

HUD PD&R Housing Market Profiles

Allentown-Bethlehem-Easton, Pennsylvania-New Jersey

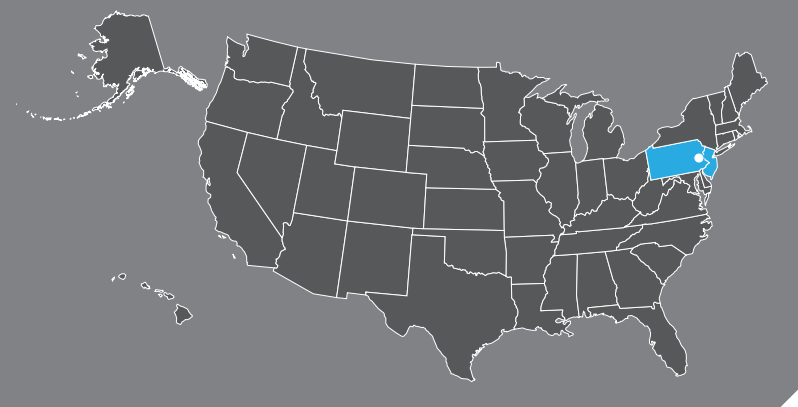


Quick Facts About Allentown-Bethlehem-Easton

Allentown, Pennsylvania

By Derek Brightman II | As of November 1, 2021

- Current sales market conditions: very tight
- Current rental market conditions: tight
- Located 90 miles west of New York City and 60 miles northwest of Philadelphia, the Allentown-Bethlehem-Easton metropolitan area is a major e-commerce hub in the northeast region (Lehigh Valley Economic Development Corporation, 2020 Annual Report). Amazon.com, Inc., FedEx Ground Package System, Inc., Lulu's Fashion Lounge Holdings, Inc., Stitch Fix, Inc., and Zulily, Inc. have all opened major distribution facilities in the metropolitan area since 2014.



Overview

The Allentown-Bethlehem-Easton, PA-NJ Metropolitan Statistical Area (hereafter, Allentown metropolitan area) includes Lehigh, Northampton, and Carbon Counties in Pennsylvania and Warren County in New Jersey. Although the largest nonfarm payroll sector is education and health services, the transportation and utilities sector has added the most jobs since 2015. Many major firms opened distribution centers in the metropolitan area because it is located within an 8-hour drive of approximately 33 percent of consumers in the nation (*The New York Times*, January 2020). The 11 higher-education institutions in the metropolitan area serve approximately 23,450 full-time students (U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System [IPEDS], 2020).

- As of November 1, 2021, the population of the Allentown metropolitan area is estimated at 867,600, an average annual increase of 3,450, or 0.4 percent, since July 2018. For comparison, the population of the metropolitan area increased by an average of 6,475, or 0.8 percent, a year from July 2015 to July 2018 (U.S. Census Bureau population estimates as of July 1).

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- Population growth decelerated primarily because net in-migration has averaged 3,025 people a year since 2018. For comparison, net in-migration averaged 6,125 people annually from July 2015 to July 2018. Net in-migration declined primarily because international in-migration fell by 62 percent.

Economic Conditions

Rising e-commerce contributed to strong economic conditions from 2015 through 2019 and, more recently, the recovery of most of the jobs lost due to efforts to slow the spread of COVID-19. In 2019, air cargo shipments from Lehigh Valley International Airport (LVIA) rose to 183 million pounds, a more than three-fold increase compared with the 47 million pounds of cargo shipped in 2015 (LVIA, Monthly Traffic Report December 2019, Lehigh Valley Business, July 17, 2017). Air cargo from LVIA rose primarily because goods shipped from Amazon.com, Inc. surged. From 2015 through 2019, nonfarm payrolls in the Allentown metropolitan area increased by an average of 5,600 jobs, or 1.6 percent, a year; the transportation and utilities sector accounted for 43 percent of that growth. Although nonfarm payrolls fell significantly in March and April 2020 as a result of the policies enacted to slow the spread of COVID, those job losses were partially offset by ongoing job gains in the transportation and utilities sector. Fed-Ex Ground Package System, Inc. opened a facility in Breinigsville in November 2020 and began hiring approximately 1,000 workers in Lehigh County during 2021. As of November 1, 2021, approximately 94 percent

- The city of Allentown is the second fastest growing city in Pennsylvania, partially because of the ongoing residential and commercial development in downtown Allentown, which totaled more than \$1 billion since 2013 (AllentownPA.gov). In 2016, the Urban Land Institute recognized the city of Allentown as one of six transforming communities in the nation.

of the 71,900 jobs lost in March and April 2020 have been recovered (not seasonally adjusted).

During the 3 months ending October 2021 —

- Nonfarm payrolls averaged 367,300, an increase of 14,500 jobs, or 4.1 percent, compared with the same period a year earlier. By comparison, jobs in the metropolitan area fell sharply, by 28,800, or 7.5 percent, during the 3 months ending October 2020, compared with nonfarm payrolls during the same period in 2019.
- The transportation and utilities sector added the second highest number of jobs; it was the second fastest growing sector in the metropolitan area, increasing by 3,000 jobs, or 8.8 percent, compared with the same period a year earlier. To meet demand stemming from consumers in Pennsylvania, New York, and New Jersey, Amazon.com, Inc. added approximately 600 workers in the Allentown metropolitan area and offered tuition funding and signing bonuses starting at \$250 (*Bucks County Courier Times*, September 2020; *Lehigh Valley Business*, September 2020).

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Nonfarm payrolls in the Allentown metropolitan area increased during the 3 months ending October 2021, with job gains in 9 of the 11 payroll sectors.

	3 Months Ending		Year-Over-Year Change	
	October 2020 (Thousands)	October 2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	352.8	367.3	14.5	4.1
Goods-Producing Sectors	51.1	52.8	1.7	3.3
Mining, Logging, & Construction	13.4	13.7	0.3	2.2
Manufacturing	37.7	39.1	1.4	3.7
Service-Providing Sectors	301.7	314.5	12.8	4.2
Wholesale & Retail Trade	51.5	51.5	0.0	0.0
Transportation & Utilities	33.9	36.9	3.0	8.8
Information	4.7	4.9	0.2	4.3
Financial Activities	13.3	13.3	0.0	0.0
Professional & Business Services	45.4	47.6	2.2	4.8
Education & Health Services	74.3	75.8	1.5	2.0
Leisure & Hospitality	29.1	33.8	4.7	16.2
Other Services	12.5	13.0	0.5	4.0
Government	37.0	37.8	0.8	2.2
Unemployment Rate	7.9%	5.7%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

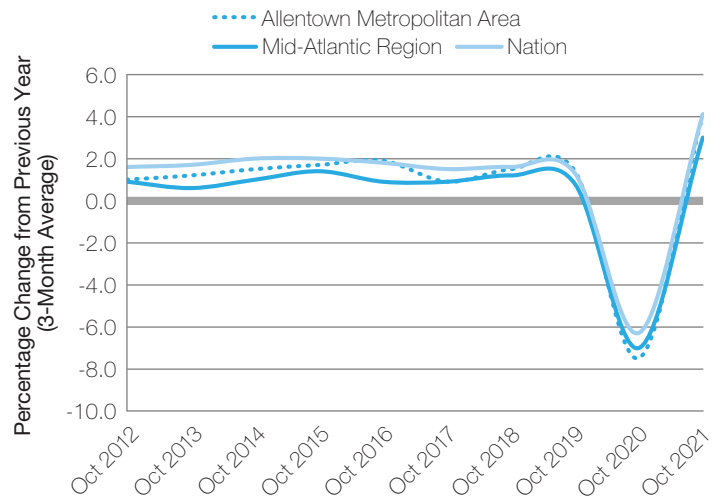


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- The education and health services sector increased by 1,500 jobs, or 2.0 percent, primarily because the Lehigh Valley Health Network opened the first phase of Lehigh Valley Health-Hecktown Oaks in June 2021, adding 400 jobs to the sector. The education and health services sector is the largest sector in the metropolitan area, accounting for approximately 20.6 percent of nonfarm payrolls.
- The unemployment rate averaged 5.7 percent, down from the 7.9-percent rate during the same period a year earlier. For comparison, the unemployment rate averaged 5.6 percent in the state and 4.7 percent in the nation during the 3 months ending October 2021.

The Allentown metropolitan area is home to many entertainment options. Musikfest, ranked the best music festival in North America by USAToday.com in 2019, has attracted more than 1.19 million visitors in most years since 2016. The festival, held annually in the city of Bethlehem, had an economic impact of \$77 million in 2019 (ArtsQuest). In 2014, the PPL Center, a 1.03 million square foot state-of-the-art venue, opened in the city of Allentown. The arena is home to the Lehigh Valley Phantoms of the American Hockey League and hosts numerous other sporting events and concerts, attracting more than 500,000 visitors to the city of Allentown annually. Those entertainment options have influenced visitor spending patterns in the metropolitan area. Visitors to the Lehigh Valley region, which includes Lehigh and Northampton Counties, spent approximately 28 percent of their trip budgets on recreation, the highest share of the 11 regions in the state (*Tourism Economics*, 2018). More recently, restrictions implemented to slow the contagion of COVID-19 eased, contributing to increased tourism in the metropolitan area and a strong recovery of jobs in the leisure and hospitality sector. In-person Musikfest attendance increased from 37,000 in 2020 to 1.13 million in 2021. During the 3 months ending October 2021, the leisure and hospitality sector added the most jobs and grew at a faster rate than any other nonfarm payroll sector, increasing by 4,700 jobs, or

During the 3 months ending October 2020, job losses were more severe in the Allentown metropolitan area than in the Mid-Atlantic region and the nation.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Allentown Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Lehigh Valley Health Network	Education & Health Services	20,000
St. Luke's University Health Network	Education & Health Services	17,000
Sands Bethworks Gaming LLC	Leisure & Hospitality	3,000

Note: Excludes local school districts.

Source: Moody's Analytics

16.2 percent. Although 17,500 of the 20,000 jobs lost in the leisure and hospitality sector in March and April 2020 have been regained, job recovery in the sector is ongoing; as of November 1, 2021, job levels in the leisure and hospitality sector remained 7.4 percent lower than job levels in February 2020, before the pandemic (not seasonally adjusted).

Sales Market Conditions

Sales housing market conditions in the Allentown metropolitan area are currently very tight, with an estimated sales vacancy rate of 1.0 percent, down from 1.8 percent in April 2010. As of October 2021, the metropolitan area had 1.4 months of for-sale inventory, down from 1.5 months in October 2020 (CoreLogic, Inc.). As of September 2021, 2.9 percent of home loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 5.3 percent a year earlier. The

2.9-percent rate in September of 2021 was higher than the 2.7-percent rate in the state and the 2.5-percent rate in the nation. Total home sales in the metropolitan area, including new and existing single-family homes, townhomes, and condominiums, increased by 3,075 homes, or 25 percent, to 15,300 homes during the 12 months ending September 2021 compared with the previous year (Zonda; data exclude Carbon County). During the same period, the average total home sales price rose by \$50,950, or 21 percent, from a year earlier.

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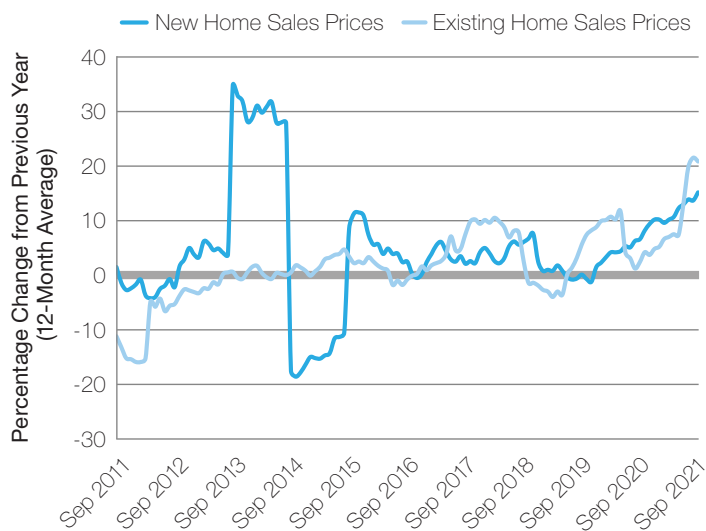
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During the 12 months ending September 2021 —

- New home sales, which accounted for 5 percent of all homes sales in the metropolitan area, totaled 840, a 31-percent year-over-year increase, or a gain of 200 homes sold (Zonda). New home sales were 3 percent higher than the average of 810 homes sold annually during 2018 and 2019.
- The average sales price of a new home rose sharply, by \$61,150, or 15 percent, to \$460,900, partially because the price of new homes in Northampton County increased by \$103,000, or 27 percent, during the period. From 2016 through 2019, the average new home sales price in the metropolitan area increased by \$7,750, or 2 percent, a year.
- The average price of existing homes was \$287,600, a 21 percent increase compared with the previous 12 months. Low levels of for-sale inventory contributed to rising home sales prices.
- Regular resale home sales increased by approximately 2,600 homes, or 3 percent, to 13,050 homes, whereas REO home sales fell to 320 homes. REO home sales declined for the second consecutive year, from 1,050 homes during the 12 months ending September 2019 and from 630 homes during the 12 months ending September 2020.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, was relatively stable from 2013 through 2020, partially because economic growth was stable from 2014 through 2019.

Since 2020, the average price of existing homes in the Allentown metropolitan area increased more rapidly than the average new home sales price.

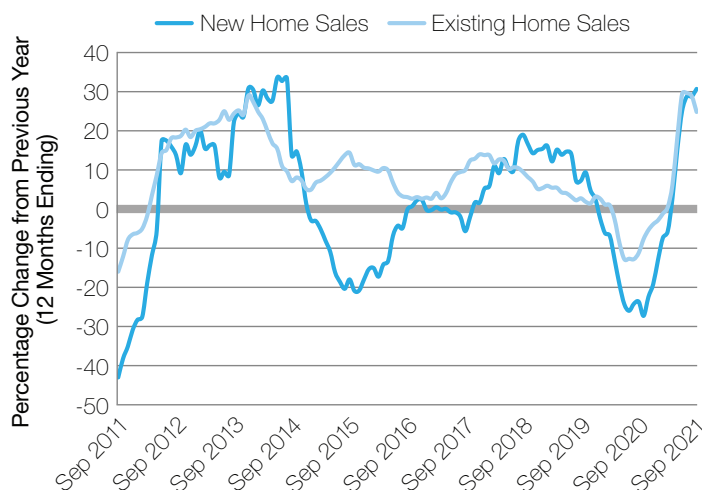


Note: Prices are for single-family homes, townhomes, and condominiums.
Source: Zonda; data exclude Carbon County, Pennsylvania

- The number of single-family homes permitted during the 12 months ending October 2021 totaled 570, up by 140 homes, or 32 percent, from the previous 12 months (preliminary data; not all jurisdictions reporting). The current level of single-family construction is 46 percent lower than

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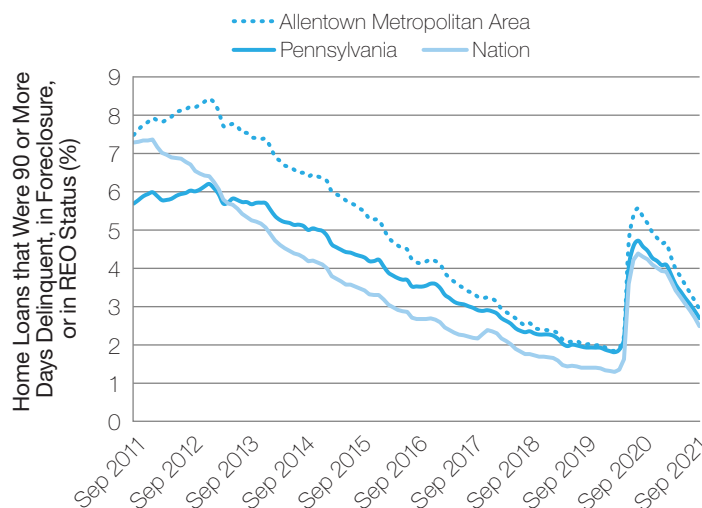
The growth in existing home sales has generally outpaced new home sales since 2015, increasing in 6 of the 7 years during the period.



Note: Sales are for single-family homes, townhomes, condominiums, or any combination.

Source: Zonda; data exclude Carbon County, Pennsylvania

The proportion of seriously delinquent home loans and REO properties in the Allentown metropolitan area rose sharply in mid-2020 following more than 7 years of steady declines.



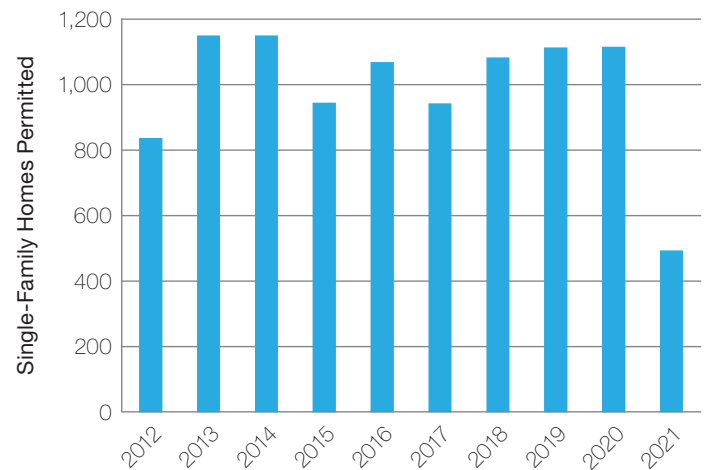
REO = real estate owned.
Source: CoreLogic, Inc.

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the average of 1,025 homes permitted annually from 2012 through 2019.

- The share of homes permitted in Lehigh County has declined in recent years, from an average of 56 percent of homebuilding in the metropolitan area from 2016 through 2017 to 37 percent from 2018 through 2020, partially because permitting in Bethlehem Township increased.
- Phase II of The Fields at Blue Barn Meadows, a 140-unit subdivision in the city of Allentown, was recently completed, with home prices ranging from \$325,900 to \$329,900.

Since 2013, single-family construction has been relatively steady in the Allentown metropolitan area.



Note: Includes preliminary data from January 2021 through October 2021.

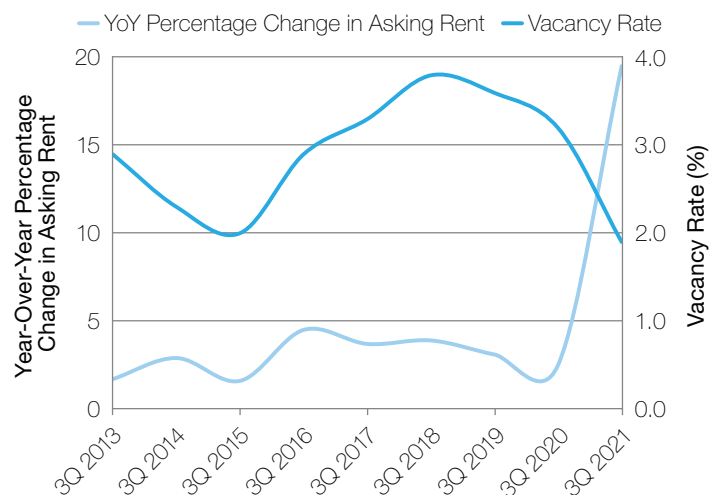
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Rental Market Conditions

The overall rental market in the Allentown metropolitan area is currently tight. Despite low levels of net in-migration and elevated apartment construction activity since 2018, demand for apartment units remained high, partially because the sales market is very tight. More than 7 developments, totaling approximately 970 units, have been constructed in the city of Allentown since 2018, including Three City Center, a mixed-use development that was completely leased before opening in 2018 (ALN Apartment Data, Inc.). Multifamily structures with five or more units, typically apartments, accounted for approximately 37 percent of renter-occupied units in the metropolitan area in 2019, up slightly from 36 percent in 2017 (American Community Survey 1-year data).

- The overall rental vacancy rate (including single-family homes, townhomes, mobile homes, and apartments) is estimated at 4.7 percent, down from 7.6 percent in 2010 when conditions were slightly soft.
- The apartment market is very tight, with a steeper decline in the apartment vacancy rate during the third quarter of 2021 compared with the third quarter of 2020. During the third quarter of 2021, the apartment vacancy rate was 1.9 percent, down from 3.2 percent during the third quarter of 2020 and from 3.6 percent during the third quarter of 2019 (Moody's Analytics REIS).
- Rent growth accelerated by \$223, or 19 percent, to \$1,364, up from a change of \$28, or 2 percent, during the

Since the third quarter of 2020, rents have risen sharply, and the vacancy rate has fallen significantly.



3Q = third quarter. YoY = year-over-year.

Source: Moody's Analytics REIS

same period a year ago. Rent growth accelerated partially because the apartment vacancy rate fell, and recently completed apartment units were absorbed very quickly (ALN Apartment Data, Inc.). Approximately 50 percent of current renter households in the Allentown metropolitan area moved into their current units in 2017 or later (2019 American Community Survey, 1-year data).

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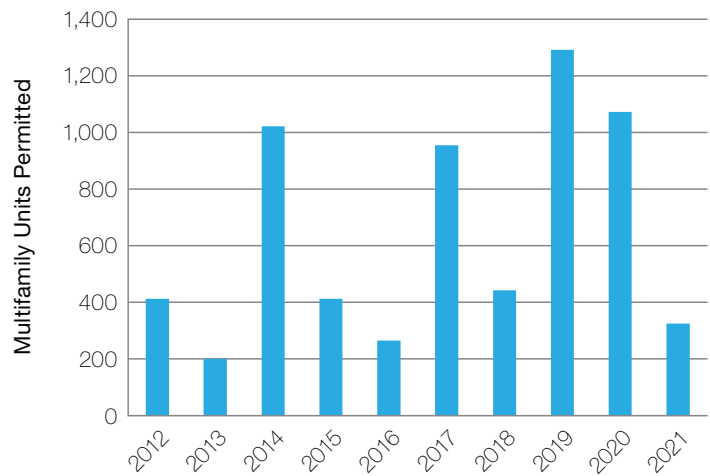
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- The expansion of the Allentown Student Residence Overlay District, which reduces the number of unrelated students allowed to reside under the same roof from four to two (*The Muhlenberg Weekly*), has contributed to a lower average vacancy rate and higher average rent in some apartments near college campuses in the city of Allentown. Currently, the average vacancy rate for apartments within 2 miles of Muhlenberg College is 1.3 percent, and the average apartment rent is \$1,615 (Moody's Analytics REIS).

Since 2018, rental construction activity, as measured by the number of multifamily units permitted, has been elevated despite slowing population growth, with developers responding to historically low vacancy rates. At least two of the apartment developments constructed since 2018 were 94 percent occupied 1 month after opening (ALN Apartment Data, Inc.).

- During the 12 months ending October 2021, approximately 360 multifamily units were permitted, more than double the 180 units permitted during the previous 12 months (preliminary data, not all jurisdictions reporting).
- From 2017 through 2019, rental construction activity averaged 900 units annually, compared with an average of 570 units a year from 2014 through 2016 (U.S. Census Bureau, Building Permits Survey, with estimates by the analyst).
- The largest concentration of apartments built since 2018 was in the city of Allentown, which accounted for approximately 61 percent of all apartments completed in the Allentown metropolitan area. By comparison, apartments built in the city of Allentown accounted for 37 percent of apartment completions in the metropolitan area from 2015 through 2018.

Multifamily building activity in the Allentown metropolitan area has been elevated during most years since 2017, reaching a peak in 2019.



Note: Includes preliminary data from January 2021 through October 2021.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

- The Seville Apartments, a 69-unit development in the city of Easton, was completed in September 2021. Asking rents started at \$1,575 and \$2,025 for one- and two-bedroom units, respectively.
- The Gallery at Cityplace, a 108-unit apartment development in the city of Allentown, is expected to be completed in the Spring of 2022, with average rents of \$1,000 for studios, \$1,350 for one-bedroom units, and \$1,650 for two-bedroom units.