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# Lehigh Valley Housing Crunch Is Here To Stay

Home prices in the Lehigh Valley have increased 25% in the past 18 months but compared the nation and much of the Northeast, homes in this region remain “undervalued”, according to market experts.

With the national median sales price of a home pushing past $350,000, and neighboring regions in New York and New Jersey nudging above $500,000, the Lehigh Valley’s $250,000 median sales price in May looks good to workers within the region and investors from outside.

That means an overheated market where homes are selling in days to desperate buyers paying cash will likely last well after other regions begin cooling off, said Gay Cororaton, Director of Housing and Commercial Research for the National Association of Realtors (NAR).

“I’d recommend people get used to this because it’s not changing anytime soon – at least not in [the Lehigh Valley],” Cororaton said. “It’s a location that remains well below the national average and well below many of its neighboring regions. It’s just a very attractive place to buy right now.”

It’s not as though Lehigh Valley home prices haven’t increased. By the close of 2020, an LVPC analysis showed that median prices had increased $25,000 - to $225,000 - *in one year*, matching increases of the previous six years combined. And according to the Greater Lehigh Valley Realtors, the medium price of the nearly 1,000 homes on the market in May was $250,000.

Those are big increases brought on largely by a shortage of available housing units.

However, the national median average in May was $350,300, and the median price for homes across the Northeast was $384,000, according to NAR.

This region’s relative affordability is nothing new. Barron’s Magazine in 2016 listed the Lehigh Valley as the No. 1 undervalued market in the country, technology company SmartAsset had the Allentown region in its top 10 in 2019, and last year it made Forbes’ list of top 10 hottest markets.

The Lehigh Valley has long experienced a market impact from New York and New Jersey workers willing to endure a long drive into this region to have a bigger home and lot. But now the Covid-19 Pandemic adds a new wrinkle to the equation, said Justin Porembo, Chief Executive Officer of Greater Lehigh Valley Realtors. With more companies allowing remote working, more people from across the nation could choose this area for its affordability, proximity to metros like New York, Philadelphia and Washington D.C., and driving distance to the ocean.

“It’s just anecdotal, but I’m aware of West Coast technology company workers who can now work remotely, full-time and they’ve settled here for their relocation,” Porembo said. “It’s a game-changer.”

But how much remote work will become permanent? That remains a wild card, but Cororaton said NAR estimates that the roughly 8 million people nationwide who worked remotely before the Pandemic – it was still at about 32 million in July because of the Pandemic – will settle back to about 16 million. That’s an extra 8 million people who can now choose to live anywhere they want, unencumbered by their commute to work.

That probably means the region’s affordability and prime location may extend how long this overheated market will last, Porembo said.

“But what does that mean for the teachers, firefighters and professionals who already live here?” Porembo said. “Are prices in their own neighborhood rising beyond their incomes?”

For some, the answer for many in the region is ‘yes’, according to an LVPC analysis. While the region remains affordable compared to national averages, the analysis showed neighborhoods in virtually every municipality where the housing does not match the incomes of the people who live there, forcing lower income families to spend more than 30% of their income on housing – a condition known as cost-burdening. About one-third of Lehigh Valley households are cost-burdened. With the market undersupplied, and prices rising, that may get worse.

“It’s a seller’s market, with people getting high prices because inventory is very low,” said LVPC Chief Community Planner Samantha Smith, who co-authored the market analysis with Senior Community Planner Jill Seitz. “It’s very competitive, so prices are going up much faster than incomes, pricing an increasing number of people out of the market.”

What the market needs most is more homes – a lot more – and at all prices, particularly at the lower-income price ranges. The analysis found that the region needs more than 7,000 more units to have a healthy real estate market in which demand and supply are well-balanced.

More are coming. In 2020, more than 5,150 new housing units were reviewed by the LVPC, including more than 1,900 that were approved before year’s close – the most since before the recession.  And 2021 is on pace to match that, with 2,545 new units proposed in the first six months of the year.

Even at that accelerated pace, it will take years to fill in that more than 7,000-unit shortfall. And that would only account for what’s needed now. By the time those homes are built – the process takes one to three years, depending on circumstances – the market will have grown from new people moving in.

“We don’t really see an end in sight in the short run,” Porembo said. “It’s safe to say this is going to take some time, especially here in the Lehigh Valley.”

The LVPC, in partnership with the Urban Land Institute, will be conducting a housing strategy workshop this fall with industry leaders to tackle short-term and long-term housing needs for the region. Check back at LVPC.org later this year for scheduling and opportunities to participate.