HIGH REAL ESTATE GROUP LLC

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Real Estate Matters

In This Issue

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Downsized, Optimized: Why U.S. Shopping Spaces Are Shrinking

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

American retail spaces are shrinking, driven by a combination of changing economics, evolving consumer expectations, and a new understanding of what physical storefronts are meant to accomplish. For decades, the success of a brand was measured by how much square footage it controlled: the sprawling department store, the regional mall, the supercenter. Bigger meant visibility, power, and product selection. Today, success looks leaner, more intentional, and far more efficient. This is important because in 2025, physical retail still accounts for more than 77 percent of all retail sales (EY, June 2025).

The Cost Equation

From the retailer's perspective, one of the clearest drivers of this shift to smaller

continued on page 4

Data Centers and the Growing Demand for Energy

By: Sanjay Guglani – Chief Strategy Officer, High Company LLC

A Data Center (DC) is a facility that houses specialized computers (servers) designed to store data and process information. Every time we save files to the cloud or conduct a web search, the servers performing those tasks are located in a DC.

With both data creation and online activity rising exponentially, demand for DCs has surged. The United States is home to more than half of the world's data centers, and new facilities continue to be built to accommodate the growing need for computing power.

continued on page 3

President's Message

As we close the chapter on 2025 and step into 2026, I find myself reflecting on the remarkable resilience and transformation we've witnessed across the real estate landscape. This past year challenged us to rethink the role of physical spaces, sharpen our focus on sustainability, and embrace innovation in ways that will define the future of our industry.

Across sectors, we've seen trends that redefine what "space" means. Retail footprints are shrinking, not as a sign of retreat, but as a strategic evolution toward efficiency and customer convenience. Data centers are expanding at an unprecedented pace, reshaping energy demand and influencing development patterns. In hospitality, innovation has become a discipline, moving ideas from concept to optimization with precision and collaboration. And in construction, technology is bridging generational gaps, driving productivity, and enhancing safety through proactive systems and advanced tools.

These changes remind us that adaptability is not optional; it's essential. At High Real Estate Group, we embrace this reality with optimism. Our commitment to creating spaces that serve people and communities remains unwavering, even as the definition of those spaces evolves.

Looking ahead to 2026, the possibilities for our industry are inspiring. Together, we are not only navigating change but shaping it. I am confident that 2026 will bring opportunities to build stronger, smarter, and more connected places that enrich lives and strengthen communities.

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Building Safer Projects Through Preparedness and Innovation

By: Noah Ginder – Safety Specialist, High Company LLC

In construction, safety begins long before the first worker steps onto a job site. Most incidents don't occur because people are careless. They happen when risks aren't identified early enough or when systems to manage those risks aren't in place. That's why one of the most important steps we've taken as a company is developing a comprehensive contractor prequalification program. This initiative has shifted our approach from reactive to proactive, helping us minimize safety risks well before a project begins.

Our prequalification program evaluates a contractor's safety performance in measurable ways. Each company that High Construction Company (HCC) considers hiring receives a safety score based on several key factors, including injury rates, the strength of written safety and health programs, and its history of regulatory citations. We also look at leading indicators by asking site-specific safety questions during preinstallation meetings and verifying that workers are properly trained to perform their tasks safely.

By using this prequalification safety score, HCC can identify which contractors are aligned with our safety expectations and which may benefit from additional review and discussions. Preinstallation meetings are essential for clarifying responsibilities and ensuring safe work practices are understood before work begins. This process fosters transparency, accountability, and helps us build trustworthy relationships with contractors. Over time, it also motivates contractors to raise their own safety standards.

continued on page 8

Data Centers and the Growing Demand for Energy continued from page 1

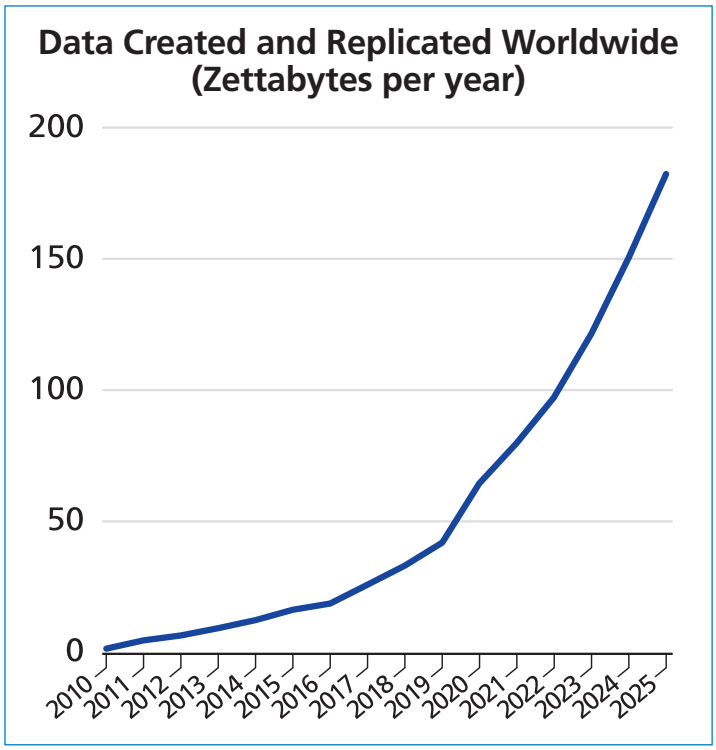
Scale and Real Estate Footprint

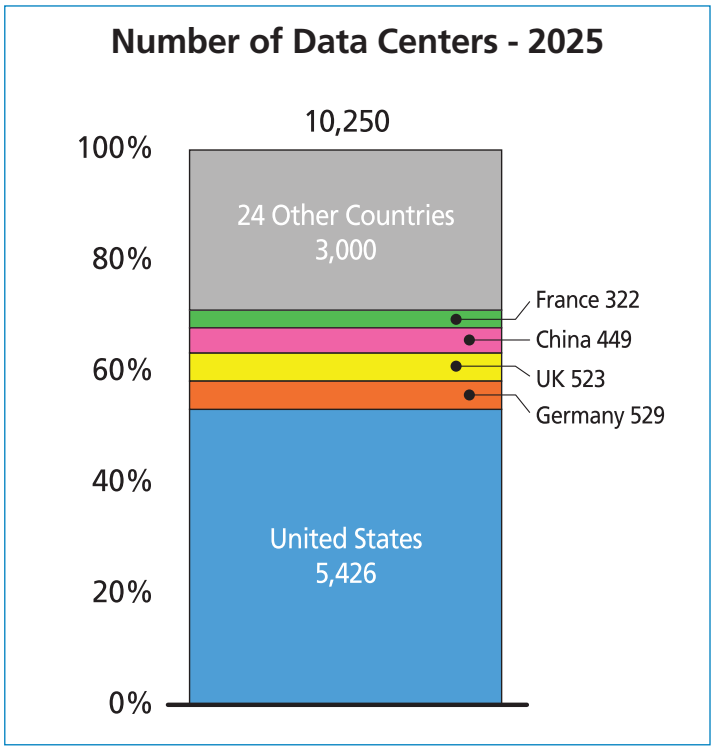
Large DCs are typically developed as multi-building campuses. A single 100-megawatt (MW) data center is approximately 300,000 square feet in size and often includes 6-10 buildings. The rent for a 100-MW DC is about $600,000 per day.

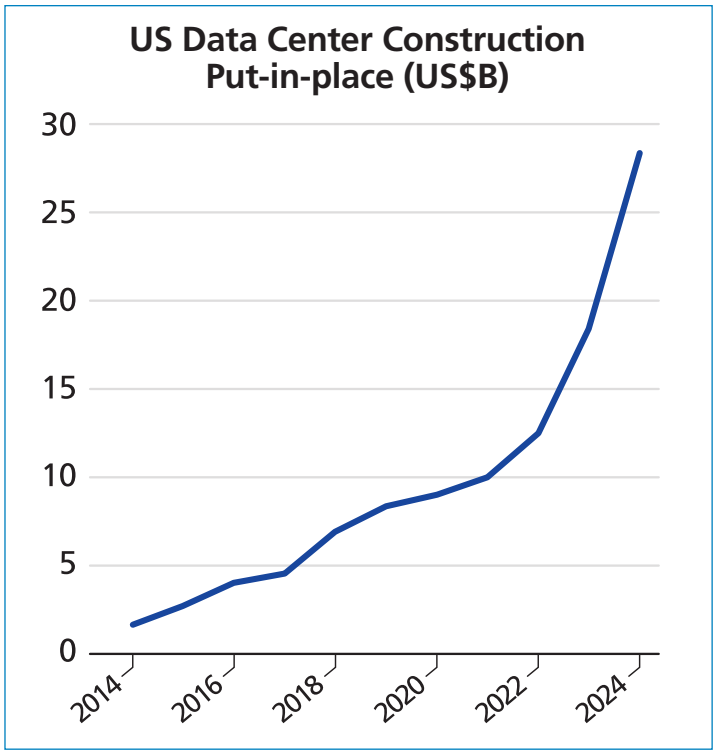
Northern Virginia: The Global Epicenter

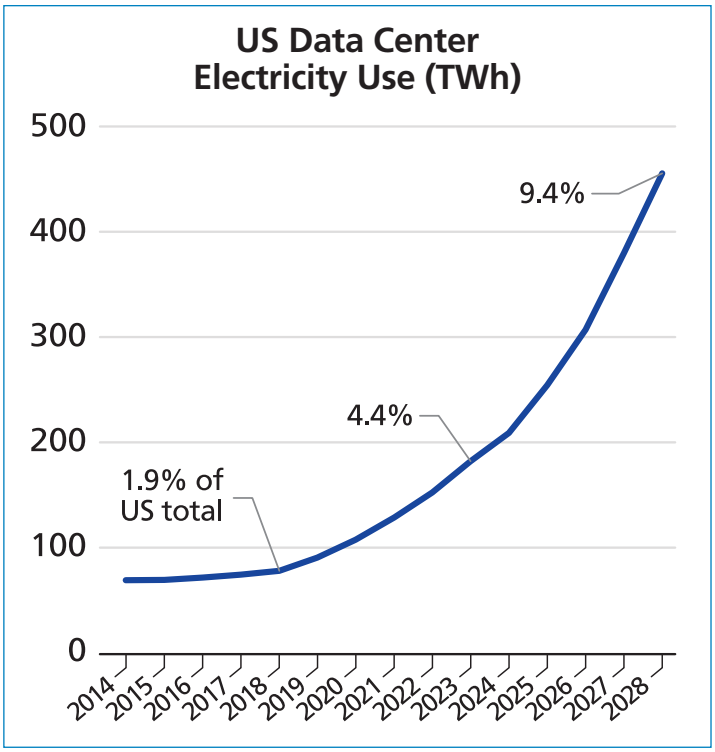
Northern Virginia hosts the highest concentration of data centers worldwide. The scale of this industry is reshaping the region's energy landscape, with data centers consuming more than 25%

continued on page 6









Downsized, Optimized: Why U.S. Shopping Spaces Are Shrinking continued from page 1

store size is cost. Large-format stores have become increasingly expensive to operate, with higher costs for construction, energy, and labor. The average U.S. retail store now spans approximately 10,051 square feet, which is a decline of about 4.4% from its previous peak of roughly 10,516. Smaller footprints reduce operating expenses, improve lease performance, and boost profitability per square foot. In an omnichannel retail environment, flexibility is an asset, and smaller footprints can be substantially more efficient.

Technology as a Space Saver

Advances in analytics and digital tools have made smaller stores more efficient, allowing retailers to be far more precise in both product assortment and store layout. Instead of stocking every possible item, stores increasingly curate what they know will sell in larger volume. Data eliminates guesswork, and a cleaner product mix means less back-room storage and fewer aisles. Efficiency, not size, is now the key metric. Broader selection is fulfilled online, but under the halo of the physical store.

Even for retailers not aggressively pushing online sales, digital experiences quietly influence physical footprints. Mobile payment, smart inventory tools, and improved distribution networks reduce the need for on-site product stock and allow store layouts to shrink while still meeting customer expectations. Technology reduces square footage without sacrificing customer access.

"Mobile payment, smart inventory tools, and improved distribution networks reduce the need for on-site product stock and allow store layouts to shrink while still meeting customer expectations."

The Customer's Perspective

Consumers themselves are pushing the trend. Shoppers increasingly gravitate toward convenience — whether through smaller neighborhood formats, curbside pickup, or quicker checkout processes. A targeted selection in a smaller footprint helps customers get what they need without navigating endless aisles or spending extra time searching. In this context, smaller doesn't feel like a downgrade; it feels like respect for the shopper's time.

The shift in store size is also connected to broader changes in how Americans live and the continued growth of mixed-use real estate projects. As urban areas densify and suburban development focuses on mixed-use, retail has adapted. Storefronts integrated into walkable commercial districts require smaller, more efficient layouts. These formats bring brands closer to where people live and work, replacing the reliance on massive, freeway-adjacent superstores.

The New Role of Physical Retail

What emerges from the retailer and customer perspective is a clearer picture of what physical retail is becoming. Stores are evolving into role-players rather than do-everything destinations. Some will focus on convenience, some on experience, and others on localized relevance. In each case, success does not depend on having the most aisles or the largest backroom but on aligning the footprint with the store's purpose.

"As retail space becomes smarter and leaner, shoppers benefit from environments designed for speed, clarity, and comfort."

A Strategic Future

Smaller stores can open in more locations, serve specific needs, and operate with greater efficiency. They amplify what physical retail uniquely provides: human interaction, tactile experience, immediacy, and brand presence. Stores shed what the digital marketplace already handles better, while reinforcing the breadth of offerings online from a trusted e-commerce retailer.

Retail in America has always adapted to lifestyle changes. Today's downsizing trend is not a decline; it is refinement. As retail space becomes smarter and leaner, shoppers benefit from environments designed for speed, clarity, and comfort. Brands benefit from real estate investments that perform more consistently. Communities benefit when right-sized stores integrate more naturally into populated and walkable settings. The next generation of shopping spaces is built on flexibility, data-driven design, and a sharper understanding of what customers truly need from a store visit.

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Navigating the Journey from Concept to Implementation to Optimization

By: David Aungst – President, High Hotels Ltd.

In today's hotel operating environment, multi-unit owners and operators are constantly evaluating their properties to identify opportunities that enhance guest experience, streamline operations, or drive incremental revenue. The ability to move an idea from concept to implementation and ultimately to optimization across a portfolio of properties is a challenging undertaking.

Strong concepts are the foundation of success. In hospitality, ideas often emerge from guest feedback, competitive benchmarking, or the brands themselves (e.g., Hilton, Marriott, IHG). However, not every idea is worth pursuing. The most impactful concepts are those that drive meaningful value to the profit and loss statement (P&L), the guest, and/or the coworker.

Collaboration is key to development. Engaging cross-functional teams, including operations, technology, and finance, early ensures that concepts are evaluated from multiple perspectives. This collaboration surfaces critical questions, builds alignment, and generates momentum.

Execution requires precision. Once validated, a concept must be carefully implemented. Hospitality initiatives often touch multiple stakeholders (e.g., front of house, back of house, guests, etc.) making planning essential. A phased rollout, beginning with a pilot property, allows teams to test assumptions, refine processes, and gather early feedback.

Training is critical. Frontline coworkers must understand not just the "how" but also the "why" behind new initiatives. Today's workforce expects to have a voice in the process. Clear communication, hands-on support, and visible leadership foster engagement and enthusiasm.

Optimization ensures long-term impact. Implementation is not the finish line. Measuring performance against key metrics such as guest satisfaction, revenue impact, operational efficiency, and employee engagement guides refinement. For multi-unit owners or operators, scalability is critical. Once optimized, successful initiatives can be extended across the portfolio.

Innovation is a discipline, not an event. Moving ideas from concept to implementation to optimization requires a culture that embraces experimentation and continuous improvement. By embracing this mindset, hospitality leaders can transform ideas into lasting value for guests, coworkers, and owners alike.

"The most impactful concepts are those that drive meaningful value to the profit and loss statement (P&L), the guest, and/or the coworker."

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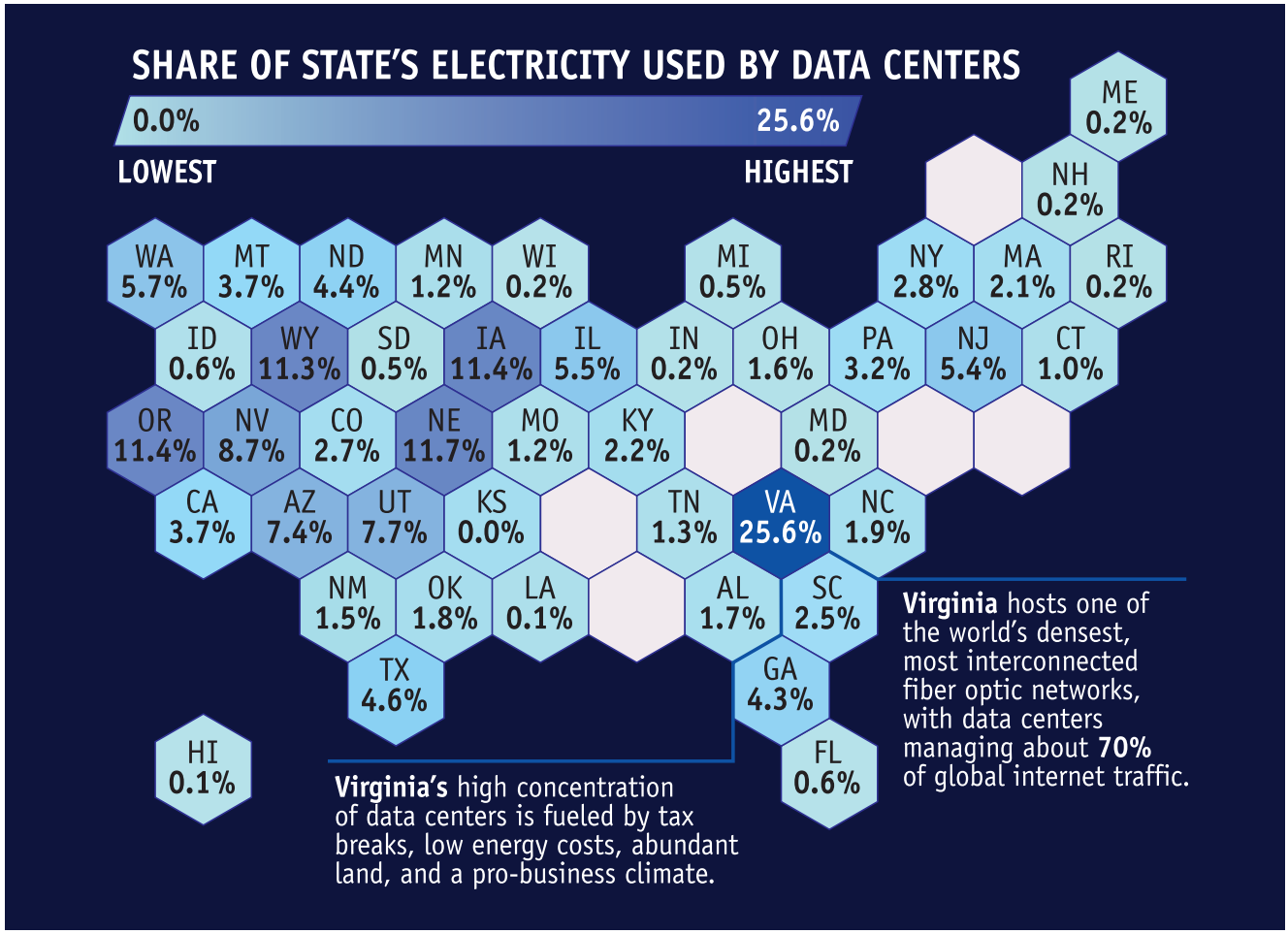
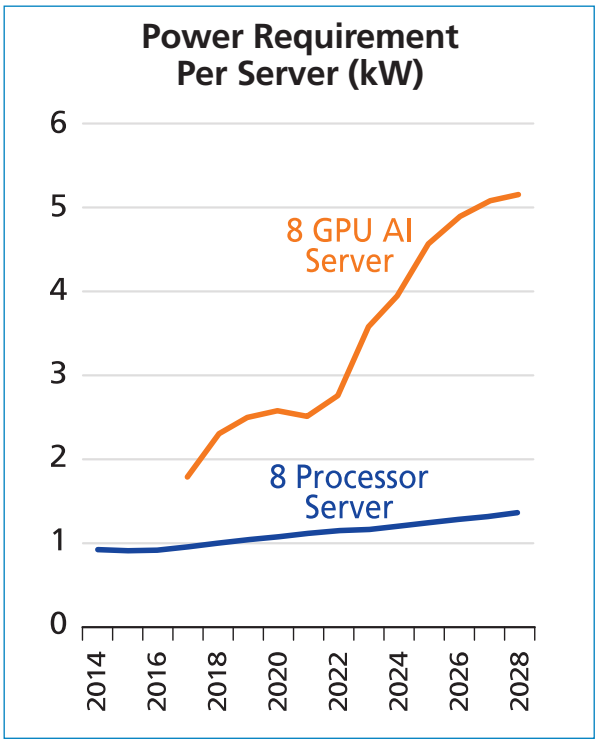
Data Centers and the Growing Demand for Energy continued from page 3





of Virginia's electricity. The state is struggling to expand power supply quickly enough, with new facilities facing wait times of up to seven years for electrical connections.

The AI Effect

Artificial Intelligence (AI) has supercharged the demand for DCs. AI servers consume significantly more energy than traditional servers. For perspective, an average ChatGPT query uses about 3 watt-hours of electricity, compared to just 0.3 watt-hours for a Google search.

The industry recognizes its energy-intensive nature and is investing heavily in efficiency. Advances in server design, chip technology, and AI model optimization aim to reduce power consumption while meeting the growing demand for digital services.

Sources: Red Gate, Statista, Visual Capitalist, Lawrence Berkeley National Lab, Electric Power Research Institute

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AI Series: How Technology is Reshaping Construction

By: Scott Hess – Vice President of Information Services, High Company LLC, and Brittani Trimmer, Virtual Design Manager, High Construction Company

The construction industry faces a pressing challenge: an aging workforce and the retirement of experienced Baby Boomers. This loss of expertise has impacted productivity, while the architecture, engineering, and construction (AEC) sector has lagged behind other industries in adopting new technology. High Construction Company (HCC) has spent the past five years exploring solutions that bridge this gap.

Adoption of cloud-based project management software

Most construction firms in the post-pandemic era have recognized the benefits of cloud-based plans and specifications, equipping site teams with iPads instead of bound specification books and hundreds of drawing pages.

Replacing binders and paper reports with platforms like Procore and Construction Cloud has transformed collaboration. Real-time sharing of costs, requests for information (RFIs), and submittals has boosted efficiency, with HCC reporting a 40% productivity increase.

Additionally, integration with Enterprise Resource Planning (ERP) systems ensures seamless communication across clients, trade partners, and project teams.

Utilization of Artificial Intelligence

High Construction Company has gained access to vast amounts of project data through Procore, but the challenge has been turning that data into actionable insights. With increasingly complex projects, managers cannot afford to spend hours tracking open requests for information or average response times from design teams, even though this information is critical for managing client expectations.

To address this, High Construction Company joined a closed beta test integrating Copilot with Procore. This tool streamlined access to project data, eliminating the need for manual reports and guiding new users through Procore's features. Now, teams can quickly answer practical questions such as "When was the first window delivery?" or "Which meeting addressed this change?" By reducing time spent searching through records, Copilot allows project teams to focus more on delivering results.

Embracing drones and 360-degree cameras

Advanced documentation has had the greatest impact on High Construction Company's ability to manage complex projects. In the past, teams spent hours taking photos that often lacked context. Today, 360-degree cameras paired with reality capture software provide precise, high-value data at low cost.

"Drones further enhance efficiency by surveying building envelopes, conducting thermal testing, and supporting accurate estimating, such as calculating soil removal or measuring large areas for seeding."

This technology not only improves documentation but also enables comparisons to building information models, accurate measurement of hidden elements, and automated schedule analysis from simple site walks.

Drones further enhance efficiency by surveying building envelopes, conducting thermal testing, and supporting accurate estimating, such as calculating soil removal or measuring large areas for seeding. Together, these tools streamline data into a single platform, improving accuracy and saving valuable time.

Building great teams with technology

For High Construction Company, technology is not just about tools. It is about strengthening relationships between field and office teams, clients, and partners. By embracing innovation, the company is closing the gap between workforce challenges and project complexity, positioning itself at the forefront of construction's digital transformation.

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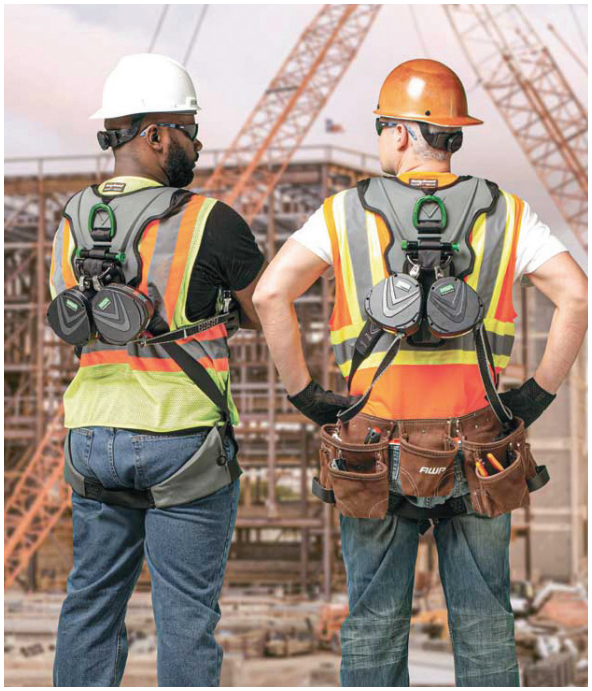
Building Safer Projects Through Preparedness and Innovation continued from page 2



Of course, paperwork alone doesn't prevent injuries. The goal is to ensure every worker who enters one of our sites is backed by a company that takes safety as seriously as we do. Prequalification gives us the confidence that the people on our job sites have strong systems supporting them, from training to supervision to emergency preparedness.

One area where preparation is critical is fall protection. Falls remain one of the leading causes of serious injuries in construction, and response time often determines whether a worker walks away safely or faces life-altering consequences. That's why more companies across the construction industry are beginning to incorporate self-rescue fall protection systems.

Unlike traditional fall arrest setups, self-rescue devices allow a worker who has fallen to lower themselves to safety instead of hanging in suspension while waiting for help. This can dramatically reduce rescue times and help prevent suspension trauma, which can occur within minutes. The use of these devices adds another layer of protection for workers who rely on fall protection every day. It's a great example of how innovation in safety equipment is saving lives and limbs.

Technology is also transforming how we manage safety on a daily basis. One platform that's been a game-changer for HCC is Procore, a cloud-based construction management platform that helps teams streamline project planning, collaboration, and documentation throughout the entire construction lifecycle. We've integrated our safety processes into Procore to make reporting, inspections, and corrective actions more efficient and transparent. Coworkers in the field can log safety observations directly from their phones, attach photos, and immediately share information with everyone on the job.

What unites our prequalification program, self-rescue equipment, and digital safety management is a commitment to preparedness. Some tools help us prevent incidents from happening in the first place, while others ensure we're ready to respond quickly and effectively when something unexpected happens.

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