

Casino Watch: Is NOW the Time to Invest in South Bethlehem?

Plans are in play to open the new Sands Casino on the former Bethlehem Steel site in July of 2008. This \$560 million dollar casino project is expected to be the largest casino in Pennsylvania, sitting on a 124 acre lot. Plans include the main casino, a luxury hotel and a full shopping complex, bringing much revitalization to Bethlehem's South Side.

Pennsylvania has approved the location for the Sands Casino, and Bethlehem City Council has voted to amend the zoning laws to allow for gambling. Other plans in the same area include a possible \$49 million dollar performing arts center dubbed ArtsQuest, a Lehigh Valley PBS Studio, and approximately \$50 million to convert the former Bethlehem Steel Office Building into apartments. Additional plans are for the blast furnaces to be preserved and a National Museum of Industrial History to be built on the property.

The question is whether or not this means investors should rush to buy properties in South Bethlehem. "Any significant development in any area typically increases the value of the surroundings," explains George West, a Broker-Appraiser with Century 21 Keim Realtor's Allentown office. "My concern had been that the adult oriented businesses that tend to follow casino development would ultimately decrease property values," added Loren Keim, President of Century 21 Keim. "However, Bethlehem's tough restrictions on the surroundings, combined with all the other development occurring in and around the Bethlehem Steel site, appears to be a win-win for the neighboring properties."

Bethlehem is trying to control any nuisance businesses that may open near the Casino by restricting pawn shops, massage parlors and adult-oriented businesses to a minimum of 5,000 feet from the casino. Additionally, several large commercial and office projects are under construction, or planned for the surrounding area, keeping the location upscale.

"The best time to buy in South Bethlehem was just before all the project announcements. Many property owners inflated their prices in anticipation of the changing face of the South Side. And buyers are paying much higher prices for south side property today than they were just 3 years ago," explains Bob Wilfinger of Homestead Funding. "However," adds Keim "there are still some good deals to be had. I believe that commercial properties will continue to rise in value as the available commercial land on the south side is revitalized. Residential investments are a more difficult prediction because the properties are really based on the income stream an investor can earn from the property. Investors will not buy a property at a loss because it's going to become a 'hot' area."

Keim points out that there are disparities between prices of rental units very close to Lehigh University, where student tenants pay a premium to be close to the University, and rental units a mile away from the college, where rents tend to be significantly lower. One significant note is that rental rates in South Bethlehem have risen over the past few years, since the introduction of the condos at Riverport. "Rising rental rates lead to higher income streams for investors, which lead to higher property values when the

investor goes to sell their properties. We just can't predict what those rates will be after the opening of the casino in 2008."

"Do I think the South Side is a good investment opportunity for real estate investment?" Keim asks. "Of course, I do. Will all the planned revitalization in the area, I think it should be part of any large real estate portfolio. But I caution buyers to be very careful when they purchase to buy based on the actual income stream, not to be led into investing based on possible appreciation."