Allentown-Bethlehem-Easton, Pennsylvania-New Jersey

The Allentown-Bethlehem-Easton metropolitan area, referred to as Lehigh Valley, is located approximately 50 miles north of Philadelphia and 70 miles west of New York City. It comprises Carbon, Lehigh, and Northampton Counties in Pennsylvania and Warren County in New Jersey. With a total population of 820,200 as of July 1, 2010, Lehigh Valley is the third most populous metropolitan area in Pennsylvania, after Philadelphia and Pittsburgh. During the past 12 months, the population increased by 4,200 people, or 0.5 percent, a rate of growth that was virtually unchanged from the previous period. Lehigh Valley was once a major center for industrial manufacturing and home to the Bethlehem Steel Corporation, at one time the second largest steel manufacturer in the nation. The remnants of Lehigh Valley’s industrial past have been transformed into more than $80 million in residential and $803 million in commercial redevelopment during the past 5 years, including the most recent conversion of a portion of the former Bethlehem Steel site into the Sands Casino Resort in May 2009.

During the 12 months ending May 2010, average nonfarm employment totaled 330,500 jobs, down 2.7 percent, or 9,200 jobs, compared with nonfarm employment during the previous 12-month period. The largest declines occurred in the manufacturing and professional and business services sectors and the retail trade subsector, which lost 3,400, 1,600, and 1,500 jobs, respectively. Despite the overall job losses, two sectors continued to grow. The education and health services sector, accounting for approximately 20 percent of all nonfarm jobs in Lehigh Valley, increased by approximately 900 jobs, or 1.3 percent, during the 12 months ending May 2010. During the same period, the leisure and hospitality sector increased by 700 jobs, or 2.2 percent, due to the opening of the Sands Casino Resort, which added 860 jobs. Job creation in the education and health services sector and modest gains in the leisure and hospitality sector are expected to continue over the next few years. Lehigh Valley Health Network, with 9,470 employees, is the leading employer in the metropolitan area. St. Luke’s Hospital and Health Network, the second leading employer, with 6,380 employees, is expected to undergo a $140 million multiphase expansion, creating 680 jobs upon its completion within the next 3 to 4 years. Phase I of the expansion is expected to be completed in 2011. Further construction completions in 2011 include the Sands Casino Resort’s 300-bedroom hotel and Arts-Quest’s $60 million SteelStacks entertainment campus; both developments will further transform the Bethlehem Steel site into an entertainment destination. Despite these expansions, job losses during the 12 months ending May 2010 resulted in an increase of the average unemployment rate to 9.5 percent from 6.8 percent during the previous 12 months.

The sales housing market in Lehigh Valley is currently balanced to soft, with an estimated vacancy rate of 1.8 percent as of July 2010. According to the Lehigh Valley Association of REALTORS®, during the 12 months ending May 2010, total existing home sales increased by 23 percent to 480 homes compared with the 390 homes sold during the previous 12 months, while average days on the market declined from 80 to 70 days during the same period. Home sales increased as prices declined. The average sales price of an existing home during the 12 months ending May 2010 was $199,900, down 6 percent from $213,500 during the 12 months ending May 2009. According to Lender Processing Services Mortgage Performance Data, from May 2009 to May 2010, the number of loans that are in foreclosure, 90 days or more delinquent, or in REO (Real Estate Owned) increased from 5.3 to 7.3 percent of all home loans recorded in the area.

Slightly improving sales market conditions resulted in an increase in single-family construction activity, as measured by the number of building permits issued. According to preliminary data, during the 12 months ending May 2010, a total of 1,475 homes were permitted, up 12 percent compared with the number of homes permitted during the previous 12 months. Single-family home construction peaked from 2002 through 2006, when the average annual number of homes permitted was 4,125. That average annual number declined to 1,850 homes from 2007 through 2009. The number of homes permitted declined by 43 percent to 990 homes during the 12 months ending May 2009. Current single-family developments include Wrenfield, a 98-townhome community scheduled to start construction in August 2010; Towne Center at Sullivan Trail, an 84-townhome community under construction; and Cottages at Belmont Glen, a 27-home, active-adult community under construction, with 13 homes completed. Prices of new homes range from $184,900 to $259,900.
Despite current economic conditions, the overall rental housing market as of July 2010 is balanced, with an estimated vacancy rate of 6 percent, virtually unchanged from the rate of the previous year, but softer than conditions as of July 2008, when the rate was 5.4 percent. According to Reis, Inc., the average rents in the first quarter of 2010 for one-, two-, and three-bedroom apartments were $760, $900, and $1,100, respectively. Average rents were virtually unchanged from 2009 but were down 1 percent from 2008.

Multifamily construction activity, as measured by the number of units permitted, declined during the 12 months ending May 2010. According to preliminary data for the 12 months ending May 2010, multifamily construction totaled 170 units, down 75 units compared with the number of units permitted during the same period a year earlier. Multifamily development peaked from 2005 through 2007, averaging 1,100 units permitted annually, before declining to an average of 350 units a year from 2008 through 2009. Nearly 90 percent of the multifamily development in the area consists of apartments, with recent additions since 2005 including conversions from existing warehouse and manufacturing structures, totaling more than $80 million in redevelopment. Conversions from these structures include Farr Lofts, a 21-unit complex; Woodmont Mews, a 204-unit complex; Silk Mill, a 151-unit complex still under construction; Riverport, a 171-unit condominium complex located on the Bethlehem Steel site, with 29 units set aside for rental by the developer; and Pomeroy, a 30-unit apartment complex scheduled to start construction in August 2010. Average asking rents for newly constructed efficiency, one-bedroom, and two-bedroom apartment units are $750, $950, and $1,300, respectively.