

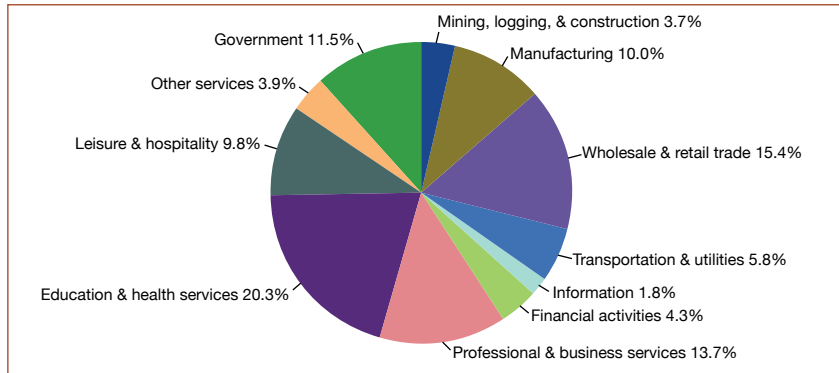
Economic Conditions

The economy of the Allentown HMA is significantly affected by the education and health services sector, the largest sector in the HMA, with 70,600 jobs, accounting for more than 20 percent of all nonfarm payrolls in the HMA (Figure 1). Since 2000, the sector has added approximately 19,700 jobs, a 39-percent increase (Figure 2). Lehigh Valley Health Network is the largest employer in the HMA, with 11,650 current employees (Table 2); services of the health network within the HMA include two hospitals

(including a children's hospital), community health centers and clinics, and home health and hospice services. St. Luke's University Health Network, which includes four hospitals and a school of medicine, is the second largest employer in the HMA, with 8,900 employees.

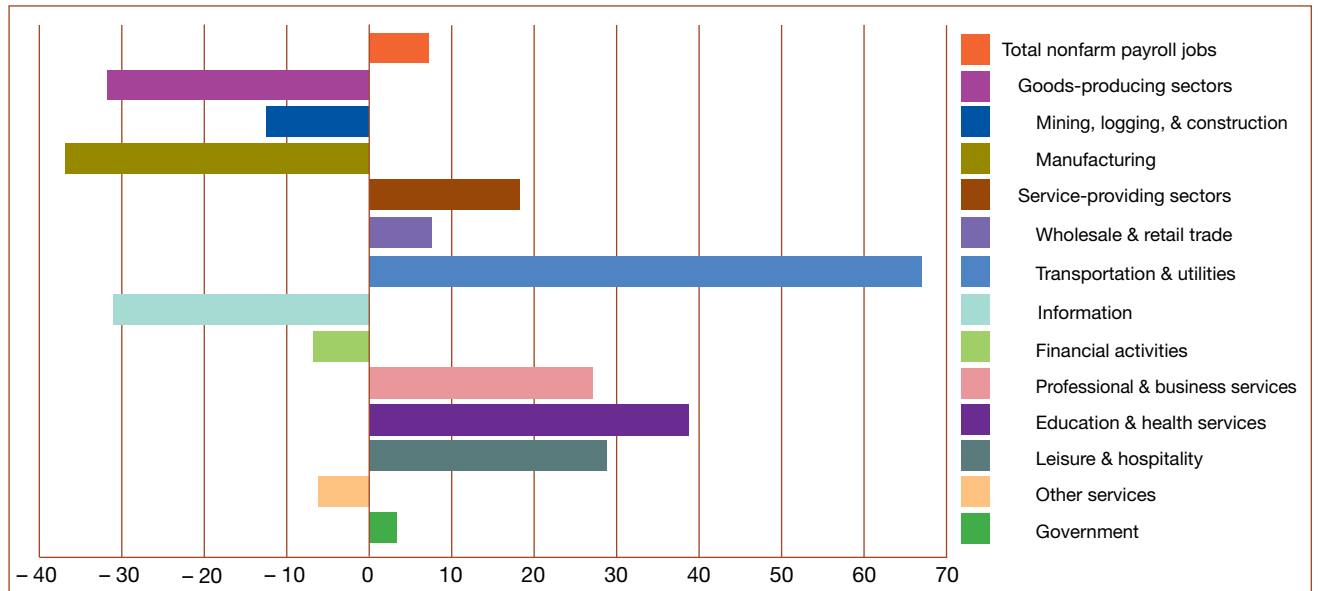
The HMA recorded strong job growth in all but 1 year from 2000 through 2007, when nonfarm payrolls increased by an average of 3,900 jobs, or 1.2 percent, annually. By comparison, nonfarm payrolls throughout Pennsylvania and in the nation increased by averages of 0.5 and 0.8 percent, respectively, during the same period. Within the HMA, the greatest gains were recorded in the education and health services and the professional and business services sectors, which increased by an average of 1,700 and 800 jobs, or 3.1 and 2.1 percent, respectively. In the education and health services sector, more than 90 percent of the net gains were concentrated in the health care and social assistance industry.

Figure 1. Current Nonfarm Payroll Jobs in the Allentown HMA*, by Sector



* Allentown-Bethlehem-Easton HMA.
 Note: Based on 12-month averages through July 2014.
 Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Allentown HMA*, Percentage Change, 2000 to Current



* Allentown-Bethlehem-Easton HMA.
 Note: Current is based on 12-month averages through July 2014.
 Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Allentown HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Lehigh Valley Health Network	Education & health services	11,650
St. Luke's University Health Network	Education & health services	8,900
Air Products & Chemicals, Inc.	Manufacturing	3,500
Giant Food Stores LLC	Wholesale & retail trade	2,450
PPL Corporation	Transportation & utilities	2,425
Sands Casino Resort Bethlehem	Leisure & hospitality	2,200
Sodexo	Education & health services	2,175
B. Braun Medical Inc.	Manufacturing	1,950
Amazon.com, Inc.	Transportation & utilities	1,925
Mack Trucks	Manufacturing	1,900

* Allentown-Bethlehem-Easton HMA.

Note: Excludes local school districts.

Source: The Morning Call

During 2008 and 2009, when the national economic recession affected the economy of the HMA, nonfarm payrolls significantly declined. During the 2-year period, nonfarm payrolls were down by an average of 5,600 jobs, or 1.6 percent, annually. Losses were most significant in the goods-producing sectors, which were down annually by an average of 3,700 jobs, or 6.7 percent. Individually, the two goods-producing sectors—the manufacturing and the mining, logging, and construction sectors—declined by an average of 1,900 and 1,800 jobs, or 4.9 and 11.2 percent, respectively. In the manufacturing sector, from the fourth quarter of 2007 to the fourth quarter of 2009, the total number of business establishments decreased by 30 because of declining demand for manufactured goods as a result of high unemployment levels nationwide (Quarterly Census of Employment and Wages). Included in these closings was Tama Manufacturing Co., Inc., an apparel company that closed in 2009, resulting in 200 jobs lost. More than 98 percent of the losses in the mining, logging, and construction sector were concentrated in the construction subsector. Payrolls in the construction subsector declined an average of 11 percent annually in response to declining demand for new homes (Quarterly Census of Employment and Wages).

Since 2010, the economy has improved, but growth has been slower than in the nation as a whole because limited numbers of new businesses have moved into the HMA. From the fourth quarter of 2009 to the first quarter of 2014, the total number of business establishments declined by approximately 50 annually (Quarterly Census of Employment and Wages). By comparison, the number of business establishments increased by an average of 240 annually from the first quarter of 2001 (the oldest historical data available) to the fourth quarter of 2007. Since the end of 2009, nonfarm payrolls in the HMA have increased by an average of 3,000 jobs, or 0.9 percent, annually. By comparison, nonfarm payrolls nationwide have increased more rapidly, by an average of 1.2 percent annually. The greatest nonfarm payroll increases in the HMA were recorded in the professional and business services and the education and health services sectors, which were up by an average of 1,400 and 1,100 jobs, or 3.3 and 1.6 percent, respectively, annually. Included in the gains, Ocean Spray Cranberries, Inc., opened a new plant in the HMA in May 2014. Of the estimated 180 new jobs that the plant will create in the HMA, existing employees who relocated from the former plant in Burlington County, New Jersey,

immediately filled approximately 100 positions, and new employees are expected to fill the remaining positions by mid-2015 to late 2015.

The economy of the Allentown HMA continued to grow during the 12 months ending July 2014 but at a moderate pace; nonfarm payrolls increased by 1,300 jobs, or 0.4 percent (Table 3). The slowdown in job growth is attributed to slight job losses in 5 of the 11 sectors that partially offset gains in 5 of the 6 remaining sectors. The greatest gains were recorded in the transportation and utilities and the professional and business services sectors, which increased by 900 and 800 jobs, or 4.7 and 1.7 percent,

respectively. In the transportation and utilities sector, increases were concentrated in the transportation and warehousing industry, which was up by 900 jobs, or 5.0 percent. Gains in this industry were partially because Wal-Mart Stores, Inc., opened a new distribution center in Bethlehem in early 2014, which resulted in 350 new full-time, permanent jobs. Since 2000, nonfarm payrolls in this sector have increased by 8,100 jobs, which is a 67-percent increase. The gains in the professional and business services sector during the past 12 months were partially because National Penn Bancshares, Inc., moved its headquarters to the city of Allentown in 2014, creating 275 new jobs in the HMA. Losses during the past 12 months were recorded in the government, other services, and manufacturing sectors, which declined by 500, 200, and 200 jobs, or 1.2, 1.4, and 0.6 percent, respectively. In the other services sector, D.B. Schenker, a third-party logistics provider for Kraft Foods Group, Inc., laid off approximately 220 employees between March and June 2014, and Sure Fit Inc., a manufacturer of furniture slipcovers, closed a distribution center in late 2013, resulting in 75 job losses.

During the 12 months ending July 2014, the unemployment rate in the HMA averaged 6.7 percent. The current rate is down from the rate of 8.2 percent a year earlier but higher than the average rate of 4.8 percent from 2000 through 2007. The decline in the unemployment rate during the past year was primarily because of the 1.3-percent decline in the labor force. Figure 3 illustrates trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2013.

Table 3. 12-Month Average Nonfarm Payroll Jobs in the Allentown HMA*, by Sector

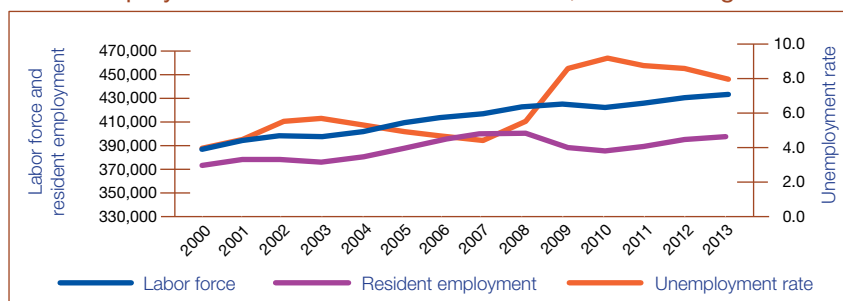
	12 Months Ending		Absolute Change	Percent Change
	July 2013	July 2014		
Total nonfarm payroll jobs	346,300	347,600	1,300	0.4
Goods-producing sectors	47,100	47,300	200	0.4
Mining, logging, & construction	12,200	12,700	500	4.1
Manufacturing	34,900	34,700	-200	-0.6
Service-providing sectors	299,300	300,200	900	0.3
Wholesale & retail trade	53,500	53,400	-100	-0.2
Transportation & utilities	19,200	20,100	900	4.7
Information	6,100	6,200	100	1.6
Financial activities	15,000	15,000	0	0.0
Professional & business services	46,700	47,500	800	1.7
Education & health services	70,500	70,600	100	0.1
Leisure & hospitality	34,100	33,900	-200	-0.6
Other services	13,900	13,700	-200	-1.4
Government	40,300	39,800	-500	-1.2

* Allentown-Bethlehem-Easton HMA.

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through July 2013 and July 2014.

Source: U.S. Bureau of Labor Statistics

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Allentown HMA*, 2000 Through 2013



* Allentown-Bethlehem-Easton HMA.

Source: U.S. Bureau of Labor Statistics

During the 3-year forecast period, economic conditions in the HMA are expected to continue to improve at a moderate pace, with nonfarm payrolls increasing annually by an average of 3,500 jobs, or 1.0 percent. Job growth is expected to accelerate each year to 1.2 percent by the third year of the forecast period. Gains are expected to be concentrated in the service-providing sectors, with few to no gains in the goods-producing sectors. Downtown Allentown is currently undergoing redevelopment, with a new sports arena, hotel, and four office and retail buildings recently completed or anticipated to be complete during the next 12

months. The arena, PPL Center, which will open in the fall of 2014, will be home to the Lehigh Valley Phantoms, the top minor-league affiliate for the National Hockey League's Philadelphia Flyers. Approximately 375 full- and part-time jobs will be created to manage the team and staff the arena. Additional gains resulting from the redevelopment include the opening in mid- 2014 to late 2014 at One City Center of a new location for Lehigh Valley Health Network that will focus on sports and rehabilitation medicine. Approximately 600 jobs will be at One City Center, including approximately 240 newly created jobs.

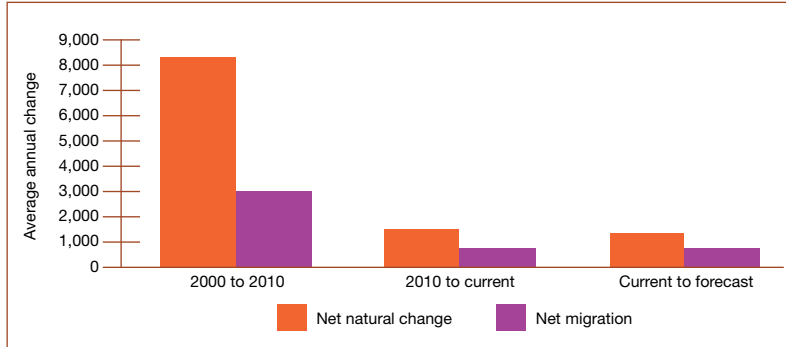
Population and Households

As of August 1, 2014, the estimated population of the Allentown HMA was 827,400. From April 2000 to July 2008, population growth was strong; the population increased by an average of 8,925, or 1.2 percent, annually. The strong growth was a result of net in-migration, which averaged 7,250 people annually, and was attributed to job seekers moving into the HMA because of better economic conditions than in the state or the nation as a whole; more than 40 percent of the people who moved into the HMA relocated from outside of Pennsylvania and New Jersey (Internal Revenue Service migration data). From July 2008 to April 2010, because of significant job losses during 2008 and 2009, net in-migration declined to an average of 2,375 people annually, and population growth slowed to 4,075

people, or 0.5 percent, annually. Since 2010, the economic recovery in the HMA has been slower than in the nation as a whole, which has caused the number of people moving to the HMA for jobs to continue to decline. Since April 2010, net in-migration has slowed to an average of 350 people annually (including net out-migration since July 2012), and population growth has declined further to an average of 1,425 people, or 0.2 percent, annually. Since April 2010, net natural increase (resident births minus resident deaths) has accounted for more than 75 percent of all population growth compared with 21 percent from April 2000 to April 2010. Figure 4 shows population and household growth in the HMA, and Figure 5 shows the components of population change in the HMA, from 2000 to the forecast date.

Population and Households *Continued*

Figure 4. Population and Household Growth in the Allentown HMA*, 2000 to Forecast

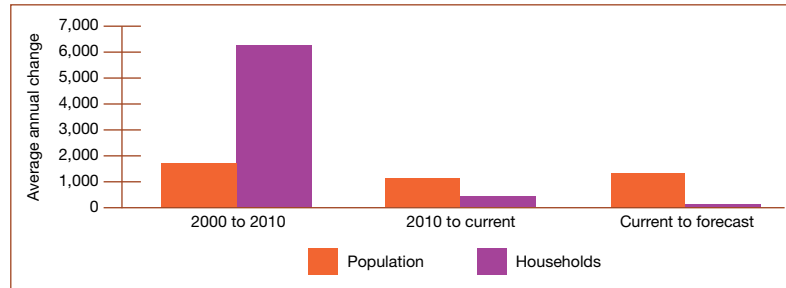


* Allentown-Bethlehem-Easton HMA.

Notes: The current date is August 1, 2014. The forecast date is August 1, 2017.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Allentown HMA*, 2000 to Forecast

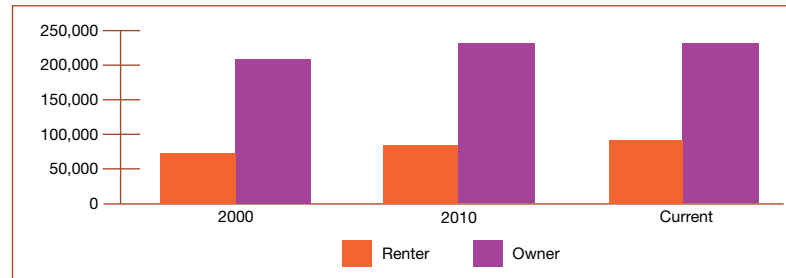


* Allentown-Bethlehem-Easton HMA.

Notes: The current date is August 1, 2014. The forecast date is August 1, 2017.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Allentown HMA*, 2000 to Current



* Allentown-Bethlehem-Easton HMA.

Note: The current date is August 1, 2014.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

More than 70 percent of the estimated 318,350 households residing in the Allentown HMA as of August 1, 2014, were homeowners. The number of households has increased annually by an average of 610, or 0.2 percent, since April 2010. By comparison, the number of households increased by an average of 3,000, or 1.0 percent, annually from 2000 to 2010. The slower household growth since 2010 is because of a significant decline in net in-migration compared with conditions from 2000 to 2010. Figure 6 shows the number of households by tenure in the HMA since 2000.

The population of the HMA is expected to grow by an average of 1,325, or 0.2 percent, annually during the 3-year forecast period, to reach 831,400. Because of the moderate job growth expected during the forecast period, net in-migration is estimated to remain low. The number of households is expected to increase at an average annual rate of 0.2 percent, or by 550 households, during the forecast period, to reach 320,000.

Housing Market Trends

Sales Market

The sales housing market in the Allentown HMA is soft, with an estimated vacancy rate of 2.4 percent, up from 1.8 percent in 2010 (Table DP-1 at the end of the report). As of July 2014, the inventory of unsold homes comprised a 7.7-month supply compared with a 7.8-month supply during July 2013 (Greater Lehigh Valley Realtors®). By comparison, the inventory of unsold homes in Pennsylvania comprised a 4.9-month supply in July 2014, up from a 3.5-month supply a year earlier (Zillow, Inc.; CoreLogic, Inc.). From 2000 through 2007, sales market conditions in the HMA were balanced, but conditions softened from 2008 through 2012 because of declining net in-migration and increased foreclosure activity. Conditions improved slightly during the past year, however, when residents who delayed buying started to purchase new and existing homes.

During the 12 months ending July 2014, approximately 12,050 new and existing homes (including single-family homes, townhomes, and condominiums) sold in the HMA, an increase of 1,600 homes, or 15 percent, from a year earlier (CoreLogic, Inc., with adjustments by the analyst). The current level of sales is the highest level in 7 years and is up 33 percent compared with the average of 9,100 homes sold annually from 2009 through 2012. Because of limited net in-migration since 2008, however, the current sales level remains down 23 percent compared with the average of 15,600 homes sold annually from 2000 through 2008. During the 12 months ending July 2014, the average price of new and existing homes sold increased 2 percent, to \$186,600. The average sales price was up for the

second consecutive year after declines were recorded during the preceding 5 years. Despite recent increases, the average sales price remains 15 percent less than the average sales price of \$220,100 from 2006 through 2008.

The rate of distressed loans and REO (Real Estate Owned) properties in the HMA recently decreased, but levels remain high. As of July 2014, 6.9 percent of home loans in the HMA were 90 or more days delinquent, were in foreclosure, or transitioned into REO (status, down from 8.3 percent a year earlier but significantly higher than the 3.0-percent rate in July 2008 (Black Knight Financial Services, Inc.). The current rate is higher than the Pennsylvania rate of 5.6 percent but lower than the New Jersey rate of 9.6 percent. In addition, because of lengthy foreclosure processes in Pennsylvania and New Jersey, caused by the requirement that all foreclosures must be under the supervision of the courts, the number of home loans that are distressed remains high, despite declining numbers throughout the nation. The current rate in the HMA therefore is higher than the nationwide rate of 4.8 percent. High levels of distressed loans led to continued elevated levels of REO homes sales. During the 12 months ending July 2014, REO sales accounted for 12 percent of all home sales in the HMA, relatively unchanged from a year earlier but significantly higher than the 3 percent of home sales during the 12 months ending July 2008 (CoreLogic, Inc., with adjustments by the analyst). By comparison, REO sales nationwide accounted for 10 percent of all home sales during the 12 months ending July 2014, down from 12 percent a

Housing Market Trends

Sales Market *Continued*

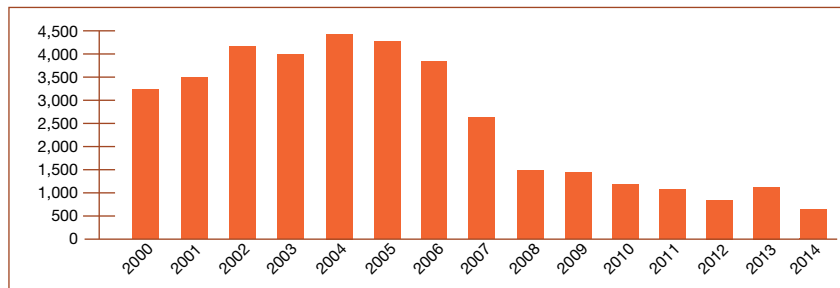
year earlier. During the 12 months ending July 2014, the average price of an REO home sold in the HMA was \$101,800, approximately 49 percent less than the average sales price of a non-REO home.

Single-family construction activity, as measured by the number of homes permitted, recently increased, but levels remain below those recorded early in the 2000s. From 2000 through 2007, construction activity averaged 3,775 homes permitted annually (Figure 7). From 2008 through 2012, because limited net in-migration decreased demand

for new units, construction activity declined to an average of 1,200 homes permitted annually, including 830 homes permitted during 2012. During 2013, however, in response to improving housing conditions, construction activity slightly increased to 1,150 homes permitted. During the 12 months ending July 2014, approximately 1,050 homes were permitted compared with 1,100 homes permitted during the previous 12 months (preliminary data). Recent construction activity includes Eagles Landing in Nazareth, Northampton County. Approximately 70 percent of the 300 planned single-family homes have been completed since 2007, and the developer expects the remaining homes to be built during the next 2 to 3 years. Sales prices for three-bedroom, two-bathroom homes with approximately 1,775 square feet, which is the typical layout for a new home, start at \$335,000.

During the next 3 years, demand is expected for 1,075 new single-family homes and townhomes (Table 1). The 350 homes under construction and some of the estimated 15,000 other vacant units in the Allentown HMA that may reenter the market will satisfy a portion of this demand. Demand is expected to increase gradually during the second and third years of the 3-year forecast period as net in-migration and population growth increase. New home prices in the HMA are expected to start at \$125,000, and approximately 45 percent of the demand will be for homes priced between \$200,000 and \$299,999 (Table 4).

Figure 7. Single-Family Homes Permitted in the Allentown HMA*, 2000 to Current



* Allentown-Bethlehem-Easton HMA.

Notes: Includes townhomes. Current includes data through July 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Allentown HMA* During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
125,000	149,999	55	5.0
150,000	199,999	160	15.0
200,000	249,999	270	25.0
250,000	299,999	220	20.0
300,000	349,999	220	20.0
350,000	399,999	110	10.0
400,000	and higher	55	5.0

* Allentown-Bethlehem-Easton HMA.

Notes: The 350 homes currently under construction and a portion of the estimated 15,000 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is August 1, 2014, to August 1, 2017.

Source: Estimates by analyst

Rental Market

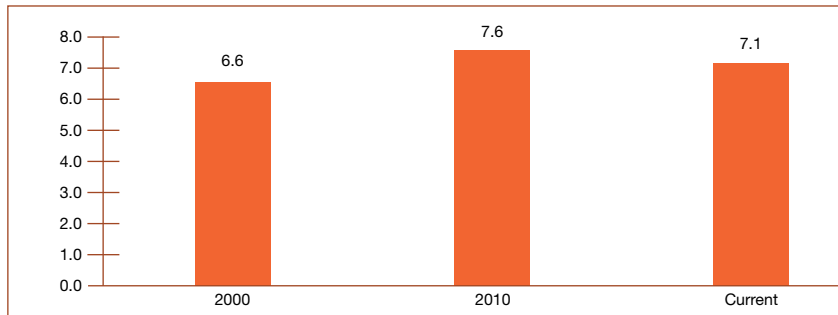
The rental housing market in the Allentown HMA is currently soft. The estimated overall rental vacancy rate is 7.1 percent, down from 7.6 percent in 2010 (Figure 8). Vacancy rates have declined since 2010 because of increased demand for rental units and decreased construction activity. Conditions, however, remain soft currently because of a very soft single-family rental market and the completion of more than 300 new apartment units during the past 12 months. In addition, some newer apartment complexes in the HMA offered concessions—mostly waived upfront fees or slight discounts on the first month’s rent—in June 2014 (analyst’s survey). During 2013, approximately 61 percent of all renter households

were in structures with four or fewer units, up slightly from 60 percent in 2010 (American Community Survey).

Although the overall rental market is soft, conditions in the apartment market are tight. The apartment vacancy rate was 2.6 percent during the second quarter of 2014, down from 3.0 percent during the second quarter of 2013 and 6.6 percent during the second quarter of 2010 (Reis, Inc.). The average apartment asking rent was \$937, up nearly 3 percent from the second quarter of 2013 and up 8 percent from the second quarter of 2010.

Multifamily building activity, as measured by the number of units permitted, was strongest in the HMA early in the 2000s. From 2000 through 2006, an average of 470 units were permitted annually (Figure 9). Building activity decreased from 2007 through 2013 because of declining net in-migration; an average of 200 units were permitted during the 7-year period. During the 12 months ending July 2014, approximately 530 units were permitted, up from 270 units permitted during the previous 12-month period (preliminary data). The increased construction activity is because moderate economic growth and stricter home loan requirements caused more residents to choose renting instead of owning. Of the 530 units permitted, 230 are complete, mostly in smaller phases that are part of larger complexes, with the remaining 300 units currently under construction at four apartment complexes. From 2000 through 2007, approximately 13 percent of all multifamily units permitted were condominium units. Since 2008, however, less than 2 percent of all multifamily units permitted have been

Figure 8. Rental Vacancy Rates in the Allentown HMA*, 2000 to Current

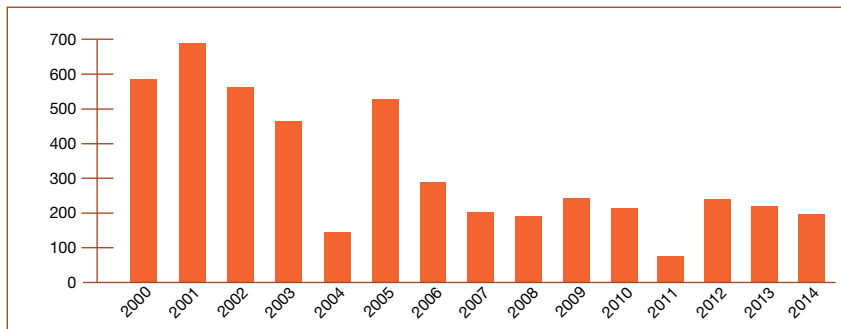


* Allentown-Bethlehem-Easton HMA.

Note: The current date is August 1, 2014.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 9. Multifamily Units Permitted in the Allentown HMA*, 2000 to Current



* Allentown-Bethlehem-Easton HMA.

Notes: Excludes townhomes. Current includes data through July 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

condominium units. Current construction activity includes 216 units at The Residences at Willow Ridge, in the borough of Northampton, Northampton County. Nearly 80 percent of the planned units are complete, with the remaining units expected to be complete during the next 6 to 12 months. Rents for one- and two-bedroom units start at approximately \$1,125 and \$1,285, respectively.

During the 3-year forecast period, no additional market-rate rental units need to be constructed. Growth in the number of renter households is expected to be slow during the next 3 years because of limited net in-migration. The current supply of vacant available units and the 300 units under construction will more than satisfy all the demand during the forecast period (Table 1).

Data Profile

Table DP-1. Allentown HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	370,991	383,680	366,500	0.3	- 1.3
Unemployment rate	3.7%	9.2%	6.7%		
Nonfarm payroll jobs	323,400	333,900	347,600	0.3	1.1
Total population	740,395	821,173	827,400	1.0	0.2
Total households	285,808	315,712	318,350	1.0	0.2
Owner households	204,951	225,198	224,000	0.9	- 0.1
Percent owner	71.7%	71.3%	70.4%		
Renter households	80,857	90,514	94,350	1.1	1.0
Percent renter	28.3%	28.7%	29.6%		
Total housing units	307,269	342,200	346,100	1.1	0.3
Owner vacancy rate	1.7%	1.8%	2.4%		
Rental vacancy rate	6.6%	7.6%	7.1%		
Median Family Income	\$54,028	\$70,000	\$73,300	2.6	1.5

* Allentown-Bethlehem-Easton HMA.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through July 2014. Median Family Incomes are for 1999, 2009, and 2012. The current date is August 1, 2014.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 8/1/2014—Analyst’s estimates
 Forecast period: 8/1/2014–8/1/2017—Analyst’s estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are

not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to http://www.huduser.org/publications/pdf/CMARtables_Allentown-Bethlehem-EastonPA-NJ_15.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/portal/ushmc/chma_archive.html.