

COMMERCIAL REAL ESTATE REPORT



ISSUE #025



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 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 Lehigh Valley. This report focuses on the region's office, industrial, and flex markets.

CURRENT CONDITIONS

As we move tentatively closer to a post-pandemic world, the Lehigh Valley Economic Development Corporation (LVEDC) has continued to see active economic activity throughout the first months of the year.

The organization had an active pipeline of 52 companies considering a move to or expansion in the Lehigh Valley as of the end of the first quarter of 2021. Twenty-nine, or more than half, of these companies were manufacturing prospects, while 17 were in the distribution sector.

The majority of these prospects – 28 out of the 33 that indicated how much space they needed – were seeking 200,000 square feet or less. The average square footage requested was just short of 170,000, and only four prospects sought space of 500,000 square feet or more. This speaks to a continued demand for small- and medium-footprint industrial buildings in the Lehigh Valley.

There is nearly 9 million square feet of industrial space under construction in the Lehigh Valley. The regional industrial market totaled 132.3 million square feet of inventory as of the end of Q1 2021, with a 5.9% vacancy rate and 2.4 million square feet delivered during the year so far.

Industrial space availability has increased overall, but smaller-footprint space in the 20,000 to 80,000 square-foot range has declined over the last year.

The Lehigh Valley had 14 million square feet of available industrial space overall as of Q2 2020, compared to 11.2 million one year earlier. But the amount of space in smaller-footprint buildings dropped from 1.1 million square feet to 936,000 square feet in that same timespan.

Meanwhile, the region's office market space totals 27.5 million square feet as of the end of Q1 2021, with slightly more than 760,000 square feet under construction. Excluding owner-occupied and medical office space, the amount of rentable space drops to 16.9 million square-feet.

This report also includes notable commercial real estate sales and leases from the first quarter of 2021, including four transactions with sales prices that exceeded \$1 million.

The largest transaction was a \$4.7 million purchase of 4815 Crackersport Road in South Whitehall Township by Covenant Transport Inc. U.S. Xpress, one of the country's leading truckload carriers, announced in April that it had signed a lease for a 14-acre terminal at that location, according to *The Morning Call*.

Cover photo image is of LVHN-One City Center in Allentown. Photo Credit: Halkin I Mason Photography.



Lehigh Valley SNAPSHOT: INDUSTRIAL SPACE

MARKET SUMMARY

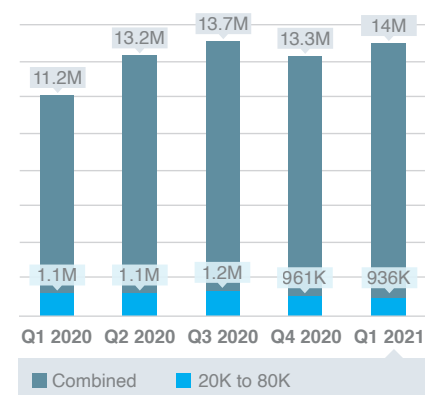
There is nearly 9 million square feet of industrial space under construction.

132.3M Total Space (SF)	1.3M Q1 Net Absorption (SF)	\$6.61 Average Asking Rent (NNN)	8.8M Total Under Construction (SF)
5.9% Total Vacancy	1.3M 2021 Net Absorption (SF)	11.3% YOY Rent Growth	2.4M 2021 Deliveries (SF)

SUPPLY & DEMAND (SF)

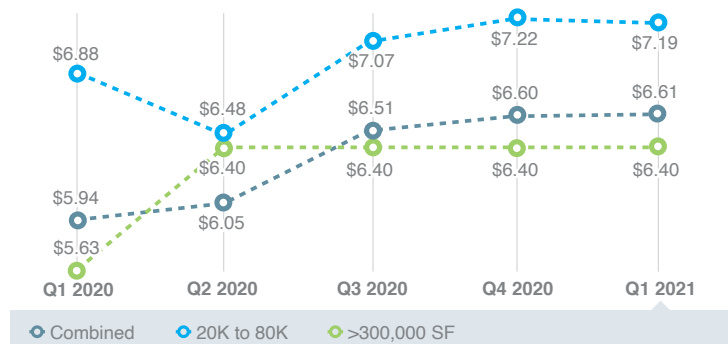


AVAILABLE SPACE



Industrial space availability has increased overall, but smaller footprints have declined over the last year.

ASKING RATE (PER SF)



NNN rents increased last year in industrial buildings with a smaller footprint, and rent in larger buildings remained flat.

In its recent report "10 Emerging U.S. Markets to Watch in 2021," Colliers International, a leading commercial real estate firm, ranked the Lehigh Valley as the fifth hottest location in the nation, behind only Austin, Columbus, Indianapolis and Las Vegas.

[Click Here to Read the Report](#)

Sources: CoStar, LVEDC Research



Lehigh Valley SNAPSHOT: OFFICE SPACE

MARKET SUMMARY

The market summary includes total office space.

27.5M Total Space (SF)	-188.8K Q1 Net Absorption (SF)	\$16.01 Average Asking Rent (NNN)	763.3K Total Under Construction (SF)
9.3% Total Vacancy	-188.8K 2021 Net Absorption (SF)	-1.3% YOY Rent Growth	0 YTD Deliveries (SF)

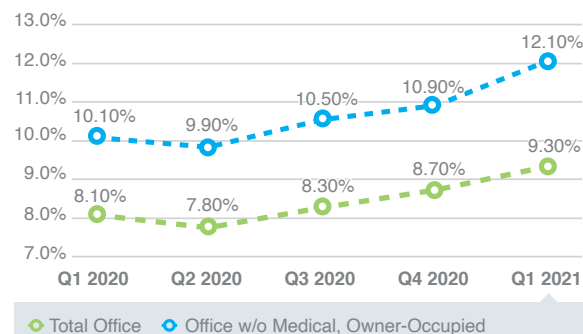


**Office Space
Excluding Owner-Occupied and Medical**

16.9M
Total Space (SF)

\$16.36
Average Asking Rent (NNN)

VACANCY RATE (PER SF)



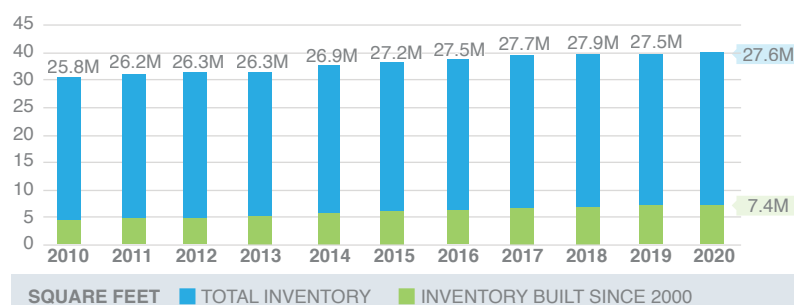
Offices that aren't owner occupied or used for medical offices have a higher vacancy rate.

UNDER CONSTRUCTION (SF)

	Owner Occupied	Office w/o Medical, owner-occupied
Q1 2020	625,000	0
Q2 2020	625,000	0
Q3 2020	625,000	0
Q4 2020	625,000	0
Q1 2021	625,000	138,305

Most of the office space under construction is for owner-occupied buildings.

OFFICE INVENTORY



Sources: CoStar, LVEDC Research

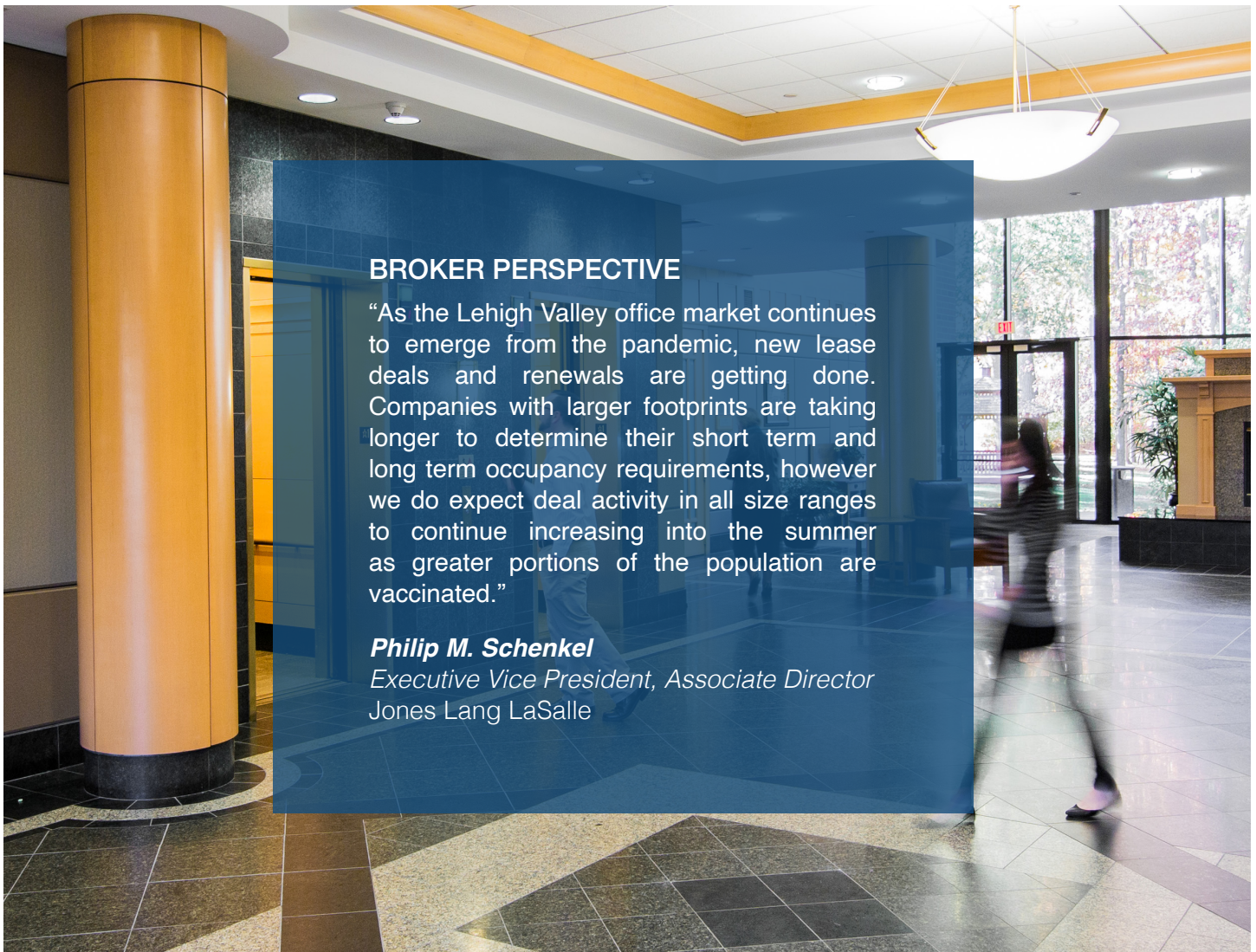
Lehigh Valley has more office space under construction than other large cities:

- **Lehigh Valley: 763K SF***
- Indianapolis: 310K SF
- Richmond: 282K SF
- Orlando: 201K SF

*Includes Air Products' new corporate campus in Upper Macungie Township and an office building in The Waterfront project in Allentown.

Sources: JLL Office Outlook, Q1 2021, CoStar





BROKER PERSPECTIVE

“As the Lehigh Valley office market continues to emerge from the pandemic, new lease deals and renewals are getting done. Companies with larger footprints are taking longer to determine their short term and long term occupancy requirements, however we do expect deal activity in all size ranges to continue increasing into the summer as greater portions of the population are vaccinated.”

Philip M. Schenkel

*Executive Vice President, Associate Director
Jones Lang LaSalle*

Photo image is of PennCap Properties office in the Lehigh Valley

PROSPECT PIPELINE

Manufacturing Prospects	29
Distribution Prospects	17
Office Prospects	5
Retail Prospects	1

The Lehigh Valley Economic Development Corporation had an active pipeline of 52 companies considering a move to or expansion in Lehigh Valley as of the end of Q1 2021.

Of the 46 industrial prospects (manufacturing and distribution), 33 indicated how much space they needed.

Total Square Footage Requested	5,595,000
Average Square Footage Requested	169,545
Number of Prospects Requesting 500,000 SF or more	4
Number of Prospects Requesting 200,000 SF or less	28

Source: LVEDC Research. *Not all prospects identify a square footage requirement.



BROKER PERSPECTIVE

“The market is extremely busy. Although we have a good amount of big box distribution development and existing product available, there is a lack of leasable industrial space from 5,000 to 40,000 square feet. There are many smaller companies searching for this space and cannot find a home. That also goes for industrial buildings for sale in all size ranges.”

Mike Adams, Senior Vice President, NAI Summit

Q1 2021 COMMERCIAL REAL ESTATE TRANSACTIONS

NOTABLE SALES

PROPERTY	BUYER	SELLER	SALE PRICE	MUNICIPALITY	CLASS
4815 Crackersport Road	Triple Net Investments LXIV LLC	Covenant Transport Inc.	\$4,675,000	South Whitehall Township	Industrial
4909 Route 873	NS Retail Holdings LLC	Brahin-Depg Development Assoc LP	\$3,519,046	North Whitehall Township	Office
1960 Weaversville Road	FR 200 Cascade LLC	Glen-Gery Corp	\$1,985,000	Hanover Township, Lehigh	Industrial
1740 Lynnwood Road	Les Anderson Family VII LLC	Stoffey Family Limited Partnership	\$1,350,000	Allentown	Office
52 Highland Avenue	Indigo Investments LLC	Manor Realty LLC	\$800,000	Hanover Township, Northampton	Office
175 S. 21st St.	PD 171 South 21 LLC	KFI Easton LLC	\$675,000	Wilson	Office
1819 W. Broad St.	Tavarez Real Estate Investments LLC	Frank Banko III	\$750,000	Bethlehem	Industrial
2361 Sunshine Road	White Cloud One LLC	Andrew L. Brahm	\$720,000	Allentown	Industrial
4972 Medical Center	Med CC Holdings LLC	Wilmington Savings Fund Society FSB	\$575,000	Lower Macungie Township	Office

NOTABLE LEASES

PROPERTY	SF	LANDLORD REPRESENTATIVE	TENANT	MUNICIPALITY	CLASS
3633 Commerce Center Boulevard	1,041,600	Majestic Realty	Nike	Bethlehem Township	Industrial
1520 Van Buren Road	140,556	CBRE		Palmer	Industrial
2655 Brodhead	62,000	JLL	Piramal Care Critical Care	Bethlehem Township	Industrial
999 Postal Road	43,400	NAI Summit	BioMed Sciences Inc.	Hanover Township, Lehigh	Industrial

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



Last year in the Lehigh Valley, it was a tale of two economies as much of the service economy venues closed or operated at reduced capacity, while online retailers, manufacturers, food and beverage producers, and other parts of the nation's supply chain boomed, some with sales growth of 25-30 percent. Unemployment grew in restaurants and hospitality while industrial employers struggled to find workers even with jobs advertised at \$20-plus per hour for low-skilled, new hires.

Don Cunningham

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

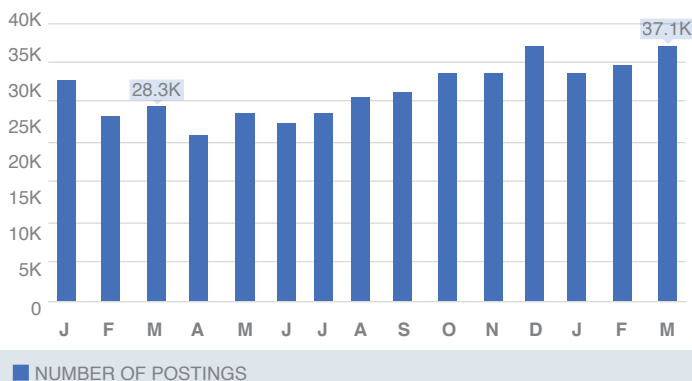
LEHIGH VALLEY ECONOMY ONE-YEAR INTO COVID

EMPLOYMENT



Source: U.S. Bureau of Labor Statistics, seasonally adjusted for Lehigh Valley metro region (Lehigh, Northampton, Carbon and Warren counties), Pennsylvania Department of Labor, seasonally adjusted for Northampton and Lehigh counties

JOB POSTINGS



Source: Brookings Institution's Metro Recovery Index

EMPLOYMENT

by Industry	Mar. 2021	Mar. 2020	% Change
Transportation & Logistics	35,100	31,800	10.4%
Manufacturing	38,300	39,500	-3.0%
Health Care & Social Assistance	64,000	66,800	-4.2%
Professional & Business Services	46,100	48,100	-4.2%
Finance Activities	13,100	13,800	-5.1%
Retail Trade	36,700	39,200	-6.4%
Education	12,300	13,900	-11.5%
Leisure & Hospitality	29,300	35,200	-16.8%

Source: U.S. Bureau of Labor Statistics, non seasonally adjusted for Lehigh Valley metro region (Lehigh, Northampton, Carbon and Warren counties).

There were 30% more job postings in March 2021 over March 2020.





Our Mission

The mission of 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.

