

# Real Estate Matters

## In This Issue

- Greenfield Get-Together ..... 1
- How Thaddeus Stevens College Lifts Our Community ..... 1
- President’s Message ..... 2
- “What if we could create a company that directly benefits the community?” ... 2
- How to Define and Determine Capitalization (cap) Rates ..... 4
- How to Enrich the Client Experience in Construction ..... 5

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

## Greenfield Get-Together

The Lancaster Chamber’s March mixer was held in Greenfield at the new design center of Armstrong Flooring, Inc. More than 200 business leaders

and professionals attended the event where they enjoyed self-guided tours, complimentary apps and beverages, live music, and networking.



Left to right: Tom Baldrige, President, Lancaster Chamber; Michel Vermette, President, Armstrong Flooring, Inc.; and, Mark Fitzgerald, President and COO, High Real Estate Group LLC.



Chamber Mixer attendees in Armstrong’s Greenfield Design Center.

## How Thaddeus Stevens College Lifts Our Community

### An Interview with Pedro Rivera, President

**REM:** What is Thaddeus Stevens College of Technology?

**Pedro:** At Thaddeus Stevens College of Technology, we believe that education is a pathway to prosperity. Thaddeus Stevens College demonstrates every day, with every graduating class, that college is within reach for all. By its very mission, the College addresses economic barriers to accessing a college degree and commits to breaking down these roadblocks, including residential

location and other socioeconomic factors that perpetuate educational inequity. Thaddeus Stevens College is committed to the legacy of its benefactor, Thaddeus Stevens, in that our great institution is an instrument of change in the lives of our students, graduates, our community, and business and industry, throughout the Commonwealth of Pennsylvania.

*continued on page 3*



## President's Message

Thanks to the generosity of the High family, the majority of High Industries is now owned by the High Foundation. Long a respected force in steel and concrete fabrication, metal processing and distribution, product transportation, architecture and construction, and more, High Industries employs more than 1,000 co-workers, most of them in the Lancaster area.



High Foundation is the private, nonprofit philanthropy of the High Family. All High Industries profits will go to High Foundation. This more than doubles High Foundation's giving to our communities, which reached \$2.5 million in 2021.

Under this new structure, High Industries will have a greater ability to enhance the quality of life for members of the communities where they operate. With the continued success of High Industries, High Foundation can bring new ideas to life, supporting important initiatives for social, economic, and environmental

impact. As Dale High has observed, "Service to our community is what it means to be a leader." It is both humbling and profoundly gratifying to be part of this company that has made this level of commitment to the advancement of our communities.

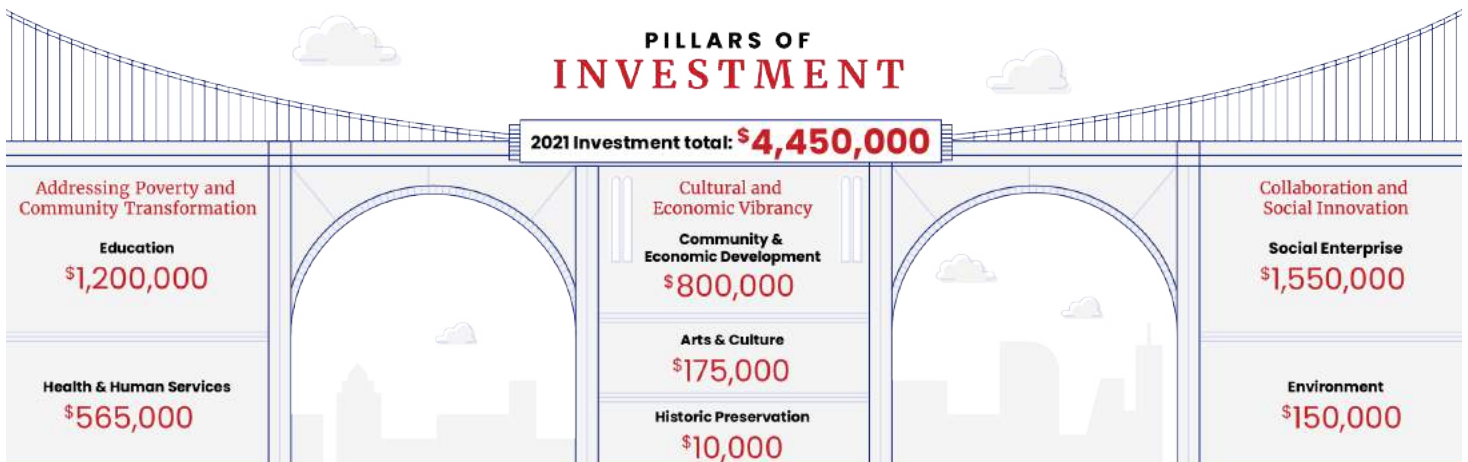
**Mark Fitzgerald**  
 President and Chief Operating Officer  
 High Real Estate Group LLC  
 717.293.4466  
[mfitzgerald@high.net](mailto:mfitzgerald@high.net)

# “What if we could create a company that directly benefits the community?” – S. Dale High

This is the question that led visionary business leader and philanthropist S. Dale High to embark on the journey that sparked an unprecedented announcement that will benefit Lancaster County and beyond for generations to come. In a bold and unique move — the likes of which are rare in business ownership — Dale High and his family have transferred ownership of High Industries from the family to **High Foundation**, the family's nonprofit community-focused philanthropy.

The plan restructures High Industries to direct its profits to High Foundation. The High Family expects the companies to continue to thrive and grow under the current leadership of the Board of Directors and CEO Mike Shirk. The profits from High Industries will be managed, grown, and distributed into the community through High Foundation under the leadership of the Board of Trustees and Executive Director Robin Stauffer.

The use of High Industries to enrich the Foundation represents the continuation of S. Dale High's legacy and the High Family's commitment to the communities in which they provide economic investment and employment.



## How Thaddeus Stevens College Lifts Our Community continued from page 1

### REM: What is your mission?

**Pedro:** Our mission is to educate Pennsylvania's economically and socially disadvantaged as well as other qualified students for skilled employment in a diverse, ever-changing workforce and for full effective participation as citizens. In academic year 2020-2021, 79 percent of our students received financial aid, including grants, scholarships, and loans, and 41 percent of those enrolled were eligible to receive the Stevens Grant which covers tuition, room and board, textbooks, and tools.

### REM: Tell us about the role of TSCT in developing our workforce.

**Pedro:** We prepare workers for technically advanced jobs that are in demand. Each of our programs engages an "Industry Advisory Council," which is made up of representatives from companies who employ graduates in that area. The members of the industry advisory councils work with faculty to plan curriculum that will meet the evolving needs they project for their area. Because of the fast pace of change in industry, we are committed to graduating "learners," so our graduates are prepared to enter the workforce with the skills to contribute to their employer on day one, and with the ability to learn new skills as technologies change and evolve.

### REM: Why did you take on the role of president?

**Pedro:** The College's mission aligns precisely with my values. Throughout my career as an educator, I have been driven to serve lower economic and socially underserved communities. Here, we can ensure that all students' basic needs are met so that they can learn efficiently. We promote diversity, equity, and inclusion to set our standards and to lift up the most vulnerable. And it has been in our DNA since the beginning.

A quick story: I remember the first day of the first semester at the College, I walked into our carpentry lab and saw several year-one students who hadn't yet started. They were just hanging out talking, and I saw one student struggling with a tape

measure. Just kind of pulling it and retracting like kids tend to do but really struggling and it was like, oh boy. As the president of the college, I was a little worried, but soon instead, I was really impressed. Within a couple of months, that same student was up on

a ladder framing out a roof. Think about that level of instruction and engagement. Our students learn the basic concepts, the math, the skills they need, and then they put their learning to use right away. What we offer in this space is pretty amazing.

### REM: How does TSCT partner with businesses and government?

**Pedro:** Our partnerships with business and industry are foundational to helping us prepare the workers of today, and to plan what skills, knowledge and expertise future generations of workers will need. Our business partners provide our students with real world experiences through internships and externships. Business leaders form our program industry advisory councils to advise on curriculum and technology in their respective areas. They meet with the instructors and other representatives of the college throughout the year. Our partnerships with business and industry leaders are how we stay relevant and on point as a college to meet the industry's needs.

In some cases, our industry partners work with us to develop new programs. A perfect example of this is a new major that will be launched in the fall 2022 semester. The Civil Engineering Construction Technology program was developed in partnership with representatives from industry who urgently need highly skilled graduates to step into the workforce with job-ready skills, and who are prepared to fast-track to management positions within the company. This program will provide graduates who are prepared



to support the urgent need to upgrade our infrastructure in Pennsylvania and across the country. These graduates will be prepared to choose from a wide-range of career opportunities in vertical and horizontal construction – everything from roadway construction to municipal and state infrastructure projects, underground utilities, site development, and construction of water and wastewater infrastructures. We are in the process of hiring an instructor, and already have students who have applied to the new program.

On the government side, we are fortunate to have the support of our Lancaster delegation and the General Assembly, as well as the administration and the governor's office. One example of that support is the funding of renovations to one of our older program buildings on the main campus. When the Leonard building renovations are complete, that facility will provide us the opportunity to expand our carpentry program, which typically has a waiting list of students. It will also allow us to start instruction around industrial carpentry because, with the evolution of construction, we realize we need to teach how to work with steel and metal, which are different competencies than our traditional carpentry program.

### REM: How do you measure student success?

**Pedro:** Our mission is to educate students for skilled employment in an ever-changing workforce. 96 percent of our graduates *continued on page 6*



# How to Define and Determine Capitalization (cap) Rates

By Eric Lehmayr, MAI, LEED AP, Director of Appraisal Services, High Associates Ltd.

**“W**hat’s the cap rate?”  
 “What cap rate should I use?” “What was the cap rate on that property?” “How do I get the cap rate?”

These are questions typically asked by developers, brokers and salespersons, appraisers, attorneys... almost everyone in the real estate business.

The first question to be answered is, “What is a cap rate?” Simply put, a capitalization rate is any rate used to convert income into value. It’s an investment metric or a tool that measures a property’s investment potential. It’s equivalent to the return on the investment.

Many of us recognize the **overall capitalization rate** (OAR) as the ratio of net operating income to sale price or value. But there are many other types of capitalization rates applied in this industry, depending on what you are trying to measure. For this article, the term “cap rate” is synonymous with the OAR because it’s the term typically used by market participants.



The basic formulas include:

$$\text{Value} = \text{Income} \times \text{Multiplier}$$

Or,

$$\text{Value} = \frac{\text{Income}}{\text{Rate}}$$

Or,

$$\text{Rate} = \frac{\text{Income}}{\text{Value}}$$

**“For this article, the term “cap rate” is synonymous with the OAR because it’s the term typically used by market participants.”**

Various scenarios demand the extraction of various types of rates, such as the land cap rate and building cap rate, mortgage cap rate and equity cap rate, leased fee and lease hold cap rate, terminal cap rate, and sandwich and sub-leasehold cap rate. Although all these cap rates are important, it is the OAR that is generally sought after.

The two methods of income capitalization are:

- (1) direct capitalization, in which a single year’s stabilized income is divided by an income rate or multiplied by an income factor to reach an indication of value; and,

*continued on page 6*

# How to Enrich the Client Experience in Construction

By Rick Stoudt, President, High Construction Company

What is often missed by construction companies and their staff is the reality that most owners/clients are not construction-savvy. However much they may need or celebrate their new building or renovation project, the construction process can be a thorn.

Consider the CEO of a hospital whose main concern is leading an organization dedicated to positive health outcomes. Or the president of a university who is steeped in academia and is busy developing the minds that will shape our future. Do they have the time to worry through construction details that are beyond their expertise?

If they had the choice, many clients would say, "Call me when my building is ready to move in."

It's a fact that most clients will remember the experience they had in a building project, as opposed to the building itself. Good general contractors and construction managers understand this. They believe it's an honor and a privilege to be selected to serve their clients. They find ways to focus on the things that matter most and make the mundane fade away.

At **High Construction Company**, we strive for a deep understanding of the drivers of the project from the client's perspective. We communicate and reinforce this perspective with our staff and throughout our team, including our subcontractors. Everyone who touches the project is on board. When we have alignment, we collaborate closely. Then, a meaningful client experience can emerge.

During construction we might encourage guided tours at certain times to showcase a particular aspect of the project such as a tile floor or major architectural woodwork. We place special emphasis on appropriate milestones such as ground-breaking, topping out, weather tight, and grand opening. We enrich the experience by making it exciting, fulfilling, and something the client looks forward to.

One other very important aspect of a project is how it finishes. All construction projects are fraught with issues, but we are sure to always finish the last 10 percent strong, meaning on time, within budget, with good quality. And finish means finish—no exceptions. This is of utmost importance.

We make the client experience meaningful so that on the next project, he or she first thinks about that experience and then calls their old friend to build again, or at the very least allows us to be part of the competition.

*Rick Stoudt oversees High Construction Company, which provides commercial construction, design-build, and general contracting services in Pennsylvania, New York, New Jersey, Delaware, Maryland, and Virginia.*



**Rick Stoudt**  
President  
High Construction Company  
717.291.2276  
rstoudt@high.net





## How to Define and Determine Capitalization (cap) Rates continued from page 4

(2) yield capitalization, in which future benefits are converted into a value indication by discounting them at an appropriate yield rate (this is known as a DCF analysis or discounted cash flow analysis).

So, where do these rates come from? OARs can be derived from comparable sales (you need to know the net operating income and the sales price), effective gross income multipliers and net income ratios, band-of-investment (need to know the mortgage and equity components), debt coverage formula, and several other methods.

What's the difference between a 7.5-percent OAR and a 12-percent OAR other than 4.5 percent or 450 basis points? The lower OAR indicates a CRE (commercial real estate) investment that is likely to increase in value due to several factors including increased rents, lower operating expenses, or lower vacancy. The 7.5 percent indicates an investment with a lower risk and a higher demand in the market. The 12-percent OAR is an indicator of a higher risk investment due to current supply of the CRE (oversupply of office property versus apartments), a high vacancy property, undesirable leases, or other external factors such as difficult financing, pending zoning changes, or changing economic conditions that may make the CRE less popular or even obsolete (special purpose properties).

Determining an OAR without first analyzing the property's financial profile (income, vacancy, operating expenses), reviewing

sales of similar properties with which cap rates can be extracted, and understanding any supply and demand issues associated with the property's category (office, retail, warehouse, etc.) could be a disservice to you, your organization, or your client. There are professionals in the real estate industry who can assist in this process. These professionals are likely to have letters behind their names such as **MAI (appraisers)**, **CCIM (commercial real estate salespeople)**, **SIOR (industrial and office property experts)**, and others. These credentials represent time and study by these individuals who, in turn, are sought after for their higher level of knowledge and experience.

*Eric Lehmayr provides customers with commercial/industrial and special-purpose property appraisals, financial feasibility, market analysis, real estate tax analysis, litigation support, and appraisal review services. He also is responsible for the evaluation of real estate tax assessments for all High family-owned real estate and syndicated partnerships.*



**Eric Lehmayr, MAI, LEED AP**  
 Director of Appraisal Services  
 High Associates Ltd.  
 717.209.4027  
[elehmayr@high.net](mailto:elehmayr@high.net)

## How Thaddeus Stevens College Lifts Our Community continued from page 3

find employment upon graduation, with 90 percent in-field placement. And 97 percent of our graduates stay right here in Pennsylvania, supporting the urgent workforce needs of the Commonwealth. Those are powerful numbers. When we follow up with our graduates, we don't ask "Did you find a job?" We ask, "How many offers do you have on the table?" We did the math and found that, on average there were 12 job offers for every one of our graduates coming out of our two-year programs. And the beauty of what we do is, we have a great mix and

representation of the Commonwealth here in Thaddeus Stevens College. Another measure of success – making sure no student declines an offer or leaves due to inability to pay tuition. We focus on removing barriers to higher education, from financial aid, to disability, tutoring, and counseling services.

**REM: How do you excite students early on about STEM career paths?**

**Pedro:** The **Lancaster STEM Alliance** is a loosely coupled group of organizations, individuals and groups that share a common vision for STEM (Science, Technology, Engineering, and Mathematics) careers in Lancaster County. Thaddeus Stevens College is a partner in the Alliance, working together with Alliance business partners such as High to add STEM jobs in the local community.

**REM: What issues challenge institutions such as TSCT?**

**Pedro:** The needs in the job market are so great right now that we have had to rethink and pivot. Even students who don't finish our program and graduate are finding jobs after only a couple of months with us. We find ourselves providing career counseling support to those students to help ensure they find a sustainable career path that helps them prepare for the jobs and positions they may want to move into in the future.

*continued on page 7*



## How Thaddeus Stevens College Lifts Our Community continued from page 6

Also, we're partnering with employers on what we call Skill Up or Ramp Up programs, which are six- to 10-month programs to get critical skills in place quickly. We're offering HVAC technology, industrial maintenance, electrical, and plumbing. These programs are not the same as our certificate or two-year degree programs, but our Workforce and Economic Development Center has the capacity to reach up to 200 students per year in this space.



The new Thaddeus Stevens College Transportation Center in Greenfield was designed by Greenfield Architects Ltd. and built by High Construction Company.

### REM: What's going on in Greenfield?

**Pedro:** In fall 2021, we welcomed our first group of students to the new Transportation Center, which includes our Automotive Technology, Collision Repair Technology, and our new Diesel Technology program. The new facility provided opportunity for significant upgrades to technology across these programs, and provides the capacity to greatly expand enrollment. It's three football fields long and is a one-of-a-kind facility providing a college degree to students in these three high-demand programs. Our Greenfield location at Colonial Village Lane also includes space for our Masonry Construction Technology and Welding Technology and will serve as the site for our new Civil Engineering Technology program in fall 2022.

### REM: As an educator, what do you most want our readers to know?

**Pedro:** Learning is dynamic, and education is a pathway to learning that can move in many directions. When students' needs are met, then they are ready to be exposed to opportunities. At Thaddeus Stevens College, we are committed to removing barriers to higher education, including financial, socio-economic, and learning. I am thrilled to see the supports the College has in place to ensure access to and success in pursuing higher education play out real time in the careers and lives of our students.

## 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



*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



### Affiliates:

High Associates Ltd.

[www.highassociates.com](http://www.highassociates.com)

High Construction Company

[www.highconstruction.com](http://www.highconstruction.com)

Greenfield Architects Ltd.

[www.greenfieldarchitects.net](http://www.greenfieldarchitects.net)

High Environmental Health & Safety Consulting Ltd.

[www.highehs.com](http://www.highehs.com)

High Hotels Ltd.

[www.highhotels.com](http://www.highhotels.com)

© 2022 High Real Estate Group LLC