



LEHIGH VALLEY

# COMMERCIAL REAL ESTATE REPORT

*Issue #30*

SPACE TO INNOVATE

## TEK PARK

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### FRESHPET

Innovation Kitchen Expansion

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### SNAPSHOT:

Lehigh Valley  
Real Estate Market

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### LEHIGH VALLEY WORKS

The Latest Labor  
Market Indicators

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**& MORE**



LEHIGH VALLEY  
economic development

**Q2  
2022**

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

## ABOUT LEHIGH VALLEY

Located 60 minutes north of Philadelphia and 90 minutes west of New York City, the Lehigh Valley is the nation's 68th largest metropolitan region and Pennsylvania's third most populous. And it's growing. The Lehigh Valley's economic output is larger than three states, and its manufacturing sector ranks among the nation's top 50 markets.



*“Manufacturing has a long and rich history in the Lehigh Valley and remains a cornerstone of the evolving economy. The region’s 700 manufacturers employ 35,000 workers and make everything from guitars that produce the music that enriches our lives to the surgical instruments that save our lives. As companies reconsider their global footprints, we continue to see strong interest from manufacturers who want to be in the Lehigh Valley.”*



**Don Cunningham**  
President & CEO



## MARKET OVERVIEW: Q2 2022

The Lehigh Valley's hot industrial properties continued to drive the commercial real estate market, putting it on pace to match 2021's record-breaking growth.

The already low vacancy rate for industrial and flex properties dropped to 4.5% while another 1.9 million square feet of space was added, growing the footprint to 144 million. Another 6.4 million square feet was under construction.

Industrial leasing remained strong, with deals totaling 2.5 million square feet. Among the notable industrial leases signed this quarter:



Freshpet announced plans to build an Innovation Kitchen near its existing campus in Hanover Township, Northampton County, creating about 100 new jobs. The 99,000-square-foot facility, expected to open next year, marks the latest in a string of expansions since the health pet food company moved to the Lehigh Valley nine years ago.



Pianca Packaging, a food packaging company, leased more than 29,000 square feet at Riverside Business Center in Whitehall Township, Lehigh County. The business makes custom-designed containers for companies such as Starbucks, Applebee's, Costco, Publix Super Markets, and Wegmans Food Markets.

The office market showed signs of improvement. Vacancy rates ticked downward from 9.9% in the first quarter to 8.6% in the second as employers took a fresh look at their office space needs. Leasing deals totaled nearly 270,500 square feet, the most leasing activity in a single quarter since the pandemic began. Among the more notable leases included 49,000 square feet for Merieux Nutrisciences. The deal was a notable expansion for the company, which had been leasing space elsewhere in Lehigh County.

The most significant office project under construction is Mohrbanc, the first project in the larger Waterfront development that promises to transform an old industrial patch along Allentown's stretch of the Lehigh River. Construction could be completed as early as this fall.

The real estate activity accompanies some encouraging signs in the regional labor market. The Lehigh Valley's labor force, which comprises people living in the Lehigh Valley, rose to 363,600 in June, exceeding pre-pandemic levels.

## SNAPSHOT

### LEHIGH VALLEY REAL ESTATE MARKET

#### MARKET SUMMARY

#### INDUSTRIAL

144.1 Million SF

Q2 Total Vacancy	4.5%
Q2 Average Asking Rent	<b>\$7.86</b>
Rent Change from Q2 2021	12.9%
2022 Deliveries	<b>3,303,883</b>
2022 Net Absorption	<b>2,610,371</b>
Under Construction	<b>6,374,016</b>

#### OFFICE

16.7 Million SF

Q2 Total Vacancy	8.6%
Q2 Average Asking Rent	<b>\$15.72</b>
Rent Change from Q2 2021	-3.7%
2022 Deliveries*	<b>625,000</b>
2022 Net Absorption	<b>584,053</b>
Under Construction**	<b>138,305</b>

Source: CoStar; \*Includes new Air Products campus in Upper and Lower Macungie Townships. \* Includes The Waterfront project in Allentown.

#### MARKET COMPARISON

Lehigh Valley	<b>\$7.17</b>
Northern New Jersey	<b>\$14.09</b>
Central New Jersey	<b>\$13.71</b>
Southeastern Pennsylvania	<b>\$9.54</b>

Lehigh Valley	<b>\$21.55</b>
Northern New Jersey	<b>\$29.04</b>
Central New Jersey	<b>\$27.81</b>
Suburban Philadelphia	<b>\$29.32</b>

Source: CBRE; Industrial rates reflect NNN per SF. Office Rates are full-service prices per SF



## Brookwood

**Joe McMullan**

Vice President, Asset Management,  
Pennsylvania Market

*“Brookwood has leased approximately 225,000 square feet with Avison Young in the Lehigh Valley, a substantial amount for this market. What we’re seeing is an acceleration of the ‘flight to quality’ where employers are upgrading their institutional properties with attractive amenities to motivate their employees to return to the office after COVID-19.”*

## NOTEWORTHY PROJECT

### FRESHPET INNOVATION KITCHEN



Freshpet, a leading pet food manufacturer, has announced it will open next year a new 99,000-square-foot “Innovation Kitchen” at its campus in the Lehigh Valley. To be leased from J.G. Petrucci Co., the innovation kitchen focuses on new manufacturing technologies and innovations. The expansion is expected to create 100 jobs.

*“The Lehigh Valley has been a wonderful community and partner since Freshpet began operations in Quakertown in 2006. We moved to our current Kitchens facility here in 2013, expanded it twice and we are excited to continue that legacy by constructing our new Innovation Kitchen in the Valley.”*

**Billy Cyr**  
Freshpet, CEO

# TEK PARK



Obscured by a bustling Route 222, just outside Allentown, Pennsylvania's third largest city, looms a technology hub appropriately named Tek Park. Buttressed by rolling hills and farms, the bucolic campus features a collection of glass-and-brick buildings connected by a sun-filled hallway called the "Spine." An over-hanging floor, lined with a thick metal railing, spans the Spine. It is meant to look like the deck of a ship.

Sailing into the future. About 35 years ago, this 137-acre park was designed to reflect the Lehigh Valley's future as part of the Silicon Revolution. It was the world headquarters of AT&T Optoelectronic, where subsidiary Bell Labs developed circuits and devices for light-wave transmission. AT&T has long left that venture, but the campus remains a consequential – if not fully utilized -- place for innovation.

Broadcom is now an anchor tenant. Aesculap Biologics and Aesculap Implant Systems, members of the B. Braun family of companies, develop medical devices and biologics for orthopedic and spine clinical indications. TierPoint operates a large data center at the campus, providing managed services such as private cloud, disaster recovery and security solutions. There's room for more. More than 60% of the 514,000-square-foot facility is occupied.

"Tek Park has a rich legacy and heritage in the Lehigh Valley. It is a unique property that was built to support the semi-conductor industry and has evolved to house other interesting uses," Lehigh Valley Economic Development Corporation President and CEO Don Cunningham said.

**"Tek Park offers existing space that can be adapted for light manufacturing, wet labs, and offices. This is an asset in a time when industrial demand has hit new heights and the life sciences, in particular, are poised to grow and expand in the region."**

The Lehigh Valley is among the busiest industrial markets in America. Within a day's drive of a third of the population and access to rail, the Lehigh Valley has grown its industrial footprint by 15% in five years to 144 million square feet, and the pandemic has only intensified the demand. While many large buildings are constructed speculatively for the growing logistics sector, the Lehigh Valley commands a strong presence in manufacturing – among the top 50 markets in America.

A majority of the LVEDC's industrial prospects are manufacturers seeking buildings with a median space requirement of 50,000 square feet. But buildings with smaller footprints have low vacancy rates and few new ones are under construction, making existing space like that at Tek Park very attractive, Cunningham said.

Tek Park, 9999 Hamilton Boulevard in Upper Macungie Township, has about 150,000 square feet for lease. It can be partitioned for multiple tenants for light manufacturing, offices, or research.

Other TEK Park tenants include EMD Electronics, Forward Thinking Technology Solutions, Pennsylvania Department of General Services, and the Hayden Films Institute.

*Continued, Page 6*



*Tek Park includes a hallway, dubbed the Spine, that connects to buildings housing well-known companies such as Broadcom and Aesculap Implant Systems, a medical device company.*

*The life sciences sector has an expanding presence in the Lehigh Valley, including more than 170 establishments and employment that has grown 3% annually over the last five years.*

Continued from Page 4

The buildings are serviced by redundant utilities, appealing to high tech companies. The buildings are fed by a double ended substation and several buildings are connected to on-site wastewater services. The campus has access to hydrogen, nitrogen and oxygen required in many labs.

"Built by AT&T and Bell Labs, this campus is well suited for technology companies," said Rod Strohm, who stepped down as director of operations at Tek Park in July. "The main structure sits high on a hill, away from the highway and the semi-tractor trailers, and a large portion is vibration proof – its footings go into the granite."

The location in western Lehigh County had been selected in the mid-1980s by AT&T amid a fierce technology competition with Japan. The Lehigh Valley was chosen because of its proximity to research and development facilities in Murry Hill, N.J., and AT&T manufacturing plants in Allentown and Reading at the time.

Originally branded the Solid State Technology Center of AT&T; Bell Labs, the reported \$85 million campus opened in 1988 to much fanfare. AT&T spun off its telecommunications and equipment business in 1996, passing the property to Lucent Technologies and then its spinoff, Agere Systems. In 2003, TriQuint Semiconductor bought Agere's optics division and inherited the campus.

TriQuint in 2005 sold the operations of its optoelectronics division to CyOptics and the Upper Macungie campus to MRA Group, which built its reputation primarily as a health care real estate firm. MRA developed the property for single-tenant sites of 50,000 square feet or less and landed tenants including Aesculap. CyOptics expanded its existing local operation into Tek Park. Avago acquired CyOptics in 2013 and in 2016 completed the purchase of Broadcom Corp., forming Broadcom LTD. In 2012 the entire campus was purchased by 9999 Hamilton Associates L.P., which currently owns and manages the property. About 450 people work at TEK Park today.

## MANUFACTURING PROSPECTS

38

Prospects  
(June 2022)

6.6M

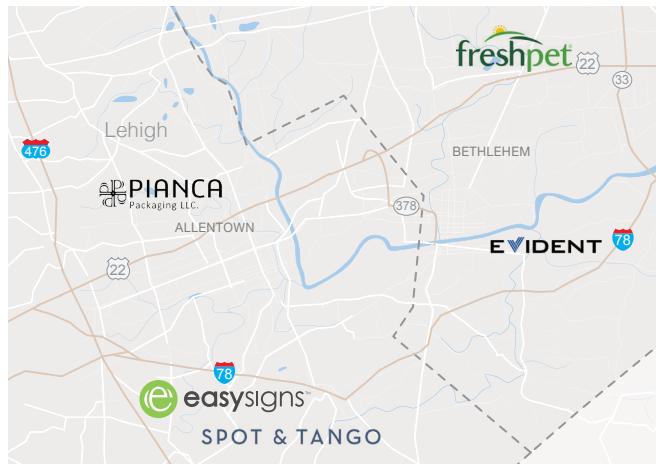
Total SF  
Requirement

50K

Median SF  
Requirement

## PROJECT HIGHLIGHTS

Many of the Lehigh Valley's new manufacturing and flex tenants in 2022 required less than 100,000 SF.



## NOTABLE SALES

Address	Price	Buyer	Class
600 Brighton St., Fountain Hill	\$18,000,000	MT Brunel LLC, NY	Industrial
440 S. 15th St., Allentown	\$3,296,564	Mass Mutual Asset Finance LLC	Office
7462 Penn Dr., Upper Macungie	\$1,500,000	Cardine Land Holdings	Flex
692 Northampton St., Easton	\$750,000	Five Point Development Group	Flex

## NOTABLE LEASES

Property	SF	Tenant	Class
1000 Carson Ct., Palmer Township	340,695	ABB Process Automation	Industrial
3893 Courtney St., Hanover Twp., Northampton	120,000	DHL	Industrial
450 E. Moorestown Rd., Bushkill Twp.	116,000	Conri Services	Industrial
5010 Jaindl Blvd., Hanover Twp., Northampton	99,000	Freshpet	Industrial
202-212 Cascade, Hanover Twp., Lehigh	97,644	Axis Global Logistics	Industrial
600 Brighton, Bethlehem	75,000	DND	Flex/Industrial
7150 Windsor Dr., Upper Macungie Twp	49,420	Merieux Nutrisciences	Office/Flex/R&D
1139 Lehigh Ave., Whitehall	29,281	Pianca Packaging	Industrial

## LABOR MARKET INDICATORS



### LEHIGH VALLEY WORKS

A critical driver of Lehigh Valley's growing economy is a skilled and agile workforce that employers value in a rapidly changing world. Through community partnerships, the Lehigh Valley is producing and attracting quality employees.

#### GROWING LABOR FORCE<sup>1</sup>

	Employed	Unemployed
June 2018	<b>338,000</b>	<b>16,900</b>
June 2019	<b>342,400</b>	<b>15,900</b>
June 2020	<b>311,200</b>	<b>46,100</b>
June 2021	<b>333,900</b>	<b>25,500</b>
June 2022	<b>347,900</b>	<b>15,400</b>

Labor Force within a One-Hour Drive of the Lehigh Valley  
1.3 Million

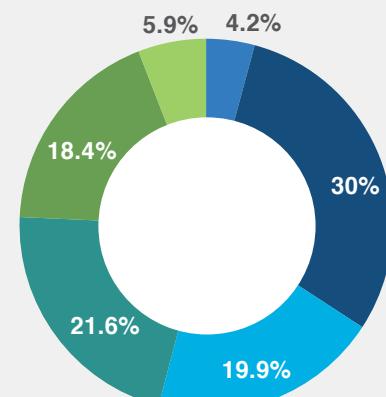


#### TALENT OF ALL AGES<sup>2</sup>

Prime Age Labor Force Participation Rate **85.3%**

#### Lehigh Valley Labor Force by Age

- 16-19
- 20-34
- 35-44
- 45-54
- 55-64
- 65+



#### LEHIGH VALLEY ADVANTAGE<sup>3</sup>

##### Real Time Median Annual Wages

	Lehigh Valley	NYC/Newark Metro	Suburban Philadelphia
First-line Supervisors of Production Workers	<b>\$45,313</b>	<b>\$47,576</b>	<b>\$37,440</b>
Team Assemblers	<b>\$34,320</b>	<b>\$36,094</b>	<b>\$33,280</b>
Machinists	<b>\$46,678</b>	<b>\$53,958</b>	<b>\$51,795</b>
Welders	<b>\$41,600</b>	<b>\$45,271</b>	<b>\$42,824</b>
Industrial Machinery Mechanics	<b>\$55,548</b>	<b>\$49,615</b>	<b>\$57,245</b>

#### PROMISING CAREERS BEGIN HERE

15% of Pennsylvania associate degrees awarded in the Lehigh Valley

##### Sources:

<sup>1</sup> Pennsylvania Center for Workforce Information Analysis; labor force residing in Lehigh and Northampton counties

<sup>2</sup> Chmura Economics JobsEQ; labor force residing in Lehigh and Northampton counties

<sup>3</sup> Chmura Economics JobsEQ, advertised median wages in Q2 2022 job postings.



## 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 support the recruitment, growth and retention of employers and the creation of jobs for people of all skills and educations.

## 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 Location Advantage



MADE POSSIBLE  
IN  
LEHIGH VALLEY



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