

LEHIGH VALLEY, PA

COMMERCIAL REAL ESTATE REPORT

Issue #31

\$200 MILLION EXPANSION

B. BRAUN

IDEAL SEMICONDUCTOR
Trailblazing Development

SNAPSHOT:
Lehigh Valley
Real Estate Market

LEHIGH VALLEY WORKS
The Latest Labor
Market Indicators

& MORE



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, PA

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.

690,000
Population  50 million
Within 200 miles

\$42.9 billion
GDP (2020)

 330,400
Employed in the Lehigh Valley

11
Colleges &
Universities  3
Technical
Schools

 3
International Airports
within an hour's drive

"Lehigh Valley manufacturers are driving innovations in the life sciences, food production, high-tech sectors and more because of our location, talent, and other resources. It's no wonder we're seeing strong interest from manufacturers who want to be a part of that in the Lehigh Valley."



Don Cunningham
President & CEO



MARKET OVERVIEW: Q3 2022

With a record low vacancy rate of 3.8%, the Lehigh Valley's real estate market grew to 145 million square feet, indicating a robust demand for space in one of America's fastest growing markets. While rent rose to \$8.70 a square foot, the price is nearly half the rate of properties in nearby northern and central New Jersey.

The 658,000 square feet of new industrial and flex space added to the market includes several key expansions of companies driving the Lehigh Valley's position as a Top 50 manufacturing market:



B. Braun Medical, a global leader in medical equipment and supplies, cut the ribbon on its \$200 million expansion near its U.S. headquarters in Bethlehem.



Spot & Tango, a pet food company, opened its first manufacturing facility near Allentown, bringing 96 full-time jobs.



OraSure Technologies completed a 139,000-square-foot expansion near Bethlehem where it will manufacture almost 2 million in-home COVID-19 self-tests weekly.

Another 6.4 million square feet of industrial and flex space is under construction, including the expansion of Phoenix Tube, which is adding another production line and is hiring another 30 people.

iDEAL Semiconductor announced a \$3.4 million expansion at Ben Franklin TechVentures in Bethlehem, where the company is developing breakthrough technology.

In the office market, the most significant project under construction is Mohrbanc, the first in The Waterfront development in Allentown. The construction comes as brokers are observing a "flight to quality" office space as workers return to in-person work.

Office vacancy rates lowered to 7.9% while rent was \$15.74 a square foot, more than a 1% drop from a year ago. Among the employers entering the office market is National Kitchen & Bath Association, which moved its headquarters from New Jersey to downtown Bethlehem.

The real estate activity coincides with a labor force that continues to grow.

SNAPSHOT

LEHIGH VALLEY COMMERCIAL REAL ESTATE MARKET

MARKET COMPARISON

INDUSTRIAL 145 Million SF

Q3 Total Vacancy	3.8%
Q3 Average Asking Rent	\$8.70
Rent Change from Q3 2021	+7%
2022 Deliveries	3,961,444
2022 Net Absorption	4,228,729
Under Construction	6,447,845

OFFICE

28.5 Million SF

Q3 Total Vacancy	7.9%
Q3 Average Asking Rent	\$15.74
Rent Change from Q2 2021	-1.4%
2022 Deliveries	625,000*
2022 Net Absorption	780,240
Under Construction	138,305**

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

Lehigh Valley	\$8.70
Northern New Jersey	\$15.34
Central New Jersey	\$14.32
Southeastern Pennsylvania	\$9.24

Lehigh Valley	\$22.49
Northern New Jersey	\$31.59
Central New Jersey	\$27.13
Suburban Philadelphia	\$29.41

*Industrial rates reflect NNN per square foot. The Lehigh Valley industrial rates were reported by CoStar. The industrial comparison markets and all of the office full-service rents were reported by CBRE.



Seifi Ghasemi, President and CEO

“With operations in more than 50 countries around the world, we never wavered in our commitment to the Lehigh Valley as the location for our new global headquarters. That decision was an easy one to make. It is an ideal location to build new facilities representing a world-class company.”

NOTEWORTHY PROJECT

iDEAL SEMICONDUCTOR

Lehigh Valley startup iDEAL Semiconductor is undertaking a \$3.4 million expansion as it develops technology promising to deliver breakthrough levels of power efficiency, a game changer as America works to bring home semiconductor chip manufacturing. The patented technology enables greater efficiency, longer life, and cooler operating temperature for electronic systems spanning many critical applications including electric vehicles, renewable energy, and data center servers.

The expansion is located in Bethlehem at Ben Franklin TechVentures, an internationally acclaimed high-tech workspace for early-stage companies. iDEAL received funding from Pennsylvania and is aggressively working with officials for funding from the federal CHIPS and Science Act, which provides billions of dollars for research and manufacturing of semiconductor chips.



iDEAL Semiconductor Co-founder and Chief Technology Officer David Jauregui explains the company's breakthrough technology. (Photo: Ben Franklin Technology Partners of Northeastern Pennsylvania)

B. BRAUN MEDICAL

To understand the Lehigh Valley's growing life sciences sector, look no further than B. Braun Medical. A global leader in medical device manufacturing, the German-owned B. Braun landed here in 1979 after acquiring a specialty plastics company in Bethlehem, an eastern Pennsylvania city then synonymous with steelmaking.

As the region's economy moved away from steel and other heavy manufacturing in the late 20th century, B. Braun built its Lehigh Valley presence into the corporate and manufacturing hub for its U.S. operations. Today, as life sciences investment soars and talent drives site selection, B. Braun is doubling down on its commitment to the Lehigh Valley where manufacturing still drives the economy.

B. Braun Medical, part of the North America B. Braun Group of Companies, unveiled in September a \$200 million expansion near its U.S. headquarters in Bethlehem.

The 310,000-square-foot project nearly doubles B. Braun's manufacturing footprint in the Lehigh Valley. The expansion will add another 200 employees to its local workforce of 2,000.

It's part of the company's \$1 billion investment in new and updated manufacturing in North America to ensure a reliable and consistent supply of IV fluids, which are used to hydrate and medicate patients.



President & CEO Jean-Claude Dubacher speaks during the ribbon-cutting ceremony for the company's Lehigh Valley expansion.

"B. Braun has had the privilege of being part of the Lehigh Valley community for 40 years," said Jean-Claude Dubacher, President & CEO of B. Braun Medical.

"This facility represents both our commitment to the Lehigh Valley and Pennsylvania, as well as B. Braun's strategic objective of being a leading health care technology company."

State-of-the-art digitalization and automation technologies will improve efficiencies and seamlessly connect all production steps and business processes at the new facility, creating a highly competitive smart factory that features an IS 14001-certified environmental management system.

When operations begin next spring, the facility will include 44 injection molding machines making 3 million components a day. Machines will assemble the components at a rate of 360 pieces per minute.



An extrusion room will produce a mile of tubing per minute. Robots will travel up to 31 miles a day, taking products to warehouses to be shipped.

Don Cunningham, President & CEO of the Lehigh Valley Economic Development Corporation (LVEDC), said B. Braun is an important part of the region's manufacturing sector, which has grown to become a Top 50 manufacturing market in the United States.

"We often hear about the decline of American manufacturing. Actually, in the Lehigh Valley, manufacturing jobs have grown about eight times greater than the annual growth rate across the whole country over the last five years," Cunningham said. "B. Braun is a big part of that."

In the heart of the Northeast market within a day's drive of a third of the nation's population, the Lehigh Valley serves as a strategic manufacturing hub. It sits amid a life sciences supercluster, stretching 400 miles from Boston to Washington, D.C.

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The Lehigh Valley borders New Jersey, a pharmaceutical powerhouse teeming with biochemists, and is 60 miles north of Philadelphia, nicknamed "Cellicon Valley" for the concentration of cell and gene therapy research.

The corporate homes of Olympus of the Americas and OraSure Technologies, the Lehigh Valley includes a strong specialization of medical device companies and more than 170 life sciences factories, labs, offices and other business establishments. Companies that support the life sciences, including Sharp Packaging and McKesson, have expanded here in recent years. Since 2020, 1 million square feet of life sciences space has been announced or constructed. B. Braun's newest expansion accounts for a fifth of that.

A leader in infusion therapy and pain management, B. Braun Medical develops, manufactures, and markets innovative medical products and services to the health care industry. In addition to its manufacturing operations, in Lehigh Valley Industrial Park III, B. Braun has its U.S. headquarters in Bethlehem and distribution center in Upper Macungie Township. Many of the other North America B. Braun Group of companies have a Lehigh Valley presence, including B. Braun Interventional Systems, Central Admixture Pharmacy Services and Aesculap.

B. Braun Medical is part of a global organization ranked as the 13th largest medical device manufacturer in the world and employs 64,000 in 64 countries.



A B. Braun employee displays the CNC manufacturing technology at the new state-of-the-art facility.

LIFE SCIENCES PROJECTS*

1M SF

Total Projects

310K SF

Largest Project

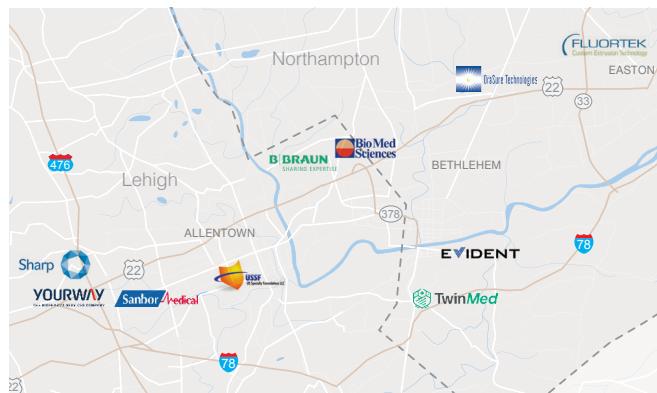
11.1K SF

Smallest Project

*Life Sciences space added, under construction or announced since 2021.

PROJECT HIGHLIGHTS

Nearly a dozen life sciences companies have expanded in or moved to the Lehigh Valley since the beginning of 2021.



NOTABLE SALES

Address	Price	Buyer	Class
802, 1629 & 1899 S. 12th St, Allentown	\$ 13,775,000	1801 12th Street LLC	Industrial
2014 City Line Rd, Bethlehem	\$6,731,202	Massmutual Asset Finance LLC	Office
800 Eaton Ave, Bethlehem	\$6,325,000	Montecito Medical Real Estate	Office
1101 W Hamilton St, Allentown	\$4,923,500	GLR Properties Swope Plaza LLC	Office
201 Larry Holmes Dr, Easton	\$3,900,000	ANR LLC	Office
739 Roble Rd, Hanover Township, Lehigh County	\$3,720,000	Eukalin Corp.	Industrial

NOTABLE LEASES

Property	SF	Tenant	Class
800 Willowbrook Road, Allen Township	453,000	Sysco	Industrial
3895 Eastgate, Lower Nazareth Township	341,400	GOAT	Industrial
6461 Snowdrift Road, Upper Macungie Township	100,000	Summit Supply Group	Industrial
4741 Chapmans Road, South Whitehall Township	34,500	Mvnifest	Industrial
Research Drive	15,000	iDeal Semiconductor	R&D
1 W. Broad St., Bethlehem	10,000	National Kitchen & Bath Association	Office

Source: CoStar, Published Reports

LABOR MARKET INDICATORS



LEHIGH VALLEY WORKS

A critical driver of the 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.

ACCESS TO TALENT

368.4K
Labor Force
Living in the
Lehigh Valley¹



103.9K
Workers Commuting
into the
Lehigh Valley²



1.3M+
Labor Force within an
Hour's Drive of the
Lehigh Valley³



BONE APPÉTIT!

45% 
of PA's Employment in Dog
and Cat Food Production is
located in the Lehigh Valley.⁴

Make no bones about it: when it comes to cat and dog food production, the Lehigh Valley is the cat's meow. Home to companies like **Nestle Purina** and **Freshpet**, the Lehigh Valley corners nearly half of Pennsylvania jobs in that sector. Employment, at 1,181 in the Lehigh Valley, is about to grow. **Spot & Tango** unveiled a new facility where 96 workers will produce 32 million meals for dogs annually.

LEHIGH VALLEY ADVANTAGE⁵

Real Time Median Annual Wages

	Lehigh Valley	NYC/Newark Metro	Suburban Philadelphia
Quality Control Analysts	\$43,680	\$48,859	\$47,800
Team Assemblers	\$35,100	\$33,280	\$33,280
Software Developers	\$91,400	\$124,800	\$104,200
Inspectors, Testers, Sorters, & Weighers	\$37,807	\$41,356	\$36,461
Chemists	\$49,920	\$54,170	\$56,704



Lehigh Valley manufacturing jobs growth compared to the nation as a whole over the last five years.⁶

Sources:

¹ Pennsylvania Center for Workforce Information Analysis, September 2022

² U.S. Census: <https://onthemap.ces.census.gov>, primary jobs 2019

³ Chmura Economics JobsEQ

⁴ Chmura Economics JobsEQ Q2 2022

⁵ Chmura Economics JobsEQ, Q3 2022

⁶ Chmura Economics JobsEQ, Q2 2017-Q2-2022



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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