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**LEHIGH VALLEY  
COMMERCIAL REAL ESTATE REPORT**  
OFFICE & INDUSTRIAL  
MARKETS

*ISSUE # 006*

Q2  
2016



**LEHIGH VALLEY**  
economic development

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

**In the world of industrial real estate, it's safe to say that the Lehigh Valley is one of the top markets in the United States.**

As this report will show, the industrial real estate market remains strong in the Lehigh Valley, with an aggregate vacancy rate of 7.2 percent for Q2 2016, an increase over the 6.35 percent regional vacancy rate in Q2 2015, and there are more than 5 million square feet of Industrial space currently under construction.

There is no lack of public and private capital interest to invest in Lehigh Valley's industrial sector. Since 2014, there has been about 10 million square feet of industrial space delivered in the region, much of it built on speculation, and the majority of it is already off the market as demand has outpaced construction.

The Lehigh Valley office market has also demonstrated continued strength as a result of the region's strong economic fundamentals and ongoing population growth. The regional office vacancy rate is at 9.40 percent, significantly lower than the national average of 14.6 percent.

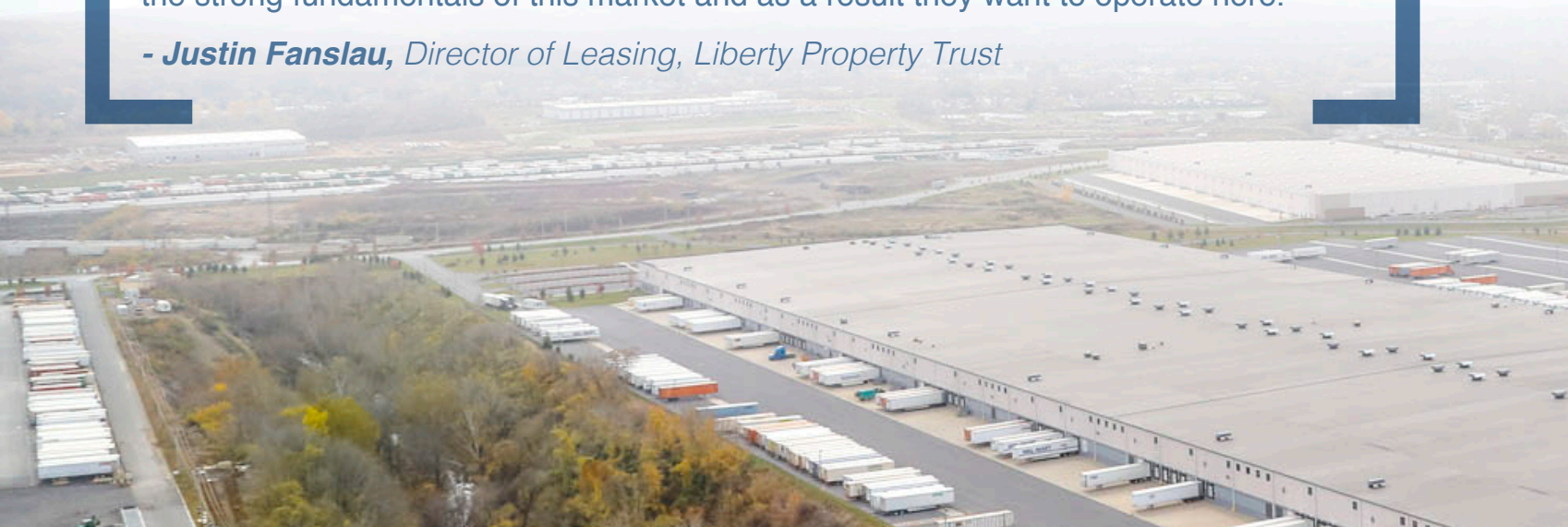
The Lehigh Valley's gross domestic product has reached \$35.4 billion, ranking 75th out of the 381 largest metropolitan statistical areas in the United States. That puts us higher than the entire state of Vermont and 94 other countries in the world. I'm happy to report that the fundamentals of the Lehigh Valley economy are strong.

*- Jarrett Witt, LVEDC Director of Business Development*

## BROKER PERSPECTIVE

**"Demand for high-quality industrial space in the Lehigh Valley continues to grow and we see the supply of new product struggling to keep pace. Users of all sizes recognize the strong fundamentals of this market and as a result they want to operate here."**

*- Justin Fanslau, Director of Leasing, Liberty Property Trust*

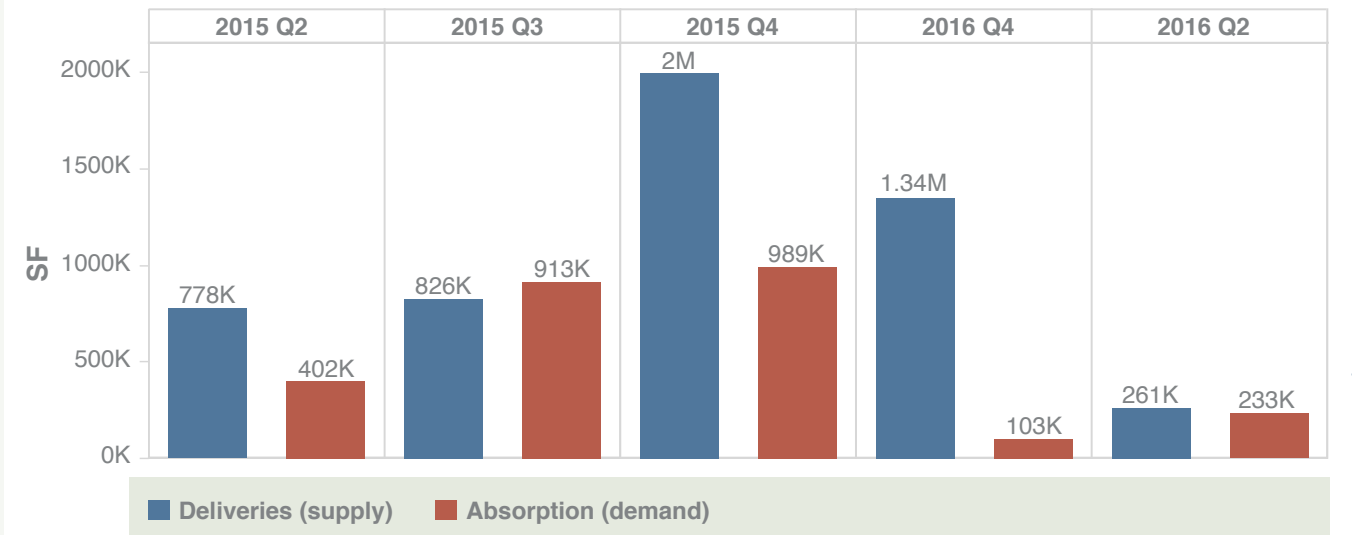


## INDUSTRIAL MARKET

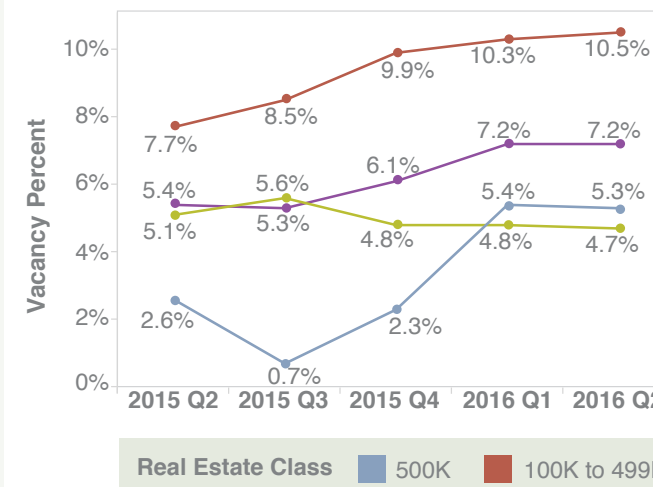
### MARKET SUMMARY

<b>108,799,277</b> Total Inventory (SF)	<b>232,946</b> Net Absorption (SF)	<b>\$4.93</b> Average Asking Rent (NNN)	<b>5,240,900</b> Total Under Construction (SF)
<b>7.20%</b> Total Vacancy	<b>335,748</b> YTD Net Absorption (SF)	<b>2.28%</b> YOY Rent Growth	<b>1,609,231</b> YTD Deliveries (SF)

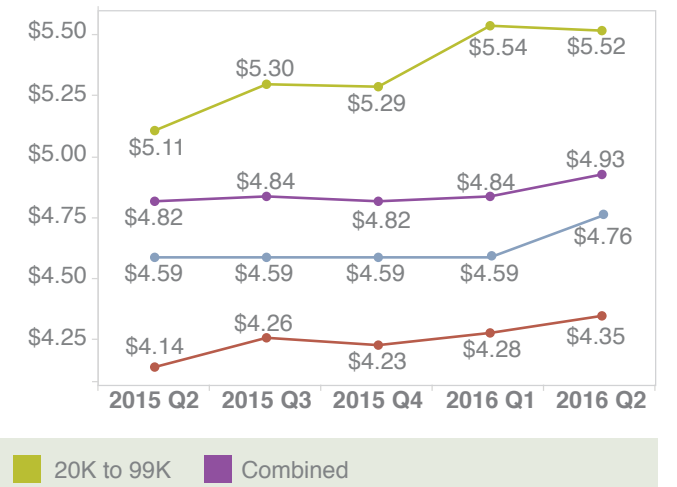
### SUPPLY & DEMAND



### VACANCY RATE (PERCENT)



### ASKING RATE (PER SF)



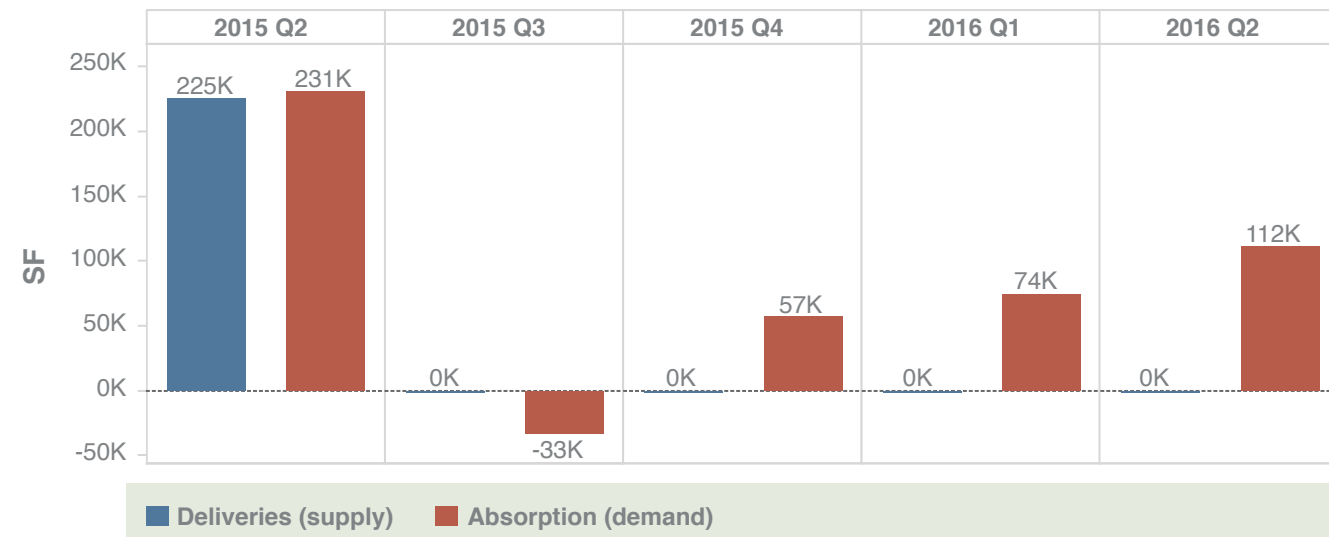
Includes Flex. Source: CoStar, LVEDC Research

# OFFICE MARKET

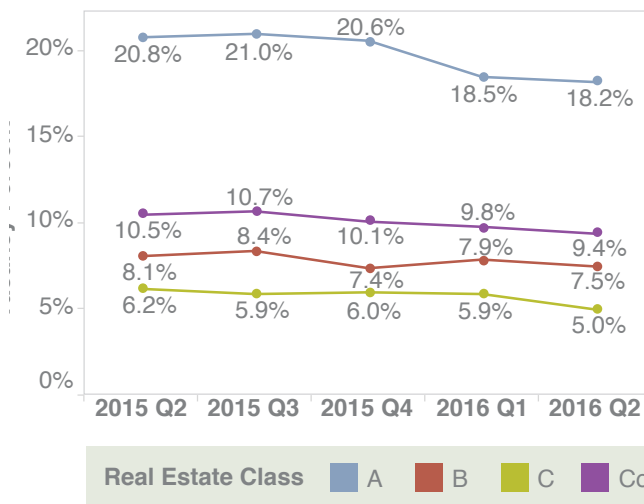
## MARKET SUMMARY

<b>25,034,397</b> Total Inventory (SF)	<b>111,562</b> Net Absorption (SF)	<b>\$20.66</b> Average Asking Rent	<b>350,265</b> Total Under Construction (SF)
<b>9.40%</b> Total Vacancy	<b>185,818</b> YTD Net Absorption (SF)	<b>2.94%</b> YOY Rent Growth	<b>0</b> YTD Deliveries (SF)

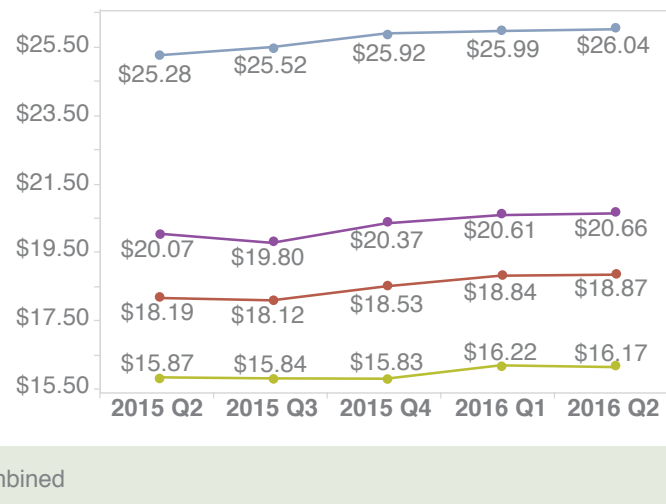
## SUPPLY & DEMAND



## VACANCY RATE (PERCENT)



## ASKING RATE (PER SF)

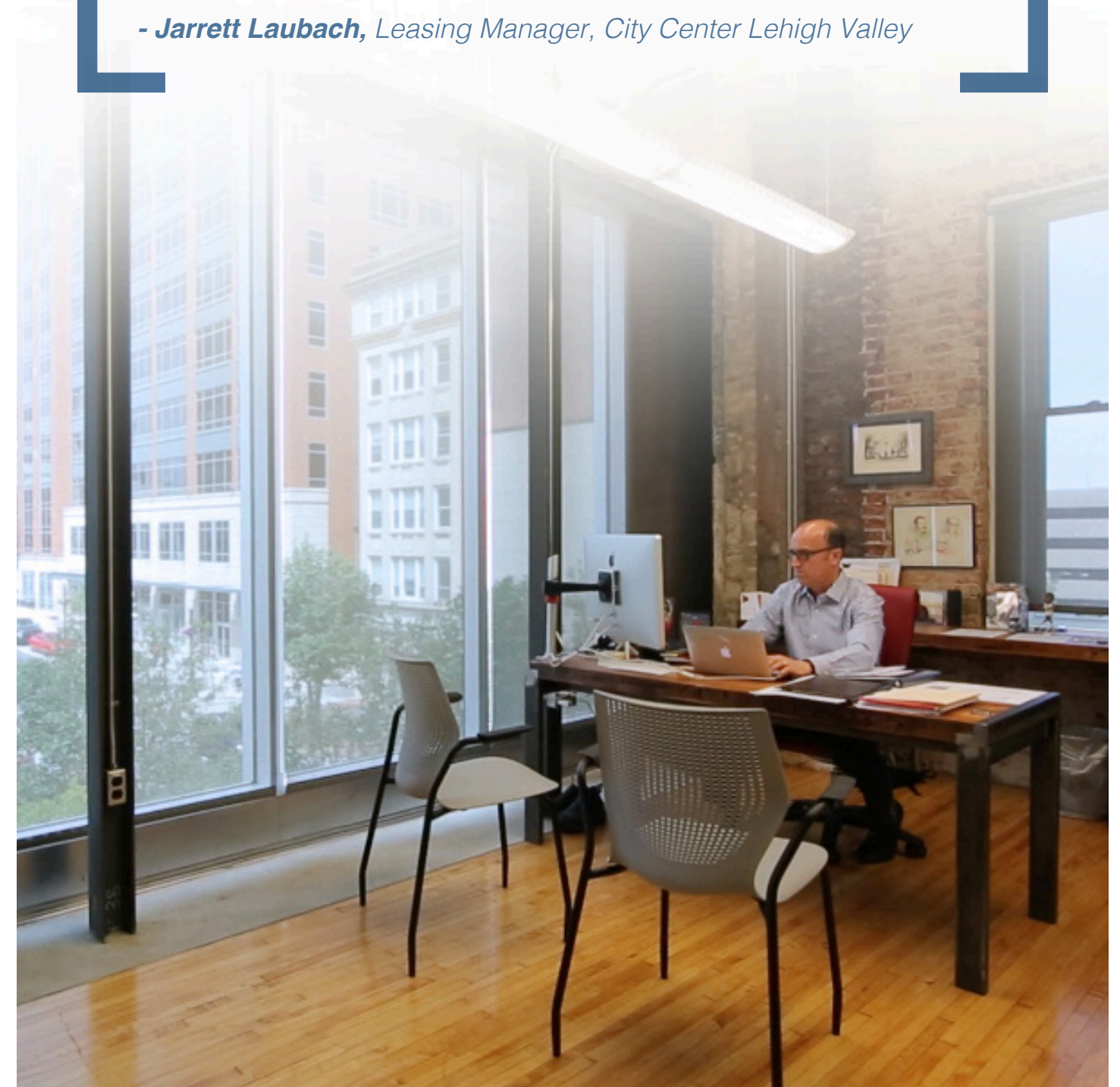


Source: CoStar, LVEDC Research

## BROKER PERSPECTIVE

“Today’s tenants are challenging the conventional value proposition, placing as much importance on amenities and an environment that helps them recruit and retain top talent as on building finishes, collaborative floorplans and energy efficiency. They seek a compelling set of economics, but they also value a walkable community where casual collisions with other professionals take place.”

- **Jarrett Laubach**, Leasing Manager, City Center Lehigh Valley



## Q2 2016 COMMERCIAL REAL ESTATE TRANSACTIONS

### SALES OVER \$1M

PROPERTY	BUYER	SALE PRICE	FIRM	MUNICIPALITY	CLASS
3501 Corporate Pky	Gulf Islamic Investors	\$44,900,000		Upper Saucon Township	Office
3747 Hecktown Rd	Endurance Real Estate	\$28,500,000		Lower Nazareth Township	Industrial
West Hills Bldg C	Watson Land Co	\$25,200,978		Weisenberg Township	Industrial
101 N 6th St	Center City Lehigh Valley	\$8,500,000	JLL	Allentown	Office
54 S Commerce Blvd	SCW LLC	\$4,050,000	JLL	Hanover Township	Industrial
2302-2310 26th St SW	MKD REAL ESTATE LLC	\$2,472,500		Allentown	Industrial
350-404 Union Blvd	GENERAL ELECTRIC COMPANY	\$1,720,000		Allentown	Industrial
2501 Baglyos Cir	ERST LLC	\$1,675,000	NAI Summit	Bethlehem Township	Industrial
6475 Ruch Rd	GFP LLC	\$1,175,000	NAI Summit	East Allen Township	Industrial

### LEASES

PROPERTY	SF	FIRM	MUNICIPALITY	CLASS
2929 Schoeneck Rd	400,000	CBRE	Lower Macungie Township	Industrial
3895 Eastgate Blvd	341,400	Colliers	Lower Nazareth Township	Industrial
8018 Quarry Rd	312,113	CBRE	Lower Macungie Township	Industrial
3895 Eastgate Blvd	243,360	Colliers	Lower Nazareth Township	Industrial
638-640 W Hamilton St	11,910	NAI Summit	Allentown	Office
1 W Broad St	8,141	JLL/CBRE	Bethlehem	Office
1320 Hausman Rd	4,888	Feinberg Real Estate Advisors	South Whitehall Township	Office
3101 Emrick Blvd	4,608	CBRE	Bethlehem Township	Office
1605 Valley Center Pky	4,298	PennCap	Hanover Township	Office
1525 Valley Center Pky	4,028	PennCap	Hanover Township	Office

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

“There’s a reason our region was featured this year at NAIOP’s I.CON, the commercial real estate industry’s only national conference for the industrial sector. The Lehigh Valley’s industrial real estate fundamentals are very strong, and the region is ideally situated for national tenants to bring product from the NJ/NY Ports and service the consumers in the Boston-to-Washington corridor.”

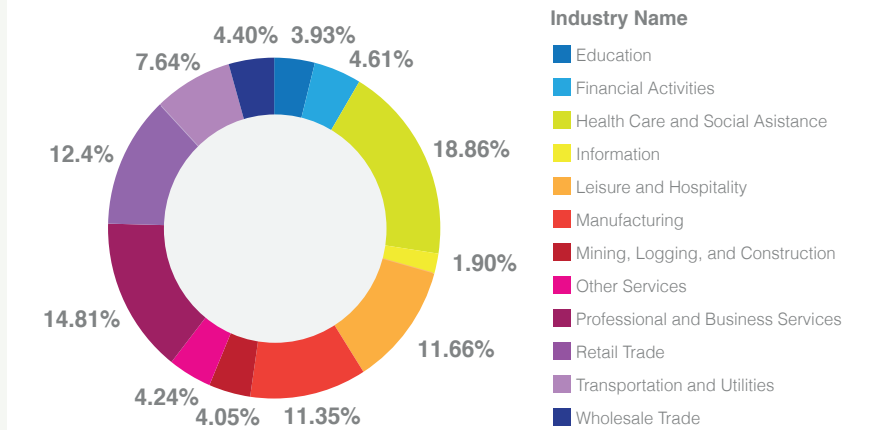
- Don Cunningham, President & CEO, LVEDC

## ECONOMIC CONDITIONS

The health care industry remains the Lehigh Valley’s top employer, making up **18.86%** of total employment within the region.

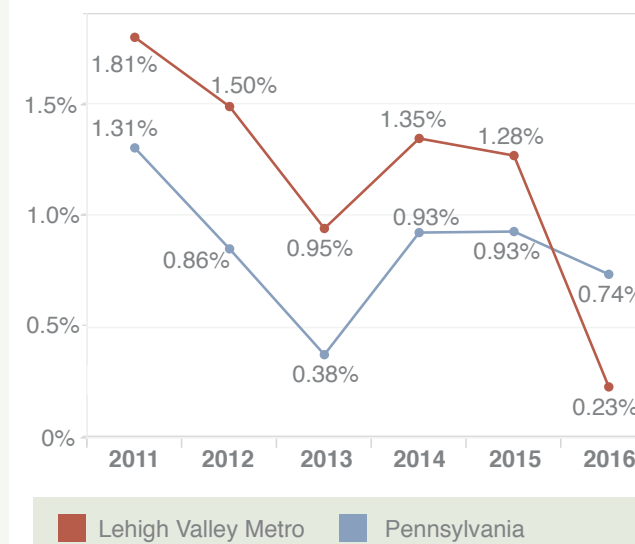
The Lehigh Valley’s unemployment rate is **5.3%** as of May 2016, down slightly from 5.5% in May 2015, and down significantly from 6.2% in May 2014. The decline in the region’s unemployment rate follows largely the same pattern as the national rate.

### EMPLOYMENT BY INDUSTRY



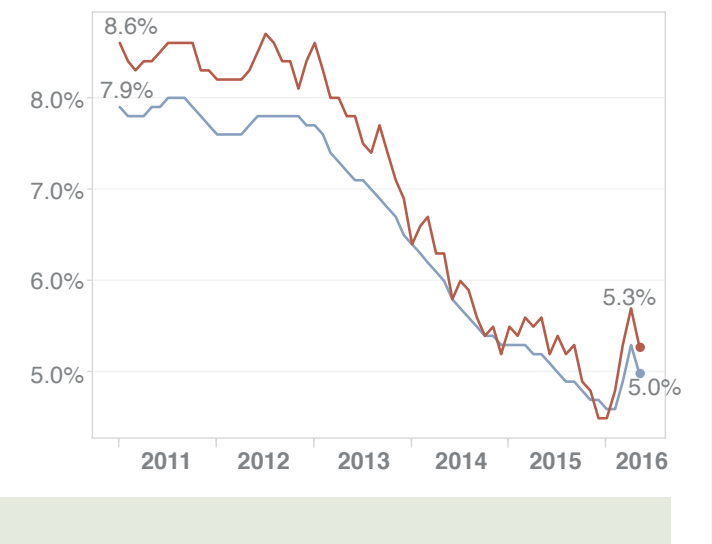
Lehigh Valley Metro  
Source: BLS & PA Center for Workforce Information & Analysis (CWIA)

### LABOR MARKET JOB GROWTH



Total nonfarm, Seasonally-adjusted figures. (May 2016 Release)  
Source: BLS & PA Center for Workforce Information & Analysis (CWIA)

### UNEMPLOYMENT RATE



Source: BLS & PA Center for Workforce Information & Analysis (CWIA)



**LEHIGH VALLEY**  
economic development

### **Our Mission**

The mission of the Lehigh Valley Economic Development Corporation is to market the economic assets of the Lehigh Valley and to serve as a regional shared services and resource center to help businesses to come, grow and start here.

### **Our Vision**

Our vision is of a Lehigh Valley with a diverse economic base in our cities and counties that enable businesses to come here, start here and flourish here in order to create jobs and opportunities for all of our residents.

### **Our Priorities**

- Marketing Economic Assets
- Coordinating a Prepared Workforce
- Focusing on City and Urban Development
- Serving as a Shared Services Center
- Providing Access to Capital
- Building our Resources and Engaging Stakeholders

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**Lehigh Valley**

Come here. Grow here. Start here.

