

COMMERCIAL REAL ESTATE REPORT



Q4
2018



Lehigh Valley Commercial Real Estate

Each quarter, LVEDC prepares and distributes a Lehigh Valley Commercial Real Estate Report, which provides information about the region's office, industrial, and flex markets. For Q4 2018, we are providing a year-end outlook of the real estate climate in the Lehigh Valley.

SNAPSHOT: INDUSTRIAL MARKET

MARKET SUMMARY

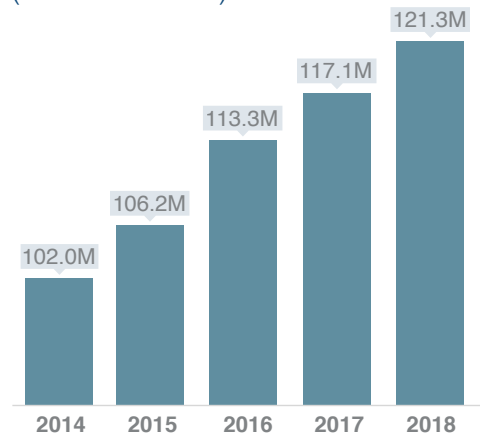
For five years in a row the Lehigh Valley has added 4 million square feet or more of industrial space.



121.3 Million Total Inventory (SF)	3.5 Million Q4 Net Absorption (SF)	4.3 Million 2018 Deliveries (SF)	6.6 Million Total Under Construction (SF)
4.1% Vacancy Rate	6.5 Million 2018 Net Absorption (SF)	\$5.55 Average Asking Rent	-1.4% YOY Rent Growth

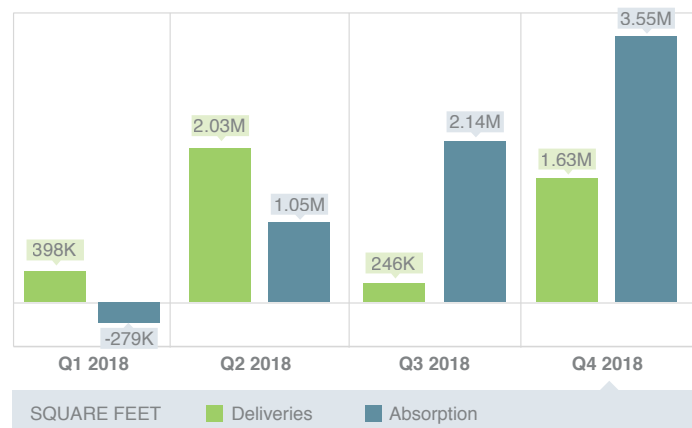
Source: CoStar, LVEDC Research

Growth in Industrial & Flex Space (SF at Year-End)



Source: CoStar

Supply & Demand (SF)



Source: CoStar

For more industrial real estate information, turn to the back page.



SNAPSHOT: OFFICE MARKET

MARKET SUMMARY

Three-quarters of the office space added in the last five years has been in the Lehigh Valley's cities.



27.2 Million Total Inventory (SF)	-38.8K Q4 Net Absorption (SF)	332K 2018 Deliveries (SF)	523K Total Under Construction (SF)
7% Vacancy Rate	278.9K 2018 Net Absorption (SF)	\$14.78 Average Asking Rent	-6.5% YOY Rent Growth

Source: CoStar, LVEDC Research

Urban Core Office Development (Class A Office Space)

Added in Last Five Years
1.1 Million SF

Added in Urban Centers
851,000 SF
75%



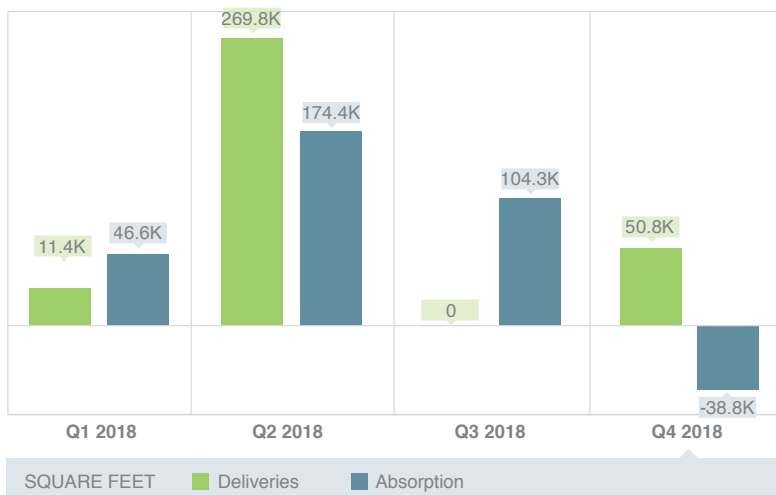
Source: CoStar, LVEDC Research

Compared with other metropolitan areas in the Northeast, the cost of office space in the Lehigh Valley is significantly lower.

Average Asking Rent for Class A Office Space (\$/SF)

New York City Metro	\$77.63
Washington, D.C.	\$60.17
Northern Virginia	\$36.32
Philadelphia	\$32.85
Northern New Jersey	\$30.75
Pittsburgh	\$30.67
Central New Jersey	\$27.94
Philadelphia Suburbs	\$27.57
Lehigh Valley	\$18.61

Supply & Demand (SF)



Source: CoStar

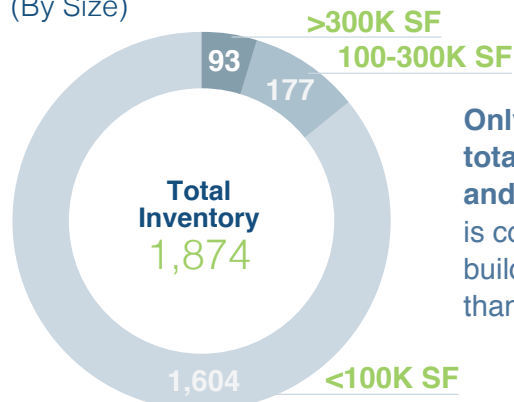
Source: Colliers International Q3 2018 Office Market Outlook, CoStar



Market Spotlight on Large Industrial Buildings (>300,000 SF)

Industrial & Flex Buildings

(By Size)



Only 5% of the total industrial and flex market is comprised of buildings larger than 300,000 SF.

Source: CoStar

Buildings >300K SF

(Added by Year)

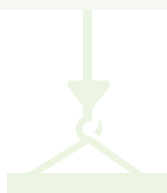
Year	Added Buildings
2018	4
2017	4
2016	8
2015	6
2014	4

The Lehigh Valley added 18.4 million SF in the last five years.

Source: CoStar

Buildings Under Construction

> 300,000 SF = 7
100,000 - 300,000 SF = 9
< 100,000 SF = 3



Source: CoStar

Real Estate Tax Revenue Potential

(Buildings >300K SF)

\$48.3 Million*

Municipalities

\$3 Million

School Districts

\$45.3 Million

*Based on assessed values of land and buildings, excluding effects of tax-abatement programs

Source: Lehigh and Northampton County Assessment Offices, LVEDC Research

“The Lehigh Valley economic renaissance continues at a remarkable pace. What’s happening here is unique. LVEDC tracked 33 major business attraction, expansion and retention projects in 2018, resulting in the creation of 4,419 new jobs and the retention of 3,006 more.”

Don Cunningham
LVEDC President and
Chief Executive Officer

The Lehigh Valley has not added many buildings in the small-footprint market: only three in the last five years.

Small-Footprint Industrial Buildings

(40,000 to 80,000 SF)

	Buildings	SF
Total Inventory	244	13 Million
Built Within Last 40 Years	114	6 Million
Added in 2018	1	48,600
Added in the Last 5 Years	3	171,000
Under Construction in 2018	0	0

Source: Source: CoStar, LVEDC Research

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