

# COMMERCIAL REAL ESTATE REPORT





## 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

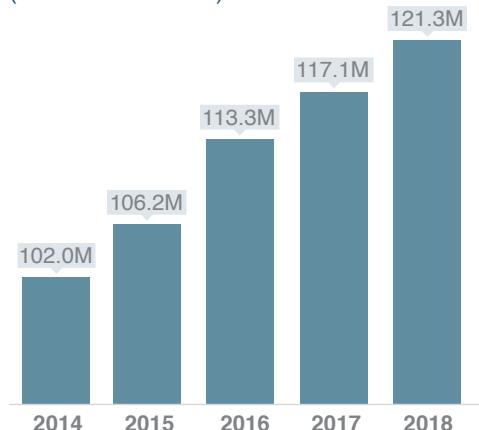
For five years in a row the Lehigh Valley has added 4 million square feet or more of industrial space.



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



<b>27.2 Million</b> Total Inventory (SF)	<b>-38.8K</b> Q4 Net Absorption (SF)	<b>332K</b> 2018 Deliveries (SF)	<b>523K</b> Total Under Construction (SF)
<b>7%</b> Vacancy Rate	<b>278.9K</b> 2018 Net Absorption (SF)	<b>\$14.78</b> Average Asking Rent	<b>-6.5%</b> 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
<b>Lehigh Valley</b>	<b>\$18.61</b>

### Supply & Demand (SF)



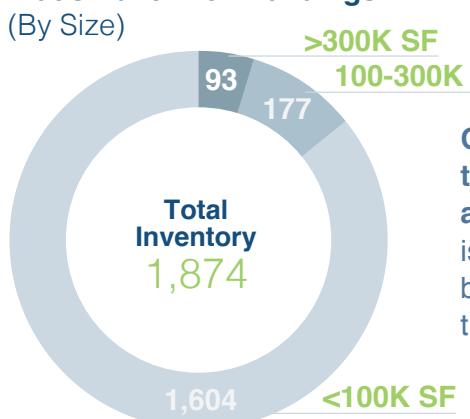
Source: CoStar

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

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

Source: Source: CoStar, LVEDC Research

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