

LEHIGH VALLEY, PA

# COMMERCIAL REAL ESTATE REPORT

Issue #37

PA'S ECONOMIC STRATEGY IS

## 'BETTING HEAVY' ON LEHIGH VALLEY

DA VINCI SCIENCE CENTER

A New Asset for  
Workforce Development

SPOTLIGHT ON EASTON

\$241M in Downtown  
Development Underway

SNAPSHOT:

Lehigh Valley  
Real Estate Market

& MORE

# Lehigh Valley

ECONOMIC DEVELOPMENT

Q2  
2024

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 67th largest metropolitan region and Pennsylvania's third most populous. And it's growing. The Lehigh Valley's economic output is larger than two states, and its manufacturing sector ranks among the top 15% of the nation's markets.

**Ranked #1**  
among U.S.  
mid-sized regions  
for economic  
development by  
*Site Selection*  
magazine

**696,800**  
Population



**50 million**  
Within 200 miles

**\$50.2 billion**  
GDP (2022)



**339,150**

Employed in the Lehigh Valley

**11**

Colleges &  
Universities



**3**

Technical  
Schools



**3**

International Airports  
within an hour's drive

*"Pennsylvania's bipartisan budget delivers much-needed state support for business attraction efforts, preparation of hard-to-do sites like urban brownfields, and support for growing the innovation sector of the economy. All of this will directly impact the work we do and the type of jobs, businesses, and projects that exist in the Lehigh Valley."*



**Don Cunningham**  
President & CEO

## MARKET OVERVIEW: Q2 2024

Gov. Josh Shapiro made the Lehigh Valley the focal point of a new state program that will accelerate development of commercial and industrial properties and make Pennsylvania more competitive with neighboring states.

In May, Shapiro came to Allentown to announce that a site there had been selected as the first location to receive funding from PA SITES, a program that invests in properties to make them shovel-ready and more appealing for development.

In July, Shapiro returned to the Lehigh Valley to tout the program again, at a former Bethlehem Steel property primed for redevelopment.

The Lehigh Valley's portfolio of industrial space remained steady in the second quarter, at 151 million square feet. No additional space was delivered, as the market continues to normalize from the high demand during the pandemic. The industrial vacancy rate increased to 6.2%.

The delivery of additional space is not far off, though, with 3.2 million square feet of industrial development currently under construction. Analysts anticipate demand to pick up if the Federal Reserve continues to gradually reduce interest rates.

The cost of industrial space remained steady, while the rate for office space increased slightly. The Lehigh Valley's rates for industrial and office space continued to remain lower than in the Philadelphia suburbs and northern and central New Jersey.

The inventory of office space also remained level, at about 29.6 million square feet, with a vacancy rate of 7.1%.

Notable transactions in the second quarter included the sale of the original manufacturing location of Crayola in Palmer Township, to a developer who plans more than 100 apartments. Crayola now produces crayons, markers, and other items at another location in the Lehigh Valley. It continues to do research and development at a separate building on the original site.

Logistics leader Carbel leased a 470,000 square-foot building at JW Industrial Park in Lower Nazareth Township. Bazzini, which produces nut, fruit, and chocolate confections and is the oldest nut company in the United States, leased about 130,000 square feet in Upper Macungie Township.

**SNAPSHOT**

**LEHIGH VALLEY COMMERCIAL REAL ESTATE MARKET**

**INDUSTRIAL/FLEX**  
151 Million SF

**MARKET SUMMARY**

Vacancy Q2	<b>6.2%</b>
Average Asking Rent (NNN) Q2	<b>\$9.50</b>
Rent Change from Q2 2023	<b>5.1%</b>
Deliveries	<b>0</b>
Net Absorption Q2	<b>-1,376,097</b>
SF Under Construction	<b>3,249,169</b>

Source: CoStar; Note: Lehigh Valley is defined as Lehigh and Northampton counties.

**OFFICE**  
29.6 Million SF

Vacancy Q2	<b>7.1%</b>
Average Asking Rent (NNN) Q2	<b>\$16.73</b>
Rent Change from Q2 2023	<b>3.4%</b>
Deliveries	<b>0</b>
Net Absorption Q2	<b>-63,932</b>
SF Under Construction	<b>39,375</b>

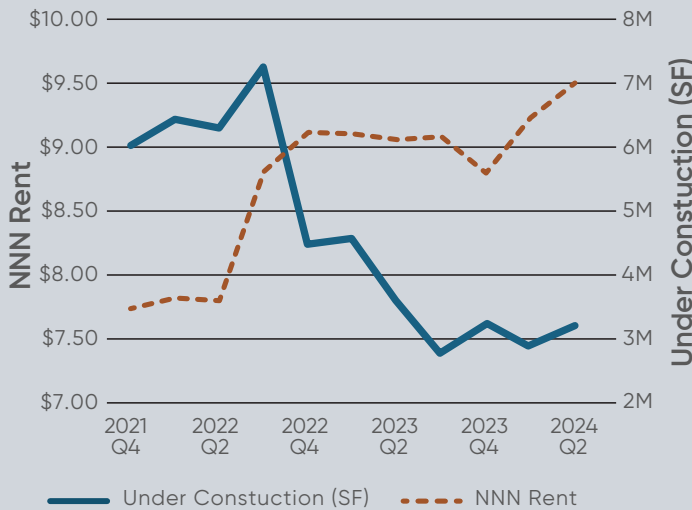
**RENT COMPARISON**

Lehigh Valley	<b>\$11.10</b>
Northern New Jersey	<b>\$19.91</b>
Central New Jersey	<b>\$17.32</b>
Southeastern Pennsylvania	<b>\$11.84</b>

Lehigh Valley	<b>\$24.93</b>
Northern New Jersey	<b>\$33.48</b>
Central New Jersey	<b>\$28.17</b>
Suburban Philadelphia	<b>\$34.16</b>

Source: CBRE Q2 2024. The industrial rates reflect NNN per square foot. The office rates are full-service rents per square foot. Note: Lehigh Valley is defined as Berks, Lehigh, and Northampton counties.

**LEHIGH VALLEY INDUSTRIAL REAL ESTATE DEMAND**



Industrial space under construction, which boomed during the pandemic, shows signs of normalizing. Rent is on the rise, underscoring the industrial market's strength in the Lehigh Valley.

Source: CoStar

**SPOTLIGHT: DOWNTOWN EASTON**



More than \$241 million in development is planned, approved, or underway in Downtown Easton, including:

**The Marquis**  
\$80M, mixed use residential/commercial

**The Confluence**  
\$75M, mixed use residential/commercial

**Watermark Apartments**  
\$35M, residential (shown in photo)

**Great Square Hotel**  
\$25M, mixed use hotel/amenities

# 'BETTING HEAVY' ON LEHIGH VALLEY



Gov. Josh Shapiro stands with local dignitaries at the former Lehigh Structural Steel site in Allentown to award \$1.1 million to the Allentown Commercial and Industrial Development Authority for the redevelopment of the site.

Along Allentown's riverfront stretches six acres that formerly served as a little used freight yard for Lehigh Structural Steel, once known worldwide for making large trusses and steel girders found in airport hangars and bridges.

That property, which eventually became a right-of-way for a major road project, still sits idle in the booming Lehigh Valley, an industrial powerhouse ranked as the nation's No. 1 mid-sized market for economic development.

In May, Gov. Josh Shapiro held up that seemingly unremarkable site off American Parkway as an example of the economic potential Pennsylvania can unlock with the right investment.

The property is the first in the state to receive money from the new PA SITES program, which invests in getting sites "shovel ready" with infrastructure investment.

The state is investing \$1.1 million to extend utilities to the property, priming the site for a more than \$6 million, 50,000-square-foot manufacturing facility constructed by Allentown Economic Development Corporation (AEDC). The nonprofit specializes in property rehabilitation, business incubation, and strengthening urban manufacturing. The project is expected to lead to up to 50 jobs.

"They're turning this pile of dirt into jobs," Shapiro said May 8 at the site. "This is a big win for Allentown. This is a big win for the Lehigh Valley. And it is a big win for the Commonwealth, because we're betting heavy on this region to drive economic growth in the future."

PA SITES has since been awarded \$400 million under the 2024-25 budget in a bipartisan effort to make Pennsylvania more competitive with bordering states.

---

**"The PA SITES program will help create an environment that promotes the well-being of our residents by creating an opportunity for them to get ahead."**

*Allentown Mayor Matt Tuerk*

---

PA SITES is part of a larger focus Shapiro has put on economic development since he took office two years ago. Earlier this year, he visited the Lehigh Valley to unveil the state's first economic development strategy in decades, noting that Lehigh Valley's partnership-based approach to economic development is a model for the state.

Kristin Cahayla-Hoffman, Vice President of Business Development and Attraction at Lehigh Valley Economic Development Corporation (LVEDC), said PA SITES will help make the state more competitive.

“When companies have decided to expand, they are looking to move quickly. Shovel-ready sites are a high priority for site selectors,” Cahayla-Hoffman said. “The Lehigh Valley has a rich, mature industrial market where land is getting harder to find. Giving these hard-to-do projects an incentive is very appealing.”

The Lehigh Valley has a history of tackling hard-to-do projects as the region redeveloped its industrial properties and evolved into a diversified, \$50.2 billion economy.

Another key redevelopment project sits within another part of the former Lehigh Structural Steel property. A 125,000-square-foot office building was completed in 2023 as the first building in The Waterfront, a \$425 million development. Among the key incentives for that project was a one-of-a-kind taxing district that allows developers to use certain state taxes to pay off construction loans.



The Waterfront is a \$425 million mixed-use development being constructed along the Lehigh River in Allentown.

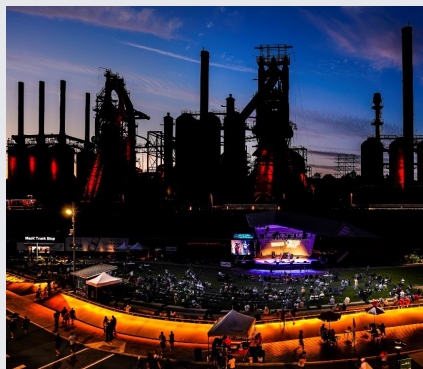
The so-called Neighborhood Improvement Zone also drove the transformation of downtown Allentown with the PPL Center arena and trendy apartment and sleek office buildings.

**“By accelerating the development project, we’ll help create those good-paying jobs sooner.”**

*R. Scott Unger, Executive Director, Allentown Economic Development Corporation*

Among the region’s largest challenges was what to do with the former Bethlehem Steel’s hometown plant. Through public-private partnerships, infrastructure was invested into the 1,800-acre property that was redeveloped into industrial parks; apartments; a casino, shops, and entertainment; and a cultural campus dubbed SteelStacks.

Yet, 23 years after the Steel declared bankruptcy, there is more left at the old plant to redevelop, including the 13-story Steel General Offices, once Bethlehem Steel’s world headquarters.



SteelStacks arts and entertainment campus was redeveloped at the foot of the former Bethlehem Steel blast furnaces.

Peron Development has already begun remediation on the adjacent East Annex portion of the complex, which is poised to become offices for up to 600 employees, but the SGO building continues to sit idle.

In July, Shapiro chose that location for the ceremonial signing of the bill that funded PA SITES.

John Callahan, Peron’s Director of Business Development, said programs like PA SITES have the potential to help challenging projects like the SGO building.

Jay Garner, an Atlanta-based site selection consultant who had offered Shapiro’s administration feedback on Pennsylvania’s competitive position last year, lauded the PA SITES program.

“What impressed me was the Governor and his team listened. They acted, and now they are implementing,” said Garner, who wrote the book “Economic Development is [Still] Not for Amateurs.” “We look at locations all over the globe, and I happen to think that the Lehigh Valley is the shining star for economic development in the Commonwealth of Pennsylvania.”



The former Simon Silk Mill in Easton, vacant for six decades, was redeveloped into apartments and businesses that include retail, restaurants, offices, and more.



## LEHIGH VALLEY SUPPORTS HARD-TO-DO PROJECTS

The Lehigh Valley has novel financial incentives and programs developers can't find everywhere in Pennsylvania. Here are a few:

### Lehigh Valley Lending Network

The nationally recognized partnership of local financial institutions offers resources to maximize economic development incentives and connect clients with other financing and commercial loans for real estate, machinery, equipment, working capital, and more.

### Neighborhood Improvement Zone

The NIZ is a special taxing district that encourages development on 128 acres in downtown Allentown and the riverfront district. Certain state taxes can be used to repay construction loans.

### City Revitalization & Improvement Zone

The CRIZ consists of 130 acres designated for economic development and job creation in Bethlehem. Certain state taxes can be used to repay construction loans.

### Keystone Innovation Zone

The KIZ supports innovation and entrepreneurship in south Bethlehem with financial resources and assistance to early-stage startups.

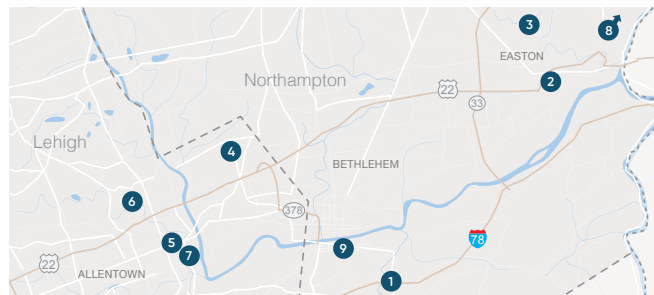
### Foreign Trade Zone

Companies can import foreign-sourced parts or materials into the FTZ and perform processing, assembly, and more while deferring or reducing customs duties. Duties are not paid if the goods never enter U.S. commerce.

For more information on financing and incentives, visit: [lehighvalley.org/dev-incentives-and-financing](http://lehighvalley.org/dev-incentives-and-financing).

## SMART DEVELOPMENT OPPORTUNITIES

Work is underway across the Lehigh Valley to turn old industrial sites into prime real estate for a 21st century economy. Here are a few examples that have made recent headlines:



### 1 Champion Spark Plugs

Micro-hospital proposed

### 2 Dixie Cup

Residential proposed

### 3 Easton Iron and Metal

Housing and retail proposed

### 4 Iron Works

Two proposals pending

### 5 Lehigh Structural Steel

Manufacturing, office, residential underway

### 6 Lehigh Valley Dairy

Recently demolished

### 7 Neuweiler Brewery

Apartments, commercial underway

### 8 River Pointe Commerce Park

Proposed business park

### 9 Steel General Office Building Complex

Offices proposed for East Annex

\*Not in ranked order

## ECONOMIC DEVELOPMENT PARTNER PROFILE



### Allentown Economic Development Corporation (AEDC)

Creates opportunities for manufacturing businesses to start, grow, and stay in Allentown.

#### Sites Redeveloped:

27 completed and in progress

#### Economic Impact:

\$5M+ in real estate taxes annually

## NOTABLE SALES

Address	Price	Buyer	Class
7072 Snowdrift Rd., Upper Macungie Twp.	\$8,870,000	J. G. Petrucci Co. Inc	Industrial
2310 Schoenersville Rd., Bethlehem	\$6,566,000	Four Corners Property Trust	Office
2025 Edgewood Ave., Palmer Twp.	\$3,000,000	The Hyman Group	Office

## NOTABLE LEASES

Property	SF	Tenant	Class
3965 Easton-Nazareth Hwy., Lower Nazareth Twp.	469,259	Carbel LLC	Industrial
860 Nestle Way, Upper Macungie Twp.	129,890	Bazzini	Industrial
4650 Braden Blvd., Forks Twp.	58,566	Victaulic	Industrial

Sources: CoStar, Property Records, Published Reports, LVEDC Research

# LEHIGH VALLEY WORKS

## NEW DA VINCI SCIENCE CENTER PROMOTES STEAM SKILLS

The Da Vinci Science Center at PPL Pavilion opened in Center City Allentown in May. It is projected to draw more than 400,000 visitors and generate an economic output of nearly \$34 million annually. Da Vinci introduces students to jobs involving STEAM (science, technology, engineering, arts, & math) skills through interactive exhibits showcasing Lehigh Valley businesses, and through career pathways programs. Da Vinci has partnered with local employers on exhibits, showcasing cutting-edge innovation of Lehigh Valley companies that are driving global industry.



**Northampton County ranked among the Top 100 counties in the nation for growth among young adults since 2020.**



**Lehigh Valley is one of the fastest-growing regions for young adults in Pennsylvania.**



**Lehigh Valley is a relocation hotspot, leading in both international and domestic migration.**

### COMPETITIVE LEHIGH VALLEY Real-Time Median Annual Wages

	Lehigh Valley	NYC/Newark Metro	Suburban Philadelphia
Electrical Engineers	<b>\$89,900</b>	<b>\$96,900</b>	<b>\$99,200</b>
Process Engineers	<b>\$87,400</b>	<b>\$97,300</b>	<b>\$76,000</b>
Quality Control Technicians	<b>\$45,800</b>	<b>\$52,000</b>	<b>\$58,200</b>
Electronics Engineers	<b>\$68,800</b>	<b>\$107,600</b>	<b>\$112,100</b>
Registered Nurses	<b>\$81,100</b>	<b>\$100,500</b>	<b>\$83,200</b>
Software Developers	<b>\$104,100</b>	<b>\$133,300</b>	<b>\$107,000</b>

Source: U.S. Census Population Estimates, 2020-23; Chmura Analytics JobsEQ, job postings for Q2 2024

# 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 create partnerships to support the recruitment, growth, and retention of employers and the creation of jobs for people of all skill and education levels.

### Our Vision

Our vision is of a diverse Lehigh Valley economy that provides economic growth and opportunity for people of all skill and education levels and strengthens all our cities, boroughs, and townships.

### Our Location Advantage



520 N. New St., Bethlehem, PA 18018  
Phone: 610-266-6775 • Fax: 610-266-7623

[lehighvalley.org](http://lehighvalley.org)

