

# Real Estate Matters

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Access to adequate housing has long been viewed as a basic human right and is seen as an integral factor for the enjoyment of economic, health, and social benefits. It is commonly accepted that the well-being of both individuals and families is substantially affected by the stability and quality of their housing.

While the connection between housing

## Building Beyond Walls in Residential Real Estate

*By: Brad Mowbray – Senior Vice President & Managing Director – Residential Division, High Associates Ltd.*



and social well-being is widely recognized, the positive economic impact of housing developments on local communities is often overlooked and understated when projects are being considered. Attracting

new companies while sustaining a vibrant and growing community where businesses can thrive requires a robust and stable workforce. Employers' abilities to attract *continued on page 3*

## Successful Strategies for Identifying the Best Real Estate Development Opportunities

*By: Ken Hornbeck – Senior Vice President – Development, High Associates Ltd.*

Real estate development is an inherently risky proposition, with common pitfalls that can doom a project including poor upfront planning; failure to meet market demand; misunderstandings of local, state, and federal permitting requirements; mismanagement of your consultants and contractors; and the inability to secure financing for your project.

Successful developers understand that identifying the best real estate development opportunities requires a combination of understanding the market, strategic planning, consensus building, and risk management.

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## President's Message

As we navigate the dynamic landscape of real estate, one trend remains clear: the demand for housing is surging both locally and nationally. This growing need highlights the importance of innovative and sustainable housing solutions to accommodate our expanding communities.



The increasing demand for housing is driven by various factors, including population growth, urbanization, and changing lifestyle preferences. Multi-family developments have emerged as a key solution to address this demand, offering

efficient use of space, affordability, and community-oriented living environments. These developments not only provide much-needed housing but also contribute to the vibrancy and sustainability of our neighborhoods.

Amid this pressing demand, we recently broke ground on a new multi-family development project in Greenfield Lancaster. When completed, it will feature 600 apartments, and 28 townhomes designed to meet the diverse needs of our community. The development will include thoughtfully designed recreation areas and walkways that seamlessly connect to other parts of Greenfield, promoting a healthy and active lifestyle for all residents.

We believe this project will not only meet some of the housing needs in Lancaster

County but also improve the quality of life for our residents with modern amenities and a strong sense of community. This project reflects our commitment to creating sustainable and livable spaces that address the evolving needs of our community.

Thank you for your continued support as we work together to create thriving communities.

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# How to Create a Successful Retail Merchandise Mix: Considerations for Maximizing Your Property's Potential

*By: Powell Arms – Senior Vice President & Managing Director – Retail Division, High Associates Ltd.*

The success of a shopping center hinges on a carefully curated merchandise mix, consisting of complementary shop tenants and junior anchors that attract customers who are drawn by the main anchors. A well-planned tenant mix drives foot traffic, boosts sales, and enhances the overall shopping experience. Additionally, lease and financing considerations must be balanced as well. When these aspects are well-balanced, the shopping center should see improved tenant retention due to increased sales, ultimately raising the property's value.

## Who Should the Tenants Be?

When considering this question, it's important to consider factors such as the trade area, anchor tenant shoppers, the demographics and needs of the surrounding daytime and nighttime population, and the peak traffic times for

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and retain workers rely on having quality, affordable housing, and inclusive neighborhoods. It is incumbent upon community leaders to create an environment where the supply of housing adequately meets current and future workforce demands, which means adding housing stock of different types and price points.

Multi-family development, especially near employment centers, helps reduce the amount of land needed for housing and shortens commutes, allowing families to spend more time together. Because apartments are a higher-density housing type, they can accommodate more people per square foot than lower-density single-family homes. As part of a mixed-use development, apartments support the retail and commercial businesses, enhancing residents' quality of life with walkable amenities. High-density residential development also promotes open space conservation.

Opponents of higher-density projects believe the myth that apartment developments put undue pressure on local school systems and raise homeowner taxes. In fact, we have found that multi-family projects place far less pressure on school systems than single-family home developments. Our recent projects in Lancaster County have school-aged children living in less than two percent of new units. These developments add to the tax base without bringing a commensurate cost to the local school and municipality.

While not as traffic intensive as retail and commercial uses, multi-family projects often support offsite road improvements, as well as local and regional trails for bike and pedestrian use. Connectivity with regional trails is sound environmental, recreational, and transportation planning. Mixed-use

developments often incorporate roadways, public parks, and infrastructure improvements that benefit the entire community. For example, the Crossings at Conestoga Creek project included \$11 million of roadway and signal enhancements which improved traffic flow and reduced wait times along the busy Harrisburg Pike corridor by 33 percent.

To further demonstrate the economic impact housing has on a community, a study by the National Association for Home Builders (NAHB) found that a 100-unit multi-family development project in a typical suburban market results in the creation of 49 jobs, \$2.9 million in recurring income, and \$0.8 million in annual tax revenue for the local municipality. This is in addition to \$12.4 million and 170 jobs related to the initial construction activity.

Growth is not always seen positively by neighbors, but when considered with the greater good of the community in mind, the direct and indirect economic benefits of new multi-family developments contribute to a vibrant and sustainable future for our community.



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## How to Create a Successful Retail Merchandise Mix: Considerations for Maximizing Your Property's Potential continued from page 2

**“Within the shopping center, it’s essential to balance competition to avoid the oversaturation of similar businesses.”**

individual tenants. For example, think of the different peaks in customer traffic for a gym, pizza shop, coffee shop, and salon. To address this, property owners and leasing teams require thorough market research to understand the local demographics and consumer preferences, enabling them to select tenants and uses that align with the community. Mobile data analysis can play a valuable role in this research by identifying the psychographics of shoppers, as well as the true trade area of the center, and complementary tenants with significant cross-shopping patterns beyond the trade area.

### Market Analysis

Competition analysis is another vital aspect of merchandise mix strategy. While some retailers benefit from proximity to competitors, others prefer distance. Within the shopping center, it’s essential to balance competition to avoid the oversaturation of similar businesses. An easy example of poor planning would be to have multiple coffee shops in one center, making it difficult for any to succeed.

### Local Versus Regional and National Tenants

Aim for a mix that includes both well-known national brands and unique local retailers to attract a broad customer base. While national chains appeal to a broad customer base, local retailers can add a special character to the shopping center. A thoughtfully curated mix of national, regional, and local tenants will help set the shopping center apart from competitors and cater to the diverse preferences of consumers. When evaluating local versus

national tenants, credit considerations will be important, and open discussions between landlords and tenants will be necessary to address capital requirements, security, and the ability to execute the business plan.

### Lease Terms

It’s important to note the significant impact that lease terms have on shaping the merchandise mix. In many retail leases, there are provisions for “exclusive uses,” which prohibit other retail tenants from infringing on a tenant’s specified use. Additionally, leases may include “prohibited uses,” outlining activities that no tenant, including the one in this specific lease, may engage in. It’s crucial for landlords and tenants to carefully negotiate these lease clauses to ensure that they effectively protect against unwanted activities while avoiding overly broad restrictions that could prevent complementary tenants from joining a center’s merchandise mix.

### Conclusion

Conducting market research, including mobile data, to understand the customer base and potential customer base is crucial for establishing a compelling merchandise mix. A successful mix can draw in a large portion of the trade area’s population, increase the duration of visits, and encourage cross-shopping. Longer visits are expected to result in higher sales, increased tenant retention, reduced downtime in backfilling spaces, and ultimately, higher property value.



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## Successful Strategies for Identifying the Best Real Estate Development Opportunities continued from page 1

### Key Strategies for Consideration

Begin by analyzing demographic trends such as population growth, age distribution, and income levels in the target area. Regions experiencing population growth and higher income levels often present better opportunities. Make sure to study the local and regional economic indicators such as employment rates, economic growth, and business activity. A thriving and expanding local economy bodes well for new development. Some markets have seasonal trends that can affect demand. Plan your development timeline accordingly.

Assess the current supply of real estate and the demand for several types of properties. High demand for a certain asset type that has limited supply within a given market can indicate a good opportunity.

**“High demand for a certain asset type that has limited supply within a given market can indicate a good opportunity.”**

Proximity to transportation hubs, highways, and public transit can significantly enhance a property’s value. Nearby schools, parks, shopping centers, and healthcare facilities can often make a location more attractive. Investigating any planned infrastructure or future transportation improvement projects in advance can lead to increased property values and higher demand for your project in the future.

Collaborate with local experts to better understand the local continued on page 5

## Successful Strategies for Identifying the Best Real Estate Development Opportunities continued from page 4



**“When putting together your construction budget, always plan for potential delays, cost overruns, and other unexpected construction-related issues.”**

zoning laws and regulations that could impact your development plans. Engage architects, engineers, and legal advisors who have in-depth knowledge of the local decision-makers and approval process so the project is well-planned and compliant with all regulations. Build relationships with local community stakeholders early in the process to gain support for your project.

Be aware of any environmental regulations that could affect your project, such as restrictions on land use or requirements for environmental impact assessments. The discovery of a buried tank or other harmful environmental issues can trigger significant remediation costs, and in extreme cases, even render your land unusable. Engaging a qualified environmental engineer to perform a Phase-I environmental investigation before you close on your land is always good practice.

When putting together your construction budget, always plan for potential delays, cost overruns, and other unexpected construction-related issues. It's wise to include a contingency of three to five percent for unforeseen circumstances, as you will

likely need this additional funding. In addition to calculating the total cost of development, including land acquisition, construction, permits, and other expenses, you'll also need to identify potential funding sources such as loans, investors, or grants. Without a solid financial plan in place, your project is unlikely to ever get off the ground.

The real estate market is dynamic. By combining thorough market research, strategic location selection, financial planning, regulatory compliance, risk management, partnerships, sustainability, and market timing, you can identify and capitalize on the best real estate development opportunities. Additionally, keep up with industry news, market reports, and economic forecasts. Attend workshops, seminars, and courses to enhance your knowledge and skills, and be prepared to adapt your strategies based on market conditions and emerging trends.



Implementing these strategies will help you navigate the complexities of the real estate market and achieve successful outcomes.

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# AI Series: The Use of Artificial Intelligence in Hospitality

By: *Scott Hess – Vice President of Information Services, High Company LLC, and David Aungst – President, High Hotels Ltd.*

The pace of technological innovation continues to accelerate while providing great promises in what is possible and the challenge to realize those benefits. Artificial intelligence, especially Generative AI (GenAI), has gained significant traction across all industries. According to a recent McKinsey Global Survey released in May 2024, “65 percent of respondents now report regular usage of GenAI within their organizations—a remarkable increase compared to our previous survey just ten months ago.”

GenAI provides a lot of power to individuals in completing tasks such as summarizing data (including unstructured survey data), content creation (such as emails and marketing materials), and fostering creativity (such as crafting customer emails). The accessibility of these technologies, facilitated by natural language processing (NLP) which enables seamless communication between people and computers, makes them user-friendly for individuals of all backgrounds.

In the hospitality industry, artificial intelligence has provided tangible benefits in certain areas and continues to evolve in others. For instance, energy management systems have been deployed to optimize utility costs through smart thermostats and other technologies. Additionally, chatbots, initially designed for basic question-and-answer interactions, have evolved to

offer a more personalized experience. GenAI can now leverage information from large language models (LLMs) based on extensive public data, while also incorporating a user’s prior interactions with the chatbot or personas representing different guest types (e.g., luxury travelers, sightseeing travelers, etc.).

Artificial intelligence has also been deployed to help the hospitality industry address a critical challenge, especially in the wake of the pandemic: hiring and retaining workers who provide essential services such as guest assistance, housekeeping, and food service. Balancing labor costs against occupancy fluctuations adds another layer of complexity.

In 2016, Hilton Hotels introduced Connie—a robot concierge designed to assist guests by providing information about hotel services and local attractions. However, Connie’s novelty quickly faded. More recently, advancements in AI have significantly evolved robotics in hospitality. Robots are now able to deliver room service or meals directly to guests dining in the hotel restaurant. Similar robots are making appearances on college campuses, shuttling coffee or takeout orders from campus eateries to students’ dorms. The AI in these robots allows them to navigate obstacles and even interact with elevators.

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Other types of robots have been used to clean hallways and conference rooms during off-peak hours, while guest rooms pose a unique challenge. The traditional furniture layout—with legs and kick panels—makes it difficult for robots to clean these spaces effectively. However, emerging trends, such as floating vanities and toilets may simplify the process. Still, tasks like cleaning toilets and sinks remain human-dependent.

Artificial intelligence has been used most extensively and effectively within the realm of revenue management. Smith Travel Research defines revenue management as the hospitality industry process of using data and analytics to predict future guest behavior and demand. The objective of revenue management is to maximize a hotel’s possible overall revenue. Revenue management platforms collect vast amounts of data related to both historical and current data to produce recommendations and pricing guidance. Twenty years ago, people had to work hard to do tasks that AI algorithms can now do much faster. AI-driven algorithms collect and analyze data and provide recommendations quickly. This frees up managers to make decisions instead of spending time gathering and consolidating data. Real-time data, such as weather updates and flight delays, helps improve models, allowing hotels to predict changes in demand and optimize staffing levels.

The seamless interaction between users and AI-generated tools may create the assumption that the answers produced are always correct due to the vast amount of data and complex

algorithms used. While this is often true, organizations need to be cautious and have strong controls in place to verify the responses and data generated by AI tools. Accuracy is crucial, and any inaccuracies can be costly, despite advancements that reduce them. Additionally, AI systems occasionally produce unexpected or hallucinatory outputs, which can mislead users if not carefully monitored. By implementing rigorous validation processes, organizations can mitigate such risks and ensure that AI-generated content aligns with reality.

In summary, while AI tools enhance efficiency and productivity, responsible usage demands vigilance. Accuracy and accountability go hand in hand, and organizations must strike a balance between embracing AI’s capabilities and safeguarding against potential pitfalls.



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**“Twenty years ago, people had to work hard to do tasks that AI algorithms can now do much faster.”**

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