

Commercial Real Estate

Meet the investor that bought the debt of the SouthSide Works

By [Tim Schooley](#) – Reporter, Pittsburgh Business Times
Jan 7, 2019, 12:43pm EST

A new player is moving into place to take over the SouthSide Works, a financially challenged mixed-use development on the South Side.

New York-based Somera Road Inc., [a commercial real estate firm specializing in distressed assets](#) with a portfolio of 9 million square feet throughout the country, has bought the two packages of distressed loans representing much of the commercial core of the development.

[Ian Ross](#), founder and principal of Somera Road, said “we are cooperatively working with Al Maiello, the trustee for the Soffer family” to negotiate for the new firm to take full title for the two collections of properties. That includes all the buildings that surround its interior courtyard and the main buildings that line East Carson Street in the 34-acre core of the larger brownfield redevelopment.

“They’ve purchased the debt, and we’re in discussions right now about doing a transfer of the properties,” said Maiello, lawyer for the Soffer Organization, the property's original developer. “Hopefully, in the next two weeks, we’ll have a definitive written agreement.”

In an interview to announce the news, Ross struck an upbeat chord about Pittsburgh and his company’s plans to rejuvenate the SouthSide Works with new investment and a new leasing strategy.

“We absolutely love what’s going on in Pittsburgh,” he said. “It’s a diverse economy with an incredible story. Everything going on there is incredibly special.”

Ross hopes to complete its transition with Soffer in 90 days, at which point Somera would take outright ownership of the complex. Somera expects to fully replace the Soffer Organization as owner in the process, added Ross.

Maiello said he is in negotiations with Somera about the prospects for a continued role for the Soffer Organization at the SouthSide Works. He said the Soffer Organization has an administrative staff of about 15 and a total staff of around 30 when maintenance and security personnel are included.

The properties Somera has bought the distressed loans for include 2600 East Carson, 2700 East Carson and 2800 East Carson Street in one debt package. The other includes

the Cheesecake Factory restaurant building; the SouthSide Works Cinema building that includes Forever 21 and Urban Outfitters stores at 425 Cinema Drive; and the mixed-use building that includes REI and Sur La Table at 424 S. 27th Street.

Ross didn't divulge what Somera paid for the two sets of debt packages. But in November, reporting on the commercial mortgage-backed securities for the SouthSide Works revealed that the package of nonperforming debt on 2600 East Carson, 2700 East Carson and 2800 East Carson was reappraised at \$27.5 million, a \$16 million reduction from the previous \$45 million. The package for the other set of properties included a non-performing loan for \$30.8 million.

Ross described the SouthSide Works as a "classic basis reset situation."

Backed by two major investment firms and expecting to take ownership at a lower cost basis, Somera plans to invest in upgrades for the project and to pursue a very different leasing strategy than when it was built under the direction of Soffer more than a decade ago, he added.

"This is a function of overleverage at the wrong point in the cycle with retailers that were maybe not a great fit," he said.

Originally developed under a lifestyle retail model that focused on fashion retailers and restaurants as anchor draws, the SouthSide Works should be repositioned to focus on the local community rather than attempting to be a destination draw, Ross said.

As Somera works toward taking ownership of the property, Ross said to expect a new leasing approach focused on more community-oriented needs and a more current approach.

"We want to move away from trying to create a poorly parked mall in the urban core to something that provides a 'live work play' environment," he said.

With empty storefronts prevalent throughout the property, the SouthSide Works also faces a wave of upcoming lease expirations for a number of the key retailers still operating there. Key draws such as Forever 21, Urban Outfitters and REI are expected to reach the end of their terms within the next 24 months.

Ross is prepared for changes.

"If there are tenants that don't work there, frankly we don't want them to be there," he said of the expected transition to come.

Somera is working with [Herky Pollock](#), an executive vice president of CBRE, as an advisor on repositioning SouthSide Works. Pollock made the case that the SouthSide Works is ripe for renewal, noting its proximity to Oakland and downtown and the [success of the surrounding South Side](#).

“All of the growth that’s going on in Pittsburgh is surrounding this site,” he said. “This is truly the epicenter of that growth.”

Pollock noted that the Cheesecake Factory and Hofbrauhaus remain two of the highest revenue restaurants in the region, continuing to post strong sales despite the open storefronts nearby.

“There’s a core group of restaurants and retailers that are doing very well,” he said.

Despite being marketed as distressed asset over its past debt balances, the SouthSide Works hosts some key office tenants, including Amazon and Duquesne Light.

It's also a mixed-use development with an increasing residential population in the wake of a number of recent apartment developers, [with others also in the works](#).

It's Somera's first investment in Pittsburgh for a firm that buys property of all kinds and owns a million square feet in the Cleveland market; Ross compared Pittsburgh favorably to Austin, Texas, and Nashville, two other markets in which Somera owns property.

"We really look for a unique value-add story," said Ross of his firm's venture into Pittsburgh with SouthSide Works. "I think that's how we came to this deal."

The deal does not include the remaining undeveloped parcels at SouthSide Works, which includes three riverfront sites and a fourth on Sydney Street. The Soffer Organization continues to work with an option for the development rights for the four parcels based on its original agreement with the Urban Redevelopment Authority of Pittsburgh, Maiello said.

Maiello said the Soffer Organization is marketing the parcels aggressively and expects to present a project for one to the URA soon.

"We have several developers interested" in the sites, said Maiello, who added that includes Somera.

Maiello said the Soffer Organization's option rights to the four remaining parcels extend through June 2020.

Ross sounded ready to go once Somera reaches a conclusion with its negotiations with Soffer.

"We move very quickly," he said. "We will be ready to go almost instantaneously."