

COMMERCIAL REAL ESTATE REPORT



ISSUE #018



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

The Lehigh Valley currently has 26.8 million square feet of office space.

This quarter's issue provides a more detailed view at the overall office market inventory, the activity for which has been driven in recent quarters by office construction in Lehigh Valley's three urban communities.

For example, the total office market in the Lehigh Valley excluding owner-occupied and medical office space totals 16.2 million square-feet, according to this report. Removing space smaller than 10,000 square-feet drops that figure to 14.1 million square-feet, and excluding space less than 40 years old drops it further to 8.4 million square-feet.

On the industrial side, the Lehigh Valley industrial market has reached 122.9 million square-feet of inventory, with a vacancy rate of 4.5%. The regional market has added 2.9 million square feet of industrial space in the last four quarters, including 1 million square-feet in the calendar year of 2019 so far, and another 6.3 million square-feet are currently under construction.

The average asking rent for industrial space in the Lehigh Valley is \$5.57 per square-foot as of Q2 2019.

Asking rates for industrial space greater than 300,000 square-feet reached \$5.01 per square-foot this quarter, and have increased 5% year-over-year, compared to \$4.77 per square-foot in the second quarter of 2018.

A recent report by CBRE Research identified cold storage logistics as a subsector to watch in industrial real estate. The report identified the Lehigh Valley as a target market for this subsector. Cold storage logistics account for 2.8 million square-feet of the region's total industrial inventory.

This report also includes a list of notable commercial real estate transactions from the second quarter of 2019, as well as a breakdown of the components of the region's population change from 2010 to 2018.

Lehigh County has grown in population by 18,424 over that eight-year period, and is the fourth-fastest growing among Pennsylvania's 67 counties. Northampton County's population has grown by 7,113 from 2010 to 2018, and the region as a whole has grown by nearly 4% since the 2010 Census, primarily due to immigration.

BROKER PERSPECTIVE

“Overall, LVIP continues to benefit from a strong industrial market. Recent projects in LVIP VII have added close to 1 million square feet with developers constructing smaller buildings in the range of 40,000 SF to 240,000 SF. A large percentage of this new space has already been occupied primarily by manufacturers.”

Kerry Wrobel
President, Lehigh Valley Industrial Park, Inc.



Lehigh Valley SNAPSHOT: INDUSTRIAL SPACE

MARKET SUMMARY

2.9 million square feet of industrial space has been added in the last four quarters.



122.9 Million Total Space (SF)	477.5K Q2 Net Absorption (SF)	\$5.57 Average Asking Rent (NNN)	6.3 Million Total Under Construction (SF)
4.5% Total Vacancy	580.3K 2019 Net Absorption (SF)	-3.0% YOY Rent Growth	1.0 Million 2019 Deliveries (SF)

SUPPLY & DEMAND (SF)



ASKING RATE (PER SF)



Rents for industrial space more than 300,000 SF increased 5% year-over-year.

INDUSTRIAL BUILDINGS

UNDER CONSTRUCTION

More than 300K SF	6	3.4 Million SF
Less than 150K SF	3	340K SF
Total	18	6.3 Million SF

**No industrial buildings smaller than 100,000 SF are currently under construction.*

COLD STORAGE



A recent CBRE Research report identifies cold storage logistics as a “subsector to watch” in industrial real estate. The report identifies Lehigh Valley as a target market for this 2.8 million square-foot regional subsector.

Photo courtesy of U.S. Cold Storage.

Sources: CoStar, LVEDC Research

Lehigh Valley SNAPSHOT: OFFICE SPACE

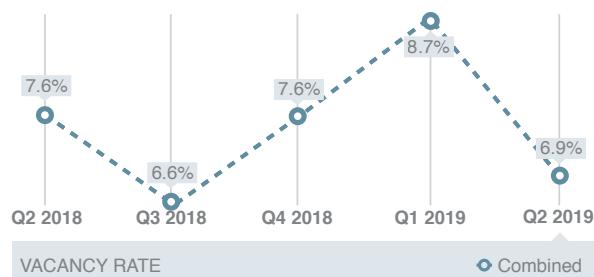
MARKET SUMMARY

Inventory, not counting owner-occupied and medical office space, totals 16.2 million SF.



26.8 Million Total Space (SF)	80.7K Q2 Net Absorption (SF)	\$15.17 Average Asking Rent (NNN)	295K Total Under Construction (SF)
6.9% Total Vacancy	-405K 2019 Net Absorption (SF)	3.6% YOY Rent Growth	10K YTD Deliveries (SF)

VACANCY RATE



 The overall office vacancy rate dropped by nearly 2 percentage points from Q1 to Q2 2019.

ASKING RATE (PER SF)



 Asking rents for all combined classes of office space have increased 3.6% year-over-year.

DETAILED BREAKDOWN OF OFFICE MARKET

	Inventory (SF)	Total Vacancy	Average Asking Rent (NNN)	YOY Rent Growth
Not owner-occupied	18,885,073	8.1%	\$15.08	2.3%
Not owner-occupied, excluding medical	16,151,169	8.4%	\$15.34	6.2%
Not owner-occupied, excluding medical, more than 10,000 SF	14,118,794	9.1%	\$15.61	7.4%

*Lehigh Valley's office market encompasses a variety of building categories and classes. This table provides alternative views of the market based on owner occupancy, medical uses, and building size.

Sources: CoStar



BROKER PERSPECTIVE

"We continue to see a strong demand for quality, well located office space from existing Lehigh Valley businesses as well as companies looking to grow and expand into the market. The demand is across all submarkets and product types."

Philip M. Schenkel

Executive Vice President–Associate Director, JLL



Q2 2019 COMMERCIAL REAL ESTATE TRANSACTIONS

NOTABLE SALES

PROPERTY	BUYER	SELLER	SALE PRICE	MUNICIPALITY	CLASS
835 Hamilton St.	Somera Road	Plaza at 835 Hamilton Street LP	\$16,000,000	Allentown	Office
5100 W. Tilghman St.	Commerce Park LP	CRE CCC Allentown LLC	\$5,627,024	Upper Macungie Twp.	Office
5050 W. Tilghman St.	Commerce Park LP	CRE CCC Allentown LLC	\$5,476,270	Upper Macungie Twp.	Office
5000 W. Tilghman St.	Commerce Park LP	CRE CCC Allentown LLC	\$3,396,707	Upper Macungie Twp.	Office
734 Roble Rd.	Premium Waters Inc.	Roble Street Realty Inc.	\$2,700,000	Hanover Twp. (Lehigh)	Industrial
2030 Tilghman St.	ATS Investments LLC	Joseph Plunkett and R. Douglas Quay	\$1,900,000	Allentown	Office
101 S. 3rd St.	Matador Hospitality LLC	Sterling Enterprises of Hunterdon LLC	\$1,600,000	Easton	Office
6583 Ruch Rd.	Delco Innovations	Ruch Road Properties LLC	\$1,240,000	East Allen Twp.	Industrial
6666 Passer Rd.	TW Cooper LP	Michael Smale	\$1,200,000	Upper Saucon Twp.	Office
300 Bushkill St.	Cattell Property Management LLC	Northampton Farm Bureau	\$1,125,000	Tatamy	Industrial
101 E. Lexington St.	U.S. Specialty Properties LLC	James and Elizabeth Socci	\$1,000,000	Allentown	Industrial

NOTABLE LEASES

PROPERTY	SF	LANDLORD REPRESENTATIVE	TENANT	MUNICIPALITY	CLASS
4200 Braden Blvd	475,800	JLL	Radial	Forks Township	Industrial
2900 Brodhead Rd	246,400	Lee & Associates	KPG Logistics	Bethlehem Twp.	Industrial
2980 Avenue B	85,680	Gelcor Realty	Executive Personal Computers	Bethlehem	Industrial
2147 Avenue C	32,000	Markward Group	Masters Home Solutions	Bethlehem	Industrial
81 Highland Ave	31,195	JLL	Innovative Control Systems	Hanover Twp. (Northampton)	Office

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

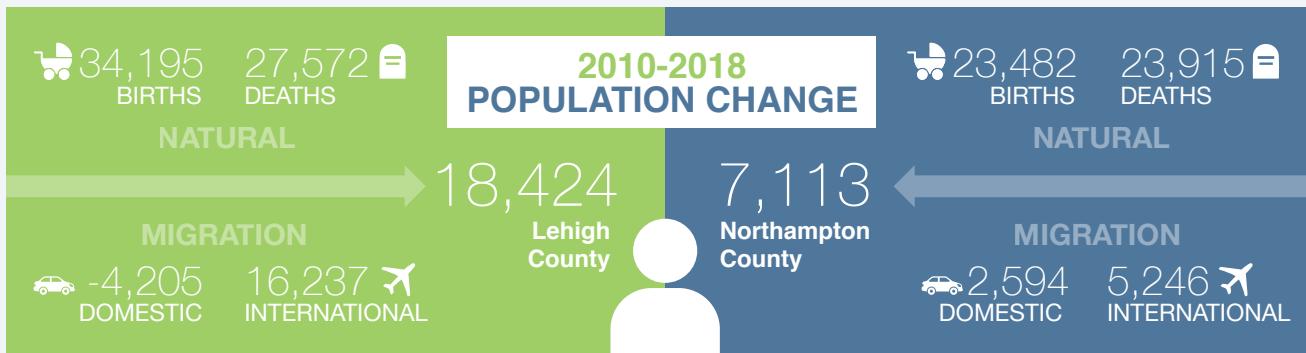


COMPONENTS OF POPULATION CHANGE (2010-2018)

LEHIGH VALLEY POPULATION

 672,907

The region has grown by nearly 4% since the 2010 Census, primarily due to immigration.



LEHIGH VALLEY POPULATION FACTS (2010-2018)

- Lehigh is the fourth fastest growing among Pennsylvania's 67 counties
- Lehigh and Northampton are two among only 20 Pennsylvania counties with growing population
- Allentown, Bethlehem and Easton are among only 12 of Pennsylvania's 56 cities with growing population
- Upper Macungie added more residents than any township in Pennsylvania

Source: Census Bureau 2018 Population Estimates

"The economy and population of the Lehigh Valley are growing together as people come here and new businesses start here. There is a direct connection between economic growth and population growth, because the biggest current factor in economic development is the workforce. Through our new Made Possible in Lehigh Valley initiative, we are making sure people from outside the region know Lehigh Valley is a place where you can create a life, a business, or a career on your terms."

Don Cunningham

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

LEHIGH VALLEY TOTAL EMPLOYMENT AND WAGES

YEAR	EMPLOYMENT	WAGES
2014	286,707	\$13.8 Billion
2015	291,812	\$14.4 Billion
2016	298,486	\$14.9 Billion
2017	303,288	\$15.4 Billion
2018	308,554	\$15.9 Billion

Source: Pennsylvania Department of Labor and Industry



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