

LEHIGH VALLEY, PA

# COMMERCIAL REAL ESTATE REPORT

*Issue #33*

LEHIGH VALLEY'S  
SEMICONDUCTOR INDUSTRY IS

## DRIVING INNOVATION

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### MANUFACTURING MIGHT

Lehigh Valley Lands  
Schless Bottles

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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  
2023

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 69th 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 top 15% of the nation's markets. In 2022, the Lehigh Valley ranked No. 2 among U.S. mid-sized regions for development.

694,800  
Population



50 million  
Within 200 miles

\$47 billion  
GDP (2021)



335,000

Employed in the Lehigh Valley

11

Colleges &  
Universities



3

Technical  
Schools



3

International Airports  
within an hour's drive

*"We were the first Silicon Valley and still have many of the country's leading technology firms – and some great new ones – thriving here. From Intel to Broadcom and Infinera and from iDEAL Semiconductor to Coherent and to AAYUNA, companies in the Lehigh Valley touch nearly every element of semiconductor development."*



**Don Cunningham**

President & CEO

## MARKET OVERVIEW: Q2 2023

Developers continued to add industrial and flex space to the Lehigh Valley as vacancy rates remained low.

The market now has nearly 150 million square feet of industrial and flex space, with another 3.2 million square feet under construction. The vacancy rate is 3.5%.

The cost of space is up 15.7% compared to the second quarter of 2022, though industrial rental rates remain lower than in the Philadelphia suburbs and northern and central New Jersey. Industrial rates in the Lehigh Valley remain about half the cost of rates in those New Jersey regions.



In July, A. Duie Pyle opened a 326,630-square-foot distribution center in Hanover

Township, Lehigh County, that will bring 50 new jobs to the region when it is fully staffed at the end of 2024.

The portfolio of office space in the Lehigh Valley has remained roughly level at 29.3 million square feet, with 22,175 square feet under construction. The vacancy rate is 8.1%.



In June, Shift4 Payments, Inc., a payments processing firm and a global leader

in financial technology, started its move into a new corporate headquarters. It relocated to a 75,000-square-foot location in Upper Saucon Township, to accommodate growth.

New data released by the Census Bureau provides insight into what is driving the Lehigh Valley's population growth, to nearly 700,000 people. It is an attractive location for people from other countries, and for young adults.

Lehigh County ranked in the top 4% of all U.S. counties for net international migration from 2020 to 2022. Northampton County ranked in the top 4% of all counties for net domestic migration.

The growth rate for young adults, ages 18 to 34, a desired demographic for employers, is three times the rate of the region's overall growth rate. And that's being driven by Generation Z, ages 20 to 24. Northampton County is leading the way, adding 2,885 people in that age bracket, the most of any county in Pennsylvania.

*On the cover: A wafer of about 3,000 small silicon die at iDeal Semiconductor in Bethlehem. (Photo: Donna Fisher Photography)*

## SNAPSHOT

### LEHIGH VALLEY COMMERCIAL REAL ESTATE MARKET

#### INDUSTRIAL/FLEX 149.9 Million SF

Q2 Vacancy	<b>3.5%</b>
Q2 Average Asking Rent (NNN)	<b>\$9.07</b>
Rent Change from Q2 2022	<b>15.7%</b>
2023 Deliveries	<b>2,377,993 SF</b>
2023 Net Absorption	<b>1,598,577 SF</b>
Under Construction	<b>3,238,493 SF</b>

#### OFFICE 29.3 Million SF

Q2 Vacancy	<b>8.1%</b>
Q2 Average Asking Rent (NNN)	<b>\$16.24</b>
Rent Change from Q2 2022	<b>3.4%</b>
2023 Deliveries	<b>164,105 SF</b>
2023 Net Absorption*	<b>159,620 SF</b>
Under Construction	<b>22,175 SF</b>

MARKET SUMMARY

Source: CoStar; \*Includes The Waterfront office building in Allentown. Note: Lehigh Valley is defined as Lehigh and Northampton counties.

Lehigh Valley	<b>\$9.94</b>
Northern New Jersey	<b>\$18.74</b>
Central New Jersey	<b>\$17.52</b>
Southeastern Pennsylvania	<b>\$11.73</b>

Lehigh Valley	<b>\$22.86</b>
Northern New Jersey	<b>\$33.27</b>
Central New Jersey	<b>\$28.28</b>
Suburban Philadelphia	<b>\$29.45</b>

RENT COMPARISON

Source: CBRE Q2 2023. 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.

## NOTEWORTHY PROJECT

### SCHLESS BOTTLES

Schless Bottles, a premium plastic jars and bottles manufacturer, has chosen the Lehigh Valley for its new home. The company is moving from northern New Jersey to Allentown, where it is investing \$7.5 million to acquire and renovate a production facility. Over three years, 98 jobs will be created.

Schless will receive state grants and a loan through Allentown Economic Development Corporation.

## NOTABLE LEASE

### PPL CORP.

PPL Corp. announced it will relocate its corporate headquarters to Two City Center, 645 Hamilton St., in Allentown as it works to rightsize its real estate footprint.

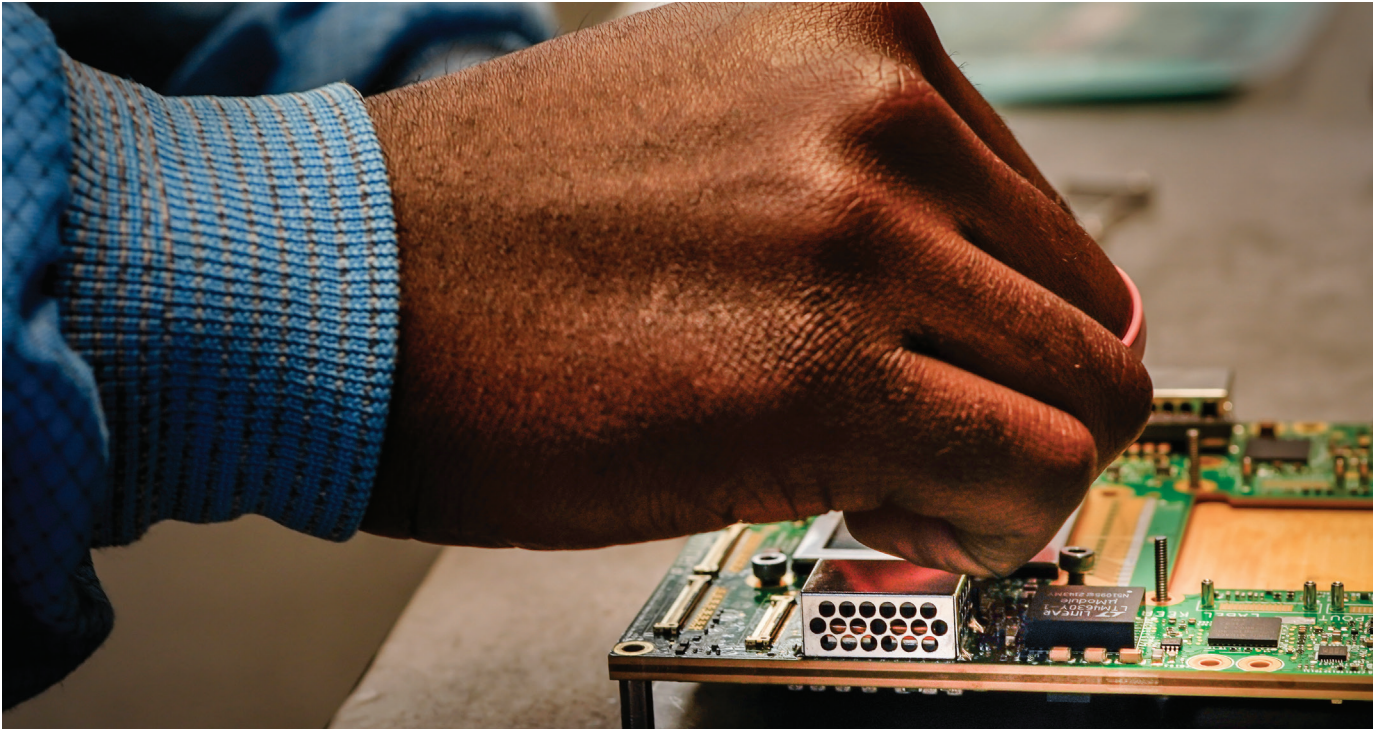
"We've been proud to call Allentown home for a century and, with the signing of a 20-year lease, plan to remain part of the city's growth story for years to come," said Vincent Sorgi, President & Chief Executive Officer, PPL Corp.

Photo courtesy of City Center Group



LEHIGH VALLEY'S  
SEMICONDUCTOR INDUSTRY IS

# DRIVING INNOVATION



*Infinera's ICE6 800 Gbs transmission solution is assembled at Infinera's Lehigh Valley facility.*

The world is powered by companies like Google, Microsoft, AT&T, and Verizon.

And they are powered in part by the technological expertise of Lehigh Valley, Pennsylvania.

It was at Western Electric in Allentown where transistors, the forerunners to semiconductors, were first mass produced in 1951.

Today, that legacy continues with Lehigh Valley operations of internationally known companies such as Broadcom, Cisco, Coherent, Infinera, and Intel developing, producing, and assembling semiconductors that

are relied on by not only Google, Microsoft, AT&T, and Verizon, but Meta, AWS, Netflix, Nokia, and the Department of Defense, among others.

"We were the first Silicon Valley and still have many of the country's leading technology firms – and some great new ones – thriving here," said Don Cunningham, President and CEO of Lehigh Valley Economic Development Corp. (LVEDC).

About 1,500 people are employed in Lehigh Valley tech companies, including smaller ones such as AAYUNA, iDEAL Semiconductor, and POET Technologies.

Those tech companies are supported by Lehigh Valley firms such as Air Products, Air Liquide, Evonik, EMD Electronics, RENA Technologies North America, Shellback Semiconductor Technology, and LBN that supply support, components, and raw materials.



*iDEAL Semiconductor's diodes rest on a wafer containing about 30,000 small silicon die.*

Collectively, they are creating solutions that allow data and electricity to be transmitted faster, with less heat, in smaller hardware.

"A lot of people ask the question, 'Why here? Or why Pennsylvania?'" said Darrell Engel, Vice President of Global Manufacturing and Site Leader of Infinera's facility in Lehigh County.

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***"This region was basically the world epicenter of optoelectronics packaging, where the transistor started. The talent was here, the knowledge was here."***

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In August, the Lehigh Valley applied to be designated as a Tech Hub by the U.S. Economic Development Administration. Tech Hubs – officially termed Regional Technology and Innovation Hubs – were created by the CHIPS and Science Act of 2022 to supercharge ecosystems of innovation for technologies that are essential to economic and national security. Up to 20 designations will be made.

LVEDC filed the application on behalf of a broad regional coalition that includes tech companies, colleges and universities, state and local governments, and partners in labor, economic development, community services, and workforce development.

The Lehigh Valley is seeking to be designated as a Tech Hub for semiconductors, in particular where their production overlaps with advanced manufacturing and advanced materials sciences. A designation could qualify the region for \$50 to \$75 million in CHIPS Act funding.

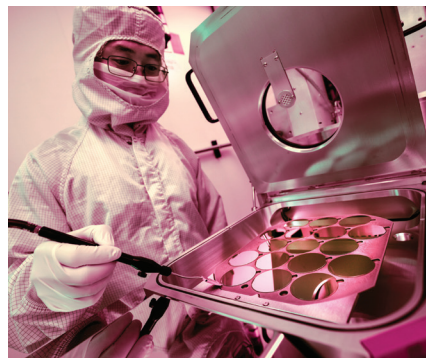
While most semiconductor companies are based in the U.S., most manufacturing occurs in Asia. The goal of the Tech Hub program is to spur domestic production and limit economic, national security, and supply chain risks.

The program will invest in regions with the assets, resources, capacity, and potential to transform into globally competitive innovation centers in approximately 10 years.

The Lehigh Valley has a strong base to grow from. Existing operations include:

#### **Broadcom**

Broadcom operates a wafer fabrication facility in Upper Macungie Township that develops and manufactures indium phosphide semiconductor lasers and detectors for fiber-optic networks and data centers. Those technologies are key to recent developments in artificial intelligence and machine learning.



*Process engineer Linjie Li works in a clean room at Broadcom.*

About 250 employees and contractors work in the 24-hour, seven-day a week operation.

"Broadcom has a long history of semiconductor manufacturing and R&D in the Lehigh Valley tracing our history back to AT&T/Bell Labs/Lucent/Agere," said Doug Dopp, Senior Director of Manufacturing.

"We continue to invest in the Valley and collaborate with others in local industry and academia, many of whom share the AT&T lineage."

#### **Coherent**

Coherent is a global leader in silicon carbide (SiC) materials and devices that are critical to the rapidly growing power electronics market used in electric vehicles, renewable energy systems, and grid infrastructure.



*Coherent's Easton facility produces state-of-the-art silicon carbide materials. (Photo courtesy of Coherent)*

In response to this rapidly growing global demand, Coherent is expanding its huge facility in Easton, dedicated to producing these state-of-the-art SiC materials. These materials are then utilized in the manufacture of highly efficient power electronics, with automotive EV's being the largest market.

#### **iDeal Semiconductor**

iDEAL, located at Ben Franklin TechVentures in Bethlehem, has developed "SuperQ™," a technology at the atomic scale that dramatically improves energy efficiency. It is applicable to all types of semiconductors and works by opening more room on the devices for conduction, reducing resistance and energy loss.

"Anything that has a battery or plugs into a wall will benefit from this technology," said Ryan Manack, iDEAL Vice President of Marketing.

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### Infinera

Infinera designs, manufactures, packages, assembles, and tests optoelectronic packages and modules built around its unique optical, compound semiconductor photonic integrated circuits.

Chips produced in the company's California-based fab are sent to its 60,000 square-foot advanced testing and packaging (ATP) facility in Upper Macungie Township that employs about 300 people.

There, those chips are tested for quality, and then assembled into modules to be inserted into optical transport equipment used for networking, cloud connectivity, and data center interconnect services. The work is delicate and high precision.



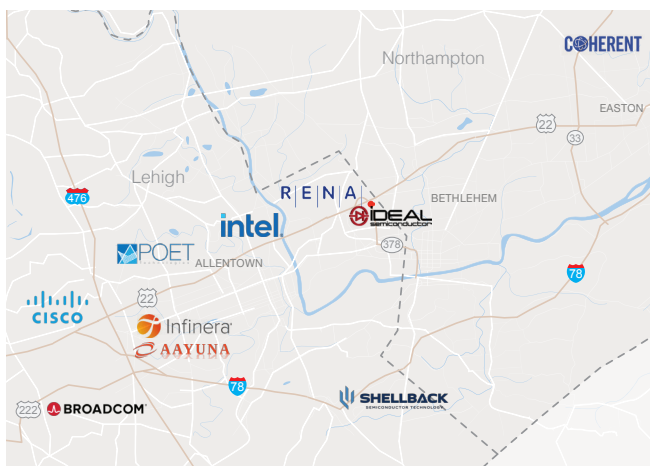
Pictured here is a state-of-the-art processor powering Infinera's ICE6 transmission solution.

"You need to support this fragile device mechanically, electrically, thermally, and optically," Engel said. "They need to be totally isolated from any sort of contamination. They need very, very precise optical alignments to make sure that they perform in the way they do."

### Intel

At its facility with more than 300 people in Hanover Township, Lehigh County, Intel engineers design semiconductor devices that are fabricated at other Intel facilities and packaged abroad. These chips are used in cell towers and networks all over the world.

## LEHIGH VALLEY TECH HUB



## TECH SPOTLIGHT



**What it is:**  
A state-funded system that supports startup technology companies

**\$3 Billion**  
Outside capital attracted

**130K SF**  
Incubator space; home to 30+ companies

## NOTABLE SALES

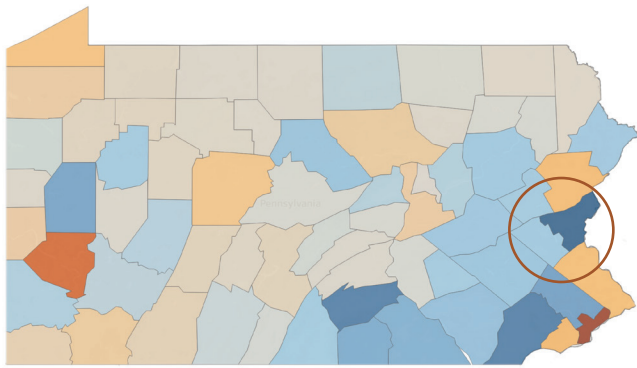
Address	Price	Buyer	Class
6974 Schantz Rd., Upper Macungie Twp. (Part of 72 Property Sale)	\$85,150,000	6974 Schantz Road LLC	Industrial
2834 Schoeneck Rd., Lower Macungie Twp. (Part of 72 Property Sale)	\$52,100,000	2834 Schoeneck Road LLC	Industrial
2124 Hanover Ave., Allentown	\$6,200,000	SM&YY Holdings LLC	Industrial
50 Hilton St., Williams Twp.	\$5,450,000	Dhaliwal Property LLC	Industrial
3075 Avenue B, Bethlehem	\$2,042,000	DBBD Associates LLC	Industrial

## NOTABLE LEASES

Property	SF	Tenant	Class
1960 Weaversville Rd., Hanover Twp., Lehigh	105,000	Not Announced	Industrial
645 W. Hamilton St., Allentown	103,906	PPL	Office
732 N. 16th St., Allentown	9,000	Polymer Contour	Industrial
1885 Weaversville Rd., Allentown	8,500	The Morning Call	Flex
60 W. Broad St., Bethlehem	2,500	MC IT	Office

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

# LEHIGH VALLEY WORKS



## LABOR MARKET INDICATORS

### POPULATION GROWTH<sup>1</sup>

Lehigh Valley had the highest growth in the number of people between ages 18 and 34 in Pennsylvania from 2020 to 2022.



### LEHIGH COUNTY

Ranked 12th in numeric growth in the 18-34 population in Pennsylvania.

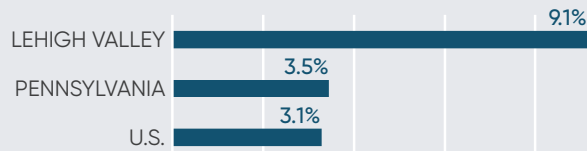


### NORTHAMPTON COUNTY

Ranked 1st in numeric growth in the 18-34 population in Pennsylvania.

### WHAT'S FUELING LEHIGH VALLEY'S GROWTH?<sup>2</sup>

Lehigh Valley's population between ages 20-24 is growing at a rate that's **more than 2.5 times faster** than the state and the country.



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

#### Real-Time Median Annual Wages

	Lehigh Valley	NYC/Newark Metro	Suburban Philadelphia
Software Developers	\$74,200	\$124,800	\$111,776
First-Line Supervisors of Production and Operating Workers	\$43,840	\$50,985	\$39,887
Electrical and Electronic Engineering Technologists and Technicians	\$43,680	\$49,920	\$52,000
Inspectors, Testers, Sorters, Samplers, and Weighers	\$41,600	\$41,967	\$43,436
Electrical, Electronic, and Electromechanical Equipment Assemblers <i>Except Coil Winders, Tapers, and Finishers</i>	\$36,461	\$38,174	\$39,643

Sources: <sup>1&2</sup> U.S. Census: Population Estimates, 2020-2022. <sup>3</sup> Chmura Economics JobsEQ, job postings for Q2 2023

# 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



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

