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As Philly-area construction has slowed, builders are shifting to data centers and military projects

Philly bankers and builders are seeing a switch this year away from "eds and meds" and apartment construction toward heavy industry.

In 2025, Pennsylvania Gov. Josh Shapiro announced that Amazon planned to build data centers at the former U.S. Steel complex in Falls Township, Bucks County.

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This summer showed signs of a regional construction slowdown: projects downsized or canceled, contractors suing developers for nonpayment, partners suing each other as their bankers close in.

"Confidence is shaky in the construction industry," said Ed DeAngelis, founder and head of Bensalem-based EDA Contractors Inc., whose 450 union workers do outdoor construction — roofs, walls, sides, masonry, glass, waterproofing.

"First, we saw the architects starting to slow down," he said. "Then we started to see developers financing, not from banks, but private credit, names we don't know." A few stopped payment as they waited for financing.

The Philadelphia region needs more towering cranes building homes and big office projects, he said. "But our margins are not high enough to afford your default. Even if you can still pay 50 cents on the dollar, it takes years for us to make up for that loss."

In past years, a commercial slowdown meant falling back on "eds and meds" — college, hospital, and drug-company jobs.

But Trump administration funding cuts to medical and research universities like Penn and Princeton "hurt us," DeAngelis said. Some projects were announced this summer after a lull but "even a six-month lag sets us back."

Public agencies, though slow and bureaucratic, are generally reliable payers. But the federal government's reversal on Diversity, Equity, Inclusion requirements has created "a lot of confusion" for contractors and delayed bids, DeAngelis said.

Add it up and "what industry right now is doing great?" DeAngelis said, noting only the "tremendous amount of money going into AI," with Philadelphia general contractors busy in parts of Pennsylvania and South Jersey.

The majority of the action this summer is industrial with Pennsylvania lenders and investors backing strategic metals, minerals, and manufacturing projects, of all sizes, including military contractors, said Dan Fitzpatrick, head of the Mid-Atlantic and Midwest regions for Citizens Bank, which operates the Philadelphia area's largest branch network.

In residential development, "we are going through an adjustment period," he said. Higher interest rates and higher fuel, materials, and labor prices have pushed up new home costs.

While "there's now a bit of a glut of luxury homes, we have a shortage of more modest, $200,000 to $500,000 homes," Fitzpatrick said. "But it's tough for developers to build those right now with a reasonable return."

Citizens has been funding more apartment construction since 2020, but there, too, "developers are hitting a pause."

Turning to D.C.

One of the Philadelphia area's largest builders, Malvern-based IMC Construction, is adding a Washington-area office because data and military contractors, anticipating next year's record military budget, are hiring and growing there.

"Northern Virginia has been the data-center capital," said Mike Lloyd, IMC's CEO and owner. So much is going up — not just data centers, but commercial development that follows big capital investments — that some of the largest, multibillion-dollar national general contractors are overstretched.

A $100 million project used to be very attractive to big national firms, but “now it’s not large enough to put their best teams on,“ he said. ”And some of the traditional defense contractors are now busy with data center work. That has created a niche for firms like ours in the D.C. market.”

“With respect to the Philadelphia market more broadly, I’d say the only projects that can get financed right now are data centers, multifamily, and senior living,” Lloyd said.

He pointed to a Philadelphia-area life-sciences project he said has collected tenant commitments but still can’t attract financing. “You are seeing a crowding-out of other commercial sectors by the data-center hyperscalers.”

Philadelphia Mayor Cherelle L. Parker’s “Lower South Philly” program of speeding permits for defense, port, and industrial contractors acknowledges that capital is flowing into industrial development and jobs, he added.

“She’s understanding our competitive strengths and leaning into them,” Lloyd said. ”There are entire supply chains centered around defense projects, and contractors here are ramping up investment.” There’s still demand for Class A office space, but firms are still moving to smaller quarters.

To Lloyd, “the big question is, why does Pennsylvania still lag in data centers?” He was among the builders who went to Harrisburg in 2019 to testify in favor of a data-center sales-tax exemption, which passed.

Pennsylvania ranks with Texas as a source of natural gas for cheap power. Lloyd said that in his native Louisiana, communities are prospering from data center-funded job training and road improvements, but in much of Pennsylvania, residents have mobilized against the projects.

"There are ways to facilitate that growth in an equitable fashion that benefits all parties," he said.

On the roads

Unlike colleges or healthcare, spending for federal transportation didn't change with the Trump administration, said James Bilella, new CEO of Philadelphia-based Urban Engineers, which designs and advises cities and states on large public projects.

"We have not seen a drop off in federal transportation spending, especially in the rail and transit industry," he said. "This administration is trying to be sharper, with quicker turnaround, more efficiency."

Bilella said the Parker administration has pledged ongoing support for heavy industry, biotech, and military industries, while continuing to back popular infrastructure safety upgrades like the "Great Streets" project, which Urban helped design.

Bilella said he is excited by the prospects for Lower South. "It's rare in a well-established city to have an opportunity to rededicate such a large are[illegible] square miles] to industry and create jobs that can improve lives and a[illegible] new people."

He added, "We still need to decide about the infrastructure that get people to work there easily. Can people walk in safety? Can they drive, bike, use the river? It's the kind of project we hope to get involved with."

Long-term investments

said Abe Ibrahim, regional president for the Philadelphia area at Dauphin County-based Mid Penn Bank, whose largest investor is the family of Cooper University Health Care board chairman George Norcross.

“It’s not that lenders are walking away from office or multifamily, as much as we’re seeing a return to disciplined underwriting,” Ibrahim said. “There are still plenty of opportunities for well-conceived projects to move forward.”

This story has been updated to correct the location of IMC Construction’s headquarters.

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I write about businesses, bosses, workers, fraud, and the regional economy.