

LEHIGH VALLEY, PA

COMMERCIAL REAL ESTATE REPORT

Issue #34

FOOD & BEVERAGE
MANUFACTURERS

SAVOR THE LEHIGH VALLEY

THE WATERFRONT

New Offices Open Along
Allentown's Waterfront

SNAPSHOT:

Lehigh Valley
Real Estate Market

LEHIGH VALLEY WORKS

The Latest Labor
Market Indicators

& MORE

Lehigh Valley

ECONOMIC DEVELOPMENT

MADE IN
**Lehigh
Valley**
PENNSYLVANIA

Q3
2023

Lehigh Valley Economic Development Corporation (LVEDC) prepares a series of quarterly reports about the commercial real estate climate in the Lehigh Valley. This report focuses on the region's office, industrial, and flex markets.

ABOUT LEHIGH VALLEY, PA

Located 60 minutes north of Philadelphia and 90 minutes west of New York City, the Lehigh Valley is the nation's 69th largest metropolitan region and Pennsylvania's third most populous. And it's growing. The Lehigh Valley's economic output is larger than two states, and its manufacturing sector ranks among the top 15% of the nation's markets. In 2022, the Lehigh Valley ranked No. 2 among U.S. mid-sized regions for development.

694,800
Population



50 million
Within 200 miles

\$50.2 billion
GDP (2022)



336,600

Employed in the Lehigh Valley

11

Colleges &
Universities



3

Technical
Schools



3

International Airports
within an hour's drive

"If you're swigging a Samuel Adams beer, munching on Stuffed Puffs, or pouring preservative-free Freshpet into your dog's bowl, you and Rover are experiencing a taste of Lehigh Valley, Pennsylvania. The Lehigh Valley has become a major center for producing beverages and food - including some of the world's most iconic brands."



Don Cunningham
President & CEO

MARKET OVERVIEW: Q3 2023

With more than 1 million square feet of new industrial and flex space coming online in the third quarter of 2023, the Lehigh Valley now has more than 151 million square feet of space.

Another 2.7 million square feet is under construction. The vacancy rate is 4.3%.

The cost of space is up 4.7% compared to the third quarter of 2022, though industrial and office rental rates remain lower than in the Philadelphia suburbs and northern and central New Jersey.

There are some signs that the industrial market is stabilizing since industrial demand surged during the pandemic. In the second half of 2023, the inventory under construction was growing at a slower pace and rent was nearly stagnant from the second to third quarter.

Interest in the market remains high.

Among the biggest real estate transactions in the third quarter was Stag Industrial Holdings' \$34.2 million purchase of three industrial buildings totaling more than 222,000 square feet in the Iron Run Corporate Center in Upper Macungie Township.

Also, a former pharmacy building in Bethlehem Township was sold and will be renovated into a testing space for Deibel Laboratories, an international firm whose services include food safety testing and food safety training for manufacturers, according to *Lehigh Valley Business*.

Food and beverage production makes up the biggest sector of the region's manufacturing sector, which is among the top 15% in the nation. The Lehigh Valley's more than 700 manufacturers produce an annual output of \$8.1 billion.

The portfolio of office space in the Lehigh Valley has remained roughly level at 29.4 million square feet. The amount of new construction has accelerated, with 37,575 square feet of office space in development. The vacancy rate is 7.9%.

Carroll Engineering, a large consulting engineering, planning, and surveying firm in the Greater Philadelphia area, expanded into the Lehigh Valley by opening an office in Easton.

"This expansion is a testament to our dedication to better serve our valued clients in the Lehigh Valley and Northampton County regions while also enhancing our presence in this vibrant community," Carroll Engineering said in a statement.

SNAPSHOT

LEHIGH VALLEY COMMERCIAL REAL ESTATE MARKET

MARKET SUMMARY

INDUSTRIAL/FLEX 151.2 Million SF

Q3 Vacancy	4.3%
Q3 Average Asking Rent (NNN)	\$9.09
Rent Change from Q3 2022	4.7%
2023 Deliveries	3,646,490 SF
2023 Net Absorption	1,649,436 SF
Under Construction	2,713,529 SF

OFFICE 29.4 Million SF

Q3 Vacancy	7.9%
Q3 Average Asking Rent (NNN)	\$16.61
Rent Change from Q3 2022	5.8%
2023 Deliveries	164,105 SF*
2023 Net Absorption	212,112 SF*
Under Construction	37,575 SF

Source: CoStar; *Includes The Waterfront office building in Allentown. Note: Lehigh Valley is defined as Lehigh and Northampton counties.

RENT COMPARISON

Lehigh Valley	\$10.38
Northern New Jersey	\$18.55
Central New Jersey	\$17.21
Southeastern Pennsylvania	\$11.55

Lehigh Valley	\$23.11
Northern New Jersey	\$33.35
Central New Jersey	\$28.72
Suburban Philadelphia	\$29.54

Source: CBRE Q3 2023. The industrial rates reflect NNN per square foot. The office rates are full-service rents per square foot. Note: Lehigh Valley is defined as Berks, Lehigh, and Northampton counties.

NOTEWORTHY PROJECT

THE WATERFRONT



Courtesy of The Waterfront Development Co.

The Waterfront, a \$425 million development along the Lehigh River in Allentown that will include multiple office buildings, recently celebrated the opening of the first building.

Six Fifteen Waterfront has 109,620 square feet of Class A office space and 14,813 square feet of retail space over six floors. Floor-to-ceiling windows offer sweeping views of the river. The complex is being developed by The Waterfront Development Co.

INDUSTRIAL SPOTLIGHT

Industrial demand in the Lehigh Valley spiked during the pandemic, prompting a flurry of construction and rising rent. In the second half of 2023, the inventory under construction was growing at a slower pace, and rent was nearly stagnant from the second to third quarter. Rent is still less than nearby metro markets.

Quarter	Industrial Rent Per SF	SF Under Construction
Q2 2021	\$6.93	7,057,912
Q3 2021	\$8.12	5,934,742
Q4 2021	\$7.70	5,992,884
Q1 2022	\$7.86	6,454,655
Q2 2022	\$7.84	6,374,016
Q3 2022	\$8.68	7,268,095
Q4 2022	\$8.64	4,801,220
Q1 2023	\$8.59	4,959,282
Q2 2023	\$9.05	3,962,026
Q3 2023	\$9.09	2,713,529

Source: CoStar

SAVOR THE LEHIGH VALLEY

If you're in the Northeastern United States and swigging a Samuel Adams beer, munching on Stuffed Puffs, or pouring preservative-free Freshpet into your dog's bowl, you and Rover are experiencing a taste of Lehigh Valley, Pennsylvania.

Long a major center for industrial manufacturing, this two-county region, anchored by the cities of Allentown, Bethlehem, and Easton, has become a major center for producing beverages and food – including some of the world's most iconic brands – for people and pets.

The Lehigh Valley's access to agricultural areas, abundance of fresh water and natural resources, and proximity to major East Coast population centers have long made it an ideal location for food and beverage manufacturing, with employment growing at a faster rate than the nation. Lehigh Valley is the birthplace of the U.S. organic food movement and home to an innovation campus for growing food and beverage companies.

At the end of the third quarter, about a fifth of the economic development prospects considering the Lehigh Valley for a business location are in the food and beverage industry. A nearly 180,000-square-foot food manufacturing and storage facility has been proposed in Hanover Township, Northampton County, that could employ up to 240 workers in a 24-hour operation.

Employment in food and beverage production has increased by about 40 percent in the last decade, to about 6,800 people. Nearly half of all dog and cat food production jobs in Pennsylvania are in the Lehigh Valley.

On land where the spines of skyscrapers and battleships once streamed out of Bethlehem Steel, produce is now being grown by Bowery Farming, the largest vertical farming operation in the nation. Not far away, the famous Peeps that fill Easter baskets are made at Just Born candies.

Joining Boston Beer in making drinks are Ocean Spray, Keurig Dr Pepper, and a large Coca-Cola facility.

Joining Freshpet in feeding cats and dogs are Nestle Purina and Spot & Tango, another producer of preservative-free gourmet pet meals that recently relocated from Brooklyn, N.Y.

The diverse range of production includes Bakery/Norac Foods, a French maker of baked pasta and frozen desserts, and Bimbo Bakeries, the world's largest bread maker.

None of this happened by accident.

Forward-thinking leaders laid the groundwork in the 1980s when they invested in a multi-million-dollar pre-treatment wastewater facility on a cornfield near Allentown. It ensured there would be infrastructure that attracted a cluster of food and beverage producers that needed specialized treatment for waste output.



"It was like an onion. Every time we peeled back a layer, we saw another advantage to choosing the Lehigh Valley."

- Daniele Negri, Project Manager, Travaglini

That infrastructure was a crowning asset for a region flush with available land and water, a large and skilled manufacturing workforce, and a desirable location.

The Lehigh Valley sits amid an Interstate highway system that reaches both the ports of Philadelphia and New York in about one hour. One-third of U.S. consumers are within a day's drive of the Lehigh Valley. A truck can be north of Boston, south of Richmond, Va., and west of Pennsylvania into Ohio and the Great Lakes regions within six hours.

The economics of making things and moving them to market quicker and cheaper are the cornerstones of growing a production center.

Most recently, a unique innovation and investment center has been added to the equation. Food industry entrepreneur Richard Thompson, who helped to grow the Meow Mix brand, Freshpet, and the American Italian Pasta company, put down roots with Factory, a food industry accelerator at a former Bethlehem Steel facility. The \$250 million fund invests in food and beverage producers in the \$3-to-\$15 million range, takes a majority position, and then brings them into the specialized facility.

Once there, company leaders enter an MBA-like program of training and development in everything from product creation, packaging, distribution, marketing, and finance and administration. Test kitchens, tasting sessions, and simulated facilities are available in a cutting-edge growth center.

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Ocean Spray, known for their cranberry juices, makes **42%** of its products in the Lehigh Valley.

Bowery Farms, the nation's largest vertical farming operation, built a facility on former Bethlehem Steel property.

Just Born, the maker of Peeps, celebrated **100 years** in business this year.

Keurig Dr. Pepper won *Food Engineering Magazine's* **2021 Plant of the Year** for its Lehigh Valley facility.



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One of Factory's early investments, Stuffed Puffs, hit big and moved into a large manufacturing facility just north of Bethlehem. Founder Michael Tierney developed a process to inject chocolate inside a marshmallow, short-circuiting the process of constructing a s'more.

Building off that innovation, Stuffed Puffs has partnered with other major national brands like Cinnamon Toast Crunch to make new varieties of the product and seasonal lines for Halloween and Christmas. Stuffed Puffs now rival the Peeps and Mike & Ike and Hot Tamale candies of Just Born made just a few miles away as some of America's best-known treats.

An ecosystem of other businesses that feed off the food and beverage industry has since developed in the Lehigh Valley. The region recently attracted a new testing facility operated by the international firm Deibel Laboratories, which performs food safety testing and food safety training for manufacturers.

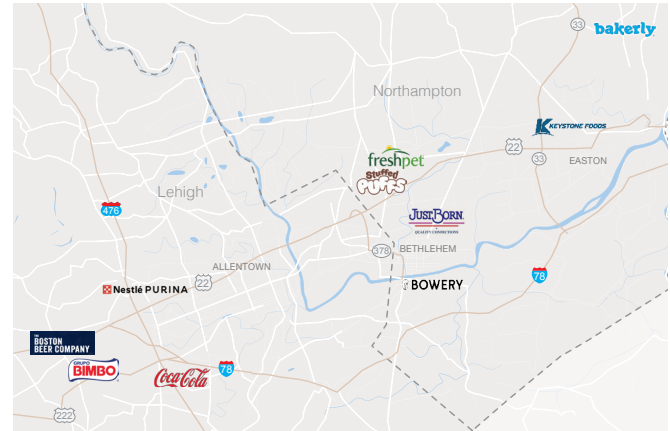
From Follett, which makes ice containers and beverage dispensers, to Travaglini, which produces meat curing equipment, businesses from around the world have acquired the taste for the Lehigh Valley.



Chan and Chan (USA) Inc., a Brooklyn-based manufacturer of frozen Chinese Foods in the U.S., moved to Bethlehem in 2018 and has been expanding the facility.

LEHIGH VALLEY: A SWEET SPOT FOR MAKERS OF FOOD AND DRINKS

Food and beverage production makes up the largest component of Lehigh Valley's manufacturing sector, which collectively produces an economic output of \$8.1 billion annually.



NOTABLE SALES

Address	Price	Buyer	Class
6690 Grant Way, Upper Macungie Twp.	\$14,347,000	Stag Industrial Holdings LLC	Industrial
736 Snowdrift Road, Upper Macungie Twp.	\$11,600,000	NE Light Industrial LL LLC	Industrial
6670 Grant Way, Upper Macungie Twp.	\$11,285,000	Stag Industrial Holdings LLC	Industrial
1820 E. Race St., Hanover Twp., Lehigh	\$8,800,000	Bendeal Associates	Industrial
7072 Snowdrift Road, Upper Macungie Twp.	\$8,541,000	Stag Industrial Holdings LLC	Industrial
969 Postal Road, Hanover Twp., Lehigh	\$11,600,000	NE Light Industrial LL LLC	Industrial
7035 Schantz Road, Upper Macungie Twp.	\$5,200,000	7035 Schantz Road AAMPA LLC	Industrial
215-301 S. Fourth St., Emmaus	\$2,300,000	South Mountain Holdings	Industrial

NOTABLE LEASES

Property	SF	Tenant	Class
7345 Airport Road, Hanover Twp., Lehigh	452,400	Midea	Industrial
8000 Quarry Road, Lower Macungie Twp.	181,035	Johnstone Supply	Industrial
2411 N. Kistler Court, Weisenberg Twp.	105,000	Amcor Ridge Packaging	Industrial
4444 Innovation Way, Hanover Twp., Northampton	75,000	Just Born	Industrial
2500 Emrick Boulevard, Bethlehem Twp.	50,000	Hawe	Industrial
2843 Mitchell Ave., Allentown	50,000	Party Bargains	Industrial

Sources: CoStar, Property Records, Published Reports, LVEDC Research

LEHIGH VALLEY WORKS

Beverage Production employment is **3.8 times the size** of the typical U.S. region.¹



Pet Food Manufacturing jobs make up **40% of PA's employment** in the industry.¹



The Lehigh Valley ranks among the nation's **Top 20 "Candy Capitals."** Home to Just Born Peeps and Stuffed Puffs, the region has a high concentration of candy-making employment.²



COMPETITIVE LEHIGH VALLEY³ Real-Time Median Annual Wages

	Lehigh Valley	NYC/Newark Metro	Suburban Philadelphia
Packaging Operators	\$36,100	\$41,200	\$37,400
Bakers	\$29,100	\$35,400	\$31,200
Industrial Maintenance Mechanics	\$56,300	\$59,100	\$59,500
Truck Drivers	\$57,700	\$56,200	\$62,400
Forklift Drivers	\$42,400	\$37,800	\$41,800

Sources: ¹ Chmura Economics JobsEQ, 2023 Q1, ² National Retail Federation, ³ Chmura Economics JobsEQ, job postings for Q3 2023

Lehigh Valley

ECONOMIC DEVELOPMENT

Our Mission

The mission of the Lehigh Valley Economic Development Corporation is to market the economic assets of the Lehigh Valley and to create partnerships to support the recruitment, growth, and retention of employers and the creation of jobs for people of all skill and education levels.

Our Vision

Our vision is of a diverse Lehigh Valley economy that provides economic growth and opportunity for people of all skill and education levels and strengthens all our cities, boroughs, and townships.

Our Location Advantage



520 N. New St., Bethlehem, PA 18018
Phone: 610-266-6775 • Fax: 610-266-7623

lehighvalley.org

