

The analysis presented in this report was completed prior to the COVID-19 outbreak in the United States and therefore the forecast estimates do not take into account the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of countermeasures. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

## COMPREHENSIVE HOUSING MARKET ANALYSIS

# Lancaster, Pennsylvania

**U.S. Department of Housing and Urban Development,**  
Office of Policy Development and Research

As of March 1, 2020



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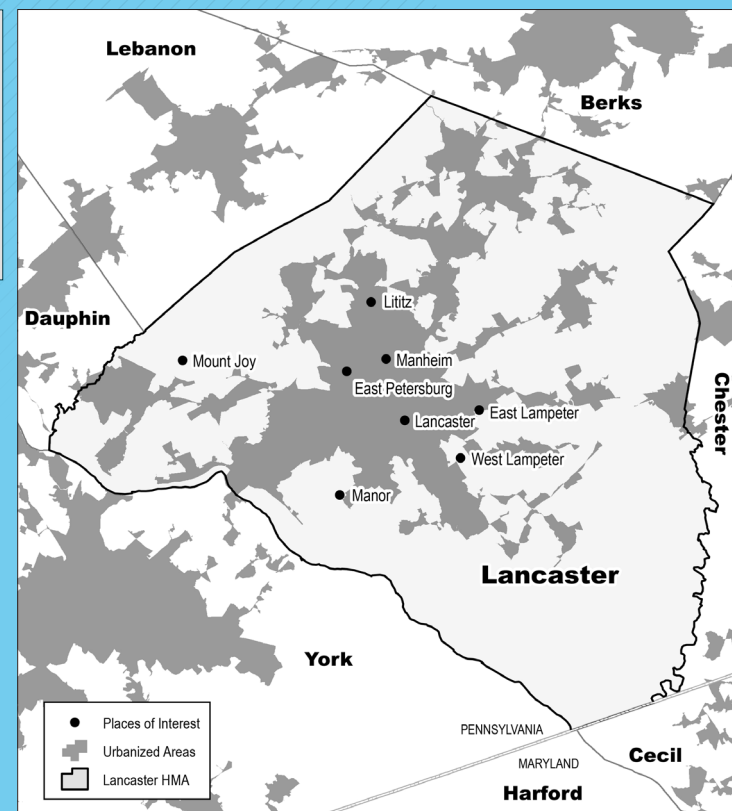


# Executive Summary

## Housing Market Area Description

The Lancaster Housing Market Area (HMA) is approximately 70 miles west of Philadelphia in southeast Pennsylvania and is coterminous with the Lancaster, PA Metropolitan Statistical Area (MSA), which is defined as Lancaster County. As the heart of Pennsylvania Dutch Country, the HMA is known for its Amish community, farmland, and related tourism attractions.

The current population is estimated at 546,800.



## Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance [tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the Community Assessment Reporting [Tool](#).



## Market Qualifiers

### Economy



**Stable:** During the 12 months ending February 2020, nonfarm payrolls averaged 260,100 jobs, representing an increase of 0.9 percent from the previous 12-month period.

Economic conditions in the Lancaster HMA are currently stable. Nonfarm payroll growth, however, slowed from the previous year, when jobs increased 2.1 percent. The education and health services sector is the largest sector in the HMA economy, accounting for 18 percent of nonfarm payrolls. The unemployment rate averaged 3.5 percent during the 12 months ending February 2020, up slightly from 3.3 percent during the 12 months ending February 2019. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.3 percent annually.

### Sales Market



**Tight:** The average number of months that homes were on the market in the Lancaster HMA was low, at 1.2 months, during the 12 months ending February 2020, down from 7.0 months during the 12 months ending April 2010 (CoreLogic, Inc.), when conditions were slightly soft.

The sales housing market in the HMA is tight. The vacancy rate is currently estimated at 0.9 percent, down from 1.5 percent in April 2010 because of reduced inventory levels. During the next 3 years, demand is estimated for 2,550 new homes and is expected to be stable throughout the forecast period. The 380 homes under construction will satisfy a portion of that demand.

### Rental Market



**Tight:** Renter household growth in the Lancaster HMA has more than offset the production of rental units since 2010, contributing to the overall tightening of rental housing market conditions.

The rental market in the HMA is tight, with an estimated overall vacancy rate of 3.7 percent, down from 5.3 percent in 2010, when conditions were balanced. During the forecast period, demand is expected for 1,150 new rental units in the HMA. The 290 units under construction will satisfy a portion of the demand during the forecast period.

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### 3-Year Housing Demand Forecast

Lancaster HMA	Sales Units		Rental Units	
	Total Demand	2,550	1,150	
	Under Construction	380	290	

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of March 1, 2020. The forecast period is March 1, 2020, to March 1, 2023.

Source: Estimates by the analyst





## Economic Conditions

### Largest Sector: Education and Health Services

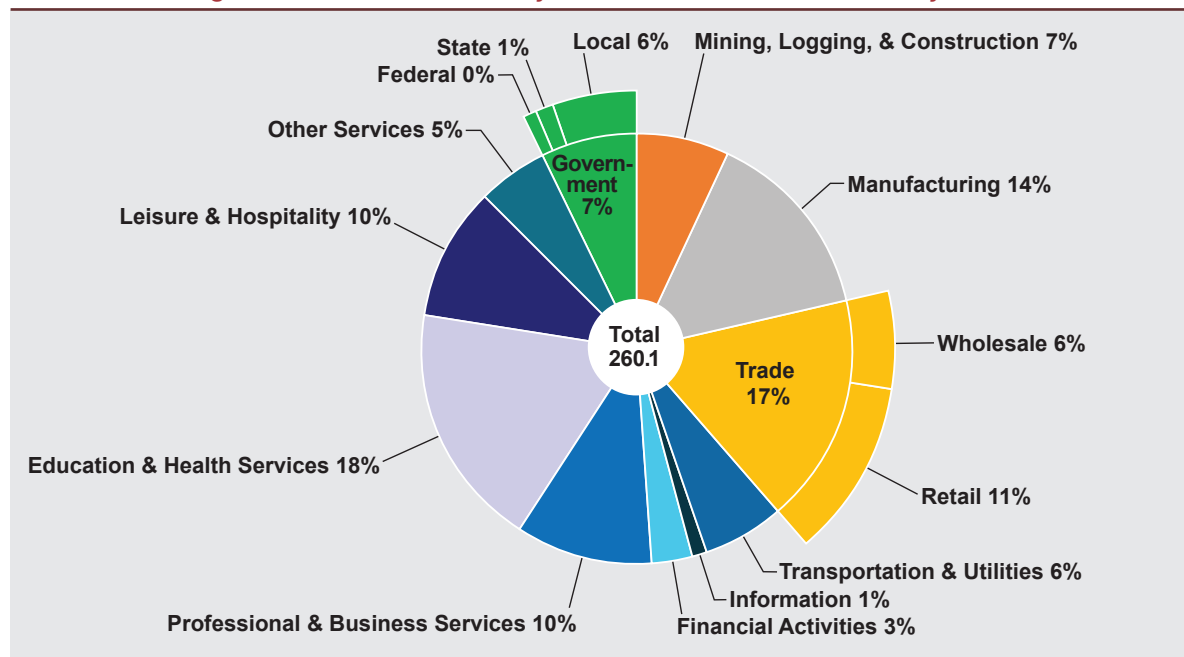
The transportation and utilities sector has been the fastest growing sector in the HMA since 2001.

### Primary Local Economic Factors

Lancaster is among the most agriculturally productive counties in the nation, with approximately \$48 million in farm related income in 2017, the 13th highest of any county in the nation (2017 Census of Agriculture). With approximately 5,100 farms in the metropolitan area, the market value of agricultural products sold in the metropolitan area totaled more than \$1.5 billion in 2017, a 2-percent increase from 5 years earlier. Whereas the agricultural industry is essential to the HMA, the economy has become increasingly diverse during the past 20 years.

The education and health services sector is currently the largest sector in the Lancaster HMA, followed by the wholesale and retail trade sector and then the manufacturing sector (Figure 1). The largest employers include Penn Medicine Lancaster General Health, Eurofins Lancaster Laboratories Environmental LLC, and Dart Container Corporation (Table 1). The economy of the HMA has changed significantly during the past 20 years. In 2000, the manufacturing sector was the primary source of employment in

**Figure 1. Share of Nonfarm Payroll Jobs in the Lancaster HMA, by Sector**



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through February 2020.

Source: U.S. Bureau of Labor Statistics

**Table 1. Major Employers in the Lancaster HMA**

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Penn Medicine Lancaster General Health	Education & Health Services	9,260
Eurofins Lancaster Laboratories Environmental LLC	Professional & Business Services	2,299
Dart Container Corporation	Manufacturing	1,935
Nordstrom, Inc.	Wholesale & Retail Trade	1,523
County of Lancaster	Government	1,861
Masonic Villages of Pennsylvania	Education & Health Services	1,797
The GIANT Company	Wholesale & Retail Trade	1,989
Federal Government	Government	1,300
LSC Communications	Manufacturing	1,200

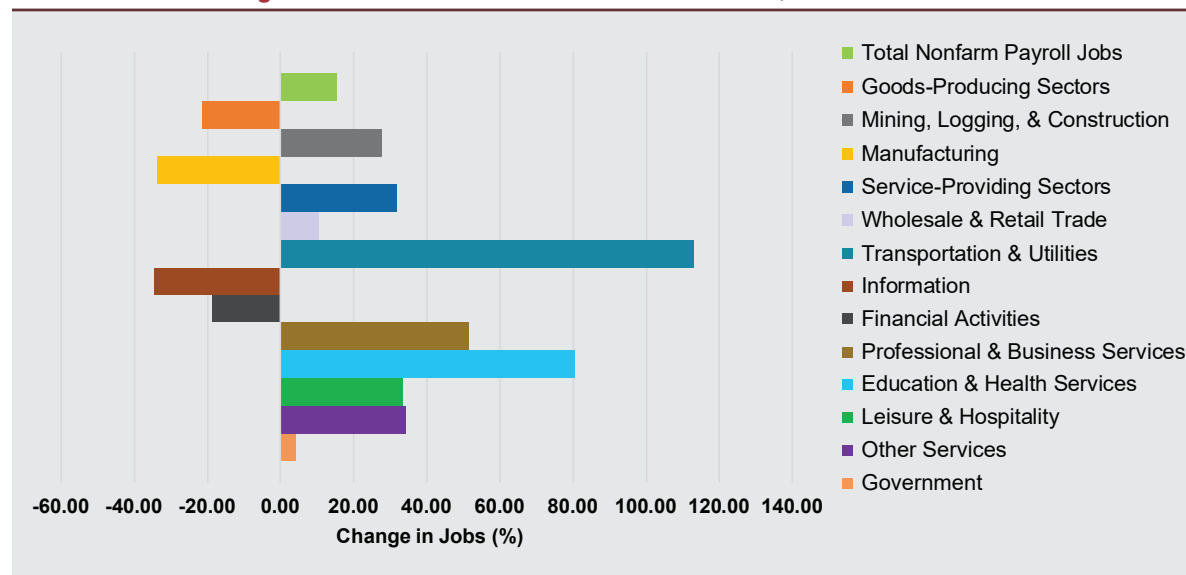
Note: Excludes local school districts.

Sources: County of Lancaster Pennsylvania 2019 Comprehensive Annual Financial Report; *Lancaster Online*

the Lancaster HMA, accounting for 25 percent of all jobs, partially because of high levels of employment in the food manufacturing industry; however, increased international competition led to declines in the sector every year through 2011, when the sector accounted for 16 percent of jobs. The manufacturing sector improved during 5 of the next 7 years through 2018. Although the manufacturing sector remains significant to the economic base, the HMA economy has become increasingly diverse due to strong growth in the transportation and utilities, the education and health services, and the professional and business services sectors since 2001 (Figure 2).

The city of Lancaster and surrounding areas are home to many of the tourist attractions in the HMA—including Dutch Wonderland, a 48-acre amusement park in East Lampeter Township; approximately 25 bed and breakfasts; and the Amish community and its tourist attractions—which support the wholesale and retail trade and the leisure and hospitality sectors. In 2018, the HMA received approximately 8.85 million tourists, which contributed to an economic impact of \$2.91 billion on the HMA, a 4.6-percent increase from \$2.79 billion in 2017 (Tourism Economics). In 2018, visitor spending supported approximately 25,600 leisure and hospitality jobs in the Lancaster HMA, including jobs in restaurants and hotels. Recently completed developments in the sector include Palace Entertainment, which opened the \$5 million Cartoon Network Hotel in January 2020.

**Figure 2. Sector Growth in the Lancaster HMA, 2001 to Current**



Note: The current date is March 1, 2020.  
Source: U.S. Bureau of Labor Statistics

## Current Conditions—Nonfarm Payrolls

Nonfarm payroll growth in the HMA moderated during the 12 months ending February 2020, when growth slowed to 2,400 jobs, or 0.9 percent, which was below the growth rate of 2.1 percent during the previous 12-month period. Nonfarm payroll growth was also slower than the national rate of 1.4 percent. Job growth decelerated partially because of job losses in the manufacturing sector and slowed growth in the transportation and utilities sector (Table 2). During the second quarter of 2019, Hallcon Corporation, a transportation firm, announced layoffs at their Lancaster rail yard, which eliminated 85 jobs by the end of 2019. In 2019, job growth in the warehousing and storage and the truck transportation industries slowed to 150 and 40 jobs, compared with increases of 450 and 280 jobs, respectively, in 2018 (Quarterly Census of Employment and Wages). Job losses in the HMA during the 12 months ending February 2020 were offset by gains in the education and health services and the professional and business services sectors, which increased by 900 and 800 jobs, or 1.9 and 3.1 percent, respectively.

## Current Conditions— Unemployment

During the 12 months ending February 2020, the average unemployment rate in the HMA was 3.5 percent, up from 3.3 percent a year earlier (Figure 3), because labor force growth outpaced employment growth. The current average unemployment rate is well below the recent peak of 7.5 percent in 2010. By comparison, the national unemployment rate peaked at 9.6 percent in 2010. The unemployment rate in the HMA has trended below the unemployment rate in the nation for more than 20 years.

## Economic Periods of Significance

### 2001 Through 2003

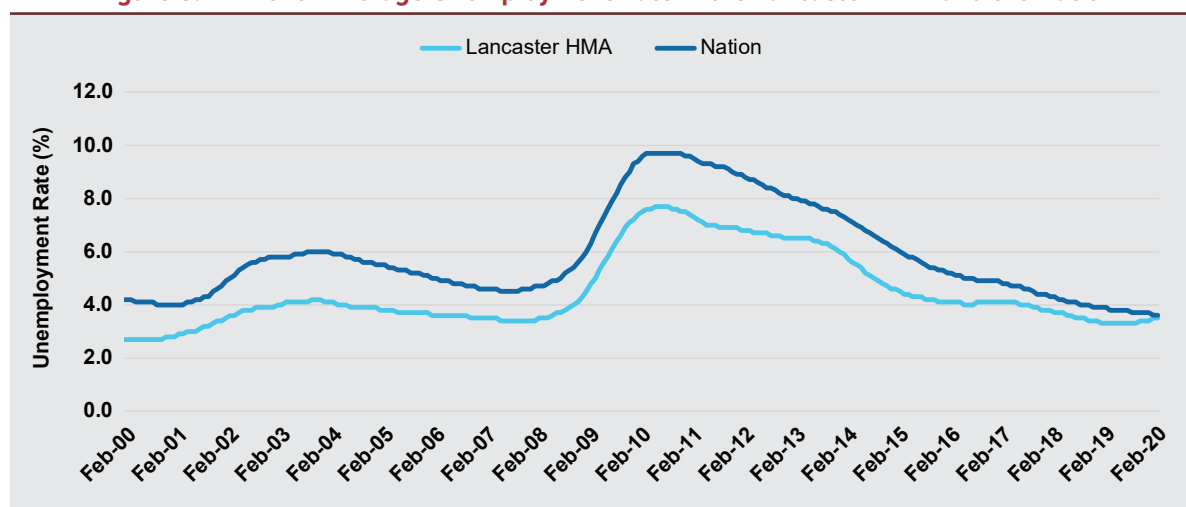
Nonfarm payrolls in the HMA increased from 2001 through 2003 by an average of 600 jobs, or 0.3 percent, annually. Overall growth was largely supported by gains in the education and health services, the transportation and utilities, and the professional and business services sectors, which partially offset substantial losses in the manufacturing sector. The education and health services sector added an average of 1,600 jobs, or 5.7 percent, annually, more than any other sector, whereas the professional and business services sector added an average of 800 jobs,

**Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Lancaster HMA, by Sector**

	12 Months Ending February 2019	12 Months Ending February 2020	Absolute Change	Percentage Change
<b>Total Nonfarm Payroll Jobs</b>	<b>257.7</b>	<b>260.1</b>	<b>2.4</b>	<b>0.9</b>
<b>Goods-Producing Sectors</b>	<b>55.9</b>	<b>55.6</b>	<b>-0.3</b>	<b>-0.5</b>
Mining, Logging, & Construction	18.1	18.4	0.3	1.7
Manufacturing	37.7	37.3	-0.4	-1.1
<b>Service-Providing Sectors</b>	<b>201.8</b>	<b>204.4</b>	<b>2.6</b>	<b>1.3</b>
Wholesale & Retail Trade	45.9	45.8	-0.1	-0.2
Transportation & Utilities	14.2	14.5	0.3	2.1
Information	2.9	2.8	-0.1	-3.4
Financial Activities	8.5	8.5	0.0	0.0
Professional & Business Services	26.2	27.0	0.8	3.1
Education & Health Services	46.6	47.5	0.9	1.9
Leisure & Hospitality	25.3	25.6	0.3	1.2
Other Services	12.3	12.6	0.3	2.4
Government	20.0	20.1	0.1	0.5

Notes: Based on 12-month averages through February 2019 and February 2020. Numbers may not add to totals due to rounding. Data are in thousands.  
Source: U.S. Bureau of Labor Statistics

**Figure 3. 12-Month Average Unemployment Rate in the Lancaster HMA and the Nation**



Note: Based on the 12-month moving average.  
Source: U.S. Bureau of Labor Statistics

or 4.5 percent, a year. The transportation and utilities sector increased by an average of 500 jobs, or 6.9 percent, the fastest of any sector, and the mining, logging, and construction sector added an average of 400 jobs, or 2.7 percent, annually, partly because of relatively strong single-family home construction. In the manufacturing sector, a loss of 95 jobs at Thomson 60 Case® when it closed in 2003 contributed to overall sector losses, which averaged 3,100 jobs, or 5.8 percent, annually from 2001 through 2003.

### 2004 Through 2008

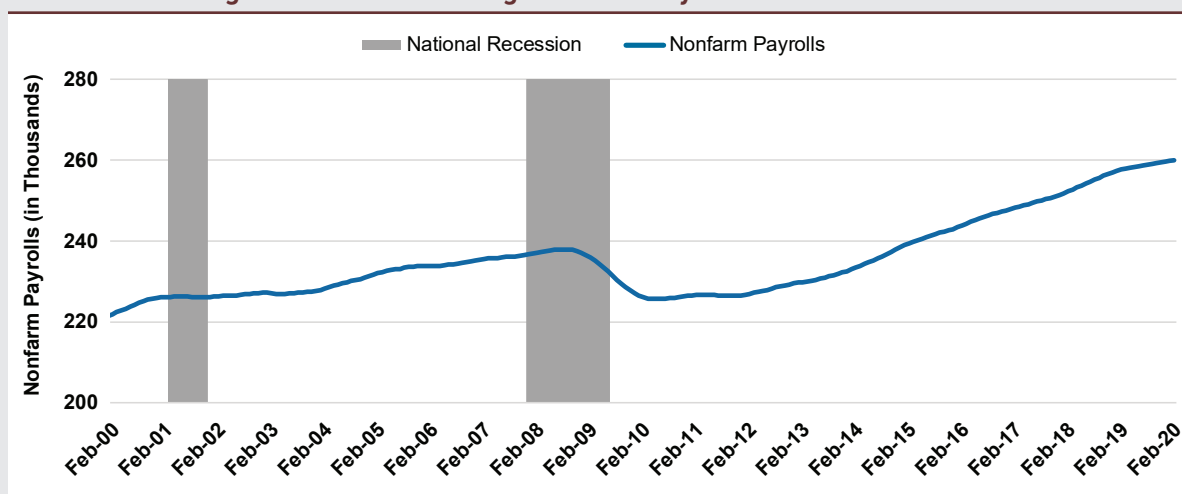
Nonfarm payroll growth in the HMA accelerated, as nonfarm payrolls increased by an average of 1,900 jobs, or 0.8 percent, because job losses in the manufacturing sector slowed. Job growth was strongest in the education and health services sector, which increased by an average of 1,400 jobs, or 4.1 percent, annually, as two hospitals were added partly in response to the aging population. From 2006 through 2007, Penn Medicine Lancaster General Health—the largest employer in the HMA, with 9,260 employees—began construction on three expansion developments in the city of Lancaster, which were subsequently completed in November 2008, creating approximately 140 construction jobs during the period. The mining, logging, and construction sector increased by an average of

700 jobs, or 4.1 percent, from 2004 through 2006. Job losses in the manufacturing sector continued but at a slower pace, averaging 1,100 jobs lost, or 2.6 percent, annually, from 2004 through 2008.

### 2009 Through 2010

In 2008, economic conditions in the HMA began to weaken due to the Great Recession and the national housing crisis. From 2009 through 2010, nonfarm payrolls in the HMA decreased by an average of 5,300 jobs, or 2.3 percent, a year, with 93 percent of the losses occurring in 2009 (Figure 4). Jobs in 8 of 11 payroll sectors declined during this period. More than 75 percent of jobs lost were in the goods-producing sectors, led by the manufacturing sector, which lost an average of 2,700 jobs, or 6.8 percent, annually. Armstrong World Industries, Inc., a ceiling and wall manufacturer in Manheim Township, laid off 62 employees in late 2010 and closed its manufacturing plant. Other manufacturing companies closed numerous plants during this time. The mining, logging, and construction sector lost an average of 1,300 jobs, or 8.0 percent, a year in response to a slowdown in multifamily construction due to declining economic conditions and reduced single-family construction compared with earlier in the decade. Manheim Auto Auction, the third largest employer in the Lancaster HMA in 2006, laid off 69 employees in mid-2009.

**Figure 4. 12-Month Average Nonfarm Payrolls in the Lancaster HMA**



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

## 2011 Through 2018

Economic conditions in the HMA began to improve in 2011, and the economy regained all jobs lost during the Great Recession by 2014. From 2011 through 2018, nonfarm payrolls increased by an average of 3,800 jobs, or 1.6 percent, annually in the HMA. From 2013 through 2018, nonfarm payroll growth in the Lancaster HMA outpaced job growth in the nation, with nonfarm payroll growth averaging 1.9 percent, annually, in the HMA, compared with 1.5 percent nationally. From 2011 through 2018, the education and health services and the professional and business services sectors led job gains in the HMA, adding an average of 900 and 800 jobs, annually, or 2.0 and 3.5 percent, respectively. Penn State Health completed Lime Spring Outpatient Center in 2018, adding 75 new jobs. Eurofins Lancaster Laboratories Environmental LLC, a testing laboratories company, invested \$57 million in a five-story, 168,000-square-foot office expansion, adding jobs to the professional and business services sector in December 2018. The transportation and utilities; the mining, logging, and construction; and the leisure and hospitality sectors each increased by an average of 500 jobs, annually, or 4.7, 2.9, and 2.1 percent, respectively.

The UGI Utilities, Inc. headquarters building was completed in 2018, adding jobs to the transportation and utilities sector. Conestoga Wood Specialties Corporation, a cabinetmaking firm, opened a 16,000-square-foot network operations center in 2017, adding to jobs in the construction sector. Job growth in the leisure and hospitality sector was partly due to strong tourism spending and the development of two hotels—the 130-room Warehouse Hotel in the Spooky Nook Sports Complex in mid-2015 and the 192-room Hotel at Rock Lititz in late 2018.

From 2011 through 2018, the manufacturing sector increased by an average of 200 jobs, or 0.6 percent, annually. That gain was partly attributed to the wood manufacturing industry, which more than doubled, increasing from 1,325 jobs in 2011 to 2,675 jobs in 2018; those increases offset a decline in the machinery and the furniture and related product manufacturing industries by a combined 310 jobs (Quarterly Census of Employment and Wages). In addition, the number of wood manufacturing firms increased from 95 to 130 during the same period.

## Employment Forecast

During the forecast period, nonfarm payrolls are expected to increase by an average of 3,200 jobs, or 1.3 percent, annually, with the rate of growth slowly rising each year. Expansions in the education and health services sector are expected to contribute to overall payroll growth. Currently, three hospitals,

with expansions totaling approximately \$276 million, are under construction, and two more hospitals are in final planning. These projects are expected to add approximately 900 jobs to the education and health services sector during the forecast period.





# Population and Households

Current Population: 546,800

Net in-migration was slower during the 2010s compared with the 2000s despite relatively strong economic conditions since 2011.

## Population Trends

The population of the Lancaster HMA is estimated at 546,800 as of March 1, 2020 (Table 3). Population growth in the Lancaster HMA was higher during the previous decade compared with the period since 2010. The population increased by an average of 4,875 people, or 1.0 percent, a year from 2000 to 2010; population growth peaked between 2005 and 2006, at 1.3 percent, following 2 years of very strong economic conditions. Population growth slowed during each of the next 6 years because of the Great Recession. Net in-migration declined from a high of 3,625 people in 2006 to 2,075 people in 2009 (Figure 5; U.S. Census Bureau population estimates as of July 1). From 2000 to 2010, net in-migration averaged 2,350 people a year, accounting for 48 percent of population growth during the period, which averaged 4,875 people a year.

Despite stronger economic conditions since 2010, population growth has generally been slow each year since then. Net in-migration slowed to an

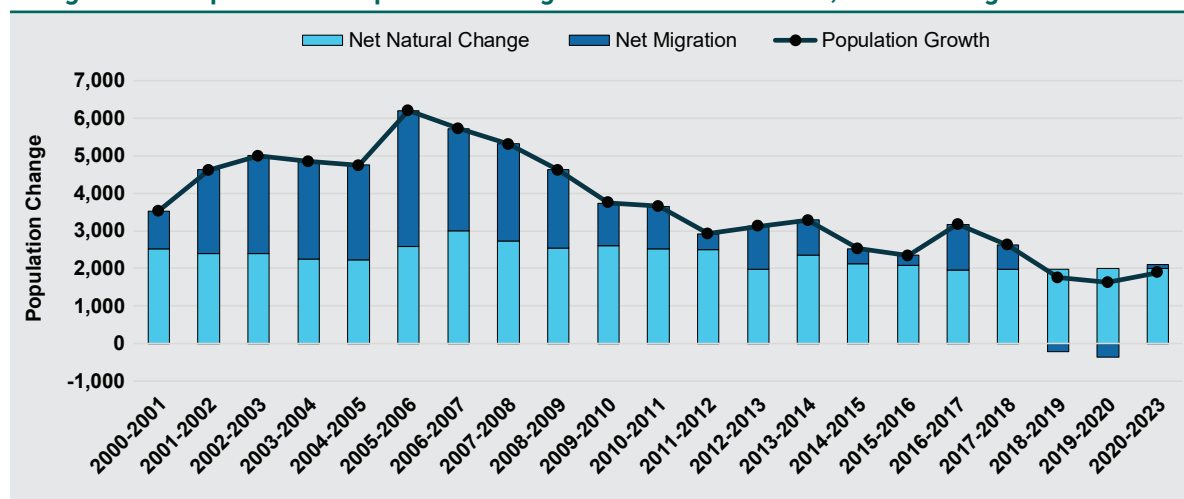
Table 3. Lancaster HMA Population and Household Quick Facts

Population Quick Facts	2010	Current	Forecast
	Population	519,445	546,800
	Average Annual Change	4,875	2,750
	Percentage Change	1.0	0.5
Household Quick Facts	2010	Current	Forecast
	Households	193,602	205,200
	Average Annual Change	2,100	1,175
	Percentage Change	1.2	0.6

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (March 1, 2020) to March 1, 2023.

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

Figure 5. Components of Population Change in the Lancaster HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (March 1, 2020) to March 1, 2023.

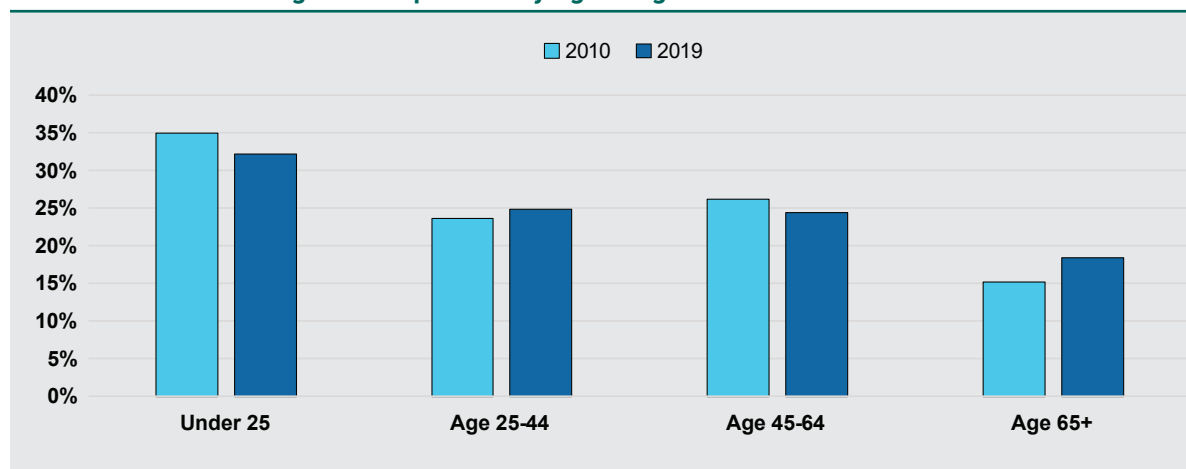
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

average of 780 people annually from 2010 to 2018, accounting for just 26 percent of population growth during the period. Net in-migration slowed because of domestic out-migration. Since 2018, population growth slowed even further, averaging 1,700 people, or 0.3 percent, because of net out-migration, which averaged 680 people a year due to even greater levels of domestic out-migration.

## Age Cohort Trends

The share of seniors (ages 65 and older) and residents ages 25 to 44 living in the HMA increased, whereas the share of all other age cohorts declined, from 2010 to 2019. The senior cohort increased the fastest, from 15 percent of the population in 2010 to 18 percent in 2019 (2010 and 2019 American Community Survey [ACS] 1-year estimates). Despite those gains, persons under the age of 25 remained the largest cohort. The share of the population under the age of 25 in the HMA declined from 35 percent of the population in 2010 to 32 percent in 2019. The combination of fewer people under the age of 25 and older people aging in place rather than retiring elsewhere have contributed to the changing demographic composition of the HMA (Figure 6).

**Figure 6. Population by Age Range in the Lancaster HMA**



Source: U.S. Census Bureau

## Household Trends

Household growth has decelerated since 2010 because of a slowdown in population growth. Approximately 205,200 households are in the Lancaster HMA, an average annual increase of 1,175, or 0.6 percent, since 2010. By comparison, households increased by an average of 2,100, or 1.2 percent, annually from 2000 to 2010. The homeownership rate declined from 68.5 percent in 2010 to an estimated 67.2 percent currently.

## Population and Household Forecast

During the next 3 years, the population of the HMA is expected to increase by an average of 1,900 people, or 0.3 percent, a year, reflecting net out-migration during the first and second years and a return to net in-migration by the third year of the forecast period, when economic conditions are expected to improve. The number of households in the HMA is expected to increase during the forecast period by an average of 880, or 0.4 percent, annually, to reach 207,800 households by March 1, 2020.

# Home Sales Market

## Market Conditions: Tight

Sales market conditions have been tight since 2017, partly because of relatively low levels of new home construction for more than a decade.

## Overall Conditions

The home sales market in the Lancaster HMA is currently tight, with an estimated sales vacancy rate of 0.9 percent (Table 4), down from 1.5 percent during April 2010, when the market was slightly soft. Despite the slowdown in household growth, the decline in the vacancy rate occurred as economic conditions improved and construction activity moderated following the Great Recession, causing months of supply to decline considerably. Months of supply of single-family homes, townhomes, and condominiums decreased to a low of 1.2 months in February 2020 from 1.8 months in February 2019 and 7.0 months in March 2010 (CoreLogic, Inc.).

## New and Existing Home Sales

Total home sales in the HMA declined 5 of the 6 years from 2006 through 2011, when sales market conditions were weak (Figure 7), decreasing by an average of 550 homes, or 9 percent, annually (Zonda, with adjustments by the analyst). During this period, the share of real

Table 4. Home Sales Quick Facts in the Lancaster HMA

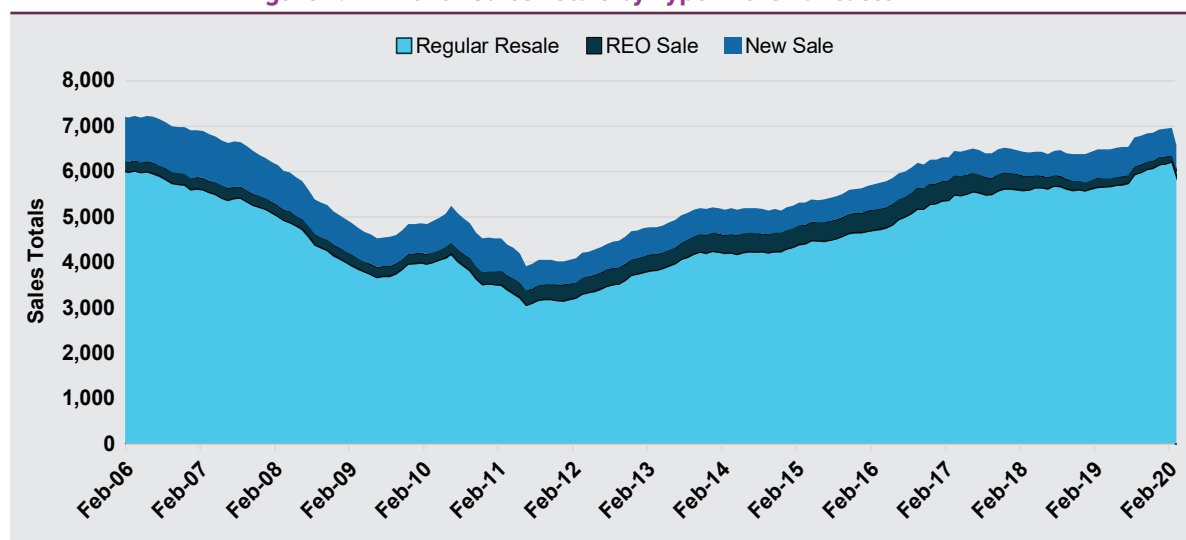
	Lancaster HMA	Nation
<b>Vacancy Rate</b>	0.9%	NA
<b>Months of Inventory</b>	1.2	2.6
<b>Total Home Sales</b>	6,950	5,380,000
1-Year Change	7%	2%
<b>New Home Sales Price</b>	\$341,300	\$425,300
1-Year Change	5%	2%
<b>Existing Home Sales Price</b>	\$230,400	\$325,700
1-Year Change	4%	3%
<b>Mortgage Delinquency Rate</b>	0.9%	1.3%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending February 2020; and months of inventory and mortgage delinquency data are as of February 2020. The current date is March 1, 2020.

Sources: CoreLogic, Inc.; Zonda

Figure 7. 12-Month Sales Totals by Type in the Lancaster HMA



REO = real estate owned.

Source: Zonda, with adjustments by the analyst

estate owned (REO) sales more than doubled, increasing from 4 percent of existing sales in 2006 to 10 percent in 2011. New home sales decreased 51 percent, from 1,050 new homes in 2006 to 520 homes in 2011. The number of homes sold fell as economic conditions weakened from 2008 through 2010 and net in-migration slowed. From 2012 through 2018, the economic expansion, combined with low levels of new home construction, resulted in an increase in existing home sales. Existing home sales increased by an average of 320 homes, or 7 percent, annually from 2012 through 2018, whereas REO sales declined from 8 percent to 3 percent of existing home sales during the same period. Home sales continued to increase during the 12 months ending February 2020, with total home sales up by 480 homes, or 7 percent, from a year ago because of a 9-percent increase in existing home sales.

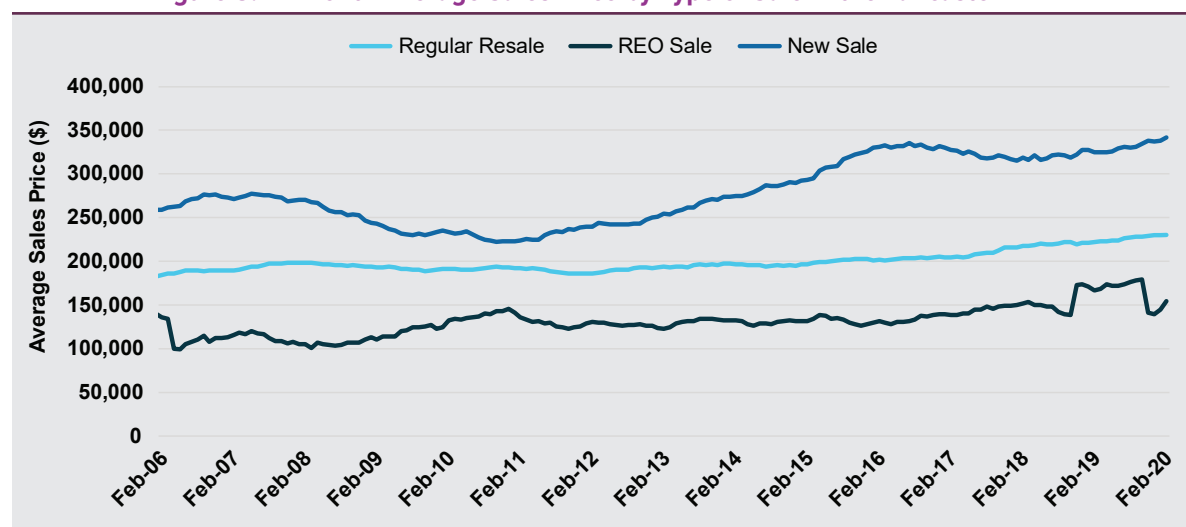
## REO Sales and Delinquent Mortgages

Since 2012, the rate of seriously delinquent mortgages and REO properties in the HMA has declined. As of February 2020, 0.9 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, down from 1.3 percent in February 2019 and below the peak of 4.0 percent in 2012 (CoreLogic, Inc.). The current rate is below the 1.8-percent rate for Pennsylvania and the 1.3-percent for the nation.

## New and Existing Home Sales Prices

Due to low inventory levels, home sales prices in the HMA increased 4 percent from a year ago, to \$238,400, during the 12 months ending February 2020, continuing a trend of 5 years of price growth that averaged 4 percent annually from 2015 through 2019 (Figure 8; Zonda, with adjustments by the analyst). During the 12 months ending February 2020, home sales were greatest among homes priced from \$150,000 to \$299,999 (Figure 9). As the economy recovered and expanded, the average home sales price rose by an average of \$3,800, or 2 percent, a year from 2012 through 2014. By contrast, lower demand for homes because of weaker economic conditions caused home prices to decline at an average annual rate of 2 percent a year from 2008 through 2011, reaching a low of \$187,600 in 2011. Existing home sales prices declined because regular resale home prices fell from \$194,200 in 2008 to \$186,000 in 2011 and the share of lower priced REO home sales increased from 6 percent to 10 percent during the same period. From 2006 through 2007, before the onset of the Great Recession, the average home sales price increased by \$7,000, or 4 percent, a year.

**Figure 8. 12-Month Average Sales Price by Type of Sale in the Lancaster HMA**



REO = real estate owned.

Source: Zonda, with adjustments by the analyst

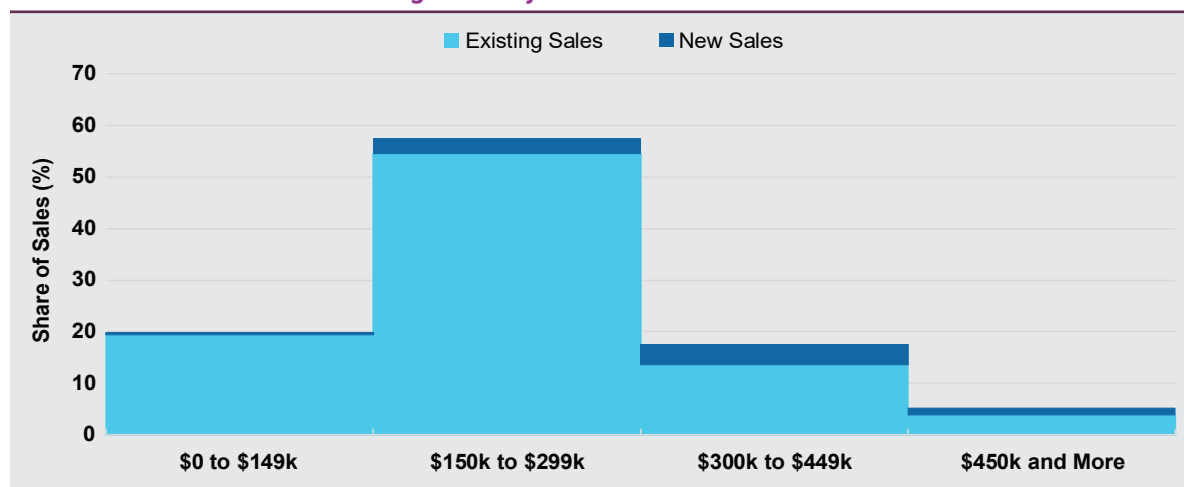


## Sales Construction Activity

Sales construction activity in the HMA, as measured by the number of single-family homes, townhomes, and condominiums permitted, averaged 1,950 homes annually from 2000 through 2006 (Figure 10), before the foreclosure crisis. From 2007 through 2010, as economic conditions worsened, construction activity declined 40 percent, to an average of 1,175 homes permitted. Since 2011, home construction activity has been generally low, averaging 960 units annually from 2010 through 2018. Homebuilding activity was low compared with previous years, partly because population growth slowed. During the 12 months ending February 2020, 990 homes were permitted in the HMA, unchanged from a year ago (preliminary data, with adjustments by the analyst).

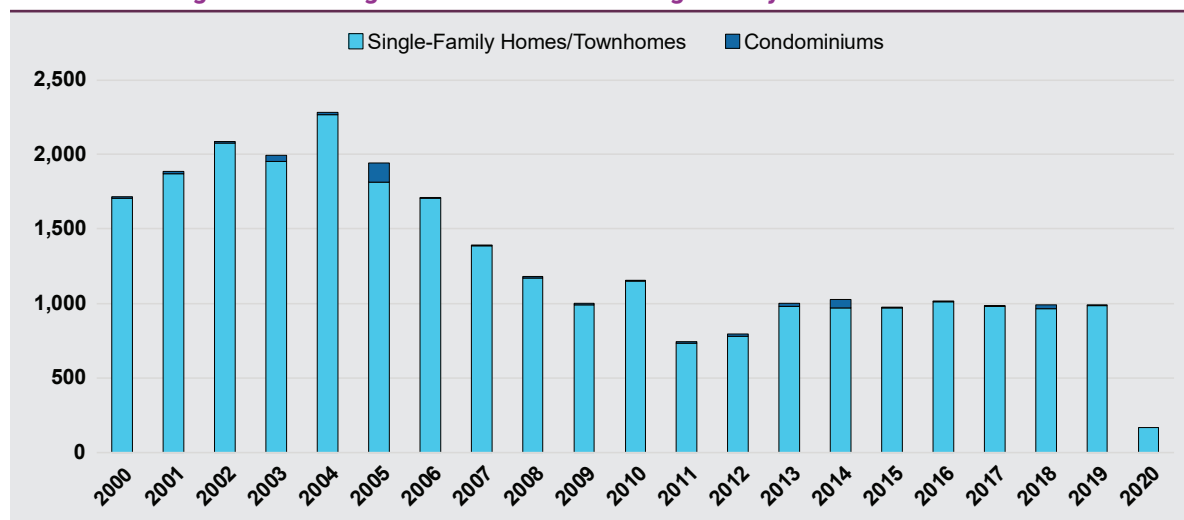
Construction is occurring throughout the HMA, including the city of Lancaster. Currently, two active adult Traditions of America developments are under construction in the HMA. The first is in the city of Lititz and will include 329 single-family homes when completed. The second community is in the borough of East Petersburg, which will include 290 homes when completed. Home prices start in the upper \$200,000s in both Traditions of America developments. Recently completed properties include The Village at Olde Hickory, a 328-home mixed-use development in Manheim township, which was completed in December 2018.

**Figure 9. Share of Overall Sales by Price Range During the 12 Months Ending February 2020 in the Lancaster HMA**



Note: New and existing sales include single-family homes, townhomes, and condominiums.  
Source: Zonda

**Figure 10. Average Annual Sales Permitting Activity in the Lancaster HMA**



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2020 are through February 2020.  
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

### Forecast

During the forecast period, demand is estimated for 2,550 new homes (Table 5), with demand expected to be stable each year. The 380 homes under construction will satisfy some of the demand in the first year of the forecast period.

Table 5. Demand for New Sales Units in the Lancaster HMA During the Forecast Period

Sales Units	
Demand	2,550 Units
Under Construction	380 Units

Note: The forecast period is from March 1, 2020, to March 1, 2023.  
Source: Estimates by the analyst



# Rental Market

## Market Conditions: Tight

Rental market conditions have tightened since 2010 as the proportion of renter households increased.

## Current Conditions and Recent Trends

Overall rental housing market conditions (which include single-family homes, townhomes, apartments, and mobile homes) in the HMA are tight, with an estimated rental vacancy rate of 3.7 percent, down from 5.3 percent in April 2010, when market conditions were balanced (Table 6). The rental market tightened despite slower population growth since 2000 because of generally moderate levels of multifamily construction since 2009 and growing demand for rental units.

## Apartment Market Trends

The apartment vacancy rate has been below 4.0 percent each year since the first quarter of 2008 (Figure 11; Reis, Inc.). A slight increase to 3.4 percent in 2014 resulted from years of relatively low population growth and many apartment completions. Apartment market conditions, which were tight a year ago, have continued to tighten. The current vacancy rate

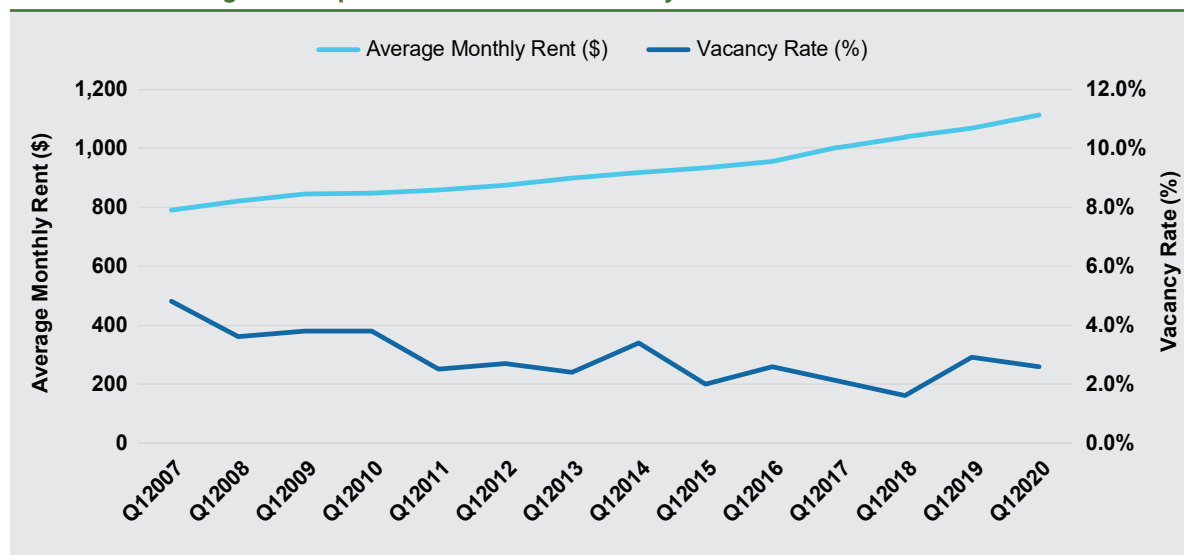
**Table 6. Rental and Apartment Market Quick Facts in the Lancaster HMA**

	2010 (%)	Current (%)
<b>Rental Vacancy Rate</b>	5.3	3.7
<b>Occupied Rental Units by Structure</b>		
Single-Family Attached & Detached	38.4	41.2
Multifamily (2–4 Units)	25.0	19.3
Multifamily (5+ Units)	35.0	37.0
Other (Including Mobile Homes)	1.6	2.6

Notes: The current date is March 1, 2020. Percentages may not add to 100 due to rounding.

Sources: 2010 and 2018 American Community Survey 1-year data

**Figure 11. Apartment Rents and Vacancy Rates in the Lancaster HMA**



Q1 = first quarter.

Source: Reis, Inc.

is 2.6 percent, down from 2.9 percent a year ago. Conditions tightened because recently completed properties became fully leased. The Crossings at Conestoga Creek apartments opened in October 2018 and is currently 95-percent occupied. The Apartments at Lititz Springs is still under construction, yet 60 of

the approximately 85 units are already preleased. The development will open in January 2021.

Average apartment rents have increased at a fairly steady pace each year since 2008. From the first quarter of 2008 to the first quarter of 2019, average apartment rents increased by an average of 2 percent, or \$22. The average rent during the first quarter of 2020 reached \$1,112, up 4 percent from \$1,068 during the first quarter of 2019 as newer, more expensive units became available for rent.

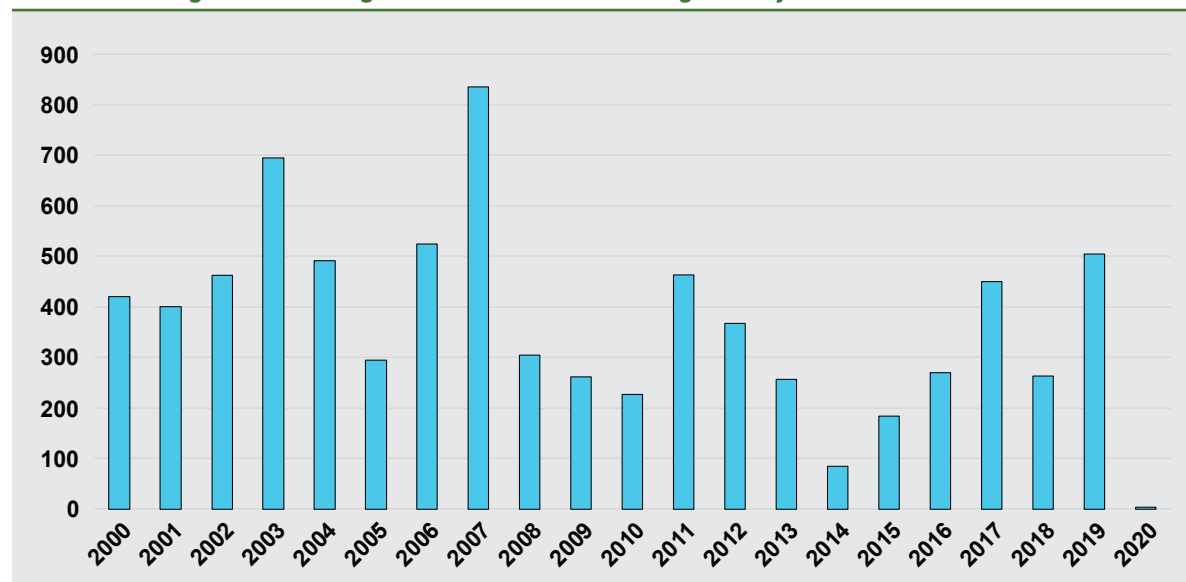
## Single-Family Home Rentals

An estimated 41 percent of renter households in the HMA occupied single-family homes in 2018, up from 37 percent in 2010 and representing an increase of 4,500 renter households occupying single-family homes during the period (2010 American Community Survey 1-year data). The rental market for professionally managed single-family homes is tight as of February 2020, with a vacancy rate of 1.3 percent, up slightly from 1.2 percent a year ago. The average rent for a single-family home decreased nearly 1 percent, to \$0.97 per square foot, in February 2020 from a year ago (CoreLogic, Inc.). Average rents were \$1,000 for one-bedroom homes, \$1,222 for two-bedroom homes, \$1,301 for three-bedroom homes, and \$1,546 for four-bedroom homes, respectively, as of February 2020.

## Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted, has occurred throughout the HMA since 2000, with the three leading jurisdictions—Manor, Mount Joy, and West Lampeter Townships—accounting for 28 percent of all permitting activity. Rental construction activity was generally high from 2000 through 2007, when an average of 520 units were permitted a year (Figure 12); activity then slowed considerably to an average of 260 units a year from 2008 through 2010, as developers slowed construction to allow for the absorption of the units built in 2007. Construction rose to 460 units in 2011 before slowing each year by an average of 130 units annually through 2014. From 2015 through 2019, construction activity averaged 300 units a year. During the 12 months ending February 2020, 420 rental units were permitted in the Lancaster HMA, compared with 300 units during the previous 12-month period.

Figure 12. Average Annual Rental Permitting Activity in the Lancaster HMA



Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst



### New Construction

Market-rate apartments that were recently completed or are under construction include the second phase of the 54-unit Village of Olde Hickory apartments, which is expected to be completed by September 2020. Rents will be \$1,150 for one-bedroom units and range from \$1,350 to \$1,550 for two-bedroom units and \$1,380 to \$1,530 for three-bedroom units. The Crossings at Conestoga Creek, a 258-unit property, opened in 2019. Rents for studio, one-bedroom, two-bedroom, and three-bedroom units start at \$1,095, \$1,278, \$1,731, and \$1,875, respectively (ALN Apartment Data, Inc.). Both the Village of Olde Hickory apartments and

The Crossings at Conestoga Creek, part of a mixed-use development, are in the city of Lancaster, close to restaurants and entertainment options. Woodcrest Villa, a retirement community in the city of Lancaster, added Pheasant Pointe Wing, a 40-unit apartment building, in 2018.

### Forecast

During the forecast period, demand is expected for 1,150 rental units (Table 7) in the Lancaster HMA. Demand is expected to remain relatively steady throughout the forecast period. The 290 rental units under construction are expected to be completed either in the first or second year of the forecast period, meeting a portion of demand during both years.

Table 7. Demand for New Rental Units in the Lancaster HMA During the Forecast Period

Rental Units	
Demand	1,150 Units
Under Construction	290 Units

Note: The forecast period is March 1, 2020, to March 1, 2023.  
Source: Estimates by the analyst



# Terminology Definitions and Notes

## A. Definitions

<b>Building Permits</b>	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.
<b>Demand</b>	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.
<b>Forecast Period</b>	3/1/2020–3/1/2023—Estimates by the analyst.
<b>Home Sales/ Home Sales Prices</b>	Includes single-family home, townhome, and condominium sales.
<b>Seriously Delinquent Mortgages</b>	Mortgages 90+ days delinquent or in foreclosure.

**B. Notes on Geography**

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

**C. Additional Notes**

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	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.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.

D. Photo/Map Credits

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