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Lehigh Valley Planning Commission
60th YEAR
1961-2021

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Many Are Closed Out Of Heated Lehigh Valley Housing Market

Housing prices are spiking across the Lehigh Valley, while demand for new homes outstrips how quickly developers can build them, even as more than a third of all households in the region struggle to pay their rent or mortgage.

A Regional Housing Market Report released by the LVPC shows a Lehigh Valley in which an overheated housing market is fueling intense competition for limited available homes, exacerbating a regionwide shift from homeownership to renting.

In 2020 alone, home prices increased by $25,000—equaling the increase over the previous six years—pushing the median cost of a home in the Valley to $225,000.

“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 Report 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.”

The bi-annual Regional Housing Market Report includes an analysis based on the sale of every home in the region since 2015 and every available rental price, broken down for all 62 municipalities and 17 school districts. It identifies trends developed over the past six years and includes an interactive Geographic Information System (GIS) map that tracks median prices for every type of home and rental in every Lehigh Valley neighborhood.

That map is accompanied by a previously released Eviction and Foreclosure Risk mapping tool that shows that more than 81,000 households are paying more than 30% of their gross income for housing—a condition known as cost-burdened. Experts say being cost-burdened leaves the household financially unstable and at risk of losing their home if another crisis is introduced into their life, such as the COVID-19 Pandemic.

Combined with the recently released BuildLV: Annual Development Report and Eviction and Foreclosure Risk tool, the Housing Market Report paints a clear picture of a residential market that is becoming more expensive, more diverse and more difficult for low- and moderate-income families to compete.

The result is large areas in every part of the region where the cost of the available housing simply doesn’t match the incomes of many of the people who live there.

Several trends emerging from the analysis:

- **Prices will continue to rise**—The inventory of homes available to purchase fell to 1.06% in 2020, and by the end of 2019, the latest data available through the US Census Bureau, available rental units fell to 4.73%. Both are the lowest levels since at least

2005. As a result, available units for sale or rent regionwide fell to just 3,164. Experts say a healthy market for the region would have roughly 10,000 available units at any given time.

- **Homeownership numbers are falling**—The 73% of Valley residences occupied by owners in 2005 fell to 66% in 2019. That's more than 4,500 fewer owners, even as the region's population has grown by roughly 60,000 people.

- **Renters numbers are increasing**—The 27% of households occupied by renters in 2005 increased to 34% in 2019, adding nearly 22,000 renters to the market. Some of that shift is due to a national trend toward renting, but at least some is almost certainly due to low- and moderate-income people being prices out of a market that routinely see homes selling within days or even hours of being listed, often for well above asking price.

  "It's so competitive that people who can't compete are either staying in a rental longer than they planned, or they're forced to take a rental when they really wanted to buy," Seitz said. "The current market is accelerating a rental trend that was already happening."

- **Homebuilding is increasing**—The 1,909 housing units approved in 2020 are the most since 2007, before the Great Recession. And overall, 5,159 units were reviewed last year, with most still working through the approval process. Developers are still chasing demand, and they're working hard to catch-up to the delay in product delivery. Pandemic shutdowns last year slowed developer delivery further.

- **Homebuilding is becoming more diverse**—The single-family detached home remains a staple of the Lehigh Valley market, but it no longer dominates the way it did during housing booms of the 1980s and 2000s. Of the homes approved in 2020, 70% are apartments and townhouses.

So, what has to happen for the Lehigh Valley housing market to become more fair for more people? More homes must be built. Specifically homes in price ranges for low- and moderate-income households and at the upper end of the scale to relieve the compression in the market. Currently, most new apartments constructed tend to be luxury units of well over $1,000 a month. The Market Report shows that 57% of all apartments in the Lehigh Valley costs more than $1,000 per month, an increase from 43% since 2015.

Seitz said the pandemic has likely enflamed the problem. Seitz theorized that pandemic business and office shutdowns likely prompted more people from New York and New Jersey to move into relatively cheaper housing in the Lehigh Valley to work remotely. That increases demand, upping prices.

"We need more housing, but it has to be the right kind of housing at attainable price points," Seitz said. "And it will need to be in strategic locations, across the region. There isn't a one-size-fits-all solution. That's why we're encouraging communities to look at our data analysis tools to assess actual conditions in their local markets."
The full Regional Market Report is available at https://lvpc.org/data-lv-housing.html.