

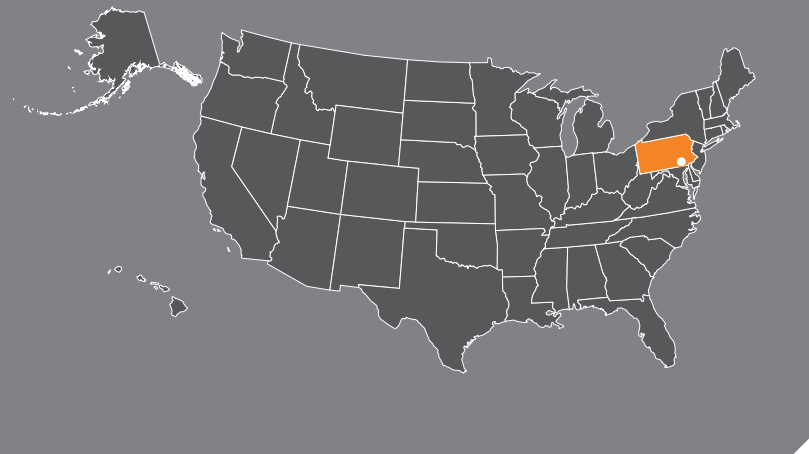
# HUD PD&R Housing Market Profiles

## Lancaster, Pennsylvania



### Quick Facts About Lancaster

- Current sales market conditions: tight
- Current rental market conditions: slightly tight
- Agriculture is a major industry in Lancaster County, and in 2013, the county became the first in the nation to reach 100,000 acres of preserved farmland.



By Derek Brightman II | As of March 1, 2020

### Overview

The Lancaster metropolitan area is coterminous with Lancaster County and is located in southeast Pennsylvania approximately 70 miles west of the city of Philadelphia. The Lancaster metropolitan area is known for being a large Amish settlement in addition to an agricultural center and tourist destination. The economic impact of tourism in the metropolitan area was \$2.24 billion in 2018, a 4.6-percent increase from a year earlier (Tourism Economics). The number of visitors to the Lancaster metropolitan area increased for the ninth straight year in 2018, with 8.85 million visitors. Tourists travel to the Lancaster metropolitan area for diverse experiences, including Amish culture and settlement tours, farmers' markets, and unique dining in the city of Lancaster. With approximately 5,100 farms in the metropolitan area, the economic impact of the agriculture industry is substantial. The market value of products sold in the metropolitan area totaled more than \$1.5 billion in 2017, a 2-percent increase from 5 years earlier (2017 Census of Agriculture).

- The population of the Lancaster metropolitan area as of March 1, 2020, is estimated at nearly 546,800, an average increase of 2,750, or 0.5 percent, annually since 2010. During this period, population growth was strongest

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- from 2010 to 2017, averaging 3,000 people, or 0.6 percent, annually (Census Bureau population estimates as of July 1). Population growth has slowed since 2017, averaging 2,050 people, or 0.4 percent, annually.
- The recent slowdown in population growth is largely a result of migration patterns. Net in-migration averaged 2,725 people from 2001 to 2007, compared with 1,100 people from 2007 to 2018; more recently, net out-migration averaged 220 people in 2019.

- Net natural change (resident births minus resident deaths) has declined slightly in the metropolitan area since 2010 because the population is aging. The number of persons aged 55 and older increased by an average of 3,500 people, or 2.3 percent a year from 2010 to 2018 (2010, 2018 American Community Survey [ACS] 1-year estimates, with adjustments by the analyst). By comparison, in the nation, the number of persons aged 55 and older increased by an average of 2.6 percent a year from 2010 to 2018.

## Economic Conditions

Economic conditions in the Lancaster metropolitan area have been strong since 2010, but nonfarm payroll growth has slowed recently. From 2014 through 2018, the rate of job growth in the Lancaster metropolitan area was generally faster than in the Mid-Atlantic region and the nation, with nonfarm payroll growth averaging approximately 4,900 jobs, or 2.0 percent, annually. By comparison, nonfarm payroll growth for the Mid-Atlantic region and the nation averaged approximately 1.1 and 1.8 percent, respectively, during the same period. During this period, the education and health services and transportation and utilities sectors led job growth in the Lancaster metropolitan area, increasing by averages of 900 and 800 jobs, annually, or 2.0 and 7.3 percent, respectively. Job growth in the metropolitan area

began to slow in 2018, partly because of slowing job growth in the transportation and utilities sector. From 2018 to 2019, nonfarm payrolls increased by 2,600 jobs or 1.0 percent. Partially offsetting job growth in other sectors, the manufacturing sector decreased by 500 jobs, or 1.3 percent, after increasing each year since 2013. The information sector also lost jobs in 2019, continuing an average decline of 200 jobs, or 6.7 percent a year since 2016.

During the 3 months ending February 2020—

- Growth in nonfarm payrolls was modest, averaging 2,400 jobs, or 0.9 percent, compared with the same period a year ago.

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### Job gains in the Lancaster metropolitan area during the 3 months ending February 2020 were led by the education and health services sector.

	3 Months Ending		Year-Over-Year Change	
	February 2019 (Thousands)	February 2020 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	256.7	259.1	2.4	0.9
Goods-Producing Sectors	55.1	55.2	0.1	0.2
Mining, Logging, & Construction	17.6	18.1	0.5	2.8
Manufacturing	37.4	37.1	-0.3	-0.8
Service-Providing Sectors	201.6	204.0	2.4	1.2
Wholesale & Retail Trade	45.8	46.0	0.2	0.4
Transportation & Utilities	14.6	14.8	0.2	1.4
Information	2.8	2.8	0.0	0.0
Financial Activities	8.4	8.5	0.1	1.2
Professional & Business Services	26.7	26.7	0.0	0.0
Education & Health Services	47.3	48.3	1.0	2.1
Leisure & Hospitality	23.5	24.0	0.5	2.1
Other Services	12.4	12.6	0.2	1.6
Government	20.1	20.2	0.1	0.5
<b>Unemployment Rate</b>	3.3%	3.7%		

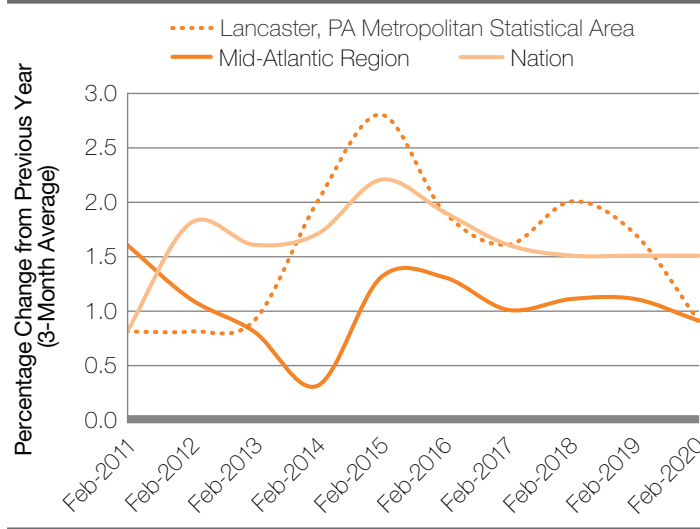
Note: Numbers may not add to totals due to rounding.  
Source: U.S. Bureau of Labor Statistics



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- Job levels in the professional and business services sector were flat. By comparison, during the 3 months ending February 2019, the sector increased by 1,500 jobs, or 5.8 percent compared with a year earlier.

**From early 2017 to 2019, nonfarm payroll growth in the Lancaster metropolitan area exceeded growth in both the nation and the Mid-Atlantic region.**



Note: Nonfarm payroll job growth.  
Source: U.S. Bureau of Labor Statistics

**Largest Employers in the Lancaster Metropolitan Area**

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Penn Medicine Lancaster General Health	Education and Health Services	9,260
Eurofins Lancaster Laboratories Environmental, LLC	Professional and Business Services	2,299
Dart Container Corporation	Manufacturing	1,935

Note: Excludes local school districts.  
Source: County of Lancaster Pennsylvania 2019 Comprehensive Annual Financial Report

**Sales Market Conditions**

The sales housing market in the Lancaster metropolitan area is tight, with a current estimated sales vacancy rate of 0.9 percent, down from 1.5 percent during April 2010. Strengthening economic conditions and relatively high levels of home sales without a corresponding increase in home sales construction have contributed to a significant decline in available for-sale inventory since the early 2010s. As of February 2020, a 1.2-month supply of inventory was available for sale in the metropolitan area, down from a 1.8-month supply a year ago and well below the high of 9.1 months in August

- Manufacturing was the only sector with job losses, declining by 300 jobs or 0.8 percent. In 2019, manufacturing jobs accounted for 14.4 percent of nonfarm payrolls; in 2000, manufacturing was the largest sector, accounting for 24.9 percent of nonfarm payrolls.
- The leisure and hospitality sector added 500 jobs, the same number of jobs added a year ago. Part of the growth in this sector during the past 24 months was from the completion of the Lancaster Marriott at Penn Square, a 12-story addition with 110 rooms completed in the city of Lancaster. The leisure and hospitality sector has added jobs each year since 2012.
- The unemployment rate averaged 3.7 percent, up from 3.3 percent a year earlier. In 2018, the unemployment rate was 3.4 percent, the lowest annual average rate since 2007, when the unemployment rate was also 3.4 percent.

Approximately 19 percent of nonfarm payroll jobs in the metropolitan area are in the education and health services sector, partially due to the greater share of persons aged 55 and older. During the 3 months ending February 2020, the education and health services sector added the most jobs of any sector, increasing by 1,000 jobs or 2.1 percent. Penn Medicine Lancaster General Health broke ground on a new proton therapy center in October 2019, which is expected to be complete by the fall of 2021. The \$48 million project also contributed jobs to the mining, logging, and construction sector, the fastest growing sector with job growth of 2.8 percent during the 3 months ending February 2020. Other construction developments in the pipeline include an emergency room expansion for Lancaster General Hospital, part of Penn Medicine Lancaster General Health, which will be completed in the winter of 2023, and Penn State Health Lancaster Medical Center, a \$263 million hospital expected to open in the summer of 2022 in East Hempfield Township. On opening, the new hospital is expected to support approximately 800 new jobs.

2011 (CoreLogic, Inc.). The rate of seriously delinquent home loans and real estate owned (REO) properties in the Lancaster metropolitan area was 0.9 percent as of February 2020, down from 1.3 percent a year earlier (CoreLogic, Inc.). The current rate is lower than the 1.8-percent rate for Pennsylvania and the 1.3-percent rate for the nation.

During the 12 months ending February 2020—

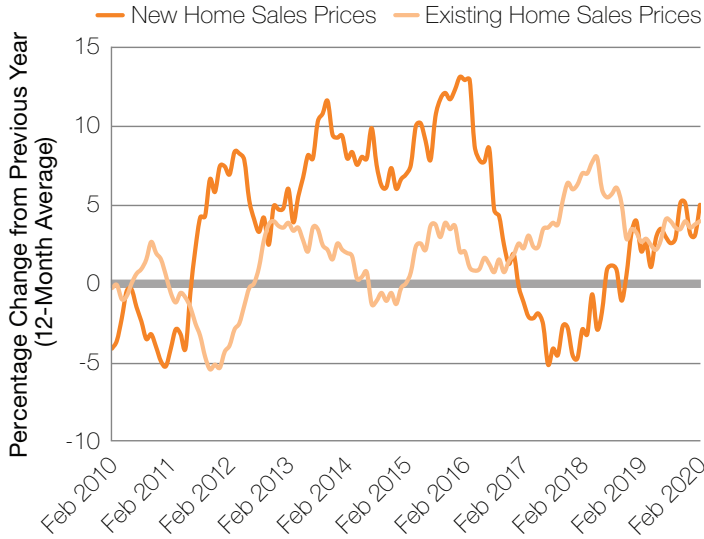
- New home sales (including single-family homes, townhomes, and condominiums) totaled 600, down 4 percent from 630

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The average new home sales price in the Lancaster metropolitan area has been rising since late 2018, whereas the average existing home sales price has been increasing since 2015.



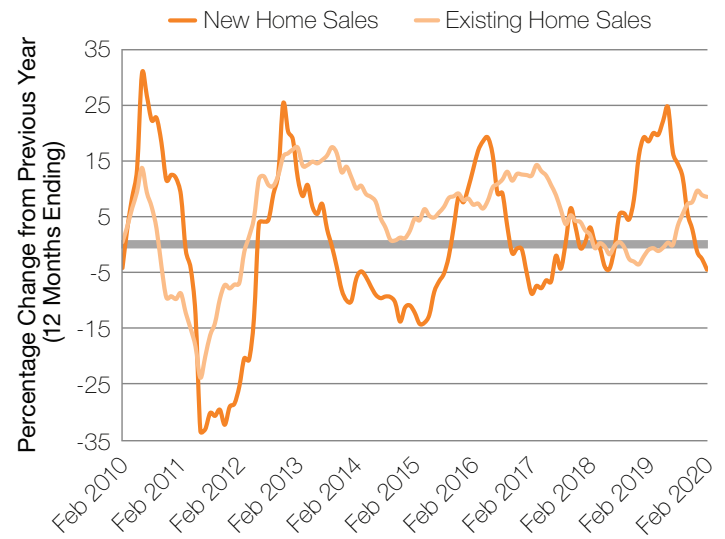
Note: Includes single-family homes, townhomes, and condominiums.  
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

during the 12 months ending February 2019 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). From 2012 through 2016, an average of 550 new homes were sold annually.

- The average sales price for a new home was \$341,300, an increase of \$16,250, or 5 percent compared with a year ago. Sales prices increased an average of 7 percent a year from 2012 through 2016.
- Existing home sales and home sale prices reached recent highs of 6,350 homes and \$228,800, increases of 9 and 4 percent, respectively. During the previous 12 months, existing home sales decreased 1 percent while existing home sales prices increased 3 percent. Sales prices increased because of a lack of available land and declining inventories.
- Distressed home sales, including REO home sales and short sales, decreased by 100 homes, or 43 percent, to 130, representing 1 percent of total home sales; the average sales price was \$140,300 (CoreLogic, Inc. with adjustments by the analyst). In 2015, REO sales peaked at 440 sales, which accounted for 6 percent of total sales, with an average sales price of \$108,100.

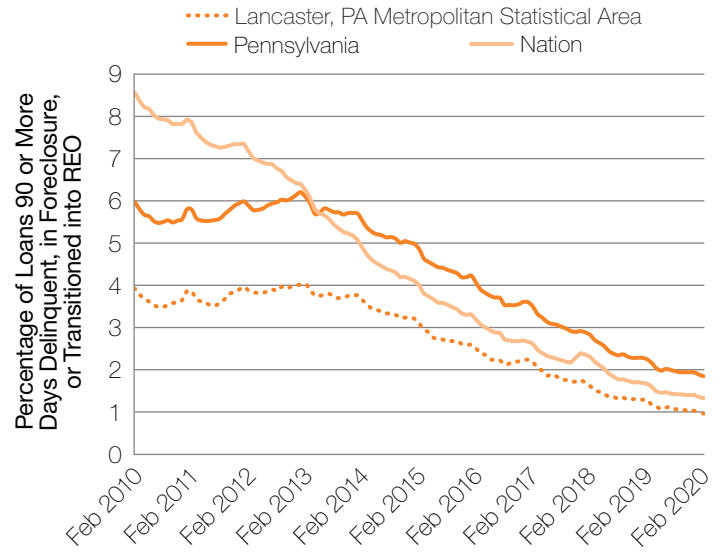
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Since 2019, new home sales in the Lancaster metropolitan area have decreased and existing home sales have increased.



Note: Includes single-family homes, townhomes, and condominiums.  
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The rate of home loans that were delinquent, in foreclosure, or in REO status in the Lancaster metropolitan area has consistently been below the state and the nation.



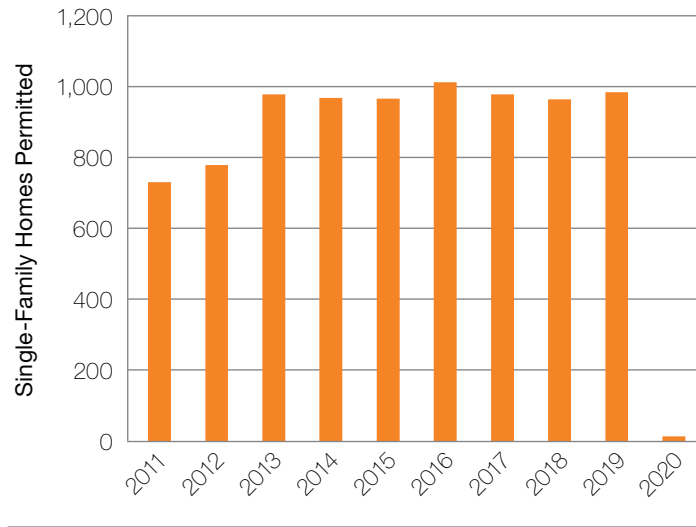
REO = real estate owned.  
Source: CoreLogic, Inc.





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**Single-family home permitting in the Lancaster metropolitan area has been relatively steady since 2013.**



Note: Includes preliminary data from January 2020 through February 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Homebuilding activity, as measured by the number of single-family homes permitted, has been stable since 2013, although permitting activity is lower than construction activity during the previous decade.

- The number of single-family homes permitted totaled 65 during the 12 months ending February 2020, down 46 percent from the 120 homes permitted a year earlier (preliminary data).
- Traditions of America, a 55-plus retirement community, is currently under construction in the city of Lititz. The development is sold out and includes 329 single-family homes with an average price of \$410,000. Another Traditions of America property in the borough of East Petersburg is also under construction and will include 290 homes with prices starting in the upper \$200,000s.
- The Wilbur Chocolate Factory warehouse is being converted into a multi-use property called 48 On The Park, which will include a hotel, restaurants, shops, 170 apartment units, and 25 condominiums, which have sold out. The project is expected to be complete by September 2020.

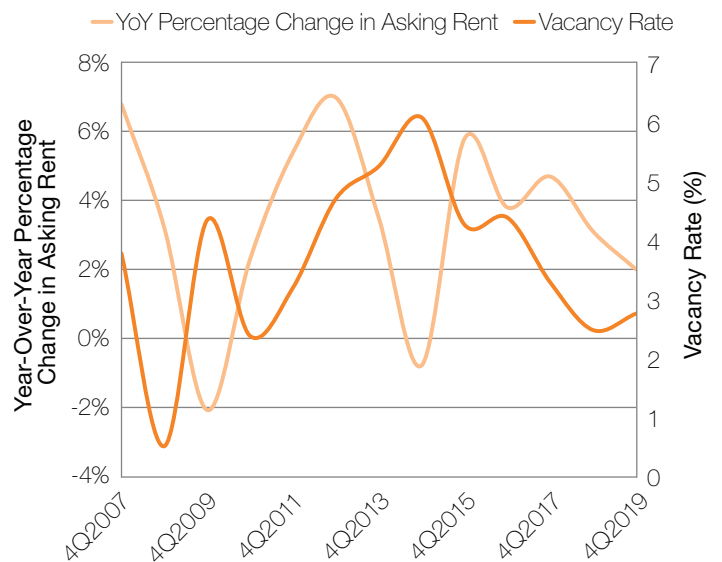
**Rental Market Conditions**

Rental market conditions in the Lancaster metropolitan area are slightly tight and apartment market conditions are tight. During the 2010s, single-family rentals increased in part because apartment construction declined and demand for all rental units outpaced supply. In 2018, approximately 41 percent of renter households resided in single-family homes, while only 37 percent lived in multifamily structures with five or more units, typically apartments (2018 ACS 1-year data). In 2010, the comparable figures were 38 percent and 35 percent. At the same time, new apartment construction during the most recent decade was 30 percent lower than apartment construction during the 2000s.

- The current overall rental vacancy rate (including single-family homes, townhomes, and mobile homes) is estimated at 3.7 percent, down from 5.3 percent in 2010 when conditions were balanced.
- The apartment vacancy rate was 2.8 percent during the fourth quarter of 2019, up from 2.5 percent a year earlier (RealPage, Inc.).
- Apartment rents averaged \$1,139 during the fourth quarter of 2019, a 2-percent increase from a year ago. From the fourth quarter of 2014 through the fourth quarter of 2018, rent growth averaged 4 percent annually because population growth was higher.

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**Since mid-2015, the vacancy rate in the Lancaster metropolitan area has been below 5 percent while average rents have increased each year.**



4Q = fourth quarter. YoY = year-over-year. Source: RealPage, Inc.



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- The vacancy rate for professionally managed single-family homes, which are estimated to be a small portion of the overall single-family rental market, was 1.4 percent as of February 2020, unchanged from February 2019 but slightly lower than the 1.6-percent rate in February 2015 (CoreLogic, Inc., with adjustments by the analyst).

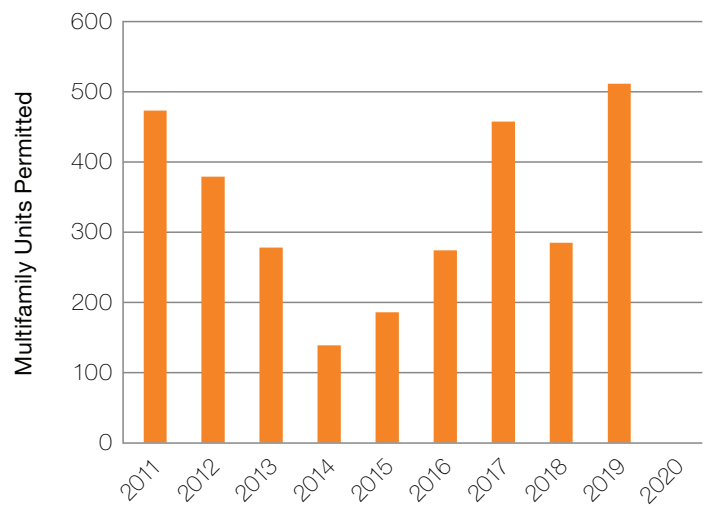
Apartment market conditions have tightened since 2010 because multifamily building activity (as measured by the number of units permitted) has lagged renter household growth. From 2000 through 2010, 460 multifamily units were permitted annually, compared with 290 units a year from 2011 through 2018. Renter households increased from 31.5 percent of all households in April 2010 to 32.9 percent in February 2020.

- During the 12 months ending February 2020, approximately 30 multifamily units were permitted, compared with only 5 units permitted a year earlier (preliminary data).
- Although the number of rental units constructed has not kept pace with renter household growth, apartments have represented a greater share of multifamily construction in recent years. From 2017 through 2019, multifamily permits accounted for approximately 29 percent of the total multifamily units permitted. For comparison, multifamily permits accounted for 23 percent of all multifamily units from 2011 through 2016.
- Currently under construction is the second phase of the Village of Olde Hickory apartments in the city of Lancaster. Another 54 units are currently under construction and are expected to be complete by September 2020. Rents start

at \$1,140, \$1,444, and \$1,483 for one-, two-, and three-bedroom units, respectively.

- The Crossings at Conestoga Creek, located in the city of Lancaster, opened in 2019. This property includes 258 apartment units in 6 buildings, with rents starting at \$1,095, \$1,278, \$1,731, and \$1,875 for studios, one-, two-, and three-bedroom units, respectively (ALN Apartment Data, Inc.).

**Multifamily building activity in the Lancaster metropolitan area reached a recent high in 2019, with more than 500 units permitted.**



Note: Includes preliminary data from January 2020 through February 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

