HIGH REAL ESTATE GROUP LLC

Winter 2021

RealEstateMatters

In This Issue

Remembering Ed Hoover, 1939–2020...... 1
COVID-19 and the Future of Office Space 2
President's Message 2
RecoveryLancaster Effort Showcases the Best of Lancaster County 3
Retail Developments: An Interview with Powell Arms 7

For our latest thinking on what matters to you in real estate, please visit **www.highassociates.com.**

Remembering Ed Hoover, 1939–2020

Last month we said goodbye to our dear friend and business associate Ed Hoover, an extraordinary leader who served the High organization with distinction for 32 years.

Ed joined the High organization in 1974 as President of High Realty Company, which later became High Associates, where he served in that role for 21 years. A true visionary, Ed was deeply interested in people, and soon became a central figure in the organization that he helped grow from its infancy to a full-service, regionally recognized real estate company. Having passed the presidential reins in 1995, Ed became Senior Vice President of High Corporate Real Estate Services and managed the High portfolio for the Harrisburg and Florida regions.

A creative person at heart, Ed loved building new projects and was personally involved in guiding the design and development process. He was a perfectionist and focused on every detail in both the buildings we developed but also in the way High served our customers. He led by example, focusing his team to build trustworthy relationships and bettering the communities in which we live. Ed helped guide High's geographical diversification to reduce risk and grew the real estate portfolio as we expanded into different asset classes. He was instrumental in bringing the Hampton Inn to Greenfield, which was the beginning of High Hotels Ltd. which now owns and operates 15 select service hotels in three states.

Ed played a key role in Old Town Lancaster, a transformative project in Lancaster City. He led the purchase of 10 parcels of land that contributed to expanding Greenfield from just over 150 acres to 450 acres by the time of his retirement, and 600 acres today.

Ed approached leadership as a teaching role by focusing lessons on the real estate business as well as *The High Philosophy* to develop his team in a balanced manner. An excellent negotiator, Ed often said, "time kills deals," warning that transactions can fall apart because of procrastination or unforeseen events that cause customers to put off a major decision and lose out on a beneficial opportunity. He also pointed out that profit is made when you buy real estate, not when you sell it.

A graduate of Elizabethtown College, Ed served on several boards of directors and participated in numerous industry and community service organizations throughout his career, including the Board of Directors of WITF Enterprises, Inc., and the Board of Trustees for Thaddeus Stevens College of Technology where he was the chair, the American Red Cross, Schreiber Pediatric, and United Cerebral Palsy. Additionally, he was a member of the Lancaster County Association of Realtors, the Pennsylvania Association of Realtors/Brokers, and the National Association of Realtors.

The impact of Ed's strength and dedication, his commitment to grow and be among the best, and his belief in *The High Philosophy*, is still felt today. All of us at High extend our heartfelt condolences to Ed's wife Sandy and his family. Thank you for sharing him with us.

Ed Hoover and High Real Estate Group: A Timeline

1963	1964	1972	1974	1976	1978	1980	1988	1995	2006
High Realty Company formed	Greenfield's first building constructed *15,000 sq. ft.	Greenfield 150-acre expansion; High Properties formed	Ed joined High Realty as President *1,000,000 sq. ft.	Old Town Lancaster	Greenfield's fifth building constructed	High Associates formed *2,000,000 sq. ft.	High Hotels formed	High Corporate Real Estate Services formed	Greenfield totaled 450 acres; Ed's retirement *6,000,000 sq. ft.

* Area owned and operated by High

President's Message

As the pandemic continues into the new year and more of us suffer personal loss and economic hardship, I am heartened by the resolve and resilience of our community. In spite of the enormous toll this pandemic has taken on our country, there are reasons for optimism. Due to the ingenuity and dedication of our scientific community, multiple vaccines have been developed in record time and are currently being distributed throughout the country. If we all follow the experts' advice, wear masks and practice social distancing, we can mitigate the spread of the virus until we can achieve herd immunity.

Personally, I look forward to the time when our co-workers can come back to the office and our lives return to normal. I'm sure I'm not alone. I am deeply aware of the additional stress working under these conditions has had on our co-workers. I can't wait to see them back in the office so we can once again experience the collaboration and inspiration that's so important to our great teamwork. For those co-workers who were required to stay on site in our hotel, commercial and residential portfolios, and the maintenance teams who have worked tirelessly to keep our properties operating, I offer my heartfelt thanks and appreciation.

Sadly, last month we lost Ed Hoover, a great friend and mentor. Ed was the first President of High Associates, who retired from the High Real Estate Group in 2006 after 32 years of dedicated service. Ed's accomplishments helped make this organization what it is today, and this issue includes a tribute to his unparalleled contributions to High and his leadership in the Lancaster community.

I hope you all continue to be well, follow the safety protocols and have a safe and happy new year.

Mark

Mark Fitzgerald
President and Chief Operating Officer
High Real Estate Group LLC
717.293.4466
mfitzgerald@high.net

COVID-19 and the Future of Office Space

By Bill Boben, CCIM, SIOR, Senior Vice President — Sales/Leasing, High Associates Ltd.

Now that two Coronavirus vaccines, introduced by Pfizer-BioNTech and Moderna, have been approved by the FDA for mass immunization, when will America return to a sense of normalcy? More specifically when and how will our workforce return to the office? With the virus surging nationally, the near-term socio-economic future appears uncertain. However, with the production and mass distribution plan for the anti-virus vaccines, 2021 holds hope to turn the corner.

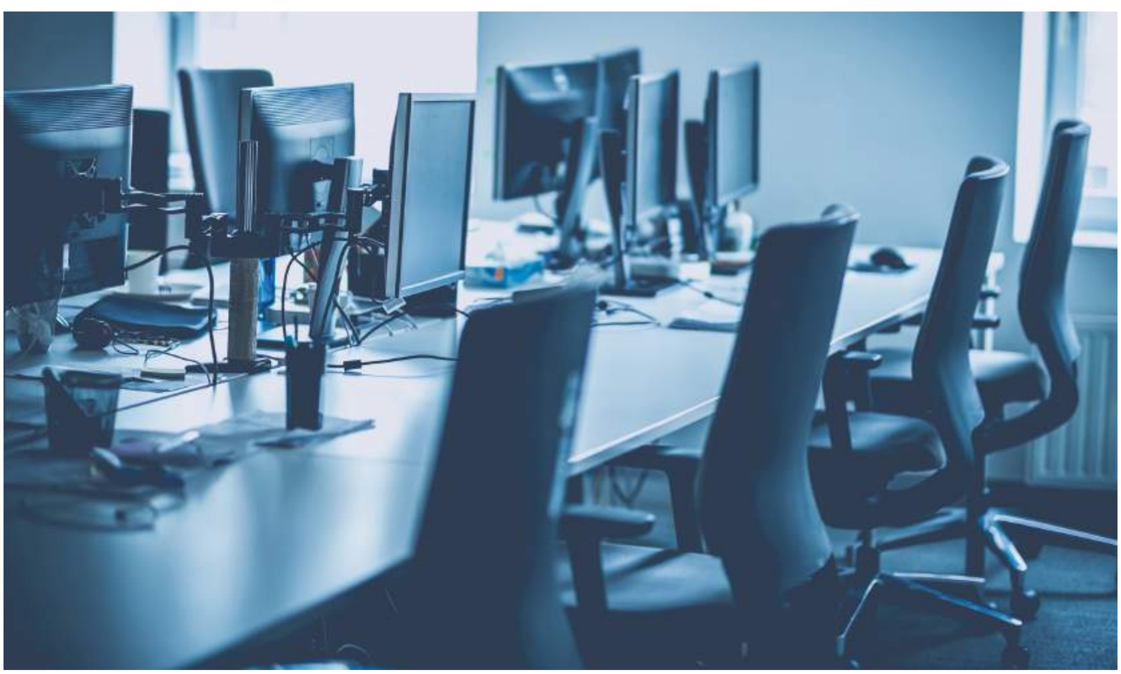
Impact on Office Nationally

Before we delve into these questions, let's first take a quick macro overview of the current office market. **Cushman Wakefield's Q3 2020 office report**, showed the overall vacancy in the U.S. increased from 12.7 to 14.4 percent YOY. They predict that vacancy rates in the U.S. will peak in 2022 at 17.4 percent before gradually moderating downward. During the same period, asking lease rates for office in major metro markets increased from $32.75 to $34.64 per square foot. Increases in construction pricing due to supply chain fluctuations in materials and labor heavily impacted the 5.8 percent growth in asking lease rates over this period.

Major Metro Markets

While national data provides a broad picture of the overall

continued on page 5



RecoveryLancaster Effort Showcases the Best of Lancaster County

Economic Recovery Plan Taps Local Spirit of Collaboration

By Lisa Riggs, President, Economic Development Company of Lancaster County

This past spring, as businesses, governments, and families here and across the country navigated extraordinary uncertainty brought about by the global pandemic, Lancaster County demonstrated, yet again, the value of collaboration and the strength of public-private partnerships through the development and implementation of RecoveryLancaster.

In April, the Economic Development Company of Lancaster County and the Lancaster Chamber developed an economic recovery plan as the economic devastation of COVID-19 was quickly apparent yet with considerable unknowns. Working closely with the Lancaster County Board of Commissioners, the plan resulted in the initial allocation of $33.4 million of the County's $95 million in federal CARES Act funding to support Lancaster's business community. In October, the Board of Commissioners allocated an additional $10 million to the effort, bringing the total to $43 million.

What began under the auspices of EDC and the Lancaster Chamber quickly grew to involve more than 120 volunteers representing businesses across the County. Additionally, the effort tapped into key staff at the EDC, the Chamber, and across several Lancaster County departments including Purchasing and the Controller's Office.

Signature elements of the plan, which became branded as RecoveryLancaster, included the distribution of significant business grant funds and the bulk purchase and distribution of personal protective equipment (PPE) to local businesses. Additionally, teams worked tirelessly behind the scenes to develop best practices and protocols for various local industry sectors and deployed a full-scale marketing and communications effort to reach businesses of all shapes and sizes in every part of Lancaster County, all while gathering critical insights from health officials and analyzing local economic impacts.

Statistics to date help capture the breadth of the RecoveryLancaster effort:

- Two rounds of grant funds were administered over the summer. In total, nearly 2,500 grant applications were received with applicants seeking nearly $60 million in support. Applications were received from all sixty municipalities in Lancaster County. RecoveryLancaster recommended 939 applications for approval to the Lancaster County Board of Commissioners totally nearly $27 million in funding. The third round of funding, announced in October, was scheduled to be awarded in December, adding to this total.
- Starting in early June, any Lancaster County business was eligible to receive a free PPE kit. A variety of kits were developed based on employee count and industry size. Businesses simply had to go to the RecoveryLancaster website to register and a kit was shipped directly to them at no cost. Approximately 4,300 companies registered representing nearly 54,000 local employees. In September, companies were given the opportunity to register for a second kit, which generated approximately 3,000 additional orders.

"Given the breadth of the effort, it is not surprising that RecoveryLancaster touched many in Greenfield and that the High Companies and High Real Estate were at the table supporting the effort."

What these numbers don't capture is the incredible generosity of many local businesses and the passion for action that volunteers have had. "The collaborative effort was truly incredible and continues to push forward as we monitor what happens next for this plan, our business community, and Lancaster County at large," said Lancaster Chamber President and CEO Tom Baldrige. "While there is still work to be done, this initiative greatly impacted many businesses in a variety of industries to stabilize in a time of challenge."

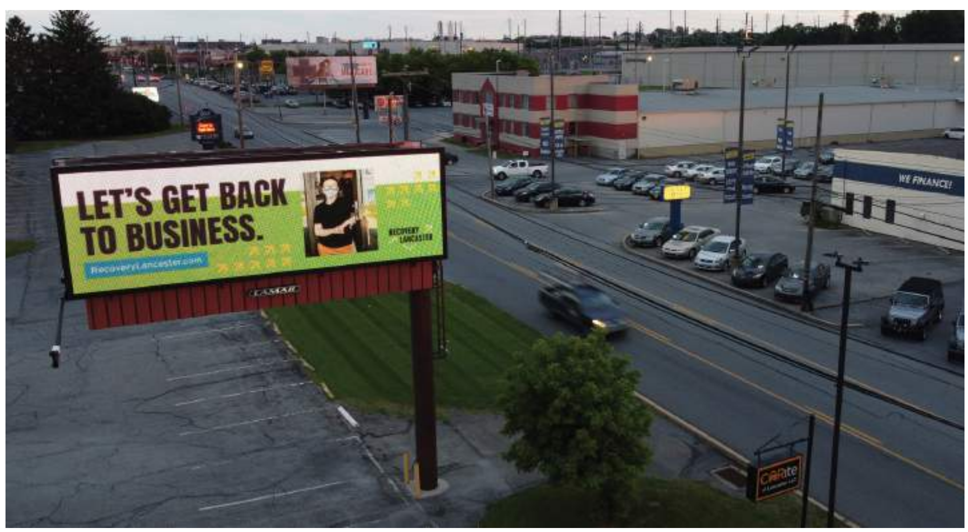
continued on page 4

RecoveryLancaster Effort Showcases the Best of Lancaster County continued from page 3

Given the breadth of the effort, it is not surprising that RecoveryLancaster touched many in Greenfield and that the High Companies and High Real Estate were at the table supporting the effort. More than 30 companies representing 1,000 employees at Greenfield took advantage of the PPE kits and to date, at least three Greenfield businesses benefited from grant funding.

"The RecoveryLancaster effort brought the business community together around a set of attainable, shared goals at a time when all of us were experiencing tremendous uncertainty in our companies and in the community," said Mark Fitzgerald, President and Chief Operating Officer of High Real Estate Group and also an EDC Executive Committee member. "Our community implemented programs at an incredible pace and scale that I feel confident will help Lancaster as we look ahead to 2021."

"Given the breadth of the effort, it is not surprising that RecoveryLancaster touched many in Greenfield and that the High Companies and High Real Estate were at the table supporting the effort."



"This spirit of service and the notion of the greater good continues to be needed as we look at the weeks and months ahead, particularly as the economic fallout on certain segments of our community becomes increasingly clear."

In this period of extraordinary uncertainty and anxiety, the amazing way Lancaster County's business community has stepped up to volunteer, to provide resources, to share and critique ideas, and to stay focused through the RecoveryLancaster initiative has been a significant silver lining. This spirit of service and the notion of the greater good continues to be needed as we look at the weeks and months ahead, particularly as the economic fallout on certain segments of our community becomes increasingly clear.

For more information on the RecoveryLancaster effort, including a full listing of all volunteers and the contribution of too many businesses to name here, visit **www.recoverylancaster.com/news.**

Lisa Riggs is the president of the Economic Development Company of Lancaster County, a private, nonprofit, non-governmental organization dedicated to promoting business development and expansion within Lancaster County, Pa. She can be reached at 717.397.4046 or lriggs@edclancaster.com.

COVID-19 and the Future of Office Space continued from page 2

health of the U.S. office market, not all regions faired the same. Pain was not shared equally. Asking rates in Manhattan fell 2.8 percent from 2Q to 3Q 2020 according to Colliers International. Interestingly, Facebook, whose 2020 stock price fell to $146 per share in early March before climbing to $303 in late August, seized on the opportunity to lease well below traditional market value in midtown Manhattan. They leased the entire 730,000-square-foot James A. Farley Building in early August. Facebook now occupies 2.3 million square feet of office space in midtown. Facebook clearly is making a long-term commitment to the New York Metro market, capitalizing on a dip in the market caused by the pandemic to expand and centralize operations. As one of the leading global social media companies, Facebook's actions demonstrate its confidence in the market and the importance of its co-workers returning to the office instead of adopting a full time Work-From-Home (WFH) model.

Other major metro office markets hit hard by the pandemic include Chicago, Dallas, Houston, and San Francisco, while Boston, Charlotte, Philadelphia, Seattle, and Tampa have not been impacted as heavily. Tech industry volatility in the San Francisco Bay area and overbuilding in the Sun Belt contributed to the destabilization of the office market in these areas. Conversely, growth in biotechnology and life sciences have helped stabilize markets in Boston and Philadelphia while the presence of tech giants Amazon and Facebook, combined with a diverse economy, have buoyed Seattle.

Closer to Home: Philadelphia

CoStar Realty Information Services reported a 9.2 percent office vacancy rate for Q3 2020 in the Philadelphia metro area. The market experienced over 443,000 square feet of positive absorption after posting 500,000 square feet of negative absorption in Q1 and Q2. The City of Brotherly Love achieved 4.5 percent rent growth over last year. When compared to other market areas, the Philadelphia office market has remained relatively stable. Philadelphia's limited speculative office construction and modest rent growth also translate into less default exposure from co-working tenants and severe downsizing by firms transitioning to the work-from-home (WFH) model. The region also maintains a strong life-sciences research and development industry whose facilities require significant capital investment, translating into long-term leases with financially stable tenants.

Central Pennsylvania and Lancaster

Central Pennsylvania and the Greater Lancaster office market exhibit many of the same strengths and weaknesses exemplified in Philadelphia. Research by High Real Estate Group indicates Q3 2020 office vacancy rates were 6.9 percent for the Lancaster urban core and surrounding suburban area. CoStar calculates that between the Q3 2019 and Q3 quarter 2020, the Lancaster office market has experienced 1.1 percent rent growth. The full force of the blow dealt by the pandemic may not be fully realized; however, the Susquehanna River Valley diverse economy with

> **"The growth of the Central Pennsylvania region combined with the institutional investment from well-capitalized healthcare operators will help fuel local growth in real estate while providing the consumer with competitive healthcare options."**

manufacturing, agriculture, and transportation industries may mitigate the blow. The conservative mindset that characterizes our region translates into local businesses being better capitalized and better suited to weather the storm than businesses in many other communities in the United States.

Healthcare expansion will also help stabilize the Lancaster market as major health systems, Penn Medicine/Lancaster General Health, UPMC, Penn State Health, and WellSpan Health battle for market share. National healthcare projections from U.S. Centers for Medicare & Medicaid Services forecast healthcare spending to grow from 17.9 percent of GDP in 2017 to 19.4 percent in 2027. The growth of the Central Pennsylvania region combined with the institutional investment from well-capitalized healthcare operators will help fuel local growth in real estate while providing the consumer with competitive healthcare options.

Changes to the Ways Offices Are Cleaned and Maintained

The transmission of the Coronavirus by touching surfaces is less likely than originally believed. Moving forward, however, employee safety, hygiene, and cleanliness will be critical in the successful return of employees to the workplace. Immediate changes to standard operating procedures in the office will include deep cleaning in heavy traffic areas, including restrooms, break areas, kitchen spaces, conference rooms, lobbies, stairwells, and elevators coupled with more frequent cleaning of the overall workspace. Hygiene stations interspersed throughout the workplace environment are already commonplace and will become more interwoven into the office fabric.

Smart Technologies, Products, and Personal Space

Innovation in the workplace will be driven by contactless technology. Smart phone applications, motion-based devises like copiers, door handles, restroom fixtures, and vending machines will become more common and amenities like concierge food and delivery services will be integrated into our daily workplace to reduce high touch points.

More dramatic changes in the office environment will include the reintroduction of windows that open and the addition of better heating and ventilation systems. **Armstrong World Industries** recently introduced a host of new acoustical ceiling products designed to make buildings healthier, including self-sealing ceiling

continued on page 6

COVID-19 and the Future of Office Space continued from page 5

panels which reduce airflow leaks and improve ventilation and filtration. The new **AirAssure ceiling tiles** can be combined with an air purification system that uses UV light to neutralize pathogens that may circulate through the heating and ventilation system.

Desk sharing will also likely disappear. Office cubicles will be enlarged to allow for greater social distancing with a minimum of six feet between workspaces. According to information from reports issued by UBS, Cushman Wakefield, and Brookfield Research, in 1990 the average office worker occupied 425 square feet, in 2010 the figure dropped to 225 square feet, and in 2017 the average fell to 176 square feet with the trend accelerating at an even faster pace over the last three years.

Henry Kretchmer, of the World Economic Forum, predicts that the mega-trend of open office floor plans will reverse, with a return to more closed floor plans and overall de-densification of the office. Most employees want more personal space. Increasing the distance between co-workers in an open floor plan environment combined with creation of more private offices and greater collaboration spaces may require companies to increase their office footprint. In response, many employers will likely tighten work policies and protocols regarding employees working (or not working) when feeling ill and allowing greater employee flexibility to work from home in such cases.

How and Why Workers Will Return to the Office

In an August 2020 Cushman Wakefield report entitled "The Future of the Workplace," 40,000 respondents from the Work from Home (WFH) environment were queried on various datapoints regarding their experience in working from home.

The study highlighted three major themes:

1) employees can be productive anywhere, not just at the office
2) flexibility and choice to work anywhere is accelerating
3) the new normal will be a total workplace ecosystem

The conclusion by WFH employees during the largest global health pandemic since 1918 is that they believe they can be productive anywhere. Not surprising, advances in communication using remote collaboration technologies have improved team collaboration during the pandemic. Many employee office functions like accounting, customer service, IT, and legal may be just as easily performed outside the office, whereas sales, marketing, HR and R&D are likely more challenging while working from home.

In another study conducted by Gensler Research Institute in the Spring of 2020, surveying over 2,300 office workers from a wide variety of organizations, stated that "70 percent of respondents said they desired to return to the office the majority of the week, but with changes to allow for greater distancing while addressing noise and cleaning protocols."

From the same Gensler Research Institute survey, the top five reasons employees want to come to the office are:

"The conclusion by WFH employees during the largest global health pandemic since 1918 is that they believe they can be productive anywhere."

1) attend meetings with colleagues
2) socialize with colleagues
3) experience impromptu face-to-face interaction
4) be part of a community
5) access technology

The Gensler report found that younger generations like Millennials and Generation Z are less productive and less satisfied than older generations with the WFH experience. It's not shocking that our younger work population desires to work in the office as they are more likely to share housing with parents and roommates with greater distractions at home than older generations.

Furthermore, many younger workers crave opportunities to learn from experienced co-workers in an in-person environment. The workplace also provides a social outlet for junior employees, making friends and integrating into the office community. Companies' futures depend on successfully attracting, retaining, and integrating younger talented workers into their organization. While virtual communication platforms like Zoom have improved remote collaboration, imparting corporate culture within an in-person office environment remains the more effective approach. The near-term U.S. office market will continue to experience some challenges, but the current high occupancy level exhibited by the local market, combined with population growth, position Central Pennsylvania and Lancaster well for the future. The pandemic also provides opportunities to reinvent older, less functional office properties through innovations in architecture, design, engineering, building materials, furniture, and technology to adapt to the changing needs of the workplace, advancing productivity in a safe environment.

Bill Boben manages the brokerage activities of the sales and leasing team which serves an array of clients including corporations, private companies, small businesses, and individual investors, in assessing their real estate needs in an advisory role. He evaluates the sales and leasing opportunities in the marketplace and oversees leasing for High Real Estate Group's commercial/industrial portfolio.

Bill Boben, CCIM, SIOR
Senior Vice President - Sales/Leasing
717.209.4012
cell: 717.468.3502
bboben@high.net

Retail Developments: *An Interview with Powell Arms*

Powell Arms is Managing Director — Retail Division, High Real Estate Group LLC

REM: What is your background?

Powell: I grew up in Delaware County, Pa. I earned an engineering degree and started off designing aircraft carrier power plant elements in Newport News, Va. From there I went to run my grandparents' chocolate shop, and then earned an MBA from the University of Texas.

REM: How did you get into retail development?

Powell: I started in commercial real estate with The Rubin Organization, which later merged and became PREIT in Philly. The company created a two-year management training program, and I worked in various departments, including office leasing, retail leasing, IT, asset management, property management, and development. I landed in the development team, developing for Target and Home Depot, completing mall renovations and office redevelopments.

REM: What about the business do you enjoy most?

Powell: I love creating something real and tangible that will have a lasting, positive impact on communities. Often our large-scale development projects are the catalyst to solve long-running community infrastructure problems. An example is the traffic improvements that were part of the development of The Crossings at Conestoga Creek. We were also able to control stormwater to reduce downstream flooding and improve traffic flow along Harrisburg Pike.

REM: How is High evolving its retail business?

Powell: High is focusing on centers that are anchored by the premier grocers in the region, and will continue to weave in apartments, hotel, and office components. That mix allows us to create properties that are vibrant and active throughout the entire day and week, and that vitality makes the places where people naturally want to be socially and professionally.

Grocery has proven to be a superior performer in a good economy or bad, and now, as we have all learned, in a pandemic. The major benefit of a grocery-anchored center is the frequency of visits to a grocery store. The core shopper of any grocery store visits two to three times a week, and that frequency provides a lift to all the co-tenants.

REM: Where are retailers most interested in opening stores?

Powell: Retailers are interested in opening stores in open-air shopping centers and mixed-use projects. While we cannot predict any lingering effects from the pandemic on behavior, right now people prefer to be shopping outside as opposed to within an enclosed mall.

REM: What are you seeing in terms of restaurant activity since COVID-19?

Powell: Restaurants—and movie theaters—have clearly been hard hit as a result of pandemic operating restrictions. On the restaurant side, studies are showing that chains have done relatively well, while local restaurants have struggled. The thought is that chains had stronger marketing and could convey the message that they were set up for enhanced cleaning, already adapted to take-out and curbside, and perhaps a bit more of a financial cushion. Outdoor dining and the increase to 50 percent indoor capacity have helped all restaurants, but the cold weather and the reluctance of many to gather indoors will likely make it a rough season for restaurants.

REM: How does customer experience factor into the decisions you make?

Powell: While delivering experience the retail environment is important, I believe customer experience is the thing that drives return visits. People want to go

continued on page 8

Retail Developments: An Interview with Powell Arms continued from page 7

where they are treated well, educated about their purchase, and appreciated. While sometimes that customer experience may come at a local merchant and a slightly higher cost, I believe the knowledge and warmth is a substantial competitive advantage.

REM: What projects are you working on?

Powell: Our primary goal for the retail division is the completion of the leasing of Main Street at The Crossings. We are speaking with exciting retailers and restaurants that would complement the best-in-class tenants we have today.

REM: With the impact of COVID-19, what changes do you expect to see in retail?

Powell: I think in general, COVID-19 accelerated trends that were already in place, such as grocery and retail order online with store pickup. We are already seeing changes with small things like designated curbside pickup areas in parking lots, to larger back-of-house areas for online order fulfillment in grocers and larger discount retailers.

Before the pandemic, retail was evolving to a format that stressed experiences, something that was not available online which is just merchandise. While COVID-19 safety restrictions make some experiences difficult, the need for differentiation of physical versus online remains.

REM: Are there any other thoughts that you would like to share with our readers?

Powell: I am happy and honored to be joining such a high-quality team and working with everyone to continue to grow the retail program created by my predecessor, Steve Evans.

Powell Arms recently joined High Real Estate Group to guide the company's retail development and asset management efforts, focused on the mid-Atlantic region, and lead teams in site selection, development activity, leasing, financing, and operations. He can be reached at 717.209.4069 or parms@high.net.

RealEstateMatters

High Real Estate Group LLC
1853 William Penn Way
P.O. Box 10008
Lancaster, PA 17605-0008
Tel: 800.638.4414
www.highrealestategroup.com

WINNER 2020 APEX AWARDS FOR PUBLICATION EXCELLENCE

Real Estate Matters: Recognized for Excellence Since 2001

HIGH REAL ESTATE GROUP LLC
Your Full Service Real Estate Resource

Services:

- Industrial / commercial brokerage, leasing, and development
- Asset and property management
- Strategic planning and consultation
- Corporate real estate services
- Appraisal services
- Construction services
- Architectural design
- Hotels
- Real estate investments

naiop National Association of Industrial and Office Parks
ULI
ACCREDITED MANAGEMENT ORGANIZATION
SIOR
ICSC
CCIM

Affiliates:

High Associates Ltd.
www.highassociates.com

High Construction Company
www.highconstruction.com

Greenfield Architects Ltd.
www.greenfieldarchitects.net

High Environmental Health & Safety Consulting Ltd.
www.highehs.com

High Hotels Ltd.
www.highhotels.com