

# Real Estate Matters

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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).

Since spring the number of events at the integrated Lancaster County Convention Center and Lancaster Marriott at Penn Square has continued to rise. We're near capacity almost every weekend with leisure travelers and sports/social group travel. This has been good news for Lancaster's retailers and restaurants who benefit directly from increased foot traffic driven from the hotel's occupancy prior to the pandemic, it has also contributed to an increase in room nights in other hotels in Lancaster City and in the County.

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## The Return of Events Is Restarting Lancaster's Economic Engine

*By Josh Nowak, General Manager, Lancaster Marriott at Penn Square*



## Anniversary Milestone

High was founded in 1931 by Sanford High who advised his co-workers to "Lay down a good weld and give good measure." Family-owned, High pursues the tenets of [The High Philosophy](#), the standard developed by his son S. Dale High, which calls all co-workers to build trustworthy relationships and be innovative leaders. What began as a welding shop on West Lemon Street in Lancaster, Pa., has grown to an [organization](#) of nearly 2,000 co-workers in 11 businesses in about 40 locations in six states. From bridges and buildings to apartments and hotels. From design and development to brokerage and safety consulting. High products and services touch the lives of millions of people every day.



*Celebrating* **90** YEARS

## President's Message

We are all familiar with the abbreviated designations that appear after the names of business professionals. But designations outside your



industry may not always be familiar.

Here are a few of the real estate-related designations that reflect the expertise available to you within [High Real Estate Group](#):

- Accredited Management Organization (AMO)
- Accredited Residential Manager (ARM)
- American Society of Landscape Architects (ASLA)
- American Society of Professional Estimators (ASPE)
- Appraisal Institute (MAI)

- Building Owners & Managers Association International (BOMA)
- Certified Apartment Manager (CAM)
- Certified Commercial Investment Member (CCIM)
- Certified Property Manager (CPM)
- International Council of Shopping Centers (ICSC)
- International Interior Design Association (NASD)
- LEED Accredited Professional (LEED AP)
- National Association of Industrial & Office Parks (NAIOP)
- Professional Engineer (PE)
- Real Property Administrator (RPA)
- Registered Architect (RA)
- Society of Industrial & Office Realtors (SIOR)
- System Maintenance Technician (SMT)
- Urban Land Institute (ULI)

At High Real Estate Group, co-workers at all levels are encouraged to further

their skills and to grow in their careers. This enhances [job satisfaction](#) and assures clients of excellence when they choose High as their real estate partner. I invite you to tap into our expertise to further your organization's goals.

On this, the 90th anniversary of the founding of [the High companies](#), we are delighted to be your full-service real estate resource. Thanks to our talented team for their hard work, perseverance, and dedication. And special thanks to you, our valued customers and friends, for allowing us to serve you and for making it all possible.



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# How to Avoid Common Mistakes in Commercial Real Estate Transactions

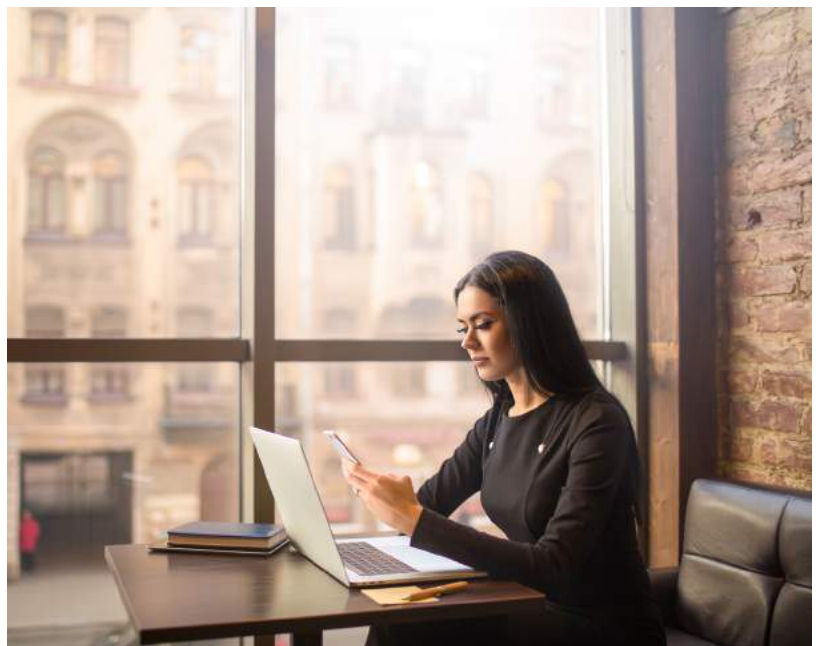
*By Ruth Devenney, CCIM, SIOR, Associate Broker, High Associates Ltd.*

While sometimes considered an endpoint, an agreement of sale is just the first step in what is often a complex process of reaching a successful closing. A [due diligence](#) period of typically 30 to 60 days starts immediately after all parties have agreed and signed a legal document. This allows the buyer time to inspect or investigate all aspects of the commercial property prior to committing to buy or lease the premises. Make sure the qualified professionals on your side are ready to identify potentially costly mistakes as you work through contingencies.

### Thoroughly Research and Review All Documents

Your attorney will have reviewed the agreement prior to signing and should have first-hand knowledge of all aspects of the purchase should a problem arise. Title problems can delay commercial real estate settlements. A common mistake is to wait to complete title work until just days prior to settlement. Instead, complete the title search immediately after signing the agreement to flush out any

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# Chemistry and The Approaches to Value

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

When it's all said and done, an appraisal report provides the appraiser's opinion of value. But how does the appraiser reach that opinion?

Remember back to one of your high school science classes when you were in a laboratory creating concoctions, boiling them into steam until they condensed and flowed into a funnel and then magically, at the end of the funnel, appeared the product of your work.

You had to follow a set of standard procedures for each experiment and document each step and each outcome. Appraising property also follows a standard set of procedures. It is known as The Valuation Process. It involves:

1. Defining the reason for the appraisal
2. Identifying the intended users
3. Describing the property, and any conditions that may be unusual for the assignment
4. Gathering comparable property data. Information is collected for similar properties that sold recently, including general characteristics of the various geographic areas
5. Identifying the [highest and best use](#) of property. Supply and demand studies may need to be performed
6. Estimating the value of the property

There are three approaches to estimating the value of a property – the [sales comparison approach](#), the [income](#)

[capitalization approach](#), and the [cost approach](#). The sales comparison approach is typical in commercial real estate appraisal and important to know.

## Sales Comparison Approach

1. Appropriate physical characteristics. For example – number of rooms or beds, number of loading docks, front feet, land area etc.
2. Terms of the lease/sale. For example – property rights conveyed (was the property leased or owner-occupied), financing terms, conditions of sale (was it arm's length), expenditures made right after the purchase, market conditions, location, physical characteristics, economic characteristics, use, and non-realty components of value
3. Qualitative or quantitative adjustments to the sales prices of the comparable properties based on terms of the lease/sale

So, the appraiser is required to find recent sales of similar properties located within the same general market as the property to be appraised and then research the terms of its sale or lease and analyze the physical characteristics to make meaningful comparisons and adjustments.

## Income Capitalization Approach

Future income may be capitalized using income from a single year (direct method) or a multi-year period (yield method).

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## The Return of Events Is Restarting Lancaster's Economic Engine continued from page 1

**“We help people feel safe through our enhanced cleaning processes, touchless faucets, water-bottle refilling stations, and hand-sanitizing stations which together helped us earn the Global Biorisk Advisory Council Star designation.”**

The [Lancaster Marriott](#) has helped to create and grow the market for large-scale events in Lancaster for different segments, especially religious groups such as Voice of the Apostles and Voice of the Prophets. Over time we built the business and credibility of the convention center as a destination and demonstrated our unique expertise that entices and encourages organizers to commit to return to Lancaster for future events.

As the market for big events slowly recovers, we're seeing strength in small- to medium-size religious, social, military, ethnic, fraternal, and educational events. We help people feel safe through our enhanced cleaning processes, touchless faucets, water-bottle refilling stations, and hand-sanitizing stations which together helped us earn the [Global Biorisk Advisory Council Star designation](#).

Our team has adjusted to the current environment, using what-if scenarios that achieve a balance of customer goals together with safety with the easing of pandemic restrictions. We use illustration software to help organizers visualize breakout rooms, dining options, and other activities can be safely configured. Our video walk-throughs show what eventgoers will see long before they arrive as our guests.

The tools, the planning, and the mindset are the product of a “customer for life” philosophy. We are seeking long-term business relationships over multiple years rather than short-term transactions. Our goal is to offer flexibility and options that provide an unsurpassed experience to the event planners and their attendees, and to demonstrate that we're in it with them for the long haul.

[Lancaster](#) is a draw for conferences and conventions because of the many quality stores, restaurants, arts, and other venues downtown, and due to its proximity to Philadelphia, New York, and Washington D.C. I have been proud to work beside Lancaster's leaders through the advisory board of the [Lancaster Office of Promotion](#) and the [Prima Theater](#) board. As the County's biggest hotel, our mission is to partner with the business community to generate demand.

We're gratified to be at about 65 percent of our 2019

## What People Are Saying

Convention center events “are very important not only to Blazin' J's but to everyone downtown.” Event goers “are going beyond King Street, they're exploring the rest of downtown too.”

Nicole Taylor, Owner, Blazin' J's Restaurant and Nicole Taylor Boutique

**“Thank goodness” for tourism and conventions.**

Crystal Weaver, Co-owner, Prince Street Café, Passenger Coffee & Tea, and Merrymaker Catering

**“The convention center is a fabulous facility for big events,” with ample room for people to spread out if they so desire.**

Diane Hoover, Co-chair, National Holstein Convention (LCCC event client)

**“Visitors returning to convention center and Marriott on Penn Square, boosting downtown”**

\*Mekeel, T., 2021, June 29, LancasterOnline,

[https://lancasteronline.com/business/local\\_business/visitors-returning-to-convention-center-and-marriott-on-penn-square-boosting-downtown/article\\_cef05ffc-d44f-11eb-84ec-83c36bd38eb5.html](https://lancasteronline.com/business/local_business/visitors-returning-to-convention-center-and-marriott-on-penn-square-boosting-downtown/article_cef05ffc-d44f-11eb-84ec-83c36bd38eb5.html)

employment capacity and adding more every day. While the impact of Covid to the \$112B hotel industry was far more severe than 9/11, we're optimistic that we'll return to 2019 level of business in the near future.

*Josh Nowak started with the Lancaster Marriott at Penn Square as Sales and Marketing Director when it opened in 2009.*

*Follow the hotel on Facebook [@LancasterMarriott](#),*

*Instagram [@lancastermarriottpennsquare](#),*

*and on Twitter [@LncstrMarriott](#).*



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## How to Avoid Common Mistakes in Commercial Real Estate Transactions continued from page 2

potential problems.

Lease reviews offer opportunities to negotiate provisions for various [costly, unexpected events](#) that might arise arising during a lengthy lease term.

### Confirm the Structural Soundness of the Commercial Property

Best practice is to have your engineer check the structural integrity of the commercial property. This is especially prudent when buying older properties. If you discover a structural problem after you purchase the asset, there can be no limit to the cost of repairs to make the building safe for occupancy. In comparison to the purchase price, what you spend to research the structural integrity of a building can be a bargain.

### Ensure Code Compliance

Whether buying or leasing, it is vital to know whether and how your intended use may differ from the previous occupant and what changes and renovations may be required. [Your architect](#) should review the building and make a recommendation based on an understanding of the current codes and how and when they are enforced. Municipalities may enforce code compliance when the commercial property changes hands, when it's put to a different use, and/or when it has been vacant. Municipalities can accommodate and assist you in putting a vacant property

back into use if you share your plans before committing to a lease or purchase.

### Select a Qualified Commercial Real Estate Professional

Your [real estate broker](#) plays the central role of managing the overall process and the activities of the qualified professionals working on your transaction. He or she needs to be experienced and have market knowledge, capable negotiation skills, sales skills, listening skills, and a positive attitude. At stake is a successful transaction that meets your expectations. Whether you are buying, selling, or leasing, find a broker who will be effective and active on your behalf.

*Ruth Devenney has extensive knowledge of land development, design, construction, 1031 exchanges, sales and leasing, and contract negotiations, and has handled countless brokerage, construction, and full-service transactions, including numerous build-to-suit projects.*



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## Chemistry and The Approaches to Value continued from page 3

1. Potential gross income. Estimate rental income plus any other potential income for the year
2. Vacancy and collection loss. Estimate and deduct from potential gross income to produce effective gross income
3. Total operating expenses. Subtract fixed and variable expenses and, possibly, a replacement reserve, from effective gross income to produce net operating income
4. Market-derived overall capitalization rate.

Apply to the net operating income to produce an indication of market value.

This approach is important to developing market value for leased properties because it measures the present value of the future benefits of property ownership. The property's income and reversion (the value of the property when it is sold after a specified holding period) is capitalized into a current lump sum value. However, it is only as good as the variables that are applied throughout the analysis. Factors such as the rent per square foot, vacancy, individual operating expenses, and the overall capitalization rate have a tremendous effect on the final value conclusion.

### Cost Approach

1. Improvement costs. The current costs to construct the improvements may be obtained from cost manuals, estimators, builders, and other contractors

2. Depreciation. For example – physical wear and tear, functional deficiencies, and external or economic issues. Influences of depreciation are provided through market research
3. Land value. Derived through the application of the sales comparison approach where sales of land similar to the subject were recently transacted

The cost approach usually provides an indication of value for the fee simple interest and may be a good indicator of market value for properties that are relatively new since the factors of depreciation are typically minimal. However, the cost approach is seldom the only approach to value that is developed particularly if the property is leased.

*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.*



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# From Controller to President:

*An Interview with David Aungst, President, High Hotels Ltd.*

**REM:** Tell us about yourself.

**David:** I grew up about a mile from High's corporate headquarters. I went to college for accounting while running a painting franchise to pay for college and in the process, I got the entrepreneurial itch. I knew I didn't want to go into public accounting, so after graduation, I worked for a painting franchise company for a year until I learned about the hotel business.

**REM:** How did you get your start in hotels?

**David:** A friend who worked at Marriott introduced me to their operation. It was fascinating. Their hotels run like small businesses. You're selling, servicing the business, you have finance and accounting in these hotels. That really appealed to me.

I started as an assistant controller in Washington, D.C., and spent 10 years in various financial positions in properties in the DC metro area, North Carolina, and Baltimore. In my last job with Marriott, I was on Renaissance brand team overseeing 27 hotels across the United States. That year I went on a mission trip to India and when I came back, I decided it was time for a change and that was the start of a two-year stint with a nonprofit prison outreach organization in Leesburg, Virginia.

**REM:** Why did you join High?

**David:** Several reasons. First, my mom was terminal with cancer, and I wanted to come to Lancaster for her. Also, Washington, D.C. was an expensive place to buy homes, and a hard place from the standpoints of commuting and a balance of work and life. At the time we had a one-year-old daughter, my wife was pregnant with our second, and we were ready to leave D.C.

I didn't know High owned hotels. I knew about High Steel and had followed the development of the Lancaster Marriott at Penn Square. A former colleague told me that High was looking for a controller and I was like, holy smokes, I'd love to get back into the industry. That sounds like a perfect fit for me.

**REM:** How did a controller become president of High Hotels?

**David:** I've had various people in my career tell me that, hey, you should be a hotel general manager, or you should do something on the leadership side. But I liked what I was doing at High Hotels. Then Mark Fitzgerald [President and COO, High Real Estate Group LLC] saw something in me, I guess. He was hiring a replacement for the regional director job and he had a sit-down with me and said, I think this is the direction that you should go. It was really him thinking outside the box. So, I made the change from controller to regional director which was and still is rare in the hotel world.



**REM:** Name some of the influences on your career.

**David:** I was lucky to have Charlie Perkins, the general manager at J. W. Marriott in Washington, as a mentor early on. He was always out on the floors, interacting with dignitaries and senators who would eat in our restaurants or attend meetings in the hotel and talking to the co-workers. That hotel had over 700 co-workers and he knew all their names, their stories at home, and their birthdays. That just made a huge impression on me from a leadership perspective. Another is Arne Sorenson, the late CEO of Marriott who took an unconventional path to his leadership role from attorney, to development, to CFO, and then to CEO. I still admire the way he communicated ideas, took chances, and was so authentic and cared for people. Last, Ken Blanchard wrote a book about servant leadership that had a huge impact on me.

**REM:** What is your mission?

**David:** Our mission is to own and operate a portfolio of profitable hotels that are recognized as great places to work and stay. There's a little play on words at the end because we certainly want our co-workers to remain with us, but we also want our guests to stay with us. And that "recognize" part is important because the Hilton and Marriott brands can recognize us, but also that co-workers recognize and feel positive about the company. We manage the financials so that we're profitable, make this a great place to work for our co-workers, and a great place to stay for our customers.

A big part of my role is to safeguard *The High Philosophy* of building trustworthy relationships and being innovative

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**From Controller to President** continued from page 6

leaders, and the unique culture that’s been developed within High Hotels over the past 30 years. I feel a deep responsibility to continue the work of the leaders before me.

**REM: With the pandemic receding, what challenges do you see ahead?**

**David:** Our first challenge is to climb the mountain of lost revenue that’s occurred in the industry. We are pursuing aggressive sales efforts to find new pieces of business, find projects, and gain market share to get back to 2019 revenue. The second is to build back our team. In April of 2020 we had only 15 percent of our 2019 co-workers still on staff. We’re close to 60 percent now and adding people every day. Many are former co-workers who love the company and love what they do have returned. The other day a co-worker at our Harrisburg Hampton Inn told me she’s just so happy to be back, that she loves the customers she serves, and working in the hotel.

Third, we are working on unit growth through ground-up and acquisition opportunities. We are intentional about our strategy, focusing on targeted markets within a four- to five-hour radius of Lancaster and being diligent in working through the process.

**REM: What do you love most about the hotel business?**

**David:** I care deeply about people. That was instilled in my DNA. We take care of our co-workers, treating the person that cleans the room the same way that we treat the CEO. And when you care for your co-workers, that translates to the customer.

Within our company we make decisions, change things, anticipate, and react nimbly to market opportunities.



Our co-workers feel that they are building and refining something important. We count on them to make decisions and then back them up. Personally, I like being able to put my fingerprints on something big and in this business, I do that every day.

*David Aungst joined High Hotels as a controller and advanced through management roles including most recently Vice President – Operations. He became President in October 2020. Previously he was Controller for Prison Fellowship Ministries and served in leadership roles in the Marriott International organization. He can be reached at 717.293.4558 or [daungst@high.net](mailto:daungst@high.net).*

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