

LEHIGH VALLEY, PA

COMMERCIAL REAL ESTATE REPORT

Issue #38

RECHARGING THE 'ORIGINAL SILICON VALLEY'

SHOVEL READY

PA Launches \$400M
Site Prep Program

SPOTLIGHT

ON ALLENTOWN
Growing Urban Manufacturing

SNAPSHOT:

Lehigh Valley
Real Estate Market

& MORE

Lehigh Valley

ECONOMIC DEVELOPMENT

 **Infinera®**

FlexCoherent
Processor

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Q3
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

"The federal government's effort and investment through the CHIPS Act to increase domestic chip production has led to several new projects in the Lehigh Valley including the expansion of Infinera. The region is in a prime position to help America meet its objective to reclaim leadership in the production of semiconductors and other critical technologies."



Don Cunningham
President & CEO

MARKET OVERVIEW: Q3 2024

The delivery of nearly 1.6 million square feet of new industrial space in the third quarter increased the Lehigh Valley's portfolio of industrial space to more than 154 million square feet. Another 1.8 million square feet of space is under construction.

Office space remained steady at 29.7 million square feet. There was a nominal increase in the vacancy rate for industrial space. Rent for industrial and office space continues to be lower than in the Philadelphia suburbs and northern and central New Jersey.

The Lehigh Valley's office market is bucking national trends, showing resiliency amid changes in work patterns stemming from the pandemic, according to Brenda Nguyen, Associate Director of Market Analytics for CoStar Group.

In September, she spoke to an audience of about 300 real estate professionals who gathered in Bethlehem for the Office and Industrial Property Summit of the Philadelphia chapter of the Society of Industrial and Office Realtors®.

"Lehigh Valley is actually doing incredibly well," Nguyen said.

"This area as of lately has been one of the fastest growing MSAs in the entire state, and it has a lot to do with industrial as well," she said. "A lot of folks are moving here for jobs. The local economy is growing. I did think this was incredibly interesting, how Lehigh Valley seems to be going against the grain of what we've been really seeing nationwide."

Notable transactions in the third quarter included the purchase of an industrial facility in Bethlehem by EQT Exeter for \$14.9 million, and the purchase of an office in Macungie by Kingsbarn Realty Capital for \$14.2 million.

Logistics provider Western Post leased a 1 million-square-foot facility in Upper Nazareth Township. FLSmidth, a global supplier of equipment for the cement and mining industries, leased a 122,000-square-foot facility in Allen Township for assembly and distribution.

SNAPSHOT

LEHIGH VALLEY COMMERCIAL REAL ESTATE MARKET

INDUSTRIAL/FLEX
154.1 Million SF

Vacancy Q3	6.6%
Average Asking Rent (NNN) Q3	\$9.70
Rent Change from Q3 2023	6.8%
Deliveries	1,596,452
Net Absorption Q3	874,441
SF Under Construction	1,767,791

OFFICE
29.7 Million SF

Vacancy Q3	7.2%
Average Asking Rent (NNN) Q3	\$16.91
Rent Change from Q3 2023	1.9%
Deliveries	0
Net Absorption Q3	-11,910
SF Under Construction	37,575

MARKET SUMMARY

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

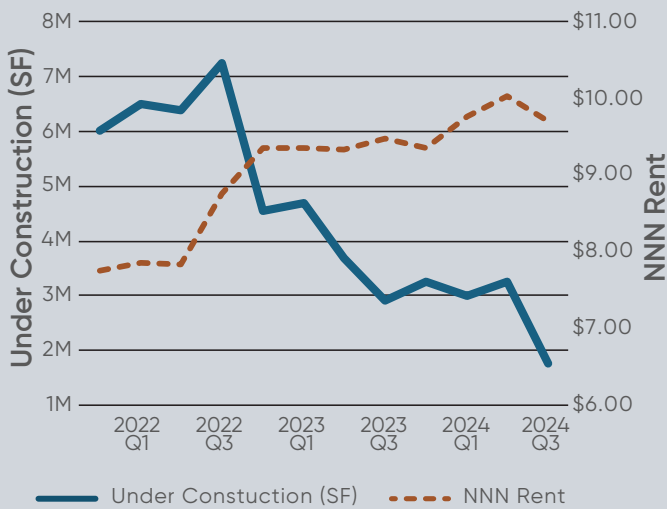
RENT COMPARISON

Lehigh Valley	\$11.38
Northern New Jersey	\$20.07
Central New Jersey	\$17.46
Southeastern Pennsylvania	\$11.89

Lehigh Valley	\$24.10
Northern New Jersey	\$33.30
Central New Jersey	\$28.51
Suburban Philadelphia	\$29.73

Source: CBRE Q3 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



The amount of industrial space under construction, which boomed during the pandemic, continues to decrease, and rent increases are normalizing.

Source: CoStar



The PA SITES program is now accepting applications for \$400M in planning and construction grants to make sites shovel ready for development.

Who is Eligible:

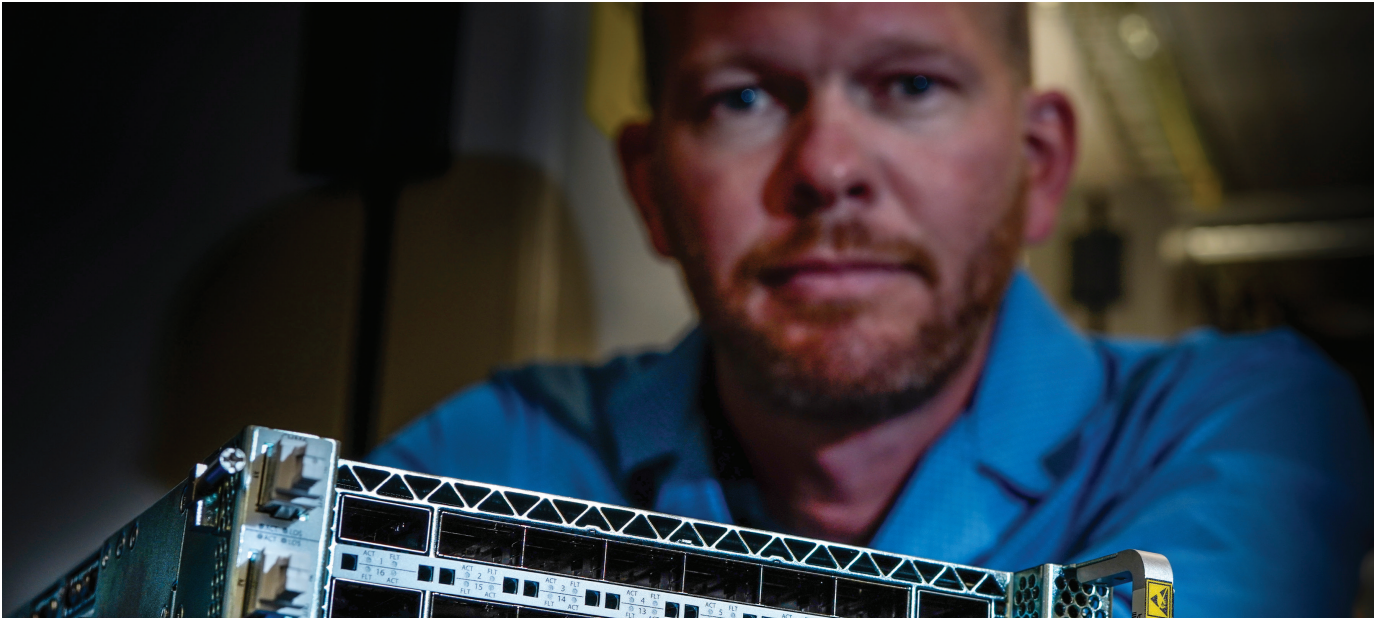
Municipalities, economic development organizations, redevelopment authorities, municipal authorities, industrial development agencies, for-profit organizations



Scan the QR code to learn more about PA SITES, program eligibility, funding, and how to apply.

RECHARGING THE

'ORIGINAL SILICON VALLEY'



Darrell Engel is Infinera Vice President of Global Manufacturing and Pennsylvania Site Lead.

In anticipation of receiving a \$93 million federal grant to expand operations, global semiconductor developer Infinera has plenty of options for where to build.

It selected Lehigh Valley, PA, for one of two new facilities.

Why? Infinera already has a track record of success in Lehigh Valley. It has confidence in the skilled workforce. It values the location, within a day's drive of one-third of U.S. consumers, in the heart of the Northeast tech corridor running from Philadelphia to Boston.

Building on that success, Infinera announced in early October plans for a new advanced testing and packaging facility in the Lehigh Valley that could employ hundreds.

Infinera, which is being acquired by Nokia, has operated in the Lehigh Valley since 2002. It has grown operations incrementally and now employs about 300 scientists, engineers, and technicians in Upper Macungie Township, near Allentown.

The company's expansion would grow the Lehigh Valley's legacy of global leadership in technological innovation. The first mass production of transistors, the forerunner to semiconductors, occurred at Western Electric in Allentown in 1951.

Infinera's proposed new facilities in Lehigh Valley and California are projected to create a total of 500 manufacturing jobs and 1,200 construction jobs

"Lehigh Valley was the original Silicon Valley, and many of the talented engineers and developers remain here," said Don Cunningham, President & CEO of Lehigh Valley Economic Development Corporation (LVEDC). "Infinera has been a significant part of the extensive semiconductor sector in the Lehigh Valley that goes back to the development of the transistor by Bell Labs and Western Electric."

Infinera said it plans to construct a new facility in Bethlehem, and a new production fab in California. Combined, those new facilities are estimated to create 500 manufacturing jobs and 1,200 construction jobs, and to increase Infinera's domestic manufacturing capacity by an estimated factor of 10.

The funding would come from the federal CHIPS and Science Act. Passed two years ago, the legislation seeks to grow the domestic manufacturing of semiconductors and other technology.

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

"The proposed CHIPS funding will enable us to better secure our supply chain and compete more effectively with foreign adversary nations," Infinera CEO David Heard said.

"Our unique photonic semiconductors address the increased demand for bandwidth from consumers while opening new markets inside the data center driven by the explosive growth in AI workloads," Heard said.

Infinera and the U.S. Department of Commerce have signed a non-binding preliminary memorandum of terms for the CHIPS funding.

The new facility in Bethlehem would be similar to Infinera's current 60,000-square-foot advanced testing and packaging center in Upper Macungie. There, Infinera designs, manufactures, packages, assembles, and tests optoelectronic packages and modules built around its unique optical, compound semiconductor photonic integrated circuits.

Chips produced in California are sent to the Lehigh Valley to be tested for quality and assembled into modules to be inserted into optical transport equipment used for networking, cloud connectivity, and data center interconnect services.



Infinera's advanced testing and packaging facility in Upper Macungie Township currently employs about 300 people.



Infinera's current Lehigh Valley operations include testing chips for quality and assembling them into modules.

"From artificial intelligence to electric vehicles to telecommunications infrastructure, 21st century technologies all rely on optical semiconductors like the ones manufactured by Infinera," said U.S. Secretary of Commerce Gina Raimondo.

In addition to Infinera, Lehigh Valley is home to technology giants Broadcom, Cisco, Coherent, and Intel, along with new companies such as iDEAL Semiconductor and AAYUNA.

Collectively, the industry employs about 1,500 people who are developing, producing, and assembling semiconductors that are driving innovations such as AI and are relied on by brands such as Google, Microsoft, Meta, AWS, AT&T, Verizon, Netflix, and Nokia.

Innovation is driven by the region's colleges and universities and organizations such as Ben Franklin Technology Partners of Northeastern Pennsylvania, which operates the TechVentures business incubator in Bethlehem for emerging tech businesses.

"The federal government's effort and investment through the CHIPS Act to increase domestic chip production has led to several new projects in the Lehigh

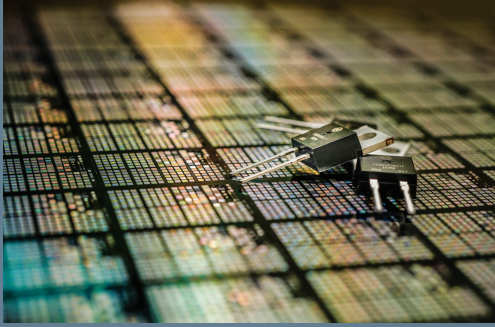
Valley including the expansion of Infinera," Cunningham said. "The region is in a prime position to help America meet its objective to reclaim leadership in the production of semiconductors and other critical technologies." Last year, a coalition led by LVEDC applied to be designated as a Tech Hub by the U.S. Economic Development Administration.

While unsuccessful, the process brought together and unleashed a powerful coalition of technology companies, colleges and universities, workforce development, labor organizations, and others who are continuing to work together to expand the Lehigh Valley's semiconductor and technology sector.

The coalition developed a plan for a Lehigh Valley Semiconductor Center, a place where early-stage semiconductor and technology-based companies can grow in a partnership with higher education, bringing students and faculty together with entrepreneurs.

In November, Gov. Josh Shapiro's administration awarded a \$2.5 million grant toward development of the Center, which is planned in Bethlehem.

LEHIGH VALLEY SEMICONDUCTOR CENTER



Gov. Josh Shapiro announced a \$2.5 million state grant on Nov. 1 to support the development of the Lehigh Valley Semiconductor Center in Bethlehem.

The aim of the new center is to grow early-stage semiconductor and technology companies in a partnership with higher education, bringing students and faculty together with entrepreneurs.

“Governor Shapiro and his economic development team were early supporters of helping to grow this sector in Pennsylvania and the Lehigh Valley. We are grateful to them for their early support for this important center,” said Don Cunningham, President & CEO of Lehigh Valley Economic Development Corporation (LVEDC).

The funding for the Semiconductor Center is part of \$33 million announced by Shapiro for 26 economic development and quality of life projects across the Lehigh Valley, under the Redevelopment Assistance Capital Program. Other significant projects include:

- \$3.5 million for an indoor farming facility in East Allen Township.
- \$1.5 million for abatement of hazardous materials and demolition at the former Portland Power Plant.
- \$1.5 million to renovate the former Allentown Metal Works site for manufacturing use.
- \$500,000 to redevelop PPL Tower North Building in Allentown.
- \$500,000 to renovate the former Dixie Cup factory in Wilson into housing.
- \$250,000 to renovate the former Bethlehem Steel General Office Complex.

PRESERVING URBAN MANUFACTURING SITES IN LEHIGH VALLEY

Allentown Economic Development Corporation purchased a 32,329 SF industrial building – originally constructed as a textile mill – that it plans to lease to a manufacturer, furthering its mission of strengthening urban manufacturing in Allentown. The building was purchased to protect small-to-medium footprint manufacturing spaces, due to the scarcity of that type of space in the city.



AEDC purchased an industrial building on Greenleaf Street in Allentown.

EASTON INDUSTRIAL SITE NEARS REVITALIZATION

The former site of Easton Iron and Metal has been sold by the city to Foundry Development Group, part of VM Development Group, which has proposed building a combination of housing and commercial space, and possibly recreation space, at the location, which is just off Route 22.



Easton is reviewing sketches of potential redevelopment options for the former Easton Iron and Metal property.

NOTABLE SALES

Address	Price	Buyer	Class
2980 Avenue B (Part of a 2-Property Portfolio), Bethlehem	\$14,850,000	EQT Exeter	Industrial
3371 Route 100, Macungie	\$14,150,000	Kingsbarn Realty Capital	Office
2600 Emrick Blvd., Bethlehem Twp.	\$6,125,000	J.G. Petrucci Co., Inc.	Industrial

NOTABLE LEASES

Address	SF	Tenant	Class
3363 Gun Club Rd., Upper Nazareth Twp.	1,006,050	Western Post	Industrial
2020 Feather Way, Bethlehem	165,000	Royal Global Trading Inc.	Industrial
740 Cesanek Rd., Bldg. 5, Allen Twp.	122,091	FLSmith	Industrial

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

LEHIGH VALLEY WORKS

Lehigh Valley Supports Tech Career Development

A critical driver of Lehigh Valley's growing economy is a skilled and agile workforce.

The region's education providers offer many programs to support the growing technology industry.



Engineering specialties:
mechanical, electrical, industrial, chemical



Technology specialties:
computer science, information technology, computer programming



"Lehigh Valley's quality of life, attractive cost of living, healthcare facilities, central location, access to vendors and local colleges and universities made it the ideal place to establish our headquarters and primary distribution center for Olympus products sent throughout North and South America."

Julien Sauvagnargues, President and CEO, Olympus Corp. of the Americas, in a recent interview with Lehigh Valley Business

COMPETITIVE LEHIGH VALLEY

Real-Time Median Annual Wages

	Lehigh Valley	NYC/Newark Metro	Suburban Philadelphia
Electrical Engineers	\$88,300	\$95,300	\$95,500
Electronics Technicians	\$51,100	\$52,000	\$56,000
Production Supervisors	\$63,400	\$64,200	\$65,000
Electronic Assemblers	\$37,400	\$44,600	\$43,400
Quality Control Inspectors	\$43,700	\$47,800	\$45,100

Source: Chmura Economics JobsEQ 2024 Q1, job postings for Q3 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



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lehighvalley.org

