



Deed Transfer Trends for Commercial-Industrial Properties in the Lehigh Valley Region First Half of 2022

We have been tracking the sales of office buildings, retail buildings, industrial buildings, and commercial-industrial development sites within the Lehigh Valley Region over the past 6 months. As we are coming out of the COVID19 Pandemic, it is interesting to note what factors have influenced selling prices for these property categories. These market indicators may not be the bellwether for the remainder of 2022 and beyond, but they do provide some insights into potential long-term trends that will affect the commercial-industrial real estate market in our region over the next few years.

We combed through published deed transfers, web-based multi-list data, and government records as part of our research. The following is a summary of nearly 100 reported property sales that we used for this report.

In the office building segment, prices have varied widely. Unit selling prices have ranged from \$14.12 per square foot up to \$296.05 per square foot. Several factors have affected the sales that have been consummated. For example, a Class A, LEED certified, 254,782 square foot office building sold for \$3,600,000. This equates to a unit selling price of \$14.12 per square foot. The outcome of the auction for this office building in Downtown Allentown was unprecedented when compared to the history of this segment of the commercial real estate market in our region. The chain of title ownership for this building may provide some interesting insights for people who follow the real estate market trends within our region. The property was bought in 2019 for \$15.3 million. An investor from the New York Metro Market purchased the property for redevelopment and investment. In the midst of their plans to reposition the building and market it to prospective tenants from outside the region, the Pandemic happened. This was an event that the investor/developer was not able to overcome. The building sold at the beginning of this year for \$3.6 million in a distress sale. The new owner is a local investor who will be renaming the building from the PPL Plaza to the Grand Plaza and is formulating his redevelopment strategy to



include mixed uses for the building. Another Class A office building not too far away went for \$296.05 per square feet. This was the most expensive sale we tracked in terms of office buildings. This building is only a few years old and is ADA Compliant. The property also has ample parking with its own lot. Most of the Allentown Central Business District office buildings have metered on-street parking or municipal garages.

The average price for medical office buildings sold during our time period study, was around \$136 per square feet, with the highest recorded unit sale price at \$193.75. Most office buildings that were sold were usually improved for medical use. Other noticeable yet expected trends were that Class A office buildings were sold at higher prices than Class B buildings and converted homes. Office buildings with superior road signage and location sold at higher prices buildings that were not as easily accessible.

There were many more retail buildings sold in the first half of 2022 than there were office buildings. The retail properties sold ranged from \$30.54 to \$793.45 per square foot. Gas stations with retail components were the highest priced, averaging \$598.11 per square feet. This may be due to the fact that many gas stations were sold as going businesses with convenience food stores as part of the package. Buildings with occupied by successful businesses had an much higher unit sale price.. For example, Burger King and Mavis Tires on MacArthur Road both sold for over \$500 per square foot. A CVS sold for over \$350 per square foot. The highest unit sale price in this segment was \$793.45 for a Wawa on Rt. 309. In comparison, a vacant former K-Mart store in Walnutport sold for just \$30.54 per square foot. The location is on the outskirts of the more heavily populated areas and the building doesn't have prominent visibility along Rt. 145. Most other retail buildings averaged at about \$153 per square foot. This includes multiple restaurants, traditional retail space, and mixed-use retail spaces with space for offices or residential apartments on top floors. Other compelling sales were that of an indoor ice rink and an indoor skate park. Either could be transformed into multi-tenant residential spaces, or into mixed use industrial buildings with space for warehousing and offices.



There were several tracts of land that were sold as part of a development project for commercial-industrial uses. The land sales ranged from \$71,367.40 to \$389,507.15 per acre. Two more notable sales in Bethlehem were approved for warehouse development. In Southside Bethlehem, one of the projects sold for \$261,780.11 per acre. Bethlehem city planning commission approved the development of a 53,700 square foot warehouse, including 63 parking spaces and 8 loading docks on the 5.73 acres. The other property, a larger project, sold for \$266,666.67 per acre. It was approved for a manufacturing site and warehouse at 136,000 square feet on 7.5 acres. The client is Axium, a water bottle manufacturer and packing company. The warehouse will feature 8 loading docks and 98 parking spaces. Another noteworthy development project in Easton has partially approved plans for two warehouses at 128,000 square feet and 136,000 square feet. The 35.03-acre property sold for \$71,367.40 per acre and is highly visible between Route 248 and the Tatamy exits along Route 33 North. An interesting sale to check out was that of a multi-property sale on the corner of Route 100 bought by Sheetz Inc. This was the highest sale per acreage we tracked in the first half of this year at \$389,507.89 per acre, once again seeing the demand of commercial highway visibility for gas stations with convenience stores.

In the industrial segment, we tracked several sales of warehouse facilities. Some of the warehouses and manufacturing buildings were older than 30 years. The unit prices were higher than \$75. Per square foot for these older buildings. However, a handful have had significant renovations after they were originally purchased by the original investors 5+ years prior to 2022. The average unit selling price was \$156.53 per acre. Realterm, a logistics real estate company for the transportation industry, purchased a 44.98-acre property with direct access to rail service and is a very short distance from I-78 and Route 22. This location and rail amenity is a huge advantage for logistics service providers. One sale interesting to look at is that of 1600-1610 Van Buren Road in Easton. The multiproperty facility includes a 13.01-acre lot and a 1,110,135 square foot Amazon fulfillment warehouse on 62.46 acres. The Class A warehouse was built in 2015 and features 500 parking spaces. The properties were sold together at \$154,187,467, equating to \$138.89 per square feet or \$2,043,029.91 per acre! There is no record on plans for development for the lot at 1600 Van Buren Road. A majority of the other sales ranged from just



over \$80 per square foot to around \$140 per square foot. Many are warehouses or manufacturing buildings with offices. The demand for industrial buildings and industrial land continues to be strong within our region.

Interest rates have been increasing during the third quarter of 2022. It will be interesting to see how this impacts property sales for the remainder of the year.

Prepared by: Amy Hawley SIOR- SVN | Imperial Realty and Taylor Henry Intern, Temple University's Fox School of Business