

COMPREHENSIVE HOUSING MARKET ANALYSIS

Allentown-Bethlehem-Easton, Pennsylvania-New Jersey

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of July 1, 2023



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Executive Summary

Housing Market Area Description

The Allentown-Bethlehem-Easton Housing Market Area (hereafter, Allentown HMA) is coterminous with the Allentown-Bethlehem-Easton, PA-NJ Metropolitan Statistical Area and includes Carbon, Lehigh, and Northampton Counties in Pennsylvania and Warren County in New Jersey. Known as the Lehigh Valley, the HMA in eastern Pennsylvania is 60 miles north of the city of Philadelphia and 90 miles west of New York City. This location near major cities and Interstates 78 and 476 in the Northeast United States leads some to call the HMA “the inland port of the East Coast” due to the proliferation of warehouse and distribution centers critical for e-commerce activity in the region.

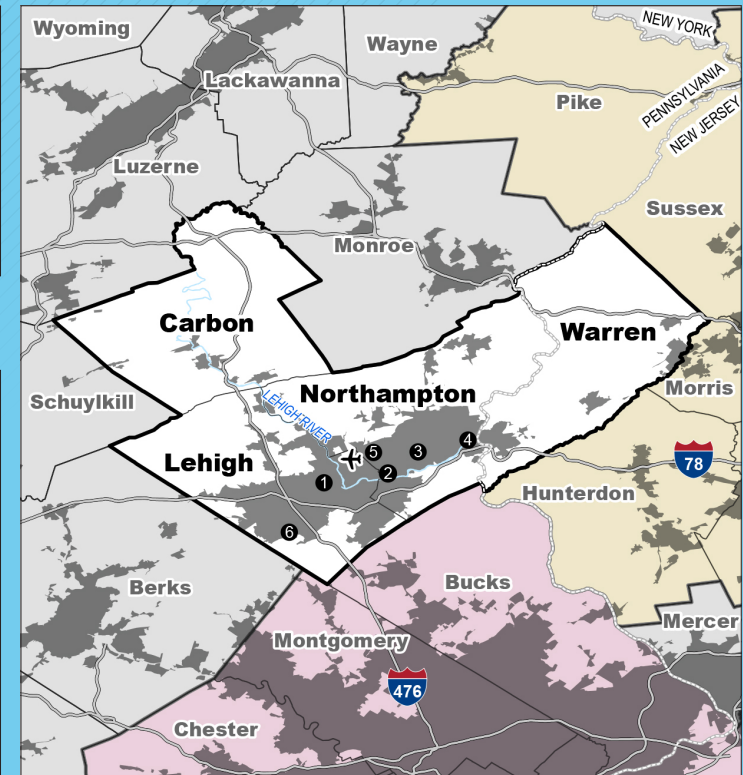
The current population of the HMA is estimated at 876,600.



- Allentown HMA
- New York MSA
- Philadelphia MSA
- Major Roads
- Urbanized Areas
- Lehigh Valley International Airport

Places of Interest

- 1 Allentown
- 2 Bethlehem
- 3 Bethlehem Township
- 4 Easton
- 5 Hanover Township
- 6 Macungie



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R’s [Market-at-a-Glance tool](#).
 Additional data for the HMA can be found in this report’s [supplemental tables](#).
 For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



Market Qualifiers

Economy



Stable but Easing: During the 12 months ending June 2023, total nonfarm payrolls averaged 389,100, an increase of 10,700 jobs, or 2.8 percent, compared with the previous 12-month period, when jobs rose 5.1 percent.

Nonfarm payrolls increased during the past 2 years, and all jobs lost in March and April 2020 due to the COVID-19-related recession have been fully recovered. During the 12 months ending June 2023, nonfarm payrolls were up in 10 of 11 sectors, led by gains in the education and health services and the leisure and hospitality sectors, which increased by 3,500 and 2,000, or 4.5 and 5.9 percent, respectively. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.8 percent annually.

Sales Market



Tight: The Allentown HMA had 1.1 months of available for-sale housing inventory in June 2023, down from 1.3 months of inventory in June 2022 (CoreLogic, Inc.).

Sales market conditions in the HMA are currently tight but easing, with an estimated 1.0 percent vacancy rate, down from 1.2 percent in April 2020, when the market was also tight. During the 12 months ending June 2023, home sales totaled 13,000, a 23-percent decline from a year earlier, and the average home sales price increased 9 percent to \$311,700. Total home sales decreased significantly in the past year because rising home sales prices and higher mortgage interest rates have made homeownership more expensive. During the next 3 years, demand is estimated for 5,300 new homes. The 550 homes under construction in the HMA will satisfy a portion of the demand.

Rental Market



Balanced: The overall rental vacancy rate is estimated at 5.7 percent as of July 1, 2023, unchanged from April 2020.

The apartment market in the HMA is balanced, with a 3.4-percent vacancy rate as of the second quarter of 2023, unchanged from a year earlier and up from 1.7 percent during the second quarter of 2021 when the market was very tight. The average apartment rent in the HMA was \$1,585 as of the second quarter of 2023, up nearly 3 percent from the same period a year earlier. During the forecast period, demand is estimated for 3,100 new rental units. The 1,100 units under construction are expected to satisfy a portion of that demand.

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3-Year Housing Demand Forecast

	Sales Units	Rental Units
Allentown HMA	Total Demand	5,300
	Under Construction	550
		3,100
		1,100

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2023. The forecast period is July 1, 2023, to July 1, 2026.

Source: Estimates by the analyst



Economic Conditions

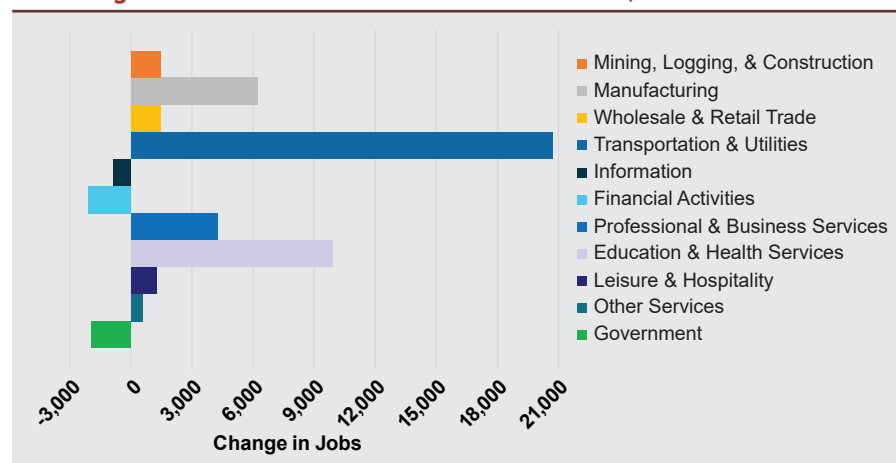
Largest Sector: Education and Health Services

Nonfarm payrolls in the Allentown HMA are approximately 3 percent above the pre-COVID-19 pandemic high.

Primary Local Economic Factors

The transportation and utilities sector has led payroll growth in the HMA since 2014 (Figure 1). Because it is near Interstates 78 and 476, allowing quick access to neighboring metropolitan areas like New York and Philadelphia, many companies, including Amazon.com, Inc., Walmart Inc., and FedEx Corporation, have opened facilities in the HMA to help with e-commerce and logistics since 2014. In addition, Swiss-based electrical equipment firm ABB Ltd. opened a \$4 million distribution center in the city of Easton in early 2023. These facilities contributed to jobs in the transportation and warehousing industry becoming a vital part of the economy, currently accounting for 10 percent of all jobs in the HMA, up from 6 percent in 2014, or nearly all jobs in the transportation and utilities sector.

Figure 1. Sector Growth in the Allentown HMA, 2014 to Current

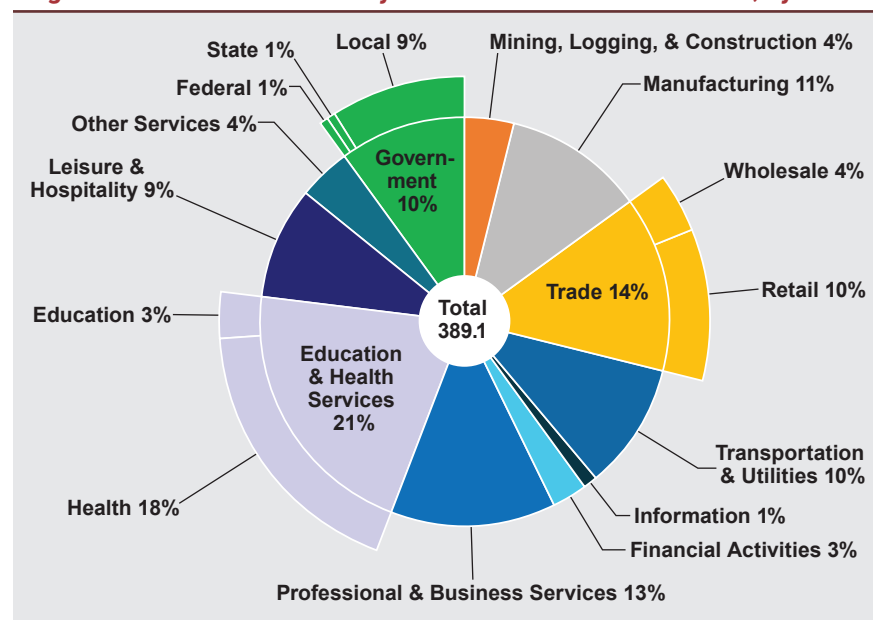


Note: The current date is July 1, 2023.
Source: U.S. Bureau of Labor Statistics

Manufacturing—specifically steel manufacturing—has historically been a crucial part of the economy of the HMA. The sector accounted for nearly 23 percent of all jobs in 1990. However, jobs in the steel industry declined in the latter half of the 20th century, highlighted by the closing of Bethlehem Steel in 2003. In 2003, manufacturing accounted for 41 percent of the gross domestic product in the HMA but fell to 17 percent in 2021 (U.S. Bureau of Economic Analysis). Nonetheless, the manufacturing sector is a significant portion of the local economy. With approximately 41,100 jobs, the manufacturing sector currently accounts for 11 percent of all nonfarm payroll jobs in the HMA (Figure 2).

The education and health services sector is the largest in the HMA, accounting for approximately 21 percent of all nonfarm payrolls. The sector includes 3 of the 10 largest employers in the HMA, including the 2 largest

Figure 2. Share of Nonfarm Payroll Jobs in the Allentown HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through June 2023.
Source: U.S. Bureau of Labor Statistics



employers, Lehigh Valley Health Network and St. Luke's University Health Network, with 19,524 and 11,972 employees, respectively (Table 1). The private educational services subsector, which accounts for 3 percent of all jobs in the HMA, includes Lehigh University—the ninth largest employer in the HMA with 1,863 employees. Lehigh University is one of the 11 public and private colleges and universities in the HMA, with a combined total of approximately 38,100 students and 7,975 employees in the fall of 2021 (National Center for Education Statistics). Total enrollment at these colleges and universities declined an average of 4 percent annually from 2018 to 2021 compared with a 1-percent average annual decline from 2010 to 2018.

Current Conditions— Nonfarm Payrolls

Job growth in the HMA is leveling off after rapid growth in the 2 years following the COVID-19 pandemic. By October 2021, the HMA had recovered jobs lost in March and April 2020 due to the COVID-19-related recession. By comparison, jobs in the nation also fully recovered in October 2021 (monthly data, not seasonally adjusted). Nonfarm payrolls in the HMA averaged 389,100 jobs during the 12 months ending June 2023, an increase of 10,700 jobs, or 2.8 percent, compared with the same period a year earlier, when jobs rose by 18,200, or 5.1 percent (Table 2). During the 12 months ending June 2023, nonfarm payrolls increased in 10 of 11 payroll sectors, led by gains

Table 1. Major Employers in the Allentown HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Lehigh Valley Health Network	Education & Health Services	19,524
St. Luke's University Health Network	Education & Health Services	11,972
Walmart Inc.	Wholesale & Retail Trade	4,223
Cedar Fair, L.P.	Leisure & Hospitality	2,871
Mack Trucks, Inc.	Manufacturing	2,775
Lehigh County	Government	2,251
Air Products and Chemicals, Inc.	Manufacturing	2,000
Northampton County	Government	1,976
Lehigh University	Education & Health Services	1,863
Lutron Electronics Co., Inc.	Manufacturing	1,500

Note: Excludes local school districts.

Source: Lehigh Valley Business, 2023 Book of Lists

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Allentown HMA, by Sector

	12 Months Ending June 2022	12 Months Ending June 2023	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	378.4	389.1	10.7	2.8
Goods-Producing Sectors	54.1	55.1	1.0	1.8
Mining, Logging, & Construction	13.8	13.9	0.1	0.7
Manufacturing	40.3	41.1	0.8	2.0
Service-Providing Sectors	324.3	334.0	9.7	3.0
Wholesale & Retail Trade	53.4	54.4	1.0	1.9
Transportation & Utilities	38.7	40.1	1.4	3.6
Information	5.3	5.4	0.1	1.9
Financial Activities	13.0	12.9	-0.1	-0.8
Professional & Business Services	51.0	51.9	0.9	1.8
Education & Health Services	77.5	81.0	3.5	4.5
Leisure & Hospitality	33.7	35.7	2.0	5.9
Other Services	13.9	14.4	0.5	3.6
Government	38.0	38.3	0.3	0.8

Notes: Based on 12-month averages through June 2022 and June 2023. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics

in the education and health services and the leisure and hospitality sectors. Jobs in the education and health services sector rose by 3,500, or 4.5 percent, during the period, partially due to continued hiring after the June 2022 opening of the Lehigh Valley Hospital—Carbon in the borough of Lehigh. Leisure and hospitality sector jobs averaged 35,700 during the 12 months ending June 2023, an increase of

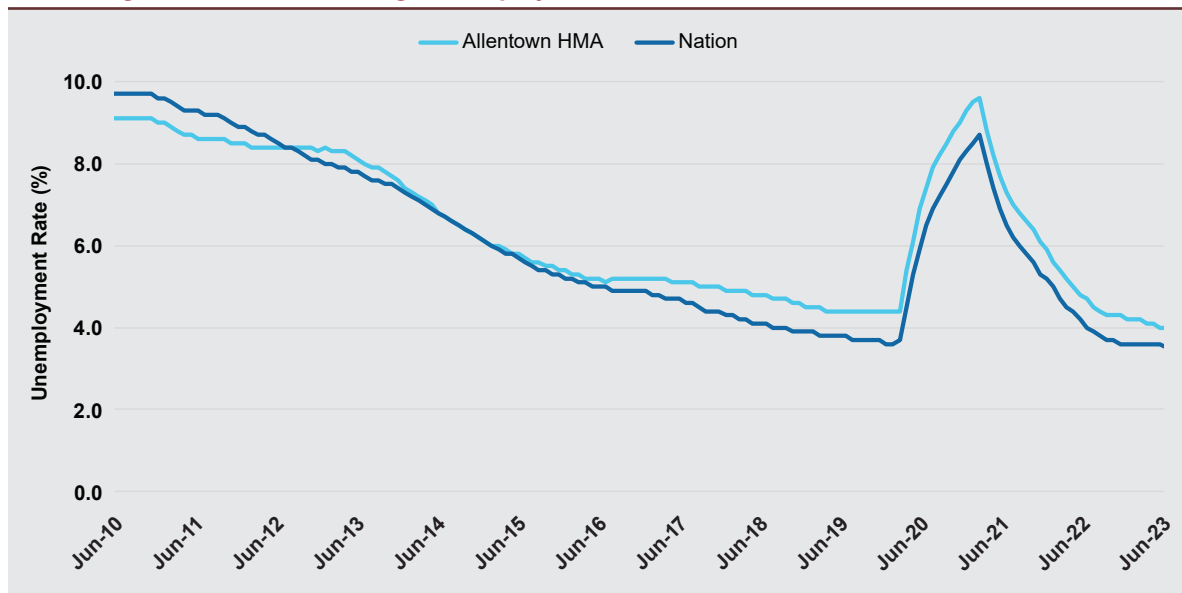


2,000, or 5.9 percent, from a year earlier. Despite these gains, nonfarm payrolls in the sector are approximately 7 percent below the all-time high prior to the COVID-19 pandemic.

Current Conditions— Unemployment

Because of recent job gains, the unemployment rate declined significantly during the past 2 years, following the spike in unemployment due to the COVID-19-related recession. The unemployment rate averaged 4.0 percent during the 12 months ending June 2023, down from 4.8 and 7.7 percent during the 12 months ending June 2022 and 2021, respectively (Figure 3). The current unemployment rate is the lowest in the HMA in more than 20 years, largely because resident employment has risen by an average of 0.8 percent annually, faster than the 0.7 percent average annual growth in labor force during the period. Nonetheless, the unemployment rate in the HMA is slightly higher than the national unemployment rate of 3.6 percent.

Figure 3. 12-Month Average Unemployment Rate in the Allentown HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

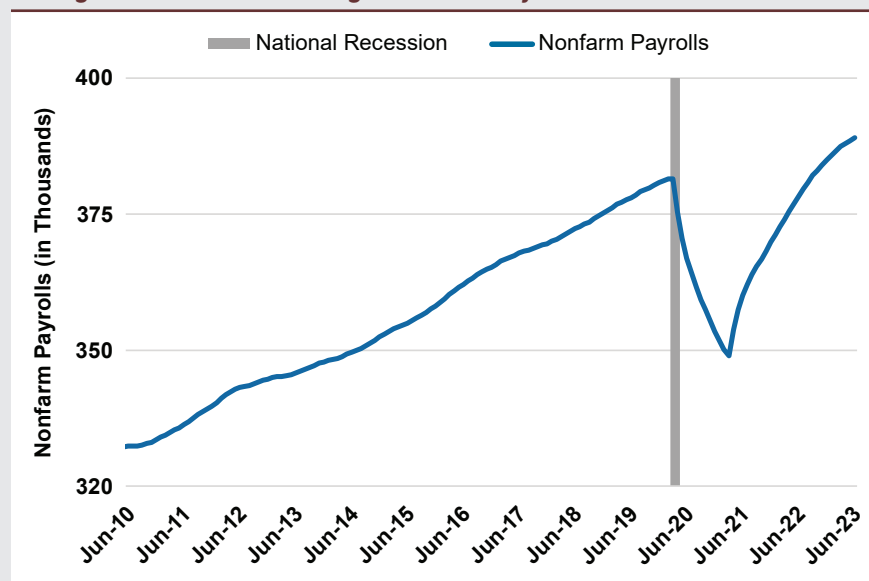
Economic Recovery and Expansion: 2011 Through 2019

Following the impact of the Great Recession from 2007 to 2009, jobs in the HMA rose slightly to 333,600 in 2010, and the economy of the HMA added jobs each year from 2011 through 2019 as the economy recovered and then expanded. From 2011 through 2019, total nonfarm payrolls in the HMA increased by an average of 5,200 jobs, or 1.5 percent, annually compared with average annual gains of 1.6 percent nationally. Notably, jobs in the transportation and utilities sector increased an average of 1,900, or 9.0 percent, annually during the period because companies started building warehouses and distribution centers in the Lehigh Valley. Specifically, the transportation and utilities sector accounted for 41 percent of all jobs added during the 2014 through 2018 period, contributing to an increase in population growth in the HMA. For example, online retailer Zulily, LLC opened an 800,000-square-foot warehouse and distribution center in the city of Bethlehem in 2015. Moreover, jobs in the education and health services sector rose by an average of 1,400, or 1.9 percent, annually from 2011 through 2019. By comparison, government jobs fell by an average of 300, or 0.6 percent, annually from 2011 through 2019.

COVID-19 Recession: 2020

The interventions taken in mid-March 2020 to slow the spread of COVID-19 weakened economic conditions in the HMA during 2020. Due to the pandemic and subsequent mitigation efforts, such as business closures and statewide stay-at-home orders, nonfarm payrolls in the HMA declined by 27,300, or 7.2 percent, during 2020. By comparison, nonfarm payrolls nationwide declined 5.8 percent. Although most of the jobs lost occurred during March and April of 2020, it took some time for the economy to bounce back after the shock (Figure 4). During 2020, 10 of 11 nonfarm payroll sectors lost jobs, with the most severe losses in the leisure and hospitality sector, which was down by 9,900 jobs, or 26.1 percent. Wind Creek Bethlehem, a casino resort along the

Figure 4. 12-Month Average Nonfarm Payrolls in the Allentown HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Lehigh River in the city of Bethlehem, laid off more than 2,000 employees during 2020. In addition, Bear Creek Mountain Resort in the borough of Macungie laid off more than 350 workers. The transportation and utilities sector was the only one that added jobs during the year, rising by 1,500, or 4.6 percent, largely due to the need for transportation and warehousing jobs to fulfill the demand for e-commerce and logistics because much of the population had increased shopping online.

Economic Recovery and Expansion: 2021 Through 2022

Following the downturn, the economy of the HMA was quick to recover. From 2021 through 2022, the HMA added an average of 15,700 nonfarm payroll jobs, a 4.3-percent increase, annually. Leisure and hospitality sector jobs rose by an average of 3,500, or 11.8 percent, annually during the period. The

sector benefited from the opening of Home2 Suites by Hilton Easton near the Lehigh Valley International Airport and the \$160 million expansion at Wind Creek Bethlehem. In addition, manufacturing jobs increased by an average

of 1,600, or 4.2 percent, annually during the 2-year period. In 2022, B. Braun Medical Inc., a medical device manufacturer, opened a \$200 million expansion of its campus in Hanover Township, adding more than 200 jobs to the facility.

Forecast

During the 3-year forecast period, the economy of the HMA is expected to continue to expand. Nonfarm payrolls are projected to grow an average of 1.8 percent annually during the next 3 years, although job growth will decelerate in each year of the forecast period. Jobs in the education and health services

and the transportation and utilities sectors are expected to drive employment growth in the coming years. A planned expansion of the Anderson campus hospital of St. Luke's University Health Network in Bethlehem Township and a nearly complete \$35 million expansion of the Lehigh Valley International Airport will partially buoy these sectors.



Population and Households

Current Population: 876,600

Domestic net in-migration, primarily from people moving into the Allentown HMA from neighboring metropolitan areas, has been responsible for a significant portion of the population growth in the HMA since 2020.

Population Trends

As of July 1, 2023, the population of the HMA is estimated at 876,600, representing an average annual increase of approximately 4,525, or 0.5 percent, since 2020 compared with an average annual gain of 4,075, or 0.5 percent, from 2010 to 2020 (Table 3). Lehigh County, the location of the city of Allentown along with a portion of the city of Bethlehem, is the largest county in the HMA and currently accounts for approximately 43 percent of the population, with 0.6 percent average annual growth from 2010 to 2022 (U.S. Census Bureau, Population Estimates Program). Northampton County, the second-largest county in the HMA, with 36 percent of the population, also grew an average of 0.6 percent annually from 2010 to 2022.

Since 2010, population growth has largely been attributed to an increase in net in-migration (Figure 5), specifically international migration into the HMA. From 2010 to 2013, the population increased by an average of 2,250, or 0.3 percent,

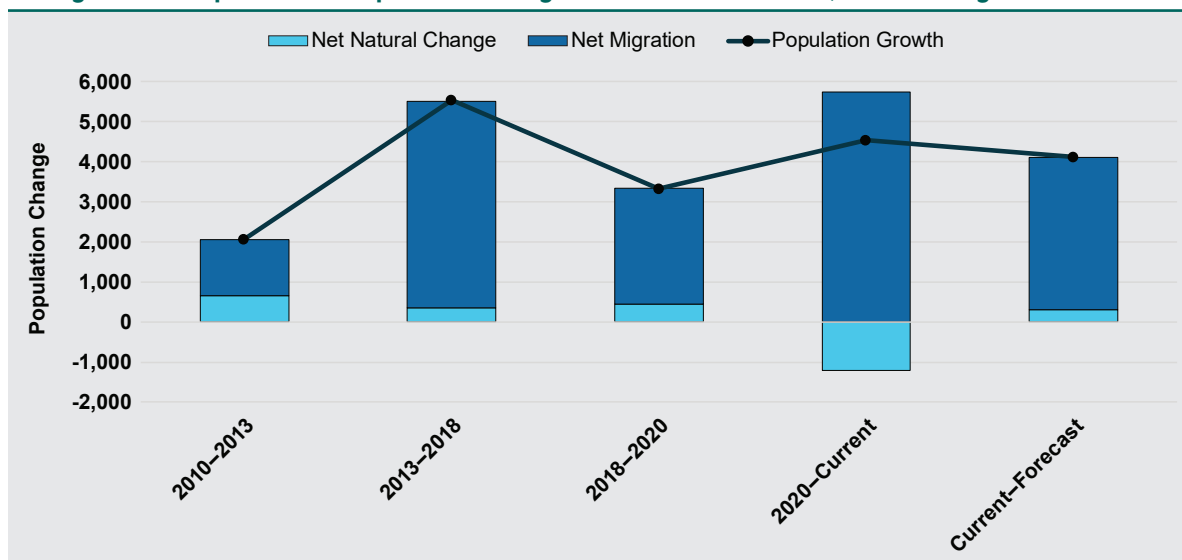
Table 3. Allentown HMA Population and Household Quick Facts

Population Quick Facts	2020	Current	Forecast	
	Population	861,889	876,600	888,900
	Average Annual Change	4,075	4,525	4,100
Percentage Change	0.5	0.5	0.5	

Household Quick Facts	2020	Current	Forecast	
	Households	334,162	343,100	349,600
	Average Annual Change	1,850	2,750	2,175
Percentage Change	0.6	0.8	0.6	

Notes: Average annual changes and percentage changes are based on averages from 2010 to 2020, 2020 to current, and current to forecast. The forecast period is the current date (July 1, 2023) to July 1, 2026.
Sources: 2010 and 2020—2010 Census and 2020 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Allentown HMA, 2010 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is the current date (July 1, 2023) to July 1, 2026.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

annually, and net in-migration averaged 1,575 people annually. Net in-migration during this period was because of international migration, primarily from Puerto Rico. Although Puerto Rico is part of the United States, the U.S. Census Bureau counts movement from the territory as international migration. In contrast, domestic migration out of the HMA averaged 2,500 annually during the period. Many people moved



to locations in the South and West with more affordable housing options and increased job opportunities, especially when the economy was recovering from the Great Recession.

From 2013 to 2018, population growth accelerated, averaging 5,525 annually, or 0.7 percent, largely driven by average net in-migration of 5,175 people. Economic opportunities in the HMA, partially due to the rise of e-commerce and logistics jobs in the transportation and warehousing industry, contributed to a large drop in domestic out-migration, averaging 20 people a year, which helped maintain the population. Moreover, international migration into the HMA averaged 3,100 people from 2013 to 2018, a 35-percent rise from 2010 to 2013, partly due to people moving to the HMA from Puerto Rico following the effects of Hurricane Maria in September 2017. Population growth then decelerated from 2018 to 2020, averaging 3,325 people, or 0.4 percent, annually, as federal policy changes curbed international migration into the HMA despite a growing economy. Notwithstanding a growing job market, domestic out-migration rose slightly to an average of 170 annually from 2018 to 2020.

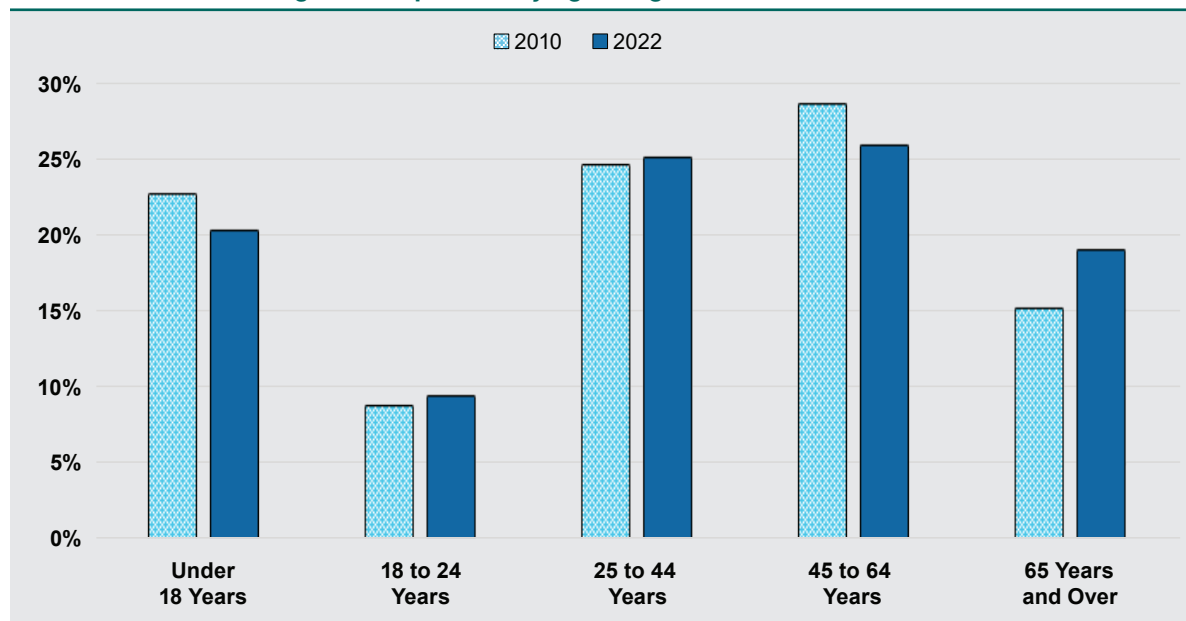
Since 2020, population growth has averaged 4,525 people, or 0.5 percent, annually, with all growth coming from net in-migration due to an influx of people moving into the HMA from high-cost metropolitan areas like Philadelphia

and New York. Workers have been able to take advantage of relatively lower-priced housing and remote or hybrid work opportunities in the HMA. Although overwhelmed by net in-migration, an average net natural decrease of 1,200 has occurred annually since 2020, largely due to increased mortality related to the COVID-19 pandemic.

Age Cohort Trends

Despite declining enrollment at colleges and universities, the number of people in the HMA between the ages of 18 and 24 was relatively stable from 2010 to 2022. In 2010 and 2022, 9 percent of the population was between the ages of 18 and 24 (Figure 6; 2010 and 2022 American Community Survey [ACS] 1-year data). By comparison, the 18 to 24 age cohort nationwide represented 9 percent of the total population in 2022, down from 10 percent in 2010. Nonetheless, the population of the HMA is aging, with 19 percent of the population aged 65 and over in 2022, up from 15 percent in 2010. This increasing age cohort contributes to a relatively high median age in the HMA, which was 41.4 in 2022 compared with 39.0 nationally.

Figure 6. Population by Age Range in the Allentown HMA



Source: 2010 and 2022 American Community Survey 1-year data



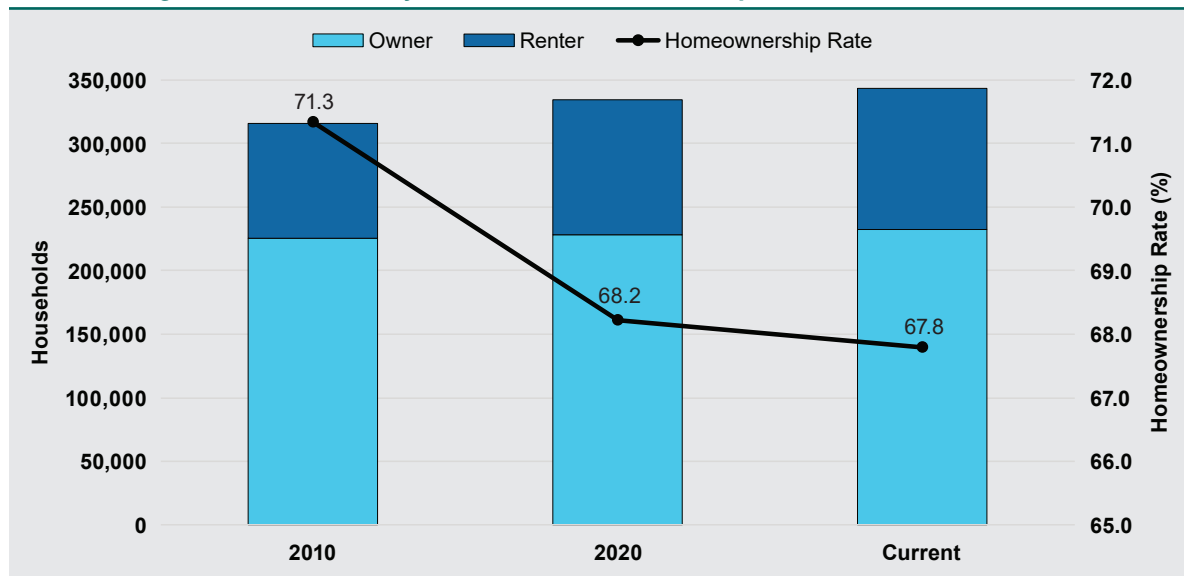
Household Trends

An estimated 343,100 households are in the HMA as of June 1, 2023, reflecting an increase of 2,750 households, or 0.8 percent, since 2020. By comparison, household growth averaged 1,850, or 0.6 percent, annually from 2010 to 2020. The faster rate of household growth compared with population growth reflects a greater share of relatively smaller households. The current homeownership rate in the HMA is estimated at 67.8 percent, down from 68.2 percent in 2020 and 71.3 percent in 2010 (Figure 7).

Forecast

During the 3-year forecast period, the population of the HMA is expected to increase by an average of 4,100, or 0.5 percent, annually to 888,900. Net natural change is expected to revert to the prepandemic average increase of 300 people annually, and net in-migration is expected to decelerate slightly to an average of 3,800 annually. The number of households in the HMA is expected to increase by an average of 2,175, or 0.6 percent, to 349,600.

Figure 7. Households by Tenure and Homeownership Rate in the Allentown HMA



Note: The current date is July 1, 2023.
Sources: 2010 and 2020—2010 Census and 2020 Census; current—estimates by the analyst



Home Sales Market

Market Conditions: Tight

During the 12 months ending June 2023, the average home sales price rose 9 percent despite declining sales, partially because the supply of for-sale inventory is historically low.

Current Conditions

The sales housing market in the Allentown HMA is tight, but conditions are easing. The vacancy rate decreased to an estimated 1.0 percent from 1.2 percent in April 2020, when the market was also tight. During the 12 months ending June 2023, home sales totaled 13,000, a decline of 3,900, or 23 percent, from a year earlier (CoreLogic, Inc., with adjustments by the analyst; Table 4). Total home sales have declined significantly since 2021 because rising home prices and higher mortgage interest rates have made homeownership more expensive. The average interest rate for a 30-year fixed-rate mortgage was 6.7 percent in June 2023, up from 5.5 percent in

June 2022 and 3.8 percent in February 2022 (Freddie Mac), just before the Federal Reserve started raising its target interest rate to combat inflation. Increasing home sales prices and elevated mortgage interest rates contributed to slowing sales, exacerbated by continued low levels of available inventory. The inventory of homes for sale decreased from 1.9 months in April 2020 to 1.1 months in June 2023 (CoreLogic, Inc.).

Home Sales

Total sales of new and existing homes in the HMA increased in 2013 (Figure 8), coinciding with the rise of net migration into the HMA. During 2013, total home sales increased by 3,300, or 35 percent, before declining by 1,575, or 12 percent, in 2014 to 11,150 homes. From 2015 through 2019, total home sales rose an average of 7 percent annually to 15,650 homes sold in 2019. Home sales then fell by 250, or 2 percent, during 2020 as the onset of the COVID-19 pandemic caused homebuying activity to slow briefly. However, total home sales rebounded during the pandemic due to low mortgage interest rates and an increased

Table 4. Home Sales Quick Facts in the Allentown HMA

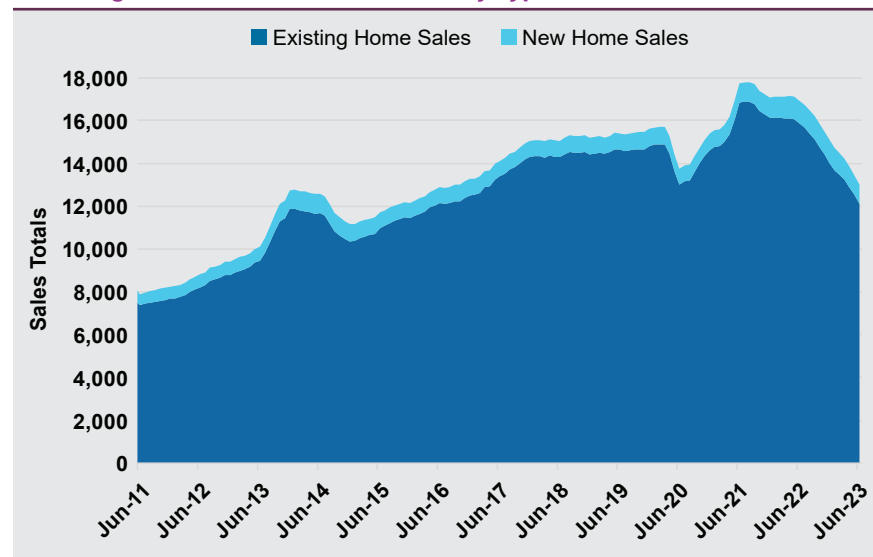
	Allentown HMA	Nation
Vacancy Rate	1.0%	NA
Months of Inventory	1.1	2.4
Total Home Sales	13,000	5,442,000
1-Year Change	-23%	-28%
New Home Sales Price	\$527,900	\$486,900
1-Year Change	11%	-1%
Existing Home Sales Price	\$295,400	\$419,900
1-Year Change	8%	1%
Mortgage Delinquency Rate	1.5%	1.1%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending June 2023; and months of inventory and mortgage delinquency data are as of June 2023. The current date is July 1, 2023.

Sources: Vacancy rate—estimates by the analyst; months of inventory and mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—CoreLogic, Inc., with adjustments by the analyst

Figure 8. 12-Month Sales Totals by Type in the Allentown HMA



Source: CoreLogic, Inc., with adjustments by the analyst



desire to move into larger homes. During 2021, home sales increased by 1,675, or 11 percent, to 17,050, before declining to 15,100 in 2022.

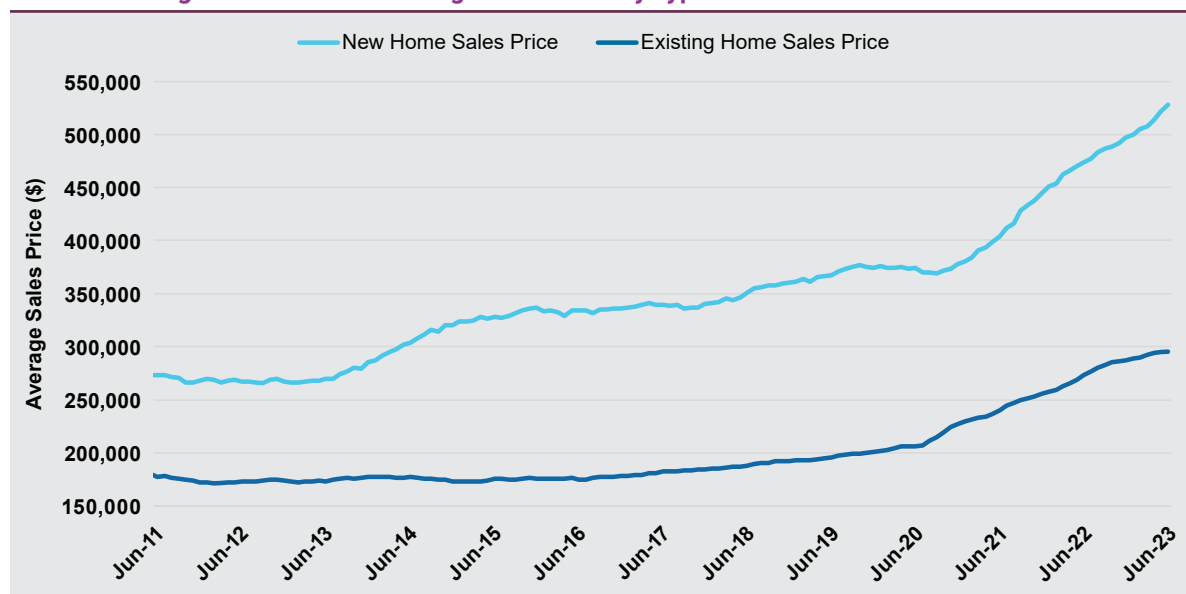
Seriously Delinquent Mortgages and Real Estate Owned Properties

The rate of seriously delinquent mortgages (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the HMA increased from 1.8 percent in March 2020 to a recent high of 5.6 percent in August 2020 (CoreLogic, Inc.), largely due to the COVID-19-related economic contraction that caused homeowners to struggle to make mortgage payments. Despite the rise in seriously delinquent mortgages and REO properties, the rate was below the 8.4-percent high in January 2013 following the Great Recession and foreclosure crisis. As of June 2023, 1.5 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, down from 1.9 percent in June 2022 and 3.6 percent in July 2021. By comparison, 1.1 percent of home loans in the nation were seriously delinquent or had transitioned into REO status in June 2023. During the 12 months ending June 2023, 1 percent of existing home sales were REO sales. REO sales accounted for an annual average of 6 percent of existing home sales from 2017 to 2020, before falling to an annual average of 1 percent during the past 3 years. REO sales reached an all-time high in 2011 at 16 percent of existing home sales.

Home Sale Prices

Competition for homes among potential homebuyers has been strong since the start of the COVID-19 pandemic, and a significant rise in the average sales price for a home has occurred because of low levels of available for-sale inventory. During the 12 months ending June 2023, the average home sales price in the HMA was \$311,700, a 9-percent increase from the average home sales price during the 12 months ending June 2022. By comparison, the average home sales price rose 15 percent a year ago and 16 percent during the 12 months ending June 2021. The recent rapid growth in home sales prices contrasts with the relatively modest growth in prices from 2011 through 2019, when the average home sales price rose from \$190,800 to \$209,900, or an average of 1 percent annually. From 2011 through 2012, the average home sales price fell from \$190,800 to \$180,500, an average decline of 3 percent a year. Home sales prices began to rise in 2013, coinciding with an increase in overall home sales. From 2013 through 2016, the average sales price of a home grew an average of 1 percent annually before accelerating to an average annual growth rate of 4 percent from 2017 through 2019. Figure 9 shows the 12-month average sales price by type of sale in the HMA since 2011.

Figure 9. 12-Month Average Sales Price by Type of Sale in the Allentown HMA



Source: CoreLogic, Inc., with adjustments by the analyst

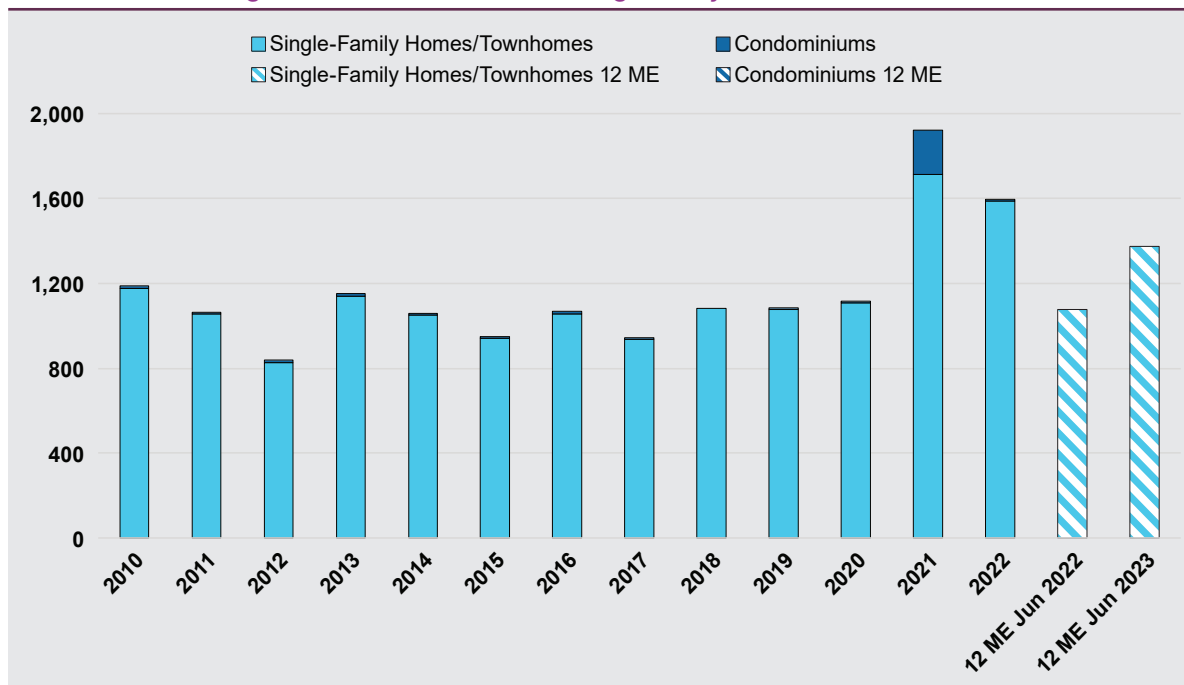


Despite the recent growth of home sales prices, the average price for homes in the HMA is still generally lower than neighboring metropolitan areas. For example, the average home sales price in the New York and Philadelphia metropolitan areas was \$710,200 and \$362,500, respectively, during the 12 months ending June 2023 (CoreLogic, Inc., with adjustments by the analyst). These prices are 128 and 16 percent higher than the average home sales price in the HMA. General affordability has led some households to move out of nearby metropolitan areas and to the HMA to take advantage of lower-cost homes and remote or hybrid work opportunities.

Sales Construction Activity

New home construction—as measured by the number of single-family homes, townhomes, and condominiums permitted (building permits)—was relatively steady from 2010 through 2020, with an average of 1,050 homes permitted annually. In response to increased homebuying activity following the COVID-19 pandemic and low mortgage interest rates, new home construction grew during 2021 and 2022, averaging 1,550 homes permitted a year (Figure 10). Despite rising mortgage rates and declining home sales, homebuilding activity increased recently due to a low supply of homes for sale. During the 12 months ending June 2023, more than 1,375 homes were permitted, up approximately 28 percent from the 1,075 homes permitted a year earlier (preliminary data, with adjustments by the analyst).

Figure 10. Annual Sales Permitting Activity in the Allentown HMA



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Lehigh County, the most populous county in the HMA, has accounted for 43 percent of all new single-family homes permitted since 2010. Northampton County, which contains 36 percent of the population of the HMA, accounts for 36 percent of all single-family home construction. In the borough of Macungie in Lehigh County, construction began at the Stone Hill Meadows subdivision in 2018. During the past 12 months, 29 four- and five-bedroom homes sold, ranging in price from \$591,200 to \$767,300. In total, all 140 lots in Stone Hill Meadows have sold. One of the most recently completed new home communities in the HMA is the second phase of Nancy Run Estates in Bethlehem Township in Northampton County. In the 12 months ending June 2023, 34 homes, consisting of four to five bedrooms, sold, ranging in price from \$553,300 to \$750,000. Since construction in the subdivision began in 2021, all 80 lots in the second phase of Nancy Run Estates have been built and sold.



Forecast

During the next 3 years, demand is estimated for 5,300 new homes (Table 5). New home sales demand is expected to decelerate slightly during each year of the 3-year forecast period, partly because of a slowdown in employment growth and net in-migration. The 550 homes currently under construction will meet a portion of the demand during the first year of the forecast period.

Table 5. Demand for New Sales Units in the Allentown HMA During the Forecast Period

Sales Units	
Demand	5,300 Units
Under Construction	550 Units

Note: The forecast period is July 1, 2023, to July 1, 2026.

Source: Estimates by the analyst



Rental Market

Market Conditions: Balanced

Rental market conditions have moved from tight to balanced since 2021 due to relatively increased levels of multifamily construction activity.

Current Conditions and Recent Trends

Rental market conditions in the Allentown HMA are currently balanced. The estimated vacancy rate for all rental units—including single-family homes, mobile homes, and apartments—is 5.7 percent as of July 1, 2023, unchanged from April 2020. During the past 2 years, additions to the rental supply outpaced demand, and the market has recently shifted from a tight market in 2021 and 2022 to a balanced market.

Single-Family Rentals

Single-family homes are a large component of occupied rental units in the HMA, accounting for 34 percent of all occupied rental units in 2022, down from approximately 36 percent in 2010 (ACS 1-year data). By comparison, renter-occupied single-family homes accounted for approximately 31 percent of all rental units in the nation during 2022, down from 34 percent in 2010. Apartments, which tend to be in structures with five or more units, accounted for 40 percent of all occupied rental units in the HMA during 2022, up from 38 percent in 2010 (Table 6).

Table 6. Rental and Apartment Market Quick Facts in the Allentown HMA

Rental Market Quick Facts	2020 (%)	Current (%)	
	Rental Vacancy Rate	5.7	5.7
	2010 (%)	2022 (%)	
Rental Market Quick Facts	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	36	34
	Multifamily (2–4 Units)	25	24
	Multifamily (5+ Units)	38	40
	Other (Including Mobile Homes)	1	1
Apartment Market Quick Facts	2Q 2023	YoY Change	
	Apartment Vacancy Rate	3.4	0.0
	Average Rent	\$1,585	3%

2Q = second quarter. YoY= year-over-year.

Notes: The current date is July 1, 2023. Percentages may not add to 100 due to rounding.

Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2022 American Community Survey 1-year data; apartment data—CoStar Group

In June 2023, the average rent for professionally managed, three-bedroom single-family homes was \$1,888, up 11 percent from a year ago (CoreLogic, Inc.). From June 2019 to June 2022, the average rent for a three-bedroom single-family home rose an average of 9 percent a year. By comparison, the average rent for a single-family home grew by an average of 1 percent annually from June 2012 to June 2019. The vacancy rate for all sizes of professionally managed, single-family homes for rent was 1.6 percent in June 2023, down from 1.7 percent a year earlier.

Apartment Market

The apartment market in the HMA was balanced as of the second quarter of 2023, with a 3.4-percent vacancy rate, unchanged from a year earlier and up from 1.7 percent as of the second quarter of 2021, when the market was very tight (CoStar Group; Figure 11). Increases in new construction and completions in the past 24 months have eased the previously very tight market. The apartment market in the HMA has fluctuated from tight to slightly soft since 2010. From 2010 to 2013, during a slightly soft apartment market, the vacancy rate averaged 5.8 percent before falling to an average of 5.0 during a balanced market in 2014 and 2015, partly because of an increase in migration to the HMA. Apartment market conditions softened in 2016, with the apartment vacancy rate rising to 6.1 percent as apartments under construction during the previous 2 years were completed. Despite relatively low levels of apartment



construction and a deceleration of migration into the HMA, the vacancy rate began to decline, falling to 3.7 percent in 2019. Subsequently, the vacancy rate declined further in 2020 and 2021 when migration into the HMA grew.

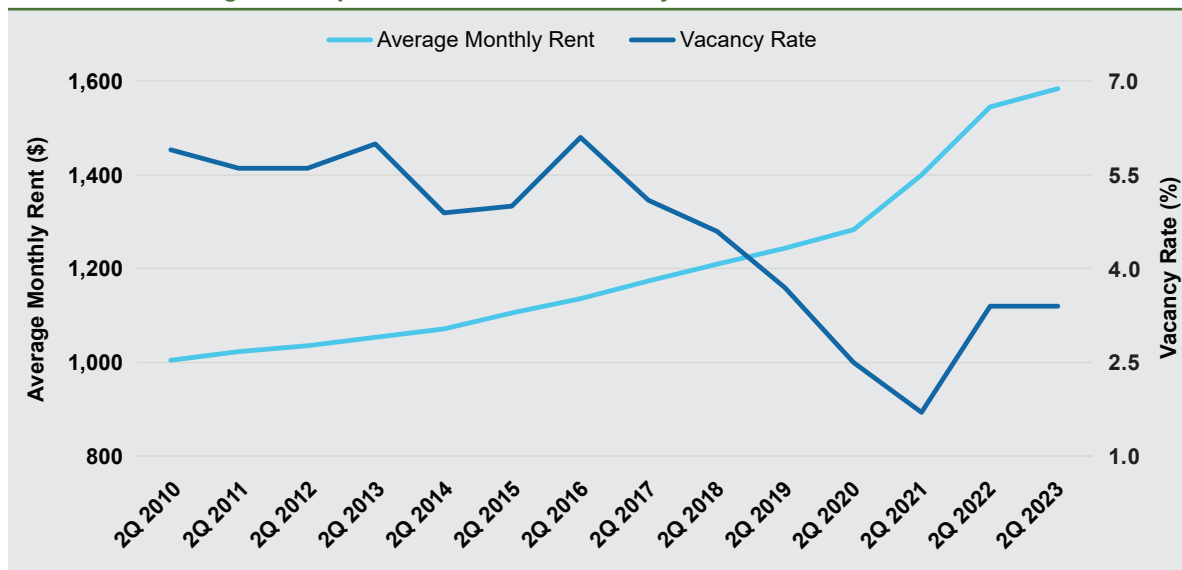
The average apartment rent in the HMA was \$1,585 as of the second quarter of 2023, up nearly 3 percent from the same period a year earlier. By comparison, the average apartment rent increased an average of 10 percent a year from the second quarters of 2020 to 2022, when apartment market conditions were tight stemming from high demand as people moved into the HMA. From 2010 to 2014, the average apartment rent in the HMA increased an average of 2 percent annually before accelerating slightly to an average annual rise of 3 percent from 2014 to 2020.

In nearby metropolitan areas like New York and Philadelphia, the average apartment rent is higher than in the HMA, which has led to some renter households moving out of the high-cost metropolitan areas and into the HMA. During the second quarter of 2023, the average apartment rent in the New York and Philadelphia metropolitan areas was \$3,067 and \$1,697, respectively, or 94 and 7 percent higher than the average rent in the HMA.

Student Housing

Although enrollment at colleges and universities declined an average of 4 percent annually from 2018 through 2021, enrollment at Lehigh University—the largest university in the HMA—

Figure 11. Apartment Rents and Vacancy Rates in the Allentown HMA



2Q = second quarter.
Source: CoStar Group

increased an average of 2 percent a year. Approximately 39 percent of the 7,400 students enrolled at Lehigh University live off campus or commute. With rising enrollment and a significant portion of students living off campus, the apartment market tightened in the CoStar Group-defined Bethlehem/Western Northampton County market, which includes the area in and around Lehigh University, starting in 2017. The apartment vacancy rate in the market fell from 4.3 percent in the second quarter of 2017 to 1.2 percent in the second quarter of 2021. The drop in vacancy rate to 1.2 percent in the second quarter of 2021 was largely because Lehigh University implemented a COVID-19-related housing policy for the 2020–21 school year. This policy restricted on-campus housing to first-year students to create more space between students in existing dorms. As a result, many upper-class students had to find apartments off-campus, causing the apartment market to tighten. From the second quarter of 2017 to the second quarter of 2021, the average apartment rent in the market area rose from \$1,197 to \$1,459, or an average of 5 percent annually. Apartment market conditions in the market area started easing in 2022, with vacancy rates rising to 2.8 and 3.7 percent in the second quarters of 2022 and 2023, respectively, largely due to increased apartment construction and Lehigh University reverting its COVID-19 housing policy, allowing more students to live on campus again. Nonetheless, the average rent in the market area increased 9 and 2 percent from the prior year as measured in the second quarters of 2022 and 2023, respectively.

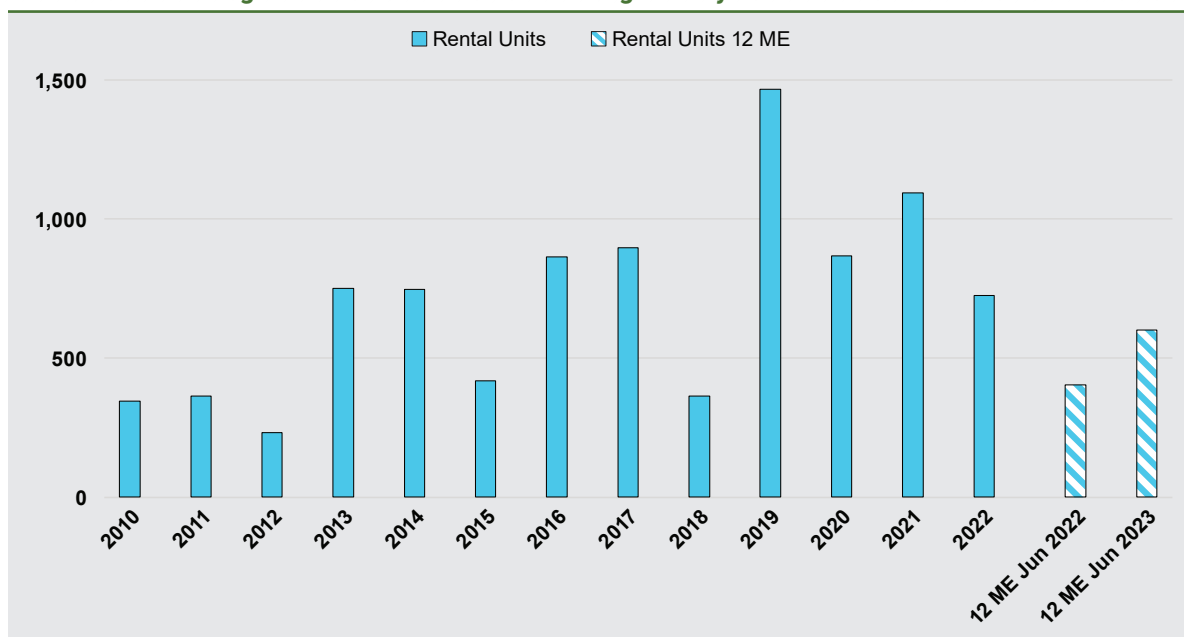


Rental Construction

Rental construction activity, as measured by the number of rental units permitted, has been elevated since 2019 compared with the previous 9 years (Figure 12). An average of 310 rental units were permitted annually from 2010 through 2012, a period of relatively low population growth in the HMA. Rental construction increased to an average of 670 units annually from 2013 through 2018 when migration into the HMA rose. Despite a deceleration in population growth, rental permitting rose to 1,475 during 2019 as the apartment market was tightening. From 2020 through 2022, an average of 900 rental units were permitted, a 34-percent increase from the average number of units permitted from 2013 through 2018. The growth in rental construction largely occurred because of the higher levels of domestic in-migration to the HMA following the COVID-19 pandemic and a tight apartment market.

During the 12 months ending June 2023, rental building activity totaled 600 units, an increase of 200 units, or nearly 50 percent, from the previous 12 months (preliminary data, with adjustments by the analyst). Nearly 24 percent of all rental units permitted in the HMA since 2020 have been in the city of Bethlehem and 11 percent in the city of Easton. One recently completed apartment development in downtown Bethlehem is The Wilbur Views, a 50-unit property overlooking the Lehigh River with rents for one- and two-bedroom units starting at \$2,050 and \$2,675, respectively. The Wilbur Views was completed in May 2022. In addition, the Reserve at Palmer Pointe in the

Figure 12. Annual Rental Permitting Activity in the Allentown HMA



12 ME = 12 months ending.

Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

city of Easton was completed in December 2022. Slightly off the Lehigh Valley Thruway, the 312-unit apartment property has rents for one- and two-bedroom units starting at \$1,980 and \$2,400, respectively.

Forecast

During the 3-year forecast period, demand is estimated for 3,100 new rental units in the HMA (Table 7). Demand is expected to decelerate during the second and third years of the forecast period due to a slowdown in population and household growth. The 1,100 units under construction are expected to satisfy some of the demand during the first and second years of the forecast period.

Table 7. Demand for New Rental Units in the Allentown HMA During the Forecast Period

Rental Units	
Demand	3,100 Units
Under Construction	1,100 Units

Note: The forecast period is July 1, 2023, to July 1, 2026.

Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in a housing market area. 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.
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.
Existing Home Sales	Includes resale sales, short sales, and real estate owned sales.
Forecast Period	July 1, 2023–July 1, 2026—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.
Net Natural Decrease	Resident deaths minus resident births.
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 U.S. Census Bureau.



Rental Market	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

B. Notes on Geography

1.	The Allentown-Bethlehem-Easton, PA-NJ Metropolitan Statistical Area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2020 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	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.
2.	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.

D. Photo/Map Credits

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Contact Information

Michael Flannelly, Economist
Philadelphia HUD Regional Office
215-430-6738
michael.flannelly@hud.gov

