

## INSIDE

IOS Emerging as a Sought-after Asset

Bringing a University-anchored Innovation District to Life

Pursuing Decarbonization Across a Bicoastal Portfolio

# New Forces Reshaping Industrial Real Estate





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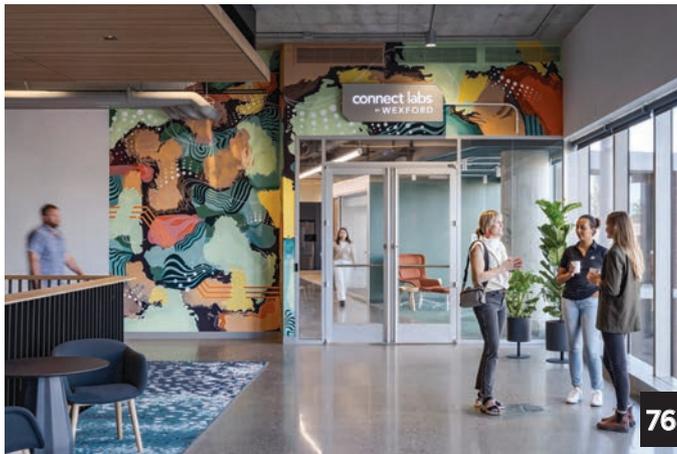
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**On the cover: Occupiers are investing heavily in automated systems to maintain efficiency and service levels in warehouse operations.** onurdongel via iStock/Getty Images Plus

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# A Note From the Editor

INSIDE AND IN BRIEF

## A Season of Reset and Renewal

**Spring** brings a renewed sense of momentum — a season marked by fresh thinking, forward motion and possibility. That feeling carries through this issue, as the CRE industry continues to meet change with confidence, innovation and purpose. Across these pages, you'll see how the industry's priorities are sharpening. Industrial development is moving beyond speed and scale, placing greater emphasis on power availability, automation and smarter regional supply chain strategies. You'll also step inside an ambitious innovation district where long-term vision, collaboration and community engagement are translating into lasting impact. As capital seeks opportunity, industrial outdoor storage is emerging as an increasingly attractive investment class, while owners across property types are making meaningful progress toward decarbonizing their portfolios.

New this issue, we're launching a column that examines how technology is redefining commercial real estate, from everyday operations to long-term strategy. We also take a closer look at rent control-related legislative challenges in Massachusetts and highlight exemplary case study challenges designed to engage and inspire the next generation of industry leaders.

Telling the stories that shape our industry,

**Kathryn Hamilton, CAE**

Editor-in-Chief



Kathryn Hamilton

## In Brief

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

### Office

**40%** The share of all activity that downtown leasing for office space comprised in 2025. From 2020 to 2024, downtown leasing comprised just 30% of activity despite making up 35% of inventory. As CBRE's "U.S. Real Estate Market Outlook 2026" noted under its office trends to watch, "We may find the market has underestimated the value of agglomeration and talent access offered by urban gateway hubs. We remain optimistic about gateway markets like Manhattan, San Francisco and Dallas, which are positioned to see continued leasing growth in 2026."

**22 million** The number of square feet of coworking space opened in the United States in 2025, representing a 16% jump over the prior year and increasing coworking's share of the office market to

more than 2%, as reported by CommercialCafe. "Because about two-thirds of firms currently offer location flexibility to their employees, coworking operators are looking at increasing opportunities to fill the gap between fully remote and full-time, in-person office work, while also providing corporate clients an alternative to costly and more rigid office leases."

**32%** The rental premium that U.S. offices located in "lifestyle districts" can attract, based on research from JLL and noted in the company's global real estate outlook for 2026. These districts are defined as having "access to amenities like entertainment venues, outdoor pavilions and waterfront attractions." A recent JLL survey "shows that 67% of people want to work in a vibrant neighborhood, rising to 74% of 25- to 34-year-olds."

### Finance

**37%** The percentage of commercial/multifamily

### Future NAIOP Events

#### National Forums Symposium,

April 28-30, 2026,  
Salt Lake City

#### I.CON Data Centers, May 19, and

**I.CON East,**  
May 20-21, 2026,  
Jersey City, New Jersey

**I.CON Cold Storage,**  
Sept. 1-2, 2026, Dallas



### Most Popular From Winter 2025/2026

1. "Driving Project Viability Through Smarter Site Selection" ([naiop.org/26driving](http://naiop.org/26driving))
2. "Power Strain: Inside CRE's Race to Secure the Next Megawatt" ([naiop.org/26power](http://naiop.org/26power))
3. "Data Center Site Selection and Development in the Age of AI" ([naiop.org/26ageofAI](http://naiop.org/26ageofAI))
4. "The Office Market's Selective Rebound Offers Opportunities" ([naiop.org/26officerebound](http://naiop.org/26officerebound))
5. "Is Your Office Property a Candidate for a Data Center Conversion?" ([naiop.org/26dcconversion](http://naiop.org/26dcconversion))

mortgages that commercial banks continue to hold, totaling \$1.8 trillion, according to the Mortgage Bankers Association's report for the third quarter of 2025. The next largest investor group, at 23% and \$1.11 trillion, is federal agency and government-sponsored enterprise portfolios and mortgage-backed securities. Life insurance companies hold 16% (\$783 billion), while commercial mortgage-backed securities, collateralized debt obligation and other asset-backed securities issues hold 13% (\$642 billion).

### Data Centers

**\$3 trillion** The amount of global data center investment that Moody's Ratings projects over the next five years, fueled largely by Microsoft, Amazon, Alphabet, Oracle, Meta

Platforms and CoreWeave. The U.S. hyperscalers spent nearly \$400 billion on data centers in 2025, a number expected to rise to \$500 billion this year and to \$600 billion in 2027. The majority of new data center capacity is already preleased to hyperscalers.

### Industrial

**\$1.31** The gap in the average cost of a new industrial lease signed in the past 12 months (\$10.07 per foot) and the national average for in-place rents, according to the Yardi Matrix national industrial report in December. In November 2024, the spread stood at \$2.14 per foot.

### Self-storage

**179 million** The number of square feet of self-storage accounted for through adaptive reuse, representing approximately 10% of total inventory in the U.S. "More than half of all conversions, about 108 million square feet, came online in just the past decade, driven by rising demand for storage and a growing push toward urban infill and sustainable redevelopment," according to a report from StorageCafe. Industrial

buildings make up 41% of all conversions, followed by office buildings (34%), residential (17%) and retail (7%).

### Sustainability

**57%** The percentage of survey respondents planning to increase investment in energy efficiency for their facilities and buildings in the year ahead, making it the No. 1 infrastructure priority (up from seventh place in 2023) in the Siemens Infrastructure Transition Monitor 2025. More than half of the 1,400 senior executives and government representatives surveyed also indicated their intention to increase investment in smart building technologies (55%) and building electrification (54%) over the next year. ■

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# By the Numbers

DATA IMPACTING COMMERCIAL REAL ESTATE

## Contractors Have Subdued Expectations for 2026

Data centers and power projects generate the most optimism in AGC's annual business outlook survey.

By Ken Simonson, AGC

**Contractors** are, by nature, optimists, believing they can tackle any project on time, on or under budget, and make a profit. But they appear less upbeat about their prospects for 2026 than they have in several years.

Every year, the Associated General Contractors of America conducts a construction hiring and business outlook survey, in partnership with Sage. The 2026 survey was open from Nov. 4 to Dec. 15, 2025, and drew 951 responses from contractors of all sizes in 49 states and Washington, D.C.

A key question was whether contractors expect the dollar

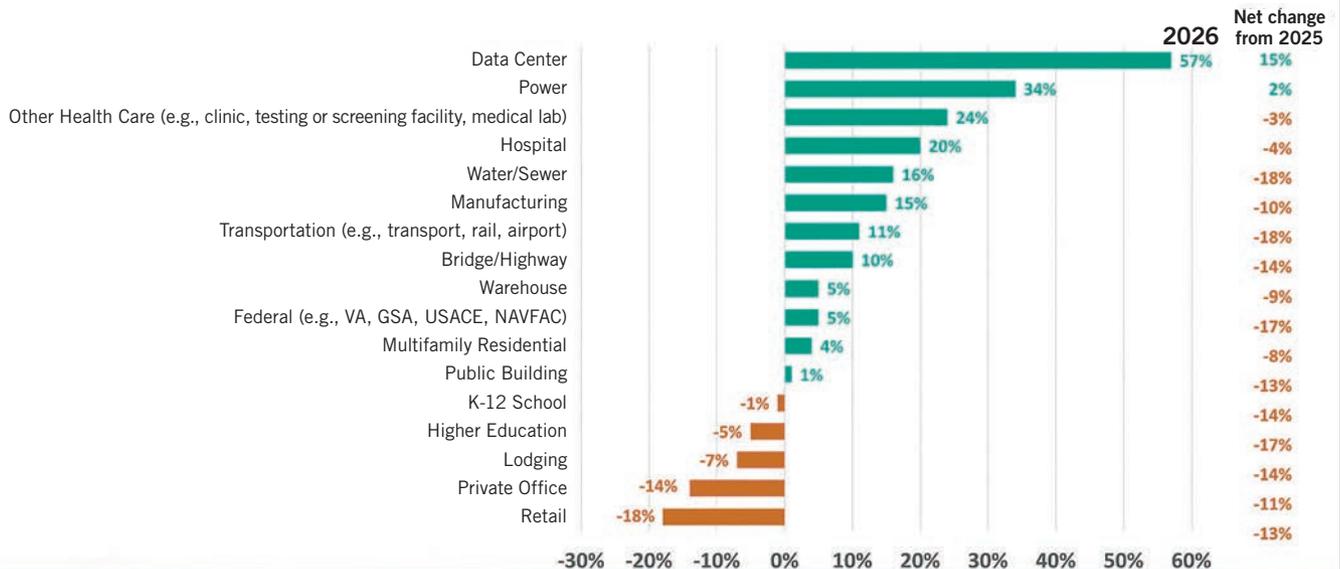
value of projects available to bid on to be higher or lower in 2026 than in 2025. There were more optimists than pessimists for 12 of the 17 project types in the 2026 survey. But that was a decrease from 15 segments with net positive readings in the 2025 outlook survey. Furthermore, the level of optimism dropped — sharply, in most cases — for all but two categories.

The only exceptions were for data centers and power projects. The net reading for data centers — the percent of respondents who expect the market to expand minus the percent who expect it to

There were more optimists than pessimists for 12 of the 17 project types in the 2026 survey. But that was a decrease from 15 segments with net positive readings in the 2025 outlook survey.

### Contractors have generally lower expectations for 2026 than in 2025

Net % expecting higher value - % expecting lower value of available projects than in previous year



Source: AGC Outlook Surveys. 2026: 951 total respondents; 2025: 1,109

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shrink — jumped 15 points from a year ago to a net positive reading of 57 percentage points. Specifically, 65% of contractors expect growth, compared with just 8% who anticipate decline in data center construction opportunities in 2026.

The net reading for power projects, which range from renewable and conventional power generation to transmission lines, local distribution and storage, edged up 2 points to a net positive reading of 34.

Among segments of the greatest interest to developers and investors, the most optimistic outlook was for the catchall category of “other health care” — medical structures other than hospitals, such as clinics, testing and diagnostic labs, urgent care facilities and hospices. That niche drew a net positive reading of 24, which was down only slightly from the 2025 reading of 27.

Optimists outnumbered pessimists by 5 percentage points regarding warehouse construction and 4 percentage points regarding multifamily construction. However, these marks were less positive than the 2025 readings of 14 and 12, respectively.

Respondents were bearish on balance about lodging construction, with a net reading of -7, a sharp reversal from the 2025 reading of +7. And their pessimism deepened regarding two categories for which they already had negative expectations in 2025. The net readings slipped from -3 to -14 for private office construction and from -5 to -18 for retail construction.

One reason for the dyspeptic outlook is that owners have been holding back on projects. Among contractors who participated in the survey, 63% said at least one project in the past six months had been delayed, canceled or scaled back. The most common explanation, cited by 37% of participants, was “lack of funding or funding uncertainty (federal, state or private).” Nearly as many (34%) reported “financing unavailable or too expensive.”

Tariffs and other policy actions also played a role: 13% of firms cited “changes in demand/need due to tariffs,” and 22% pointed to “changes in demand/need due to other policy changes (federal funding, taxes, regulation, etc.)” as an explanation for project disruptions.

In short, contractors have a number of reasons for their subdued expectations for most project types in 2026. But there are many unknowns about how policies will evolve and whether those changes will spark an upturn in some types of construction. ■

**Ken Simonson** is the chief economist with the Associated General Contractors of America. Contact him at [ken.simonson@agc.org](mailto:ken.simonson@agc.org).

Among contractors who participated in the survey, 63% said at least one project in the past six months had been delayed, canceled or scaled back.



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# A Look Ahead

CHANGES SHAPING OUR FUTURE

## The Small-bay Surge at the Heart of the Industrial Market's Recovery

These assets, once viewed as secondary components, are increasingly valued for their resilience across economic cycles.

By David Greek, Greek Real Estate Partners

**After** two years of recalibration, the U.S. industrial market is finding its footing again, and small-bay assets — sub-100,000-square-foot spaces that are either stand-alone buildings or multitenant suites within a larger property — are at the center of this activity. These spaces often feature dock or grade-level loading and are designed to serve local and regional users.

According to U.S. industrial market statistics for the third quarter of 2025 from Colliers, net absorption across all industrial property types nationwide climbed to nearly 60 million square feet, the strongest quarter since early 2023, while the construction pipeline shrank to 270 million square feet, its smallest since 2018. With limited new supply and a rebound in tenant demand, the next growth phase is shaping up around smaller, more flexible properties.

This shift is particularly apparent in New Jersey. Vacancy stabilized at 7.2% after 10 straight quarters of upticks, while construction activity fell to 7 million square feet statewide, a multiyear low, according to third quarter data from CBRE.

At the same time, leasing activity surged 13% above the five-year average, primarily driven by third-party logistics firms (3PLs) expanding in tighter footprints. In markets such as the Turnpike corridor, smaller assets are leading the Garden State's recovery.



Greek Real Estate Partners is preparing to deliver a project in Ridley Township, Pennsylvania, that meets the growing need for industrial spaces under 100,000 square feet.

Developers have delivered fewer spaces measuring less than 100,000 square feet in recent years, with only about 23 million square feet of small-bay assets under construction nationwide, or less than 0.3% of the total industrial stock. New Jersey exemplifies this trend, with most new construction focused on large distribution centers.

As a result, well-located legacy properties have continued to appreciate as demand outpaces availability. Recognizing this imbalance, Greek Real Estate Partners, a fully integrated developer, owner and operator focused on industrial real estate, plans to deliver an 81,156-square-foot industrial project at 130 S. Fairview Road in Ridley Township, Pennsylvania, this spring. The development is designed to meet the growing need for sub-100,000-square-foot spaces, offering modern, efficient options in a market where supply remains scarce.

### Why Small-bay Is Winning: Flexibility, Speed, Resilience

Across the country, active tenants are seeking smaller spaces that offer flexibility, speed and proximity to customers. An analysis by CBRE in August found that the average size of the top 100 industrial leases declined year over year, with 3PLs accounting for nearly a third of all activity.

CoStar data confirmed the pattern. In markets such as Tampa, Florida, and Nashville, Tennessee, properties under 50,000 square feet accounted for more than half of all new leases through midyear 2025.

Courtesy of Greek Real Estate Partners

## New and Noteworthy

### 2 million sq. ft.

**Greenberg Gibbons** broke ground on **Midtown64**, a \$500-plus million, 46-acre **mixed-use development** outside of downtown **Richmond, Virginia**, on the former Genworth Financial headquarters campus. Hospitality industry leader **Shamin Hotels** is a joint venture partner in the project.

The 2 million-square-foot development will include up to 130,000 square feet of upscale retail, restaurant and entertainment space anchored by a premier grocery store and a new-to-market fitness concept. It will also feature up to 300,000 square feet of Class A office space, a residential community with nearly 1,000 apartments, 194 townhomes built by **Lennar**, and a 226-room dual-branded hotel.



Developers have delivered fewer spaces measuring less than 100,000 square feet in recent years, with only about 23 million square feet of small-bay assets under construction nationwide, or less than 0.3% of the total industrial stock.



### 808,448 sq. ft.

**ViaWest Group**, in partnership with **Barings, LLC**, and **Willmeng Construction**, broke ground on **ReDiscover Logistics Park**, an 808,448-square-foot **Class A industrial development** in **Phoenix's Deer Valley submarket**. The 43.5-acre site is approximately 15

minutes from Taiwan Semiconductor Manufacturing Company's multibillion-dollar campus. The development will consist of four buildings ranging from 189,280 to 212,000 square feet, with clear heights of 32 to 36 feet and flexible configurations suitable for a variety of manufacturing, logistics and distribution users. The project features 200-foot truck courts, steel roof decks pre-engineered for solar, premium power capabilities and 980 parking spaces.



Courtesy of ViaWest Group

### 329,000 sq. ft.

The **University of Virginia** selected **Capstone Development Partners** to lead a **student housing project** that will provide three new residential buildings totaling 310,000 square feet on the school's **Charlottesville** campus. The buildings will

be five stories and six stories and house approximately 780 students in apartment-style units in the Emmet Ivy Corridor at the intersection of Copeley Road and Ivy Road. The new housing will also include a 19,000-square-foot dining and retail component. The project is scheduled to be completed by fall 2027. Project partners are **Elkus Manfredi Architects** and a joint venture construction team of **Hoar Construction** and **Hourigan**.



Elkus Manfredi Architects

These smaller facilities, long considered niche, have become essential infrastructure for local economies.

For developers and owners, that shift is redefining success. Multitenant small-bay assets typically deliver higher rent per square foot, shorter lease terms and quicker mark-to-market potential. Their diversified tenant base — spanning service contractors, light manufacturers, e-commerce operators and building suppliers — also makes them more resilient during downturns.

### Investors Reprice Operational Expertise

For years, institutional investors overlooked small-bay assets due to their management intensity. Now, those same qualities have become advantages. Smaller buildings distribute risk, provide consistent cash flow and enable owners to capture rental growth faster. Greek Real Estate Partners

# A Look Ahead

For years, institutional investors overlooked small-bay assets due to their management intensity. Now, those same qualities have become advantages.

Smaller buildings distribute risk, provide consistent cash flow and enable owners to capture rental growth faster.



Small-bay properties such as 43 Runway Road within Bristol Industrial Park in Levittown, Pennsylvania, are increasingly viewed as high-performing assets that support the everyday mechanics of regional economies.

has seen how this multitenant agility allows portfolios to outperform in uneven markets. Over the past several years, the firm's mix has remained largely consistent, with performance driven less by a shift in asset type and more by active leasing, tenant diversification and hands-on management across the small-bay portfolio.

As speculative megaprojects stall, value-add acquisitions and adaptive reuse have become the industry's dominant strategies. In New Jersey and the Mid-Atlantic, repositioning underutilized small-bay assets can deliver stronger returns than new construction, given high land costs and elongated entitlement timelines.

That same logic is fueling growth in industrial outdoor storage (IOS), a complementary segment gaining institutional attention (see "IOS Market Consolidation Ramps Up," page

70). In October, for example, Blue Owl Capital provided a \$150 million loan to Alterra IOS, among the country's largest investors in outdoor storage, signaling confidence in integrated logistics platforms that combine warehouse and yard operations. This alignment of capital and operating strategy highlights how investors view small-bay and IOS as twin engines of value creation.

## The Small-bay Advantage

New Jersey illustrates both the challenges and the many opportunities within industrial logistics.

Entitlement timelines that routinely stretch past two years and elevated pricing that pushes up construction costs have complicated ground-up development. While some new projects are on pause until the economics allow them to advance, there is a significant opportunity to reposition and re-tenant the area's older small-bay stock.

That scarcity is paying dividends. Savills reported that rents for sub-100,000-square-foot industrial space in core submarkets grew 5% to 8% year over year in the third quarter of 2025, while larger big-box spaces saw flat or declining rents. The result is a market that rewards operational precision and asset-level expertise over scale alone.

Investors are also responding to scarcity by concentrating on assets that demonstrate resilience across economic cycles, a theme reinforced throughout Newmark's "3Q25 U.S. Industrial Market Conditions and Trends" report. The data shows that private buyers now account for nearly 50% of all industrial acquisition volume, far exceeding their 10-year average and signaling increased conviction in smaller, operationally intensive assets.

At the same time, industrial cap rates have remained stable in the mid-5% range, even as broader commercial real estate pricing adjusts to rate volatility, illustrating ongoing capital demand for well-located, income-durable industrial properties. Notably, Newmark also highlighted that transactions under \$100 million represented about 70% of all industrial

## New and Noteworthy

For developers and investors willing to embrace the granular work of managing and modernizing small-bay industrial assets, the opportunities are considerable.

trades, the highest share in more than a decade. This underscores the extent to which the market has leaned into smaller-scale deals that offer near-term rent growth and manageable capital requirements. These capital flows reinforce the pricing advantage that New Jersey's small-bay inventory now holds and clarify why competition for functional, well-located sub-100,000-square-foot products has intensified.

The fundamentals point to continued outperformance in the small-bay segment in 2026. Supply remains limited, demand remains local and durable, and investors are rediscovering the strength of hands-on management. As financing costs stabilize and consumer sentiment rebounds, the industrial resurgence will begin from the ground up.

As the market enters a new phase, the challenge for industry leaders will be to apply these lessons with discipline. The next cycle will reward those who can identify infill locations with durable tenant demand, anticipate operational needs through flexible design, and navigate entitlement and redevelopment timelines with precision. It will also require a more nuanced understanding of tenant industries, capital structures and local infrastructure constraints, particularly as supply chain strategies evolve and cost pressures remain unpredictable. For developers and investors willing to embrace the granular work of managing and modernizing small-bay industrial assets, the opportunities are considerable.

These properties are no longer viewed as secondary components of the industrial landscape but as strategic, high-performing assets that support the everyday mechanics of regional economies. In a period defined by macrolevel uncertainty and microlevel resilience, small-bay facilities offer a path forward that is grounded in practicality, adaptability and long-term value creation. ■

**David Greek** is managing partner, Greek Real Estate Partners.

### 330 units

**R.D. Olson Construction**, on behalf of **MBK Rental Living**, announced the topping out of **Vintage Farms apartments** in **Murrieta, California**, marking the completion of structural construction. The 15-acre community will feature 330

luxury and market-rate apartments in a variety of floor plans across 11 buildings, complemented by 15 stand-alone garages. Amenities include a clubhouse with two pools, a walking trail, pocket parks, coworking space, a 24-hour fitness center and a dog park, as well as convenient access to local shopping, dining and schools. The full project is expected to be completed in fall 2026.



MBK Rental Living/Apex Visualization

### 325,000 sq. ft.

**VanTrust Real Estate** recently broke ground on an **industrial development** in **West Valley City, Utah**, minutes from Salt Lake City International Airport, Interstate 80, Interstate

15, State Route 201 and the Union Pacific Intermodal Hub. The project's first phase will deliver two modern Class A shallow-bay warehouse buildings measuring 325,000 square feet. Delivery is anticipated in fall 2026. VanTrust plans to develop the second phase, two additional buildings totaling approximately 275,000 rentable square feet, based on market demand. The project will specifically cater to local and regional warehouse tenants requiring lease space between 10,000 and 30,000 square feet.



VanTrust Real Estate

### 275,000 sq. ft.

**CEDARst Companies** broke ground on **The Presley**, an \$82 million **ground-up multifamily project** located in the **Las Vegas Medical District**. Designed by **Booth Hansen**, with **OS Construction** as general contractor, the seven-story, 275,000-square-foot commu-

nity is scheduled to deliver in 2028 and will introduce 236 new residences — the first housing development within the Medical District's core. The community will offer studio, one- and two-bedroom units, including a portion designated as affordable housing. Residents will have access to a fitness center, coworking lounge, golf simulator, and a rooftop pool deck overlooking the district. The Presley represents CEDARst's 10th qualified opportunity zone development nationwide.



CEDARst Companies

## Fraud in the Real Estate Life Cycle

Where it hides, why it's growing and how developers can outsmart it.

By Tim Ball and Nancy Cox, The Bonadio Group

**Commercial** real estate development has always involved risk. There is constant talk about rate volatility, entitlement uncertainty, construction costs, leasing velocity and capital markets whiplash. But there's a quieter risk that can erase an entire project's value faster than any macro trend: fraud.

Fraud isn't a one-off "bad actor" problem in this context. It's a predictable, repeatable set of failure points that show up at specific stages of the real estate life cycle: capital raising, project accounting, construction payables and ongoing operations. By knowing where those weak spots are, controls can be designed that materially reduce losses without slowing deals.

### Notable Fraud Trends CRE Leaders Should Track

**AI-assisted document manipulation.** Forged invoices, lien waivers, certificates of insurance and tenant documents are easier to create convincingly than ever, raising the need for verification beyond "looks legit."

**Transaction-stage risk.** Industry fraud reporting showed measurable increases in transaction fraud exposure and undisclosed debt indicators in 2025.

**A shift from episodic to continuous fraud.** With 80% of commercial real estate organizations reporting actual or attempted payments fraud, it can no longer be considered rare, and controls need to assume an active threat.

With today's digital payment rails and AI-assisted document spoofing, the fraud threat is rising precisely where development organizations are moving fastest.

### Investor Fraud: The First Leak in the Bucket

Investor fraud typically starts before anyone pours concrete. It happens when a sponsor misrepresents project scope, timelines, pro formas or use of funds to lure capital, then diverts proceeds for unrelated projects or personal use. Warning signs include frequent "surprise" capital calls, opaque reporting, stalled construction progress that doesn't match draw requests, and return promises that outpace market fundamentals.

**Why it matters now:** Development capital stacks have become more complex, with multiple tranches, private credit, preferred equity and co-general partner structures. Every layer adds a new reporting obligation, and fraud thrives where oversight becomes diffused.

### Best practice controls for developers and capital partners

- **Segregate project funds at the bank level.** Use dedicated accounts per project/entity and prohibit commingling without documented approval. This is one of the simplest ways to prevent the dynamic of "robbing Peter to pay Paul."
- **Tie draws to third-party verified progress.** Independent construction consultants or owner's representatives should confirm percent completion before capital moves.
- **Standardize investor reporting cadence and content.** Monthly (not quarterly) reporting on budget-to-actuals, schedule variance, leasing status and contingency usage reduces room for storytelling.
- **Require dual approval for any movement between entities.** Even legitimate intercompany transactions should be documented, priced reasonably and reviewed by someone outside the deal team.



## New and Noteworthy

### 201,031 sq. ft.

**Aufgang Architects** released details on **860 Concourse Village East**, a **100% affordable multifamily project** being developed by **Gilbane** in the **Bronx, New York**. On the site of a former parking lot, the 18-story, 266-unit building will consist of two towers totaling 201,031 square feet. The unit mix includes 148 studios, 60 one-bedroom, 47 two-bedroom and 11 three-bedroom apartments. Resident amenities include a bike room, fitness room, laundry and package rooms, a “learning kitchen,” an outdoor courtyard and a social services suite. A 7,818-square-foot Health Hub, operated by the Institute for Community Living, will offer a range of health programs and resources.



With today’s digital payment rails and AI-assisted document spoofing, the fraud threat is rising precisely where development organizations are moving fastest.

### Real Estate Ponzi Schemes: When the Capital Stack Becomes the Business

Ponzi-style schemes show up when sponsors juggle multiple projects and use new investor money to pay obligations on earlier deals, often masked by inflated financial statements or “bridge” loans that never bridge. In extreme cases, sponsors have financed personal spending and covered it with fresh capital. The pattern can continue for years if funds aren’t strictly tracked by project.

This is not theoretical. Regulators continue to bring Ponzi-related real estate cases involving tens of millions or even hundreds of millions of dollars. These cases often share the same mechanics: weak segregation of funds, limited investor visibility and fast-moving fundraising.

#### Best practice controls

- **Use project-level cash flow testing.** Owners should review whether distributions are supported by actual project performance, not just aggregate sponsor cash.
- **Get an independent annual forensic “stress test.”** A targeted review of intercompany flows, debt covenants and investor distributions can catch Ponzi-like patterns early.
- **Limit “evergreen” fundraising without milestones.** If capital is raised continuously with shifting use-of-proceeds language, that is a governance red flag.

### 197,000 sq. ft.

**Souto Foods**, a subsidiary of **Alex Lee**, opened its new **distribution center** at **Building 500** of the **Sugarloaf Logistics Hub** in **Gwinnett County, Georgia**. The 197,000-square-foot facility, with significant cold storage expansion capacity, represents a major expansion from Souto’s former 40,000-square-foot space. Souto invested \$28 million in the facility, creating 70 new jobs to expand its Southeastern U.S. operations. The project marks the first building delivered in the Sugarloaf Logistics Hub, a transformative redevelopment by **Foxfield** and **AEW Capital Management** that will deliver 2.2 million square feet of industrial space, 700-plus residential units and retail.



Courtesy of Foxfield

### 133 units

**CRG**, in partnership with **Kenter Capital**, announced the start of construction on **Chapter Alder**, a 15-story, 491-bed **student housing high-rise** adjacent to the **University of Oregon campus in Eugene**. With delivery targeted ahead of the fall 2027 academic term, Chapter Alder will include 133 fully furnished units in a mix of studio, one-, two-, four- and five-bedroom floor plans. Residences will be appointed with tech-forward finishes and high-speed internet. Amenities include private and group study spaces, a fitness center, outdoor social areas and a rooftop terrace. The building will offer secure parking, ample bike storage and 2,200 square feet of retail.



# A Look Ahead

## Construction Phase Fraud: The Classic Weak Spot That's Getting Digital

The construction phase is where development organizations bleed money if controls aren't tight. The most common schemes involve manipulated invoices, including:

- Inflated labor or material costs.
- Fabricated change orders.
- Wage-rate padding (billing higher rates than workers receive).
- Materials substitution (installing cheaper specs while billing premium).

**Why it's getting worse:** Payment systems are faster, invoice volume is huge, and project teams are stretched. In the broader economy, payment fraud attempts hit a large majority of

organizations, and commercial real estate is especially attractive because transactions are high value and multiparty.

### Best practice controls

- **Insist on a three-way match, no exceptions.** Payables should require matching an executed contract or purchase order, an approved pay application/change order, and evidence of work in place.
- **Digitize field verification.** Use photo logs, drone progress evidence or owner's rep attestations tied to each draw. Fraud hates documentation with time stamps.
- **Rotate approvers.** When the same person approves every invoice for months, collusion risk climbs.
- **Analyze job-cost anomalies monthly.** Simple analytics such as labor hours versus benchmark, material pricing versus bid schedule, and change-order frequency can spotlight manipulation early.

## Bottom Line Takeaways for Developers

**Fraud risk is life cycle based.** Map controls to the four zones mentioned in this article: investor fraud, real estate Ponzi schemes, construction fraud and property manager fraud.

**Segregation of funds is nonnegotiable.** This practice blocks both investor fraud and Ponzi drift.

**Control speed with smart verification, not bureaucracy.** Digital proof and analytics protect margins without slowing work.

**Assume your partners are targets too.** Weak subs or managers create leakage that still hits your net operating income.

**Audit relentlessly but surgically.** Small, frequent tests beat giant postmortems.

## Property Manager Fraud: The Back-end Risk Too Many Sponsors Ignore

Once a project stabilizes, fraud risk doesn't disappear. Property managers control rent collection, vendor selection and disbursements. This creates opportunities for:

- Disbursement fraud through bank access and falsified records.
- Kickbacks to inflate vendor costs.
- Commingled funds across properties.
- Rent skimming (collecting more than the owner contract allows and pocketing the delta).

Ponzi-style schemes show up when sponsors juggle multiple projects and use new investor money to pay obligations on earlier deals, often masked by inflated financial statements or "bridge" loans that never bridge.

**The trend line:** Fraud in property operations is rising, particularly as online applications and digital documentation become the default. Multifamily operators report extremely high exposure to application and identity fraud, and industry surveys show fraud has become a routine operational burden.

### Best practice controls for owners/developers

- **Establish owner-controlled bank accounts.** Managers should not be sole signers on operating accounts.
- **Vet vendors and use bid thresholds.** Require multiple bids above a set dollar amount and periodic vendor requalification.
- **Test rent rolls independently.** Audit lease files to bank deposits and compare market rents to actuals for signs of skimming.

## Reducing Risk

Fraud can't be eliminated completely. But in commercial real estate development, it's one of the few risks that can be meaningfully decreased through design: tighter cash segregation, better verification and a culture that treats controls as value protection instead of deal friction. In a market where every basis point matters, preventing a single six-figure fraud event can be the difference between a good project and a write-off. ■

**Tim Ball**, a certified fraud examiner, is a partner at The Bonadio Group. **Nancy Cox** is the construction and real estate industry leader at The Bonadio Group.

# A Look Ahead

CHANGES SHAPING OUR FUTURE

## Determining the Feasibility of Mixed-use Districts

**A rigorous due diligence process greatly improves the odds of funding and successfully developing these ambitious undertakings.**

By Cortland McCullers, McCullers Group

**Mixed-use** districts, especially those tied to sports and entertainment, are among the most exciting — and challenging — projects in real estate. When they work, they transform communities, lift values and create year-round activation. But when early assumptions are soft, schedules slip, costs climb and investors can lose confidence. That's why thorough predevelopment planning is critically important.

Because these districts blend public and private financing, civic interests, large-scale infrastructure and unique timelines, predevelopment due diligence is not just a box to check. It is the foundation of the capital story. Done right, it converts uncertainty into bankable assumptions and unlocks funding.

Several essential elements determine the feasibility of mixed-use projects.

### Team Building

Predevelopment is the highest-risk phase of any project, so getting the team and the governance correct up-front is crucial.

As a development advisory firm with experience in both facility development and operations, McCullers Group focuses the first phase of almost every project on assembling the right people and establishing clear roles and responsibilities.

For a university-adjacent mixed-use initiative with a multiuse stadium component in North Carolina, this meant building an early coalition of stakeholders and technical partners critical to assessing land and project feasibility before any design work began. This coalition included university leadership, athletic administrators, land use and governance counsel, civil engineers familiar with soil and utility constraints, capital markets advisers, land planning experts, and a team of regionally based architects and contractors.

In a suburban community in Texas preparing for a major multifield sports and recreation complex, the primary challenge was coordinating expecta-

## New and Noteworthy

### 100,000 sq. ft.

**Ryan Companies** broke ground on the 100,000-square-foot **Harry Chapin Food Bank of Southwest Florida** to address space constraints with the customer's existing facility in **Fort Myers**. The food bank feeds

more than 250,000 people each month. The new facility will be designed for future expansion and act as a Florida disaster relief facility. Key elements of the design include an interior lobby that keeps two floors of donations on display to convey the food bank's purpose as a place of service, and an accessible pantry resembling a small grocery store where individuals can carry out their shopping in a dignified manner.



### 105 units

**Adolfson & Peterson Construction** (AP) started construction on phase two of **Pacific Elm Properties' multifamily adaptive reuse project** at the iconic 50-story **Santander Tower** in downtown **Dallas**. Phase two of **Peridot Residences** will add five floors and 105 one- and two-bedroom residences. AP completed

phase one in October 2024, converting a total of 14 floors into 291 apartment units and amenity spaces. Pacific Elm, in collaboration with **Mintwood Real Estate**, redeveloped Peridot Residences from former office space. The vertical mixed-use development features on-site dining options, a boutique hotel and luxury residences within one tower.



### 71,510 sq. ft.

**Hernandez Development & Construction** completed **Carol Stream Self Storage**, a new 71,510-square-foot, **Class A self-storage facility** in **Carol Stream, Illinois**. The three-story building features 625 climate-controlled units, including 36 easily accessible

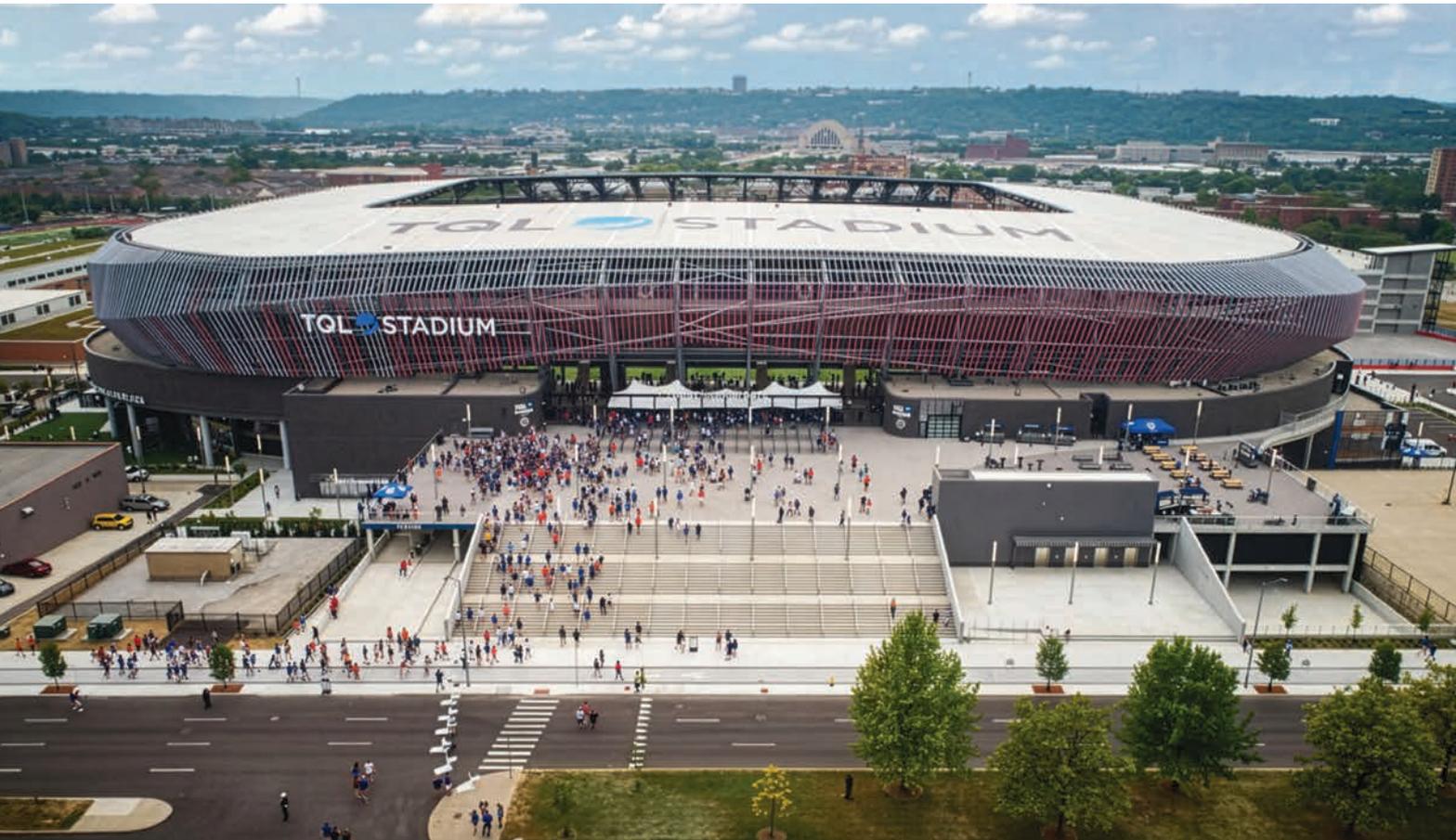
drive-up units. Positioned with prominent visibility along North Avenue (Illinois Route 64), the project benefits from exposure to over 38,000 vehicles daily, offering convenient access for both residential and commercial customers. The facility is equipped with advanced security and access control systems, integrated surveillance technology and a contemporary architectural design. **CubeSmart** will manage the building. ■



Hernandez Development & Construction

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](mailto:developmentmagazine@naiop.org).

# A Look Ahead



The completed TQL Stadium in Cincinnati. McCullers Group was a predevelopment planning partner to Major League Soccer's FC Cincinnati on this popular project in the Queen City.

tions across public agencies and ensuring the project's road map aligned with established policies, regulatory frameworks and available resources. Equally important was managing the interface between public sector entities and private sector stakeholders who would play key roles in advancing the project. Those early discussions established realistic parameters for scope, funding, procurement and operations, enabling a smoother feasibility path.

These processes echo what McCullers Group sees across leading sports and entertainment district projects: Early collaboration and clearly defined roles are essential to avoiding rework, building trust and

ensuring the predevelopment program delivers actionable, defensible outcomes.

## Concept and Site Planning

Not every parcel of land is suited to projects like these. That is why early test fits and program studies should run in parallel with civil diligence. These include surveys for geotechnical issues, soils, groundwater, utilities, traffic, grading, flood plain and access. The goal is to quantify risks and mitigation costs before design runs ahead of reality. At this stage, concept plans are not final designs; they are tools that tie physical options to schedule and cost.

Concept planning is where enthusiasm meets the realities of land, infrastructure and budgets. In a venue-anchored district project in North Carolina, the site had strong potential but came with steep grades, aging utility infrastructure and proximity to a high-volume transportation corridor. Instead of forcing a predetermined vision, multiple test fits were conducted to examine how

Predevelopment is the highest-risk phase of any project, so getting the team and the governance correct up-front is crucial.

housing, structured parking, hospitality, green space and a 5,000-seat multiuse sports and entertainment venue could best coexist within the site's roughly 40 buildable acres. These iterations shaped not only the site plan but also the financial model, entitlement path and phasing strategy for the project.

A different set of considerations arose with a feasibility assignment for an entertainment district centered around an existing events venue in the Southwest. There, focus revolved around access sequencing, circulation during peak event times and the integration of daily mixed-use activity without overwhelming surrounding infrastructure.

With campus-edge work, site planning often involves reconciling growth ambitions with institutional character, including respecting academic adjacencies, prioritizing pedestrian movement, and ensuring that new development enhances rather than competes with the existing environment.

Across all settings, early site planning reveals what the land can accommodate, what constraints require mitigation and how a project must adapt to be viable.

### **Market and Economic Impact Studies**

Every stadium-anchored mixed-use district depends on demand that extends well beyond event days. A credible market analysis will inform demand for ticket

sales, hotel keys, residential unit mix, retail mix and office space to show what can be supported. A complementary economic impact study clarifies public benefits, such as jobs created, taxes and tourism dollars generated, so the entitlements and public funding conversations rest on facts rather than hype.

In fact, market studies often represent a turning point in discussions about project feasibility. In many venue-driven districts, stakeholders initially assume that a stadium or athletics component will generate enough activity to sustain the surrounding development. In reality, market fundamentals often demonstrate the need for complementary uses, such as residential density, food and beverage offerings, and flexible event programming, to maintain activity beyond core event days. This dynamic occurs frequently in emerging markets and early stage district concepts.

In another Southwestern community evaluating a multifield recreation complex, an economic impact study became the primary communication tool for public leaders. The analysis translated an aspirational idea into measurable outcomes, including incremental tax revenue, visitor spending, job creation and year-round programmatic benefits. This data grounded public discussions in objective information rather than speculation.

The long-term success of venue-anchored districts is strongly tied to programming diversity, integrated land uses, and alignment between the venue and the broader economic ecosystem.

### **Public and Government Relations**

No stadium-anchored district, university district or mixed-use entertainment district exists in a vacuum. Regardless of the market, public and government relations are inseparable from predevelopment and often play significant roles in whether a project moves forward. An effective public affairs plan encompassing briefings, a community benefits narrative and a clear entitlements path can build trust and reduce surprises. At the same time, government relations are vital when it comes to generating project support and

**Not every parcel of land is suited to projects like these. That is why early test fits and program studies should run in parallel with civil diligence.**

approvals. Focus should be placed on aligning infrastructure scope, approvals and timing with the project's critical path rather than the tempting approach of chasing headlines.

McCullers Group's approach is to share the project vision with elected officials and community stakeholders early in the process to gauge interest and collect feedback. Additionally, the firm communicates with multiple departments and defines roles and expectations to ensure transparency and efficiency.

In Texas, a structured public sector engagement strategy was essential for a stadium-anchored mixed-use development that will include additional fields as part of a regional sports tourism complex. Other components include a hotel, more than 500 units of multifamily housing, retail and an events center. Before any public announcements, McCullers Group guided the client through targeted briefings with internal departments, elected leadership, business groups and adjacent property owners. These sessions clarified what

# A Look Ahead



The in-progress GE Vernova Park at BridgeWay Station, a mixed-use development in the growing upstate region of South Carolina, will serve as the future home of the Greenville Triumph and Greenville Liberty soccer teams.

the project is and what it is not, setting expectations related to infrastructure, financing, community benefits and long-term operations.

Across all project types — campus, municipal or privately sponsored — the way a project enters the public arena almost always determines whether subsequent steps will unfold collaboratively or adversarially.

## Legal Review

Legal counsel is necessary on several fronts with mixed-use projects. Beyond forming the right legal entities, the legal team will need to conduct a rigorous review of title, easements, use restrictions, existing

agreements and other elements that could limit operations or phasing. Early on, the ground lease or land purchase documents need to be aligned with market economics and the project pro forma (rent, escalations, public improvements credits and other terms) to drive feasibility.

Legal diligence is one of the most consequential components of predevelopment. It is often where unforeseen risks emerge. On a campus-edge project in North Carolina, legacy easements, restrictive covenants and cross-access requirements — some decades old — would have constrained utility placement, emergency access, site circulation and building placements. Identifying these issues early allowed the master plan to be adjusted and modifications to be negotiated before they became costly barriers.

In municipal sports and recreation projects, legal review often determines ownership structure, operational responsibilities, liability, funding mechanisms and long-term maintenance require-

The long-term success of venue-anchored districts is strongly tied to programming diversity, integrated land uses, and alignment between the venue and the broader economic ecosystem.



A rendering of the professional soccer stadium envisioned to anchor the Walton & One mixed-use development coming to Port St. Lucie, Florida. McCullers Group is serving as owner's representative to United Soccer League franchise Port St. Lucie Sports Club.

ments. These factors directly influence feasibility, particularly when public entities and private partners share responsibilities.

The ability of a private operator to program as many events within a facility as possible, and to drive revenue opportunities from things like parking, concessions and sponsorships, is critical for long-term success, both operationally and financially. The right to expand a facility's size and scope to meet community need and market demand is also important. The ability of both sides, private and public, to interact as partners during planning and after the project is completed is also critical. For example, the private side can allow a municipality to use the venue for certain public programming that would help market the city and benefit the community, while the city can help shoulder some of the funding and maintenance risk to support long-term financial stability.

### Capital and Funding Readiness

Diligence is the on-ramp to capital. Lenders and investors underwrite a cohesive sources-

and-uses schedule, a realistic capital stack and an operating model, not renderings. The objective of predevelopment is a financeable package: program and test fits, a cost plan, a schedule, a detailed operating model and business plan, an entitlements road map, a public improvement scope, and term sheets that reflect risk allocation.

In municipal and university settings, capital readiness often involves coordinating public budgets with phased development plans, aligning funding tools with project timing and preparing structures that allow private participation where appropriate.

With larger entertainment districts and mixed-use projects, capital readiness may include evaluating partnerships, layering public and private funding mechanisms, and creating operational structures that ensure long-term financial sustainability.

Across these varied contexts, being "capital ready" is not about presenting a polished vision. It is about demonstrating a structured, defensible, sequenced plan that aligns with how capital markets evaluate opportunity and risk.

### Time and Cost Reality

Proper predevelopment takes time and money. Getting the site under control, completing the ground lease, doing site work and setting budgets should all happen before detailed design sets are produced. That process will need to be about 90% complete before moving on to permitting approvals.

Depending on location and site complexity, expect to spend \$500,000 to more than \$1 million over the course of the predevelopment

Across all project types — campus, municipal or privately sponsored — the way a project enters the public arena almost always determines whether subsequent steps will unfold collaboratively or adversarially.

process to reach a bankable concept. That's the cost of doing business in this space, but a thorough predevelopment process will help project teams avoid much more costly schedule delays, budget overruns and quality issues.

Beautiful renderings raise eyebrows, but due diligence raises capital. Teams that insist on rigorous feasibility, transparent data and experienced advice dramatically improve their odds of funding — and, ultimately, delivering — a mixed-use project that opens on time and subsequently performs. ■

**Cortland McCullers** is the director of predevelopment planning at Ohio-based real estate development advisory firm McCullers Group.

# A Look Ahead

CHANGES SHAPING OUR FUTURE

## The Pump Station Problem

Developers would be wise to consider this critical piece of infrastructure before breaking ground on new projects.

By Mark Sheldon, Romtec Utilities

**When** PulteGroup set out to build a new housing development on the outskirts of Riverside, California, the home construction company encountered a common challenge: no access to public sewer infrastructure. The choice was stark — wait years for utilities to reach the site or build a wastewater pump station to serve the project.

Waiting wasn't an option, so PulteGroup explored the latter.

### What Is a Wastewater Pumping System?

Pumping systems are a way to ensure that water flows in the desired direction regardless of the area's gravitational slope. These systems have major structural, mechanical, electrical, and control and communication elements.

When designing pumping systems, engineers must understand and account for the site's layout, access, egress, power and utilities, as well as other factors such as odor control, noise abatement, backup power and chemical injection. Costs can vary significantly, from thousands to millions of dollars, based on complexity, location, utility access and district standards. Early stage planning is critical for project success.

### Five Steps Developers Shouldn't Skip

The overarching challenge for developers is how to get a pump station that meets requirements and standards without breaking the company's budget or derailing its project timeline. Taking the following steps will help with that process:

**Define ownership:** If the pump station is publicly owned, the developer will need to meet the design criteria, deed land to the public entity and go through the approval process. If the pump station is privately owned, the developer must budget for maintenance, staff training, and system monitoring by a third party.

**Define the standards:** Identify what the local requirements are, as well as the site-specific standards. A project manager, or engineer, should be able to define the design criteria for the structural, mechanical, electrical and communication aspects of the pumping system.

The overarching challenge for developers is how to get a pump station that meets requirements and standards without breaking the company's budget or derailing its project timeline.

These aspects include which type of controller to use, what valves and what pumps, where components should be located and so on.

**Identify the location:** Determine how much land is required and the best location for the site. A few factors to consider include soil composition, the water table, existing structure in the area and elevations at the site. The average system and site dimensions are 80 feet by 80 feet.

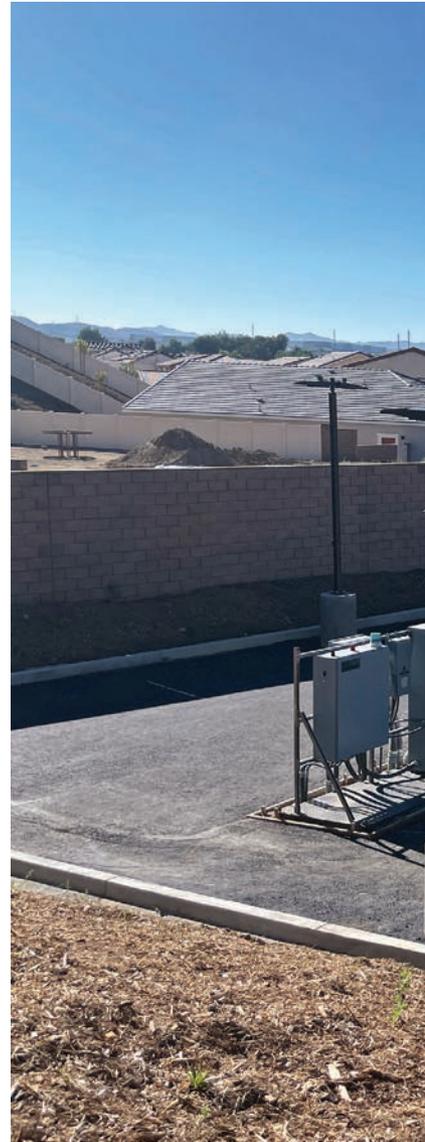
**Hire an engineer:** Engage a qualified engineer or pumping system design firm with the expertise to provide accurate designs, budgets and construction estimates for the entire project.

**Document everything:** From specifications to operations and maintenance manuals, ensure the system is

thoroughly documented. Training materials and testing protocols are essential for handoff to the owner and for long-term success.

### Highland Grove: A Case Study in Creative Planning

PulteGroup's Highland Grove development faced a unique hurdle. Not only was there no sewer infrastructure, but the water district also lacked the





A phased residential wastewater lift station can accommodate both current and future flows as the residential area expands.

capacity to accept wastewater during the day when peak flow hours typically occur.

As a solution, PulteGroup opted for a temporary, privately owned pump station that stores wastewater in underground tanks and pumps to the treatment plant only at night. This interim approach kept the project moving while respecting the district's constraints.

Civil engineering firm Albert

A. Webb Associates, which had prior interactions with the water district, was instrumental in getting the pump station approved. The project's overall success hinged on trust, design compliance and a credible plan to transition to gravity.

The goal of a new pump station is most often to overcome terrain and to get back to a point where gravity can take over. As the water district

expands its infrastructure, the development will be able to let gravity do the work. A pipe will be added in future phases, allowing the development to drain directly into the district's collection system.

In this case, the water district agreed to the temporary, privately owned pump station because:

- The system met all district requirements (brand

# A Look Ahead

PulteGroup opted for a temporary, privately owned pump station that stores wastewater in underground tanks and pumps to the treatment plant only at night. This interim approach kept the project moving while respecting the district's constraints.

of pumps, controller, construction material, etc.).

- The project was already entitled and partially approved.
- The team offered a \$3 million bond or easement for the future gravity line.

PulteGroup was on a two-year timeline to build a permanent system once the easement was finalized.

"It was a win-win," said **Patric Lynam**, director of planning and entitlements at PulteGroup. "The district is

## Key Lessons for Developers

**Include pump stations** in the entitlement checklist.

**Start utility conversations early.** If a pump station is required, planning the land dedication, budget and ownership should be part of the initial plan.

**Interim solutions can be an option.** Temporary private ownership can help move a project forward while waiting for infrastructure to catch up.

**Partner with experienced vendors.** Look for companies that offer turnkey pump station systems with engineering, supply and installation guidance.

**Understand the long-term effect.** Someone will need to maintain the pump station, whether public or private. Be sure to budget accordingly.

being helped by the future gravity build-out. The developer got to build and occupy prior to the completion of the gravity sewer."

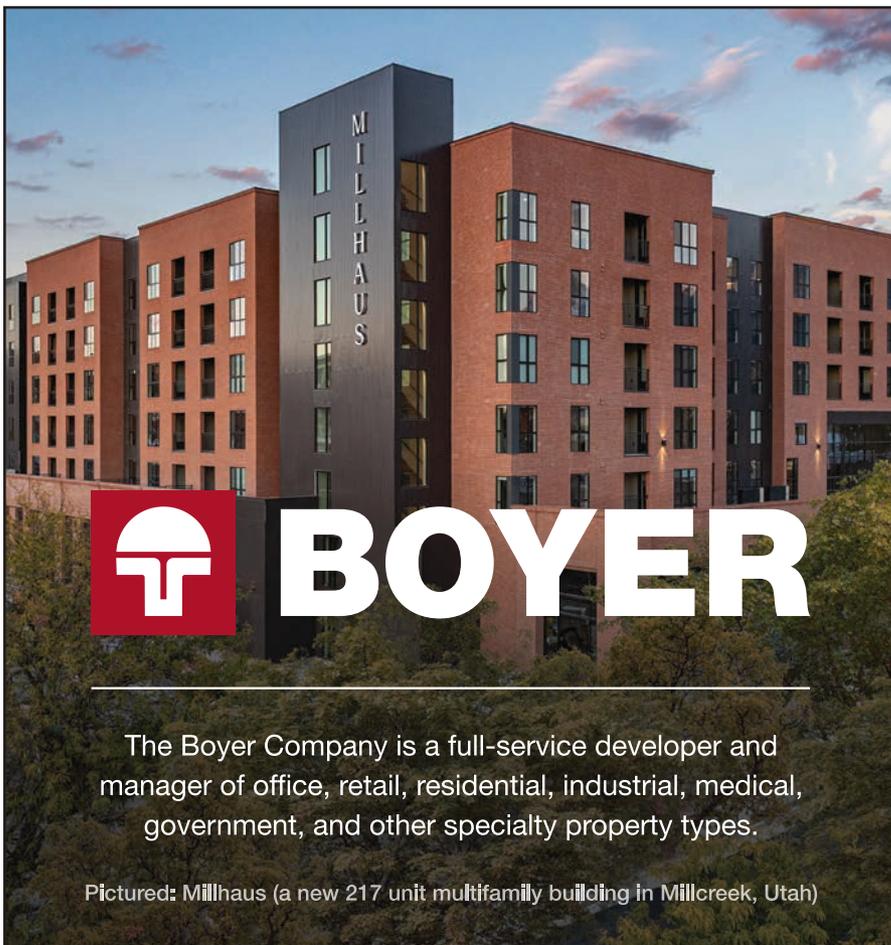
Romtec Utilities designed and supplied the wastewater pump system package with a precast wet well and valve vault, along with two 13,000-gallon high-density polyethylene storage tanks and duplex 7.5-horsepower KSB submersible pumps. A timer was added to disable pump station operation during peak hours. In addition, a float was added to trigger an override in case of a high-level event. Site dimensions are approximately 100 feet by 100 feet by 60 feet.

## Plan for Pumps

Pump stations are critical to modern development. With early planning, the right technical partners and a solid strategy, pump stations do not just support projects, they help move them forward.

If an upcoming project includes a pump station, treat it like the infrastructure backbone that it is. ■

**Mark Sheldon** is the vice president of operations at Romtec Utilities.



The Boyer Company is a full-service developer and manager of office, retail, residential, industrial, medical, government, and other specialty property types.

Pictured: Millhaus (a new 217 unit multifamily building in Millcreek, Utah)

# A Look Ahead

CHANGES SHAPING OUR FUTURE

## Emergency Preparedness: A Core Competency for CRE Leaders

No longer just documentation, preparedness is a leadership discipline that shapes culture and performance.

By Matt Faupel, Cushman & Wakefield

**For** years, emergency preparedness in commercial real estate has been treated as a compliance exercise with an annual binder update, a vendor contact list and scheduled drills. But the operating environment has changed faster than the industry's habits. Buildings are aging, weather events are becoming more unpredictable, and tenants and owners expect faster, more coordinated responses when disruptions occur.

Organizations that perform well under pressure do not rely on improvisation. They operate with clarity through defined roles, practiced coordination and leadership that treats emergency response as part of daily operations rather than a rare event. Their effectiveness does not come from plans on paper but from how decisions are made and communicated before a crisis begins.

### The Operating Environment Has Shifted

Across most commercial portfolios, emergencies are not dramatic, once-in-a-decade events. They are routine: a pipe leak on an upper floor, an elevator stalled during peak hours, a fire panel fault overnight or a medical incident in a lobby. These incidents rarely make headlines, but each one tests an organization's readiness.

Today, even small disruptions carry greater impact. Aging systems, extreme weather, lean staffing and supply chain delays have narrowed the margin for error. A delayed response or unclear communication that once



Strategic emergency planning and preparedness should not be regarded strictly as a facilities task.

caused minor inconvenience can now strain tenant relationships, complicate insurance claims and extend downtime.

### Elevating Preparedness to the Leadership Level

While emergency planning has often been delegated to engineering, security or on-site teams, the competencies that determine success in a crisis are leadership skills: decision-making with incomplete information, clear communication under pressure, cross-functional coordination and an understanding of how building systems support business continuity.

The message is clear: Strategic emergency planning and preparedness is not strictly a facilities task. It is a leadership responsibility that protects asset performance, tenant experience and organizational reputation.

### Everyday Incidents Reveal Organizational Readiness

Major disruptions draw attention, but most losses begin with small, routine events that expose gaps in process, communication or decision authority.

Consider a routine water intrusion. In one organization, engineering isolates the source quickly, management com-

Major disruptions draw attention, but most losses begin with small, routine events that expose gaps in process, communication or decision authority.

# A Look Ahead

municates clearly with tenants, restoration mobilizes early, and ownership receives a concise summary. In another organization, the same incident results in delayed shutdowns, inconsistent messaging, incomplete documentation and an expanded restoration scope.

The difference is rarely technical knowledge. It is clarity, coordination and culture.

The same pattern appears with elevator malfunctions, repeated fire alarm troubles, HVAC failures during extreme weather or medical emergencies. These incidents reveal whether teams are operating from established expectations or relying on improvisation. Organizations that treat routine incidents as opportunities to strengthen their response culture develop the muscle memory that leads to smoother, faster and more confident performance during larger events.

## What Executives Should Be Asking

Leaders do not need to be emergency specialists, but they do need to set expectations. The most effective questions focus on:

- Training frequency.
- Communication speed during disruptions.
- Clarity of decision authority.
- Onboarding of new hires into emergency processes.
- The consistency of after-action reviews across the portfolio.

When executives ask such questions regularly, organizations respond with greater discipline, alignment and operational maturity.

## The Missing Ingredient in Preparedness Efforts

Most properties maintain emergency action plans. Far fewer maintain cultures that support effective execution.

In high-performing organizations, teams understand their roles without consulting binders. Engineering, security and management operate from aligned expectations. After-action reviews occur consistently and lead to immediate adjustments. New hires receive emergency response training early, not after their first incident.

This level of preparedness exists only where leaders reinforce expectations, create repetition and hold teams accountable.

## The Strategic Value of Tabletop Exercises

Among preparedness practices, tabletop exercises deliver one of the highest returns. They require minimal resources yet expose gaps in communication, decision authority and escalation long before those gaps create real-world consequences.

Even a brief tabletop often reveals uncertainties, such as who receives the first call, who makes the initial decision, how and when tenants are notified, which vendor is mobilized first, what documentation is needed for insurance and when ownership should be updated. These insights surface at minimal cost, far earlier than they would during an actual emergency.

Executives who participate in tabletops often recognize their value immediately. They see that preparedness is not about predicting specific events but rather strengthening communication, decision-making and cross-functional alignment.

Organizations that treat routine incidents as opportunities to strengthen their response culture develop the muscle memory that leads to smoother, faster and more confident performance during larger events.

## Technology Has Lowered the Barriers to Preparedness

Historically, preparedness suffered from administrative friction, including outdated binders, inconsistent training, unclear documentation and the challenges of coordinating teams across geographies.

Modern tools have changed this scenario significantly. Digital playbooks allow rapid updates. Mobile platforms enable real-time communication. Virtual tabletops support cross-regional training. Centralized documentation such as photos, time stamps and action logs have strengthened after-action reviews and accelerated insurance processes.

With these tools, preparedness shifts from an annual exercise to an ongoing operational practice.

## Preparedness as Competitive Advantage

Emergency preparedness is no longer a formality. It is a leadership function that directly influences operational continuity, tenant confidence, insurance outcomes and organizational reputation. In an era of frequent disruption and heightened expectations, organizations that treat preparedness as a strategic competency rather than a technical chore are the ones that recover fastest and communicate most effectively.

The industry's shift toward preparedness reflects a broader truth: Resilience is now a competitive advantage. And like every enduring advantage in commercial real estate, it begins with leadership. ■

**Matt Faupel** is a senior property manager with Cushman & Wakefield.

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## 2025 Year End Office Investment Sales Highlights



**555-557 Broadway**  
**NEW YORK, NY**

387,831 SF | Sold on behalf of:  
Scholastic



**600 California**  
**SAN FRANCISCO, CA**

359,879 SF | Sold on behalf of:  
Confidential



**Sterling Plaza**  
**DALLAS, TX**

313,609 SF | Sold on behalf of:  
KBS Realty Advisors



**Pasadena Towers**  
**PASADENA, CA**

479,368 SF | Sold on behalf of:  
CBRE Global Investors



**140 Kendrick**  
**NEEDHAM, MA**

409,197 SF | Sold on behalf of:  
BXP



**35 Hudson Yards**  
**NEW YORK, NY**

451,047 SF | Sold on behalf of:  
Related Companies / Oxford Properties



**Southern Company Energy Center**  
**BIRMINGHAM, AL**

669,430 SF | Sold on behalf of:  
Peakstone Realty Trust



**100 Park Avenue**  
**NEW YORK, NY**

905,244 SF | Sold on behalf of:  
SL Green



**The Link at Uptown**  
**DALLAS, TX**

291,986 SF | Sold on behalf of:  
Kaizen Development Partners



**817 Broadway**  
**NEW YORK, NY**

139,214 SF | Sold on behalf of:  
Taconic Partners / Baupost



**Projects Clover & Laurel**  
**MULTISTATE**

1,522,500 SF | Sold on behalf of:  
Healthcare Realty



**Park Place Village**  
**LEAWOOD, KS**

486,272 SF | Sold on behalf of:  
KBS Realty Advisors

## On Leadership: Will Hendrickson

The CEO of Granite Properties, based in Dallas, discusses the challenges of taking over the top leadership position from its founder, the dynamics of the office market and where he intends to take the company in the future.

By Ron Derven



Will Hendrickson

“You must recognize the big moments in your career and lean into them. Put forth the effort, go above and beyond, and learn from your successes and mistakes. Then repeat.”

Will Hendrickson, CEO,  
Granite Properties

**Development:** How did you get interested in commercial real estate, and what initially drew you to Granite Properties two decades ago?

**Will Hendrickson:** My grandfather was in the commercial real estate industry in Dallas. I was always impressed by the close network of colleagues and friends that he had across the industry and how much he enjoyed his job. For me, the relationships I have built over the years in our industry have been the most rewarding. The projects are always fun, but they are secondary to the people.

What initially drew me to Granite was its reputation for developing high-quality projects. As I met the team, I was impressed with its professionalism. It was a small team of smart businesspeople that took an institutional approach to running its business. It was a fun work environment that balanced an entrepreneurial spirit with a collaborative approach, and we still have that today.

**Development:** You’ve been with Granite much of your professional career, rising from investment analyst to CEO. What key lessons shaped your leadership style?

**Hendrickson:** What I have told my three sons or any young person interested in our business is that you must recognize the big moments in your career and lean into them. Put forth the effort, go above and beyond, and learn from your successes and mistakes. Then repeat.

**Development:** Granite underwent a major leadership transition when you succeeded founder Michael Dardick at the beginning of 2024.

How did you prepare for that handoff, and what elements of the company’s culture are you most determined to preserve?

**Hendrickson:** I felt prepared because I was the Dallas market leader and led the day-to-day operations and growth in Dallas, which has historically been our largest market. During that time, we developed several high-quality projects, including 23Springs and Granite Park 6. Prior to that, I led Granite’s investment activities in Atlanta, Austin,

Denver and Houston, which included acquisitions, dispositions, development and financial structuring. Through those two roles I was able to develop a very broad understanding of our business.

I’m most determined to preserve the balance of having an entrepreneurial spirit and a collaborative approach. It’s the cornerstone of our “One Team” philosophy, which emphasizes unity, accountability and effective communication to achieve a common goal.

**Development:** What has your greatest leadership challenge been since becoming CEO?

**Hendrickson:** Office investing has changed dramatically since 2020. Companies and employees have changed what they want and expect from their office space. As a firm, we are transforming our existing portfolio to meet these expectations. We are advancing our focus on quality and location as we look at new acquisitions and developments. Navigating these changes requires patience and constant communication with the team.

**Development:** How do you define Granite’s growth strategy in today’s environment of uncertainty and opportunity?

**Hendrickson:** We’re focused on developing and acquiring highly amenitized Class A office buildings in exceptional micro-locations within top submarkets in high-growth Sun Belt cities.

The workplace continues to evolve and to shift toward experiences. Companies want an elevated work experience that enhances people's daily lives and makes their teams more productive. This is why we have a very tight filter on what we want to own. The goal is to be the premier owner in high-growth markets and deliver an exceptional performance for investors and an unparalleled experience for our customers.

As part of that goal, we have been transforming our portfolio through several developments, acquisitions and dispositions to achieve a portfolio with top assets in the best locations. These buildings outperform on vacancy, command pricing power and achieve outsized rent growth.

To continue to grow and enhance our investment capacity, we've expanded our capital partnerships. Since 2021, we have deployed \$2.3 billion in commercial real estate transactions, consisting of \$700 million in acquisitions and \$1.6 billion of development funded with \$1.2 billion in equity from our investment partners. In 2022, we delivered Midtown Union in Midtown Atlanta in partnership with MetLife Investment Management, and in 2025, we delivered 23Springs in Uptown Dallas in partnership with Highwoods Properties. Both projects are high-quality, highly amenitized and well-located office buildings that see strong leasing demand.

**Development:** *What defines a "quality" office experience today?*

**Hendrickson:** A quality office experience involves a premium building in a highly desirable mixed-use location with walkable shops and restaurants. 23Springs is a great example. The building is designed to draw people out of their leased space to enjoy the shared amenities and connect to the surrounding community. It has a customer lounge, outdoor workspace, a high-end fitness center and recreational opportunities such as a sports simulator. It also has a neighborhood park and three restaurants ranging from fast casual to upscale dining, offering a variety of options to both customers and the community. Companies don't want just traditional office space; they

are looking at the experience of the entire building and the surrounding area.

I do want to emphasize that location is more critical than ever before. We have buildings in Denver's Cherry Creek and Preston Center Dallas that are 1980s vintage assets in great locations. They are seeing outsized rent growth and strong demand. For these buildings to be successful, they don't have to be new. People want to be in those specific locations.

**Development:** *How does Granite intend to stay ahead of tenant expectations?*

**Hendrickson:** Granite is always focused on improving the customer experience. We're constantly thinking of new ways to improve our buildings and make them feel more energizing and welcoming. To keep these buildings attractive to top talent, we continue updating them with new amenities. We stay close to our customers. Our property management team conducts regular surveys to ask what our customers' needs are and what amenities they'd like to see.

**Development:** *What is your outlook for the business in your market areas over the next three to five years? What major challenges do you see ahead?*

**Hendrickson:** We break the market into two parts. On the space market side, Class A buildings in the best locations outperform leasing wise, have

**"Companies don't want just traditional office space; they are looking at the experience of the entire building and the surrounding area."**

*Will Hendrickson*

# The Entrepreneur

lower vacancies and some of the highest rent rates we've seen. We believe that will continue in 2026. On the capital market side, we're seeing a return of institutional capital. Interest rates have come down and the cost of capital is decreasing, but they are still on the high side. We're seeing an increase in office building transactions. We expect this will continue to improve in 2026. But interest rates and construction costs continue to be high, making new development across the country challenging.

That said, the market has bottomed. With continued lease velocity, we will start seeing a shift where developing office may start to make sense in select markets. New office supply is dwindling. According to CBRE, construction completions were expected to total 13 million square feet in 2025, the lowest annual total since 2012 and significantly below the 10-year average of 41 million square feet. At the same time, demand for new, high-quality office buildings will continue. That will help with the recovery of the office market, and a tightened supply will increase rent rates. There is a bifurcation of the market, but a tight supply of Class A buildings will benefit demand for Class B buildings located in top locations.

**Development:** *Granite has embraced technology, from digital engagement apps to flexible leasing solutions. Which innovations have most changed how you serve tenants today?*

**Hendrickson:** The most transformative innovation has been our Ready Suites. These are built-out, tech-enabled office suites under 5,000 square feet with shorter lease terms. They help customers in that size range get into their office space quickly without having to deal with designing or building out the space. Ready Suites are in most of our buildings and lease up quickly.

**Development:** *Granite has long been known for environmentally conscious development. How do ESG and wellness factors fit into your development philosophy moving forward?*

**Hendrickson:** We will continue our commitment to promoting wellness, sustainability and community and giving back in our office buildings nationwide. Currently, 73% of our buildings are LEED certified, and 49% are Fitwel certified. All our latest developments are designed for LEED certification, and we will continue to develop LEED and Fitwel projects.

**Development:** *What do you look for in senior hires or future leaders within the company?*

**Hendrickson:** I look for leaders with strong communication skills, high emotional intelligence and high collaboration skills. People who are long-term thinkers and who can inspire and develop others. Leaders who are open to and skilled at giving feedback. Reliability, confidentiality and accountability are also highly valued at Granite.

**“Play the long game with your career, especially when you are working with a team you like and respect. You want to work with the right group of people, because that’s who you will spend most of your time with.”**

*Will Hendrickson*

**Development:** *Every leader faces challenges. How do you approach setbacks or difficult decisions?*

**Hendrickson:** Resilience is key. I remind myself that setbacks, whether that's in the market or at Granite, are growth opportunities. Not everything will go as planned. The point is to learn and grow from successes and mistakes. We also deeply value collaboration. Working with a smart, collaborative team provides a great source of support.

**Development:** *What advice do you have for professionals coming into the commercial real estate business today?*

**Hendrickson:** Play the long game with your career, especially when you are working with a team you like and respect. You want to work with the right group of people, because that's who you will spend most of your time with.

**Development:** *Leading a national firm is demanding. How do you maintain a work/life balance?*

**Hendrickson:** My wife and I have three sons in high school and college. I've always prioritized spending time with them, and I'm glad I did, especially now that they're older.

I love traveling and doing anything outside. I've picked up golf recently, which is a very humbling experience. ■

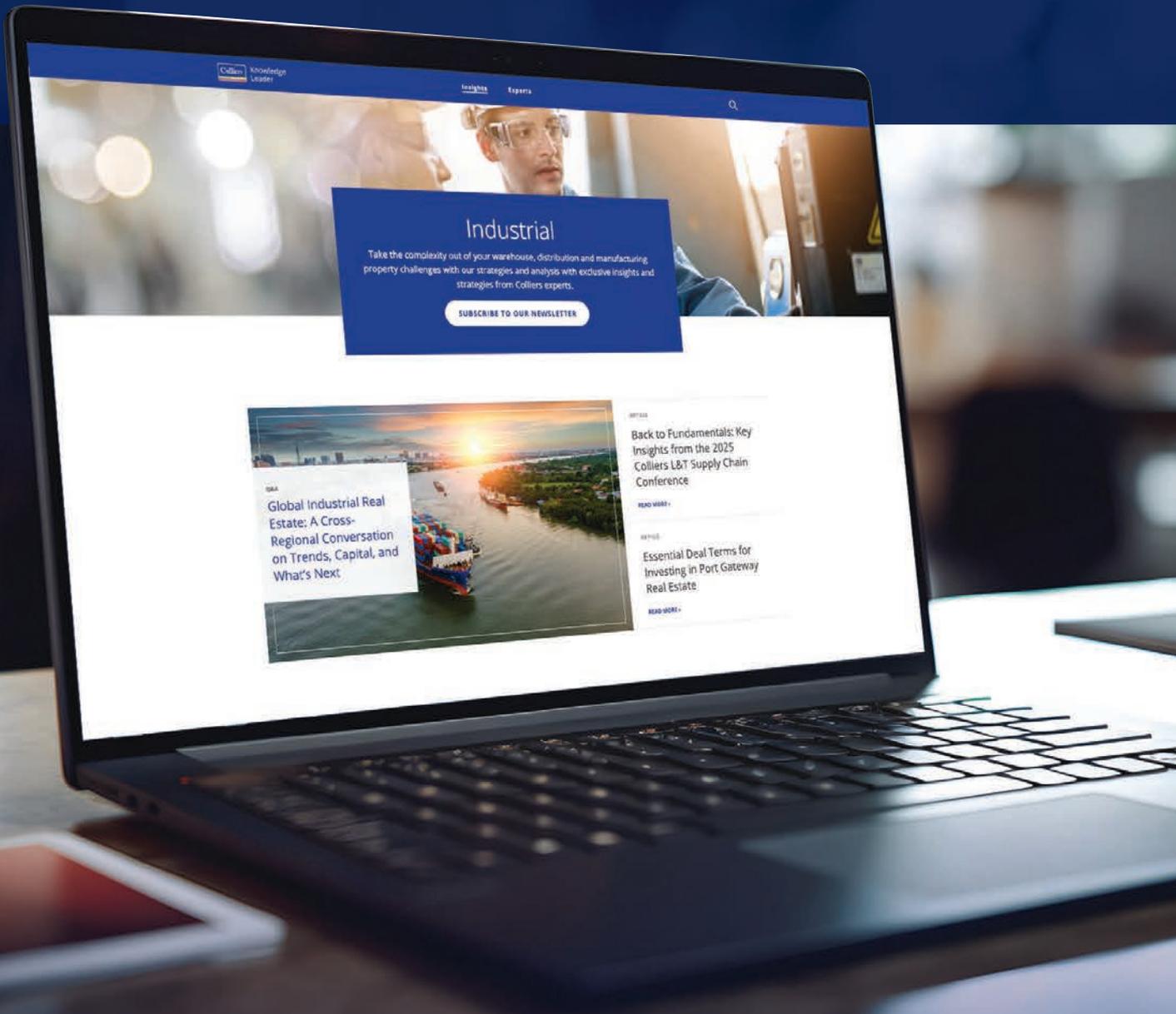
**Ron Derven** is a contributing editor to Development magazine.

*The Entrepreneur interviews are edited for length and clarity.*



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# Leveraging Technology

INNOVATIONS INFLUENCING COMMERCIAL REAL ESTATE

## The Real Reason AI Isn't Working in Commercial Real Estate

**Most failures stem not from technological limits but from unclear decisions, misaligned incentives and misplaced expectations.**

Lilian Chen, Proptimal

**Artificial** intelligence has made undeniable progress across industries. It has solved protein structures that stumped biology for decades, given machines the ability to act autonomously in the physical world, and empowered knowledge workers to generate outputs in seconds that once took weeks.

In sharp contrast, people in commercial real estate are still sending money with paper checks, closing deals in cherry wood-paneled law offices, and signing towering stacks of documents by hand. Deals are not underwriting themselves, and market research is increasingly clouded by AI-fabricated data that initially seemed correct but were completely nonsensical. As a result, many former technology optimists have begun to label AI “underwhelming,” concluding that it is little more than an overhyped bubble on the verge of bursting. As of 2026, human judgment remains indispensable.

Commercial real estate is not unique. This disillusionment is shared across industries. According to Forbes, roughly 9 out of 10 AI transformation initiatives fail to deliver meaningful return on investment, and in commercial real estate, most efforts never progress beyond the pilot stage. JLL's industry survey from October 2025 reinforced this reality: AI pilots are widespread, yet only 5% of firms report achieving all their AI goals.

The most convenient explanation for these results is technological immaturity, a conclusion that is understandable but misguided. This framing shifts blame onto the tools themselves, spares organizations from examining how decisions are actually made, and allows familiar processes to persist unchallenged. In reality, the failure lies not in AI's capabilities but in how firms select appropriate use cases, define success and integrate technology into real workflows.

### Why Most AI Initiatives Fail in Practice

In commercial real estate, AI efforts tend to fail for a few predictable reasons.

First, when organizations lead with the solution rather than the problem, they ignore critical context. For example, in moments of panic adoption, often driven by fear of being left behind, many firms turn to AI to automate social media without defining brand positioning, audience intent or conversion goals. Even when visibility increases, the output often feels misaligned and inauthentic, potentially creating more reputational damage than value. Deployed without a clear objective, AI produces polished answers to the wrong questions.

Second, teams often layer new software onto existing processes without first removing underlying inefficiencies. When workflows are neither streamlined nor rigorously reviewed, point solutions accumulate, increasing handoffs, reconciliation and the risk of error. Any efficiency gains are short-lived, replaced by systems that are more complex, fragile and unsustainable. At its core, this is largely psychological: Organizations are terrified to abandon familiar, “good enough” processes, even when they work poorly. Simplifying the process requires ruthless clarity and the willingness to start over.

Finally, firms frequently treat symptoms rather than root causes because they have not aligned on the underlying problem or objective. In attempts to replace analysts with AI, teams celebrate underwriting a deal in minutes, then spend hours debating the assumptions the model

According to Forbes, roughly 9 out of 10 AI transformation initiatives fail to deliver meaningful return on investment, and in commercial real estate, most efforts never progress beyond the pilot stage.

produced. Vendors often exploit this gap, marketing “automated underwriting” while ignoring two constraints: the lack of reliable market data and the fact that underwriting judgment is inherently firm-specific. Full automation under these conditions is not only premature but structurally impractical.

Resolving these failures requires unpacking problems layer by layer and challenging assumptions and ownership at every stage — a demanding process that requires both technical fluency and the organizational maturity to confront change. When management does not understand what AI can (or should) do, they perceive it as a black box panacea to all their operational bottlenecks. As a result, they



When management does not understand what AI can (or should) do, they perceive it as a black box panacea to all their operational bottlenecks.

blindly purchase AI tools even when they do not need them or when AI simply is not the right solution. AI adoption driven by ego or fear will inevitably lead to wasted time, energy and resources.

### A Reality Check on Organizational Readiness

Here is a simple diagnostic. If any of the following applies, AI is unlikely to help:

- Core workflows live in people's heads rather than in defined decision paths.
- Tools are being piloted without clear ownership, assumptions or decision rights.
- Outputs (reports, content, models) are being automated instead of the decisions they are meant to inform.

- Success cannot be defined without qualifiers or post hoc explanations.

If company personnel have attended more AI demos than workflow-mapping sessions, that imbalance explains most failed pilots. These are clarity failures, not technology failures.

### Misalignment in the Innovation Supply Chain

Across industries, technological breakthroughs follow a consistent pattern that can be understood through what Proptimal calls the "Innovation Supply Chain," which consists of distinct layers that differ by technical depth and responsibility:

**Foundational invention:** New scientific or technical capabilities created through deep

research (e.g., ChatGPT, Gemini, Claude).

**Development tools:** Platforms that make technical inventions accessible for people who lack deep domain knowledge to build tools on (e.g., Cursor, Windsurf, Lovable).

**Applications:** Products that embed technology into real workflows using domain expertise and judgment (e.g., business-to-business and business-to-consumer applications).

Most firms do not need to invent in-house AI tools, but many are misled into believing they should. Building software is easy, but building good software is very difficult. This phenomenon is exacerbated by the widespread yet misleading

# Leveraging Technology

narrative that anyone can become a software developer with AI “vibe coding” tools. This ambition turns into a distracting and costly mistake.

Custom software or workflow often feels like control, but for nontechnical organizations, it quickly becomes a liability. When teams lack the ability to prototype in-house, relatively simple work is outsourced at significant cost. Typically, this is not because the problem is complex but because vision must be translated to an external team that knows nothing about the client’s industry, company and processes. Context is lost, feedback loops slow, costs compound, and long-term maintenance ultimately falls back on the firm.

The result is counterproductivity and a strategically weakened position. Capital and attention are diverted away from core strengths and toward technical problems the organization is not equipped to solve. Bespoke tools end up digitizing workflows that were never clarified, locking firms into dependency on external contractors without the capability to sustain it.

Unless a firm is prepared to operate like a technology company, building proprietary AI tools does not create advantage; it creates distractions and liabilities.

## The Transparency-Alpha Paradox

Commercial real estate is an industry built on identifying market inefficiency, and the best operators generate returns by uncovering value-creation opportunities that others don’t see.

AI underwriting demands the opposite conditions to succeed: widely available market and property data, with deal nuances transparently documented. Expecting AI to deliver precise predictions in real estate therefore requires two incompatible realities at once: a market opaque enough to generate alpha and a dataset clean enough to uncover any inefficiency.

This is the “transparency-alpha paradox.” The variables that matter most in real estate rarely live in data, and forcing prediction where judgment is required produces false confidence rather than insight. AI’s value here is not prediction but compression: reducing time, synthesizing information and sharpening human judgment instead of replacing it.

Zillow’s algorithm-driven home-buying failure illustrates the risk. The models did not collapse because pricing was difficult; they collapsed

Unless a firm is prepared to operate like a technology company, building proprietary AI tools does not create advantage; it creates distractions and liabilities.

because judgment was removed from the loop. When markets shifted, no one was clearly accountable for challenging assumptions, overriding outputs or slowing the system down.

In asset management, AI is often deployed to automate variance reporting and NOI forecasting. The reports arrive quickly and appear precise, but decision rights remain unclear. No model can determine whether to push rents, defer capital or accept short-term underperformance in exchange for long-term positioning.

Such failures stem from a lack of accountability rather than a lack of efficiency. An automated process that removes human responsibility is futile, regardless of how quickly it operates.

## Reframing AI’s Role in Commercial Real Estate

Firms are less frustrated with the technological limits of AI than they are with the mismatch between what AI is suited to do and how real estate decisions are made, under the set of expectations of the people using it. AI does not (and should not) eliminate judgment, uncertainty or accountability. Its value lies in compressing time, surfacing inconsistencies and strengthening the decisions humans remain responsible for owning.

Firms are less frustrated with the technological limits of AI than they are with the mismatch between what AI is suited to do and how real estate decisions are made.

The firms that benefit will not be those that automate the most tasks or chase the boldest predictions. They will be the ones willing to do the unglamorous work first: clarifying which decisions matter, aligning assumptions before scaling output, choosing their place in the Innovation Supply Chain, and designing workflows where accountability is explicit, all while applying AI appropriately to perform what it is suited to do. In commercial real estate, advantage has always come from judgment applied faster and with better information.

The limiting factor is no longer access to tools or data; it is the discipline to use them well. Used correctly, AI exposes weaknesses in existing processes rather than replacing expertise. The opportunity is not greater automation but rather greater intentionality about how decisions are made, who owns them and where judgment truly adds value. ■

**Lilian Chen** is the founder and CEO of Proptimal, a CRE software platform delivering institutional-grade underwriting and analytics to operators and capital allocators.



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# In Touch With Tenants

IDEAS FOR ATTRACTING AND RETAINING TENANTS

## Distributed Energy: A Smart Hedge for Cost Stability

Distributed energy is emerging as a practical risk management tool for owners and tenants alike.

By Richard Dove, Dispatch Energy

**Commercial** real estate has long operated on the assumption that the grid will deliver needed power reliably and at a manageable cost. That assumption is weakening. The U.S. Department of Energy (DOE) warns blackout risks could rise by a factor of 100 by 2030 if firm capacity continues retiring faster than replacement resources come online. Outage incidents have increased 64% over the last decade, and nearly half of U.S. distribution infrastructure is at or past its intended service life.

For industrial, logistics, cold storage, food processing and life sciences businesses, these conditions translate directly into operational exposure. Downtime affects product integrity, production cycles, fulfillment, equipment health and customer commitments. As facilities become more electrified, automated and continuous, power stability and price certainty are increasingly central to tenant performance and, ultimately, asset value.

Energy risk has always mattered, but it rarely demanded attention. Now, rising volatility is forcing it to the center of the conversation. Stakeholders must consider several elements as part of the new energy risk stack for commercial real estate.

### Reliability Risk

Outages are rising as aging infrastructure, extreme weather and growing loads strain distribution networks. Sensitivity

differs by sector, but the overall trajectory is the same.

Cold storage is a clear example. Many frozen facilities are well insulated and can handle short power cuts or join demand response programs to reduce power use during peak times. Yet resilience isn't uniform. As the Global Cold Chain Alliance has noted, longer and more complex outages have made it clear that "gone are the days of simply shutting the doors." Facilities handling regulated food, pharmaceuticals or high-value perishables often have strict tolerances, and many older or smaller sites lack controls or backup systems needed for extended events.

Food and beverage processors face batch losses and sanitation resets. Manufacturing tenants — particularly in pharmaceuticals, electronics and precision components — can incur costs of \$100,000 to \$150,000 per hour of downtime according to the DOE Energy Interruption Cost Estimate Calculator. Logistics operators, once a lower exposure segment, are now more sensitive as EV fleets, automation and refrigeration nodes push loads higher. In many modern warehouses, charging demand rivals building load, making outages a direct threat to throughput and mobility.

Across sectors, operational tolerance for power disruptions is tightening.

### Power Price Risk

U.S. electricity prices have risen roughly 30% nationally since

As facilities become more electrified, automated and continuous, power stability and price certainty are increasingly central to tenant performance and, ultimately, asset value.

2020, with sharper increases in coastal and high-demand markets, making energy a meaningful factor in leasing strategy. The U.S. Energy Information Administration (EIA) projects continued upward pressure driven by fuel costs, deferred maintenance and rising peak loads.

Alongside rising tariff prices, some more niche elements of power bills have seen substantial price increases. In the service area of the PJM Interconnection, the grid operator that oversees all or part of 13 states and Washington, D.C., capacity prices rose more than 800% in 2025. For commercial and industrial customers, this can represent an increase of up to 10% on their monthly utility bills.

Some large power users on legacy power purchase agreements or supply contracts may not feel the whole impact yet. That doesn't mean they will avoid increased costs perpetually, however. Many commercial and industrial organizations locked in fixed rates when wholesale power prices were far lower. As their contracts expire, renewal pricing will reflect the constrained, higher-cost market shaped by data center growth, electrifica-



The Mines Press plant in Cortlandt Manor, New York, features a battery energy storage system.

tion and regional capacity shortages. The result will be sudden jumps in operating costs that many tenants didn't plan for, creating downstream risk for landlords as renewal decisions shift and higher costs strain tenant credit.

### Interconnection and Timing Risk

Utilities may be able to deliver the required load eventually, but likely not on the timelines industrial developments typically demand.

Electricity demand in the U.S. is rising for the first time in decades. The EIA projects commercial demand to grow 2.6% annually and industrial demand 2.1%, with data-center-driven load growing substantially faster. It is expected that certain geographic regions will see much higher demand growth. Grid operators across the PJM Interconnection, the Electric Reliability Council of Texas (ERCOT) and the California Independent System Operator (CAISO) service areas warn that capac-

ity constraints are influencing siting decisions for industrial and logistics networks.

After years of stagnant load growth, a wave of high-density load applications is clogging utility interconnection queues, stretching engineering teams and prolonging timelines for distribution upgrades. Developers increasingly report 18- to 48-month service-expansion timelines, with transformer delays in some markets extending beyond two years.

Utilities aren't ready for the coming demand surge, creating a material constraint on new development. For cold storage, robotics-heavy manufacturing,

Many commercial and industrial organizations locked in fixed rates when wholesale power prices were far lower. As their contracts expire, renewal pricing will reflect the constrained, higher-cost market shaped by data center growth, electrification and regional capacity shortages.

# In Touch With Tenants

life sciences and fast-moving logistics, the power timeline is the project timeline. In these segments, interconnection risk is now development risk.

## Distributed Energy as a Financial Hedge

Distributed energy — fuel cells, battery storage, solar-plus-storage and hybrid systems — is increasingly viewed as a risk mitigation tool rather than a sustainability enhancement. Distributed generation is installed on-site directly to reduce the reliance on power from the utility, allowing customers full control over their cost for power.

### Best Practices for Owners and Developers:

- Quantify outage costs using tools from the Department of Energy and the National Laboratory of the Rockies (formerly the National Renewable Energy Laboratory).
- Model tariff escalation and power purchase agreement rollover scenarios against fixed-price distributed generation options.
- Engage tenants early to define critical loads and fleet charging impacts.
- Evaluate interconnection feasibility up front.
- Use modular, scalable systems that grow with tenant demand.
- Leverage incentives to improve economics.
- Work with providers that integrate technical, financial and operational requirements.

Distributed energy offers several advantages, including:

**Cost stabilization:** Long-term fixed pricing shields tenants and owners from tariff volatility and power purchase agreement rollover shocks.

**Peak shavings:** Many industries, such as manufacturing, textiles and EV fleet depots, have high “demand charges,” which are set by certain periods with high electricity usage. These high periods, even if infrequent, can increase costs for the entire year. On-site battery storage and fuel cells can directly reduce “peak” days, lowering demand charges.

**Outage mitigation:** Fuel cells and microgrids provide continuous, redundant power, keeping critical loads online during grid disturbances.

**Timeline advantage:** In many cases, systems can be deployed in six months, far faster than utility upgrades, increasing speed to operations either as a bridge-to-interconnection solution or permanent deployment.

**Tenant differentiation:** Power resilience and timeline to upgrades are becoming lease decision criteria for energy-intensive tenants.

The market is scaling rapidly. U.S. microgrid capacity was on track to reach 10 gigawatts in 2025, more than double 2022 levels. These systems are now mainstream infrastructure, with mature finance structures providing development capital so site owners can leverage capex-free energy-based or service-based deployment models.

While distributed energy offers clear advantages, it is not universally the right fit for every commercial or industrial owner. Stakeholders often raise con-

The market is scaling rapidly. U.S. microgrid capacity was on track to reach 10 gigawatts in 2025, more than double 2022 levels.

cerns about the complexity of integrating new systems with existing operations, particularly when facilities already rely on long-term utility contracts or have limited on-site space for equipment. Others point to uncertainty around evolving regulatory frameworks, interconnection requirements and the potential for hidden costs in maintenance or performance guarantees. Selecting a deployment partner with proven technical expertise, transparent performance guarantees, and a track record of navigating regulatory and interconnection hurdles can significantly reduce these risks and help ensure distributed energy delivers its intended value.

For some, the perceived risk of adopting relatively new technologies, whether in terms of reliability, cybersecurity or alignment with corporate sustainability goals, can outweigh the appeal of capex-free deployment models.

### Case Study: A Practical CRE Application

A 250,000-square-foot distribution center in Ohio had long operated with predictable energy costs until the power grid operator announced a massive shift. Capacity prices across the Midwest and Mid-Atlantic regions were set to rise by 1,000% from 2024 to 2025, driving an immediate 18% jump in the distribution center’s utility bills.

Dispatch Energy, a full-service distributed energy solutions provider, offered options to reduce the distribution center’s exposure to power and pricing volatility without disrupting operations.

One option was a natural gas-fueled fuel cell installed on-site and fully managed by Dispatch. The distribution center purchases electricity at a fixed rate, securing an immediate 10% year-one savings while gaining a hedge against future price spikes.

The second option focused on intelligent flexibility. Dispatch installed and operates a battery storage system that charges when prices are low



An aerial view of a fuel cell site.

and discharges when they rise. Advanced analytics optimize timing, ensuring the distribution center benefits from the lowest-cost power source. Savings and market-based revenues are shared, with no fixed commitment required.

Both pathways offer the same outcome: reduced reliance on the grid, meaningful cost savings and a more resilient energy future.

To determine the best-fit distributed energy option for commercial or industrial asset requirements, consider the technical, financial and operational considerations, including load profile, reliability needs and risk tolerance. In practice, developers model multiple sce-

narios to compare life cycle economics and resilience benefits. The result is a tailored solution that matches the asset's unique operating environment and strategic priorities.

### The Path Forward

Distributed energy is emerging as a practical risk management tool for both owners and tenants. By stabilizing costs, reducing outage exposure and providing capacity on achievable timelines, on-site generation gives properties control over a variable that is increasingly shaping operations and underwriting.

Technology fit, permitting and long-term operations still matter, but distributed generation

solutions reduce uncertainty at a time when grid conditions are more volatile and consequential. For owners serving energy-intensive or time-sensitive tenants, integrating distributed energy early is becoming less about optimization and more about ensuring the project can operate as intended.

As grid pressures mount and industrial operations depend more on continuous, high-quality power, distributed energy enables owners to manage uncertainty rather than shoulder it. While not a substitute for the grid, it is becoming an essential partner to it. ■

**Richard Dove** is the CEO of Dispatch Energy.

For owners serving energy-intensive or time-sensitive tenants, integrating distributed energy early is becoming less about optimization and more about ensuring the project can operate as intended.

# Inside Investment and Finance

CAPITAL MARKETS, FINANCE AND SALES

## Appalachian Investment Takes Flight

The region is attracting the next generation of megaprojects through an alignment of policy, infrastructure and workforce initiatives.

By Jonah Samples, Nelson Mullins Riley & Scarborough, LLP

**When** U.S. Space Command announced in September 2025 that its permanent headquarters would be relocating to Huntsville, Alabama, many of the headlines focused on national security implications. But the decision also underscored another important development: Appalachia has become a serious contender for the nation's most competitive investments.

Already recognized for its resilience and heritage, the region is in the process of adding a new distinction — as a place where the next wave of innovation and enterprise is taking root.

As officially defined by the Appalachian Regional Commission (ARC), Appalachia encompasses more than 400 counties, stretching from southern New York through parts of Pennsylvania, Ohio, West Virginia, Maryland, Kentucky, Virginia, Tennessee, North Carolina, South Carolina, Georgia, Alabama and Mississippi. More broadly, the area follows the spine of the Appalachian Mountains, and its identity extends beyond geography to include a shared history of industry, culture and community.

### Proof of Concept

Huntsville earned the nickname Rocket City decades ago, with NASA's Marshall Space Flight Center anchoring a dense cluster of aerospace and defense activity. Cummings Research Park, the second-largest research park in the nation, and the U.S. Space & Rocket Center

reinforced the city's innovation identity. When the Department of Defense evaluated potential homes for Space Command, Huntsville offered both legacy assets and forward-looking capacity.

Policy likely played a large role in the decision to move Space Command to Huntsville. In 2023, Alabama refreshed its Jobs Act under the "Game Plan" framework, extending the program through 2028 and increasing annual caps to better compete for megaprojects. At the same time, the state continues to grow its Site Evaluation and Economic Development Strategy (SEEDS), a matching grant program to help accelerate the readiness of industrial properties statewide.

In August 2025, Alabama reinforced its status as a center for advanced manufacturing when L3Harris Technologies opened the Advanced Manufacturing Facility—South in Huntsville. The 379,000-square-foot facility, backed by over \$20 million in renovations and a Defense Production Act agreement, was expected to add 40 jobs immediately and more than 100 additional jobs in the ensuing years, supplementing the roughly 800 employees already working at L3Harris sites in and around Huntsville and bolstering capability in aerospace components essential to national defense.

### The Appalachian Growth Playbook

This success is part of a broader Appalachian trend. Across the region, legislatures and governors are modernizing economic development strategies with a strong focus on site selection fundamentals. By aligning policy, infrastructure and workforce, states throughout the region are positioning themselves as strategic destinations for aerospace, defense, energy and advanced manufacturing projects.

What distinguishes the current moment is not a single project or announcement but rather the consistency of signals coming from across the region.

"What we're seeing in Jackson County reflects a much larger shift happening across Appalachia," said **Veronica Lewis**, executive director of the Jackson County Development Authority in West Virginia. "Communities that once had

*"What we're seeing in Jackson County reflects a much larger shift happening across Appalachia. Communities that once had to compete from a position of disadvantage are now showing up with prepared sites and more aligned policy."*

*Veronica Lewis,  
executive director,  
Jackson County Development  
Authority, West Virginia*

to compete from a position of disadvantage are now showing up with prepared sites and more aligned policy. While workforce development remains a real challenge in West Virginia, that reality is pushing communities to be more intentional by strengthening pipelines, improving quality of production and working regionally to ensure growth is sustainable and achievable."

Reports of increased investment continue to be announced at an accelerated rate in every Appalachian state.

### A State-level Overview

In the northernmost portion of Appalachia, ARC and the New York Department of State



**U.S. Space Command is relocating its permanent headquarters to Huntsville, Alabama, which is already home to NASA's Marshall Space Flight Center.**

invested \$12.3 million across 28 projects, matched by \$16.1 million in local or state funds, which together leveraged \$60 million in private sector investment in 2024 alone. These efforts are projected to create or retain 376 jobs, train or educate 966 students and workers, and benefit 1 million residents in the region's 14 Appalachian counties. This came on the heels of a 2022 announcement that \$25 million in federal grants were available through ARC's POWER Initiative to help these counties diversify their coal-impacted economies and develop competitive workforces.

Pennsylvania has committed \$400 million through the Pennsylvania Strategic

Investments to Enhance Sites (PA SITES) program to elevate competitive locations statewide. The commonwealth is also leaning into energy transition opportunities that promise to draw billions in federal and private sector funding. The Appalachian Hydrogen Hub, based in West Virginia, is anticipated to create 21,000 jobs, including in southwestern Pennsylvania. In fiscal year 2024, ARC supported 83 projects totaling \$38.6 million in Appalachian Pennsylvania. These investments received \$50.7 million in matches and attracted another \$33.7 million in private investments.

Ohio has demonstrated how site readiness tools can shift investment patterns. The \$750 million All Ohio Future Fund ensures infrastructure investments to make sites project-ready. The fund's first award went to the Baltimore Avenue industrial corridor in Defiance County, which received more than \$14.6 million to prime a site for a nearly \$1 billion tissue plant expansion by First Quality Tissue. That figure represents the

largest private investment in county history. The initiative complements Ohio's Brownfield Remediation Program, which reclaims legacy sites for modern manufacturing use.

West Virginia is also laying new foundations for future investment. The state passed landmark legislation in 2025, the Power Generation and Consumption Act, establishing a Certified Microgrid Program and a one-stop-shop permitting portal to make the state more competitive for AI-driven data centers like the planned Fidelis Monarch Compute Campus. This law allows developers to build energy-resilient microgrid districts that can generate most of their own power and

# Inside Investment and Finance

sell surplus electricity into the wholesale market while bypassing traditional utility barriers, dramatically streamlining the permitting process for high-impact facilities. The legislation includes mechanisms to direct property tax revenues into critical state infrastructure and grid stabilization funds, amplifying the economic benefits to communities.

Elsewhere in West Virginia, Nucor broke ground on its \$2.7 billion greenfield sheet steel mill in Apple Grove, supported initially by an investment surpassing \$75 million from the West Virginia Economic Development Authority. The site is expected to create 800 permanent jobs and over 2,000 construction roles, positioning the state as a leader in sustainable steel production. In Mason County, economic development officials are actively preparing for growth in housing and infrastructure, anticipating thousands of new jobs from Nucor and allied projects. Together, these initiatives demonstrate that West Virginia is turning its legacy in steel into a launchpad for multisector reinvention and next-generation investment.

In July 2025, Maryland announced awards under its Business Ready Sites Program to accelerate the development of competitive industrial properties, including funding for site improvements aimed at advancing shovel-ready capacity in western Maryland for the aerospace, defense and light manufacturing sectors. These sites would offer proximity to the Washington, D.C., and

Baltimore markets without the cost structure of core metro locations. By pairing site development with access to a highly educated regional workforce and established federal and defense ecosystems, Maryland is strengthening the competitiveness of its Appalachian footprint for next-generation investment.

Kentucky dedicates \$35 million annually to its Product Development Initiative, enhancing industrial sites across the state. In addition, in 2021, state lawmakers set aside \$350 million in forgivable loans for projects investing more than \$2 billion, along with \$25 million for workforce training facilities. Subsequently, the state celebrated AESC's \$2 billion investment to build an EV battery gigafactory in Bowling Green, a project expected to create 2,000 jobs and strengthen Kentucky's role as a hub for advanced manufacturing.

Virginia continues to emphasize speed to market through its Virginia Business Ready Sites Program, committing over \$282 million since 2022 to site improvements statewide. In August 2024, then-Gov. **Glenn Youngkin** announced \$126 million in funding for upgrades at 23 industrial sites to strengthen competitiveness for advanced manufacturing projects, seven of which are located in Appalachian areas of the commonwealth.

The University of Tennessee notes that the state's recruitment and workforce efforts are driving continued

North Carolina leverages its Golden LEAF SITE Program to prepare industrial properties, especially in rural and economically distressed areas, with infrastructure development aimed at attracting megaprojects.

investment in the region's advanced energy ecosystem. East Tennessee even serves as the home to more than 150 nuclear-related companies. In Appalachian Tennessee, projects such as the \$3.9 million expansion of Thompson Appalachian Hardwoods show how local forestry-based industries are directly contributing to job creation in rural communities.

North Carolina leverages its Golden LEAF SITE Program to prepare industrial properties, especially in rural and economically distressed areas, with infrastructure development aimed at attracting megaprojects. The state's Job Development Investment Grant includes a "transformative project" tier for companies that invest at least \$1 billion and create 3,000 jobs, allowing grant terms of up to 40 years.

South Carolina uses electric cooperatives to help finance its Site Readiness Fund, launched in 2014 with a \$30 million Santee Cooper grant and cooperative support. The fund has committed over \$50 million to infrastructure improvements, land acquisition and speculative building development, positioning rural communities to attract industrial projects. In Appalachian South Carolina, Oconee County secured a \$28.5 million expansion by Itron in 2022, adding new jobs in clean energy technology and building on the state's efforts to attract advanced manufacturing.

Georgia has reformed its tiered job tax credits to provide stronger benefits in rural counties,



Cities such as Pittsburgh (above); Charleston, West Virginia; and Chattanooga, Tennessee, serve as metropolitan centers for the region and help to attract investment.

supporting communities in its Appalachian region. In Whitfield County, Hanwha Q CELLS invested \$200 million to expand its solar panel manufacturing operations, creating hundreds of advanced manufacturing jobs and positioning north Georgia as a clean energy hub. In Bartow County, suppliers tied to SK On's multibillion-dollar EV battery projects have expanded production, supported by the state's site preparation and incentive programs.

Mississippi operates Ready and Premier Site Development Grants that provide recurring rounds of support for localities preparing industrial properties. Mississippi has also leveraged its Appalachian footprint to attract major auto and supplier investments. In Lee County, the Toyota Mississippi plant in Blue Springs represents a \$1.2 billion investment and employs more than 2,000 people, serving as the anchor for a growing regional supply chain. Projects like this illustrate how site

preparation and targeted incentives can deliver transformative manufacturing jobs in rural Appalachian communities.

### Why Appalachia?

These projects reflect the real wave of investment taking shape across the region. Three core factors are driving the momentum:

- Competitive incentive frameworks.
- Workforce growth and attraction.
- The availability of land and sites at scale.

Across Appalachian states, legislatures, commissions,

and other governmental and quasi-governmental bodies are being intentional about creating a strong business climate for current and potential business partners. Programs highlighted in this article share a common goal: preparing sites and infrastructure to attract investment.

Higher education and innovation assets are also playing an increasingly visible role, often functioning as economic drivers themselves. Universities are aligning academic programs, applied research and entrepreneurship support directly with the workforce and site-readiness needs driving modern site selection. This shift

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Quality-of-life initiatives, tourism investment, outdoor recreation opportunities and downtown revitalization are reshaping perceptions of Appalachia as a place to live and work.

“Talent is spread equally across the country, but innovation capacity and ecosystems have been delegated to the coasts for far too long. . . . We believe that education is the great equalizer and see ourselves as a prosperity platform that accelerates individual success, innovative ideas and economic impact.”

*Tricia Ball, executive director, Marshall University Center for Innovation and Entrepreneurship*

is visible in initiatives such as Marshall University’s Center for Innovation and Entrepreneurship (iCenter) in West Virginia and Shawnee State University’s Kricker Innovation Hub in Ohio, which are focused on translating education into workforce and commercialization outcomes.

“Talent is spread equally across the country, but innovation capacity and ecosystems have been delegated to the coasts for far too long,” said **Tricia Ball**, the iCenter’s executive director. “At Marshall University, we believe that education is the great equalizer and see ourselves as a prosperity platform that accelerates individual success, innovative ideas and economic impact. The iCenter was created to spread design thinking across West Virginia and Appalachia to empower everyone with a shared process and language

for innovation. Our vision is that by equipping everyone with this human-centered approach to problem-solving, we will rewrite Appalachia’s history from one of generational poverty to one of generational prosperity by sparking both entrepreneurship and intrapreneurship, launching new ventures, reinventing existing organizations, attracting outside investment and building economic resilience that endures across generations.”

Workforce availability remains central to site selection, and Appalachia’s talent story is evolving. In addition to legacy strengths in manufacturing, energy and logistics, states are investing heavily in workforce training aligned with employer needs.

At the same time, quality-of-life initiatives are expanding the region’s labor pool. Programs like Ascend WV, which incentiv-

izes remote workers to relocate to West Virginia, combined with sustained investment in tourism, outdoor recreation and downtown revitalization, are reshaping perceptions of Appalachia as a place to live and work.

Workforce initiatives extend beyond recruitment alone. Programs such as Tennessee’s FastTrack Job Training Assistance, Virginia’s Talent Accelerator and Pennsylvania’s WEDnet-PA demonstrate how Appalachian states are embedding customized training directly into economic development strategy, giving employers confidence that labor needs can be met at scale. These efforts are helping attract new residents while retaining local talent.

As companies evaluate future expansions in aerospace, energy, logistics and advanced manufacturing, Appalachia is emerging as a central player. With continued investment in sites, incentives, and workforce and innovation ecosystems, the region is poised to capture a significant share of America’s next generation of megaprojects. ■

**Jonah Samples** is a senior associate at Nelson Mullins Riley & Scarborough, LLP, serving as Appalachian development and litigation counsel for businesses across the region.



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# Inside Investment and Finance

CAPITAL MARKETS, FINANCE AND SALES

## Innovating the Capital Stack

Performance-based financing tools provide flexibility for an evolving CRE market.

By Steven Wyent, Alliant Credit Union

**The** commercial real estate market is confronting a perfect storm of increased supply, tariff-related uncertainty and refinancing pressure. According to CommercialCafe's November 2025 National Industrial Report, industrial vacancy rates stood at 9.7% — up 220 basis points year over year — as recent construction completions continue flooding the market. Multifamily faces similar headwinds, with Apartment List data showing the national vacancy rate hitting 7.3% to close out 2025, accompanied by negative year-over-year rent growth.

Against this backdrop, nearly \$957 billion in commercial real estate mortgages were slated to mature in 2025, almost triple the 20-year historical average. Trepp reported that delinquency rates for commercial mortgage-backed securities reached 7.29% in August, forcing borrowers and lenders to confront refinancing challenges amid elevated interest rates and tighter credit conditions.

In this environment, financing is no longer a binary exercise of “approved” or “denied.” Lenders and developers are increasingly exploring structures that provide flexibility without overexposing either party. Among the most effective tools are earn-outs and tiered recourse arrangements, which align capital deployment with real-world project performance. These structures recognize that projects evolve over time and that both market conditions and tenant needs can change, making adaptable financing solutions essential.

### Flexibility for a Shifting Market

Traditional financing structures often fail to accommodate these uncertainties, leaving developers and lenders exposed to potentially overleverage a project.

Earn-outs allow developers to secure an initial portion of funding while tying subsequent disbursements to clearly defined performance milestones. In other words, earn-outs focus on the timing and amount of capital released rather than on the developer's personal liability.

In practice, this might mean a multifamily project receives baseline capital for construction, with additional funding released as economic performance thresholds are met. A warehouse with high clear height specifications may only receive funding for the box up-front, with the “good news” money tied to securing credit tenants, achieving expected rents or signing longer-term leases. In this way, industrial developers can also benefit from performance-linked funding.

This approach ensures that lenders are not fully exposed if market conditions shift, while borrowers retain the flexibility to adapt to tenant demands. By linking funding to performance, developers have certainty that future liquidity is available for achieving the business plan, while lenders retain confidence that capital is deployed efficiently.

### Tiered Recourse: Aligning Incentives in Real Time

In contrast, tiered recourse structures focus on the developer's liability rather than the timing of funding. Unlike traditional loans, which are often strictly recourse or nonrecourse from day one, tiered recourse allows liability to adjust based on project performance. By starting with partial or full recourse and reducing it as milestones are achieved, lenders incentivize disciplined execution while developers gain confidence that their personal risk will decline as the project stabilizes. This flexibility is especially valuable in today's uncertain markets, where construction delays, cost uncertainty, evolving tenant needs and shifting demand can affect cash flow and project viability.

For example, a self-storage development might start with a recourse arrangement tied to the developer's balance sheet, but as leasing ramps

In this environment, financing is no longer a binary exercise of “approved” or “denied.” Lenders and developers are increasingly exploring structures that provide flexibility without overexposing either party.

up and the property proves operational, recourse could step down, eventually converting the loan to nonrecourse. This structure encourages developers to effectively manage the risk parameters of the project with the incentive of lowering personal liability with success. Lenders benefit by having additional security during the riskiest portion of the project.

### Balancing Creativity With Rigor

The rise in performance-based financing doesn't signal a loosening of underwriting standards. On the contrary, flexible structures require even greater



**Earn-outs and tiered recourse arrangements align capital deployment with real-world project performance.**

rigor in analyzing pro formas, market trends and contingency plans. Developers should expect lenders to scrutinize assumptions about lease-up rates, tenant credit and potential market shifts. This heightened analysis encourages developers to plan strategically and consider multiple scenarios, demonstrating preparedness and strengthening lender confidence.

Performance-based structures also demand clear metrics and reporting. Developers must track progress against milestones and communicate this data transparently to lenders. This transparency reduces risk for the lender while also giving developers actionable insights to adjust course if market conditions shift.

In essence, performance-based financing rewards creativity and innovation, but only when paired with disciplined planning and rigorous analysis. Balance sheet lenders have the flexibility to tailor deals to meet the market and allow

developers to proceed knowing the rules and expectations established at the outset. By aligning capital with project performance, developers embed resilience into the capital stack, navigate market shifts more effectively, mitigate risk and seize emerging opportunities — the difference between waiting on the sidelines and bringing a successful project to market. ■

**Steven Wyent** is the manager of commercial underwriting at Alliant Credit Union.

The rise in performance-based financing doesn't signal a loosening of underwriting standards. On the contrary, flexible structures require even greater rigor in analyzing pro formas, market trends and contingency plans.

# Strategically Green

BEYOND THE BASICS OF SUSTAINABILITY

## How Sustainability and Performance Are Converging in Warehouse Development

A data-driven environmental strategy transformed a Southern California site impacted by contamination into a high-performing industrial asset.

By Taylor Arnett, CapRock Partners



West Valley Logistics is a new nearly 270,000-square-foot LEED-certified warehouse in Southern California's San Gabriel Valley.

**For** many years, sustainability in industrial real estate occupied a separate lane from the core drivers of value such as rent, transportation access and clear height. It was a feature developers might mention in a brochure but rarely a deciding factor.

That distinction no longer holds. In the current logistics and industrial real estate market, sustainability and performance are effectively the same conversation. The decisions that reduce carbon and resource use are the same ones that lower operating costs, increase reliability,

and enhance the comfort and productivity of the people who work inside.

The forces driving this convergence are both economic and operational. Modern distribution centers are power-intensive facilities, running around the clock, with mechanical systems that extend well beyond the office into specialized warehouse zones.

The more energy-intensive a warehouse becomes, the more valuable every efficiency measure is. What once qualified as a “green extra” is now essential to keeping operating expenses predictable and manageable.

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# Strategically Green



Using standard cleanup methods to remediate West Valley Logistics' 12.5-acre site would have put the project at risk of remaining undevelopable.

As automation proliferates, and as tenants compete for skilled labor, efficient, comfortable and future-ready environments are no longer luxuries — they are fundamental to a building's competitiveness.

## **Energy, Efficiency and the Modern Warehouse**

Twenty years ago, a speculative industrial building in Southern California might have been a simple, unconditioned box. Now, it is an intricate system engineered to manage heat, light and airflow as carefully as corporate headquarters. Tenants expect LED lighting with smart controls, high-R-value

insulation, high-performance dock doors, and glazing optimized for daylight and thermal balance. Each of these features improves the user's bottom line while simultaneously advancing sustainability goals.

This is a practical, data-driven evolution rather than a philosophical one. Extended operating hours mean greater power consumption. Automated racking and robotic systems require consistent voltage and temperature stability. The more energy-intensive a warehouse becomes, the more valuable every efficiency measure is. What once qualified as a "green extra" is now essential to keeping

The true story of West Valley is about transformation: how a data-driven environmental strategy turned a long-blighted, contamination-impacted site into a high-performing industrial asset.

operating expenses predictable and manageable.

Developers are also thinking ahead. Solar readiness and EV infrastructure are increasingly embedded in the base design of new facilities. Engineering a roof to accommodate solar panels, prestubbing power for truck and passenger EV chargers, and completing underground conduit systems during initial construction are all ways to future-proof an asset. These steps have minimal up-front cost compared with retrofitting later, but they can save tenants and owners significant time and capital when future energy demands increase.

### The Human Dimension of Performance

Sustainability is not just about kilowatt-hours; it is also about people. The health, safety and comfort of warehouse workers have become central considerations in site design. Access to daylight, improved air quality, better acoustics and amenities that support employee well-being all contribute to tenant performance metrics. Logistics operators weigh these environmental factors heavily now, particularly in tight labor markets where retention is critical.

From a design perspective, these priorities complement energy efficiency. The same skylights that reduce reliance on artificial lighting enhance worker satisfaction; HVAC sys-

tems tuned for air quality tend to be more energy-efficient. As the market evolves, developers are learning that a building optimized for its people is usually a building optimized for its energy use.

### Rethinking Location and Resilience

The convergence of sustainability and performance also extends beyond the four walls of the warehouse. Traditional site selection, which has long been defined by cost, labor availability and proximity to highways, now includes resilience and carbon impact. Locating closer to end consumers can cut last-mile emissions and delivery times. Selecting sites with lower exposure to heat, flooding or power disruption can reduce downtime and insurance risk.

Industrial users increasingly treat these location choices as tools in meeting corporate net-zero goals. A distribution network that reduces truck miles and energy intensity can be both greener and more cost-effective. The most sustainable sites, in other words, often turn out to be the most operationally resilient.

### A Case Study in Convergence: CapRock West Valley Logistics

CapRock West Valley Logistics, a newly completed, 269,780-square-foot LEED-certified warehouse in Southern

## Transparent Coordination and Long-term Accountability

**Establishing stakeholder trust** was central to West Valley Logistics' success. CapRock and its environmental partner, GSI Environmental, met with the Los Angeles Regional Water Quality Control Board weekly, sharing data in real time and coordinating cleanup and development milestones.

To ensure responsibilities extended beyond construction and disposition, the team created an environmental escrow fund to finance future monitoring. This financial structure provided clarity for regulators, lenders and the eventual buyer, strengthening confidence in the site's long-term safety and compliance.

California's San Gabriel Valley, illustrates how sustainability and performance come together when a project is strategically designed, engineered and remediated. While the asset's location in one of the nation's most supply constrained logistics corridors provides unquestioned value, the true story of West Valley is about transformation: how a data-driven environmental strategy turned a long-blighted, contamination-impacted site into a high-performing industrial asset.

From a physical standpoint, West Valley Logistics is built for modern distribution and logistics demands. Its 40-foot clear height; two-story, 10,000-square-foot office; rear-load design; and expansive 240-foot truck court enable efficient throughput. Twenty-eight dock-high doors, two grade-level doors, 45 trailer stalls, 130 parking spaces and a 4,000-amp power supply support high-intensity operations. Concrete tilt construction, a reinforced slab and a durable four-ply roof assembly ensure longevity. These features mirror the needs of modern distribution users. However, the journey to project delivery began well before construction.

### Transforming a Challenged Site Through Science

West Valley Logistics' 12.5-acre site carried decades of environmental legacy issues from historic military and aviation component manufacturing. Impacted soil and vapor placed the property under active oversight by the

# Strategically Green

Los Angeles Regional Water Quality Control Board (RWQCB). Previous owners had struggled to advance remediation, and standard cleanup methods, including mass excavation, would have required large-scale soil export, extensive trucking, prolonged timelines and unsustainable costs. In short, the project was at risk of remaining undevelopable.

In 2020, CapRock Partners purchased the site for \$30 million and pursued a different approach grounded in scientific rigor. Using geostatistics, a spatial modeling technique more common in natural resource exploration than in real estate development, CapRock's consultant, GSI Environmental, collected and analyzed soil and vapor samples across multiple depths. This data was used to build a three-dimensional contamination model that precisely mapped where pollutants were concentrated and where they were not.

With this model, excavation could be targeted rather than across the site. Only contaminated "hot spots" were removed, dramatically reducing truck trips, emissions, dust and equipment run time. Regulators gained confidence in the transparent, data-supported decision-making, enabling faster progress toward closure and saving millions of dollars in remediation costs — enough to make the redevelopment viable.

## Turning Waste Into a Resource

GSI Environmental applied the same data-driven discipline to site materials. A former 235,000-square-foot building had left behind a large concrete slab. Rather than assume full demolition and disposal, concrete was tested and segregated into clean and impacted material. With RWQCB approval, the uncontaminated concrete was crushed and reused as engineered fill.

This single step reduced landfill waste, limited new aggregate needs and significantly cut truck traffic, resulting in an environmental and economic win.

## Designing for Long-term Safety

Even after selective excavation, low-level vapor intrusion risk was a potential concern. To ensure long-term indoor air quality, CapRock installed a passive vapor intrusion mitigation system (VIMS) beneath the entire warehouse footprint.

The VIMS installation was performed concurrently with building construction rather than as a stand-alone activity. Once the construction crew completed a given section of the building, Gergen Construction followed immediately to install the VIMS, so the two activities progressed in tandem. As a result, the sequencing caused a modest impact to the construction schedule, prolonging the project on the order of approximately 10% to 20% rather than a full additional VIMS construction period. The total VIMS cost was nearly \$2 million.

The system requires no energy, relies on a continuous vapor barrier and venting network, and undergoes rigorous leak testing and post-occupancy air sampling. It delivers protection without ongoing mechanical load or maintenance, providing a direct example of performance and sustainability reinforcing each other.

## The Result: A High-performing, Future-ready Warehouse

Today, West Valley Logistics is a modern Class A distribution facility that reflects how acute sustainability and performance are intertwined. The project reduced greenhouse gas emissions, material waste and water use through selective excavation and material reuse. Its passive VIMS ensures clean indoor air without energy consumption. The efficient building design, which is supported by ample power, modern loading infrastructure and solar-ready features, positions the asset

Using geostatistics, a spatial modeling technique more common in natural resource exploration than in real estate development, CapRock's consultant, GSI Environmental, collected and analyzed soil and vapor samples across multiple depths.

to meet the evolving needs of sophisticated logistics users.

West Valley Logistics' immediate market absorption underscores that these choices were not just environmentally responsible but also commercially sound. Upon completion, the facility was acquired by a prominent alternative fashion company for its new headquarters, validating both the asset's operational strengths and its long-term value.

A once-contaminated, underutilized property has been restored to productive use, delivering jobs, strengthening the regional supply chain and setting a new benchmark for sustainable industrial redevelopment in the San Gabriel Valley. At every step, the actions that improved environmental outcomes also enhanced performance, proving that the two are no longer separate considerations but mutually reinforcing drivers of successful warehouse development. ■

**Taylor Arnett** is senior vice president, CapRock Partners.

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# Transportation and Mobility

MOVING PEOPLE AND GOODS

## Future-proofing Parking Structures

Developers are searching for strategies to help protect their return on investment.

By Jason Rupp, AO

**For** decades, parking structures were treated as the throwaway line in a pro forma — necessary, unglamorous and rarely questioned. That thinking no longer works.

As cities densify and mobility shifts, parking is becoming one of the most strategic pieces of real estate on a site. Done wrong, it's a sunk cost. Done right, it drives frontage, obtains lease premiums and provides future-proof value.

The rise of electric vehicles, the push for placemaking and the demand for mixed-use connectivity are rewriting the rules. A garage is no longer just a container for cars — it's an urban asset that shapes experience, revenue and resilience.

For developers, the mandate is clear: Build parking that performs today and adapts for tomorrow.

### Increasing Capacity for EVs

As governments tighten emissions regulations, EV adoption continues to accelerate. In 2023, EVs represented more than 7% of new vehicle sales in the U.S., with projections estimating 30% to 40% by 2030. California's Green Building Standards Code already requires a significant share of new parking to be EV capable, and other states are following.

Installing EV capacity during construction is substantially cheaper than retrofitting. One study found EV-ready construction reduces costs by 75% compared with retrofit installations. Another concluded that chargers installed in new

construction are up to four times less expensive than retrofits. Advanced systems with smart load management can run as high as \$10,000 per stall. Likewise, it is far cheaper to size future demand for conduits, panels and electrical capacity up-front rather than having to dig up concrete later.

Long-term demand also supports scalable investment. Federal data from the U.S. Department of Transportation's 2022 National Household Travel Survey shows that personal vehicles are parked roughly 95% of the time, with the average vehicle in use for just over an hour per day. These patterns guide how municipalities and planners model parking needs. Even as mobility evolves, long-duration vehicle storage is essential, so flexible design, electrification readiness and scalable capacity are critical to long-term performance.

Best practices include:

- Installing spare conduit and oversized panels to allow scalable charging growth.
- Using load management systems to reduce peak demand charges.
- Zoning stalls for both short-term turnover and long-term residential charging.

### Leveraging Rooftop Spaces for Amenities

Parking structures are increasingly viewed as more than storage for cars. Garage rooftops are being reclaimed for pools, gardens, fitness centers, event

For developers, the mandate is clear: Build parking that performs today and adapts for tomorrow.

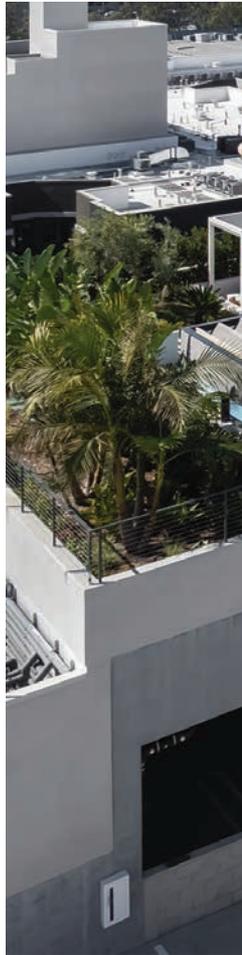
spaces and other amenities that enhance tenant experience while unlocking land value.

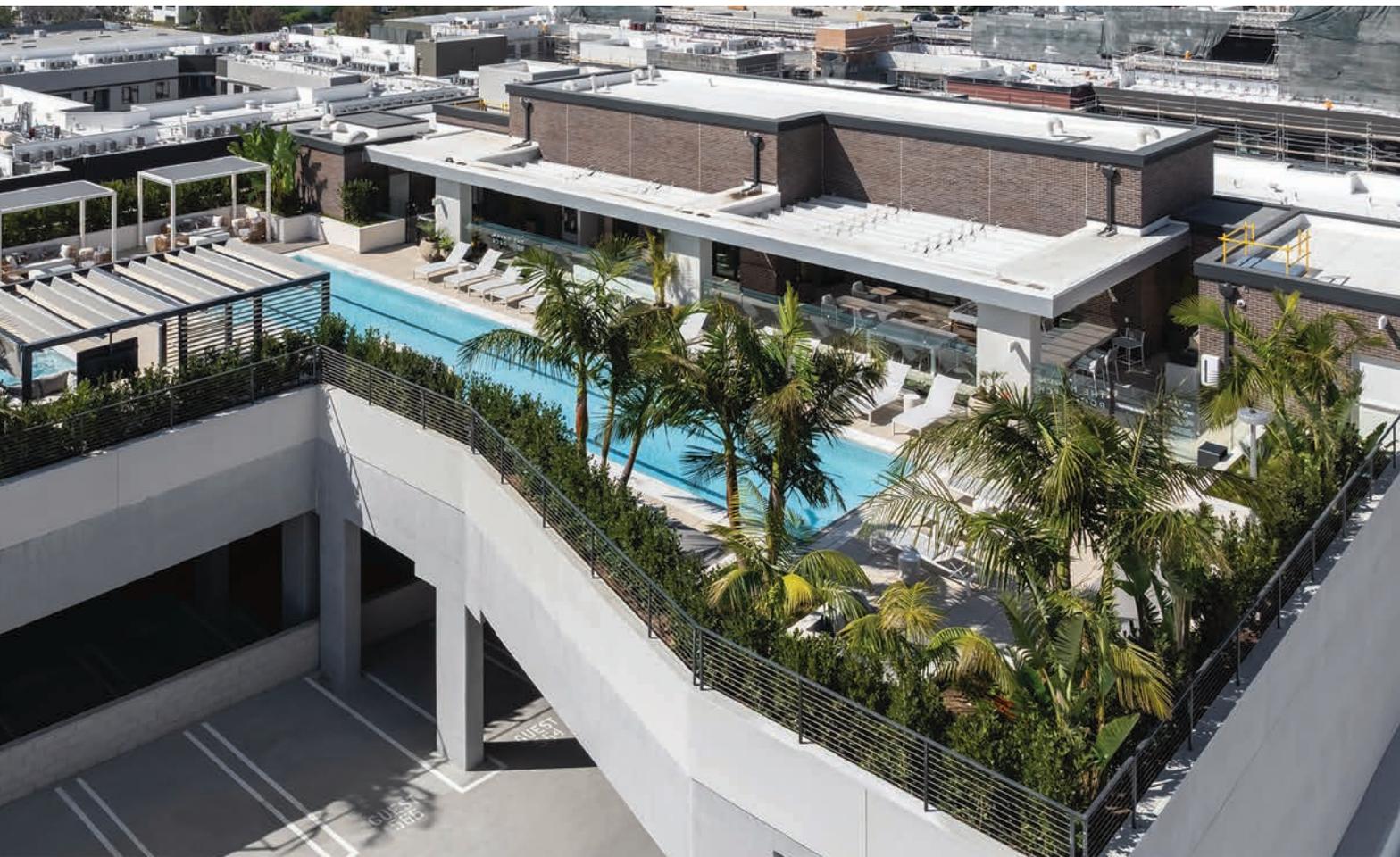
Building such spaces can be costly. Rooftop amenities typically range from \$30 to \$50 per square foot, depending on utilities and structural requirements. The structures must be reinforced to support water loads, gatherings or equipment. Early reliance on tested detailing — and a careful balance between the amenity above and the parking structure below — safeguards revenue, protects lease premiums and ensures the rooftop performs as a long-term asset.

Shifting recreation to a parking structure's roof also reclaims the ground plane for revenue-generating frontage, retail and rentable square footage.

### Three Approaches to Future-proofing

The following case examples showcase three different approaches to future-proofing parking structures.





Rooftop decks with pools and lounges were added to the garages at the Row at Red Hill, helping to create a leasing differentiator.

### **The Row at Red Hill (Santa Ana, California)**

**Challenge:** A 14.5-acre mixed-use development designed for Greystar required four garages to support 1,100 residential units and retail tenants, with EV infrastructure and resident amenities integrated across the site.

**Strategy:** AO designed 247 EV-ready stalls, with a total of 2,458 parking stalls and oversized electrical systems for scalability. Rooftop decks with pools, gardens and lounges were added to the garages, creating open, view-rich terraces.

**Result:** Vertical circulation was transformed into vertical opportunity. AO turned what most see as stairs and elevations into usable, profitable space. Secure access, natural ventilation, privacy screens and acoustics strategies balanced livability with safety for residents.

**ROI:** By shifting the amenity decks upward, the development preserved ground-level retail frontage and paseos. Rooftop pools became a leasing differentiator, while EV readiness positioned the property for future demand. Rather than adding land,

AO's approach made the land do more — amenity in the sky, income on the street.

### **Culver City Parking Structure (Culver City, California)**

**Challenge:** A city-partnered commercial project adjacent to residential neighborhoods required sensitive design, public buy-in and multimodal integration. The development introduces 13,700 square feet of luxury retail and culinary offerings, creating a curated public market within a compact, walkable block.

**Strategy:** AO optimized the design of a two-story,

# Transportation and Mobility



A structural revision minimized visual impact of a two-story, 122-stall public parking structure at Culver Public Market.

Parking structures are increasingly viewed as more than storage for cars. Garage rooftops are being reclaimed for pools, gardens, fitness centers, event spaces and other amenities that enhance tenant experience while unlocking land value.

122-stall public parking structure to meet project goals while controlling costs and maintaining community support. By carefully adjusting the height and layout, the design preserved full parking capacity while reducing unnecessary structural material. Thoughtful space planning for standard, accessible and EV stalls avoided excess square footage, and the use of exposed masonry and wood-look materials delivered a visually appealing finish without expensive cladding. Mobility integration included bus stops, ADA-accessible

stalls, bike parking (32 stalls total), and a dedicated ride-share pick-up/drop-off zone.

**Result:** Open facades balanced security with daylight and visibility, while murals and public art enhanced the pedestrian realm. The garage delivered 23 EV-capable stalls and four active chargers, with backbone infrastructure for more.

**ROI:** The structural revision reduced costs, minimized visual impact and streamlined construction. By prioritizing flexible curb space and sizing parking to actual demand, the project created leaner

infrastructure with long-term adaptability.

## The Boardwalk at Bricktown (Oklahoma City, Oklahoma)

**Challenge:** Surface parking limits activation of the boardwalk area, constraining opportunities for residential, hotel, retail and entertainment uses.

**Strategy:** Plan a multilevel podium with stacked parking, incorporating adaptable structural grids, clear circulation and EV-ready electrical capacity. Free up perimeter edges for shops, restaurants and public space, designing



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# Transportation and Mobility

the garage for long-term flexibility and evolving mobility patterns.

**Result (planned):** The design intends to transform underutilized land into a vibrant, pedestrian-friendly boardwalk. Structural adaptability, with podium columns and spans arranged to support rooftop amenities, expanded retail or mixed-use functions while continuing to provide parking below, will allow the garage to evolve alongside changing demand and mobility patterns.

**ROI (projected):** Stacking parking and activating the perimeter is expected to unlock leasable frontage, enhance tenant experience and create long-term revenue potential. Flexibility and EV-ready systems are planned to ensure the asset remains adaptable as mobility and market demands evolve.

## Best Practices for Developers

- Integrate EV capacity during construction; avoid costly retrofits.
- Use rooftops for amenities to unlock land value.
- Design flexible zones for short-term versus long-term EV use.
- Engage communities early in mixed-use or public-private projects.
- Balance placemaking with structural and cost considerations.

## Cost Breakdown and ROI

While the up-front costs of future-proofing can be significant, the long-term payoffs are measurable. Projects like the Culver City garage, with 23 EV-capable stalls and backbone infrastructure for additional chargers, and The Boardwalk at Bricktown, with over 60,000 square feet of rooftop and more than 163,000 square feet of retail space, illustrate how flexible design and future-ready systems increase functionality and revenue potential over time. In new construction, EV-ready infrastructure typically adds \$1,500 to \$3,000 per stall. This includes conduit, panel capacity and electrical planning without chargers. In comparison, retrofitting a legacy garage can exceed \$5,000 per space, including demolition, electrical upgrades and operational disruption.

Future-ready measures include oversizing electrical rooms and feeders, prerouting conduit to all stalls or parking modules, and integrating automatic load management systems. Managed Level 2 charging with load management and strategic timing allows garages to serve significantly more EVs than nominal capacity suggests.

Key ROI drivers include:

- Increased demand: EV-ready structures and rooftop amenities command higher rents and broader tenant appeal.
- Lower operating costs: Solar-ready roofs, LED lighting and efficient systems reduce lifetime costs.
- Government incentives: Local agencies offer rebates and tax breaks for EV chargers, solar panels and green systems.

In new construction, EV-ready infrastructure typically adds \$1,500 to \$3,000 per stall. . . . In comparison, retrofitting a legacy garage can exceed \$5,000 per space, including demolition, electrical upgrades and operational disruption.

## Strategic Considerations

Future-proofing isn't free. Rooftop amenities demand stronger structures, and scalable EV systems require coordination with utilities and evolving codes. EV adoption continues to grow unevenly, and transportation forecasts can be uncertain. Designing scalable, flexible parking infrastructure ensures garages support electrification as demand evolves rather than relying on fixed assumptions.

The challenge for developers isn't whether to future-proof parking structures but how to do it without eroding returns. EV-ready infrastructure, rooftop amenities and adaptive design separate assets that lease fast and hold value from those that fall behind.

The real play is timing: Invest in the backbone (conduits, panels, structural detailing) before construction when it's cheapest and least disruptive. Layer in flexibility where demand is uncertain, and scale only when returns justify it.

When done right, future-proofing isn't added cost; it's a value multiplier. It drives rents, accelerates absorption, and keeps properties compliant and marketable for decades. ■

**Jason Rupp** is a partner at architectural firm AO.

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# The Industrial Real Estate Reset



Situated within a corporate campus environment, Bridge Industrial's Bridge Point Rancho Cucamonga is a state-of-the-art Class A building with turnkey tenant improvements. It is located within 60 miles of the ports of Los Angeles and Long Beach.

## AT A GLANCE

Investor interest in the industrial sector remains strong despite broader market uncertainties.

Supply chains are becoming more regional in part due to reshoring and nearshoring.

Power constraints are frequently driving site selection and design decisions.

# Industrial real estate pivots from speed to precision, prioritizing power, automation and regional supply chain strategies.

By Ron Derven

As the industrial sector's unprecedented two-plus-year supply surge from 2022 to 2024 grows ever more distant, developers are confronting a market that no longer rewards speed alone. Today's industrial landscape demands a much different calculus.

Given that new reality, developers are increasingly weighing electrical power availability against automation specifications, evaluating nearshoring corridors alongside energy infrastructure, and balancing sustainability mandates with construction costs.

CBRE reported that industrial leasing remained solid in the third quarter of 2025 as occupiers upgraded facilities, renewed expiring leases and continued outsourcing to third-party logistics providers (3PLs). Strong leasing combined with less new construction held the national vacancy rate at 6.6%, reversing a string of quarterly increases. Year-to-date leasing rose 9.8% to 682 million square feet, led by 3PL demand, while net absorption of 53.3 million square feet in the third quarter pushed the year-to-date total to 79 million square feet. Construction completions continued to outpace absorption, with space under construction rising to 226.9 million square feet.

These metrics point to a market in transition — not contraction. CBRE data shows U.S. net lease investment surged roughly 24% in the third

quarter of 2025 to \$48.1 billion, with industrial leading that category, underscoring continued investor interest despite broader market uncertainties.

### Speed and Volume: No Longer the Top Priorities

"During and immediately after the COVID-19 pandemic, the industrial sector operated with a mindset focused on sheer construction volume, responding to unprecedented demand for space," said **Stephanie Rodriguez**, national director of industrial services at Colliers. "Between mid-2022 and mid-2024, more than 100 million square feet of new supply was delivered each quarter for nine consecutive quarters."

Since then, development has slowed significantly, she added, falling below prepandemic levels. The third quarter of 2025 saw just 65 million square feet of new supply, the lowest total since the first quarter of 2019.

Courtesy of Bridge Industrial





Bridge Point Soundview is a 40-acre Class A development in the heart of Everett, Washington's industrial/flex hub outside of Seattle.

“Today, construction is increasingly defined not by quantity but by quality, utility and operational readiness. Modern industrial buildings are designed to meet complex tenant requirements, including heavy and reliable power, automation compatibility, and integrated data infrastructure to support smart warehouse operations.”

*Stephanie Rodriguez,  
national director  
of industrial services, Colliers*

“Today, construction is increasingly defined not by quantity but by quality, utility and operational readiness,” Rodriguez said. “Modern industrial buildings are designed to meet complex tenant requirements, including heavy and reliable power, automation compatibility, and integrated data infrastructure to support smart warehouse operations.”

When the industrial market was having a major upswing, developers were primarily focused on speed and volume, pushing to deliver as much product as possible to keep pace with extraordinary leasing velocity, according to **Stefan Sansone**, senior vice president of investments for Chicago-based Bridge Industrial.

“Now that activity has stabilized, developers are taking a

more selective approach,” Sansone said.

“The emphasis has shifted toward high-quality locations, stronger access and more efficient site design. Thoughtful execution matters just as much as speed.”

During the pandemic building boom, some developers might have been tempted to compromise on functionality and site plans to deliver buildings as quickly as possible, said **Ronel Borner**, senior vice president, development, CenterPoint Properties, a developer of industrial real estate near Chicago's logistics hubs.

“Now, the flight to quality includes not just a product but product that is well designed,” Borner said. “At CenterPoint, we've always made sure we've designed buildings that are not only in grade A locations but also have Class A designs. We build and invest for the long term.”

### Supply Chains Go Regional — and Cross Borders

Another strong force in the new industrial cycle is what Rodriguez called “supply chain restructuring,” with industrial occupiers shifting away from a single-hub distribution model to a more regionalized approach.

“After a period of rapid expansion, industrial customers are now optimizing their supply chains. Companies are inventorying their assets, identifying excess capacity and investing in automation where it drives profitability.”

*Matt Mullarkey,  
senior vice president, strategic planning  
and projects, CenterPoint Properties*

“This shift shortens lead times and reduces disruption risk,” Rodriguez said. “The adjustment is resulting in additional demand, particularly for midsize facilities that range from 100,000 to 400,000 square feet [and] larger primary distribution and fulfillment centers with 500,000-plus-square-foot requirements.”

“After a period of rapid expansion, industrial customers are now optimizing their supply chains,” noted **Matt Mullarkey**, senior vice president, strategic planning and projects, CenterPoint Properties. “Companies are inventorying their assets, identifying excess capacity and investing in automation where it drives profitability.”

This restructuring is happening against a backdrop of reshoring and nearshoring that is shifting production closer to the end market to shorten supply chains. Nearshoring to Mexico is meaningfully shifting freight flows and industrial demand toward border markets such as Laredo and El Paso, Texas, and into inland logistics corridors such as Dallas-Fort Worth, Kansas City and Chicago.

On the reshoring side, the CHIPS and Science Act continues to drive a wave of advanced manufacturing. The federal statute, enacted in 2022, includes nearly \$53 billion in incentives for U.S. semiconductor manufacturing and a tax credit worth 25% of qualifying investments in advanced manufacturing facilities, often measured in the tens of billions of dollars per site. Manufacturing construction spending in the U.S. has more than doubled compared with prepandemic levels.

“We’re absolutely seeing a renaissance in manufacturing in the United States,” said **Jack Fraker**, president, global head of industrial and logistics capital markets for Newmark. “You look



**CenterPoint Properties’ two-story, 130,466-square-foot industrial development next to JFK Airport in Inwood, New York, is being completed in the first quarter of 2026.**

at Samsung’s \$40 billion plant near Austin. You look at Tesla’s manufacturing in Austin. Those anchor facilities immediately attract suppliers and vendors who want to be located right next door. That clustering effect is happening all over the U.S.”

Sansone sees reshoring emerging even in mature, high-cost markets: “The northern New Jersey industrial market is experiencing a notable shift. Users are increasingly leasing larger units to hold greater inventory levels and maintain excess capacity in preparation for peak season. ... In addition, activity from local manufacturing users has grown. Many of these companies cite both the broader reshoring movement and available government incentives as key reasons they are now prioritizing U.S. locations for their manufacturing operations. Previously, they would have focused solely on lower-cost international markets.”

### **The Influence of Automation and Robotics**

The shift toward automation is no longer theoretical. It is now embedded in the way new industrial buildings are being designed and engineered.

“Most modern speculative facilities meet requirements of around 36 feet to 40 feet clear for most automation infrastructure, although robotics-heavy operations benefit from extra vertical volume,” Rodriguez explained. “Automation demands higher slab load capacities for equipment and concentrated rack loads. As a result, developers increasingly design slabs with heavier reinforcement. Technology and automation are redefining power and digital infrastructure requirements, and power has become the most important spec for automation-enabled operations.”

The shift is driven by the economics of warehouse operations. As labor costs rise and throughput requirements increase, occupiers are investing heavily in automated systems to maintain efficiency and service levels. “In many cases, the cost of interior improvements, including conveyors, robotics and sortation systems, exceeds the cost of the building shell itself,” Fraker said.

“Some of these facilities literally have miles of conveyor belts inside,” Fraker continued. “Every new RFP [request



Bridge Point South Plainfield II is a 167,281-square-foot distribution facility. With direct access to Interstate 287, the New Jersey Turnpike, Interstate 78, Route 1-9, Newark Liberty Airport and Port Elizabeth, the facility offers easy connectivity to key transportation corridors.

**“Balancing future readiness with practical cost management is a key challenge for speculative developers. Given the significant up-front investment, it’s essential to design facilities that incorporate not only today’s best-in-class features, but also the elements likely to become industry standards in the years ahead.”**

*Andrew Hurwitz,  
partner, East region,  
Bridge Industrial*

for proposal] that goes to a developer adds another layer of expectations — more power, more improvements, more automation readiness.”

**Andrew Hurwitz**, partner, East region, Bridge Industrial, framed the issue this way: “Balancing future readiness with practical cost management is a key challenge for speculative developers. Given the significant up-front investment, it’s essential to design facilities that incorporate not only today’s best-in-class features, but also the elements likely to become industry standards in the years ahead.”

At the same time, he cautioned, user needs vary widely. Developers must take care not to overextend project budgets on specialized features that only

a small subset of tenants might ever require.

**Primo A.J. Fontana**, partner in global law firm DLA Piper, said his industrial real estate clients routinely bring up features such as floor flatness, floor load capacity, robotics and clear heights. Sometimes the specialized improvements are in only part of the building, but they are critical to performance. This ties back to build-to-suit: Tenants want space engineered specifically for their process.

#### **Power: The Ultimate Site Selection Filter**

Electrical capacity has become the single most critical constraint in industrial site selection (for more, read Development’s Winter 2025/2026 cover story, “Power Strain: Inside CRE’s Race to Secure the Next Megawatt”). This shift has been driven by three converging forces:

- The explosive growth of data centers.
- The increasing power demands of warehouse automation.
- The electrification of logistics fleets.

Together, these trends have strained utility



**CenterPoint Properties delivered a build-to-suit distribution facility near the Port of Long Beach in California that also serves as the U.S. headquarters for Ta Chen International Inc. The 129,300-square-foot Class A facility includes a two-story, 42,700-square-foot office, four docks, three drive-ins, a 32-foot clear height and parking for 164 cars.**

capacity across key distribution markets and added months or even years to development timelines.

Utility timelines have been further stretched as demand for transformers, turbines and other substation equipment outpaces manufacturing capacity. In multiple markets, developers report multiyear delays before utilities can provide the necessary power to a site. The scale of data center projects compounds the issue. A single hyperscale facility can require as much electricity as a small city, straining regional grids and forcing utilities to prioritize large contracted users over speculative developments.

For industrial developers, the result is a fundamental shift in the site selection sequence. Traditionally, developers would identify a location based on logistics fundamentals — proximity to highways, intermodal terminals, labor pools and consumer markets — and then work with utilities to bring power to the site. In many markets, that order has been reversed.

**Lauren A. Rico**, partner, DLA Piper, explained the new dynamic: “AI is a huge driver. An AI query can use 10 times the power of a standard Google search. Developers are forming collaborative relationships with utilities because power access now determines whether a project is feasible. It’s reversed the old formula of the tenant first, then power.”

“In many markets,” Fontana added, “utilities won’t even talk to a developer unless there’s already a tenant committed. That flips the development sequence and makes speculative building more difficult.”

Competition for power has prompted many developers to explore on-site generation. “We’re seeing a real shift toward on-site solutions, especially solar,” Fraker said. “If you look at a company like Prologis, they have 1.3 billion square feet of roofs. All of that is being converted into solar generation that can power the warehouse and even charge delivery fleets in the truck court.”

Solar installations provide both operational benefits — such as reducing tenant energy costs and supporting sustainability goals — and strategic advantages, particularly in markets where grid power is constrained or expensive.

The energy conversation is also broadening beyond solar. Small modular nuclear reactors are being discussed as a longer-term solution for industrial clusters and manufacturing campuses that require reliable baseload power. Natural gas generation is experiencing renewed interest in the United States, supported by abundant domestic supply. Wind capacity continues to expand in states such as Texas and California,

contributing to regional grids that serve industrial tenants.

For speculative developers, the challenge lies in designing buildings that can accommodate a wide range of tenant power requirements without overbuilding infrastructure that only a narrow subset of users will need.

Sansone outlined the approach: “Varied uses and users require different charger, battery and peak-load requirements. Speculative developers should plan for increased power capacity and incorporate conduits throughout warehouse interiors and parking areas. This approach ensures tenants can integrate their own equipment and operate effectively regardless of their specific charging or battery systems.”

### **Data Centers: Friend or Foe?**

Considered from the outside, a data center building looks like a standard industrial box writ large. Inside, however, it is another world, with billions of dollars’ worth of equipment, plus staggering power and cooling infrastructure.



The Bridge Point I-5 Seattle logistics campus features over 1.9 million square feet of building space, expansive trailer and auto parking, ample dock positions and high-clearance warehousing, all designed to support large-scale operations with precision and speed.

**“Developers are forming collaborative relationships with utilities because power access now determines whether a project is feasible. It’s reversed the old formula of the tenant first, then power.”**

*Lauren A. Rico,  
partner, DLA Piper*

Given that scale, Rodriguez noted, the cost of land is almost an afterthought. That means data center developers can and frequently do outbid traditional industrial developers for prime sites.

Fraker offered a real-life example: “A developer in North Texas assembled land for a Class A logistics park. He checked everything — freeway access, intermodal rail, labor, population. Out of the blue, one of the hyperscalers called and asked to buy the entire site, offering four times what the developer paid. So the developer said yes. That’s happening all across the country.”

Fontana put it this way: “Data centers are not industrial in the traditional sense, but industrial uses absolutely follow data centers. Data centers need continuous supplies of replacement chips, switches and hardware, and that demand creates warehouses dedicated to supporting their operations nearby. We’re seeing this across more markets than ever, [including] Utah, Indiana, Pennsylvania [and the] Mountain West states.”

Traditional industrial developers might view data centers as both competitor and catalyst.

While they take some of the best land off the table, they also create new, steady demand for high-spec industrial nearby.

#### **Flight to Quality: ‘Good Enough’ No Longer Clears the Bar**

As capital, tenants and lenders recalibrate, the industrial sector is drawing a sharper line between assets that can compete and those that cannot. Across markets, tenants are committing more selectively, favoring buildings that can support automation, electrification and long-term operational flexibility. That shift is accelerating a decisive “flight to quality,” according to those interviewed.

“Tenants are abandoning older buildings that can’t support

## ESG: FROM BOX-CHECKING TO INFRASTRUCTURE

**ESG — environmental, social and governance** — is becoming more infrastructure-driven in industrial real estate. Stefan Sansone of Bridge Industrial noted that tenants are increasingly focused on electrification-ready buildings, strengthening the position of owners who anticipate associated needs.

Installing highly specialized infrastructure on a speculative basis is less common, Sansone warned, as hardware and operational needs continue to evolve rapidly.

Ronel Borner of CenterPoint Properties noted that institutional companies continue investing in ESG, including solar and other renewables.

“ESG requirements impact site design and budgeting,” Borner said, “as space and budget need to be allocated for the necessary infrastructure. Achieving LEED standards remains common among top developers, and we at CenterPoint have focused our investment efforts on battery-powered solar.”

modern technology, automation or sustainability expectations,” Rico said. “New developments are increasingly built around exactly what a tenant needs.”

Industrial developers are seeing the same pattern on the ground. Borner described a market where design quality now directly influences leasing velocity and capital access. “It’s the best-designed buildings in the best locations that are and will be the winners,” he said. “Tenants want the best product available, and developers are investing in highly functional buildings.”

From an owner’s and portfolio-planning perspective, that selectivity is reshaping how tenants allocate space, with companies increasingly favoring fewer, higher-quality assets that can support automation and future operational demands, according to those interviewed.

### Demand Outlook and Geographic Winners

“Leasing activity is expected to remain steady over the next five years,” Hurwitz said. “Users continue to seek modern space, but with a significant amount of new supply coming online, it will take time for demand

to fully catch up. The industry broadly anticipates that vacancy will return to post-COVID levels by late 2026 or early 2027.”

Rodriguez described the market transition: “Leasing has already bottomed and started to recover. In [the third quarter] of 2025, demand reached its strongest level since early 2023, vacancy continued to stabilize and new leasing increased across all size segments. With development bottoming out and demand rebuilding, the market is transitioning toward a more balanced phase.”

Geographically, two categories of markets are emerging as particularly attractive: high-growth Sun Belt metros and constrained coastal markets.

“The Sun Belt states are major beneficiaries of population growth,” Fraker said. “People are leaving high-cost, high-tax states and moving to Texas, Florida, Georgia, Tennessee. Dallas-Fort Worth is on track to be one of the largest industrial markets in the entire country.”

Fraker also highlighted the industrial renaissance happening in the Midwest, particularly around Chicago, Cleveland, Cincinnati, Indianapolis and

**“Data centers are not industrial in the traditional sense, but industrial uses absolutely follow data centers. Data centers need continuous supplies of replacement chips, switches and hardware, and that demand creates warehouses dedicated to supporting their operations nearby.”**

*Primo A.J. Fontana,  
partner, DLA Piper*

Detroit. “These markets have skilled, generational manufacturing labor. That labor force is a huge competitive advantage as advanced manufacturing comes back to the U.S.”

Rodriguez noted that markets where demand growth is strongest, such as cities across the Sun Belt and near expanding ports, will see their fundamentals rebalance in short order. At the same time, markets with higher supply side barriers, such as Southern California and New Jersey, offer rental rates well above the national average.

Nearshoring is also firing up some market activity along the U.S.-Mexico border. According to those interviewed, Laredo, El Paso, McAllen and their outskirts are rapidly becoming some of the most strategic logistics nodes in North America. ■

**Ron Derven** is a contributing editor to Development magazine.

# IOS Market Consolidation Ramps Up



Industrial Outdoor Ventures' Davie Industrial Center in Davie, Florida, includes a 183,833-square-foot spec distribution building with 11.5 acres of outdoor storage available for lease. An adjacent 42,866-square-foot service building is leased to Doka USA.

# Mostly owned by mom-and-pop investors, industrial outdoor storage properties are increasingly eyed by Wall Street.



By John Hintze

**Commercial real estate investment firm** CanTex Capital has been acquiring industrial outdoor storage (IOS) properties since its founding in 2018, focusing on the Dallas-Fort Worth area. Of the 46 commercial properties it purchased last year, approximately two-thirds of them were IOS, and most were existing IOS sites. More recently, it has begun acquiring properties and developing IOS sites on spec, designing them based largely on input from existing customers.

“We’re using that experience, that data, to inform what we’re doing now on the development side,” said **Jay Malhan**, the company’s vice president of acquisitions.

In October, CanTex sold a portfolio of eight IOS properties to Stockbridge Capital Group, a San Francisco-based private equity real estate investment management firm and a major aggregator of IOS properties nationwide.

“That will probably be our last IOS portfolio sale,” Malhan said. “We find these sites to be incredibly rare, and it’s a lot of work to aggregate them. We’re seeing such strong fundamentals in the space that, moving forward, we will likely be long-term holders on the IOS side.”

IOS properties, providing mostly outdoor storage for vehicles, heavy equipment and other industrial products, have existed for decades. In recent years, however, IOS has emerged as a distinct investment asset class that is heating up in a big way. Aggregators such as CanTex and Stockbridge are gobbling up existing IOS properties as well as several-acre plots of land that they can convert to IOS. And major Wall Street players, including J.P. Morgan and private equity giant Blackstone, are stepping up with financing options. Nevertheless, the market remains highly fragmented and ripe for consolidation, with only an estimated 7% to 10% of it controlled by institutional investors, and the vast majority in the hands of mom-and-pop owners.

## IOS Builds Strong Fundamentals

**Tom Barbera**, CEO of Industrial Outdoor Ventures, a significant aggregator in the IOS arena, spotted the market’s opportunities over 20 years ago. Back then, it was often referred to as “low coverage industrial,” with typically only 10% to 15% of the property an enclosed structure and the rest open land. Barbera and his partners purchased 10 IOS properties in the Chicago area and, after proving the asset’s strengths, raised money from investors in 2015 before launching Industrial Outdoor Ventures a year later.

“It’s got great fundamentals,” Barbera said, noting the high barrier to entry and limited supply. The properties turn over infrequently, and most communities are averse to new IOS.

In a September 2025 report, Newmark estimated IOS taking up 1.4 million acres nationwide, approximately the size of Delaware. “Yet well-located sites remain scarce due to zoning,” the report noted.

At the same time, demand from a diverse selection of tenants is steady if not increasing. Barbera said customers leasing IOS properties tend to be businesses in mature industries that are seeking space to store tractor trailers, parcel delivery fleets, school buses, shipping

### AT A GLANCE

IOS is emerging as an asset class attracting significant institutional investment.

Supply is limited, with high barriers to entry, limited turnover and zoning challenges.

Demand for IOS is steady, with users typically including mature, essential industries.

Courtesy of Industrial Outdoor Ventures



Industrial Outdoor Ventures completed a value-add redevelopment of a 51,162-square-foot warehouse in Denver (above). The new property (right), including IOS, is leased to Elite Roofing Supply and the city of Denver.

“That will probably be our last IOS portfolio sale. We find these sites to be incredibly rare, and it’s a lot of work to aggregate them. We’re seeing such strong fundamentals in the space that, moving forward, we will likely be long-term holders on the IOS side.”

*Jay Malhan,  
vice president of acquisitions,  
CanTex Capital*

containers, heavy off-road equipment and building materials.

“They all need IOS, so it’s a vast number of industries,” Barbera said. He estimated the market size at \$200 billion across the top 30 metropolitan statistical areas and \$300 billion across the top 48.

The term “IOS” emerged about five years ago, according to **Sam Dragan**, first vice president at CBRE. He noted that institutional interest in IOS heated up in the wake of the COVID-19 pandemic, with the “overarching trend of businesses wanting to be as close to their customers as possible.”

That was especially true in high-growth cities in the Sun Belt, which saw a significant influx of construction to accommodate new residents and supporting businesses. IOS properties were essential to storing building materials as well as construction and landscaping equipment.

Significant IOS activity has also occurred in coastal port cities and in the Midwest around transportation companies’ hubs for distributing goods regionally, Dragan said. IOS sites often double as locations for cross-country truckers to drop goods to be picked up by smaller delivery vans and as overnight rest stops for drivers.

“They’re really the backbone of the supply chain, these properties that were overlooked 10 years ago and now are under the spotlight of developers and investors,” Dragan said.

IOS properties have tended to have long-term tenants, and “more often than not, groups aren’t moving from these spaces,” Dragan said. “Instead they are just seeking additional locations within the city [where] they operate.”

Barbera pointed out that while office buildings can be “super capital intensive to upfit,” the basic improvements that acquirers of IOS properties make — new fencing, lighting, overhead doors, parking lots — require relatively low capital outlays and are viewed as generically valuable by a wide range of occupiers.

### A Changing IOS Landscape

In a more recent development, data centers, accompanying power stations and other major infrastructure projects have driven demand for nearby IOS sites to store concrete, steel and other building materials, in addition to heavy construction equipment. Newmark’s report also pointed to the increasing need for specialized charging and maintenance networks on IOS sites to support evolving technologies, such as advanced air mobility and autonomous vehicle fleets. It deemed them catalysts for increasing institutional investment, “transforming IOS from a niche, fragmented market into a maturing, standardized asset class.”

Ultimately, the big draw for institutional investors has been the rent increases bolstering the asset class and the anticipation that the trend will continue.

“IOS rents increased 123% since 2020, more than twice the rate of bulk warehouses. Phoenix, Memphis and Atlanta top the IOS rent growth list,” according to Newmark.

**Vytas Norusis**, head of Partner Valuation Advisors’ national IOS practice group, said today’s IOS investors run the gamut from affluent retail investors to major private equity firms



and, increasingly, insurance companies. Aggregators such as Alterra IOS and Industrial Outdoor Ventures typically aim to pool IOS properties — usually 20 or more, with each property valued between \$5 million and \$15 million — with the intent of eventually selling the asset pool or a stake in it to institutions seeking long-term investments.

“In the past year, we’ve worked on almost 300 IOS appraisals for Blackstone and some of the largest institutional lenders,” Norusis said. “It’s really accelerated recently.”

Some of the big institutional transactions include two joint ventures closed in 2024 by Zenith IOS with institutional investors advised by J.P. Morgan that anticipate owning \$1.5 billion in IOS properties

nationwide. In June 2024, Fortress Investment Group, an early entrant into the space, refinanced numerous IOS transactions totaling \$708 million via a \$493 million commercial mortgage-backed security (CMBS) and a \$213 million balance sheet loan.

“Over time, we would expect IOS assets to be valued in line with, if not in excess of, traditional industrial assets given the zoning controls around new development and the scarce supply of infill transportation-oriented buildings,” said **Tom Pulley**, global head of real estate equity for Fortress, in a statement.

In February 2025, originator Alterra IOS announced closing a \$189 million loan commitment from Blackstone to buy 49 IOS sites across 22 states.

Later in June, Blackstone provided Jadian Capital with \$231 million to finance a portfolio of 43 IOS properties across 13 states. Then in July, Alterra procured a \$343 million loan commitment from Truist Financial and Bank of Montreal that is secured across 64 IOS properties, increasing its institutional financing to \$1.5 billion. In August, Barings, a global real estate investment manager, announced forming a joint venture with Brennan Investment Group to acquire an initial \$150 million in IOS assets.

“The seed asset and goals of our new venture with Brennan represent a high conviction strategy and asset class for the firm,” said **Raymond Tiernan**, director at Barings, in a press release. “Together, we aim to capitalize on the growing institutional demand for IOS assets by leveraging Brennan’s deep sector expertise and Barings’ institutional investment platform with the aim of bringing enhanced returns to our clients.”

### Designing From Experience

CanTex Capital traditionally focused on the acquisition, development and operation of shallow-bay, Class B warehouses, a strategy that more recently



CanTex Capital's speculative IOS development at 4729 Mansfield Highway in South Fort Worth, Texas, features two 5-acre sites, each with a 10,500-square-foot building.

In a September 2025 report, Newmark estimated IOS taking up 1.4 million acres nationwide, approximately the size of Delaware. “Yet well-located sites remain scarce due to zoning,” the report noted.

led to it recognizing the value of IOS properties. The vertically integrated firm acquires, constructs and operates the properties and manages its IOS portfolio in-house, and it began developing new IOS properties on a speculative basis close to two years ago. It currently has three sites under construction in the 3- to 5-acre range, plus 14 sites in various stages of predevelopment.

“Some of the issues that come up with buying existing IOS properties just can’t be overcome by adding capex dollars, like building placement and functionality or yard functionality,” Malhan said. “Getting into development helps us now take all the data we’re getting from our existing customer base about the features, layout and functionality they would like to see.”

Among those features, Malhan said, are taller clear heights that enable a wider variety of equipment to enter the covered space, a trend already prevalent among traditional industrial Class A properties. Increasing the size of door openings, typically to 14 feet by 16 feet from the traditional 10 feet by 12 feet, has also become more popular.

“In our next iterations, we may even push to go to 16 by 20,” Malhan said. “In terms of the depth of our buildings, we want to be sure that tenants can accommodate a full-size trailer.”

To heighten security, the firm provides gated access and taller fencing on IOS sites when feasible, Malhan said, and it recently inked a deal to install electrified fencing to all its new development sites. Customers typically insure

their assets stored at IOS sites, but operators want sites to be operable regardless of weather or other potential impediments.

“Our yards are designed with proper drainage in mind,” Malhan said. “For even heavy rain days, yard functionality is not obstructed.”

CanTex targets a broad tenant base focused on population-serving uses, including vehicle- and equipment-rental companies, building material suppliers, landscapers, HVAC suppliers and piping companies. “All the businesses that really power the community,” Malhan said. “We’re developing sites that are in locations close to highways and growing populations, which allows tenants to better service their customers and municipalities to generate tax revenue and additional employment.”

“There are nuanced differences between how each industry designs their facilities, but **grade-level drive-through maintenance buildings with yard are basically interchangeable across multiple industries.**”

*Tom Barbera, CEO, Industrial Outdoor Ventures*

### **A Boon to Bank Portfolios**

The strategy is attractive to Liberty Capital Bank, a Dallas-Fort Worth-based regional bank with \$750 million in assets that has individually financed several of CanTex’s acquisitions.

“It allows us to build a loan portfolio with a diverse mix of tenants and geographies, which is what you want to see on a bank’s balance sheet,” said **Luis Flores**, senior vice president at Liberty Capital.

He added that there is no standard lending profile for IOS properties, which aggregators commonly buy from individual owners and improve somewhat to bring in higher-quality tenants. “Banks are typically senior lenders in the capital stack,” Flores said.

Industrial Outdoor Ventures, on the other hand, looks for opportunities nationwide. In December, it sold its interest in a joint venture with Stockbridge that was formed in 2021, and it is currently deploying a discretionary fund that has made 11 acquisitions, closing its most recent deal at the end of 2025.

“If we find a greenfield land site that’s priced right and has the right zoning, and we like the demand drivers in that submarket, we’ll do a ground-up spec,” Barbera said.

He added that IOS is rarely built on spec by developers because it’s perceived to cater to overly specialized user communities. However, Industrial Outdoor Ventures successfully builds spec product with characteristics that have broad appeal across key sectors such as transportation, heavy equipment, construction, and building material distribution.

“There are nuanced differences between how each industry designs their facilities, but grade-level drive-through maintenance buildings with yard are basically interchangeable across multiple industries,” Barbera said.

Industrial Outdoor Ventures invests in IOS properties alongside a private equity firm that helped the company procure its first large bank loan. Bank facilities are generally an interim step toward longer-term nonrecourse financing, such as CMBS or privately placing debt with a life insurance company or other institution.

So far, aggregators looking to sell IOS portfolios to replenish their coffers have found exit ramps to be limited. In late 2024, Alterra sold \$490 million in IOS assets, about 20% of its portfolio, to Peakstone Realty Trust, a major office and industrial real estate investment trust. In February, Brookfield Asset Management announced that it had entered into a definitive agreement for a Brookfield private real estate fund to buy Peakstone for about \$1.2 billion.

“We’re still in relatively early days in terms of consolidation of ownership in the IOS industry,” Norusis said. “One of the challenges now is that ... there haven’t been many data points to support an institutional exit. An aggregator can buy 100 assets, but what does the next buyer look like?”

Aggregators can still split 100 properties into smaller pieces that can be sold, so there is liquidity, Norusis said, but additional larger deals could

broaden the market’s appeal to major institutional investors.

“That’s one of the things that folks have talked about — when there will be another deal to break the ice on a large portfolio sale,” he said.

Norusis added that while the lack of data and transparency may present a challenge to more mainstream Wall Street investors, some operators and aggregators view it as a competitive advantage because their better understanding of the market enables them to price the assets more accurately.

The challenges presented by the lack of data are compounded by the unique nature of the IOS market, in which the individual property sizes are small compared with other areas of commercial real estate, such as warehouses or offices. That results in a much higher volume of assets to work with. Plus, investors must dramatically adjust other factors. For example, IOS buildings typically cover around 10% of the property versus 40% or more for warehouses.

In addition, properties can differ significantly depending on variables such as the industries they’re catering to and even their topography.

“Texas is a relatively flat state, but the topography in a market like Atlanta introduces a whole different element of development risk and cost,” Malhan said. He added that legal jurisdictions can also vary widely, from Texas’ more business-friendly environment to the more regulated coastal cities.

Zoning is the No. 1 challenge, according to Malhan. Whether firms are developing IOS themselves or acquiring existing properties, they must ensure selected sites have proper zoning and entitlements to avoid challenges from municipalities that can be averse to IOS-type properties. In addition, he said, cities are increasingly placing overlays that could change how properties are zoned. CanTex has seen IOS users vacate sites after receiving push-back from municipalities. That means IOS developers and investors must research both current rules and what political winds could bring in the future.

“They have to make sure that when they’re underwriting these properties, they have a really good understanding of not only what’s there today but what could be there in a few months or a few years,” Malhan said. ■

**John Hintze** is a freelance writer in Newark, New Jersey. He writes regularly for publications covering banking, the financial and derivatives markets, corporate finance and risk issues.

# From Vision to Reality:

## Building a University- anchored Innovation District



Connect Labs by Wexford offers a turnkey lab/office solution at Aggie Square to help early stage and growth companies scale in place.



## Sacramento's Aggie Square followed a model that balances real estate risk with public-interest goals.

By Claire Drummond, George Baxter and Leslie Fritzsche

### AT A GLANCE

Aggie Square integrates academic research, private sector activity and community benefits.

The first phase of the \$1.1 billion innovation district involved developing approximately 8 acres of the 25-acre footprint.

Tenant occupancy began in February 2025, ahead of the district's formal inauguration, with residential activation following that June.

In the evolving world of commercial real estate, few models have captured the attention of developers, universities and civic leaders as powerfully as the rise of innovation districts: mixed-use, research-driven urban hubs clustered around anchor institutions.

In May 2025, the University of California, Davis and its development partner, Wexford Science & Technology, LLC, alongside the city of Sacramento and the Greater Sacramento Economic Council (GSEC), celebrated completion of the first phase of Aggie Square. The development journey of the \$1.1 billion innovation district offers a compelling case study and instructive lessons in vision, partnership, compromise and community engagement.

### Original Vision and Early Context

Aggie Square's origins trace back to late 2017, when **Darrell Steinberg**, then mayor of Sacramento, and UC Davis Chancellor **Gary S. May** convened a joint exploratory working group to assess the feasibility of a university-anchored innovation district in the city. The group was charged with evaluating potential sites, transportation and infrastructure needs, funding pathways, and a framework for integrating academic research, private sector activity and community benefits.

Site selection was guided by mission alignment rather than land speculation. UC Davis evaluated four potential locations in Sacramento

against a defined set of criteria, including the ability to advance the university's research and public-service mission, catalyze regional economic growth, foster community health and connection, and strengthen transportation links between Sacramento and the Davis campus. Additional factors such as infrastructure readiness, housing proximity and development feasibility were also assessed.

Ultimately, the UC Davis Sacramento campus emerged as the strongest candidate. The site, located 7 miles east of downtown and adjacent to UC Davis Health, offered immediate access to academic and clinical assets, existing infrastructure and transit connectivity. Importantly, the university already owned the land. This eliminated acquisition costs and allowed project resources to be directed toward programmatic, community and infrastructure investments rather than land procurement.

"From the beginning, we saw Aggie Square as an opportunity

Courtesy of Wexford Science & Technology



Aggie Square's research buildings provide state-of-the-art laboratory facilities for life sciences, technology and engineering.

### AGGIE SQUARE FAST FACTS

- 1.2 million square feet on approximately 8 acres.
- Developed by Wexford Science & Technology and anchored by UC Davis.
- Located on UC Davis' Sacramento campus, adjacent to the UC Davis Hospital.

to bring UC Davis' research excellence into closer alignment with industry and community," May said. "The goal was to create a space where ideas, talent and partnerships could translate into meaningful impact for the region."

By 2018, national and regional market trends were reinforcing the viability of this approach. Demand for life science and research-driven real estate was accelerating, shaped by demographic pressures, advances in biomedical innovation and growing space requirements for translational research facilities. Across the country, developers and universities were recognizing that well-planned, lab-capable environments adjacent to major research institutions were commanding a premium and fueling new models of research commercialization

and economic development.

For Sacramento — long anchored by government, health care and service sectors — the proposed district represented a chance to broaden the region's economic base. Workforce development pipelines, community-accessible programming and public-benefit commitments were built into the early vision to ensure the district would serve multiple constituencies.

"Aggie Square is an important investment in Sacramento's economic future. It helps us grow high-quality jobs, attract new industries and strengthen our role as a center for innovation while making sure that growth benefits the broader community," Mayor **Kevin McCarty** said. "From its earliest planning stages, Aggie Square was conceived not

merely as a facilities expansion but as a regional catalyst aimed at delivering academic, economic and community value. The project was designed to position Sacramento more competitively within a national landscape increasingly shaped by innovation-focused development."

### Definition of Program

This design articulated a multibuilding Phase 1 plan spanning roughly 8 acres of what ultimately will be a 25-acre footprint. Desired components included:

- An office/classroom building dedicated to lifelong learning and workforce skills training.
- Two research buildings offering state-of-the-art laboratory facilities for life sciences, technology and engineering.

# AGGIE SQUARE

## Innovation District: Project Timeline



- A mixed-use building with ground-floor “storefront” space for community groups and university-affiliated projects, student and affiliate housing, and retail, all connected to an outdoor plaza focusing on food and health.
- A public square providing open space for community gatherings, public events and spontaneous interaction among researchers, students, community members and entrepreneurs.
- A five-story parking structure.

UC Davis selected Wexford Science & Technology as master developer for Aggie Square Phase 1 in January 2020, concluding a competitive process just weeks before the onset of the COVID-19 pandemic.

The pandemic reinforced the value of building flexibility into Phase 1. While the overall program remained cohesive, the partners adjusted sequencing to better align with leasing conditions, pausing construction of the 100 Aggie Square lab building until preleasing milestones are met across the remaining space. When it moves forward,

the building will be delivered as a flexible, mirror-image companion to the 200 Aggie Square East tower.

### Building Public Support

As planning progressed, UC Davis, Wexford and the city of Sacramento formalized a set of agreements to ensure Aggie Square’s benefits extended beyond the project’s boundaries. These documents established commitments around the core components of the project’s public-facing framework, including workforce development, affordable housing, transportation improvements and long-term community access.

The first milestone was a community workforce training agreement (CWTA) executed in April 2021 with Whiting-Turner, the Aggie Square construction contractor, and regional labor partners. The agreement outlines local hiring priorities, apprenticeships and pre-apprenticeships, workforce reporting requirements and labor standards intended to connect Sacramento residents to career-track opportunities in the construction trades. By codifying

these expectations, the CWTA ensured Aggie Square’s economic impact would begin during the construction phase rather than at completion.

A community benefits partnership agreement established a long-term strategy for inclusive growth. Negotiated among UC Davis, the city, Wexford and community representatives, the agreement covers affordable housing investment, youth and workforce programs, small-business support, transportation and streetscape improvements, and community access to project spaces.

A third tool, the Enhanced Infrastructure Financing District (EIFD), a tax increment financing mechanism specific to California, serves as the project’s primary public-financing mechanism. By dedicating a portion of future property tax revenue to infrastructure improvements, the EIFD enables long-term investment in roads, utilities, open space and mobility enhancements that support both the district and surrounding neighborhoods.

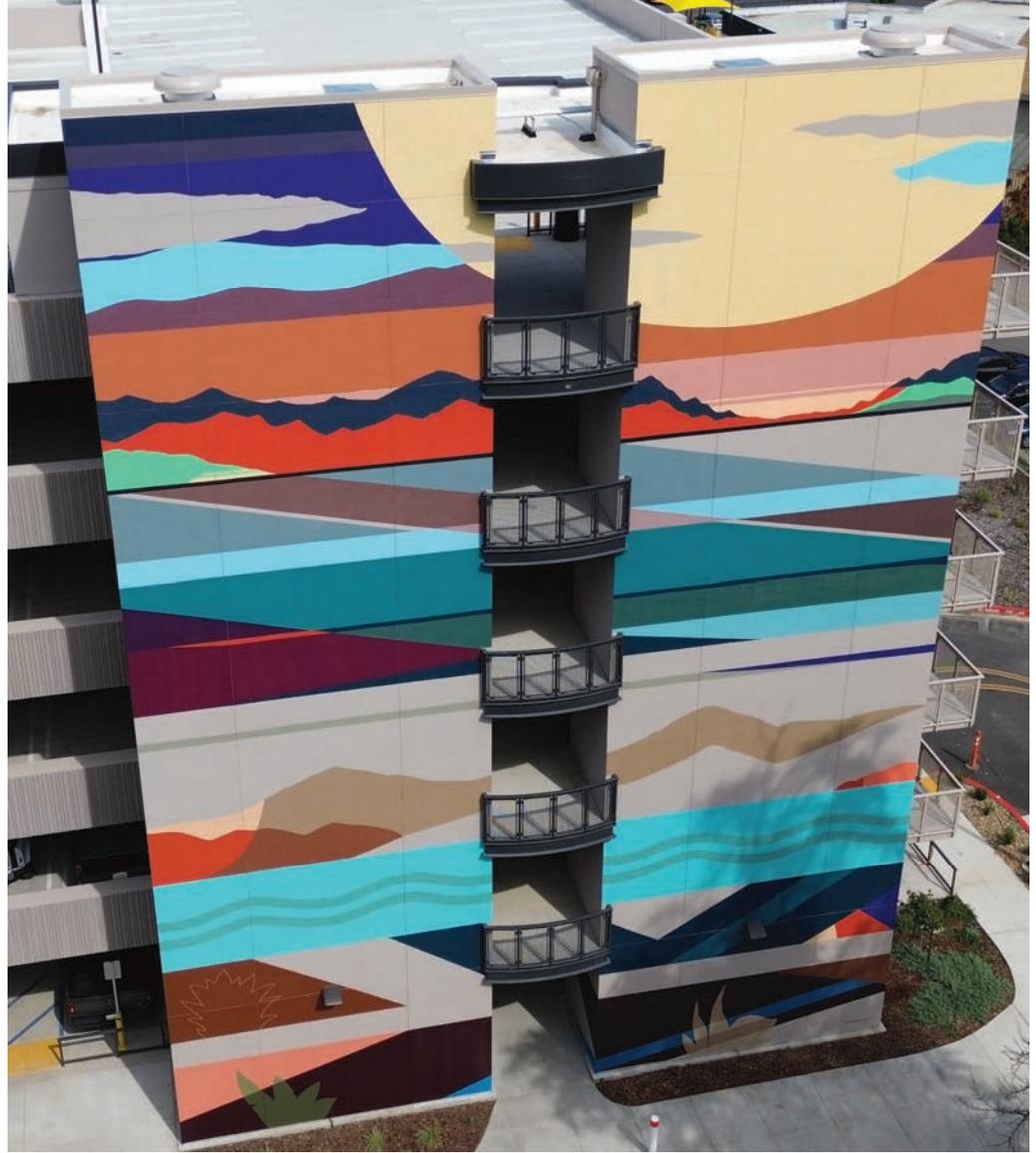
Together, these agreements formed a shared framework

“We saw Aggie Square as an opportunity to bring UC Davis’ research excellence into closer alignment with industry and community. The goal was to create a space where ideas, talent and partnerships could translate into meaningful impact for the region.”

Gary S. May,  
chancellor, UC Davis

“ Aggie Square was conceived not merely as a facilities expansion but as a regional catalyst aimed at delivering academic, economic and community value. The project was designed to position Sacramento more competitively within a national landscape increasingly shaped by innovation-focused development.”

*Sacramento Mayor  
Kevin McCarty*



Muralists were commissioned to create installations throughout Aggie Square, including on the facade of a five-story parking garage.

intended to balance research and real estate goals with community priorities.

“Community needs and real estate goals do not have to be mutually exclusive,” said **Travis Sheridan**, Wexford’s chief community officer. “Engaging the community early allowed us to co-create a comprehensive community benefit strategy recognizing that the needs of the community will evolve over time. Innovation isn’t static, and neither are the lives that interact with Aggie Square. If innovation truly is a process to improve the human condition, then a broad swath of those humans should be involved in the process. Real estate is an enabler. Good real estate is a catalyst.”

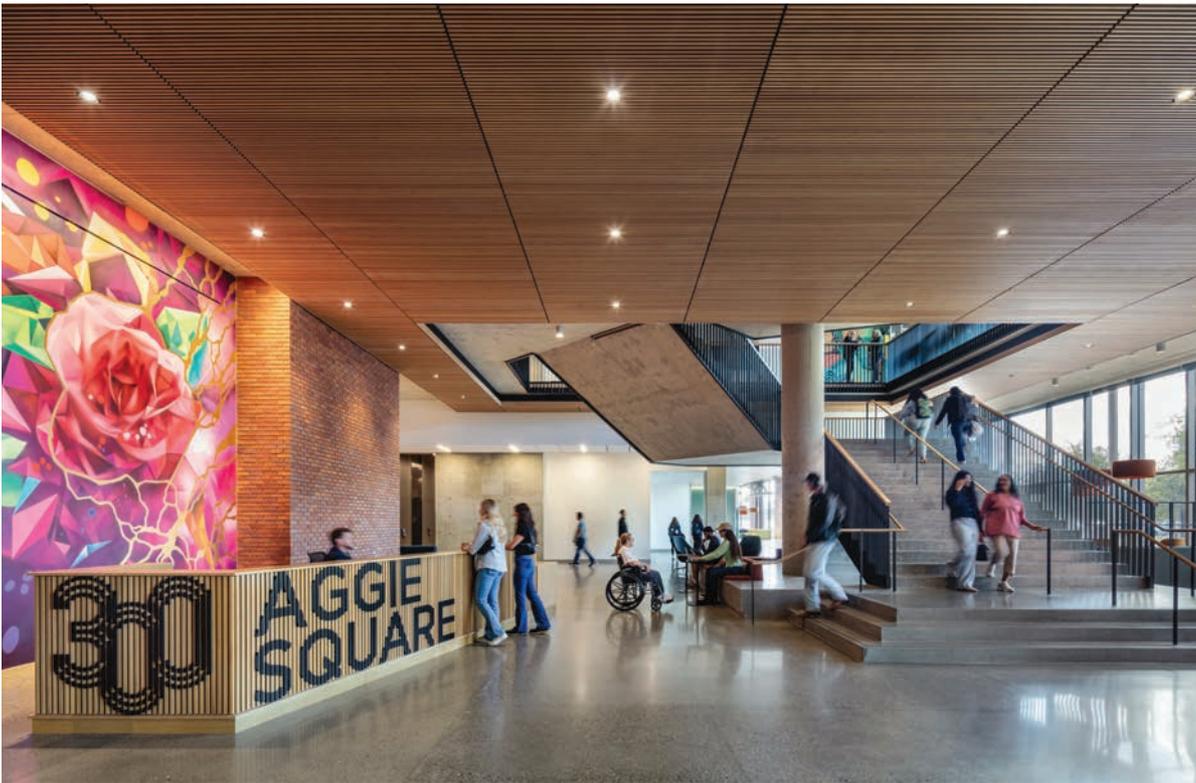
**Inclusive Design and Intentional Place-making**

The design and planning of Aggie Square emphasized sustainability, climate resilience and an inclusive public realm. The research buildings incorporate high-efficiency heating and cooling, heat-recovery ventilation and water-saving systems that reduce consumption by up to 60% compared with typical laboratory facilities. The site’s landscape features native, drought-tolerant plantings, permeable surfaces and extensive shading to create comfortable pedestrian environments suited to Sacramento’s climate.

Architectural expression drew heavily from regional materials and local partnerships.

Led by ZGF Architects, the design team integrated Sacramento’s aesthetic character through a glass facade system fabricated by Bagatelos Architectural Glass Systems, a regional firm that also contributed to workforce apprenticeship goals established in the community agreements. To acknowledge the site’s history as a former fairground, the buildings incorporate a custom brick palette developed with local manufacturer H.C. Muddox. These elements include subtle moments of place-specific identity, such as a brick inlay referencing the University of California motto, Fiat Lux (“Let there be light”).

To embed local culture into the district’s public spaces, Wexford and UC Davis collaborated with Sacramento’s Office of Arts and Culture on a competitive process to commission local artists. Four muralists were selected to create installations across key interior and exterior locations, including building entrances, shared research and teaching spaces, and a five-story garage facade. These artworks provide visual markers



Researchers, faculty and staff began moving into 200 and 300 Aggie Square in February 2025.

that connect the project to its surrounding neighborhoods and reinforce its civic character.

### Tenant Mix and Program Design

UC Davis is Aggie Square's anchor tenant, with about 60% of the leased space (approximately 400,000 rentable square feet) dedicated to university research, teaching and innovation. This includes multiple university verticals, ranging from Aggie Commons and classrooms on the office side to a ground-plane biomedical engineering makerspace and veterinary genetics facility on the lab side.

Tenant occupancy at Aggie Square began ahead of the district's formal inauguration. Researchers, faculty and staff started moving into 200 and 300 Aggie Square in February 2025, with additional university and industry tenants continuing to occupy space as tenant improvements are completed. Residential activation followed in June 2025, with medical and

nursing students moving into the ANOVA Aggie Square apartments. The university's allocated housing in that complex reached full occupancy upon opening. Additional research uses will come online in subsequent phases, including the UC Davis Veterinary Genetics Laboratory, which is scheduled to move into 400 Aggie Square in late 2026 or early 2027 following completion of specialized tenant improvements.

To facilitate the physical space side, the preliminary plan called for flexible, scale-in-place lab and office space, particularly through a facility known as Connect Labs by Wexford. The turnkey, furnished and pre-equipped lab/office solution is designed to lower barriers to entry for early stage and growth companies. This allows a derisked platform to scale in place at Aggie Square.

Beyond the physical space, Wexford brings what it refers to as the "software" of an innovation district — the programming, partnerships and people

that animate the space and transform real estate into a functional "knowledge community." For Aggie Square, this includes hiring a dedicated knowledge community director to curate programs, convene researchers and entrepreneurs, engage community organizations and ensure the district operates as a connected ecosystem rather than a collection of tenants.

Wexford's model layers structured programming — inclusive of speaker series, startup showcases, industry roundtables, networking events, workforce development cohorts and community-facing activities — with informal activation. This ensures that students, faculty, innovators and neighborhood residents interact organically. The approach, which is central to Wexford's national portfolio, made the district feel alive from its earliest days. This "software layer" is a critical complement to the bricks-and-mortar investment, helping ensure Aggie Square fulfills its mission

**“Community needs and real estate goals do not have to be mutually exclusive. Engaging the community early allowed us to co-create a comprehensive community benefit strategy recognizing that the needs of the community will evolve over time.”**

*Travis Sheridan,  
chief community officer,  
Wexford Science &  
Technology, LLC*



UC Davis serves as Aggie Square's anchor tenant, with about 60% of leased space so far dedicated to university research, teaching and innovation.

**At full buildout, UC Davis estimates that Aggie Square will generate \$1.92 billion in total regional output and \$2.32 billion statewide, with construction supporting more than 12,000 jobs. Approximately 3,200 permanent positions are projected after full occupancy.**

as an accessible and inclusive hub of innovation for the region.

Early in the process, Wexford engaged Cushman & Wakefield as the real estate broker for the private industry pipeline. In partnership with the university and GSEC, Wexford and Cushman have connected with local, regional and international prospects to curate a strong mix of industry and academic research. To date, industry clients include med-tech startup Intellivasc, public policy consulting group Capitol Impact, ULI Sacramento and ag-tech organization GARBiC USA, among others.

#### **From Planning to Reality: What's Built and What's Next**

Aggie Square was formally inaugurated May 2, 2025, marking eight years of planning, partnership and development. Phase 1a delivers four major buildings (200, 300 and 400 Aggie Square, plus ANOVA residential) totaling approximately 800,000 square feet. This includes wet and dry laboratories, flexible workspaces, classrooms, community areas and a 1,550-stall parking structure. Phase 1b (100 Aggie Square's second lab

tower) will be delivered once preleasing thresholds are met.

Residential space, provided through ANOVA Aggie Square, is a joint venture between Wexford and its residential partner, GMH Communities. ANOVA includes 190 apartments (252 beds) with approximately 15,000 rentable square feet of podium commercial space. To date, the residential space is nearly 70% occupied with both university and market tenants. The housing is designed to support students, researchers and early stage companies while reinforcing the district's live-learn-work-discover environment.

As the region's largest economic engine, UC Davis generates nearly \$9.57 billion to the Sacramento metro area and \$13.2 billion to the state in annual economic impact while supporting 61,700 jobs. At full buildout, UC Davis estimates that Aggie Square will generate \$1.92 billion in total regional output and \$2.32 billion statewide, with construction supporting more than 12,000 jobs. Approximately 3,200 permanent positions are projected after full occupancy.

UC Davis Health has developed a long-range framework for the site, including a massing plan that anticipates up to an additional 1 million square feet of academic, research and office space beyond Phase 1. As early phases reach stabilization, the university and its partners intend to revisit this framework to align future development with market demand, institutional priorities and available funding. The timing and configuration of subsequent phases will therefore be phased and adaptive, allowing Aggie Square to evolve deliberately in response to research growth, industry interest and community needs rather than following a fixed development schedule.

#### **Key Lessons and Takeaways**

Throughout the multiyear planning and implementation of Aggie Square, several lessons emerged that are relevant for commercial real estate developers, institutional investors, universities and municipal stakeholders:

- Anchor strength plus market demand equal opportunity. Aggie Square advanced



A site map showing Phase 1 of Aggie Square.

in part because UC Davis provided a strong academic and clinical foundation.

- Site matters, physically and contextually. Choosing a site adjacent to existing clinical and academic infrastructure created a compelling value proposition.
- Public-private partnership and structured community benefit commitments are essential. Integrating commitments such as affordable housing, workforce development and reinvestment mechanisms (the EIFD) into the deal structure helped make the project viable.
- Flexible, mixed-use design helps derisk long-term occupancy. By combining labs, offices, housing, classrooms and community space, Aggie Square avoids overdependence on a single real estate type.
- Early and sustained community engagement matters. Over 90 stakeholder meetings informed the community benefits partnership agreement.
- Sustainability and inclusive design are not optional.

Energy- and water-efficient building systems, pedestrian-friendly public space, affordable housing and community access are increasingly viewed as baseline requirements.

- The most meaningful hardware requires thoughtful software. Activation requires programming, partnerships and ongoing curation.

Aggie Square demonstrates how a concept rooted in institutional strength, community priorities, market demand and collaborative governance can evolve into a built environment designed to share value. For developers and institutional investors, it offers a practical model for structuring public-private partnerships, integrating community benefits and creating mixed-use, resilient real estate. ■

**Claire Drummond** is vice president of development and Sacramento market executive at Wexford Science & Technology, LLC. **George Baxter** is chief innovation and economic development officer, UC Davis. **Leslie Fritzsche** is economic investment manager for the city of Sacramento.

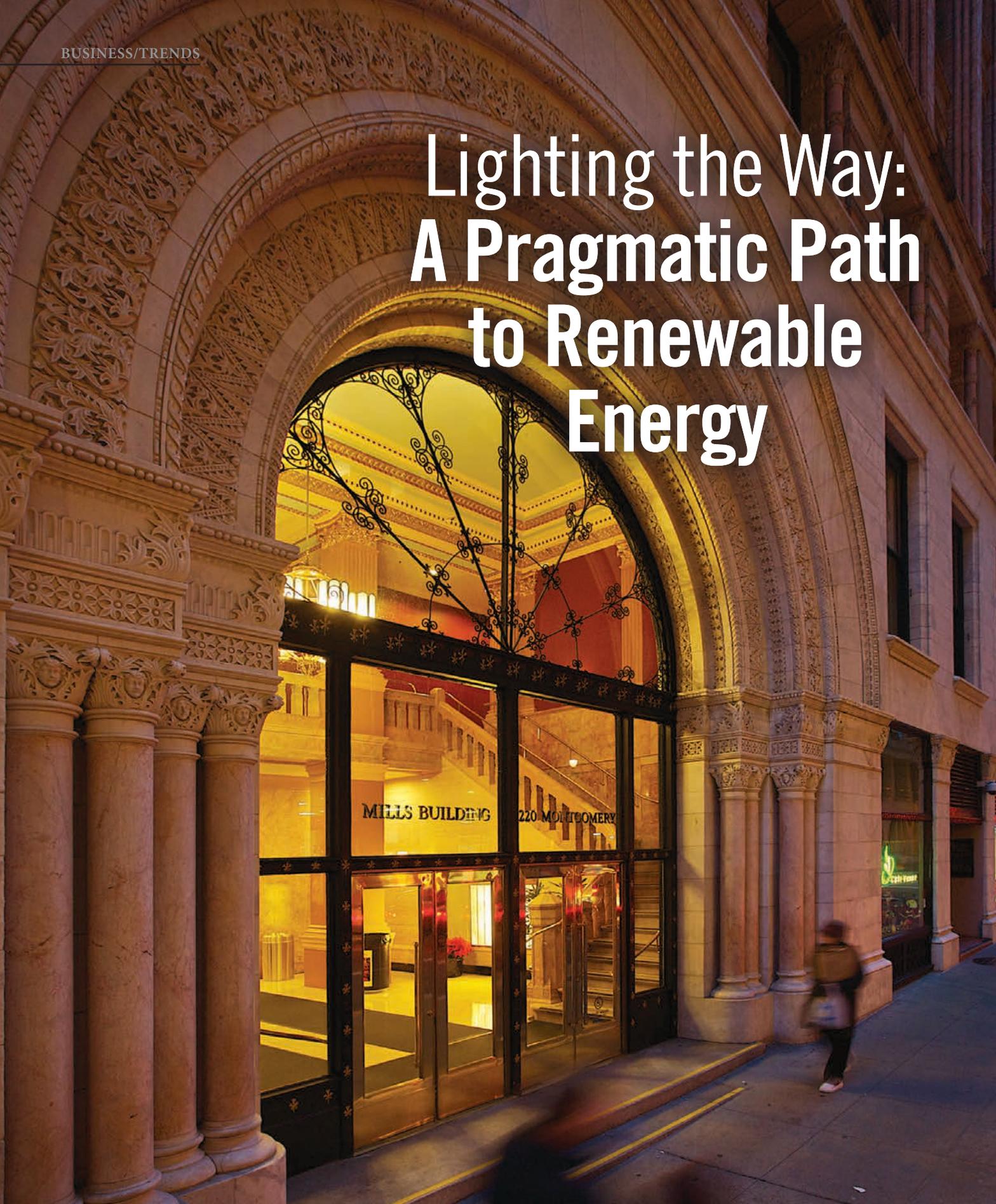
## PUBLIC-PRIVATE PARTNERSHIP: ROLES, STRENGTHS AND STRUCTURE

A defining element of Aggie Square is its public-private partnership model. Rather than a traditional university expansion or a speculative private development, the district is structured around the complementary roles of three primary stakeholders: UC Davis, Wexford and the city of Sacramento. Each contributes assets that the others cannot, creating a shared platform for development, research and community impact.

Responsibilities are distributed so that real estate risk is balanced with public-interest goals. Wexford provides market expertise, development capacity and delivery execution. UC Davis contributes its research enterprise, academic programs and institutional credibility. The city offers land-use authority, regulatory support, financing tools such as the Enhanced Infrastructure Financing District, and oversight to ensure alignment with community-benefit commitments.

This structure serves as a potential template for other innovation districts. By aligning stakeholder strengths, sharing risk and embedding public benefit directly into the development framework, the partnership demonstrates how large-scale research districts can advance economic and civic goals simultaneously.

# Lighting the Way: A Pragmatic Path to Renewable Energy



The Swig Company has continuously owned, operated and updated San Francisco's iconic Mills Building since 1954. It began powering the office destination with 100% renewable electricity in 2025.



# The Swig Company shares what decarbonization looks like in practice across its bicoastal portfolio.

By Kairee Tann, The Swig Company

**Founded in 1936**, the privately held Swig Company has consistently operated at the intersection of long-term ownership, disciplined asset management and evolving market expectations. With more than 6 million square feet of primarily office properties spanning San Francisco, Los Angeles, Seattle and New York City — including legacy towers in San Francisco’s Financial District and historic assets in Midtown Manhattan — the portfolio reflects both architectural permanence and operational complexity.

That history matters. Decarbonizing commercial real estate is not a clean-slate exercise. It requires working within existing building systems, regulatory frameworks, utility constraints and capital structures — often simultaneously. For Swig, sustainability has not been treated as a parallel initiative or branding exercise but rather as an operational challenge to be solved with the same rigor applied to leasing, capital planning and risk management.

In 2023, The Swig Company formally announced a significant commitment to environmental sustainability across its managed portfolio. The company set ambitious goals to achieve a 50% reduction in Scope 1 and Scope 2 carbon emissions by 2030, with the ultimate objective of reaching net-zero emissions by 2040.

“The Swig Company is committed to greenhouse gas reduction targets aligned with the Paris Agreement’s urgent call to action to limit global warming by achieving net-zero emissions before 2040,” said **Connor Kidd**, the company’s president and CEO. “We made the decision after achieving three consecutive years of sustainability reporting, improving our portfolio performance, and with support from the board of directors and Swig family.”

Following this commitment, decarbonization road maps were prepared for four properties within its managed portfolio in 2024, with a fifth in 2025. In 2026, the company will extend this initiative by developing road maps for two additional properties. These road maps uncover key building-level efficiency and electrification measures necessary to meet Swig’s carbon reduction targets.

In 2024, through energy efficiency measures such as LED lighting and direct digital control upgrades, Swig achieved a portfolio-wide 16% reduction in like-for-like total energy consumption from 2018 and a 27% reduction in like-for-like greenhouse gas emissions intensity.

## AT A GLANCE

The Swig Company’s goal is to achieve net-zero emissions by 2040.

It has completed decarbonization road maps for five of its properties, with two more planned this year.

Energy efficiency remains the most cost-effective tool available to building owners pursuing greater environmental sustainability.

Courtesy of The Swig Company



Swig's Lake Union Building, a 90,952-square-foot office property in Seattle, recently received its first certified benchmarking report confirming that it meets Washington state's energy efficiency requirement.

The company set ambitious goals to achieve a 50% reduction in Scope 1 and Scope 2 carbon emissions by 2030, with the ultimate objective of reaching net-zero emissions by 2040.

While improving efficiency and electrification at the building level are essential steps, they alone are not enough to reach net zero in commercial office real estate. In Swig's situation, carrying out all identified energy efficiency measures would decrease its energy use intensity by around 40%.

For existing assets, the carbon intensity of the utility grid ultimately determines whether operational improvements translate into real emissions reductions, making access to clean power a foundational constraint, not a secondary consideration. For Swig's five road-mapped properties, a decarbonized grid would cut energy use intensity by about 47%.

As pressure to decarbonize accelerates — from municipal regulation, tenant requirements and investor scrutiny — Swig's experience offers a practical case study in how building owners can move forward without losing sight of financial performance, timing and regional realities.

### Regulation as a Catalyst, Not a Strategy

In markets such as San Francisco and New York City, building decarbonization is no longer discretionary. San Francisco's renewable energy ordinance for existing commercial buildings requires large office properties to transition to 100% renewable electricity, with escalating milestones and a target of zero greenhouse gas emissions by 2035. New York City has similarly established carbon caps and performance standards for large buildings. These regulations assume continued progress in grid decarbonization and the availability of workable utility programs. Where utilities provide credible, cost-effective pathways, compliance is achievable; where they do not, building owners encounter structural limitations that policy alone cannot overcome.

Local Law 97 is a key component of New York City's Climate Mobilization Act, enacted in 2019 to address greenhouse gas emissions from large

buildings. The law sets annual emissions limits for properties over 25,000 square feet, with increasingly stringent targets phased in over time. Owners must track and report building emissions, and noncompliance can result in significant financial penalties. The regulation is designed to drive operational changes, retrofits and energy efficiency upgrades, all within the practical constraints of existing building systems and tenant needs.

At the state level, California's Renewable Portfolio Standards (RPS) have steadily raised the baseline for all electricity providers. The mandate increased from 33% renewable energy in 2020 to 44% by 2024, with a requirement of 60% by 2030 and a long-term goal of 100% carbon-free electricity by 2045 under SB 100. California's AB 802, which became effective in 2016, requires benchmarking for commercial and multi-family buildings over 50,000 square feet to report annual energy usage via Energy Star Portfolio Manager. Under AB 2208, commercial buildings are required to implement energy efficiency measures, including LED lighting retrofits.

These policies establish direction, but they do not dictate execution. How owners meet these requirements, and at what cost, depends heavily on utility structures, procurement pathways and regional market dynamics.

"We have been proactively benchmarking for some time across our entire portfolio, and as building owner-operators, we welcome the opportunity to

work with local utilities to find ways to expand the availability of lower cost clean power," said **Will Sandman**, executive vice president, director of asset management at The Swig Company.

### **Direct Access in California: Flexibility With Trade-offs**

One of the primary tools available to large commercial customers in California and other states is the Direct Access program. Established under AB 1890, the program allows customers to purchase electricity generation from an energy service provider while continuing to receive transmission and distribution service from the local investor-owned utility.

For Swig, Direct Access has offered greater control over energy sourcing, contract terms and long-term price certainty, which is particularly valuable in periods of market volatility. However, it is also among the most expensive ways to currently procure 100% renewable electricity in California, even though all providers are subject to the same RPS requirements.

Several structural factors drive this cost differential.

First, Direct Access customers are assessed the power charge indifference adjustment (PCIA), an exit fee designed to ensure remaining utility customers are not burdened with legacy power contracts procured on behalf of departing load. While conceptually neutral, PCIA charges are market-based and can materially increase the total cost of service for Direct Access customers, even when generation rates appear competitive.

Second, procurement strategies differ. Investor-owned utilities and Community Choice Aggregators often benefit from economies of scale and long-term renewable power purchase agreements executed when prices were lower. Direct Access providers typically operate with smaller portfolios and may rely more heavily on open-market renewable energy certificates, which are subject to price volatility as demand increases.

Third, resource adequacy requirements, mandated by the California Public Utilities Commission, have become increasingly expensive as dispatchable capacity tightens. Direct Access providers must procure this capacity independently, passing higher marginal costs directly through to customers.

## **LESSONS FOR OWNERS AND OPERATORS**

**Swig's experience** suggests several practical takeaways:

- **Data and benchmarking** should lead decision-making.
- **Energy efficiency** should precede renewable procurement.
- **Utility cost structures** matter as much as policy targets.
- **ESG integration** is most effective at acquisition.
- **Partnerships** accelerate execution.
- **Regional economics** requires tailored solutions.

The result is a pathway that offers certainty and customization but not necessarily cost savings. For owners, Direct Access is a useful tool — but one that must be evaluated carefully against building economics, lease structures and capital timelines.

### **From Incremental Progress to Intentional Strategy**

Swig's renewable journey did not begin with a single mandate or initiative. Early gains were incremental and operationally driven. In 2020, the company reported a 22% reduction in total energy consumption and a 27% reduction in greenhouse gas emissions year over year. While pandemic-related occupancy reductions contributed, increased renewable content in grid electricity also played a meaningful role.

By 2023, Swig transitioned from opportunistic improvements to deliberate strategy. The company committed to powering select San Francisco properties with 100% renewable electricity in alignment with local requirements. That commitment became operational reality in 2024 at 369 Pine St., 501 Second St. and 633

“We have been proactively benchmarking for some time across our entire portfolio, and as building owner-operators, we welcome the opportunity to work with local utilities to find ways to expand the availability of lower cost clean power.”

*Will Sandman,  
executive vice president,  
director of asset management,  
The Swig Company*



The Swig Company repositioned 2 Bryant Park, formerly known as 1100 Avenue of the Americas, into a Class A boutique office building with modern amenities and building systems. It offers views of New York City's Bryant Park and easy access to Penn Station and Grand Central Terminal.

Folsom St. in San Francisco, and 444 Castro St. in Mountain View. This was followed by the Mills Building in 2025.

Throughout this process, renewable procurement was paired with aggressive energy efficiency measures to reduce overall demand before layering on higher cost green supply.

**Energy Efficiency:  
The First and Most Reliable Lever**

Energy efficiency remains the most immediate and cost-effective tool available to building owners (and in California, it is also mandatory

under AB 2208). Swig implemented portfolio-wide LED lighting retrofits, reducing electricity consumption while improving lighting quality and tenant experience.

On-bill financing proved essential in overcoming capital constraints. By allowing project costs to be repaid through realized energy savings, on-bill financing aligned efficiency investments with operating budgets rather than competing directly with other capital priorities.

Reducing load up-front improved the economics of renewable procurement and created a more resilient foundation for long-term decarbonization.

Courtesy of The Swig Company

### East Coast Execution: Partnership as Strategy

On the East Coast, Swig's approach has leaned more heavily on partnership to navigate a different regulatory and utility landscape. A notable collaboration with Brookfield enabled Swig to accelerate renewable adoption across two New York City properties.

Brookfield's expertise in renewable procurement — including hydropower and renewable energy credits — complemented Swig's operational knowledge and portfolio strategy. The partnership streamlined implementation, reduced execution risk and delivered measurable progress toward portfolio-wide emissions reduction goals.

This experience reinforced an important lesson: Decarbonization at scale is rarely a solo effort. Strategic partnerships can shorten learning curves, unlock specialized expertise and enable owners to move faster without overextending internal resources.

### Embedding Sustainability at Acquisition

Since 2022, Swig's acquisitions team has applied an ESG checklist to evaluate renewable energy and efficiency potential at the point of purchase. Assets such as Colina Apartments in Seattle, acquired with existing rooftop solar, and 3130 Wilshire in Santa Monica, California, with future solar carport potential, illustrate how sustainability considerations inform long-term asset planning.

"These factors do not override underwriting fundamentals, but they meaningfully influence

capital planning, risk assessment and future optionality," said **Stephanie Ting**, executive vice president, director of investments at Swig.

### Southern California: When Timing Protects NOI

In Southern California, Swig evaluated a major office asset where transitioning to 100% green electricity through the local utility would have increased operating expenses by nearly 8%. With post-pandemic occupancy at approximately 60%, those costs would have directly reduced net operating income.

With a loan maturity approaching, preserving NOI for refinancing was critical. Rather than forcing an immediate transition, Swig engaged decarbonization consultants to model a long-term road map. The recommendation: Complete all planned energy efficiency measures, deferred maintenance and on-site solar installations first, then transition to 100% green power around 2033.

This sequencing balances environmental progress with financial stewardship, reducing total demand before adopting higher-cost renewable supply. Additionally, this scenario illustrates a broader industry challenge: Until clean grid power is both widely available and competitively priced, the pace of decarbonization in many commercial markets will remain constrained by economics rather than intent.

### Washington State: Performance Standards as Asset Discipline

Washington's Clean Building Performance Standards (CBPS) represent one of the more rigorous, performance-based approaches to improving energy efficiency in the commercial real estate sector. Rather than prescribing specific technologies, the program sets mandatory energy performance targets for large commercial buildings and requires owners to benchmark, report and progressively improve energy use over time. Compliance thresholds and timelines vary by building type, but the intent is consistent: Reduce emissions, control operating costs and protect long-term asset value.

At the Lake Union Building, a seven-story office property offering 90,952 square feet of space, this framework has reinforced the importance of disciplined energy management. The

## THE SWIG COMPANY NATIONAL PORTFOLIO

**18 properties** (inclusive of wholly owned and partner buildings)  
Total square footage: 6.4 million

### New York

2 Bryant Park  
1411 Broadway  
1460 Broadway  
The Grace Building

### Northern California

350 California St., San Francisco  
369 Pine St., San Francisco  
501 Second St., San Francisco  
633 Folsom St., San Francisco  
945 Bryant St., San Francisco  
The Mills Building, San Francisco  
The Russ Building, San Francisco  
444 Castro St., Mountain View

### Southern California

3415 Sepulveda Blvd., Los Angeles  
6300 Wilshire Blvd., Los Angeles  
3130 Wilshire Blvd., Santa Monica  
595 E. Colorado Blvd., Pasadena

### Seattle

Lake Union Building  
Colina Apartments

Since 2022, Swig's acquisitions team has applied an ESG checklist to evaluate renewable energy and efficiency potential at the point of purchase.



The interior of the Mills Building, located in San Francisco's Financial District.

By taking a phased approach to investments, fostering strategic partnerships and staying responsive to shifting market conditions, building owners can meaningfully reduce emissions while safeguarding asset performance.

property recently received its first certified benchmarking report, confirming a weather-normalized energy use intensity of 57.1 — just below the compliance threshold of 57.2 established under Washington's commercial CBPS for the building type. While the margin is narrow, the result confirms that the building currently meets the state's efficiency requirement and provides a verified baseline from which to plan future improvements.

Meeting the standard is not the endpoint. Washington's CBPS program is designed to drive continuous improvement, with ongoing reporting and tightening performance expectations over time. Remaining below the energy use intensity threshold helps manage operating costs and emissions today, but it also signals where additional efficiency investments will be required to maintain compliance in future cycles.

To that end, Swig will be focused in the coming years on targeted efficiency measures that build on the property's current performance. By integrating these strategies well ahead of future deadlines, the goal is to preserve compliance flexibility, reduce long-term energy costs, and strengthen the durability and value of the Lake Union Building over time.

### Progress Requires Balance

Decarbonizing commercial real estate is not about achieving absolutes; rather, it is deeply intertwined with the ongoing evolution of the electric grid. While building owners can take significant steps to reduce energy loads and electrify systems, the broader impact of these efforts ultimately depends on the pace and scope of grid decarbonization.

By taking a phased approach to investments, fostering strategic partnerships and staying responsive to shifting market conditions, building owners can meaningfully reduce emissions while safeguarding asset performance.

For policymakers and utilities, this highlights a shared responsibility. Accelerating the decarbonization of the grid and driving down energy costs are not just environmental goals — they are essential for enabling sustainable, large-scale progress toward net zero in commercial real estate. It is this pursuit of balance — not perfection — that empowers both owners and the industry as a whole to achieve scalable, enduring decarbonization. ■

**Kairee Tann**, LEED AP, is senior vice president, director of innovation and community impact at The Swig Company.

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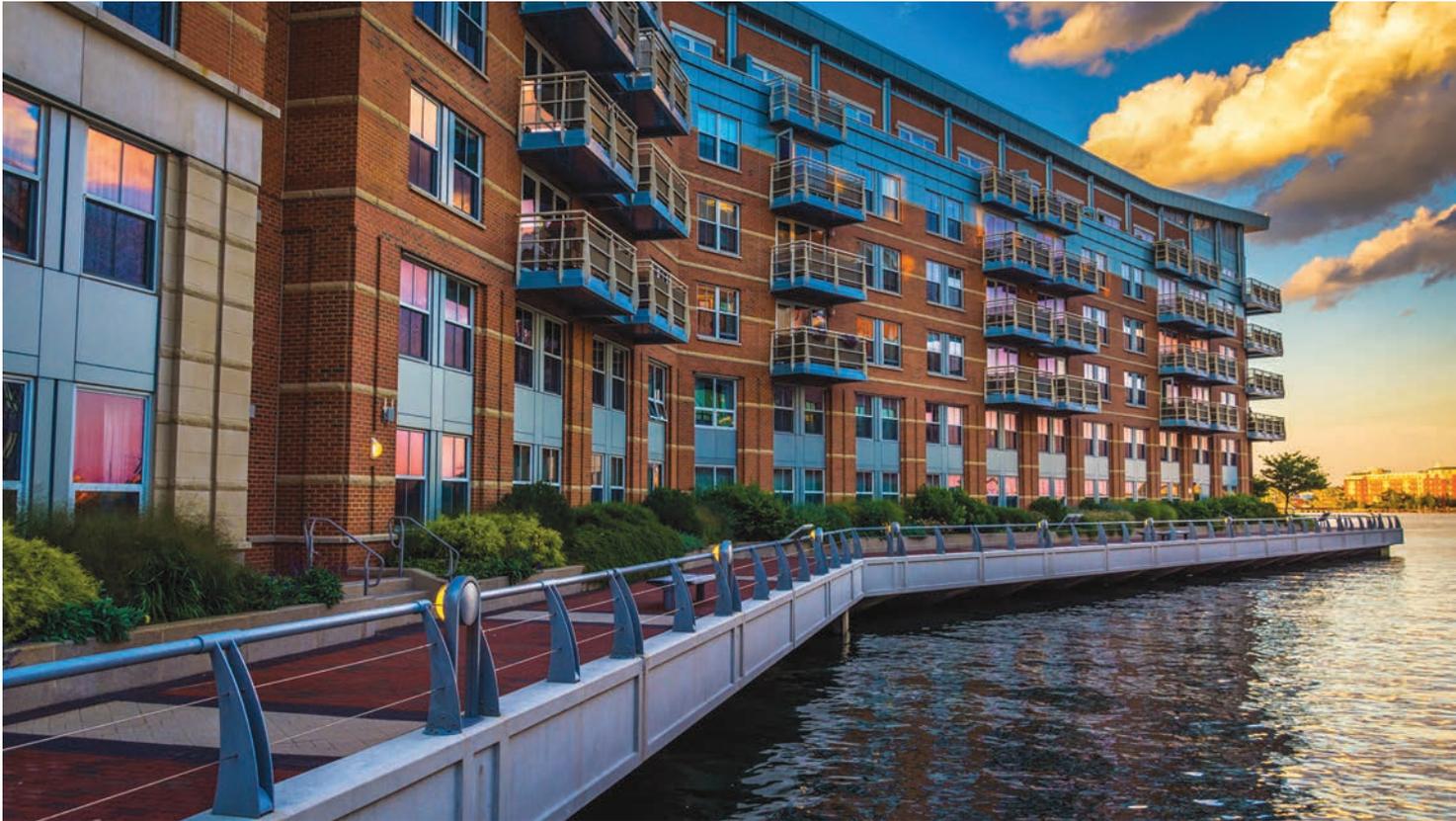
# Government Affairs

LEGISLATIVE NEWS AFFECTING YOU

## The Fight Over Rent Control in Massachusetts

An upcoming ballot proposal seeks to resurrect a failed policy to address the commonwealth's housing crisis.

By Anastasia Daou, NAIOP Massachusetts



A comprehensive statewide housing plan identified the need for an additional 222,000 housing units in Massachusetts over the next decade.

**Last** August, a group of 10 citizens in Massachusetts filed a ballot petition that will ask voters to approve residential rent control this coming November. This is not the first time Massachusetts voters have considered this issue.

From 1970 to 1995, Boston, Brookline and Cambridge had rent control on the books. Voters repealed the law because it warped the rental market, artificially held down property

values, dealt a deep financial blow to small property owners and mostly benefited the connected upper middle class. Those lessons seem lost to the proponents of this new rent control proposal.

As written, the petition represents the strictest form of statewide rent control in the United States. It would limit the annual rent increase for residential units in all 351 Massachusetts cities and towns to

whichever is lower — 5% or the annual increase in the federal government's Consumer Price Index (which has averaged just 2.57% over the past 20 years) — with limited exceptions.

The proposal does not reflect or consider increases in local property taxes, utilities, assessments, improvements or upgrades made to the unit by the owner. Baseline rents were set Jan. 31, 10 months before Election Day. There is no vacancy decontrol, meaning that any owners who have kept units below market rate for long-time tenants will never catch up. Violations leave owners exposed to the state's consumer protection law, with significant financial penalties.

In December, the Massachusetts secretary of state announced that proponents had gathered the roughly 75,000 certified voter signatures needed to get on the ballot. But NAIOP Massachusetts is confident that it can defeat this ill-conceived proposal.

### Working Across Organizations

The organization is not doing this alone. When the petition was filed, NAIOP Massachusetts joined with the Massachusetts Association of REALTORS® and the Greater Boston Real Estate Board to establish a coalition and build an expert team to fight this ballot question. Throughout the fall, NAIOP Massachusetts worked with the team to educate the press, policymakers and members of the business community on the proposal and its unprecedented restrictions. This early work ensured that the coalition would have a strong foundation for a ballot fight.

### The Data on Our Side

Housing costs are, understandably, the No. 1 priority for policymakers and the business community as they work together to ensure Massachusetts' competitiveness, both now and in the future. The commonwealth's first-ever comprehensive statewide housing plan identified the need for an additional 222,000 housing units over the next decade. Massachusetts is well behind the pace needed to meet that goal. This is creating an affordability crisis that has been years in the making.

Rent control will not solve the problem. Instead, based on data from across the country and from Massachusetts' previous experience with rent control, this proposal will make the problem worse, hurting tenants, property owners, the commonwealth's economy and its communities.

In St. Paul, Minnesota, adoption of a 3% rent cap in 2021 saw a 73% drop in new multifamily housing development. Following the 2024 enactment of rent control in Montgomery County, Maryland, only seven new units of multifamily housing were permitted in the first quarter of 2025.

Rent control also harms municipal budgets. A 2018 study of rent control in New York City calculated the loss in taxable assessed property

values attributable to rent control at approximately \$4 billion in the late 1980s. This means rent control hurts the fabric of a community, negatively impacting investment in schools, public safety and social programs.

What can slow rent growth in a positive manner is the production of more units. In Austin, Texas, where 10,000 new apartments have come online since 2022, rents fell 6% from 2023 to 2024. In Phoenix,

As written, the petition represents the strictest form of statewide rent control in the United States.

where multifamily construction boomed postpandemic, rents have fallen 4% year over year. Instead of focusing on archaic policies that have already failed in Massachusetts, Minnesota, Maryland, New York and elsewhere, housing advocates and business groups should be working to ensure production can move forward.

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# Government Affairs

## The Road Ahead

In December, NAIOP Massachusetts joined with its partners to create Housing for Massachusetts (HFM), a ballot committee with one goal: Defeat rent control. The next steps in the process play out concurrently.

First, the ballot question has been filed as a piece of legislation that the Massachusetts Legislature is required to consider before May 6. Historically, the Legislature takes no action, requiring proponents to gather additional signatures. The Legislature will likely prepare its own report on the proposal that will be distributed to all voters in Massachusetts in advance of the election. HFM will prepare

strong, diverse, fact-based testimonies in advance of a hearing this spring that will help shape the legislative report.

Second, HFM is challenging the constitutionality of the petition with the Supreme Judicial Court, which will hear ballot question challenges in early May and render decisions in June.

Finally, HFM is in full campaign mode. It is raising funds, building out a grassroots and grassroots organization across the state, testing messages, debating its opponents, commissioning new research, briefing the press and preparing a significant advertising campaign.

As an organization, NAIOP Massachusetts' priority is to

What can slow rent growth in a positive manner is the production of more units.

In Austin, Texas, where 10,000 new apartments have come online since 2022, rents fell 6% from 2023 to 2024.

ensure that HFM has the resources it needs to educate voters, mobilize coalition partners and fight this ballot question at every turn. The team is confident that voters will choose solutions that help alleviate the housing crisis and reject rent control as a failed policy. For more information or to lend your assistance, visit [HousingforMass.com](https://HousingforMass.com). ■

**Anastasia Daou** is senior vice president of policy and public affairs for NAIOP Massachusetts.

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\* This survey is conducted at the overall company/corporate level, and is completed by the human resources dept. or CFO/COO offices for your firm. Individual participants are not eligible.



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# Research Update

NEW FROM NAIOP'S RESEARCH FOUNDATION

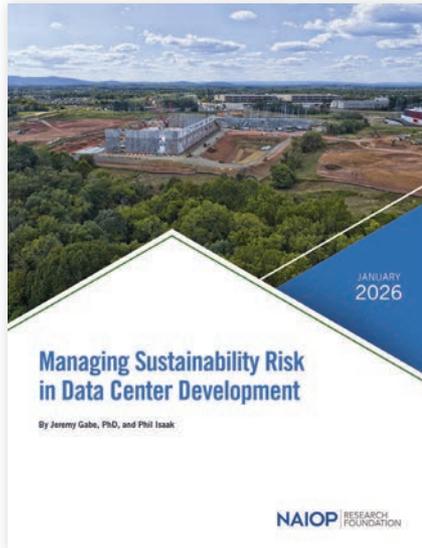
## Managing Sustainability Risk: Data Centers in the Spotlight

Report examines how developers are addressing immediate and long-term concerns.

By Shawn Moura, Ph.D.

**Prior** to 2022, real estate companies that engaged in new data center development usually focused on the colocation and enterprise markets, while the largest data center occupiers (information technology firms like Amazon, Google and Microsoft) directly financed and owned their own hyperscale facilities. Hyperscalers could tailor these data centers to their computing needs and cloud service offerings, allowing them to operate more efficiently than was possible in colocation facilities. Leading up to 2022, many of these firms also made significant investments in environmental sustainability initiatives that would lower the carbon footprint of their data center operations, helping them to improve their public image and access capital from sustainability-oriented investors.

This dynamic changed with the market introduction of generative artificial intelligence powered by large language models like Chat GPT. Incumbent hyperscalers and new AI startups began to pour money into securing the data center capacity required to develop and improve generative AI models as demand from traditional sources like cloud computing continued to grow. The resulting surge in demand for data centers has far eclipsed earlier trends, creating more opportunities for commercial real estate developers to serve both the hyperscale and colocation markets through build-to-suit and speculative projects. However, the sudden escalation of data



center development has also led to increasing concerns that their power and water consumption may jeopardize development approvals and electric power for new projects. And while many data center occupiers have recently downplayed or deferred their carbon reduction goals, this trend could reverse within the next decade, creating a competitive advantage for data centers that can be powered by low-carbon or carbon-free electricity.

The NAIOP Research Foundation's January 2026 report, "Managing Sustainability Risk in Data Center Development," examines strategies that developers can pursue to address local communities' concerns

about new data centers and prepare for future market and regulatory conditions that could impair returns for less sustainable buildings. The report's authors, **Jeremy Gabe**, Ph.D., and **Phil Isaak**, interviewed investors, developers, colocation and hyperscale tenants, architects, engineers, energy companies and others to identify current and expected sustainability-related challenges for new data center projects and how developers are approaching them.

For those not already familiar with the data center market, the report provides an overview of the lease terms that currently incentivize investment in energy efficiency. It also describes options, such as power purchase agreements, that hyperscalers and other data center operators have started pursuing to secure low-carbon or carbon-free power from the grid. Utility-provided electric power of any kind has grown increasingly scarce for large projects. Many developers are exploring on-site "behind the meter" generation options to avoid lengthy delays in securing

While many data center occupiers have recently downplayed or deferred their carbon reduction goals, this trend could reverse within the next decade, creating a competitive advantage for data centers that can be powered by low-carbon or carbon-free electricity.

Access the report at [naiop.org/datacentersustainability](https://naiop.org/datacentersustainability).

electricity from the grid. This strategy is usually more expensive than utility-generated electricity and involves large capital investments in on-site generation. Since data centers require large volumes of round-the-clock base load electricity, developers currently have few options for low-carbon on-site generation that can fully meet a project's electricity requirements.

The report outlines various strategies that developers are pursuing to secure power now while preparing for a possible future in which facilities transition to low-carbon energy sources. Options for on-site generation include installing hydrogen fuel cells or combined-

cycle gas generators that draw their fuel directly or indirectly from natural gas. These can serve as a bridge to a future in which power is provided by green energy sourced from the grid, small modular nuclear reactors, fuel cells supplied with green hydrogen or on-site gas generators equipped for carbon sequestration. Alternatively, developers that don't want to take a risk on building on-site generation may consider partnering with local utilities to finance new renewable electricity generation.

The Research Foundation report also explores the more immediate power, water and social sustainability concerns that increasingly shape data center

project approvals. It provides an overview of the trade-offs in power and water efficiency between different types of cooling infrastructure and the factors that affect their suitability in different environments. This includes examining how developers are approaching the increasing use of liquid cooling for the most energy-intensive IT equipment. The authors also provide suggestions for how developers can proactively address community concerns about data centers' noise and appearance and their contribution to local tax revenues. ■

**Shawn Moura**, Ph.D., is executive director of the NAIOP Research Foundation.

Alternatively, developers that don't want to take a risk on building on-site generation may consider partnering with local utilities to finance new renewable electricity generation.



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# New Voices

THE CHANGING FACE OF COMMERCIAL REAL ESTATE

## A Model for Experiential Real Estate Education

Competitions such as the Colvin Case Study Challenge provide industry-aligned opportunities for workforce development.

By Jesse Saginor, Ph.D., University of Maryland

**As** commercial real estate confronts structural shifts, ranging from capital market volatility and entitlement risk to sustainability mandates and changing patterns of demand, the industry's need for well-prepared talent has never been greater. Firms across North America are asking not only where the next generation of developers will come from but how they are being trained.

One answer is emerging from a growing ecosystem of university-based real estate competitions. Among these, the Colvin Case Study Challenge, hosted annually by the University of Maryland's Colvin Institute of Real Estate Development, has distinguished itself as a model for practice-driven, industry-relevant education.

More than an academic exercise, the Colvin Case Study Challenge mirrors the analytical rigor, judgment and communication demands that define real-world development work. This makes the competition — and similar competitions hosted by other universities — increasingly relevant to NAIOP members seeking talent ready to contribute on day one.

### From Classroom Theory to Development Reality

The Colvin Case Study Challenge emerged from the same vision that gave rise to the Colvin Institute of Real Estate Development. Established in 2008 through a \$2.5 million endowment from **John and Karen Colvin**, the Colvin Institute



The winning team from Columbia University with the Colvin Case Study Challenge judges (from left): Alan Goldstein, Rock Creek Real Estate Development LLC; Karen McGrath, Bucknell University; Taylor Lowery, Columbia University; David Ni, Columbia University; Lama Barhoumi, Columbia University; and Mo Smith, Vorys.

was founded on the belief that real estate development should be taught as it is practiced — at the intersection of finance, design, law, construction and community impact.

As the institute and its master's program in real estate development matured, the Colvin Case Study Challenge was launched in 2016 to extend that philosophy beyond the classroom, creating a platform where students could rigorously analyze real, recently completed development projects and evaluate outcomes against original assumptions. The competition reflects the Colvins' enduring

commitment to experiential learning, ethical judgment and long-term value creation while reinforcing the Colvin Institute's mission to prepare future developers for the complexity and responsibility of professional practice.

The case study challenge was designed with a clear premise: If students are expected to succeed in development careers, they must learn to analyze projects the way professionals do.

Each year, undergraduate and graduate teams from universities across the United States are invited to prepare in-depth written case studies of recently completed real estate developments from within their respective university's region. Unlike many other real estate competitions, teams participating in the Colvin Case Study Challenge get to choose their projects. Eligible projects span residential, office, hospitality, retail and mixed-use developments, with parameters intentionally

**“The two-phase structure — written analysis followed by live presentation — demonstrates mastery of the two core skill sets essential to successful real estate professionals.”**

*Karen McGrath, Ph.D.,  
assistant professor of finance,  
Bucknell University*

aligned to projects of meaningful scale and complexity. Projects must be 25 acres or less and have a total development cost between \$25 million and \$350 million, and the project or the project phase must be completed by 2020 or later.

Unlike hypothetical exercises, these cases focus on real projects that have moved from concept through execution and into operation. Students are required to examine developer vision, market context, site planning, financing structures, entitlement processes, construction challenges, sustainability considerations and operating outcomes. Crucially, they must assess how projects performed relative to original assumptions, serving as an exercise that demands honesty, nuance and professional judgment.

This retrospective approach sets the Colvin Challenge apart. Rather than asking students to design an idealized project, it forces them to confront the messy realities of development, including trade-offs, constraints and unintended consequences.

### **A Professional Standard of Evaluation**

The competition unfolds in two stages. In the first round, teams submit comprehensive written case studies evaluated by a panel of industry professionals. From this pool, four finalist teams are selected to present in person at the University of Maryland.

“What makes the Colvin Case Study Challenge unique is that it asks students to reflect on

what has actually been built in their own markets,” said **Karen McGrath**, Ph.D., assistant professor of finance at Bucknell University and a juror for the competition. “Students evaluate real benefits and costs using imperfect information — just as they will in professional practice.”

Final presentations are judged by experienced developers, lenders, advisers, faculty from outside of the University of Maryland and public sector professionals. The judges are often actively engaged in projects similar in scale and complexity to those being analyzed. Students are expected not only to present their findings clearly but to defend their assumptions under questioning that closely resembles an investment committee or partner review. The finalists are given 30 minutes to present before fielding an additional 20 minutes of questions from judges.

Evaluation criteria are intentionally broad and industry aligned. Judges consider market analysis, financial structure, design and sustainability strategies, execution risk, stakeholder engagement, operational performance and lessons learned. Communication skills matter as much as technical accuracy.

For students, the experience is demanding, with case studies typically due in mid-November and finalists presenting the first weekend of December. For industry jurors, it is often striking how closely the process mirrors professional development review, underscoring the

competition’s value as a real estate workforce development tool.

“The two-phase structure — written analysis followed by live presentation — demonstrates mastery of the two core skill sets essential to successful real estate professionals,” McGrath said.

Since its inception, the Colvin Case Study Challenge has attracted participation from universities across the United States, including large public institutions, private research universities and smaller programs with strong real estate concentrations. Winning and finalist teams in recent years have come from institutions such as Columbia University, Clemson University, Auburn University, Virginia Tech and Penn State.

In 2023, the competition received a significant boost through a \$200,000 grant from a private foundation, providing multiyear support for both the Case Study Challenge and the Colvin Capstone Competition, the master of real estate development’s culmination course. This funding expanded prize pools, enhanced programming and reinforced the competition’s national profile.

### **Why These Competitions Matter to NAIOP Members**

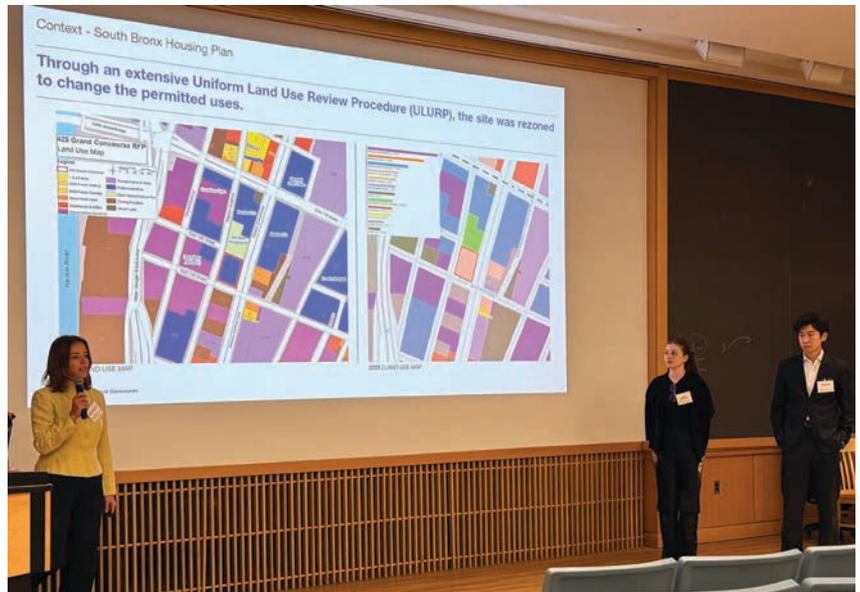
The Colvin Case Study Challenge operates within a broader landscape of real estate competitions that play an increasingly important role in talent development.

Well known examples include the NAIOP Real Estate Challenges hosted by regional chapters. Other university competitions include Villanova University’s Mulroy Real Estate Challenge, focused on undergraduate development analysis, and Cornell’s International Real Estate Case Competition, which brings a global investment perspective. Even smaller universities with generous endowments host competitions, such as Monmouth University’s Kislak Real Estate Institute Competition, which requires students to propose redevelopment strategies for an existing site.

# New Voices

“The biggest lesson I walked away with is how important narrative is in real estate. The numbers matter, but how you frame and connect them is what ultimately makes a project resonate.”

*Taylor Lowery, graduate student, Columbia University Master of Science in Real Estate Development program*



Taylor Lowery, Lama Barhouri and David Ni presenting at the Colvin Case Study Challenge.

What distinguishes the Colvin Case Study Challenge within this ecosystem is its retrospective, performance-based focus. By emphasizing projects that have recently been built and operated, the competition teaches a critical but often underemphasized skill: learning from outcomes, not just intentions.

For firms across the NAIOP network, recruiting and developing talent is increasingly complex. Entry-level hires are expected to understand not only Excel models, but also how financing interacts with design, how entitlement risk shapes feasibility, and how community and political dynamics influence project timelines.

Students who have participated in the Colvin Case Study Challenge arrive with a clearer understanding of these realities. They have already practiced synthesizing disparate information, presenting to senior professionals and responding to critical feedback — vital

skills that translate directly into professional effectiveness.

“The most valuable part of the Colvin Challenge was the chance to work alongside teammates I genuinely look up to,” said **Taylor Lowery**, a student graduating in May from Columbia University’s Master of Science in Real Estate Development program and a member of the winning team in the 2025 Colvin Case Study Challenge. “The experience pushed us to operate under real pressure, make decisions quickly, and translate a huge amount of information into a clear and compelling story.”

“The biggest lesson I walked away with is how important narrative is in real estate,” Lowery added. “The numbers matter, but how you frame and connect them is what ultimately makes a project resonate.”

Equally important, the competition reinforces ethical and strategic thinking. By examining how projects perform over time, students confront questions of

resilience, sustainability and long-term value creation. These issues increasingly define real estate industry leadership.

## A Model Worth Expanding

As the commercial real estate industry navigates generational change and mounting complexity, competitions like the Colvin Case Study Challenge offer a scalable, industry-aligned model for education and workforce development.

They create structured opportunities for engagement between academia and practice. They expose students to the realities of development decision-making. Finally, and perhaps most important, they give industry professionals a direct role in shaping the next generation of real estate development talent by mentoring student teams.

For NAIOP members seeking to strengthen the industry’s talent pipeline, the lesson is straightforward: Experiential learning matters. The Colvin Case Study Challenge demonstrates how thoughtfully designed competitions can prepare students not just to enter the industry, but to eventually lead it.

In a business defined by long horizons and lasting impact, that may be one of the most important developments of all. ■

**Jesse Saginor**, Ph.D., is an associate professor in the real estate development program at the University of Maryland and a NAIOP Distinguished Fellow.



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# NAIOP Resources

ASSOCIATION PROGRAMS AND SERVICES

**NAIOP represents commercial real estate developers, owners and investors of office, industrial, retail, mixed-use and multifamily 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](http://naiop.org).

## Programs and Services

**NAIOP Membership** For membership, information or changes to your membership record, contact [membership@naiop.org](mailto:membership@naiop.org).

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

**[naiop.org](http://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](http://blog.naiop.org).

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# People and Companies

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### 2026 Industry Partners

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# At Closing

THE CHAIR'S PERSPECTIVE

## A Conversation With 2026 Chair Celeste Tanner

**NAIOP** has been an invaluable asset to my career and my business over the years. When I started in commercial real estate, NAIOP quickly became my professional family in Colorado and, later, across the country.

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

**You will be the last chair of NAIOP before the association's rebrand later this year. What are your goals as chair in this pivotal year?**

Our board has taken the courageous step of bringing our name and branding into the 21st century so that we can better represent our increasingly diverse membership and best serve commercial real estate in this rapidly evolving phase of the economy and industry. The successful launch of this rebrand will be key in 2026.

I firmly believe the time has come for us to realign the negative perceptions of commercial real estate development with the realities of our positive impact on the communities where we develop. On average, people in the U.S. and Canada spend 85% to 90% of their time in buildings, and they interact daily with public services or utilities like roads, power and water that are built or funded by developers. When we are better understood as partners with municipalities and communities, community members can more easily understand all the ways we support daily life.

Being a NAIOP member means having access to 21,000 other members across North America. I want to ensure that NAIOP members leverage all of the organization's resources,

including knowing they can reach out to other NAIOP members across our network to learn more about projects, public policy, new markets and new technologies.

As a fully connected force, we are unmatched in our ability to lead the advancement of commercial real estate that is better for our communities and our investors.

**Why should our members be engaged legislatively?**

There are literally hundreds of proposed changes in law and regulation that impact commercial real estate each year at the local, state and federal levels. Whether it's through tax policy, code implications or proposed regulatory changes, everyone in commercial real estate is affected by public policy decisions.

NAIOP's government affairs team gives members real-time access and connectivity to potential challenges and opportunities at all levels of public policy, and we have further invested in our state and local team members to ensure greater connectivity between chapters so they can share best practices in working with municipalities on trending legislative issues.

**Your company, Confluent Development, spans multiple sectors. What insight does this give you into the work that NAIOP members do?**

NAIOP represents an increasingly diverse mix of developers and investors in commercial real estate. Through my time at NAIOP, I have met individuals at companies of all sizes developing everything from mixed use to data centers to senior care to film studios.

As a diversified developer, Confluent also works across a wide range of segments; that broad focus helps me appreciate not only the headline challenges being faced in the core real estate verticals, but also their impact on the growing alternatives in the market. Confluent is better and more durable because of this diverse lens, and I truly believe NAIOP is as well. ■



**Celeste Tanner**  
President/Chief Development Officer,  
Confluent Development  
2026 NAIOP Chair



Celeste Tanner

### Getting to Know the Chair

**Years in the industry:** I started in this industry in 2003, just as we were emerging from the "Tech Wreck." I was fortunate to learn about the industry during Denver's development boom in the subsequent five years leading into the Great Financial Crisis. I was truly fortunate to start with some of the best development professionals in the industry at that time; our current team at Confluent includes several members of the development team I originally worked with 20-plus years ago.

**Favorite activity outside of the office:**

Living in Colorado, we are all encouraged to spend as much time outdoors as possible. My personal favorite is finding great hikes, preferably with a creek or two along the way.

**Family:** I have the most amazing family, starting with a brilliant husband who always encourages me to think about things just a little differently and who has tirelessly supported me on my meandering real estate journey. Our two sons, 25 and 15 years old, are unwavering in their ability to think creatively and apply solutions practically to achieve results.

**Last book read:** I recently started rereading a book of poetry that I cherished in college: "Sparks From a Nine-Pound Hammer" by **Steve Scafi**. His poetry creates a ribbon out of words that ties poetic history and opens new crevices in your imagination, pursuing "... some divine impossible stretch of the imagination/where you and I are one."

Meet **Celeste Tanner** and learn about her vision for NAIOP: [naiop.org/tannerchair26](http://naiop.org/tannerchair26).

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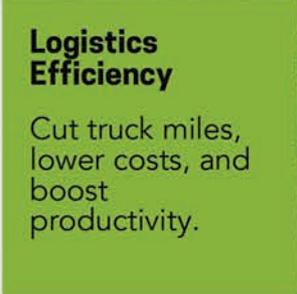
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