

LEHIGH VALLEY COMMERCIAL REAL ESTATE REPORT

OFFICE MARKET

One of the core principles of the Lehigh Valley Economic Development Corporation (LVEDC) is to serve as the leading source of economic data and market intelligence on the Lehigh Valley's economic assets and resources to serve our economic strategies, marketing efforts and the needs of our stakeholders.

To that end, LVEDC is preparing a series of quarterly reports about the real estate climate in the Lehigh Valley, with future editions focusing on industrial and flex/warehouse markets.

This report will focus on the region's office market, providing data on pertinent industry statistics.

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Q1 2015



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MARKET SUMMARY

	2015 1Q	2014 4Q	2014 1Q
Total Rentable Building Area (RBA)	24.25M SF	24.25M SF	24.01M SF
Vacancy %	11.87%	12.16%	11.02%
Net Absorption	69K SF	12K SF	30K SF
Total Average Rate	\$19.82	\$19.76	\$19.72
RBA Under Construction	216K SF	216K SF	296K SF
RBA Delivered	0 SF	0 SF	66K SF

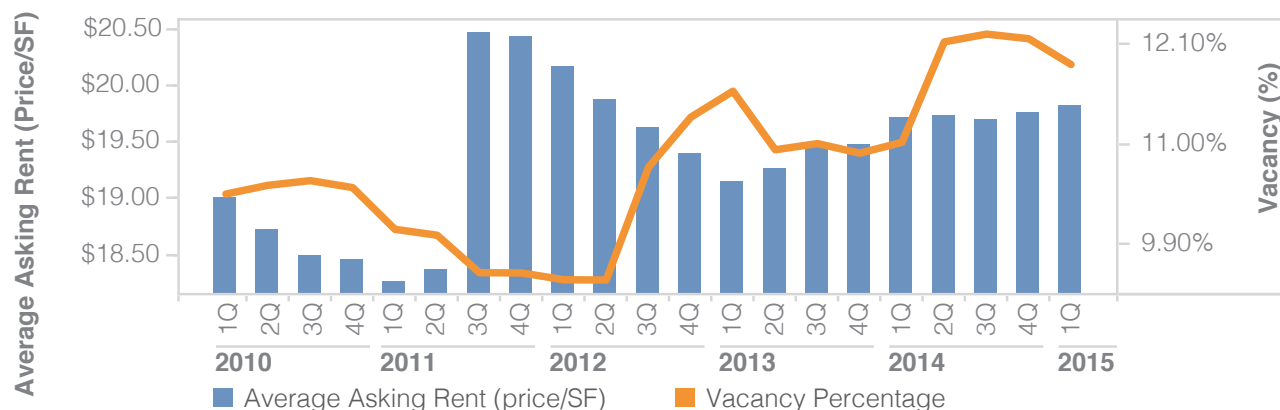
OFFICE SPACE MARKET

BUILDING CLASS	A	B	C	Combined
Number of Buildings	50	567	708	1325
RBA	5.66M SF	12.29M SF	6.30M SF	24.25M SF
Average Percent Leased	84	92	94	93
Average Age (Years)	18	60	81	70

CURRENT CONDITIONS

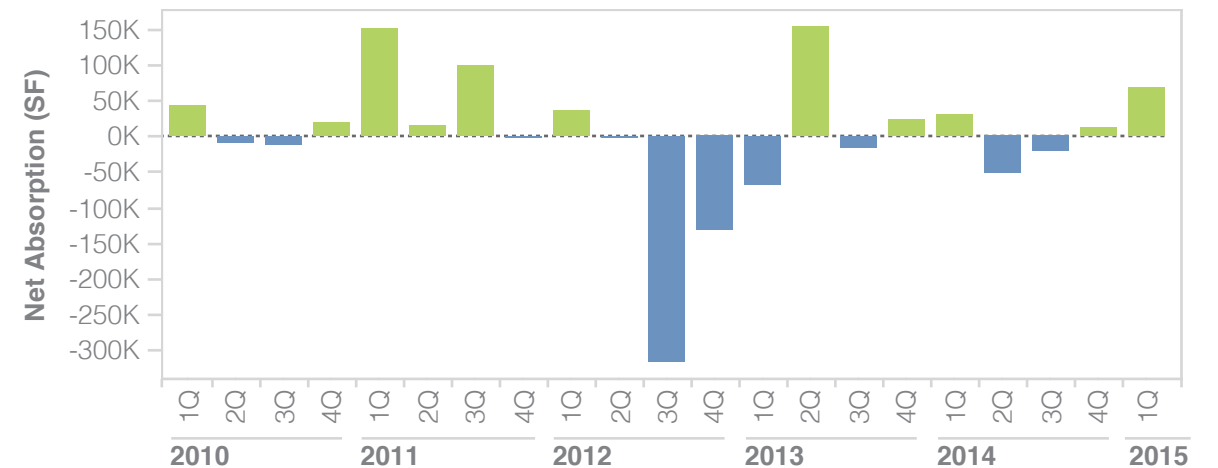
- National office vacancy rate is 15.8% and expected to remain at that level through 2016
Source: NAR/Reis
- The Lehigh Valley office market overall vacancy is 11.8% and varies slightly by class of property
- Office vacancy rates are trending lower, while average asking rents are improving slightly
- Improving net absorption, planned construction, and redevelopment opportunities are favorable indicators for supply and demand

ASKING RENT AND VACANCY

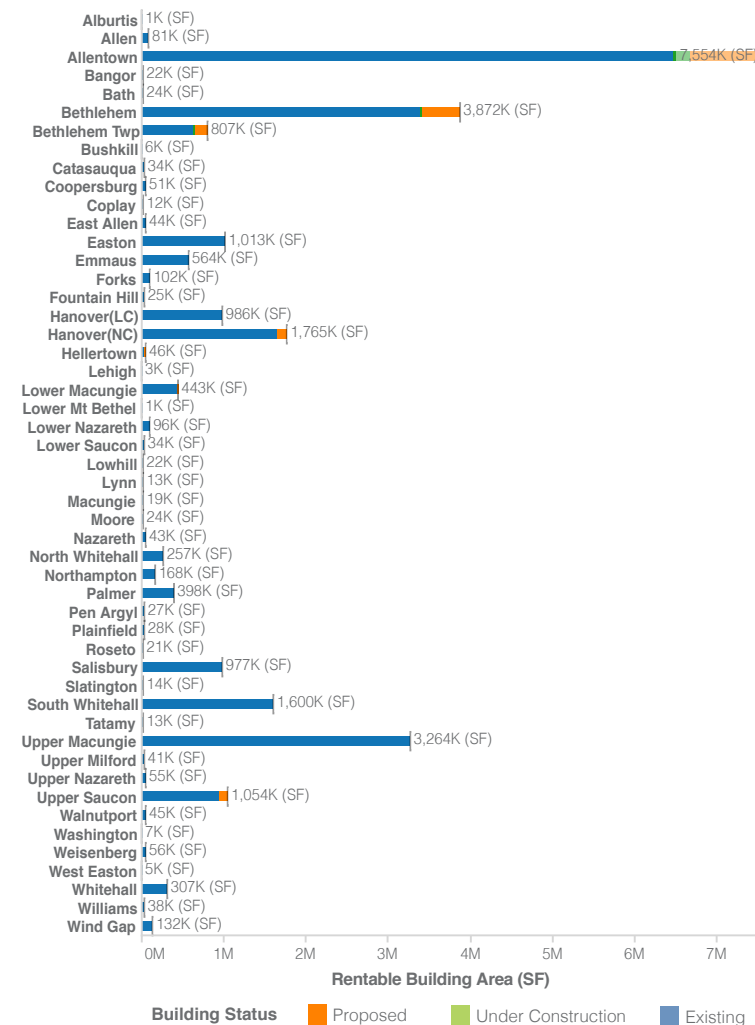


Source: The statistical analysis in this report has been conducted using information from Costar, the largest and most comprehensive database of commercial real estate information.

NET ABSORPTION



DISTRIBUTION OFFICE SPACE



Source: Lehigh and Northampton County Real Estate Tax Records, LVEDC

BROKER PERSPECTIVE

We haven't seen these many positive signs in the region's office market in years. Continuing job growth and a relative lack of new construction, other than in downtown Allentown, has supported a long-awaited increase in office rents for many owners.

Though there is still a significant amount of office space that is languishing unoccupied, the competition from tenants for top-quality office space is strong as the recovery gains momentum. Because of this, we are beginning to see developers move closer to starting construction on new offices.

In 2015, the outlook remains positive, and the Lehigh Valley office market looks to benefit from stronger job growth.

Jody King
Vice President
CBRE

Q1 2015 COMMERCIAL / INDUSTRIAL SALES TRANSACTIONS OVER \$1M

1110 American Pkwy NE

\$34,000,000



Photo Credits: Lehigh Valley Economic Development Corporation

3570 Hamilton Blvd

\$2,800,000



BROKER PERSPECTIVE

In addition to offering very attractive solutions in the NIZ and the CRIZ, the Lehigh Valley Office Market has shown in recent months that the suburbs are still very viable and attractive alternatives for small and large office users alike.

Philip M. Schenkel
Vice President
Jones Lang LaSalle

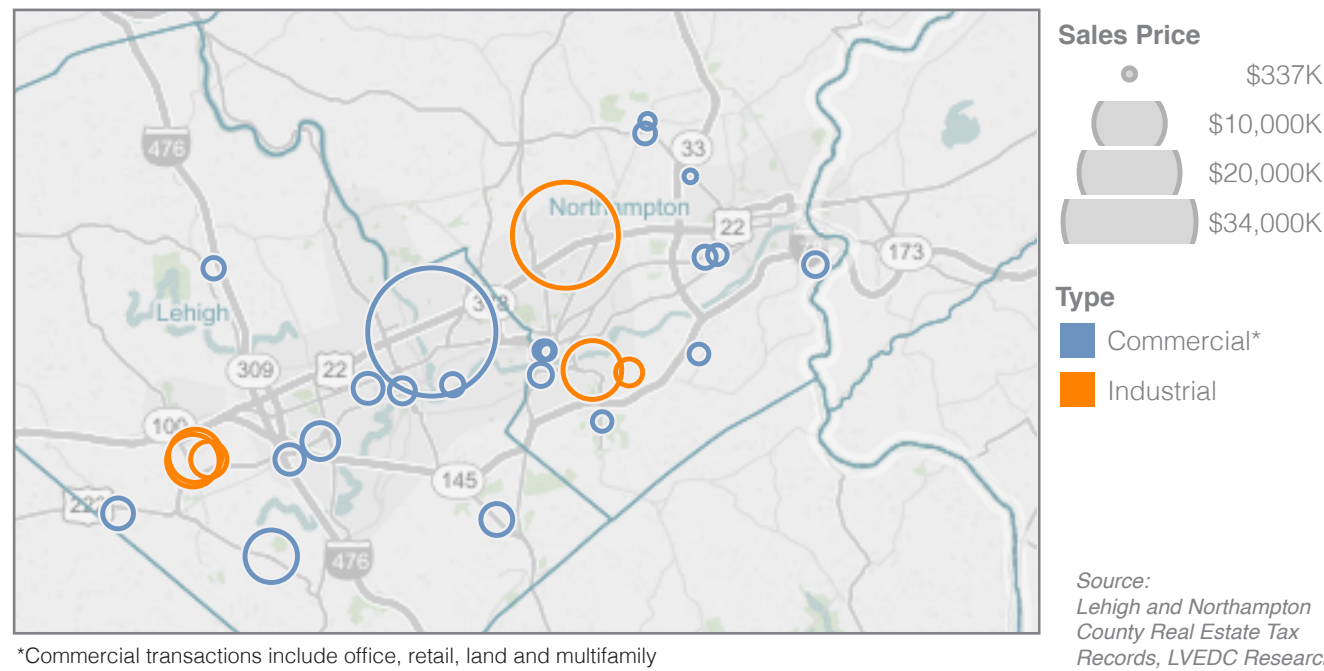
PROPERTY	BUYER OF RECORD	SELLER OF RECORD	PRICE	LOCATION	CLASSIFICATION
1110 & 1105 American Pkwy NE	Patriot American Parkway LP	LSI Corporation	\$34,000,000	Hanover Township (Lehigh County)	Office
4000 North Miller Cir	Icon Kraft Owner Pool 2 LLC*	BRE/US Industrial Properties LLC	\$23,260,276*	Bethlehem Township	Industrial
1019 Gilchrist Dr	Ruhle & Kerr Associates LLC	Lehigh Valley Industrial Park Inc	\$7,142,000	City of Bethlehem	Land
7485 Industrial Blvd	Icon Owner Pool 2 West/NE/Midwst LLC*	Prologis Brazos PA Investment LP	\$5,83,520*	Upper Macungie	Industrial
7663 Industrial Blvd	Icon Owner Pool 2 West/NE/Midwst LLC*	Prologis Brazos PA Investment LP	\$5,699,646*	Upper Macungie	Industrial
185 W Main St	Dealbrook LLC ET AL	CVM Associates LP	\$5,696,929	Macungie	Retail
3570 Hamilton Blvd	3570 LLC	Mark Eisner	\$2,800,000	South Whitehall	Office
7529 Morris Ct	Icon Owner Pool 2 West/NE/Midwst LLC*	Prologis Brazos PA Investment LP	\$2,718,854*	Upper Macungie	Industrial
100 Lehigh Valley Mall	SMBC Leasing and Finance Inc	J C Penny Properties Inc	\$2,339,027	Whitehall	Retail
5118 Route 309	Vandoren Grob Land Holdings LLC	QNB Bank	\$2,100,000	Upper Saucon	Retail
10098 Hamilton Blvd	Cinquefoil LP	Irvin Peifer	\$1,965,000	Upper Macungie	Multi-Family
1701 W Allen St	ExchangeRight Net Leased Portfolio 8	Primax Properties LLC	\$1,856,060	Allentown	Retail
4725 Hamilton Blvd	Ciocca Properties LP	Eastern Industries	\$1,800,000	Lower Macungie	Land
1025 Feather Way	Triple Net Investments XXXV LP	Lehigh Valley Industrial Park Inc	\$1,506,200	City of Bethlehem	Land
26-28 N 8th St	8th Street LLC	Allentown Parking Authority	\$1,400,000	Allentown	Specialty Use
100 Clubhouse Dr	Morgan Hill LP	Morgan Hill Golf Club LLC	\$1,167,052	Williams Township	Specialty Use
207 W. 4th St	Orion Real Estate Group III LLC	CNJ Investment Group LLC	\$1,100,000	City of Bethlehem	Restaurant
157 W Gordon St	Casmre G. Development Corp	Gordon Ridge Associates LP	\$1,025,000	Allentown	Multi-Family
4101 William Penn Hwy	Zoniana Realty LLC	Jeffrey & Noreen Mohler	\$1,020,000	Palmer Township	Restaurant

* Transactions part of \$8.1B portfolio sale.

Source: Lehigh and Northampton County Real Estate Tax Records, LVEDC Research

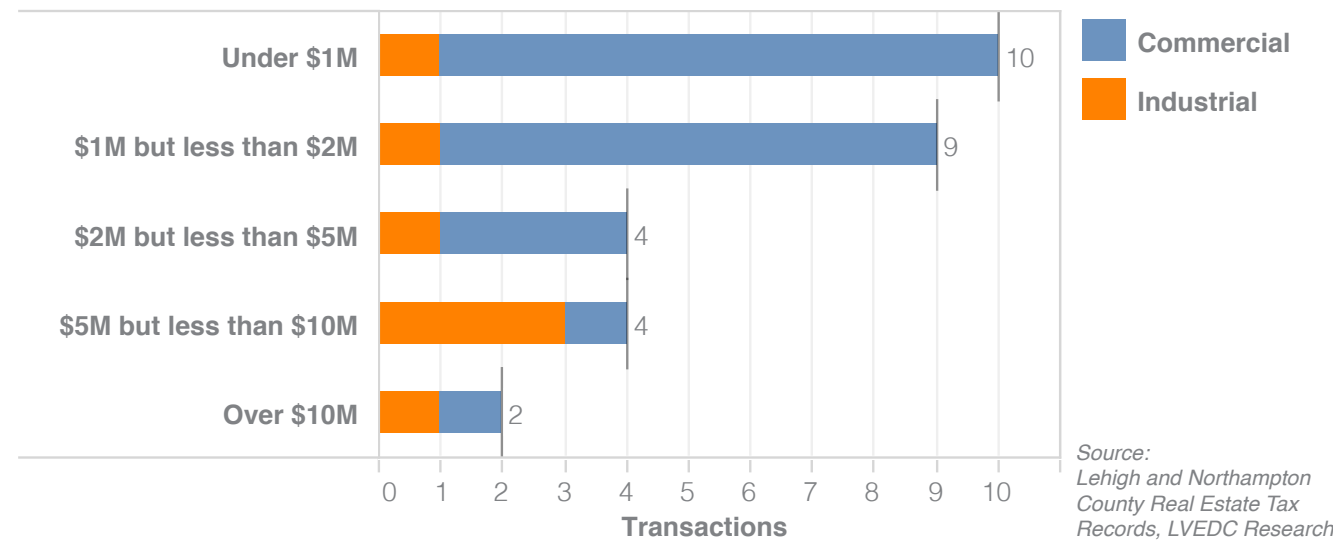
The Lehigh Valley's GDP is \$34.3 billion, ranking 75th out of the 381 largest U.S. MSAs. It is higher than that of the state of Vermont and 102 other countries in the world.

Q1 2015 DISTRIBUTION OF SALES TRANSACTIONS



The finance, insurance and real estate sector is the largest contributor to the regional GDP (\$4.83 billion), followed by manufacturing (\$4.77 billion) and professional and business services (\$4.71 billion).

RANGE OF ALL SALES TRANSACTIONS



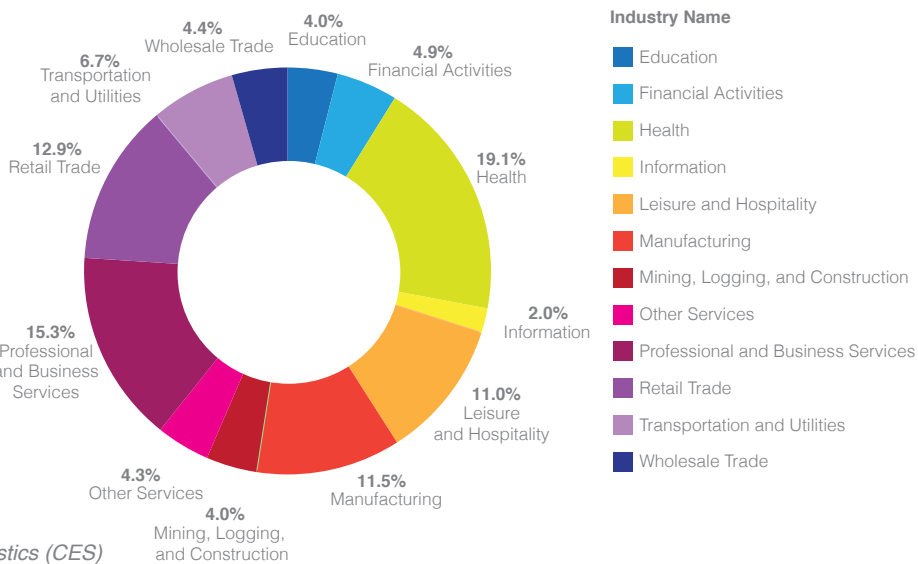
BROKER PERSPECTIVE

The 1st quarter of 2015 has shown continued, albeit measured, positive absorption with strong rental rate growth and increased lease term. Landlord concessions in the form of rental abatement have diminished although investment in the form of Tenant Improvement dollars has increased in order to outfit spaces in accordance with Tenants' specifications and commensurate with longer term deals. Development activity throughout the remainder of 2015 and 2016, coupled with recently announced corporate office restructuring within the Valley, will add larger blocks of space to the inventory as well as address the lack of "trophy" product in the marketplace. Barring extraordinary changes to the general business climate, commercial real estate in 2015 is poised to continue trending positively in the Lehigh Valley.

Jessica Goffredo-Pantaleo
Leasing Representative
PennCap Properties

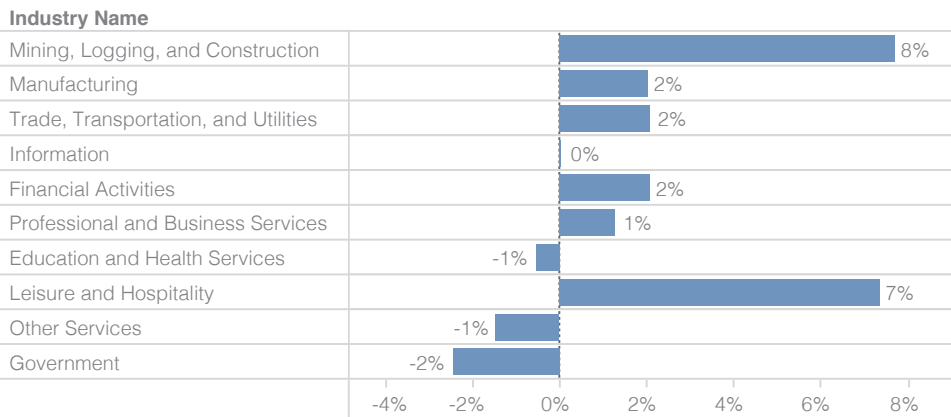
EMPLOYMENT BY INDUSTRY

The health care industry remains the Lehigh Valley's top employer, making up 19.1 percent of total employment within the region for the first quarter of 2015.



EMPLOYMENT GROWTH BY INDUSTRY

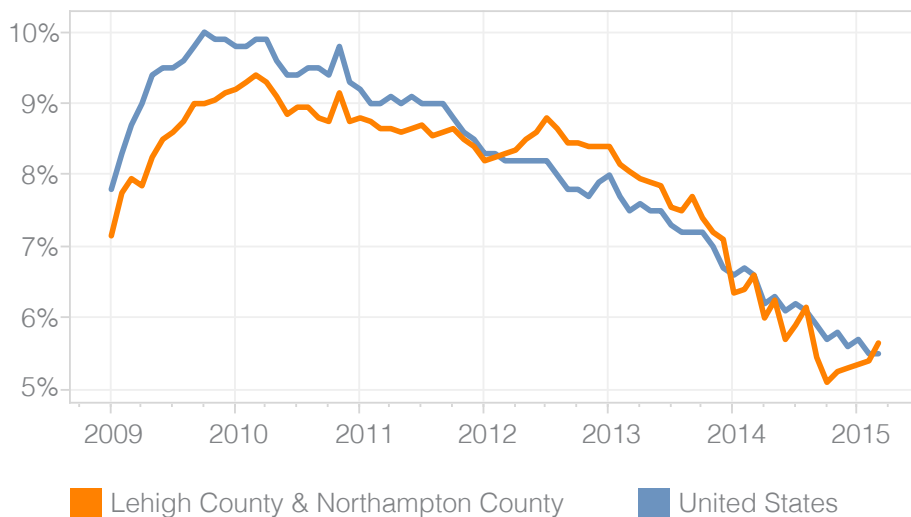
The construction and leisure /hospitality industries have shown the largest percentage of growth in March 2015 compared to March 2014, increasing to 8 and 7 percent, respectively.



UNEMPLOYMENT RATE

The Lehigh Valley's unemployment rate is **5.7 percent** as of March 2015. It has **decreased steadily** since peaking around 10 percent during the Great Recession.

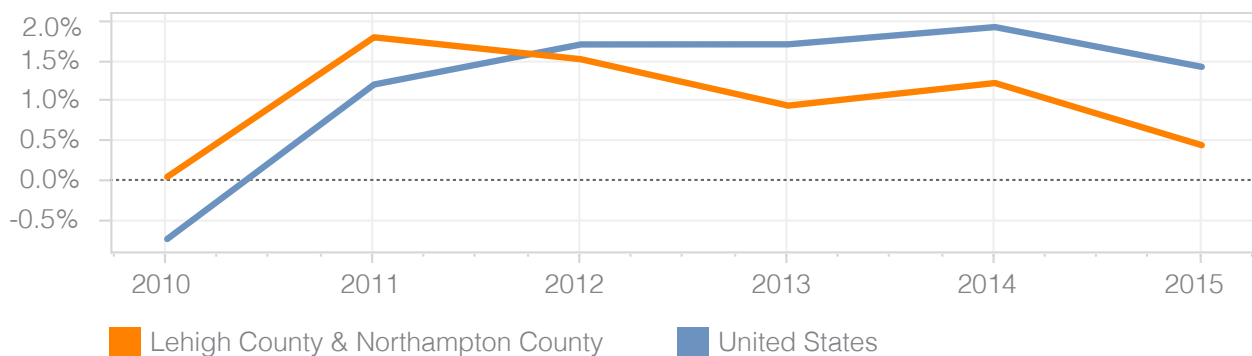
The decrease in the region's unemployment rate follows largely the same pattern as the national unemployment rate, which is 5.5 percent as of March 2015.



Seasonally-adjusted figures.

Source: PA Center for Workforce Information & Analysis (CWIA)

WORKFORCE EMPLOYMENT GROWTH



Total Nonfarm, Seasonally Adjusted, 12-Month % Change. Source: BLS Current Employment Statistics (CES)



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