HIGH REAL ESTATE GROUP LLC

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Creating Meaningful Spaces Through Community Collaboration

By: Ken Hornbeck – Senior Vice President – Development, High Associates Ltd., and Rob Fluehr – Vice President – Development, High Associates Ltd.

At High, community engagement is a critical underpinning of how we approach successful real estate development projects. As land becomes increasingly harder to find, our ability to curate successful projects hinges on our openness during the approval process. Community engagement, the process of involving local residents, businesses, and stakeholders in the planning and development of real estate projects, enhances the long-term success of our developments. This can range from public forums and town hall meetings to surveys and one-on-one discussions. The process is simple but powerful: listen, learn, and incorporate community input into project decisions whenever possible. The goal at High is to build trustworthy, lasting relationships with everyone we encounter, including those who may not entirely agree with our proposed project.

Real estate projects often face skepticism or opposition from those living near or who may be impacted by the project.

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Designing for Demand: How Apartment Living Is Being Reimagined

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

In today's apartment rental landscape, resident expectations continue to evolve and elevate. There is more focus on convenience, wellness, sustainability, and technology than ever before. Apartment owners and property managers must adapt to their residents' "on-the-go" lifestyle. Otherwise, residents will look for different housing choices.

Traditional amenities are evolving to meet modern lifestyle expectations. Fitness centers are being reimagined as dynamic wellness spaces, featuring areas designated for yoga, barre, and other popular high-intensity interval

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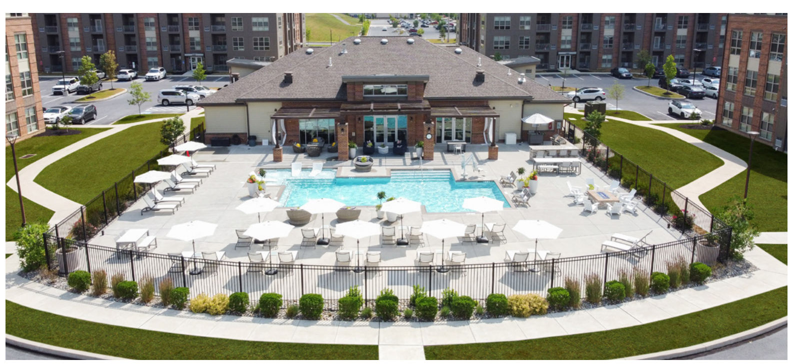

President's Message

The real estate industry continues to evolve at a remarkable pace, shaped by shifting market demands, technological innovation, and the growing importance of community collaboration. In this issue, we explore several timely topics that are influencing how real estate professionals plan, build, and manage properties across sectors.

From reimagining apartment living to the strategic selection of commercial and industrial sites, this issue highlights how developers and property managers are responding to changing expectations around convenience, connectivity, and livability. We also examine how tariffs are reshaping construction strategy and how artificial intelligence is transforming everything from building operations to tenant engagement.

What ties these stories together is a shared focus on adaptability and foresight. Whether it's engaging communities early in the development process, adapting residential amenities to meet evolving lifestyle preferences, or leveraging data and technology to drive smarter decision-making, success in today's real estate landscape requires a proactive, informed approach.

We hope this issue offers valuable insights and sparks new ideas as you navigate the opportunities and challenges ahead. Thank you for your continued interest in the trends shaping our industry.

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Engaging the community early and sincerely helps build trust. When people feel they have a voice and believe their concerns are acknowledged, it promotes transparency and can reduce conflict. This can smooth out the approval process while also building goodwill that can last long after the project is complete.

No one understands a neighborhood better than the people who live and work there. Engaging with the community provides High with invaluable local knowledge about traffic patterns, safety issues, and environmental concerns. When we communicate appropriately, our projects are not only functional but also meaningful and responsive to the real needs of the communities we serve.

Projects that receive community input tend to enjoy greater public support, higher occupancy rates, and stronger long-term performance. When residents feel that they have contributed to the planning or feel a connection to a project, they are more likely to support it, advocate for it, and contribute to its success.

Community opposition can often delay or sometimes even derail a real estate project. By identifying community concerns early, High can address them proactively. This approach reduces costly surprises and helps keep projects on time and within budget.

High is increasingly judged not only by its financial returns but also by its social impact. A demonstrated commitment to meaningful community engagement positions High as a responsible, trustworthy, and forward-thinking developer.

The future of real estate is rooted in collaboration. As societal needs evolve, the demand for inclusive, sustainable, and community-focused developments grows stronger. By prioritizing community engagement throughout the approval process, High has the opportunity to create spaces that not only meet market demands but also enrich the communities we serve.

Community engagement is a strategic imperative and an ethical responsibility. When High Real Estate Group takes the time to engage, listen, and collaborate, we unlock deeper insights, build stronger relationships, and deliver projects that stand the test of time. By collaborating with communities and our neighbors, High creates places that are not only functional but also meaningful and enduring.

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Designing for Demand: How Apartment Living Is Being Reimagined continued from page 1

training (HIIT) activities. Swimming pools now resemble resort-style retreats, complete with sun shelves and cabanas. Coffee bars have transformed into miniature cafés with a variety of beverage options, while outdoor firepits and kitchens are now an expectation. These enhancements are designed to make residents feel at home and never want to leave.

"It's the human connection that transforms a place to live into a place to call home."

While health and wellness amenities remain important, today's renters increasingly expect a strong technology infrastructure as part of their living experience. It begins with a seamless leasing process, enabled by a dynamic website that allows prospective residents to select a unit, apply, and sign a lease from anywhere. Once they move in, residents want the convenience of paying rent online and submitting maintenance requests without needing to contact property staff directly.

Most critically, modern apartment communities must offer robust Wi-Fi connectivity. With the growing preference for streaming TV shows and movies over traditional cable, and the increasing number of residents working remotely, seamless internet access is essential for uninterrupted video calls and daily digital activities.

New apartment communities are being outfitted with dedicated pods or "Zoom rooms" that provide residents with private areas within the community to focus on their work. Smart devices such as programmable thermostats and entry door locks that are accessible from a cell phone are becoming more prevalent. Developers must not cut corners when it comes to technology.

While innovative amenities and cutting-edge technology play a vital role in attracting and retaining residents, one element consistently rises above the rest — exceptional customer service.

Regardless of location or property type, a dedicated, professional team that delivers a personalized and responsive living experience is what truly sets a community apart. It's the human connection that transforms a place to live into a place to call home.

As resident expectations continue to evolve, successful apartment communities will be those that blend modern conveniences with meaningful service. By investing in both technology and people, property owners and managers can create vibrant, future-ready communities that residents are proud to be part of.

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Strategic Site Selection for Commercial and Industrial Projects

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

You've probably heard the old saying when trying to determine real estate value and suitability: Location, Location, Location. While this principle applies across all asset types, the criteria that define a prime location vary significantly depending on the property category. For residential real estate, factors such as school districts, proximity to services and amenities, and access to work, family, or social networks heavily influence value and desirability. In contrast, commercial and industrial properties are driven by a different set of location-based considerations.

What makes a site desirable comes down to both human-made and natural factors. Key considerations include zoning regulations, subdivision and land development ordinance requirements, access to transportation infrastructure, and the presence of historical elements. Physical attributes like lot dimensions and utility availability also play a significant role. On the natural side, features such as topography, wetlands, streams, protected habitats, soil quality —including rock formations — and stormwater infiltration capacity can all influence a site's value, feasibility, and long-term potential.

Zoning, subdivision, and land development ordinances (SALDO) are laws established by the local municipalities or counties that dictate what uses are permitted and how the land can be developed. Zoning defines the types of uses permitted within specific districts, including those allowed by right and those subject to conditional approval. SALDO regulations further shape how land can be utilized by outlining requirements for building and lot coverage, setbacks, parking, landscaping, lighting, height restrictions, environmental protections, and stormwater management. These design specifications can vary greatly from municipality to municipality, impacting land value.

Not all land is suitable for commercial or industrial development, especially when large-footprint structures are involved. Topography plays a critical role; uneven terrain may require extensive grading or retaining walls, which can significantly increase costs. Commercial development typically has smaller footprints and can adapt more easily to sites with topographical issues. Utility access is another key factor; adequate proximity and capacity for electricity, gas, water, and sewer are essential. With the rise of automation, reliable power and internet connectivity have become even more critical for industrial users. Additionally, physical site constraints such as streams, floodplains, wetlands, and other environmental features can limit full utilization. Lot size, total acreage, width, and depth, along with SALDO regulations, will also determine the initial building size and expansion capabilities.

Beyond physical and regulatory constraints, site desirability is also shaped by the specific needs of the end user. One of the most important factors that industrial users weigh when evaluating a site is the proximity to an interstate highway system. The ability to reduce transit time equates to real dollars in fuel and labor expense. Road conditions and traffic patterns also impact cost. Access to suppliers and customers is another critical factor; shorter distances can improve material lead times and accelerate speed to market. For commercial users, being close to their workforce, housing, restaurants, and essential services enhances convenience and can significantly boost employee satisfaction and retention.

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Strategic Site Selection for Commercial and Industrial Projects continued from page 4

In recent years, community attributes have become increasingly influential in site selection decisions. Factors such as labor availability, wage levels, labor laws, and union activity all affect a site's appeal, particularly for industrial users. The affordability and quality of nearby housing, access to amenities, and overall livability for the workforce are also key considerations. Additionally, crime rates, emergency services, and quality of healthcare can impact site selection. Developers must also assess community support for a proposed project, the availability of local or state incentives, and how construction costs compare to alternative sites. Evaluating these elements ensures that the selected site aligns with both operational needs and long-term success. Ultimately, the most successful developments are those that balance physical feasibility with strategic location, community alignment, and future growth potential.

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How Tariffs Are Reshaping Construction Strategy

By: Mike Kreider – President, High Construction Company

Since the COVID-19 pandemic, the construction industry has faced supply chain issues, long lead times, a skilled labor shortage, rising interest rates, and a more stringent lending environment. Now, the introduction of new tariffs adds another layer of complexity, contributing to market uncertainty. In the short term, these tariffs are expected to drive up construction costs, particularly for materials imported from overseas, further straining project budgets and timelines.

At this time, economists are forecasting a 5.80% to 6.80% increase in construction costs over the next year, with tariffs expected to contribute approximately 1.50% to 2.50% of that escalation. More specifically, tariffs will raise prices on imported materials such as steel, aluminum, cement, crude oil, lumber, appliances, tools, and equipment, as most of these products are sourced from countries like China, Mexico, and Canada.

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Projects already under construction may see little impact — especially if materials were purchased or pricing was locked in. However, new construction could experience delays as clients pause to reassess risk or wait for greater economic clarity.

It appears that we could see the heaviest impact between now and the end of the year. If those tariffs are rolled back quickly, pressure could ease in early 2026. However, if global trade tensions persist or escalate, market volatility will extend well into next year.

One effective strategy for mitigating tariff-related risk is for clients and construction managers to establish a dedicated contingency for tariffs or cost escalation. By initially soliciting subcontractor and vendor pricing without factoring in potential tariff impacts, teams can avoid the compounding effect of escalation layered upon escalation — an issue that can significantly strain project proformas and overall financial feasibility.

Other ideas to offset the impact of tariffs might include selecting alternative materials, sourcing domestically produced goods, or purchasing from countries less affected by tariffs. Another approach is pre-purchasing, and locking in pricing early, which could include taking delivery and storing materials much earlier in the construction process than normal. These tactics can help stabilize costs and reduce exposure to market volatility throughout the construction process.

Despite ongoing debate, tariffs appear to be here to stay, and the economic uncertainty that comes with them has certainly slowed construction spending. This is reinforced by Associated Builders and Contractors Chief Economist, Anirban Basu, who recently reported: "Given the many headwinds at play, including high interest rates, tight lending standards, elevated uncertainty and the effects of immigration and trade policy on labor and materials costs, spending may struggle to rebound during the second half of the year."

As the construction industry continues to navigate economic headwinds, collaboration and strategic planning are more critical than ever. Engaging a construction manager early in the process and leveraging a transparent preconstruction or design phase can help align stakeholders, anticipate challenges, and build flexibility into project delivery. These proactive steps not only mitigate the risks associated with tariffs and market volatility but also position projects for long-term success.

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AI Series: Artificial Intelligence in Commercial Real Estate

By: Scott Hess – Vice President of Information Services, High Company LLC, and Mike Lorelli – Senior Vice President – Commercial Asset Management, High Associates Ltd.

Artificial Intelligence (AI) is revolutionizing industries across the board, and commercial real estate is no exception. Real estate companies are harnessing AI to enhance their digital presence, improve customer engagement, and make data-driven decisions. According to a recent study by The Business Research Company in January 2025, "AI in the real estate market will grow from $222 billion in 2024 to $303 billion in 2025."

Building Management

The first introduction of AI in commercial real estate centered around building automation. Automation of lighting, heating, and cooling allowed property owners to reduce operating expenses and drive an enhanced occupant experience by using trend analysis and forecasting future utilization. It quickly moved into what has been termed the Internet of Things (IoT). Using equipment performance data, AI was used for real-time monitoring and predictive maintenance to anticipate equipment failure before it occurred.

Predictive Analytics

AI has now evolved as a tool to help underwrite property valuations, assist in acquisition due diligence, and quickly evaluate large quantities of data to more effectively operate real estate. The use of internal and external data to understand and respond to trends, as well as predict future trends, is a significant focus for many initiatives under the AI umbrella. For example, external data from trusted sources (e.g., historic weather data) combined with company-specific data (e.g., energy costs) can predict future energy costs of prospective acquisitions in a given market. Another example is predicting future revenue trends based on internal occupancy rates, local market sentiment analysis, and economic data.

It is worth reiterating that clean data is a key driver to gaining value from predictive analytic solutions. Therefore, it is essential to understand the quality of data in your existing systems. For example, are abbreviations consistently used for addresses (St. vs Street)? Are key definitions consistently calculated across the portfolio (e.g., usable square footage)? Are there regular checks on key data manually entered to ensure it is complete?

AI Agents

The January 2025 Workforce Report from McKinsey states that "nearly all employees (94 percent) and C-suite leaders (99 percent) report having some level of familiarity with generative AI tools." This familiarity and initial experience typically come from general-use tools like ChatGPT or Microsoft Copilot. Moving beyond general-use AI is the development of AI agents, which are autonomous tools built for specific goals. They can plan, reason, and act, and may have a specific task to execute or can be linked together to accomplish several tasks.

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AI Agents are an advancement over Robotics Process Automation (RPA), which automates repetitive tasks but often fails when encountering something different or new. AI Agents can learn over time and adjust to new inputs, processes, or data. For example, Harvey is a software platform with AI Agents used by legal firms to draft legal memos or summarize cases. These are tasks or workflows that were often performed by a paralegal or researcher.

Additional examples of AI Agents include platforms like EliseAI, which offer conversational interfaces that allow tenants to interact using natural language to schedule property tours or get answers to lease-related questions. Other applications include automated rent collection through timely reminders, streamlined payment processing, and simplified lease renewals. These are just a few examples of how AI is becoming more targeted to the commercial property management industry.

Conclusion

In conclusion, the integration of AI in commercial real estate is transforming the industry by providing innovative solutions that enhance decision-making, streamline operations, and improve customer experiences. As the market for AI in real estate continues to grow, companies that embrace these technologies will be better positioned to thrive in an increasingly competitive landscape. By focusing on clean data, leveraging predictive analytics, and utilizing AI agents, real estate professionals can unlock new opportunities and drive sustainable growth for their businesses.

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