

LEHIGH VALLEY, PA

# COMMERCIAL REAL ESTATE REPORT

*Issue #32*

LEHIGH VALLEY'S

## GLOBAL APPEAL

B. Braun, Mack Trucks & More

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### RETURN TO THE OFFICE

BSI's Cool, New Space

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### SNAPSHOT:

Lehigh Valley  
Real Estate Market

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### LEHIGH VALLEY WORKS

The Latest Labor  
Market Indicators

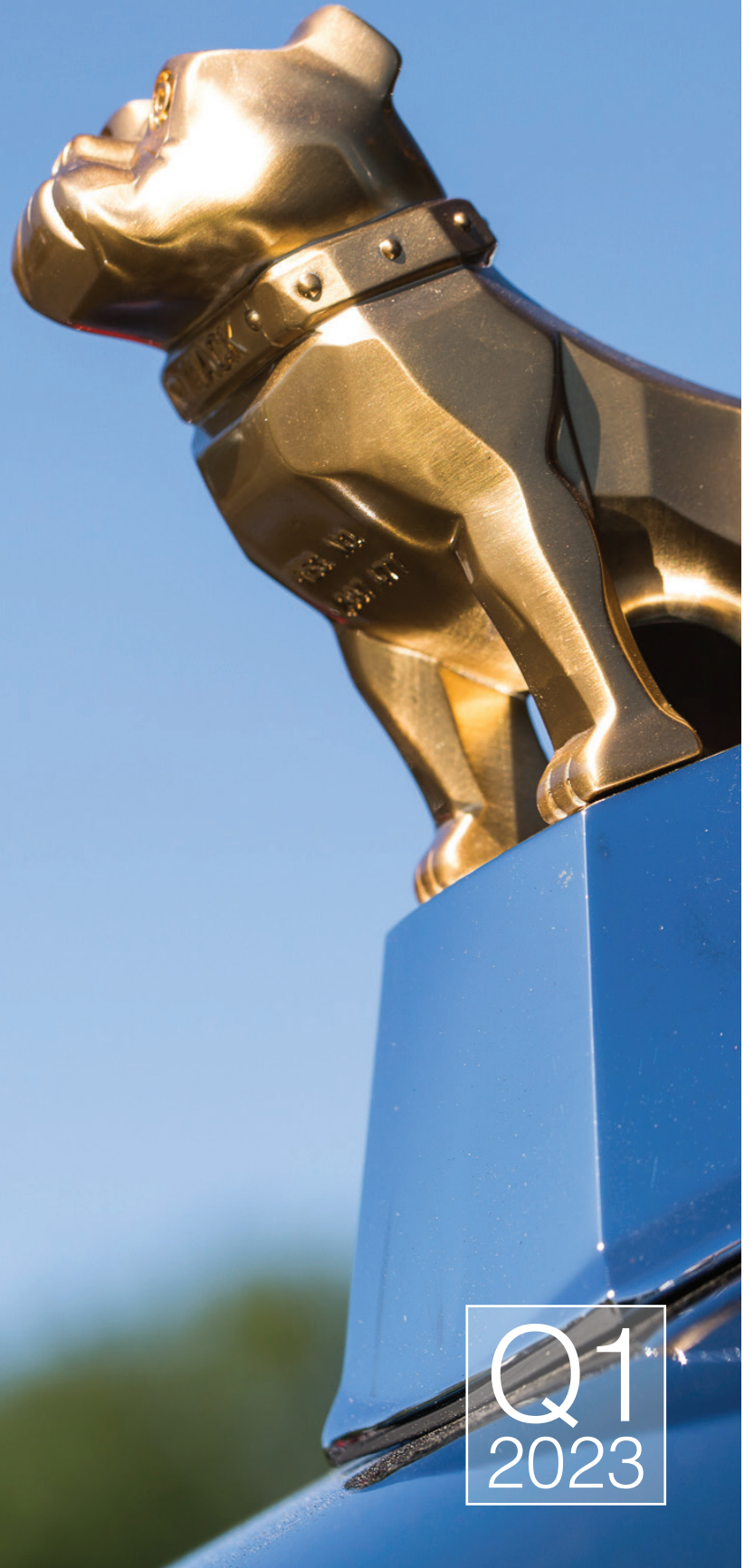
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*& MORE*



LEHIGH VALLEY  
economic development

Q1  
2023



## 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

*"The Lehigh Valley is a targeted market for international companies looking for access to nearly a third of U.S. consumers in a day's drive. Our availability of a skilled workforce, manufacturing heritage, and access to market make the Lehigh Valley a major U.S. manufacturing center."*



**Don Cunningham**  
President & CEO

## MARKET OVERVIEW: Q1 2023

Vacancy rates for industrial and flex space remained low at 3.6% as developers worked to meet demand with an additional 4.2 million square feet under construction.

The cost for space continues to be significantly less than in the Philadelphia suburbs and northern and central New Jersey. Rent for industrial space is about half the cost of those nearby N.J. regions.

The Lehigh Valley's portfolio stands at 148.8 million square feet. That includes nearly 1.4 million square feet that was delivered in the quarter.



Key additions include leading pharmaceutical distributor TopRx. The company leased

40,000 square feet from J.G. Petrucci at Lehigh Valley Flex Center in Northampton County, strengthening the region's life sciences ecosystem.

The Lehigh Valley is coming off a year in which it ranked second nationally among mid-sized regions for the number of new economic development projects. Manufacturing rose to be the leading sector of the economy. More than 750 manufacturers generated an economic output of \$8.4 billion. Manufacturing jobs grew in the region five times faster than the nation as a whole.

The economic performance comes as the Lehigh Valley continues to be a hotspot for growth in Pennsylvania. New data shows the Lehigh Valley continued to grow during the pandemic, primarily due to migration.

The office market now stands at 29.5 million square feet of space, including 164,105 square feet that was delivered in the quarter. Another 22,175 square feet were under construction. The vacancy rate was 8.8%.



Among the new entrants to the market is Linde Engineering, a global gases and engineering firm. It announced in March that

it would be opening an office in Lehigh County that will employ about 50 people. Linde cited the region's "diverse talent from well-known prestigious colleges and universities" as one of the factors for locating in the Lehigh Valley.

## SNAPSHOT

### LEHIGH VALLEY COMMERCIAL REAL ESTATE MARKET

#### INDUSTRIAL/FLEX 148.8 Million SF

MARKET SUMMARY

Q1 Total Vacancy	3.6%
Q1 Average Asking Rent (NNN)	\$8.62
Rent Change from Q1 2022	9.7%
2023 Deliveries	1,380,737
2023 Net Absorption	752,591
Under Construction	4,235,749

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

#### OFFICE 29.5 Million SF

Q1 Total Vacancy	8.8%
Q1 Average Asking Rent (NNN)	\$16.03
Rent Change from Q1 2022	1.3%
2023 Deliveries	164,105*
2023 Net Absorption	-63,024
Under Construction	22,175

RENT COMPARISON

Lehigh Valley	\$7.87
Northern New Jersey	\$16.98
Central New Jersey	\$16.09
Southeastern Pennsylvania	\$11.56

Lehigh Valley	\$22.79
Northern New Jersey	\$33.18
Central New Jersey	\$27.91
Suburban Philadelphia	\$29.55

Source: CBRE Q1 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



Factory LLC, a Bethlehem business innovation center that scales up food and beverage companies, launched in February a 75,000-square-foot food production facility that makes products for growing brands and fulfills contracts from unaffiliated companies.

The building at 157 N. Commerce Way in Hanover Township, Northampton County, is equipped for the production and packaging of powdered drinks, supplements, and energy/protein bars. The facility is leased from J.G. Petrucci Co.'s Triple Net Investments.

#### RETURN TO THE OFFICE

*"As we get back to work in the world, business leaders struggle with hybrid environments. I look at the Victory Firehouse as our 51st employee. It's going to be a part of our culture. It's going to be a place people want to come to."*

**Tony DaRe**, BSI Corporate CEO on purchase of new corporate headquarters in Bethlehem.



*Victory Firehouse, 205 Webster St., was redeveloped from an old fire company that once serviced Bethlehem Steel. (Rendering courtesy of BSI)*

# GLOBAL APPEAL



*Mack Trucks Lehigh Valley operations completed in 2020 an \$84 million expansion. The company employs 2,500 in the Lehigh Valley.*

Surrounded by truck cabs and Old Glory, President Joe Biden launched his “Made in America” initiative two years ago in the Lehigh Valley plant where every Mack Truck in North America is assembled.

Owned by a Swedish company, Mack Trucks has a long, storied history here, recently expanded, and exemplifies the manufacturing might Biden aims to grow.

Global FDI flows continue to outstrip pre-pandemic levels, and the U.S. is the world’s top destination. Interest in the Lehigh Valley, with a rich history in foreign direct investment, is growing.

Biden’s policy, along with the recent initiatives including the CHIPS Act and Trump-era tax law changes, have helped fuel foreign investment since. Foreign direct investment in the U.S. rose to a record \$4.98 trillion in 2021, according to the U.S. Bureau of Economic Analysis.

Located in the heart of the lucrative Northeast region, the Lehigh Valley is on the radar because it’s an established market with “great connectivity,” said H. Robert Boehringer III, Managing Director of Site Selection and Project Development Deal Advisory & Strategy at KPMG.



*President Joe Biden tours Mack Trucks Lehigh Valley operations in 2021.*

Landing the companies requires support, he said.

“What these companies are concerned about is how quickly can I get into the U.S. market, stand up my facility, and be successful,” Boehringer said. “That’s the differentiator.”

In 2022 alone, companies headquartered overseas announced or completed 2 million square feet of projects in the Lehigh Valley.

From global leaders like B. Braun Medical doubling the size of its manufacturing facility to an Australian manufacturer opening its first U.S. facility, the expanding footprint of internationally owned companies helped propel the Lehigh Valley to rank as the second busiest market of its size last year.

And the interest continues. About 40% of the economic development prospects that reached out to the Lehigh Valley Economic Development Corp. (LVEDC) in 2022 were from companies internationally owned.

“The Lehigh Valley is a targeted market for international companies looking for an East Coast presence to access nearly a third of U.S. consumers in a day’s drive,” LVEDC President and CEO Don Cunningham said. “Demand has increased since the supply chain disruptions of the pandemic. Our availability of a skilled workforce, manufacturing heritage, and access to market make the Lehigh Valley a major U.S. manufacturing center.”

Cunningham said interest in the Lehigh Valley has coalesced around manufacturing, the largest segment of the region’s economy.

Many prospects are seeking spaces between 20,000 and 120,000 square feet, he said, and many seek to own.

Among them is Travaglini, a family-owned Italian company that designs equipment to cure meats and other delicacies. The company was attracted to the Lehigh Valley’s location near its customers, short drive from direct flights to Europe, affordable location, and nearby technical schools churning out 1,000 students a year with mechanical know-how.

“It was like an onion,” said Daniele Negri, Travaglini Project Manager.

***“Every time we peeled back a layer, we saw another advantage to choosing the Lehigh Valley.”***

Easy Signs, an Australian digital sign manufacturer, put its first U.S. operation in the Lehigh Valley last year, bringing 130 jobs. Lehigh Valley’s easy access to highways puts it within a day’s drive of a third of the U.S. population.

“A big part of our business model is a fast turnaround time,” said Steph Wilbow, Chief Operations Officer at the Lehigh Valley facility. “We do everything in a 24-hour turnaround time.”

Existing companies owned overseas expanded their footprints in the Lehigh Valley.

B. Braun Medical, which has been in the region for decades and has its U.S. headquarters here, opened a 310,000-square-foot expansion, adding 200 jobs in a region where it employs 2,000.



(Top) Travaglini, an Italian maker of meat curing equipment, moved into the Lehigh Valley, which will serve as its homebase to service its products. (Photo courtesy of Travaglini)

(Bottom) B. Braun Medical in 2022 completed a \$200 million expansion that doubles the size of its production facilities in the Lehigh Valley.

Continued from Page 5

It's part of the company's \$1 billion investment in new and updated manufacturing in North America to ensure a reliable supply of IV fluids.

"This facility represents both our commitment to the Lehigh Valley and Pennsylvania, as well as B. Braun's strategic objective of being a leading health care technology company," B. Braun Medical President and CEO Jean-Claude Dubacher said.

German-based Evonik, a leader in specialty gases, entered the Lehigh Valley after acquiring Air Products' performance materials process and opened an Innovation Hub in 2022.

"I still remember how impressed I was to find so many tech companies here when I first visited," Evonik President of North America Bonnie Tully said.

***"This is in no small part due to the Valley's outstanding universities. We found a talented workforce here and supportive civic leaders who understand our needs."***

Mack Trucks, which recently opened an \$84 million expansion, is using the Lehigh Valley location to assemble electric vehicles, part of its strategy to make 35% of its global sales fully electric by 2030.

"We're not planning to stop, either," Gunnar Brunius, Mack Trucks Vice President & General Manager of Lehigh Valley Operations, said. "We will continue to invest in the plant going forward."

The Lehigh Valley is home to more than 80 international companies from 23 countries, making everything from pipe fittings to confections.

## FDI PROJECTS\*

**2M SF**  
Total  
Projects

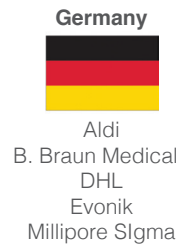
**527K SF**  
Largest  
Project

**6K SF**  
Smallest  
Project

\* Lehigh Valley projects completed, under construction, or announced by companies headquartered abroad in 2022.

## PROJECT HIGHLIGHTS

In 2022, 15 companies headquartered abroad announced or completed 2 million square feet of projects in the Lehigh Valley.



## NOTABLE SALES

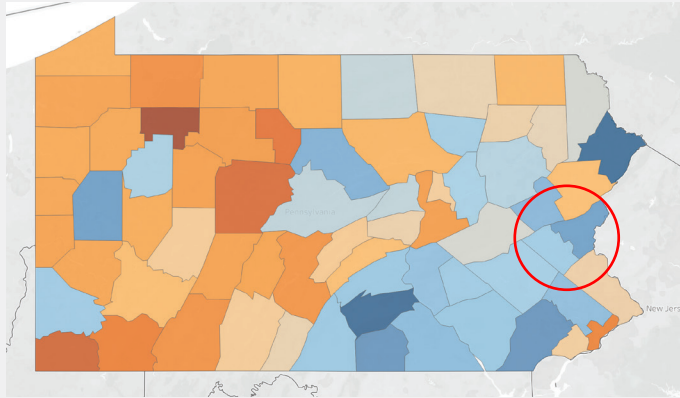
Address	Price	Buyer	Class
1605 Valley Center Pkwy. Hanover Twp., Northampton	\$12,682,546	605 VCP LLC	Office
13 McFadden Rd. Palmer Twp.	\$5,200,000	McFadden Warehouse, LLC	Industrial
4591 Colebrooke Ave. Upper Milford Twp.	\$4,500,000	Godshall Emmaus Enterprises LLC	Industrial
205 Webster St. Bethlehem	\$2,500,000	INVICTUS55 LLC	Office

## NOTABLE LEASES

Property	SF	Tenant	Class
600 Male Rd. Plainfield Twp.	318,400	Conri Services	Industrial
157 Commerce Way Hanover Twp., Northampton	75,000	Factory Manufacturing	Industrial
3893 Courtney St. Hanover Twp., Northampton	40,000	TopRXLLC	Industrial
22 S. Commerce Way Hanover Twp., Lehigh	18,000	Beauty Blender	Industrial
7535 Windsor Dr. Upper Macungie Twp.	3,500	Linde Engineering	Office

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

# LEHIGH VALLEY WORKS



## LABOR MARKET INDICATORS POPULATION GROWTH<sup>1</sup>

Lehigh and Northampton counties are among the 27 counties in Pennsylvania that grew in population between 2020 and 2022.



## NET INTERNATIONAL MIGRATION



Lehigh County ranks among the top 4% in the nation in terms of people moving here from other countries since mid-2020.

## NET DOMESTIC MIGRATION



Northampton County ranks among the top 4% in the nation in terms of people moving here from other U.S. counties since mid-2020.

362,300  
Labor Force



Lehigh Valley's labor force has grown at a rate 15X faster than PA as a whole over the last 5 years.<sup>2</sup>

## COMPETITIVE LEHIGH VALLEY<sup>3</sup> Real Time Median Annual Wages

	Lehigh Valley	NYC/Newark Metro	Suburban Philadelphia
Software Developers	\$92,800	\$127,282	\$112,320
Team Assemblers	\$35,727	\$35,360	\$35,360
Inspectors, Testers & Sorters	\$39,520	\$41,356	\$38,174
Machinists	\$46,715	\$53,942	\$51,388
Computer Support Specialists	\$41,600	\$52,000	\$45,760
Material Handlers	\$37,780	\$37,440	\$37,440

Sources:

<sup>1</sup> U.S. Census: Population Estimates, 2020-2022.

<sup>2</sup> Pennsylvania Center for Workforce Information & Analysis. Compares the seasonally-adjusted labor force of March 2018 with March 2023.

<sup>3</sup> Chmura Economics JobsEQ, job postings for Q1 2023.



## 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 skills and educations.

## Our Vision

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

## Our Location Advantage



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

