

THE MORNING CALL

Avantor moving office from Center Valley to downtown Allentown next year



Construction continues on Tower 6 in downtown Allentown on Friday, Sept. 15, 2017. (APRIL GAMIZ / THE MORNING CALL)

Jon Harris and Anthony Salamone – Nov 20, 2017

Center Valley specialty chemical company Avantor Performance Materials won't be in Center Valley much longer, opting to shift its Lehigh Valley corporate office about six miles northwest to a 12-story, steel-and-glass building being constructed in downtown Allentown.

Avantor spokeswoman Allison Hosak said the company has signed a lease for one floor in Tower 6, a structure at Sixth and Hamilton streets owned by City Center Investment Corp. Avantor will leave its current — and larger — space in the Stabler Corporate Center, between routes 378 and 309 in Upper Saucon Township, in mid-2018, she said.

“The move to Tower 6 is an exciting step for Avantor,” CEO Michael Stubblefield said in a statement. “We look forward to contributing to the transformation of downtown Allentown, while continuing our commitment to the Lehigh Valley community.

“It’s a smart move for our business that we are confident will create new opportunities as we develop a dynamic, contemporary workspace in the heart of this growing commercial and cultural area.”

Avantor shared the news Monday with its employees, though it remains unclear how many of them will actually end up working in Allentown due to the company’s ongoing integration with a Delaware County laboratory supplies company.

For downtown Allentown, however, Avantor is just the latest Lehigh Valley company to pack its bags and leave the suburbs for the city. While that’s a trend across the country, the movement has accelerated in the Lehigh Valley because of the city’s Neighborhood Improvement Zone, which offers tax incentives to developers who can, in turn, offer cheaper rents — a common point of criticism from suburban landlords.

With the addition of Avantor, Tower 6 — in the NIZ — is now fully leased, minus an unspecified number of retail spaces on the first floor.

“The recent commitments of leading companies like Avantor, Bank of America and Talen to Tower 6 in downtown Allentown validate what has happened here over the last few years,” City Center President and CEO J.B. Reilly said in a statement. “Downtown Allentown has become a regional center of excellence for Lehigh Valley companies in science and technology, financial services, energy production and more.”

The addition of Avantor to Tower 6, however, will leave a vacancy in another part of the Lehigh Valley.

Avantor occupies about 27,000 square feet of the three-story, 87,517-square-foot Saucon Valley Plaza at 3477 Corporate Parkway, said Peter Gebert, president and CEO of building owner Franklin Realty Development Co.

Meanwhile, one floor of Tower 6 is about 12,000 square feet. Hosak confirmed the new office will be smaller, though she noted the company has plenty of unused space in its Center Valley office and plans to use its new Allentown location more “efficiently and dynamically.”

While Gebert said it was unfortunate to lose a good tenant, he said it likely won’t be the last time the NIZ — which he characterized as “very inequitable” and “grossly unfair” — lures a suburban office tenant downtown. Proponents, meanwhile, maintain the zone has injected life into what was a dying city, arguing a strong Allentown is good for the entire Lehigh Valley.

“It’s one thing if you’re bringing jobs in from New Jersey or jobs in from New York, but to take a job from down the street, it puts good people at a big disadvantage,” Gebert said. “All you’re doing is you’re playing musical chairs.”

As it happens, Avantor, which traces its roots to New Jersey when it was known as J.T. Baker and based outside Phillipsburg, was lured to Lehigh County from New Jersey in 2011, a relocation aided by nearly \$4 million in state grants, tax credits and job training.

That year, the company — one of Saucon Valley Plaza’s first tenants — moved about 180 employees to Center Valley, expecting to boost employment to 200 by the end of 2014. But Avantor failed to fully meet that employment goal and had to return a portion of the public money, according to letters in late 2014 from the state Department of Community & Economic Development.

NIZ criticisms aside, Avantor’s move to the city is in sync with national trends among many companies, said John Boyd Jr., a corporate site selection expert.

“This will help the new company, in a sense, kind of rebrand itself as a place where your workers want to live and work,” said Boyd, who owns The Boyd Co. of Princeton, N.J. “The idea of a downtown environment is clearly a dominant trend in commercial real estate.”

It remains unclear, however, how many Avantor employees will work in Allentown.

Hosak was unable to provide a headcount of Avantor’s Tower 6 workforce, because Avantor is working through an integration process with VWR, the laboratory supplies firm it is in the midst of buying. “Decisions regarding talent and the future location of various roles and capabilities are ongoing,” she said.

Boyd estimated that, at current rates of 125 square feet per worker, Avantor would likely bring about 100 workers to Tower 6, based on its plan to lease one story, or about 12,000 square feet.

The deal to acquire VWR — a deal announced in May with an enterprise value (market capitalization plus debt) of about \$6.4 billion — is expected to close by year’s end. VWR is based in Radnor, more than 50 miles away from downtown Allentown.

Hosak said the move to Tower 6 has no impact on VWR’s site in Radnor. In fact, Stubblefield, the company’s CEO, will have offices in the Radnor and Allentown locations, she noted.

“In terms of the future headquarters, like many other large global businesses, our new company will have multiple offices and operating locations,” Hosak said about where the combined firm will be based.

Avantor, purchased in 2010 by New York investment firm New Mountain Capital, has 1,900 employees worldwide, which includes, as of May, between 130 and 140 workers at a

manufacturing plant in Phillipsburg. The company, which has been aggressively growing under Stubblefield and New Mountain Capital, has a portfolio of more than 30,000 products.

Tower 6 tenants

Tower 6, at Sixth at Hamilton streets, is now fully leased, with the exception of an unspecified number of retail spaces on the first floor. Here are the tenants and how many floors they plan to occupy:

- Bank of America's Merrill Lynch wealth management: 3 floors
- Talen Energy: 2 floors
- CrossAmerica Partners: 2 floors
- Avantor: 1 floor
- CAPTRUST Financial Advisors: 1 floor
- I&I Software: 1 floor
- Serfass Development Partners: 1 floor