

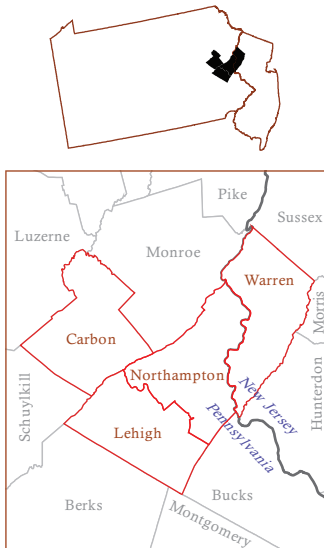


Allentown-Bethlehem-Easton, Pennsylvania-New Jersey

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2011

PD&R

Housing Market Area



The Allentown-Bethlehem-Easton Housing Market Area (HMA) comprises Carbon, Lehigh, and Northampton Counties in Pennsylvania and Warren County in New Jersey. For this analysis, the HMA was divided into three submarkets: the Lehigh Valley submarket, comprising Lehigh and Northampton Counties; the Carbon County submarket; and the Warren County submarket. The HMA is located 50 miles north of Philadelphia, Pennsylvania, and 80 miles west of New York City, New York.

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Summary

Economy

Economic conditions are weak, but improving, in the Allentown-Bethlehem-Easton HMA. During 2010, nonfarm payrolls declined by 600 jobs, or 0.2 percent, to 333,000 jobs. Growth in the professional and business services, education and health services, and leisure and hospitality sectors partially offset declines in other sectors. Nonfarm payroll jobs are expected to continue to decline but at a slower rate during 2011 before increasing by an average of 0.8 percent a year during the second and third years of the forecast period.

Sales Market

Sales market conditions are currently soft in the HMA, with an estimated 1.7-percent vacancy rate, an increase from 1.5 percent in 2009. During 2010, new and existing home sales

declined by 38 percent, although the average sales price increased by 2 percent to \$204,700. Demand is forecast for approximately 6,050 new homes during the next 3 years (see Table 1). The 270 homes currently under construction will meet part of that demand. Since 2000, the other vacant housing supply increased by 4,075 units to an estimated 16,300, a portion of which may re-enter the market to satisfy some of the forecast demand.

Rental Market

Rental market conditions in the HMA are currently balanced, with a 6-percent vacancy rate. During the forecast period, demand in the HMA is expected to total approximately 1,075 new rental units, part of which will be met by the 480 rental units under construction (see Table 1).

Table 1. Housing Demand in the Allentown-Bethlehem-Easton HMA, 3-Year Forecast, January 1, 2011 to January 1, 2014

	Allentown-Bethlehem-Easton HMA		Lehigh Valley Submarket		Carbon County Submarket		Warren County Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	6,050	1,075	5,025	860	560	100	460	110
Under Construction	270	480	200	480	20	0	50	0

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2011. A portion of the estimated 16,300 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Allentown-Bethlehem-Easton HMA have remained weak since the latter part of 2008, after a period of strong growth during the mid-2000s. The current decline in the economy followed a period of strong economic growth in the HMA. From 2004 through 2006, nonfarm payroll growth increased by an average of 5,300 jobs, or 1.6 percent, a year, as more readily available financing facilitated both capital investment and new home construction. Growth in the construction subsector, including commercial and residential building

construction, was bolstered by the financial environment, and construction payrolls increased by an average of 700 jobs, or 4.8 percent, annually from 2004 through 2006. Nonfarm payroll job growth began to slow in 2007, increasing by 0.9 percent during the year. By the end of 2008, restrictions on lending to further capital investment and a contraction in consumer spending impacted the economy. During 2008, nonfarm payrolls decreased by 0.2 percent, or 800 jobs, and then by an additional 10,400 jobs, or 3.3 percent, during 2009. The decline in nonfarm payroll jobs continued during 2010; however, the decrease slowed to 600 jobs, or 0.2 percent, and the number of jobs in the HMA averaged 333,000 (see Table 2). Overall job loss contributed to an increase of the average unemployment rate to 9.6 percent in 2010 from 8.8 percent during 2009. See Figure 1 for trends in the labor force, resident employment, and the average unemployment rate and Figure 2 for percentage changes in sector growth in the HMA since 2000.

The current economic decline in the HMA lagged the national downturn by 1 year. During 2010, weak economic conditions affected consumer spending, demand for manufactured goods, capital investment, and various support services, as indicated by job losses in several related industries. The information sector lost the greatest number of jobs among all service-providing sectors, decreasing by 900 jobs, or 13.7 percent, during 2010. Job losses in the wholesale and retail trade sector are beginning to level off after a sharp decline in 2009. The wholesale and retail trade sector lost 300 nonfarm payroll jobs during 2010

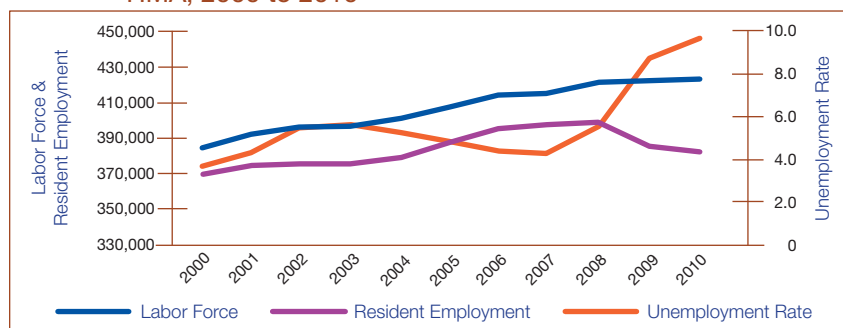
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Allentown-Bethlehem-Easton HMA, by Sector

	12 Months Ending December 2009	12 Months Ending December 2010	Percent Change
Total Nonfarm Payroll Jobs	333,600	333,000	- 0.2
Goods Producing	49,200	47,500	- 3.5
Mining, Logging, & Construction	13,050	12,300	- 5.9
Manufacturing	36,150	35,200	- 2.6
Service Providing	284,400	285,600	0.4
Wholesale & Retail Trade	52,500	52,200	- 0.6
Transportation & Utilities	14,600	14,800	1.5
Information	6,500	5,600	- 13.7
Financial Activities	15,650	15,300	- 2.1
Professional & Business Services	40,900	42,500	3.9
Education & Health Services	65,750	67,000	1.9
Leisure & Hospitality	30,850	31,400	1.8
Other Services	14,550	14,200	- 2.5
Government	43,100	42,600	- 1.1

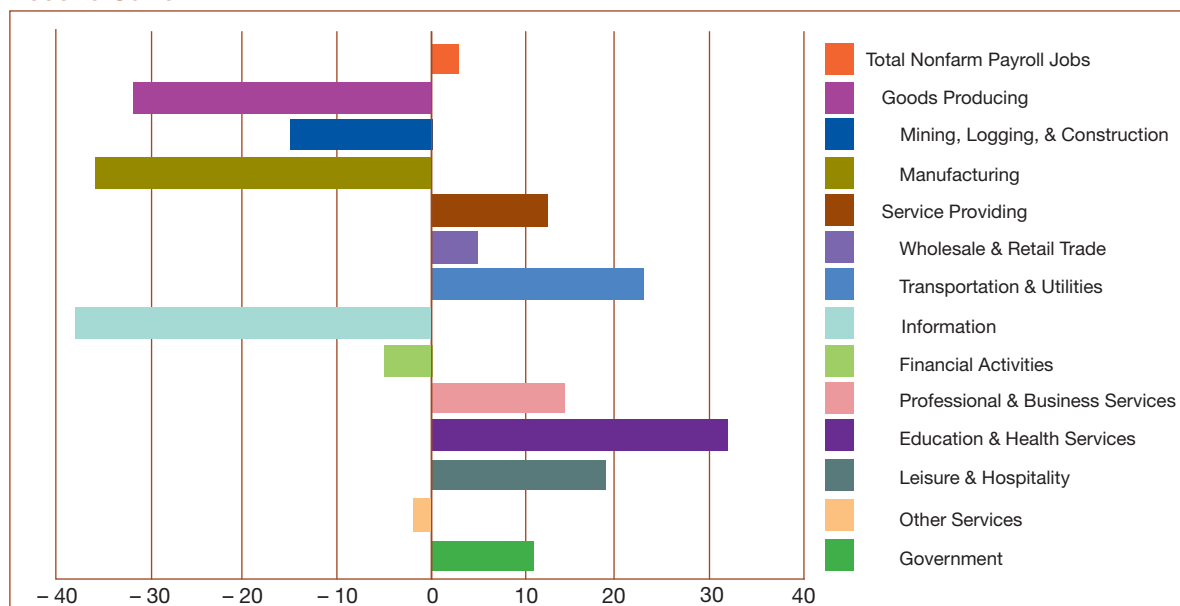
Notes: Based on 12-month averages through December 2009 and December 2010. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Allentown-Bethlehem-Easton HMA, 2000 to 2010



Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Allentown-Bethlehem-Easton HMA, Percentage Change, 2000 to Current

Note: Current is based on 12-month averages through December 2010.

Source: U.S. Bureau of Labor Statistics

compared with 2,300 jobs, or 4.2 percent, during 2009. The reduction in jobs in the wholesale and retail trade sector during 2010 was concentrated in retail sales, where jobs declined by 230, or 0.6 percent. This decline was less than during 2009 when the retail sales subsector lost 1,700 jobs, or 4.2 percent. The reduction in jobs among other service-providing sectors during 2010 ranged from 1.1 percent in the government sector, with losses concentrated in the local government subsector, to 2.5 percent in the other services sector (see Table 2).

Within the goods-producing sectors, the manufacturing sector lost 950 jobs, or 2.6 percent, during 2010 compared with 3,400 jobs, or 8.6 percent, during 2009. The HMA was once a major center for steel manufacturing in the nation; however, jobs in the manufacturing sector have been declining almost every year since the 1990s by an average of 2 percent, with accelerated losses averaging 9 percent during

national recessions. A reduction in jobs also occurred in the mining, logging, and construction sector, which decreased by 750 jobs, or 5.9 percent, during 2010. According to the most recent data on covered employment, approximately 80 percent of jobs in the mining, logging, and construction sector are in construction.

Despite the overall downturn in the economy, jobs in several sectors increased during 2010. The education and health services sector increased by 1,250 jobs, or 1.9 percent, a growth rate that was similar to the 2009 rate. The education and health services sector is the largest sector in the HMA, accounting for approximately 20 percent of all nonfarm payroll jobs in the HMA. See Figure 3 for the proportion of nonfarm payrolls by sector. From 2003 through 2007, job growth in the education and health services sector was slightly stronger, with an average increase of 1,800 jobs, or 3.1 percent, a year to accommodate the faster

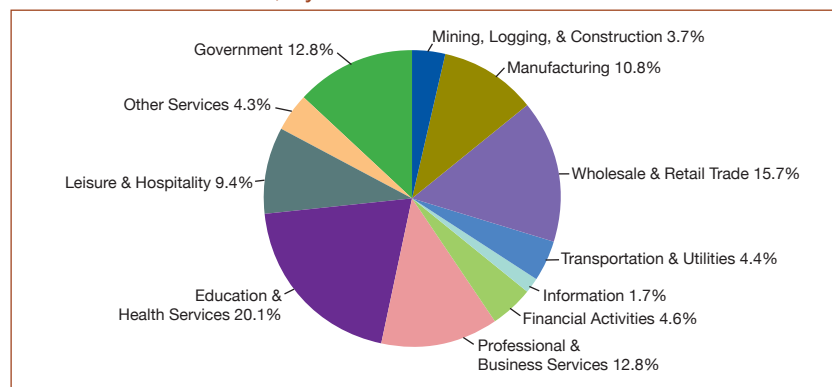
growing population during the beginning of the decade. The education and health services sector is the strongest growth sector in the HMA, increasing by 72 percent since 1990, or approximately 3 percent a year, with leading employers that include Lehigh Valley Health Network, with 9,475 employees, and St. Luke's Hospital & Health Network, with 6,375 employees (see Table 3 for major employers in the HMA). Other growth sectors included the professional and business services and the leisure and hospitality sectors. During 2010, job growth in the professional and business services sector

increased by 1,600 jobs, or 3.9 percent, an improvement from the decline of 1,700 jobs, or 4 percent, during 2009. During 2010, the leisure and hospitality sector increased by 550 jobs, or 1.8 percent, compared with flat growth during 2009. Job growth in the leisure and hospitality sector in 2010 followed the 2009 opening of the Sands Casino Resort on the former Bethlehem Steel site, a \$740 million redevelopment project.

Job creation in the education and health services sector and modest gains in the leisure and hospitality sector are expected to continue during the next few years. St. Luke's Hospital is expected to undertake a \$140 million multiphase expansion, creating 680 jobs within the next 3 years. Completion of the first phase of the expansion is expected in 2011. Further construction completions in 2011, which involve redevelopment of industrial manufacturing areas in the HMA, include the 300-bedroom hotel at the Sands Casino Resort and the \$60 million ArtsQuest™ SteelStacks entertainment campus, both centrally located in historic Bethlehem in the Lehigh Valley submarket.

Nonfarm payrolls are expected to decline slightly, by 300 jobs, or less than 1 percent, during the first year of the forecast period before increasing, at a moderate pace, during the second and third years of the period. By the end of the forecast period, nonfarm payrolls are estimated to increase by a total of 4,700 jobs, or 1.4 percent.

Figure 3. Current Nonfarm Payroll Jobs in the Allentown-Bethlehem-Easton HMA, by Sector



Note: Based on 12-month averages through December 2010.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Allentown-Bethlehem-Easton HMA

Name of Employer	Employment Sector	Number of Employees
Lehigh Valley Health Network	Education & Health Services	9,475
St. Luke's Hospital and Health Network	Education & Health Services	6,375
Air Products and Chemicals, Inc.	Manufacturing	4,300
PPL Electric Utilities Corporation	Transportation & Utilities	2,450
Giant Food Stores, LLC	Wholesale & Retail Trade	2,300
Sodexo, Inc.	Leisure & Hospitality	2,000
B. Braun Medical Inc.	Manufacturing	1,900
Wegmans Food Markets, Inc.	Wholesale & Retail Trade	1,850
Wal-Mart Stores, Inc.	Wholesale & Retail Trade	1,800
Lehigh University	Education & Health Services	1,750

Sources: The Morning Call and Lehigh Valley Economic Development Corporation

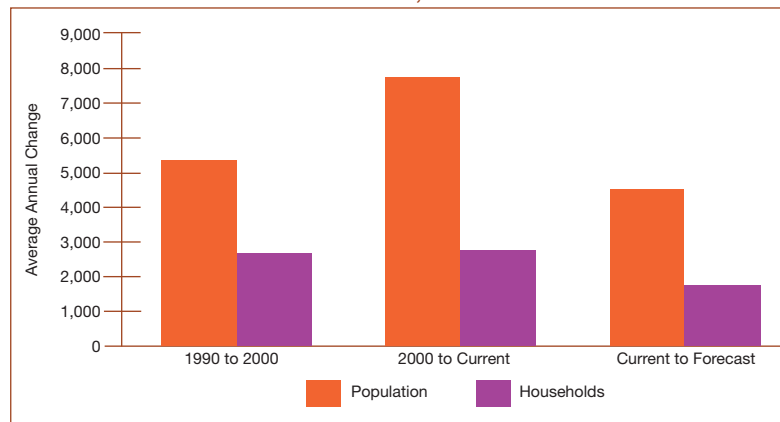
Population and Households

The population of the Allentown-Bethlehem-Easton HMA, as of January 1, 2011, was estimated at 823,800, with an increase of approximately 7,750, or 1 percent, annually since 2000. Net in-migration accounted for approximately 80 percent of this growth. According to data from the Internal Revenue Service, at least 90 percent of the in-migration was from the adjacent New York-Northern New Jersey-Long Island metropolitan area. From 2003 through 2006, the population increased at a faster pace of 1.3 percent, or 10,300 people, annually.

People were drawn to the HMA's reasonably priced housing and stronger employment growth during the period from 2004 through 2006. When the economy began to weaken in 2008, and as financing for homes became more stringent, population growth slowed to an average of 4,800, or 0.6 percent, a year through 2010.

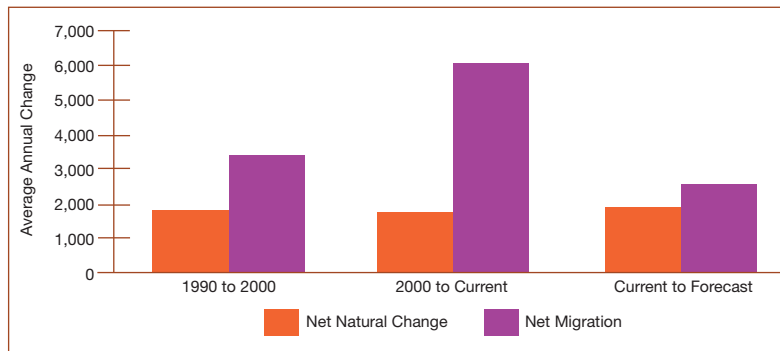
The population in the Lehigh Valley submarket increased by an average of 6,550, or 1.1 percent, from 2000 through 2010, while in the Carbon and Warren County submarkets, the population increased by an average of 600 in each submarket, or 1.0 and 0.6 percent, a year, respectively. As of January 1, 2011, approximately 79 percent of the population in the HMA resides in the Lehigh Valley submarket, with 8 and 13 percent, respectively, in the Carbon County and Warren County submarkets. Net in-migration accounted for nearly 80 percent of the population growth in the Lehigh Valley submarket, while in the Carbon County submarket, net in-migration accounted for all of the population growth. In Carbon County, an average net in-migration of 740 people annually offset the average net natural change (resident births minus resident deaths), a decline of 130 people a year, resulting from a greater proportion of the submarket population being age 60 and older. In the Warren County submarket, growth was equally divided between net natural change and net in-migration. See Figure 4 for population and household growth in the HMA and Figure 5 for the components of population change in the HMA from 1990 through the forecast period.

Figure 4. Population and Household Growth in the Allentown-Bethlehem-Easton HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Allentown-Bethlehem-Easton HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

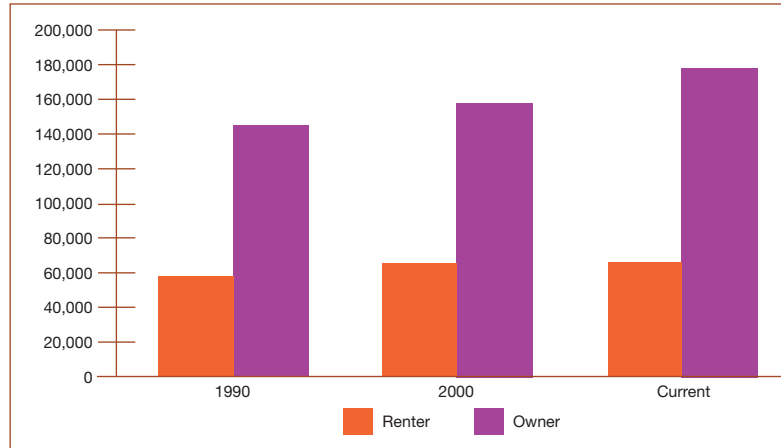
Population and Households *Continued*

Paralleling population growth, the number of households in the HMA increased at an average rate of 0.9 percent a year from 2000 through 2010. See Table DP-1 for household growth in the HMA by tenure from

1990 through 2010 at the end of the report. During the latter part of the decade, from 2008 onward, household growth slowed to an average of 0.5 percent, or 1,450 new households, a year. The decline in household growth was the result of slower population growth brought on by a decline in economic conditions that slowed net in-migration. See Figures 6, 7, and 8 for households by tenure since 1990.

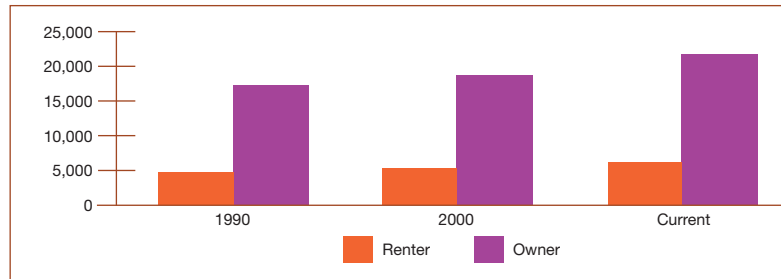
During the forecast period, population and household growth rates are expected to increase at a slower rate than during the early to middle part of the 2000s, increasing by 4,500 and 1,775, or 0.5 percent and 0.6 percent, respectively, as the economy slowly improves. By the end of the forecast period, the population of the HMA is expected to reach 837,300 and the number of households is expected to total 320,800.

Figure 6. Number of Households by Tenure in the Lehigh Valley Submarket, 1990 to Current



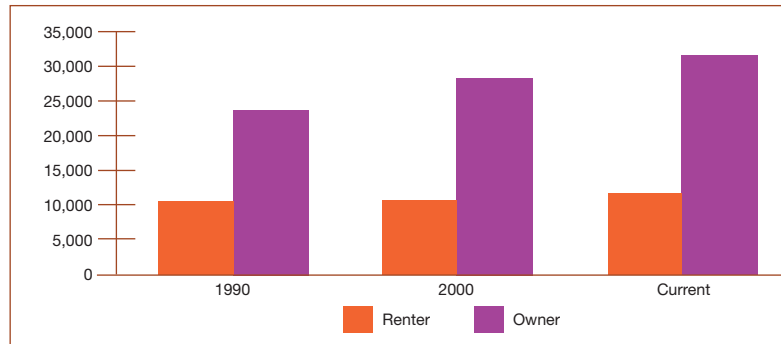
Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Carbon County Submarket, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Warren County Submarket, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Housing Market Trends

Sales Market—Lehigh Valley Submarket

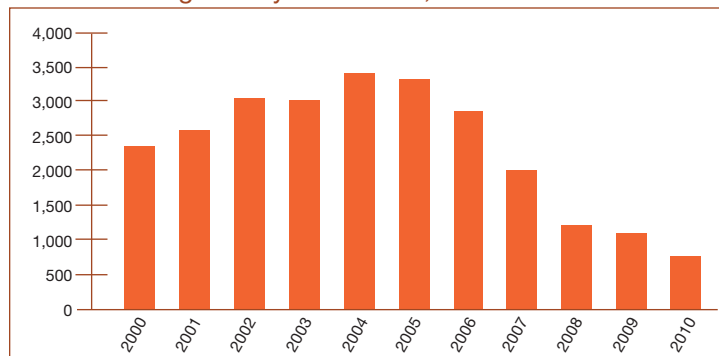
The sales housing market in the Lehigh Valley submarket is currently soft, with a 1.6-percent vacancy rate, resulting from stricter mortgage underwriting, a weaker economy, and overbuilding during the early-to-mid 2000s. Although the number of owner-occupied households increased to an estimated 178,900 as of January 1, 2011 (see Figure 6), the production of new sales housing since 2000 has exceeded demand by an estimated average of 300 units a year. See Table DP-2 for household growth in the Lehigh Valley submarket. The softening in sales market conditions began during 2007 when existing home sales declined by 14 percent, or 1,700 homes, to 10,200 homes sold, according to data from Hanley Wood, LLC. Market conditions remained weak through 2010. Total existing home sales decreased by 40 percent during 2010 to 6,650 from 11,100 homes sold during 2009 and remained below the 8,050 homes sold during 2008. The increase in sales during 2009 resulted from the homebuyer tax credit that began early that year.

The average sales price of existing homes increased slightly by 2 percent to \$194,700 during 2010 from \$191,200 during 2009 but was down from the

average price of \$208,100 recorded during 2008. Although existing home prices increased, the average price for newly constructed homes decreased by 3 percent to \$270,900 during 2010 from \$279,500 during 2009. According to data from the Lehigh Valley of Association REALTORS®, average home sales prices for newly constructed homes with four bedrooms and two-and-a-half baths declined by 12 percent to \$363,800 during 2010 from \$398,200 during 2009. From December 2009 to December 2010, the number of loans that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) declined from 7.1 to 6.9 percent, according to LPS Applied Analytics.

Single-family home construction activity, as measured by the number of single-family building permits issued, decreased during 2007 and even further during 2008 in response to weaker demand (see Figure 9). During 2007 through 2009, single-family home construction activity declined to an average of 1,425 homes permitted annually, down from the strongest growth period from 2000 through 2006, when 3,100 homes were permitted annually. During 2010, 820 single-family homes were permitted, less than the 1,090 that were issued in 2009, according to preliminary data. Developments currently under construction include more modestly priced homes. These new, smaller developments include Wrenfield, a 98-townhome community that started construction in September 2010, with 4 homes completed; Towne Center at Sullivan Trail, an 84-townhome community that started construction in 2007, with 30 homes completed; and Cottages at Belmont Glen, a 27-home,

Figure 9. Single-Family Building Permits Issued in the Lehigh Valley Submarket, 2000 to 2010



Note: Includes only single-family units.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Sales Market—Lehigh Valley Submarket *Continued*

active-adult community currently under construction, with 15 homes completed. Prices for these new homes range from \$185,000 to \$260,000. Subdivisions with larger homes that initiated construction during the early part of the decade continue to be built out. Prices for these larger homes start at \$300,000.

Concentrated within the cities of Bethlehem and Allentown, condominium sales represent less than 2 percent of all home sales in the Lehigh Valley submarket, according to data from Hanley Wood, LLC. The average price for new and existing condominiums increased by 4 percent to \$198,100 during 2010, up from \$190,900 in 2009; however, sales decreased from 230 to

100. Since 2000, condominium construction has been limited, accounting for only 10 percent of total multifamily development. Recent additions since 2005 include conversions from existing warehouse and manufacturing structures, including Riverport condominiums, a 171-unit complex converted in 2006 from the Bethlehem Steel site machine shop. Condominiums currently under construction include Mountain Park condominiums, a 61-unit complex near historic Bethlehem. Prices for these condominiums start at \$185,000.

During the next 3 years, demand is estimated for 5,025 new market-rate sales units in the Lehigh Valley submarket (see Table 1). A portion of this demand will be met by the 200 homes currently under construction. In addition, some of the estimated 9,200 other vacant units in the Lehigh Valley submarket may return to the sales housing market and satisfy a portion of the demand in the forecast period. Demand is expected to be stronger during the second and third years of the forecast period and will be primarily for new sales units in the \$290,000-to-\$389,999 price range (see Table 4).

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Lehigh Valley Submarket, January 1, 2011 to January 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
185,000	239,999	250	5.0
240,000	289,999	1,000	20.0
290,000	339,999	1,250	25.0
340,000	389,999	1,250	25.0
390,000	439,999	750	15.0
440,000	and higher	500	10.0

Note: A portion of the estimated 9,200 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—Lehigh Valley Submarket

The rental market in the Lehigh Valley submarket is currently balanced. Since 2005, the submarket has undergone more than \$80 million in residential redevelopment, transforming industrial manufacturing areas into attractive communities for young professionals. The current rental vacancy rate is estimated at 6 percent, slightly down from the 6.1-percent rate reported in 2009, according to data from the American Community Survey (ACS), and down from the 6.4-percent

vacancy rate in 2000 (see Figure 10). According to data from Reis, Inc., during 2010, the vacancy rate for apartments averaged 5 percent, a decrease from the 6.6-percent average vacancy rate during 2009. Average rents for apartments increased by more than 2 percent to \$880 during 2010 from \$860 in the previous year.

Multifamily construction activity, as measured by the number of units permitted, was fairly volatile during

Housing Market Trends

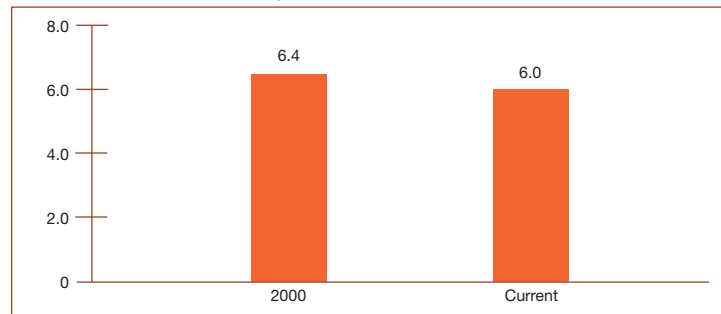
Rental Market—Lehigh Valley Submarket *Continued*

the recent decade, increasing from 2000 through 2002 at an average of 640 units permitted a year before declining to an average of 370 units permitted from 2003 through 2004 (see Figure 11). Multifamily development increased significantly to 730 units permitted during 2005 before decreasing by nearly 50 percent to 370 permits issued during 2006. The spike in multifamily development during 2005 was the result of an increase in condominium development within Bethlehem, when sales market conditions were strong. During 2005, condominium development increased from 15 to 36 percent of all multifamily development in the Lehigh Valley

submarket. Typically, approximately 85 percent of the multifamily development in the Lehigh Valley submarket consists of apartments. According to preliminary data, 170 multifamily units were permitted during 2010, down from 220 multifamily units permitted during 2009. The reduction in multifamily building activity was the result of weaker economic conditions that affected population growth along with more stringent lending standards that limited development. Recent apartment developments since 2005 include conversions from existing manufacturing and commercial structures such as Farr Lofts, a 21-unit complex; Woodmont Mews, a 204-unit complex; and Silk Mill Apartments, a 151-unit complex that is being converted from the Bethlehem Silk Mill. Average asking rents for newly constructed studio, one-bedroom, two-bedroom, and three-bedroom apartments are \$750, \$1,000, \$1,200, and \$1,400, respectively.

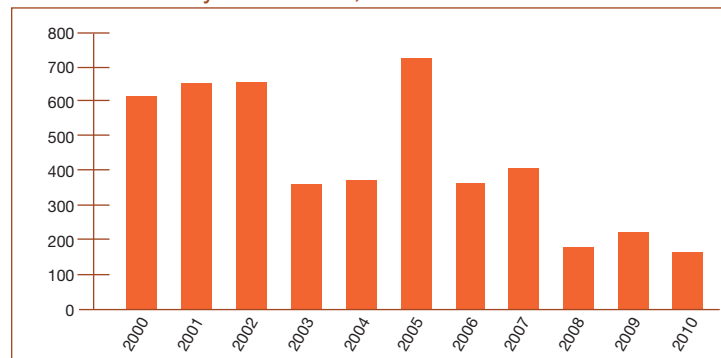
During the forecast period, demand is expected for 860 new rental units in the Lehigh Valley submarket (see Table 1). The 480 rental units currently under construction, along with the existing inventory of units available for rent, is expected to sufficiently satisfy demand for rental housing in the Lehigh Valley submarket during the first and second year of the forecast period. Demand is expected to be stronger during the third year of the forecast period. Table 5 shows estimated demand by rent level for new market-rate rental housing in the Lehigh Valley submarket during the forecast period.

Figure 10. Rental Vacancy Rates in the Lehigh Valley Submarket, 2000 to Current



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

Figure 11. Multifamily Building Permits Issued in the Lehigh Valley Submarket, 2000 to 2010



Note: Includes all multifamily units in structures with two or more units.

Source: U.S. Census Bureau, Building Permits Survey

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Lehigh Valley Submarket, January 1, 2011 to January 1, 2014

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
700 to 899	30	900 to 1,099	180	1,100 to 1,299	300	1,300 to 1,499	90
900 to 1,099	10	1,100 to 1,299	70	1,300 to 1,499	100	1,500 to 1,699	30
1,100 to 1,299	10	1,300 to 1,499	10	1,500 to 1,699	20	1,700 to 1,899	10
Total	50	Total	260	Total	420	Total	130

Source: Estimates by analyst

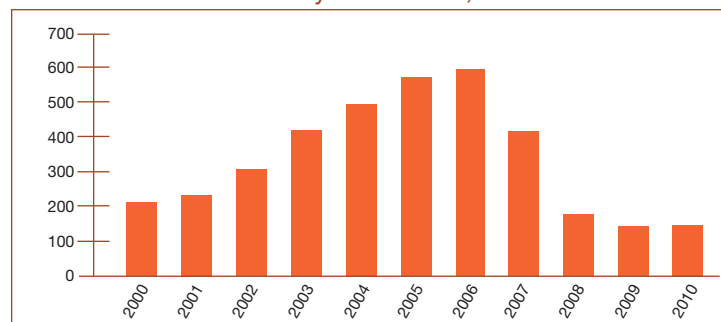
Sales Market—Carbon County Submarket

The sales housing market in the Carbon County submarket is slightly soft, with an estimated 1.8-percent vacancy rate, resulting from a weaker economy and tighter lending standards. According to data from the Pennsylvania Association of REALTORS®, total existing home sales during 2010 were relatively unchanged from a year earlier, declining to 180 from 200 homes sold during 2009 and remaining below the 380 homes sold in 2007 when sales housing market conditions were stronger. The median sales price of an existing home decreased slightly to \$119,000 during 2010 from \$124,000 in 2009; the median price in 2007 was \$140,000. The softening in the Carbon County sales housing market lagged the nationwide decline, with reductions in both the number of homes sold and sales prices not beginning until 2008. According to LPS Applied Analytics, from December 2009 to

December 2010, the number of loans that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) declined slightly from 9.3 to 9.1 percent.

Single-family home construction activity, as measured by the number of single-family building permits issued, began to slow in 2007 despite stronger sales market conditions during that year. During 2007, construction activity slowed to 400 homes permitted (see Figure 12). Single-family home construction activity decreased more significantly in 2008 and 2009 when an average of 160 permits were issued, a 60-percent decline from 2007. According to preliminary data, during 2010, 140 single-family homes were permitted, nearly unchanged from the previous year. Single-family home development has been concentrated along the eastern portion of Carbon County in Penn Forest and Towamensing and the southern portion of the county in Lower Towamensing, bordering the Lehigh Valley submarket.

During the next 3 years, demand is estimated for 560 new market-rate sales units in the Carbon County submarket (see Table 1). A portion of this demand will be met by the 20 homes currently under construction. In addition, some of the estimated 5,700 other vacant units in the Carbon County

Figure 12. Single-Family Building Permits Issued in the Carbon County Submarket, 2000 to 2010

Note: Includes only single-family units.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Sales Market—Carbon County Submarket *Continued*

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Carbon County Submarket, January 1, 2011 to January 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	199,999	110	20.0
200,000	249,999	170	30.0
250,000	299,999	170	30.0
300,000	349,999	85	15.0
350,000	and higher	30	5.0

Note: A portion of the estimated 5,700 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

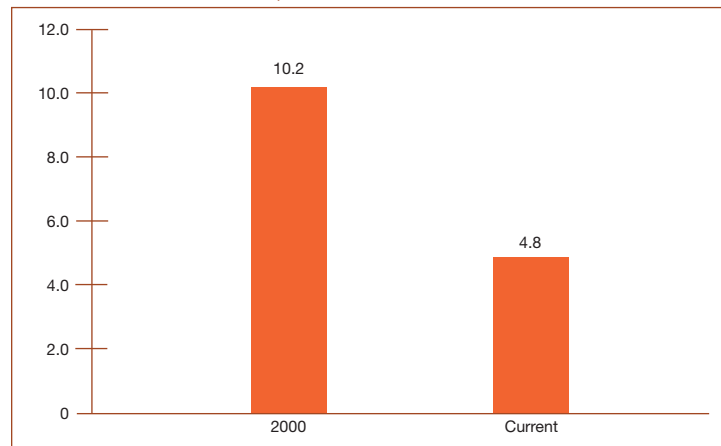
submarket, approximately 80 percent of which are seasonal housing, may return to the sales housing market and satisfy some of the demand in the forecast period. During the second and third years of the forecast period, demand is expected to be stronger for units priced between \$200,000 and \$299,999. Table 6 shows estimated demand by price range for new market-rate sales housing during the forecast period.

Rental Market—Carbon County Submarket

Rental market conditions in the Carbon County submarket are currently balanced, with a 4.8-percent vacancy rate, up slightly from the 4-percent vacancy rate in 2008, according to

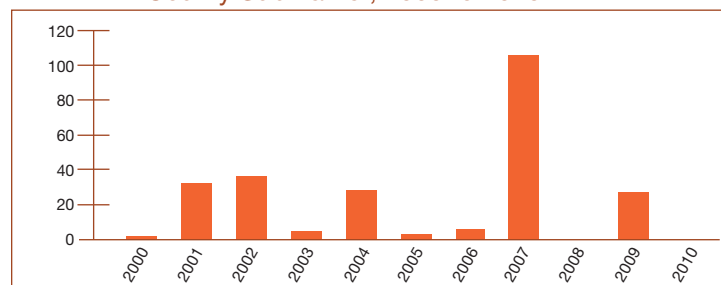
data from the ACS; this rate indicates a significant decrease from the 10.2-percent rate in 2000 when the market was soft (see Figure 13). The soft rental market in 2000 resulted from slower population growth coupled with the overbuilding of rental units during the 1990s. Table DP-3 at the end of this report shows population and rental household growth in the Carbon County submarket. With an increase in the population that began during the early 2000s, the rental market improved as units were absorbed. By 2006, population and rental household growth, coupled with limited multifamily development since 2000, reduced the rental vacancy rate to 5 percent, with the market continuing to be balanced through 2010. Average asking rents during 2010 increased by 3 percent to an estimated \$800.

Figure 13. Rental Vacancy Rates in the Carbon County Submarket, 2000 to Current



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

Figure 14. Multifamily Building Permits Issued in the Carbon County Submarket, 2000 to 2010



Note: Includes all multifamily units in structures with two or more units.

Source: U.S. Census Bureau, Building Permits Survey

Multifamily construction activity, as measured by the number of units permitted, has been limited in the Carbon County submarket since 2000. During this time, construction has fluctuated widely, with years of higher growth corresponding to only one or two projects in development (see Figure 14). The spike in development during 2007 corresponded

Housing Market Trends

Rental Market—Carbon County Submarket *Continued*

to the construction of MapleShade Meadows Assisted Living Center, a 97-unit rental housing development. During 2010, no permits were issued for multifamily development compared with 30 units permitted during 2009, according to preliminary data. Since 2000, approximately 60 percent, or 150 units, of multifamily development have been apartments intended for those aged 55 and older. Average market-rate rents for one-, two-, and three-bedroom apartments are \$600, \$820, and \$950, respectively.

During the forecast period, demand is expected for 100 new rental units in the Carbon County submarket (see Table 1). Currently, no apartments are in the pipeline. Approximately 60 percent of total rental demand during the forecast period will be for three-bedroom units with rents that start from \$850. Table 7 shows estimated demand by rent level for new market-rate rental housing in the Carbon County submarket during the forecast period.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Carbon County Submarket, January 1, 2011 to January 1, 2014

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
450 to 649	10	650 to 849	10	850 to 1,049	30
650 to 849	10	850 to 1,049	10	1,050 to 1,249	30
Total	20	Total	20	Total	60

Source: Estimates by analyst

Sales Market—Warren County Submarket

The sales housing market in the Warren County submarket is currently soft, with an estimated 2.3-percent vacancy rate. According to the most recent data from the New Jersey Association of REALTORS®, during the fourth quarter of 2010, new and existing home sales declined to 150 homes, down 90 homes, or 38 percent, compared with the same period a year earlier. The median price of new and existing homes decreased by 5 percent during the fourth quarter of 2010 to \$224,200, down from \$235,100 during the fourth quarter of 2009; the decrease was less than the 13-percent decline during the same period in 2008, when the median price was \$271,000. As with the national trend, home sales in Warren County began to decline

in 2006, with sales slowing to 200 homes in the fourth quarter of 2006 compared with an average of 330 homes sold during the fourth quarters of 2000 through 2005, when sales market conditions were stronger. During that period, median prices were increasing by an average of 10 percent a year from \$184,000 in the fourth quarter of 2000 to \$304,600 in the fourth quarter of 2005. By the fourth quarter of 2006, median home prices had decreased by 5.9 percent to \$286,700 from the previous year. According to LPS Applied Analytics, from December 2009 to December 2010, the number of loans that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) increased from 8.7 to 9.3 percent.

Housing Market Trends

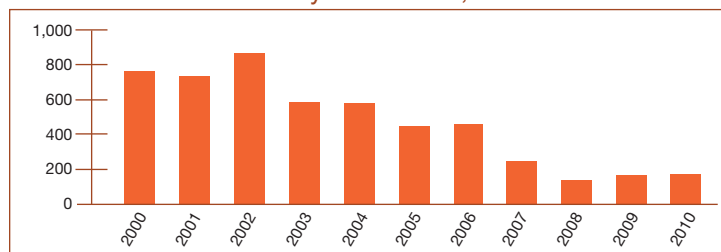
Sales Market—Warren County Submarket *Continued*

Single-family home construction activity, as measured by the number of single-family building permits issued, began to slow in 2003 despite the strength in the sales market during the early part of the decade. Approximately 580 permits were issued during 2003 compared with an average of nearly 800 permits issued annually from 1998 through 2002 (see Figure 15). According to the Warren County Planning Board, the decline in development activity was initially because of the effect of a weaker economy during 2001. By 2004, economic conditions improved; however, new

environmental regulations limited development, including low-density single-family subdivisions, within the county. Single-family home development decreased even further, to an average of 150 permits issued during 2008 and 2009, with the weakening in the economy during the latter part of the decade. According to preliminary data, during 2010, 170 single-family homes were permitted, unchanged from the number issued during 2009. During the past 2 years, single-family home development has been concentrated along the eastern portion of the county, bordering the Newark-Union metropolitan division, in Allamuchy, Hackettstown, and Lopatcong Townships and in the western portion of the county, bordering the Lehigh Valley submarket, across the Delaware River.

During the next 3 years, demand is estimated for 460 new market-rate sales units in the Warren County submarket. A portion of this demand will be met by 50 homes under construction (see Table 1) in addition to the supply of available excess vacant units. As a result, new units should not be needed until the second year of the forecast period, with stronger demand by the third year of the period. Another portion of demand could be met by some of the estimated 1,400 other vacant units that may become available for sale during the next 3 years. Demand for new sales units is expected to be strongest in the \$254,900-to-\$304,900 price range (see Table 8).

Figure 15. Single-Family Building Permits Issued in the Warren County Submarket, 2000 to 2010



Note: Includes only single-family units.

Source: U.S. Census Bureau, Building Permits Survey

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Warren County Submarket, January 1, 2011 to January 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
154,900	204,899	25	5.0
204,900	254,899	120	25.0
254,900	304,899	140	30.0
304,900	354,899	120	25.0
354,900	404,899	45	10.0
404,900	and higher	25	5.0

Note: A portion of the estimated 1,400 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

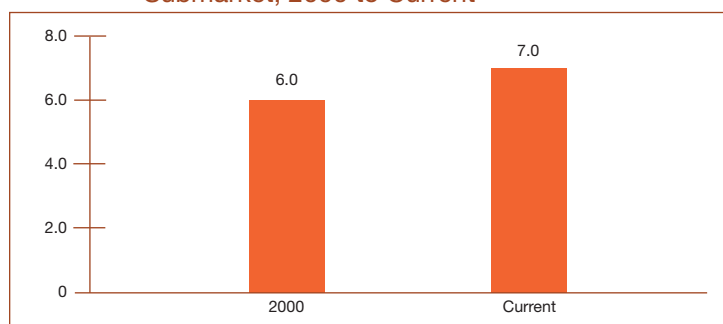
Rental Market—Warren County Submarket

Rental market conditions in the Warren County submarket are currently soft, but improving, with a vacancy rate of 7 percent compared with the 7.6-percent rate in 2008. Average asking rents during 2010 increased to an estimated \$1,000 from an average of \$860 during 2008. Conditions were balanced in 2000, with an overall 6-percent vacancy rate (see Figure 16). The current softening in rental market conditions resulted from a slightly higher pace of multifamily development since 2000 compared with the growth in rental households, where, typically, 90 percent or more of multifamily developments in the Warren County submarket are apartments. The production of new rental housing since 2000 exceeded demand by an estimated 30 units annually. These factors increased the rental vacancy

rate to an estimated 7.8 percent by 2006, with the market continuing to be soft, but improving, through 2010. Table DP-4 at the end of this report shows population and rental household growth report. The expansion of multifamily developments from 2004 through 2006 was affected in part by new environmental regulations that favored higher density developments. During this period, 80 new condominiums were constructed in the Warren County submarket compared with virtually none during previous years. Despite the larger proportion of condominium development, apartment construction increased by an average of 50 units permitted a year for a total of 320 units from 2004 through 2006.

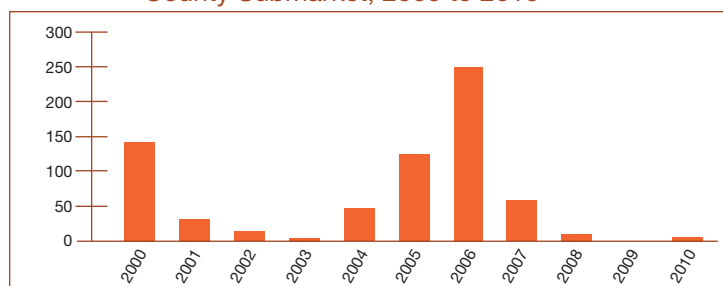
Multifamily construction activity, as measured by the number of units permitted, has been limited in the Warren County submarket since 2007 (see Figure 17). Existing units in the rental market continue to be absorbed. According to preliminary data, multifamily development was not significant during 2010, a similar situation as in 2009. Multifamily building activity declined when weaker economic conditions and stringent lending made large-scale project financing difficult to obtain. Recently constructed apartments include Camelot at Woodfield, a 72-unit community located on the eastern border of the Warren County submarket, and Warren Heights, a 414-unit condominium and townhome development bordering the Lehigh Valley submarket, with 158 units set aside for the rental market. Average rents for newly constructed studio, one-bedroom, two-bedroom, and three-bedroom apartments are \$780, \$940, \$1,125, and \$1,275, respectively.

Figure 16. Rental Vacancy Rates in the Warren County Submarket, 2000 to Current



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

Figure 17. Multifamily Building Permits Issued in the Warren County Submarket, 2000 to 2010



Note: Includes all multifamily units in structures with two or more units.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Rental Market—Warren County Submarket *Continued*

Demand in the Warren County submarket during the forecast period is estimated to total 110 new rental units (see Table 1). Currently, no apartments are in the pipeline; however, the number of units available for rent in the existing inventory is expected to satisfy nearly one-half of the demand for rental housing in the Warren County submarket during the

forecast period. A greater proportion of demand during the forecast period will be for one- and two-bedroom units with rents that start at \$1,000 and \$1,200, respectively. Table 9 shows estimated demand by rent level for new market-rate rental housing in the Warren County submarket during the forecast period.

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Warren County Submarket, January 1, 2011 to January 1, 2014

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
1,000 to 1,199	30	1,200 to 1,399	30	1,400 to 1,599	10
1,200 to 1,399	10	1,400 to 1,599	20	1,600 to 1,799	10
Total	40	Total	50	Total	20

Source: Estimates by analyst

Data Profiles

Table DP-1. Allentown-Bethlehem-Easton HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	335,396	370,991	382,400	1.0	0.3
Unemployment Rate	5.2%	3.7%	9.6%		
Nonfarm Payroll Jobs	286,600	323,400	333,000	1.2	0.3
Total Population	686,688	740,395	823,800	0.8	1.0
Total Households	259,828	285,808	315,500	1.0	0.9
Owner Households	185,927	204,951	231,900	1.0	1.2
Percent Owner	71.6%	71.7%	73.5%		
Renter Households	73,901	80,857	83,600	0.9	0.3
Percent Renter	28.4%	28.3%	26.5%		
Total Housing Units	277,649	307,269	114,200	1.0	- 8.8
Owner Vacancy Rate	1.6%	1.7%	1.7%		
Rental Vacancy Rate	6.3%	6.6%	6.0%		
Median Family Income	\$38,652	\$52,114	\$70,000	3.0	3.0

Notes: Median family incomes are for 1989, 1999, and 2009. Employment data represent annual averages for 1990, 2000, and the 12 months through December 2010.

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

Table DP-2. Lehigh Valley Submarket Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Population	538,235	579,156	649,600	0.7	1.1
Total Households	203,842	223,447	244,900	0.9	0.9
Owner Households	145,155	158,313	178,900	0.9	1.1
Percent Owner	71.2%	70.9%	73.1%		
Renter Households	58,687	65,134	66,000	1.0	0.1
Percent Renter	28.8%	29.1%	26.9%		
Total Housing Units	213,680	235,620	34,200	1.0	- 16.4
Owner Vacancy Rate	1.4%	1.5%	1.6%		
Rental Vacancy Rate	6.3%	6.4%	6.0%		
Median Family Income	\$38,600	\$53,500	\$70,000	3.3	2.7

Note: Median family incomes are for 1989, 1999, and 2009.

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

Table DP-3. Carbon County Submarket Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Population	56,846	58,802	65,300	0.3	1.0
Total Households	21,989	23,701	27,800	0.8	1.5
Owner Households	17,128	18,529	21,700	0.8	1.5
Percent Owner	77.9%	78.2%	78.1%		
Renter Households	4,861	5,172	6,100	0.6	1.5
Percent Renter	22.1%	21.8%	21.9%		
Total Housing Units	27,380	30,492	34,200	1.1	1.1
Owner Vacancy Rate	1.9%	2.5%	1.8%		
Rental Vacancy Rate	4.8%	10.2%	4.8%		
Median Family Income	\$30,225	\$42,118	\$70,000	3.4	5.2

Note: Median family incomes are for 1989, 1999, and 2009.

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

Table DP-4. Warren County Submarket Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Population	91,607	102,437	108,900	1.1	0.6
Total Households	33,997	38,660	42,800	1.3	1.0
Owner Households	23,644	28,109	31,300	1.7	1.0
Percent Owner	69.5%	72.7%	73.1%		
Renter Households	10,353	10,551	11,500	0.2	0.8
Percent Renter	30.5%	27.3%	26.9%		
Total Housing Units	36,589	41,157	45,810	1.2	1.0
Owner Vacancy Rate	2.4%	2.2%	2.3%		
Rental Vacancy Rate	7.2%	6.0%	7.0%		
Median Family Income	\$45,770	\$66,223	\$86,100	3.8	2.7

Note: Median family incomes are for 1989, 1999, and 2009.

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 1/1/2011—Analyst's estimates

Forecast period: 1/1/2011–1/1/2014—Analyst's estimates

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 HUD's analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_Allentown-Bethlehem-EastonPA-NJ_11.pdf.

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

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

For additional reports on other market areas, please go to
www.huduser.org/publications/econdev/mkt_analysis.html.