professional development and training, with 14 on-demand courses, over 80 individual course modules, and certificate programs in both real estate finance and commercial real estate development.

NAIOP recently refreshed two of its most popular courses: Basic Real Estate Finance and Essentials of the Development Process. The new courses follow the latest best practices for e-learning, with increased interactivity and opportunities to practice and apply new concepts throughout each module. Behind each course refresh are practitioners who share best practices, provide case studies from real projects and lend their real-world insights.

The Basic Real Estate Finance course is designed to provide entry-level professionals with the skills necessary to analyze the financial feasibility of real estate investment opportunities. The reintroduced course will help learners gain an understanding of real estate market participants, valuation fundamentals, determinants of real estate returns, the impact of leverage on real estate investments, interactions between the real estate space market and the capital market, and more. The Advanced Real Estate Finance course, also available in the NAIOP Center for Education, is a natural next step.

Basic Real Estate Finance was revisited with the help of subject matter experts **Jonathan Cowan**, principal at Legacy Commercial Property Advisors and adjunct professor at the University of Tulsa Collins College of Business; **Charles Tu**, Daniel F. Mulvihill Endowed Chair and academic director for the Master of Science in real estate program at the University of San Diego Knauss School of Business; and **Joan Woodard**, former president and CEO of Simons & Woodard Inc.

See the skills and credentials identified by NAIOP member developers, building owners, investors and asset managers as most important to development-related professions: blog.naiop.org/2023/08/naiop-survey-degrees. ■

On-demand Courses Available in the NAIOP Center for Education

Advanced Development Practices

Advanced Real Estate Finance

Basic Real Estate Finance

Construction Management for Developers and Owners

Essentials of the Development Process

Financial Analysis of Development Projects

Fundamentals of Adaptive Reuse

Leasing, Marketing and Negotiations

Modern Industrial Development

Private Equity Fund Structure and Management

Real Estate as a Service

Real Estate Investment and Capital Markets

Real Estate Law and Land Use Policy

Site Feasibility and Market Analysis ■

Essentials of the Development Process examines the seven stages of a comprehensive real estate development model, beginning with raw land in the land banking stage and continuing all the way through the development process to include building renovations and property redevelopment. Case studies used throughout the course include the Potomac Yard project, a decommissioned rail yard split across two municipalities that became retail,

"It's easy to see that NAIOP takes education seriously. You have developed a great program and I recommend it to all new hires."

—— *Leander T. Johnson, Vice President, Koa Partners*

office and residential, in Alexandria, Virginia; 1812 North Moore Street in Arlington, Virginia, a brand-new trophy office property that took three years to find its first tenant, illustrating the difficulty of predicting future market conditions; and several others.

Kimberly Kohlhepp, LEED AP, the vice president of development and finance for Kohlhepp Real Estate, lent her expertise for the reintroduced Essentials of the Development Process course.

For learners who want to demonstrate their command of industry best practices, these refreshed courses can be applied toward a NAIOP Certificate of Advanced Study. Basic Real Estate Finance is one of four courses required to obtain a NAIOP Certificate of Advanced Study in Real Estate Finance; Essentials of the Development Process is one of four courses required for the NAIOP Certificate of Advanced Study in Real Estate Development. Each certification requires 48 to 64 total course credit hours to complete. More than 350 professionals have earned their professional certificates through the program to date.

NAIOP continues to introduce new courses and evaluate current course offerings to meet the demands of the industry. Private Equity Fund Structure and Management; Modern Industrial Development; and Fundamentals of Adaptive Reuse are all courses recently added to the comprehensive course catalog.

Poike via iStock/Getty Images Plus

Explore the resources available to professionals at every career stage in the NAIOP Center for Education at learn.naiop.org. ■

Brielle Scott is director of marketing and communications at NAIOP.

NAIOP represents commercial real estate developers, owners and investors of office, industrial, retail and mixed-use properties. It provides strong advocacy, education and business opportunities, and connects its members through a powerful North American network. **For more information, visit naiop.org.**

Programs and Services

NAIOP Membership
For membership, information or changes to your membership record, contact membership@naiop.org.

Chapter Network
NAIOP chapters provide local and regional education, networking and legislative affairs.

naiop.org
NAIOP's central resource for industry and association news, programs, advocacy efforts and connections.

National Forums
Special-interest groups that comprise senior-level NAIOP members in a non-competitive environment for exclusive networking and experience exchange.

Center for Education
The principal learning resource for the commercial real estate development professional. Offerings include online, on-demand and live courses, plus two certificate programs.

Development Magazine
Current and past issues are available online and are mobile-responsive for those who want to read Development magazine on-the-go.

NAIOP Research Foundation
Research projects and initiatives to improve the understanding of the built environment and the challenges that lie ahead for individuals and organizations engaged in real estate development, investment and operations.

Career Center
Online resource designed to help employers and job seekers find new commercial real estate job opportunities.

Business Development Industry Partners
Enhance your company's presence as an industry partner by sponsoring, exhibiting or advertising.

Government Affairs
Strong, effective support and guidance to create, protect and enhance development and property values. NAIOP's government affairs team is active on Capitol Hill, in state legislatures and in Canadian provinces.

Market Share Blog
Insights on trends, CRE-related topics and professional development tips. Subscribe to weekly posts, interviews and news at blog.naiop.org.

Mobile Apps
Take NAIOP wherever you go. Access the membership directory, find news, chapters and events, and connect on social media. ■

People + Companies INDEX

For information regarding advertising opportunities, contact Christopher Ware at 800-666-6780.

* *This is a listing of NAIOP members who are mentioned in this issue, as well as paid advertisers, which appear in bold.*

2024 Industry Partners

NAIOP wishes to thank our Industry Partners, whose financial support helps us to provide quality programs and communications to you throughout the year. We encourage you as a NAIOP member to include these partners, wherever possible, when you are considering services and products for your business.

Premier Industry Partners

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Chairman's Circle

Getting to Know 2024 Chair Brian Walker

I'm excited to serve this wonderful organization that has been so instrumental in my professional and career development.

To help you get to know me, Development magazine asked me to share my thoughts on NAIOP and our industry.

Brian Walker

How will the 2024-2027 Strategic Plan guide the association?

It's the road map to the future and sets the priorities for the association, allowing us to focus our energy and resources to ensure we are working toward common goals that advance our industry and association. This plan was based on member input through surveys, focus groups and lots of conversations that helped identify core values, member needs and goals. This plan is truly forward-looking and will inspire the organization to operate with inclusivity, transparency, integrity, innovation and collaboration.

Let's Get Personal

Years in the industry: Twenty-five in total, the first six as a CPA firm partner working with real estate clients, and the last 19 as an owner, investor and developer.

Family: My wife, Jill, and I met in college and have been married almost 28 years. She has been incredibly supportive as I built my career, and I wouldn't be where I am without her. We have two grown children; our daughter is 25, and our son is 23.

Last book read: *CEO Excellence: The Six Mindsets That Distinguish the Best Leaders From the Rest* by Carolyn Dewar, Scott Keller and Vikram Malhotra.

Best vacation spot: Anywhere with a beach!

Favorite out-of-the-office activity: Getting outside for a hike is a powerful way to clear my mind.

Best words of wisdom: "Do what you say you are going to do." Too many times, people don't follow this simple advice and, as a result, lose trust. ■

Watch a video about Brian Walker and hear his plans for NAIOP: naiop.org/2024chair

What challenges are on the horizon?

Commercial real estate is experiencing some headwinds, particularly in office space demand, with an estimated $1 trillion of debt maturing this year. Our government affairs team is at the forefront, helping to develop related legislation that could propel the repositioning of offices to multifamily, and many of our chapters are involved in similar initiatives on the state, provincial and local levels.

How are Developing Leaders shaping our association and our industry?

I joined NAIOP at age 32 and am honored to be the first Developing Leader (DL) to rise to the role of chair. I can recall what it felt like to be a young CPA just starting my career. NAIOP and the Pittsburgh chapter were essential in connecting me with the knowledge, research, education and people I needed to launch my career. Our DLs constitute nearly 28% of our total membership, and they're the future of our industry and association. I'm thrilled to have the opportunity to meet so many of our rising leaders this year and support their growth.

Why should our members be engaged legislatively?

Legislative issues vary by market, and there may be topics that are more important to some markets than others. Our legislative team is ready to help bridge those gaps and represent the needs of all our members. Regardless of how one feels about politics, laws and regulations are major factors in our industry. The more united we stand as an association, the more effective we will be across the country and even into Canada, where our legislative activity is increasing.

Your career has been largely in western Pennsylvania. How has that area grown and changed?

Pittsburgh has transformed from its roots as the "Steel City" into a vibrant hub for health care, education, technology, robotics and financial services. Western Pennsylvania has been a strong annuity market for investment. Our real estate has always been built and priced right, with growth slow and steady. The offset is that the market is not growing rapidly, and we see lateral movement from old buildings to new. ■

Brian Walker, President, Burns Scalo Real Estate
2024 NAIOP Chair

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