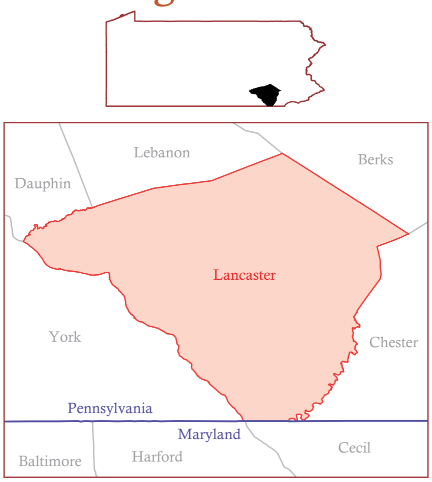
COMPREHENSIVE HOUSING MARKET ANALYSIS

Lancaster, Pennsylvania

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2017

Housing Market Area



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

Market Details

Summary

Economy

Economic conditions in the Lancaster HMA had fully recovered from the recent national recession by 2014, with current average nonfarm payrolls above the previous peak in 2008 by 11,900 jobs. During the 12 months ending March 2017, nonfarm payrolls increased by an average of 4,400 jobs, or 1.8 percent, to 250,500. During the 3-year forecast period, nonfarm payrolls are expected to rise by an average of 1.2 percent annually. Table DP-1 at the end of this report provides additional employment data.

Sales Market

The sales housing market in the HMA is currently balanced, with an estimated 1.0-percent vacancy rate, down from 1.5 percent in April 2010. During the forecast period, demand is estimated for 2,775 new homes (Table 1). Demand is expected to decrease slightly each year during the forecast period, as net in-migration decreases. The 330 homes under construction and a portion of the 4,250 other vacant units that may become available will meet a portion of the forecast demand.

Rental Market

The current rental housing market is balanced. The overall rental vacancy rate is estimated at 4.5 percent, down from 5.3 percent in April 2010. The apartment market is slightly tight, with a vacancy rate of 4.0 percent during the first quarter of 2017, down from 4.8 percent a year earlier (Axiometrics, Inc.). During the forecast period, demand is estimated for 990 market-rate rental units (Table 1). The 160 units currently under construction will meet a portion of that demand.

Table 1. Housing Demand in the Lancaster HMA During the Forecast Period

	Lancaster HMA	
	Sales Units	Rental Units
Total demand	2,775	990
Under construction	330	160

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2017. A portion of the estimated 4,250 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is April 1, 2017, to April 1, 2020.

Source: Estimates by analyst

Economic Conditions

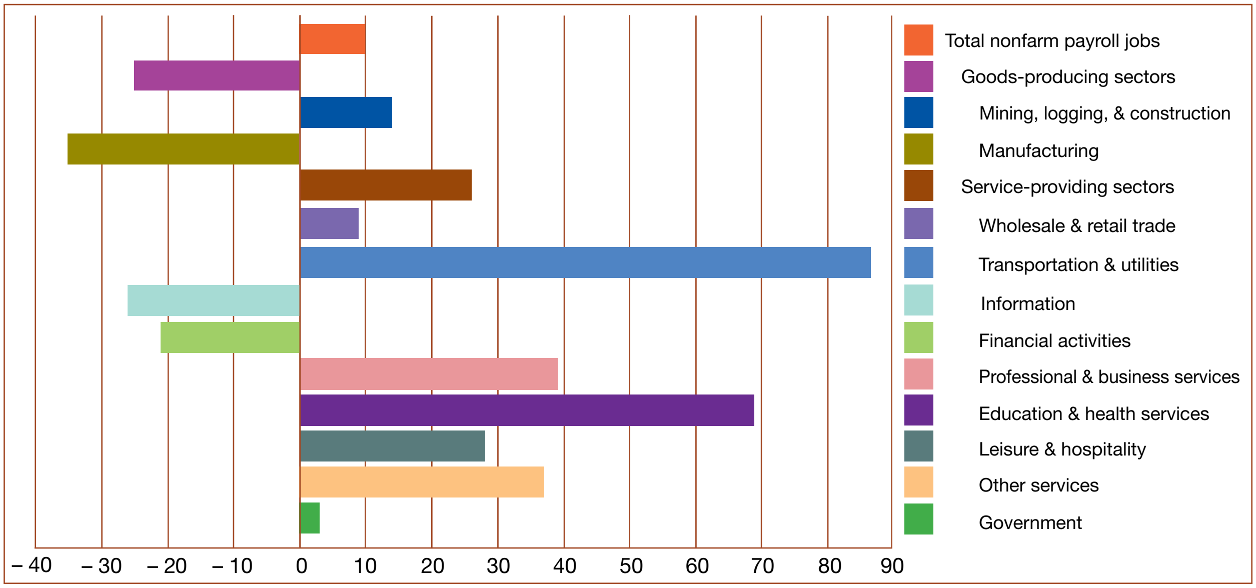
The Lancaster HMA has added jobs every year since 2011, following 2 years of job losses. The HMA lost an average of 5,300 jobs, or 2.2 percent, annually during 2009 and 2010 because of the effects of the national recession. From 2011 through 2016, nonfarm payrolls rose at an average annual rate of 3,600, or 1.5 percent. The economy recovered the jobs lost as a result of the recession by 2014, and nonfarm payrolls are currently 5.0 percent higher than the previous peak that occurred in 2008.

Prior to the national recession, nonfarm payrolls in the HMA increased by an average of 2,400 jobs, or 1.0 percent, annually from 2004 through 2007. The opening of several skilled nursing and continuing care retirement communities contributed to the education and health services sector, making up the largest portion of job gains during this period; these gains accounted for 58 percent of nonfarm payroll growth, increasing by 1,400 jobs, or 4.2 percent, annually. In contrast, the manufacturing sector offset overall job gains during this period, losing an average of 1,100 jobs, or 2.4 percent, annually. The transportation and utilities sector was the fastest growing sector in this period, growing by 600 jobs, or 6.6 percent. When the effects of the national recession started to impact the HMA, almost every economic sector lost jobs during the 2008-through-2011 period, except for the education and health services and other services sectors, which increased by an average of 800 and 400 jobs annually, or 2.2 and 3.6 percent, respectively.

Although the economy of the HMA began to recover in 2011, nonfarm payroll growth started to accelerate in 2012. Total nonfarm payrolls averaged an annual increase of 4,300, or 1.8 percent, from 2012 through 2016. Like the previous expansionary period, the education and health services sector accounted for most job growth at 21 percent of nonfarm payroll gains, increasing by 900 jobs, or 2.2 percent, a year. Unlike the prerecession expansion period, the manufacturing sector grew during this period at an average of 200 jobs, or 0.5 percent. The transportation and utilities sector had the strongest rate of growth with an average of 600 jobs, or 5.2 percent, annually. Strong job increases in the transportation industry in both expansionary periods can largely be attributed to the addition of several warehouse and distribution facilities in the HMA because of its proximity to Philadelphia, Baltimore, and New York City. The retailer Urban Outfitters, Inc. opened a $105 million fulfillment center in 2015, adding more than 500 jobs to the HMA. Moreover, during the 12 months ending March 2017, the transportation and utilities sector increased by 1,000 jobs, or 8.5 percent, compared with the same period a year earlier. Figure 1 shows the percentage change in employment sectors since 2000.

During the 12 months ending March 2017, total nonfarm payrolls averaged 250,500, a 4,400-job increase, or 1.8 percent, from the same period a year earlier (Table 2). This year-over-year job growth was consistent with the 1.8-percent gain during the 12-month period from March 2015 to 2016. By comparison, the national economy averaged 1.8 percent job growth annually during the past 2 years, while jobs in the Pennsylvania economy grew an average of 0.8 percent annually. The financial activities sector was the only sector to lose jobs during the past

Figure 1. Sector Growth in the Lancaster HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through March 2017.
Source: U.S. Bureau of Labor Statistics

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Lancaster HMA, by Sector

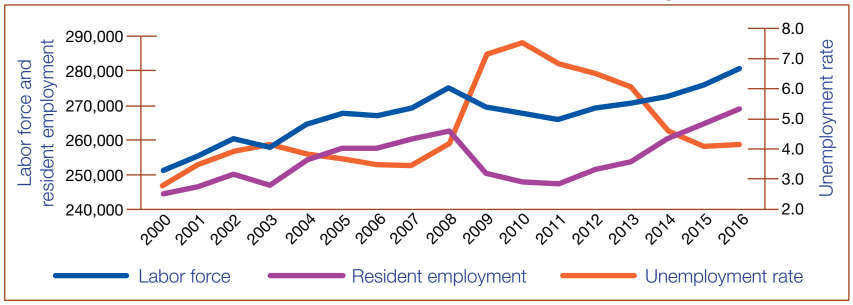
	12 Months Ending		Absolute Change	Percent Change
	March 2016	March 2017		
Total nonfarm payroll jobs	246,100	250,500	4,400	1.8
Goods-producing sectors	52,400	53,100	700	1.3
Mining, logging, & construction	15,900	16,400	500	3.1
Manufacturing	36,400	36,800	400	1.1
Service-providing sectors	193,800	197,300	3,500	1.8
Wholesale & retail trade	45,100	45,400	300	0.7
Transportation & utilities	11,700	12,700	1,000	8.5
Information	3,100	3,200	100	3.2
Financial activities	8,600	8,300	– 300	– 3.5
Professional & business services	24,300	24,700	400	1.6
Education & health services	43,900	44,500	600	1.4
Leisure & hospitality	23,600	24,500	900	3.8
Other services	13,800	14,100	300	2.2
Government	19,600	20,000	400	2.0

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through March 2016 and March 2017.
Source: U.S. Bureau of Labor Statistics

12 months, with nonfarm payrolls declining by 300 jobs, or 3.5 percent, to 8,300. Job losses in the financial activities sector can partially be attributed to BB&T Corporation acquiring two banks with a strong presence in the HMA, Susquehanna Bancshares, Inc. and National Penn Bancshares, Inc., and subsequent job cuts when BB&T consolidated operations. The unemployment rate averaged 4.1 percent during the 12 months ending March 2017, unchanged from the unemployment rate in the same period a year earlier. By comparison, the unemployment rate peaked at 7.5 percent in 2010 and averaged 3.7 percent from 2000 through 2008 (Figure 2).

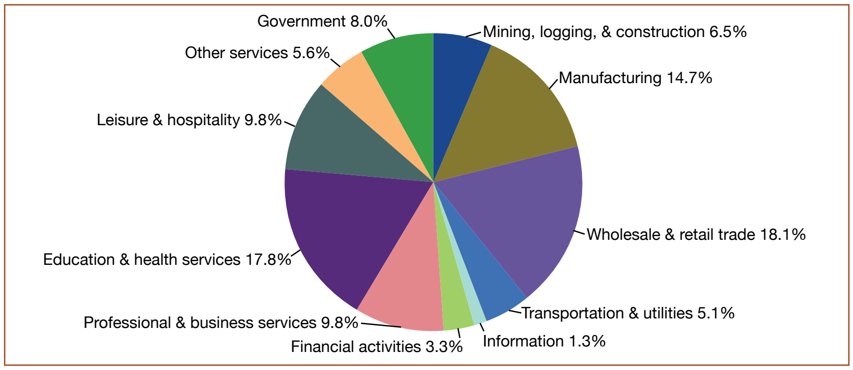
The education and health services sector is the foundation of the economy, comprising about 18 percent of all nonfarm payrolls in the HMA (Figure 3), largely because of the presence of

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Lancaster HMA, 2000 Through 2016



Source: U.S. Bureau of Labor Statistics

Figure 3. Current Nonfarm Payroll Jobs in the Lancaster HMA, by Sector



Note: Based on 12-month averages through March 2017.
Source: U.S. Bureau of Labor Statistics

Lancaster General Health–Penn Medicine. As the largest employer in the HMA, Lancaster General Health–Penn Medicine employs approximately 7,300 people (Table 3). Lancaster General Health–Penn Medicine is currently building a $67 million expansion of its primary hospital in the city of Lancaster. The expansion of the hospital's Frederick Building will include 66 new private rooms and is expected to open in 2018. The total jobs that will be added have not yet been announced. Additional healthcare industry jobs include facilities catering to a growing retirement and senior community, which play an increasingly important role in the economy. Signature Senior Living opened two memory and personal care facilities in December 2016 in Warwick and Manor Townships, adding nearly 150 jobs to the HMA. In the educational services industry, the HMA is home to several small colleges and universities, including Millersville University and Franklin & Marshall College, which had enrollments of 7,927 and 2,255 students, respectively, in the 2016–2017 school year. During the 12 months ending March 2017, education and health

Table 3. Major Employers in the Lancaster HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Lancaster General Health–Penn Medicine	Education & health services	7,300
Dart Container Corporation	Manufacturing	2,100
Armstrong World Industries Inc.	Manufacturing	2,000
Masonic Villages of the Grand Lodge of Pennsylvania	Education & health services	1,400
The High Companies	Manufacturing	1,300
Case New Holland Industrial	Manufacturing	1,200
Eurofins Lancaster Laboratories	Professional & business services	1,200
BB&T Corporation	Financial activities	1,000–2,500
Fulton Financial Corportation	Financial activities	1,000–2,500
Johnson & Johnson	Manufacturing	1,000–2,500

Note: Excludes local school districts.
Source: Lancaster County, PA Economic Development Company

services jobs increased by 600, or 1.4 percent, from the same period a year earlier.

The manufacturing sector currently accounts for 15 percent of total nonfarm payrolls, down from 25 percent in 2000. However, jobs in this sector increased at an average annual rate of 400, or 1.0 percent, from 2014 through 2016, after declining nearly every year from 2001 through 2013 at an average annual pace of 1,600 jobs, or 3.5 percent. This recent gain in jobs occurred as the number of manufacturing establishments in the HMA rose from 884 in 2013 to 960 in 2016 (Quarterly Census of Employment and Wages [QCEW]; the most recent data available). In this recovery period, Armstrong World Industries Inc., a manufacturer of flooring and ceiling products, opened a $41 million expansion of a Lancaster production facility in 2015, creating approximately 60 jobs. Bollman Hat Company, maker of Kangol hats, created more than 40 jobs in 2015 to move production from China to its Adamstown plant. By comparison, manufacturing establishments declined from 1,034 in 2001 to 884 in 2013, including the closing of automotive parts manufacturer Lancaster Preferred Partners in 2012, resulting in more than 200 job losses. During the 12 months ending March 2017, the manufacturing sector increased by 400 jobs, or 1.1 percent, from the 12 months ending March 2016.

Because the HMA is known for its farmland and agriculture, the food manufacturing and agricultural industries play substantial roles in the local economy as well. Turkey Hill Dairy, a manufacturer of ice cream, iced tea, and other beverage products, opened a $30 million warehouse in 2015 to increase capacity at its production facility in Manor Township. With approximately 800 employees, Turkey Hill is one of the largest food-manufacturing companies in the HMA; the food-manufacturing industry employed about 8,000 workers in the HMA in 2016 (QCEW). This industry complements about 5,700 farms in the HMA (2012 Census of Agriculture, most recent data available) and nearly 3,000 workers in the agriculture industry (QCEW).

The Amish community and its related farm-based tourist attractions support the leisure and hospitality sector. In 2015 (the most recent data available), about 8.34 million tourists contributed to an economic impact of $2.64 billion on the HMA, a 3-percent growth from 2014 (Tourism Economics). From 2013 to 2014, the economic impact of tourism increased from $2.50 to $2.56 billion, or about 2 percent. Visitor spending in the HMA supported more than 24,000 jobs in 2015, including about 15,970 direct tourism industry jobs, such as those in restaurants and hotels. Overall, the leisure and hospitality sector grew by 900 jobs, or 3.8 percent, to 24,500 during the 12 months ending March 2017. Also in the leisure and hospitality sector, Rock Lititz, a multipurpose entertainment campus in the borough of Lititz, completed its $21.8 million Pod #2 facility in December 2016. This facility is currently home to approximately 20 companies, mostly in the live entertainment, food services, and manufacturing industries; more than 200 employees currently work in the Pod #2 facility.

The economic outlook for the HMA remains positive, although forecast job growth is slightly below the 1.8-percent rise in nonfarm payrolls from 2012 through 2016, because it is expected the economy will moderate slightly following years of historically strong job recovery and expansion. Total nonfarm payrolls are expected to grow by an average of 3,000 jobs, or 1.2 percent, annually during the 3-year forecast period. In 2018, Crossings at Conestoga Creek, a mixed-used development, is scheduled to open. Wegmans Food Markets will anchor the development, creating approximately 550 jobs in the forecast period. Another mixed-use development, the Shoppes at Belmont, which broke ground in September 2016, is expected to create 1,110 jobs during construction and 2,560 permanent jobs once complete in 2018.

Population and Households

As of April 1, 2017, the population of the Lancaster HMA is estimated at 540,600, increasing at an average annual rate of 0.6 percent, or 3,025, since 2010. Despite strong job growth during this period, the population growth rate is slower than the 1.0-percent annual increase from 2000 to 2010 because of relatively lower net in-migration.

Before the most recent national recession, job growth in the HMA influenced periods of strong gains in population. For instance, when nonfarm payrolls increased 1.0 percent annually from 2004 through 2007, annual population growth was approximately 5,550, or 1.1 percent (U.S. Census Bureau Population estimates as of July 1). Net in-migration was 2,950, making up more than one-half of the population increase. From 2008 through 2011, when jobs averaged a 1.1-percent decrease annually, population gains decelerated to about 3,900, or 0.8 percent, annually. Net in-migration was 1,375, comprising only about one-third of the total rise in population. Fewer people moved into the HMA because of fewer job opportunities. Despite a strong recovery in nonfarm payrolls from 2012 through 2016, at 1.8 percent, population growth did not increase similarly, gaining only an average of 2,900, or 0.5 percent, annually, with net in-migration of only 650. Net-in migration and overall population growth did not recover to the prerecession rate, in part, because residents who had dropped out of the labor force during the recession reentered it to fill the growing number of job openings. Additionally, growing domestic out-migration resulted in lower overall net in-migration. In 2015 and 2016, domestic out-migration averaged 1,450. By comparison, domestic out-migration averaged 370 from 2011 to 2014 (Census Bureau Population estimates as of July 1). In 2015, 9 and 6 percent of domestic out-migrants moved to Dauphin and York Counties in Pennsylvania, which are to the northwest and west of the HMA, respectively, partially because of lower housing costs (Internal Revenue Service, County-to-County Migration Data; most recent data available). In these adjacent counties, median gross rents were more than 5 percent less than in the HMA from 2010 to 2015, and the median home value for owner-occupied units was approximately

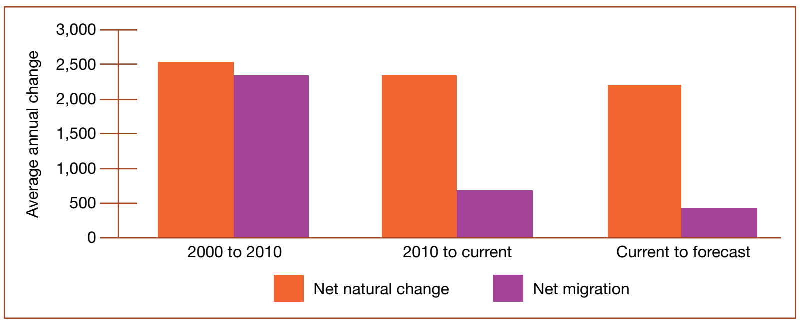
16 percent less than in the HMA (American Community Survey [ACS] 1-year data). Philadelphia County is another common location for domestic out-migrants from the HMA, with 3 percent of out-migrations moving due to the allure of urban living in the city of Philadelphia and increased job opportunities. Figure 4 shows the components of population change from 2000 to the forecast date.

Despite a rise in domestic out-migration, the HMA remains a popular destination for retirees because of several affordable senior housing developments, retirement communities, and nursing facilities. Thus, the elderly population in the HMA is growing. In 2015, 20.5 percent of the population in the HMA was ages 62 years and older, an increase from 18.2 percent in 2010 (ACS 1-year data). By comparison, 18.3 percent of the U.S. population was ages 62 years and older in 2015, rising from 16.3 percent in 2010.

An estimated 201,800 households reside in the HMA, reflecting an average annual increase of 1,175, or 0.6 percent, since 2010. From 2000 to 2010, when population growth was stronger due to higher net in-migration, the number of households grew by an average of 2,100, or 1.2 percent, annually (Figure 5). An estimated 66.5 percent of current households, or 134,100 households, are homeowners compared with homeownership rates of 68.5 and 70.8 percent in April 2010 and 2000, respectively. The gradual decline in the homeownership rate in the HMA reflects the effects of the foreclosure crisis and recession, when household preferences shifted toward renting. Figure 6 illustrates the number of households by tenure from 2000 through the current date.

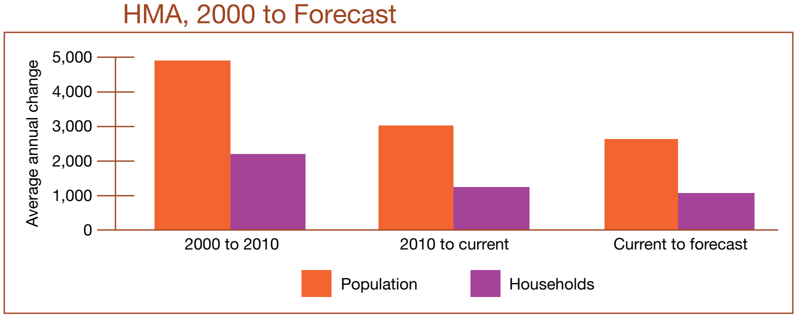
During the 3-year forecast period, the HMA is expected to add an average of 2,200 people, or 0.5 percent, annually. The number of households in the HMA is expected to grow by 1,025, or 0.5 percent, annually during the next 3 years, reaching 204,900 by

Figure 4. Components of Population Change in the Lancaster HMA, 2000 to Forecast



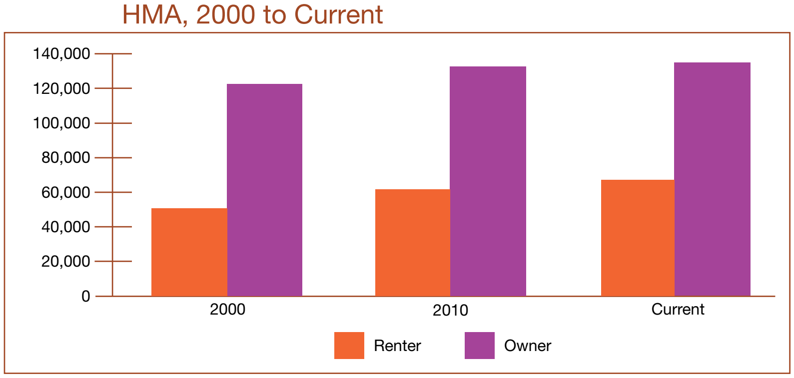
Notes: The current date is April 1, 2017. The forecast date is April 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Population and Household Growth in the Lancaster HMA, 2000 to Forecast



Notes: The current date is April 1, 2017. The forecast date is April 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

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



Note: The current date is April 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

April 1, 2020. At the end of the forecast period, renter households are projected to comprise approximately 34.3 percent of total households, slightly higher than the current rate of 33.5 percent, in part, because of a growing demand for rental housing by seniors as they downsize in retirement.

Housing Market Trends

Sales Market

The sales housing market in the Lancaster HMA is currently balanced, with an estimated 1.0-percent vacancy rate, down from 1.5 percent in April 2010. The decline in the vacancy rate reflects an improvement in the sales market, because the economy has strengthened since 2010, and much of the excess inventory that resulted from the foreclosure crisis has been absorbed. During the 12 months ending January 2017 (the most recent representative data available), the HMA averaged 5.0 months of supply of new and existing homes available for sale, down from 6.2 months a year earlier and a peak of 10.7 months of supply during the 12 months ending January 2011 (CoreLogic, Inc.).

Total home sales (including single-family homes, townhomes, and condominiums) increased 12 percent, to 8,475, during the 12 months ending January 2017, compared with 7-percent growth in the same period a year earlier (CoreLogic, Inc., with adjustments by the analyst). Total home sales have risen an average of 9 percent a year since bottoming out at 5,750 homes sold during the 12 months ending January 2012, following a period of job losses, weak recovery, and slowdown in net in-migration. The current level of new home sales is about 16 percent below the prerecession peak of 10,100 homes sold during the 12 months ending January 2006, when more people were moving into the HMA. Even though total home sales are less than the prerecession peak, the average sales price of $195,900 during the 12 months ending January 2017 was 4 percent higher than the previous high of $188,250 during the 12 months ending January 2008. Since reaching a post-recession low of $173,250 during the 12 months ending January 2012, the average sales price in the HMA has increased about 3 percent annually. By comparison, from January 2001 to January 2008, during a period of strong overall home sales because of increased in-migration, the average sales price rose approximately 9 percent annually.

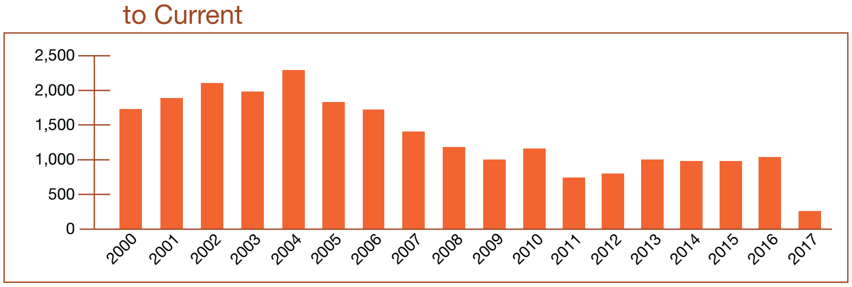
As of January 2017, 2.2 percent of home loans in the HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 2.6 percent in January 2016. Although the foreclosure crisis impacted the HMA, it was not to the same degree as the impact to the nation. The percentage of seriously delinquent loans and REO properties in the HMA reached a high of 4.0 percent in February 2013; the national rate peaked earlier at 8.6 percent in January 2010 (CoreLogic, Inc.). From March 2013, when the percentage of seriously delinquent loans and REO properties started to decline, to January 2017, the average sales price of an REO property was $113,350, 40 percent lower than the average non-REO existing sales price of $188,700. Furthermore, despite the decrease, the current rate of seriously delinquent loans and REO properties in the HMA is still above the average of 1.4 percent from January 2000 through December 2007.

Single-family home construction, as measured by the number of single-family homes permitted, reached a 30-year low in 2011, when only 730 homes were permitted because of a lack of demand for new homes stemming from slowing job growth and a decline in net in-migration (Figure 7). From 2005 through 2011, single-family home construction decreased at an average annual rate of 15 percent. Building activity increased moderately from 2012 through 2016, when an average of 940 single-family homes were permitted annually, rising at an average annual rate of 7 percent. This rate is equal to the percentage increase in single-family homes permitted from 2001 through 2004. However, units permitted averaged 1,975 from 2000 through 2004, reaching a precession peak of 2,275 in 2004 when job and in-migration growth spurred home construction.

During the 12 months ending March 2017, approximately 1,000 single-family homes were permitted, an increase of about 30 homes, or 3 percent, compared with average single-family home construction of 970 homes during the previous 2 years (building permits, with estimates by the analyst). Since 2012, single-family home construction has been concentrated in the northern portion of the HMA, in Manheim, Rapho, and Warwick Townships, accounting for 29 percent of total single-family permitting in the HMA. Construction is robust in these townships because of the availability of land for development.

Recent construction activity includes single-family homes in the Sweetbriar Creek subdivision in Manheim Township. In 2016, 11 new homes, consisting of three to four bedrooms, sold in this subdivision, ranging from $240,000 to $350,000. Nearly all of the more than 200 lots in the subdivision sold, with most homes built or currently under construction; however, construction has yet to start on more than 15 lots. Traditions of America at Lititz, an active-adult community for people ages 55 and older, is also under construction. Approximately 90 percent of the 244 planned single-family homes have been completed since development began in 2014. The remaining planned homes are scheduled for construction in spring of 2018. Homes in this community range in price from $283,000 to $430,000. Additionally, 11 single-family homes sold from January 2016 to March 2017 in the Southern Village subdivision in the city of Lancaster,

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



Notes: Includes townhomes. Current includes data through March 2017.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016—final data and analyst estimates; 2017—preliminary data and analyst estimates ranging in price from about $175,000 to $275,000. Approximately 40 of the nearly 200 lots have yet to sell, with the remaining already built or under construction.

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

Price Range ($)		Units of Demand	Percent of Total
From	To		
100,000	199,999	470	17.0
200,000	249,999	360	13.0
250,000	299,999	500	18.0
300,000	349,999	610	22.0
350,000	399,999	390	14.0
400,000	and higher	440	16.0

Notes: The 330 homes currently under construction and a portion of the estimated 4,250 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is April 1, 2017, to April 1, 2020.

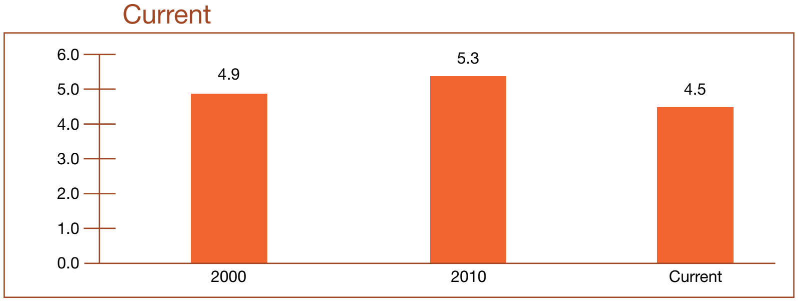
Source: Estimates by analyst

During the 3-year forecast period, demand is expected for 2,775 new homes, with decreasing demand in the second and third years of the forecast period, in part, because of a deceleration of job and population growth. The 330 homes currently under construction and a portion of the 4,250 other vacant units that may reenter the sales market will partially meet that demand (Table 1). It is estimated that demand will be strongest for homes priced between $250,000 and $349,999 (Table 4).

Rental Market

Rental housing market conditions in the Lancaster HMA improved from previously soft conditions in 2010, when demand for apartments and single-family homes for rent started to increase, because the recession and foreclosure crisis shifted household preferences toward renting. Overall rental housing market conditions in the HMA are balanced, with a rental vacancy rate (including apartments, single-family homes, mobile homes, and other rental units) estimated at 4.5 percent as of April 1, 2017, down from 5.3 percent in April 2010 (Figure 8). The apartment market is slightly tight, with a vacancy rate of 4.0 percent during the first quarter of 2017, down from 4.8 percent a year earlier (Axiometrics, Inc.). The average asking rent for apartments increased 3 percent in the first quarter of 2017, from $1,002 in the first quarter of 2016 to $1,030. From the first quarter of 2010 to the first quarter of 2017, the average asking rent rose at an average annual rate of 5 percent. In contrast, the average asking rent was nearly unchanged from the first quarter of 2008 to the first quarter of 2010, after growing about 3 percent annually from the first quarter of 2003 to the first quarter of 2008.

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



Note: The current date is April 1, 2017.

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

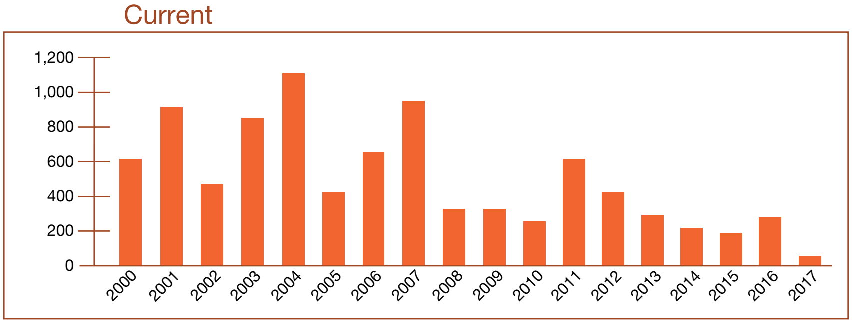
Multifamily construction activity, as measured by the number of units permitted, averaged 320 units annually from 2008 through 2016, with a peak of 610 units in 2011. Construction activity accelerated in 2011, in part, because of the construction of several senior rental developments. From 2000 through 2007, when population growth was stronger, multifamily construction averaged

740 units annually, peaking at 1,110 units in 2004 (Figure 9). Multifamily construction slowed in recent years as single-family homes for rent satisfied a portion of rental demand. Single-family homes comprised 42 percent of all rental units in 2015 compared with 38 percent in 2010 (ACS 1-year data). Senior apartments and other developments catering to retirees accounted for a large proportion of multifamily construction from 2010 through 2016. For instance, Keystone Villa at Ephrata apartments—a market-rate, 139-unit continuing care retirement community—opened in 2014. This development was 1 of approximately 12 senior housing rental facilities that totaled nearly 800 units completed during this period. Approximately 34 percent of renter households in the HMA have a head of household ages 55 and older, and 24 percent, ages 65 and older. By comparison, in Pennsylvania, 33 percent of renter households have a head of household ages 55 and older, and 20 percent, ages 65 and older. In the United States, 28 percent are 55 and older, and 15 percent are 65 and older (2015 ACS 1-year data).

During the 12 months ending March 2017, approximately 270 multifamily units were permitted, 42 percent higher than the 190 units permitted a year earlier (building permits, with estimates by the analyst). Most of the recent multifamily construction in Lancaster County is concentrated in Ephrata, Manor, and Mount Joy Townships and the city of Lancaster, municipalities the county designated as urban growth zones. Apartments in lease up include The Keppel Building, a 38-unit mixed-use development of one- and two-bedroom apartments with rents ranging between $850 and $1,950. The Keppel Building opened in the city of Lancaster in early 2017. This property, which was once home to a local candy manufacturer, is a recent example of the redevelopment and conversion of nonresidential commercial real estate to residential use that occurs in the HMA. From 2000 through 2010, about 200 units were converted from nonresidential to residential use, whereas roughly 140 units were converted from 2011 through 2016 (McGraw-Hill Construction Pipeline database, with estimates by the analyst).

During the 3-year forecast period, demand is expected for 990 market-rate rental units, with demand gradually decreasing each year during the forecast period, in part, because of slowing job growth. The 160 units currently under construction are expected to satisfy about one-half of the demand during the first year of the forecast period (Table 1). In the second year of the forecast period, Crossings at Conestoga Creek, consisting of approximately 260 one-to-three-bedroom luxury apartments, is expected to open; construction is scheduled to begin in June 2017. Rents in this development are not yet determined. Table 5 shows the forecast demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

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



Notes: Excludes townhomes. Current includes data through March 2017.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016—final data and analyst estimates; 2017—preliminary data and analyst estimates

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Lancaster HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
800 to 999	15	800 to 999	160	950 to 1,149	170	1,275 to 1,474	15
1,000 or more	15	1,000 to 1,199	95	1,150 to 1,349	190	1,475 to 1,674	35
		1,200 or more	65	1,350 or more	120	1,675 to 1,874	50
						1,875 or more	65
Total	30	Total	320	Total	480	Total	170

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 160 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2017, to April 1, 2020.
Source: Estimates by analyst

Data Profile

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	244,446	247,913	268,500	0.1	1.3
Unemployment rate	2.8%	7.5%	4.1%		
Nonfarm payroll jobs	226,700	227,900	250,500	0.1	1.5
Total population	470,658	519,445	540,600	1.0	0.6
Total households	172,560	193,602	201,800	1.2	0.6
Owner households	122,208	132,703	134,100	0.8	0.1
Percent owner	70.8%	68.5%	66.5%		
Renter households	50,352	60,899	67,700	1.9	1.5
Percent renter	29.2%	31.5%	33.5%		
Total housing units	179,990	202,952	210,600	1.2	0.5
Owner vacancy rate	1.4%	1.5%	1.0%		
Rental vacancy rate	4.9%	5.3%	4.5%		
Median Family Income	$50,046	$64,937	$68,260	2.6	0.8

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2017. Median Family Incomes are for 1999, 2009, and 2015. The current date is April 1, 2017.
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: 4/1/2017—Estimates by the analyst
Forecast period: 4/1/2017–4/1/2020—Estimates by the analyst

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 this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), 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 huduser.gov/publications/pdf/CMARtables_LancasterPA_17.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 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.

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