



2016 Regional Development Outlook

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LEHIGH VALLEY PLANNING COMMISSION

The Lehigh Valley Planning Commission (LVPC) is the region's only entity to review and coordinate development activity in Lehigh and Northampton counties. As such, the LVPC closely monitors the location, timing and implementation of development; maintains a significant amount of data; and develops regional plans around trends affecting the Lehigh Valley.

THE TRENDS

For the last five years, the Lehigh Valley has seen a sharp shift in the types of development in the region. The market is migrating away from single family detached residential construction, the primary development type for over fifty years, to assisted living and apartment communities and warehouse, logistics and commercial box manufacturing buildings. These trends are expected to continue in 2016, though the length of the growth in greenfield freight-based facilities is anticipated to level off around 2020, as key locations around critical highway and freight rail lines will be developed. This will cause densification of freight facilities and open redevelopment opportunities around highway interchanges and along primary and secondary rail freight corridors throughout the region.

Since 2010, the Lehigh Valley has sustained between 350 and 425 new subdivision and development proposals per year. Between 150-175 of these plans reached final approval and development each year. It is expected the quantity of new development proposals will remain roughly the same in 2016, though the locations of new development are evolving.

HOUSING

Over 50% of total new residential construction over the last year is apartment dwellings. This form of development is happening in the cities and suburbs, with the largest apartment developments in Palmer Township (306 units), downtown Allentown (168 units) and the City of Easton (110 units).

The apartment development trend will continue over the next decade, as real demand and need exists for new rental product in locations that are walkable and connected to largely urban eating, shopping, event and other recreational amenities. The more successful market rate apartment developments in recent years are in the cities, as consumer preferences have shifted to the multimodal, urban amenities model that these places provide. The region's rental housing shortage can easily be addressed by reuse of existing buildings, coupled with targeted densified new construction in the region's communities whose development form is backed by the "Transportation Trifecta", defined by equal parts walkability, bikeability and driveability.

Large assisted living developments are also planned and under construction to address the significant Silver Tsunami, as the World War II, Silent and Baby Boom Generations age in the region. This ties into the rapid growth in age-restricted communities. These age-related development types are expected to level off in the next five years, as Generations X, Y and Z are comparatively smaller in size than their older parents and grandparents and the region's birth rate remains low.

Some single family detached housing development will continue to occur as residential plans pre-economic downturn are now being finished. However, consumer demand for new product of this type has changed from large 3,500+ square feet houses down to dwellings 2,500 square feet and under. The resale market for existing single family detached housing remains very good regionwide, regardless of dwelling size. A new LVPC *Housing Market Report*, released December 17th, outlines existing residential sales, including value and location by type over the last five years.

COMMERCIAL

Significant growth in commercial development is occurring in the Lehigh Valley. Several segments of the commercial market are experiencing high growth, including car-oriented facilities, which accounted for over 72,000 square feet of new development out of 99,882 square feet of proposed new commercial in the last year.

New office product growth is also significant, in part due to the "Neighborhood Improvement Zone Effect" spurred in Allentown. In fact, over 157,000 square feet of the 202,547 square feet of new office proposed is encompassed in the development of Allentown's City Center Three. Nevertheless, the Simon Silk Mill in Easton contains over 20,000 square feet of new office. Bethlehem Township is the third most active municipality with new office product and is the community to watch over the coming several years for the addition of new Class A office product.

New retail development accounts for under 85,000 square feet of the total nonresidential market in the Lehigh Valley. The City of Allentown, City of Easton and Lower Macungie Township host the larger retail developments with the Three and Four City Center projects, Simon Silk Mill and Indoor Farmer's Market, and Hamilton Crossing's projects, respectively. It is anticipated that, as more and more consumer products are purchased online, the demand for existing and new retail space will decline. Redevelopment opportunities for less desirable retail locations will increase, and it is anticipated that portions of primary retail corridors, such as MacArthur Road, Route 248/25th Street and Lehigh Street, among others, will evolve into mixed use commercial-residential corridors in the future. It is expected that the LVPC will work with affected municipalities, property owners, developers and the Pennsylvania Department of Transportation (PennDOT), among others, to revision these locations to support new investment and curb consumer-driven blight. In fact, the LVPC is developing and funding a comprehensive visual and economic modeling infrastructure to plan for future reuse of retail corridors.

The largest growth in the non-commercial sector is in industrial development, with over 3.9 million square feet in 2014 and over 2 million square feet as of November 31, 2015 in planning and development in the region. A variety of logistics and manufacturing facilities are proposed and distributed throughout the region's four primary freight hubs. Interestingly, new industrial growth is shifting from more obvious locations, such as Palmer and Upper Macungie townships,

to adjacent communities with access to quality infrastructure. This speaks to the build-out of available industrial land and increased demand.

Top Communities for Industrial Growth in 2015 (greatest new square footage proposed as of November 31, 2015):

- 1) City of Bethlehem, Northampton County portion
- 2) Weisenberg Township, Lehigh County
- 3) Lower Nazareth Township, Northampton County
- 4) Hanover Township, Northampton County
- 5) Forks Township, Northampton County
- 6) City of Allentown, Lehigh County
- 7) Lower Macungie Township, Lehigh County
- 8) South Whitehall Township, Lehigh County
- 9) Upper Milford Township, Lehigh County

It is anticipated that new development will continue to occur in these locations, as well as in existing freight-based communities and in new locations north of the Lehigh Valley International Airport.

Top Ten Development Hot Zones (in order of amount of proposed development activity):

- 1) Upper Macungie Township, Lehigh County
- 2) City of Allentown, Lehigh County
- 3) Forks Township, Northampton County
- 4) Lower Macungie Township, Lehigh County
- 5) City of Bethlehem, Lehigh and Northampton counties
- 6) Hanover Township, Northampton County
- 7) Upper Saucon Township, Lehigh County
- 8) Upper Nazareth Township, Northampton County
- 9) Whitehall Township, Lehigh County
- 10) Allen Township, Northampton County

INFRASTRUCTURE INVESTMENT

The LVPC will continue to invest at these key infrastructure points through the Lehigh Valley Transportation Study, which manages over \$3.9 billion in federal and state funds for roads, bridges, rail and transit on behalf of the region. In 2015, the LVPC opened the American Parkway Bridge, with the City of Allentown and PennDOT completing a 20-year commitment to providing this City more efficient access to the Lehigh Valley's Main Street, Route 22. In addition, the "Chrinterchange" was opened in Palmer Township with \$6 million in subsidy from the LVPC and PennDOT. The Lehigh Street Tri-Bridges in Whitehall Township were completed by Lehigh County, with the LVPC as a funding partner as well. In fact, *MOVELV: Long Range Transportation Plan* and *MOVELV: Regional Freight Plan* were adopted late 2015, targeting critical regional infrastructure corridors for new investment.

Top Ten Infrastructure Investment Projects:

- 1) Widening of Route 22 in Lehigh and Northampton Counties (\$700 million)
- 2) Route 33 improvements in Northampton County (\$80 million)
- 3) Hill to Hill Bridge reconstruction in the City of Bethlehem (\$80 million)

- 4) Reconstruction of the Route 309 at Tilghman Street Interchange in South Whitehall Township (\$50 million)
- 5) Interchange redesign at Route 22 and 13th Street in the City of Easton (\$50 million)
- 6) New Route 309 at Center Valley Interchange in Upper Saucon Township (\$35 million)
- 7) Tilghman Street Bridge reconstruction in the City of Allentown (\$22 million)
- 8) Fahy Bridge reconstruction in the City of Bethlehem (\$20 million)
- 9) Rebuilding of Route 100 in Upper Macungie Township (\$15 million)
- 10) Cementon Bridge reconstruction in Whitehall Township (\$15 million)

Construction is beginning on the Fullerton Avenue interchange, and preliminary engineering for the replacement of the Route 22 Bridge over the Lehigh River is underway. And, the much anticipated Route 412 improvements are expected to be completed in the coming weeks. Moreover, the LVPC is exploring enhanced commuter options on the region's roadways and railways in partnership with the U.S. Department of Transportation and Amtrak over the next several years. The hope is that enhanced mobility within the region and in and out of neighboring regions will promote the Lehigh Valley's economic competitiveness and support the revitalization of Allentown, Bethlehem and Easton. These and the many other infrastructure investments through the LVPC are continuing to support private sector investment and preparing the region for new public and private investment in this new economic era.