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For our latest thinking on what matters to you in real estate, please visit [www.highassociates.com](http://www.highassociates.com).

Following are selected highlights of remarks by Mark Fitzgerald and the High Real Estate Group leadership team to the Lancaster Commercial & Industrial Real Estate Council in February. The full slide presentation is available at [www.highassociates.com/news](http://www.highassociates.com/news).

**Continued growth** — we're six months short of the longest economic expansion since World War II, and it looks like we will break that record. 2018 saw 2.9 percent GDP growth, better than the previous nine years but still a little behind the average of 3.3 percent per year for the previous 10 economic expansions. Monetary policy may become more accommodative if growth begins to slow. However, stock market volatility may have a negative impact on consumer sentiment.

**Unemployment ticked down** — about 220,000 jobs per month were created in 2018, a solid pace. National, state, and local all moved in a positive direction. An important number to watch is the employment participation rate which peaked in May 2000 at 67.3 percent. 2018 saw an uptick of 40 basis points to 63.1 percent, the differential means that about 10 million people are no longer looking for work. If they came back into the workforce it would have a positive impact on GDP growth.

**Debt markets are strong** — 2018 was great, a better than anticipated year to be a borrower, and 2019 may be better. Increased competition should tighten spreads. The limiting factor with banks will be the debt service coverage ratio which uses the higher "stressed rate" to set loan amounts. HVCRE continues to be an issue, limiting cash distributions to owners prior to stabilization. Life company lenders are very active especially in multi-family and downtown office.

## 2019 Real Estate Market Forecast

*It's a great time to be a borrower*



Bill Boben, Senior Vice President - Commercial Sales and Leasing, High Associates Ltd., introduces Mark Fitzgerald, President and COO, High Real Estate Group at the 2019 C&I Council meeting in Lancaster.

**Equity transaction volumes are up** — 5 percent year-over-year increase yet \$266 billion is still in capital looking for deals. Assuming a 30 percent loan-to-value, there's a huge opportunity for additional transactions to get done. Buyers are looking for yield, moving out of core markets that are priced to perfection. For the second year, the majority of players are net sellers rather than buyers due to a runup in values and cap rates continuing to compress; it's an ideal time to be a seller. Equity is abundant, looking for "Core", "Core Plus" and "Value Added Opportunities" in primary and secondary, and tertiary markets.

**Investor sentiment overall is up** — on the acquisition side, all asset classes are in positive territory except retail; development, industrial and hotel increased, while others were basically flat.

**Cap rates dropped meaningfully** — in most asset classes. The historical spreads between treasuries and cap rates have been 300 basis points, we're 235 in 2018, and 170 just before the recession. For every 1 percent increase in cap rate, you need to achieve a 20 percent increase in NOI to break even.

*continued on page 4*

## President's Message

From an economic standpoint, 2019 looks as positive as 2018—and in some respects better.

Based on our data, there's a lot of liquidity and a lot of opportunity in real estate. Check out our forecast summary in this issue.



I am honored to welcome Community Services Group to Greenfield Corporate Center. Together we commemorated a groundbreaking on their new headquarters. For those of you who may not know, Community Services Group, or CSG, plays a critical role in serving people of all walks of life in their journeys to mental health. High has had a long-standing relationship with this important

organization. In fact, CSG was a tenant here in Greenfield Corporate Center many years ago.

There's a lot to look forward to from the standpoint of our community, too. We are thrilled about what's coming this spring for two huge High Real Estate Group projects: the grand opening of the Lancaster Marriott East Tower; and the opening of the Main Street retail component of The Crossings at Conestoga Creek, Lancaster's pedestrian-friendly, open air mixed-use center. Also opening at The Crossings is the Residence Inn by Marriott, a 127-suite hotel that's a new brand in the High portfolio of 15 mid-Atlantic Marriott- and Hilton-branded properties.

These developments are exciting, yet they reflect our commitment to smart growth. As an organization, we

are attuned to the special place that Lancaster is, and work to preserve its ambiance and heritage. We are guided by The High Philosophy which includes among its tenets our role of contributing to a world of beauty, prosperity, and peace.

Thanks to all the business leaders and community partners who helped us achieve these accomplishments. Thanks most of all to you, our customers, for making it all possible.

**Mark Fitzgerald**  
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# New Restaurant and Rooftop Bar Redefine Penn Square

*Lancaster Marriott's Josh Nowak Explains What's to Come*

Lancaster's vibrant dining scene is about to become even more exciting as the new East Tower of the downtown Marriott nears completion. You're going to have two new venues that are all about Lancaster clientele, Lancaster farm-to-table foods, and an experience like no other.

**Plough:** This new restaurant will take the place of the Penn Square Grille. Our town will be able to identify with the chef and the team who will create a high-quality menu that celebrates our community's heritage with locally sourced ingredients of the highest quality. It will offer a unique take on American dining in a casual, approachable, unpretentious way. Plough will have a display kitchen, a circular bar, a private dining room, and seating in a cozy streetside nook.

**The Exchange:** On the 12th-story roof, The Exchange will be a cool bar that Lancasterians can adopt as their own. Enter via a

*continued on page 3*





New Restaurant and Rooftop Bar Redefine Penn Square continued from page 2

separate entrance at street-level, and ride the elevator to the top. A bar at the edge of a small patio becomes part of the outdoors when the doors are open. Expect innovative cocktails and small plates perfect for after-work relaxing or a night out.

**Josh Nowak** is Director of Sales & Marketing for Lancaster Marriott at Penn Square and Lancaster County Convention Center. He can be reached at 717.207.4044 or [josh.nowak@ihrco.com](mailto:josh.nowak@ihrco.com)



The new Lancaster Marriott at Penn Square East Tower is nearing completion.

# Opening in The Crossings at Conestoga Creek



A late-afternoon sun glows over Wegmans at The Crossings at Conestoga Creek as viewed from the Main Street retail component. Orrstown Bank is to the left; Pure Barre will occupy the suite at the right.

## Orrstown Bank

**S**hippensburg, Pa.-based Orrstown Financial Services has opened a branch office of 1,362 square feet. The new branch provides a full range of consumer and business financial services. The new branch, which provides area residents and businesses

with a full range of financial services, offers a personalized concierge-type of approach to banking, a tech bar complete with iPads and charging stations, as well as convenient access

*continued on page 4*

Opening in The Crossings at Conestoga Creek continued from page 3

to an ATM and video banker services. The branch is open from 9:00 a.m. to 5:00 p.m. Monday through Wednesday, 9:00 a.m. to 6:00 p.m. Thursday and Friday, and from 9:00 a.m. to 1:00 p.m. Saturday.

Founded in 1911, Orrstown has grown from one branch office in 1981 to 31 branches and with \$1.9 billion in assets is one of the largest independent community banks headquartered in the region. The bank has three other branch offices in Lancaster and one in Lititz.

**Pure Barre Fitness Center**

**S**outh Carolina-based Pure Barre, the largest and most established barre fitness concept in North America, is projected to open a studio later this year.

The location will offer Lancaster residents access to Pure Barre's innovative, proprietary fitness technique. Designed to sculpt, tone and strengthen, Pure Barre classes provide an intense, low-impact, full-body workout that improves endurance, flexibility and balance. A range of class offerings target strength, cardio, and flexibility.



This will be the second unit for franchise owner, Laura Deitch, who opened her first Pure Barre studio in Mechanicsburg, Pa. in early 2016. The franchise originated in 2001 and has grown to more than 500 locations throughout the United States.

2019 Real Estate Market Forecast continued from page 1

**Asset Classes in the Lancaster Market**

**Mike Lorelli**  
Senior Vice President – Commercial Asset Management, High Associates Ltd.



*Strong fundamentals in Lancaster and nationally* — however, low unemployment is having an impact on growth. Class A: 200,000 square feet added to Lancaster, the most in a year since the 1980s, with most serving pent up demand. Higher construction costs mean rents will have to increase or the market will remain dampened. Industrial: market

is at equilibrium; occupancy will remain flat and rents are increasing nationally and locally. We have had 35 straight quarters of positive absorption in warehouse.

**Brad Mowbray**  
Senior Vice President, Managing Director - Residential Division, High Associates Ltd.



*Demand for multi-family is up* — shifts in generational trends are driving demand and pushing residential back from hypersupply. The housing shortage is real, especially in the affordable market. Curtailing supply: rising construction costs. The new tax law affords deduction that create parity with home ownership from a financial perspective, impacting the rent vs. buy

decision with prospects of more available disposable income. Average annual absorption has kept up with supply.

**H. Stephen (Steve) Evans**  
Senior Vice President and Managing Director of the Retail Division, High Real Estate Group LLC



*Retail market in Lancaster is at equilibrium but there are threats to that balance*— technology is intensifying the trans-formation of retail at a rapid pace. Online shopping has grown to 10 percent of sales, which means experience is the play for getting people, particularly millennials, to shop brick and mortar stores. There's no shortage of capital for well-located

open air retail centers. Generational choices and preferences are changing demand in the retail real estate market; new emerging retail concepts are springing up.

**Russ Urban**  
President, High Hotels Ltd.



*Hotel market is reaching oversupply* — 2018 was the fourth year of record hotel room growth demand, tracking very closely to GDP growth. Expenses are increasing faster than average rates, straining profitability. In Lancaster, 2018 revenue was phenomenal, driven primarily by tourism. 719 rooms will be added in 2019, the largest annual supply increase

ever, it will take 4-5 years to absorb and older hotels will be negatively impacted.



# High Hotels Ltd. Celebrates 30 Years

High Hotels traces its beginnings to 1989 when the Hampton Inn Lancaster first opened its doors in Greenfield Corporate Center. Today the company owns and operates 14 hotels with its 15th, the Residence Inn in The Crossings at Conestoga Creek opening April 25, 2019.



## OUR BRANDS

- COURTYARD**<sup>®</sup> BY MARRIOTT
- Hampton Inn** BY HILTON
- Hilton Garden Inn**
- SPRINGHILL SUITES**<sup>®</sup> MARRIOTT
- TOWNEPLACE SUITES**<sup>®</sup> MARRIOTT
- HOMWOOD SUITES** BY HILTON
- Residence INN** BY MARRIOTT



The Residence Inn opened April 26, 2019 in The Crossings at Conestoga Creek shopping center.

## High Hotels Timeline

1989	Hampton Inn – Lancaster (171st Hampton in the system)
1990	Hampton Inn – Harrisburg
1992	Hampton Inn – York
1994	Hampton Inn – Reading*
1995	Homewood – Harrisburg
1997	Hampton Inn – Annapolis, MD*
1999	Homewood – Reading
1999	Hampton Inn – Middletown, NY
2002	Hilton Garden Inn – Wilkes-Barre
2003	Courtyard by Marriott – Middletown, NY
2005	Courtyard by Marriott – Lancaster
2010	SpringHill Suites – Ewing, NJ
2011	Hampton Inn – Lexington Park, MD*
2014	TownePlace Suites – Harrisburg
2017	SpringHill Suites – Mt. Laurel, NJ
2017	Courtyard by Marriott – Ewing, NJ
2017	SpringHill Suites – Allentown
2019	Residence Inn – Lancaster

\* Properties Sold

# Community Services Group Breaks Ground in Greenfield Corporate Center

High Real Estate Group LLC formally broke ground on a new 32,000-square-foot headquarters building for Community Services Group (CSG) in Greenfield Corporate Center. The project is scheduled for completion in December 2019.

CSG is a community-based mental health facility offering intellectual and developmental disability and mental health services. The new headquarters will be located at 1902 Olde Homestead Lane on a developable lot in Greenfield Corporate Center. The firm will relocate 90 employees from its current location on New Holland Ave, Lancaster, Pa.

“Our continued growth trajectory dictates that it’s time to expand our headquarters,” said Susan Blue, CEO and owner of Community Services Group. “The location and quality of



Greenfield were ideal for us, and High’s build-to-suit-to-lease model fit best with our needs.”

Ruth Devenney, CCIM, SIOR, Associate Broker, High Associates Ltd., handled the transaction.



From left to right: Ken Bart, Greenfield Architects Ltd.; Brad Weaver and Jim Martin, Community Services Group; Mark Fitzgerald and Ruth Devenney, High Real Estate Group LLC; Susan Blue, Community Services Group; Mike Lorelli, High Real Estate Group; Rick Stoudt, High Construction Company; and Ken Hornbeck, High Real Estate Group.



CSG owner and CEO Susan Blue with High Real Estate Group President and COO Mark Fitzgerald.

## RealEstateMatters

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