

COMMERCIAL REAL ESTATE REPORT



ISSUE #017



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

CURRENT CONDITIONS

When the boundaries of the Qualified Opportunity Zones (QOZs) were established in 2018, they were intended to provide an incentive to encourage investment in areas of need of revitalization.

Fortunately, the legislation included census tracts in an area when an economic renaissance has already begun: Lehigh Valley.

This quarter's issue of the Lehigh Valley Commercial Real Estate Report includes data about the QOZs in Allentown, Bethlehem, and Easton. There are more than 8,700 QOZ acres and more than 2,900 QOZ tax parcels in the region between the three cities, with 58.8 million square feet of existing industrial and office space and 22,600 multi-family units within the Lehigh Valley's zones.

This report also includes data about the region's industrial market, which has seen 258,200 square feet of deliveries so far in 2019, with another 5.2 million square feet currently under construction.

The overall Lehigh Valley industrial market includes 121.7 million square feet of total inventory. Of the 13 industrial buildings currently under construction in the region, five are larger than 500,000 square feet in size, while six are smaller than 300,000 square feet.

The Lehigh Valley's office market has not seen any new deliveries in 2019, excluding medical and hospital buildings, which are not included in this report. The 295,000 square feet of regional office space currently under construction come from Five City Center, the newest building by City Center Allentown.

The total combined office market vacancy rate in Lehigh Valley is 7 percent, and the average asking rent is \$14.90 per square foot. Overall rents for office space have increased 4 percent in the past year. Class A office space asking rents are at \$18.32 per square foot as of Q1 2019, a 4.4 percent year-over-year increase.

The Lehigh Valley currently has 29,555 multi-family units, with a vacancy rate of 3.1 percent and a year-over-year rent growth of 3.4 percent. A total of 19 multi-family projects have been added in the past five years, and 2,770 multi-family units have been added in that time, with another 980 currently under construction.

Jarrett Witt

LVEDC Director of Business Development

BROKER PERSPECTIVE

"The Lehigh Valley core industrial market continues to thrive despite increased development in the secondary and tertiary markets. The Valley's infrastructure and access to labor make it the prime choice for companies looking to service the greater northeast."

Justin Fanslau

Director of Leasing, Liberty Property Trust

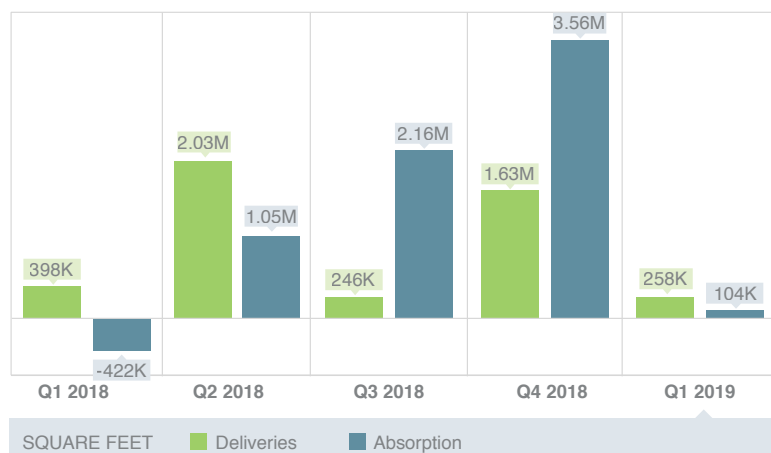
Lehigh Valley SNAPSHOT: INDUSTRIAL MARKET

MARKET SUMMARY

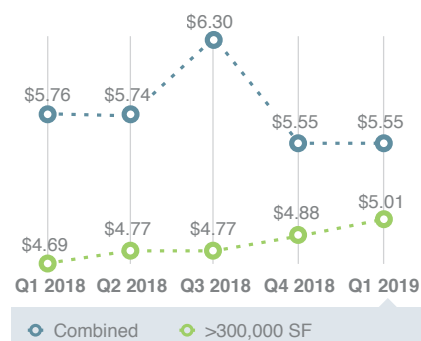
The Lehigh Valley has 5.2 million square feet of industrial space under construction.

121.7 Million Total Inventory (SF)	104.2K Q1 Net Absorption (SF)	\$5.55 Average Asking Rent (NNN)	5.2 Million Total Under Construction (SF)
4.5% Total Vacancy	104.2K 2019 Net Absorption (SF)	-3.6% YOY Rent Growth	258.2K 2019 Deliveries (SF)

SUPPLY & DEMAND (SF)



ASKING RATE (PER SF)



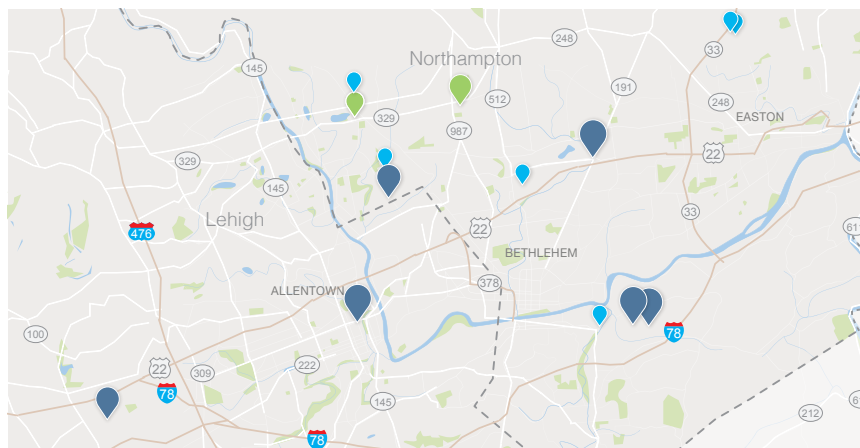
Rents for industrial buildings >300,000 SF have increased 7% YOY.



INDUSTRIAL BUILDINGS

BUILDINGS UNDER CONSTRUCTION

- > 500K SF = 5
- 300K - 500K SF = 2
- < 300K SF = 6



Sources: CoStar, LVEDC Research



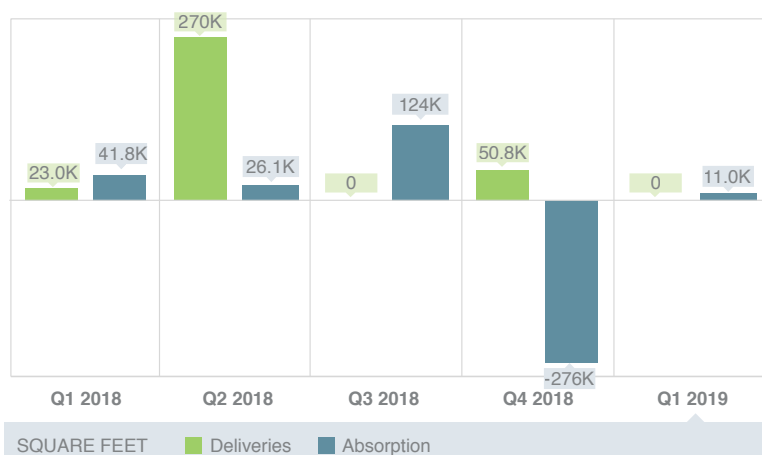
Lehigh Valley SNAPSHOT: OFFICE MARKET

MARKET SUMMARY

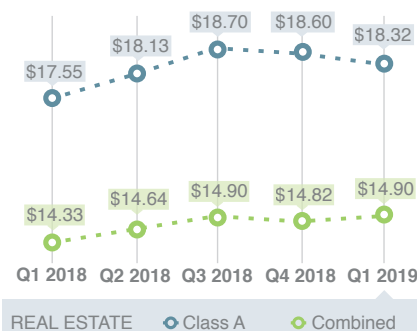
Overall rents for office space have increased 4% in the past year.

27.1 Million Total Inventory (SF)	11K Q1 Net Absorption (SF)	\$14.90 Average Asking Rent (NNN)	295K Total Under Construction (SF)
7.0% Total Vacancy	11K 2019 Net Absorption (SF)	4% YOY Rent Growth	0 YTD Deliveries (SF)

SUPPLY & DEMAND (SF)



ASKING RENT RATE



\$ Asking rents for Class A office space have increased 4.4% YOY.

OTHER MARKETS

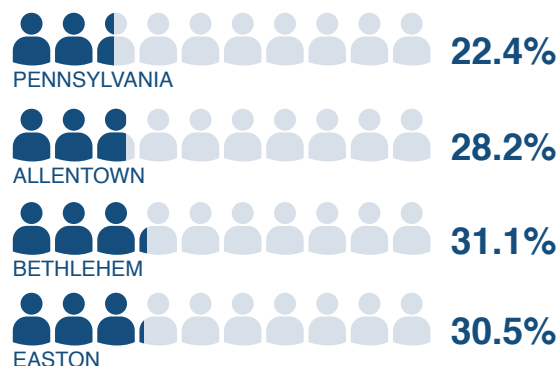
MULTI-FAMILY

Current units:	29,555
YOY rent growth:	3.4%
Vacancy rate:	3.1%
Projects added in 5 years:	19
Units added in 5 years:	2,770
Units under construction:	980
Urban core units under construction	Allentown: 420 Bethlehem: 254 Easton: 81

Sources: CoStar

POPULATION AGES 18 TO 34

PERCENTAGE OF RESIDENTS IN...



Source: Census Bureau, 2013-17 American Community Survey 5-Year Estimates



BROKER PERSPECTIVE

“The urban core areas are continuing their resurgence, as evident by ADP’s imminent occupancy of 243,000 square feet in downtown Allentown. However, the suburban markets are still in play for major tenants, as evident by Air Products’ commitment to build a 525,000 square-foot headquarters and First Commonwealth Federal Credit Union’s 80,000 square-foot headquarters, both in Lower Macungie.”

Ryan Dietrick

Senior Vice President, Colliers International Allentown



Q1 2019 COMMERCIAL REAL ESTATE TRANSACTIONS

NOTABLE SALES

PROPERTY	BUYER	SELLER	SALE PRICE	MUNICIPALITY	CLASS
1380 Jacobsburg Rd.	Duke Realty	Wind Gap Logistics Center	\$41,250,000	Plainfield Twp.	Industrial
7055 Ambassador Dr.	Black Creek Group	High Street Realty	\$15,300,000	Upper Macungie Twp.	Industrial
2801 Emrick Blvd.	Northampton County	Polaris Properties	\$14,468,731	Bethlehem Twp.	Office
400 S. 10th St.	Phoebe Ministries	Rodale Inc.	\$12,000,000	Emmaus	Office
7072 Snowdrift Rd.	Fund V Snowdrift Investors	Prologis	\$4,450,000	Upper Macungie Twp.	Industrial
708 Main St.	Columbia Property Investors	708 Main St. LP	\$3,900,000	Hellertown	Office
90 Highland Ave.	90 Highland LLC	BB&T	\$2,500,000	Hanover Twp. (Northampton)	Office
2147 Avenue C	J.G. Petrucci Co.	Atlas Construction	\$2,450,000	Bethlehem City	Industrial
1249 Quebec St.	Allentown Beverage	Samuel Baurkot et al	\$2,010,000	Allentown	Industrial
5020 Hamilton Blvd.	Wisdom Properties LLC	Douglas C. Patt	\$1,500,000	Lower Macungie Twp.	Office
416 S. Fourth St.	Perry Holdings LLC	OEM Group East LLC	\$1,450,000	Coopersburg	Office

NOTABLE LEASES

PROPERTY	SF	LANDLORD REPRESENTATIVE	TENANT	MUNICIPALITY	CLASS
8801 Congdon Hill Dr.	517,500	Liberty Property Trust	Westport Axle	Lower Macungie Twp.	Flex
2505 Hollo Rd.	258,232	Lee & Associates	Lulus	Palmer Twp.	Industrial
651 Boulder Dr.	224,000	Liberty Property Trust	Geodis	Upper Macungie Twp.	Industrial
4779 Hanoverville Rd.	123,140	JLL	ShipBob	Lower Nazareth Twp.	Industrial
7542 Morris Ct.	101,067	CBRE	Smart Warehousing	Upper Macungie Twp.	Industrial
860 Nestle Way	98,246	Liberty Property Trust	Zep Manufacturing	Upper Macungie Twp.	Industrial
8250 Industrial Blvd.	70,000	Liberty Property Trust		Upper Macungie Twp.	Industrial
16 S. Commerce Way	52,000	J.G. Petrucci Co.	Innovative Control Systems	Hanover Twp. (Northampton)	Industrial
6990 Snowdrift Rd.	30,398	Colliers	PMA Insurance Group	Upper Macungie Twp.	Office
1991 Northampton St.	25,000	Markward Group	Global Healthcare	Wilson	Office

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



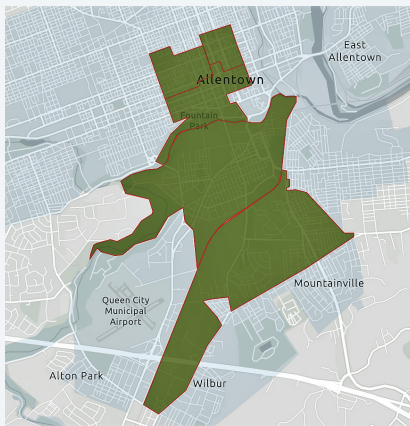
Lehigh Valley QUALIFIED OPPORTUNITY ZONES

Qualified Opportunity Zones provide an incentive to encourage investment in areas needing revitalization. QOZs include Census tracts in an area where an economic renaissance already has begun: Lehigh Valley.

With available land in QOZs in Allentown, Bethlehem, and Easton offering industrial, office, retail, and multi-family opportunities, Lehigh Valley has proven ways to deliver value to real estate investors.

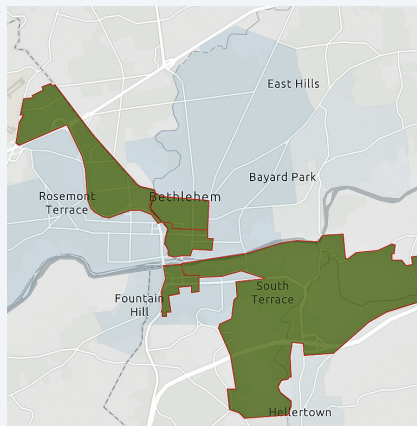
To maximize the potential benefits, taxpayers must invest in a Qualified Opportunity Fund before Dec. 31, 2019. To learn more about Lehigh Valley QOZs, contact Matthew Tuerk, LVEDC Vice President of Economic Development and Marketing, mtuerk@lehighvalley.org, or visit www.lehighvalley.org/qoz.

ALLENTOWN



- 2,064 QOZ acres
- 1,430 QOZ tax parcels
- 31 million SF existing industrial and office space in QOZ
- 12,600 multi-family units in QOZ

BETHLEHEM



- 5,319 QOZ acres
- 814 QOZ tax parcels
- 20 million SF existing industrial and office space in QOZ
- 7,000 multi-family units in QOZ

EASTON



- 1,364 QOZ acres
- 699 QOZ tax parcels
- 7.8 million SF existing industrial and office space in QOZ
- 3,000 multi-family units in QOZ

“The Qualified Opportunity Zones are a great tool to attract capital into often difficult to develop areas of the Lehigh Valley. The fact that these zones can be layered with other incentives already available like the Allentown NIZ or the Bethlehem CRIZ provide Lehigh Valley that much more of an advantage. QOZs offer new opportunities to investors who have long known about this region and sought a chance to get in. We will work to ensure that the region is able to maximize the potential of this new investment incentive.”

Don Cunningham

President & CEO, Lehigh Valley Economic Development Corporation (LVEDC)





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 lead the recruitment, growth, and retention of employers.

Our Vision

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

Our Priorities

- Market the economic assets of the Lehigh Valley
- Recruit companies in targeted economic sectors
- Support the growth and retention of new and existing employers
- Promote and coordinate a skilled and prepared workforce
- Provide intelligence and data on the Lehigh Valley economy
- Expand public and private LVEDC investment and build partnerships for economic growth

2158 Avenue C, Suite 200 Bethlehem, PA 18017
Phone: 610-266-6775 • Fax: 610-266-7623

www.lehighvalley.org

Lehigh Valley

Come here. Start here. Grow here.

