

Real Estate Matters

In This Issue

C&I Council:
 2026 Real Estate Outlook 1

Strategic Vision:
 How Master Planning Drives
 Successful Real Estate Development.... 1

President’s Message2

Lancaster Market:
 Key Observations by Asset Class5

Adaptive Reuse of Industrial
 Buildings: A Brief History and
 Modern Conversion Playbook.....7

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

The 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 at their 40th annual meeting in February 2026.

C&I Council: 2026 Real Estate Outlook



You can download the slide presentation here: <https://bit.ly/40TokbS> or by visiting highrealestategroup.com and scrolling

through the “News” section halfway down the home page. *continued on page 3*

Strategic Vision: How Master Planning Drives Successful Real Estate Development

By: Ken Hornbeck – Senior Vice President – Development, High Real Estate Group LLC and Rob Fluehr – Vice President – Development, High Real Estate Group LLC

Master planning is one of the most powerful tools in real estate development because it turns a broad vision for a site into a clear, achievable roadmap. As markets shift and new demands emerge, developers and municipalities can mutually benefit from a long-range plan that aligns investment decisions, best land use practices, and community needs. A strong master plan ensures that every choice made supports the long-term value and character of the development, while being sensitive to community growth goals and objections.

A Strategic Vision Starts with Understanding the Customer

Every successful plan begins with understanding potential future users: who will live, work, or shop in the community, what matters most to them, and how *continued on page 2*



President's Message

Thank you to everyone who joined us for the 40th Annual Lancaster Commercial & Industrial Real Estate Council meeting. For those who were unable to make it or are interested in learning more about this year's presentation, please visit <https://bit.ly/40TokbS> to download the slides, or visit highrealestategroup.com and scroll through the "News" section halfway down the home page.



In this issue of *Real Estate Matters*, we highlight key insights from my remarks at the meeting and updates shared by our asset class leaders. As we look ahead, the economic landscape continues to demonstrate both resilience and ongoing recalibration amid evolving market conditions.

Real GDP growth continues to outperform expectations, supported by

strong consumer spending and steady business investment. While inflation remains elevated, the Federal Reserve's stance of maintaining higher interest rates is aimed at ensuring long-term stability. Job growth is expected to moderate in 2026 as businesses adapt to AI-driven efficiencies, demographic workforce pressures, and tariff-related uncertainties.

Across the real estate landscape, we continue to see varied but largely positive momentum. Industrial demand is buoyed by reshoring, e-commerce, and data center expansion. The multifamily sector remains stable, with controlled rent growth and ongoing affordability challenges. Retail continues to adapt, maintaining strong occupancy in prime centers. Office demand is showing early signs of stabilization, particularly in markets like Lancaster, where supply remains limited and high-quality space continues to attract tenants.

Locally, Lancaster's performance stands out once again. Office absorption has reached its strongest level since COVID, industrial development remains robust, and multifamily fundamentals reflect healthy demand despite broader national headwinds. Our teams continue to pursue strategic growth while supporting our region's evolving needs.

As we navigate these dynamics together, our focus remains on disciplined execution, long-term value creation, and strengthening the communities we serve. Thank you for your continued partnership and support as we move forward into a promising 2026.

Mark

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

Strategic Vision: How Master Planning Drives Successful Real Estate Development continued from page 1

success will be measured over time. From there, the master plan becomes a practical guide that translates these insights into land-use strategies, infrastructure decisions, architectural guidelines, and phased development steps. By evaluating existing site conditions, market constraints, and future demand, the plan helps developers make decisions that protect long-term value rather than chasing short-term trends.

Integration Across All Components of Development

Modern master planning integrates all aspects of a development: residential, commercial, transportation, sustainability, open space, utilities, and the overall customer experience. This prevents costly conflicts later and ensures that decisions in one area, such as traffic flow or stormwater management, enhance the overall project rather than limit future phases. This level of integration is especially important in large mixed-use communities where each component influences the next.

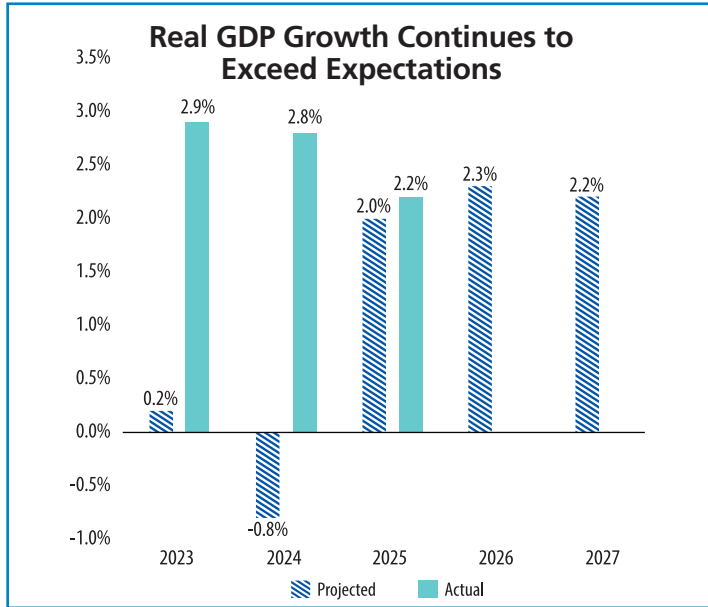


Planning for Flexibility in a Dynamic Market

Today's development landscape also requires a more flexible, adaptable planning process. Instead of being bound by static documents, developers update their plans as markets evolve,

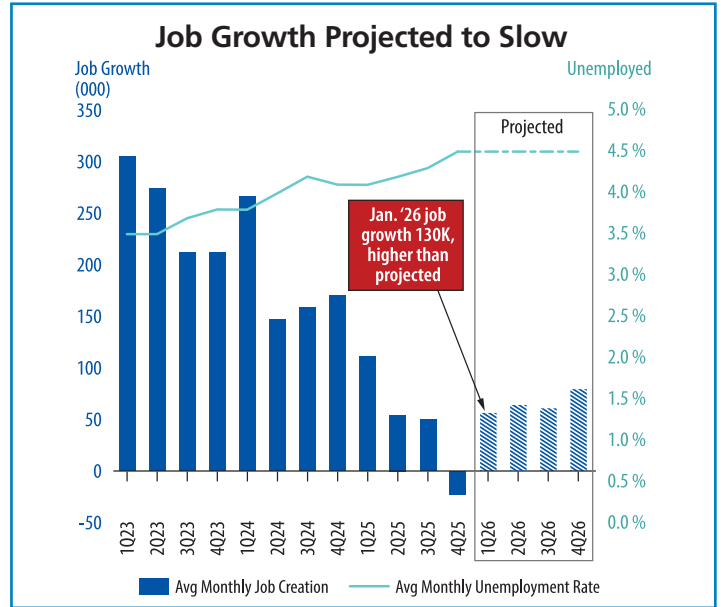
continued on page 6

C&I Council: 2026 Real Estate Outlook continued from page 1



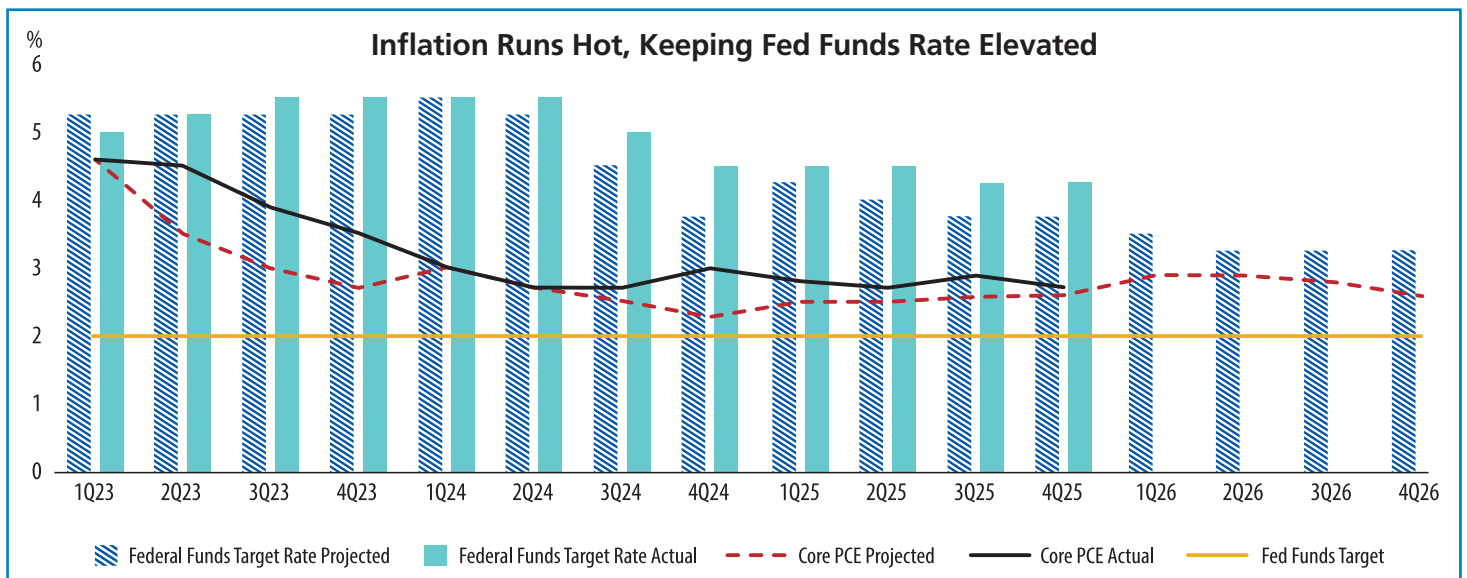
Source: Wells Fargo Annual Economic Outlook – 2022-2026; Bureau of Economic Analysis

GDP Projections – Real gross domestic product (GDP) growth continues to exceed expectations. In 2025, the actual real GDP growth was 2.2%, higher than the initial forecast of 2.0%. 2025’s strong performance was driven by consumer spending, business investment, and government spending. Key watch-points for 2026 include sticky inflation, slower job growth, and tariff-related investment uncertainty.



Source: BLS, Federal Reserve Bank of Philadelphia Q4 Survey of Forecasters 11/2025

Employment Trends – Job growth is projected to slow in 2026, influenced by uncertainty around tariffs, artificial intelligence (AI) impacts, labor availability, and higher borrowing costs. Average monthly job creation in January 2026 reached 130,000, higher than projected. Unemployment rates are expected to remain stable, though workforce growth faces constraints due to aging demographics and reduced immigration.



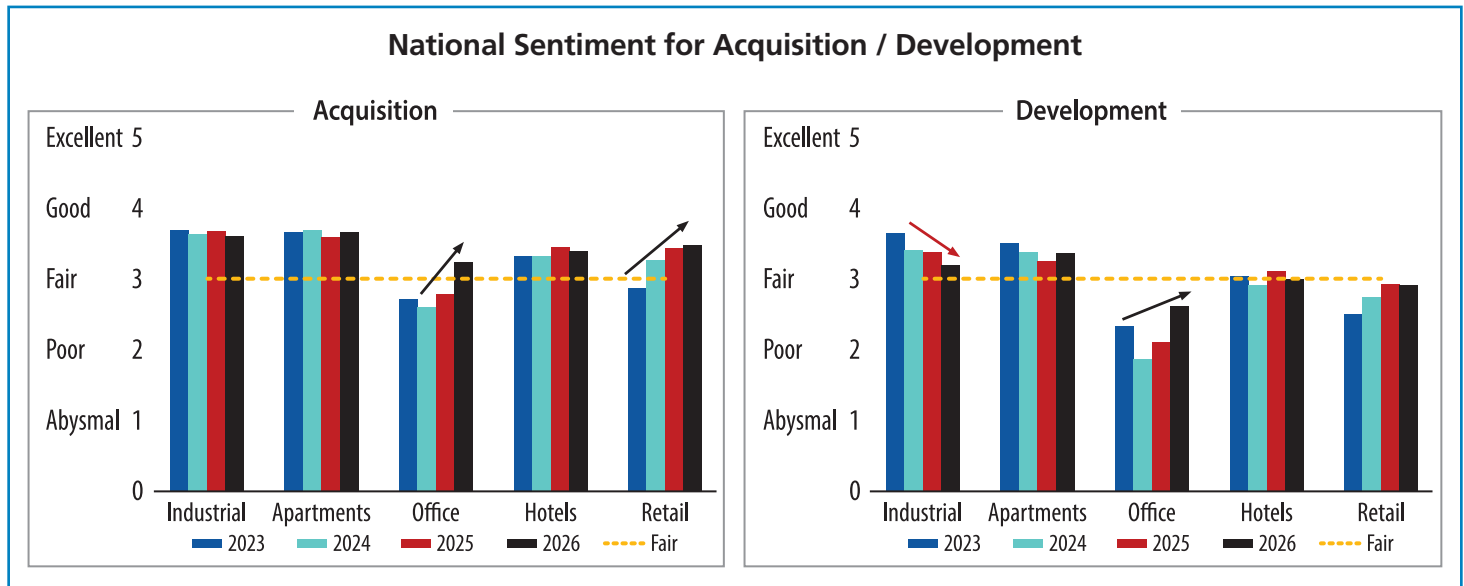
Source: Wells Fargo Annual Economic Outlook – 2022-2026; Santander U.S. Year-End Review/2026 Preview

Inflation and Interest Rates – Core Personal Consumption Expenditures (PCE) have remained elevated, running above consensus projections for the past three years. The Federal Reserve continues to maintain elevated interest rates to guide

inflation downward while supporting full employment. The Fed projects one rate cut in 2026, while market expectations include two quarter-point reductions.

continued on page 4

C&I Council: 2026 Real Estate Outlook continued from page 3



Source: PWC; ULI 2026 Emerging Trends in Real Estate

Real Estate Investment Sentiment – National sentiment across most asset classes is stable to improving. Data centers lead both acquisition and development rankings. Office sentiment shows improvement driven by medical office demand.

Apartment sentiment remains steady with modest growth, while retail and hotel sectors experienced varied performance tied to consumer trends and travel demand.

US: Cap Rates Have Stabilized

	4Q 2025		Change from 4Q 2024	
	Range	Average		
Apartments	4 - 6.5%	5.23%	↔	8 bps
Industrial	4 - 6.5%	5.38%	↔	11 bps
Suburban Office	5 - 9.5%	7.78%	↔	2 bps
CBD Office	5 - 9.5%	7.29%	↔	6 bps
Neighborhood/ Strip Centers	5.0 - 10.0%	7.1%	↓	15 bps
Select Service Hotels	8.0 - 11%	9.45%	↑	51 bps









Source: PWC Real Estate Investor Survey 4Q 2025

Cap Rate Trends – Cap rates stabilized across most asset classes in 2025. Select service hotels experienced the largest increase in cap rates (51 basis points), while apartments, industrial, and retail centers saw modest adjustments.

continued on page 5

C&I Council: 2026 Real Estate Outlook continued from page 4

One Big Beautiful Bill Act – Selected Impacts

BUSINESS		PERSONAL	
PROVISION	KEY DETAILS	PROVISION	KEY DETAILS
 100% Bonus Depreciation (Tangible Personal Property)	Applies permanently for property placed in service on or after 1/20/2025	 Overtime and Tips Deduction	Eligible employees can claim up to \$12.5K in overtime and \$25K in reported tips from 2025-2028
 100% Bonus Depreciation (Qualified Production Real Property)	Construction must start 1/20/2025 - 12/31/2028 and be in service by 1/1/2031	 Senior Citizens Deduction	Offers \$6,000 deduction for ages 65+ from 2025-2028
 Business Interest Limitation	Restores EBITDA-based calculation permanently	 Expanded SALT Deduction Cap	Raises SALT deduction from \$10K to \$40K through 2029
 Opportunity Zone Program	Reformed and made permanent		
 R&D Expenditures	Immediate deduction restored, including unamortized R&D		

One Big Beautiful Bill Act – Key financial insights highlighted the impacts of the One Big Beautiful Bill Act. Provisions such as restored EBITDA-based interest limitations, permanent Opportunity Zone reform, and expanded bonus depreciation

are expected to influence development economics and long-term capital planning in 2026. These policy shifts provide tailwinds for investment while introducing new compliance considerations for owners and developers.

Lancaster Market – Key Observations by Asset Class

Office and Industrial



Bill Boben
Senior Vice President – Sales and Leasing,
High Associates Ltd.
 717.209.4012
 bboben@high.net

Office – No new office projects were delivered in 2025. Two office projects are proposed for development, totaling more than 200,000 square feet. Sublease availability decreased to 77,255 square feet. Lancaster achieved its best year of absorption since COVID. Vacancy rates improved, with Class A office vacancy decreasing to 3.2% from 5.2% and B/C office vacancy decreasing to 6.5% from 8.1%.

Industrial – Industrial development remains strong. Four projects representing 952,749 square feet were completed in 2025, and vacancy rates increased to 10%. Three projects totaling 86,000 square feet remain under construction. Flex space experienced positive absorption of 18,500 square feet. Asking rates continue to rise, with industrial rates averaging \$8.73 per square foot and flex space at \$11.73 per square foot.

Development



Ken Hornbeck
Senior Vice President – Development,
High Real Estate Group LLC
 717.209.4010
 khornbeck@high.net

Brandt's Run – Development activity accelerated with Brandt's Run advancing through key approvals in early 2026. The 476-acre mixed-use campus, including approximately 1 million square feet of industrial land, has entered land development planning with a projected phased 15-20-year buildout. The project emphasizes lifestyle programming, community amenities, and flexible residential and commercial components aligned with evolving market demand.

Strategic Vision: How Master Planning Drives Successful Real Estate Development continued from page 2



infrastructure needs shift, and community feedback becomes available. This approach keeps the plan nimble, relevant, and able to respond to permitting requirements, new technologies, and emerging market demands.

A Framework for Financial and Operational Sustainability

Master planning also provides structure for long-term financial success. It provides a framework for phasing strategies, sequencing infrastructure, and managing risk. This allows developers to deploy capital strategically, to match absorption, and maintain momentum across multi-year or multi-decade buildouts.

Bringing Vision to Life: Brandt’s Run as a Case Study

Brandt’s Run in Manor Township, just outside Lancaster, demonstrates how a clear strategic vision translates into thoughtful, impactful planning in practice. This nearly 400-acre mixed-use development is designed to become a national model for integrated living. Its vision is shaped around three core principles:

- Rooted in Heritage – preserving historic structures and honoring the land’s history
- Connected to Nature – restoring streams, creating trails, and weaving open green spaces throughout the community
- Built for Life – offering a range of home styles, neighborhood retail, trails, and multi-generational amenities that help people build long-lasting connections

Brandt’s Run embraces a holistic approach to community life. Its lifestyle programming is planned to include everyday meetups, community events, and opportunities for residents to form lasting relationships. This approach reflects the belief that planning is not only about buildings but also about how people live, interact, and create community identity.

As with any modern master-planned community, the Brandt’s Run materials are preliminary and designed to evolve. They may change based on permitting requirements, market conditions, and community feedback. This flexibility reflects best practices in contemporary master planning, where adaptability is essential to long-term success.

Building Communities That Endure

Ultimately, master planning is the bridge between a developer’s vision and the real-world community that emerges from it. It guides decisions for years, sometimes generations, ensuring that growth is intentional, aligned with strategic priorities, and capable of adapting as markets change.

Brandt’s Run exemplifies how strategic vision, thoughtful design, and community-focused planning can come together to create a vibrant, sustainable, and future-ready community.



Ken Hornbeck
Senior Vice President –
Development
High Real Estate Group LLC
717.209.4010
khornbeck@high.net



Rob Fluehr
Vice President –
Development
High Real Estate Group LLC
717.209.4058
rfluehr@high.net

Adaptive Reuse of Industrial Buildings: A Brief History and Modern Conversion Playbook

By: Mike Lorelli – Senior Vice President – Commercial Asset Management, High Real Estate Group LLC and Bill Boben – Senior Vice President – Sales and Leasing, High Associates Ltd.

Central Pennsylvania, and specifically Lancaster County, has a long history of transforming aging factories and warehouses into vibrant, modern spaces. This practice dates back more than a century. The first major redevelopment project in the city of Lancaster began in 1907 with the conversion of the 25-acre McGrann Park. This property, located on the east side of Plum Street, was converted from a horse racetrack and county fairgrounds into a mixed-use neighborhood. The Fulton Market House, Fulton Hotel, and six new residential dwellings emerged to support workers and nearby businesses, such as Armstrong Cork, Stehli Silk Mill, Safety Buggy Company, Penn Iron Company, and others.

From Industrial Migration to Urban Decline

In the 1950s, the expansion of the U.S. interstate highway system reshaped industrial development, shifting priorities away from proximity to labor toward transportation efficiency, customer access, and connections to raw materials or production partners. Manufacturers increasingly relocated to suburban sites with abundant land that could support efficient, single-story facilities. This left many urban industrial buildings functionally obsolete due to inadequate parking, poor truck access, low ceilings, and insufficient structural capacity. As a new era of distribution and manufacturing emerged, much of the older industrial building stock entered a prolonged period of decline.

Tax Incentives Spark the First Wave of Redevelopment

Beginning in the late 1970s and early 1980s, federal and state historic tax credits, along with enhanced Federal depreciation benefits, ignited renewed interest in urban industrial conversions. The former Follmar, Clogg Company Umbrella Works Factory, which later became the J.B. Vansciver furniture store, and the Hamilton Clock Towers, were two of the first large industrial buildings in Lancaster converted to residential use. Activity slowed somewhat following changes to depreciation structures under the 1986 Tax Reform Act, but the foundation had been laid.

Momentum Accelerates in the 21st Century

Adaptive reuse of industrial and institutional buildings in the Lancaster region accelerated in the early 2000s, marked by Penn Square Partners' 1998 acquisition and redevelopment of the former Watt & Shand Building into the Lancaster County Convention Center and Marriott hotel, which opened in 2009. This milestone revitalized the central business district, restored confidence among downtown merchants, and spurred broader reinvestment, leading to projects such as Arts Row, the Press



Building, Urban Place, and Champion Forge. Since 2015, the Lancaster City Alliance's "Building from Strength" initiative has documented more than 30 adaptive reuse projects totaling over \$420 million in investment, primarily supporting residential, office, and hospitality uses in urban areas.

What Drives a Successful Adaptive Reuse Project?

Ultimately, market demand determines feasibility. Developers must determine if the property can be delivered at an affordable price point, if the proposed use fits within the neighborhood, and if the return justifies the risk and investment. If the market and adaptability are confirmed, a thorough due diligence process should be undertaken, and typically includes:

1. Zoning Analysis

A clear understanding of zoning, permitted uses, and the likelihood of approvals is critical, as neighborhood context often determines whether zoning relief is granted. Projects should either complement existing conditions or serve as a positive catalyst for change, with careful attention to connectivity, transit access, and walkability. For business uses, potential impacts such as traffic, parking, noise, and community interaction must also be evaluated.

continued on page 8

Adaptive Reuse of Industrial Buildings: A Brief History and Modern Conversion Playbook

continued from page 7

2. Environmental Review

Older industrial buildings often present environmental challenges from past chemical use and industrial activity that now require remediation. Phase I and Phase II environmental studies assess contamination risks, cleanup requirements, and associated costs, and are essential to determining project viability before major capital is committed.

3. Structural and Building Systems Evaluation

Architects and engineers evaluate load-bearing capacity and structural integrity early to inform accurate schematic budgets. Obtaining a report on the roof condition and an energy code assessment of the building's envelope, including windows, will help identify operational inefficiencies and additional costs to remedy. Additionally, mechanical, electrical, and plumbing requirements must be scoped early to establish accurate budgets and avoid surprises.

4. Historic Preservation Requirements

If a building has historic or cultural significance, design teams must address preservation requirements that can limit exterior changes and influence material selection. Once these parameters are defined, developers refine financial models and assess available incentives such as historic tax credits, brownfield grants, and sustainability programs.

A New Era: Reusing Industrial Sites for Infrastructure-Heavy Uses

Today, adaptive reuse is driven less by historic charm and more by practical advantages such as zoning and infrastructure. A recent example: in February 2025, two former RR Donnelley printing facilities in Lancaster, totaling more than 1.5 million square feet, sold for \$130 million, largely because they offered industrial

zoning that allows data centers by right and substantial existing power capacity with room to grow. As land becomes scarcer, these older industrial sites are regaining appeal, with redevelopment often proving more cost-effective than new construction.

Looking Ahead

Adaptive reuse has been a powerful catalyst in Lancaster's economic revitalization, transforming obsolete facilities into thriving assets. As demand for utility-intensive uses rises and developable land becomes harder to find, older industrial properties across the region are poised for a new chapter of innovative reinvention.



Mike Lorelli
Senior Vice President –
Commercial Asset Management
High Real Estate Group LLC
717.293.4410
mlorelli@high.net



Bill Boben
Senior Vice President –
Sales and Leasing
High Associates Ltd.
717.209.4012
bboben@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

Real Estate Matters:
Recognized for Excellence
Since 2001



Your Full Service Real Estate Resource

Services:

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

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

© 2026 High Real Estate Group LLC