

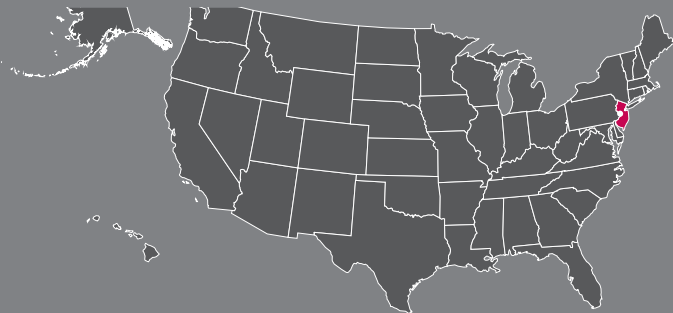
HUD PD&R Housing Market Profiles

Trenton, New Jersey



Quick Facts About Trenton

- Current sales market conditions: slightly soft.
- Current apartment market conditions: balanced.
- The city of Trenton is the capital of New Jersey, and more than 35 percent of all state government jobs in New Jersey are based in the Trenton metropolitan area.



By Joseph Shinn | As of September 1, 2016

Overview

The Trenton metropolitan area is coterminous with Mercer County in central New Jersey, between New York City and Philadelphia. The metropolitan area is home to two private (Princeton University and Rider University) and three public (The College of New Jersey, Thomas Edison State University, and Mercer County Community College) colleges and universities, which have a total enrollment of more than 50,000. During the 2005 fiscal year (the most recent data available), the economic impact of the five colleges and universities totaled more than \$1.2 billion in the metropolitan area and \$2.0 billion in the state (*The State and County Economic Impacts of Higher Education in Mercer County*). The impact of Princeton University, which is the second largest employer in the area with 6,000 total employees, is especially notable.

- As of September 1, 2016, the estimated population of the Trenton metropolitan area is 371,800, an increase of 260, or 0.1 percent, since 2013 (Census Bureau population estimates as of July 1). Population growth was driven by net natural increase

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(resident births minus resident deaths), which averaged 1,300 people annually, more than offsetting net out-migration, which averaged approximately 1,150 people annually.

- By comparison, from 2004 to 2013, the population increased by an average of 1,075, or 0.3 percent, annually. The faster rate of growth was driven by a combination of higher net natural

increase, which averaged 1,700 people annually, and lower levels out net out-migration, which averaged 620 people annually.

- Net out-migration since 2004 has been driven by a preference to reside in the suburban areas of the adjacent New York-Newark-Jersey City, NY-NJ-PA (hereafter, New York) and Philadelphia-Camden-Wilmington, PA-NJ-DE-MD (hereafter, Philadelphia) metropolitan areas. This trend has been especially notable during the past 4 years.

Economic Conditions

Economic conditions in the Trenton metropolitan area improved during the past 5 years, and nonfarm payrolls increased during 6 of the previous 7 years. Additionally, nonfarm payroll growth was very strong during the past 4 years, especially compared with growth in the nation as a whole.

During the 3 months ending August 2016—

- Nonfarm payrolls averaged 265,600 jobs, an increase of 6,000 jobs, or 2.3 percent, from the 3 months ending August 2015. Payroll growth in corresponding periods during the past 4 years averaged 2.5 percent annually compared with nationwide job growth that averaged 1.9 percent annually.
- The largest gains were in the professional and business services and the transportation and utilities sectors, which were up by

3,300 and 900 jobs, or 7.9 and 10.0 percent, respectively. Gains in the professional and business services sector are partially attributed to growth in the temporary help services industry, which increased by 1,200 jobs during 2015, the most recent data available (Quarterly Census of Employment and Wages). Nonfarm payrolls in the transportation and utilities sector increased by an average of 2,300 jobs, or 37.1 percent, annually during the past 2 years; the gains were largely because Amazon.com, Inc., opened a new fulfillment center in Robbinsville Township during 2015, resulting in more than 2,500 new jobs.

- Partially offsetting these gains, the mining, logging, and construction, the manufacturing, and the education and health services sectors declined by 400, 400, and 200 jobs, or 7.4, 5.0,

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Nonfarm payroll growth in the Trenton area was concentrated in the service-providing sectors, with losses in both goods-producing sectors.

	3 Months Ending		Year-Over-Year Change	
	August 2015 (thousands)	August 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	259.6	265.6	6.0	2.3
Goods-producing sectors	13.5	12.6	- 0.9	- 6.7
Mining, logging, and construction	5.4	5.0	- 0.4	- 7.4
Manufacturing	8.0	7.6	- 0.4	- 5.0
Service-providing sectors	246.1	253.0	6.9	2.8
Wholesale and retail trade	27.5	28.3	0.8	2.9
Transportation and utilities	9.0	9.9	0.9	10.0
Information	5.6	5.6	0.0	0.0
Financial activities	19.4	20.1	0.7	3.6
Professional and business services	41.8	45.1	3.3	7.9
Education and health services	47.0	46.8	- 0.2	- 0.4
Leisure and hospitality	15.5	16.3	0.8	5.2
Other services	10.2	10.4	0.2	2.0
Government	70.2	70.6	0.4	0.6
	(percent)	(percent)		
Unemployment rate	5.0	4.8		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics



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and 0.4 percent, respectively. All losses in the education and health services sector were in the educational services industry, which was down by 400 jobs, or 1.9 percent; the losses were attributed to job reductions at local private colleges and universities in response to decreased enrollment.

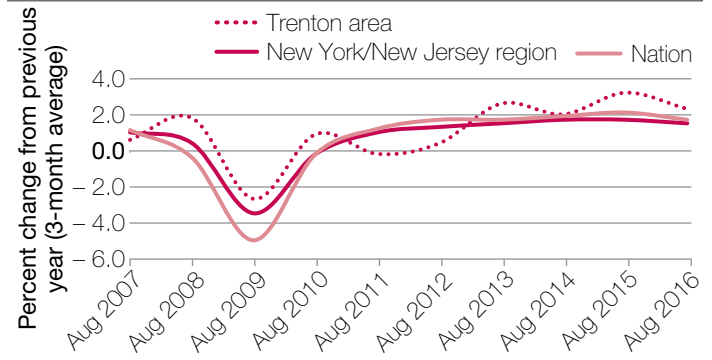
- The unemployment rate averaged 4.8 percent, down from 5.0 percent during the same period a year earlier and from an average of 8.5 percent during corresponding periods from 2009 through 2012.

Because the capital of New Jersey is in the Trenton metropolitan area, The State of New Jersey is the largest employer, with 32,200 employees (excluding government-run hospitals and colleges and universities). As a result, the government sector is the largest sector, with approximately 27 percent of all nonfarm payrolls, and is the main driver of the economy. The state government subsector has been especially strong historically and has maintained solid growth throughout most of the past decade despite statewide job cuts in response to efforts to reduce state spending. During the past 4 years, nonfarm payrolls in the state government subsector increased an average of 1.0 percent annually in the Trenton metropolitan area compared with an average statewide decline of 0.5 percent annually. The strength of the state government subsector has allowed the economy of the metropolitan area to improve at a strong pace.

Sales Market Conditions

The sales housing market in the Trenton metropolitan area is currently slightly soft, with an estimated sales vacancy rate of 2.1 percent, up from 1.6 percent in 2010. During the 12 months ending August 2016, the metropolitan area had 6.0 months of available housing inventory, down from 7.2 months of inventory during the previous 12-month period (TREND Multiple Listing Service [MLS]). In response to strong job growth, sales of new and existing single-family homes and townhomes increased during the past 5 years, and growth accelerated during the past year. Average sales prices, however, were down during the past 2 years because real estate owned (REO) home sales, which are priced lower than non-REO home sales, comprised a larger portion of total sales. Sales of new and existing condominium homes strongly increased during the past year, and the average sales price was up after a slight decline during the previous year. In July 2016, 6.5 percent of home loans were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 8.4 percent in July 2015 and a peak of 11.1 percent in March 2013 (CoreLogic, Inc.). The rate of seriously delinquent loans and REO properties in the metropolitan area and the state has remained

Nonfarm payroll growth in the Trenton area exceeded the state and national rates during the past 4 years.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Trenton area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of New Jersey	Government	32,200
Merrill Lynch & Co., Inc.	Financial activities	6,000
Princeton University	Education and health services	6,000

Notes: Excludes local school districts. Employment totals for the State of New Jersey exclude employment at state-run hospitals and colleges or universities.
Sources: economy.com; Bureau of Labor Statistics

elevated because New Jersey is a judicial foreclosure state, where the average length of the foreclosure process is longer than in states with a nonjudicial foreclosure process.

During the 12 months ending August 2016—

- Approximately 3,325 new and existing single-family homes and townhomes sold, an increase of 330 homes, or 11 percent, from the previous 12-month period (TREND MLS). By comparison, home sales increased an average of 5 percent annually during the previous 2 years. The current level of sales is up 37 percent compared with the average of 2,425 homes sold annually from 2008 through 2012, when the housing crisis hit the area the hardest.
- The number of new and existing condominiums sold increased by 50 units, or 11 percent, to 540 condominiums sold. By comparison, the number of condominiums sold increased 2 percent during the previous 12-month period. The current level of sales is up 38 percent compared with an average of 390 condominiums sold annually from 2010 through 2012.
- The average sales price of new and existing single-family homes and townhomes decreased 3 percent, to \$347,400. The average

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sales price declined an average of 2 percent annually during the past 2 years after increasing an average of 4 percent annually during the previous 4 years. The declining price was because REO homes comprised 9 percent of total sales during the past 2 years compared with 6 percent of total sales during the previous 4 years (CoreLogic, Inc.). Despite the recent decline, the average sales price is down only 4 percent compared with the average sales price of \$360,400 from 2005 through 2008, when the sales market was strong.

- The average sales price of condominiums sold increased 3 percent, to \$250,300. The average sales price has fluctuated during the past 7 years, ranging from \$233,500 to \$270,100.

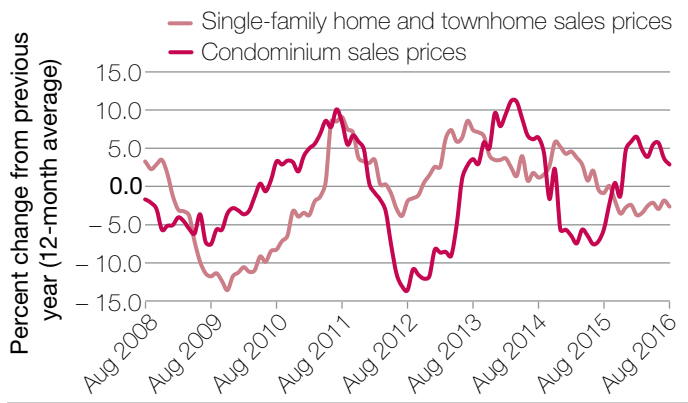
Single-family construction activity has been elevated since 2014 in response to increased sales activity. The level of single-family permitting, however, remains below the level during the early and mid-2000s, when the sales market was the strongest.

- During the 12 months ending August 2016, single-family construction activity, as measured by the number of homes

permitted, totaled 200 units, down 26 percent compared with the 270 homes permitted during the previous 12-month period (preliminary data).

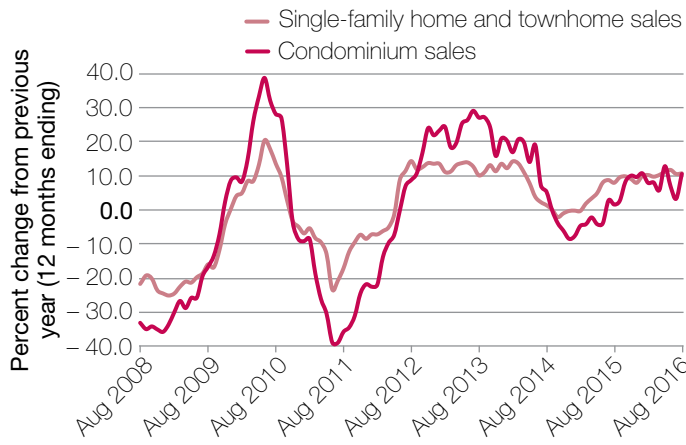
- Homebuilding activity averaged 260 homes permitted during 2014 and 2015, up from an average of 160 homes permitted annually from 2009 through 2013. The current level of permitting, however, remains down 43 percent compared with the 460 homes permitted annually from 2006 through 2008 and down 76 percent compared with the 1,075 homes permitted annually from 2000 through 2005.
- Recent construction activity includes Hamilton Chase, a 105-unit townhome community in Hamilton Township. All units were constructed between 2014 and 2016, and prices for the two-bedroom homes start at \$260,000. A total of 381 townhomes and condominiums are planned at The Crossings at Hamilton Station. More than one-third of the homes have been completed since 2010, and the remaining homes will be built as they are sold. Prices for the two-bedroom townhomes and condominiums start at \$404,500 and \$250,000, respectively.

The average sales price of condominium homes in the Trenton area increased during the past year, but the average sales price of single-family homes and townhomes declined.



Note: New and existing units.
Source: TREND MLS

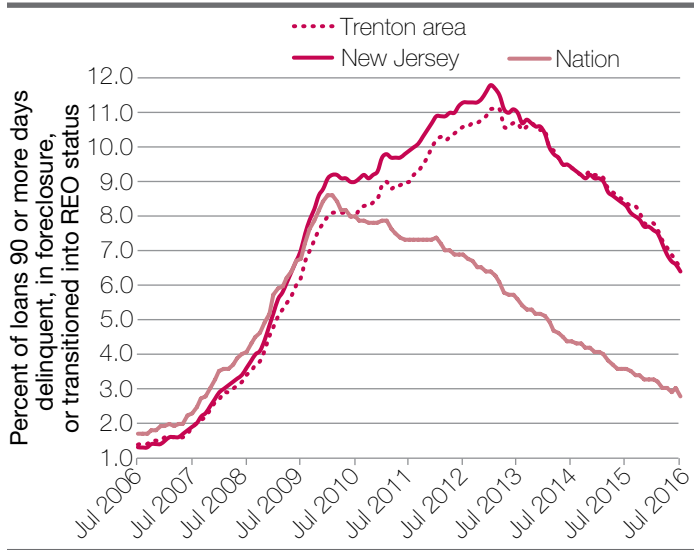
Sales of single-family homes and townhomes and sales of condominium units increased during the past year in the Trenton area.



Note: New and existing units.
Source: TREND MLS

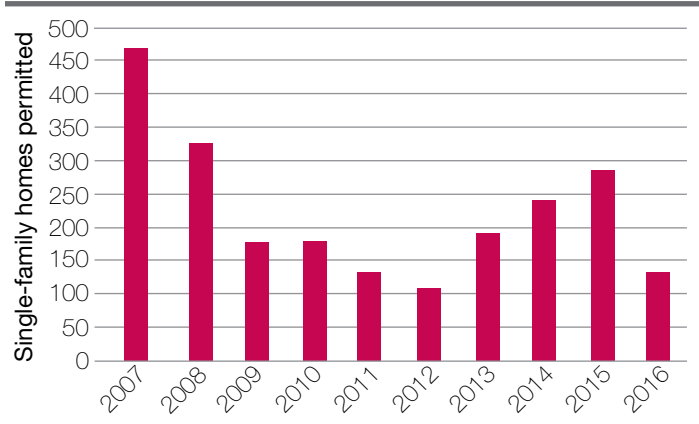


The rates of seriously delinquent mortgages and REO properties in the Trenton area and the state of New Jersey have remained higher than the national rate since late 2010.



REO = real estate owned.
Source: CoreLogic, Inc.

Single-family permitting activity in the Trenton area increased steadily from 2012 through 2015.



Note: Includes preliminary data from January 2016 through August 2016.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the Trenton metropolitan area are currently balanced. Vacancy rates in the metropolitan area are down from 2010 because of strong demand for apartment units that was driven by a continued high foreclosure rate and new residents moving into the area choosing to rent rather than own.

During the second quarter of 2016—

- The apartment vacancy rate was 2.7 percent in the Trenton metropolitan area (Reis, Inc.), up compared with the 2.3-percent vacancy rate during the second quarter of 2015 but down from 4.2 percent during the second quarter of 2010.
- Of the two Reis-defined market areas (hereafter, areas) in the metropolitan area, the vacancy rate has historically been lower in the Princeton/East Mercer County area than in the Trenton area. Demand for apartment units is stronger in the Princeton/East Mercer County area because of its more desirable location. The vacancy rate in the Princeton/East Mercer County area was 2.5 percent, up from 1.7 percent during the same period a year earlier.
- In the Trenton area, vacancy rates were slightly higher but the decline since 2010 was larger than in the Princeton/East Mercer County area because of limited construction activity. The apartment

vacancy rate in the Trenton area was 3.0 percent, up slightly from 2.9 percent during the second quarter of 2015 but down from the 5.1 percent rate during the second quarter of 2010.

- The average asking rent in the metropolitan area increased 3 percent, to \$1,211, from the second quarter of 2015. Rent growth has exceeded 1 percent during each of the past 6 years.
- The rent level and growth rate were higher in the Princeton/East Mercer County area, where the rent increased 5 percent, to \$1,348, from with the second quarter of 2015.

Driven by solid demand for apartment units, multifamily construction activity in the Trenton metropolitan area has been strong since 2010.

- During the 12 months ending August 2016, multifamily building activity, as measured by the number of units permitted, totaled 530 units, up by 50 units, or 10 percent, compared with the number of units permitted during the previous 12-month period (preliminary data).
- From 2010 through 2015, an average of 440 units were permitted annually, up more than 130 percent compared with the average of 190 units permitted annually from 2005 through 2009.

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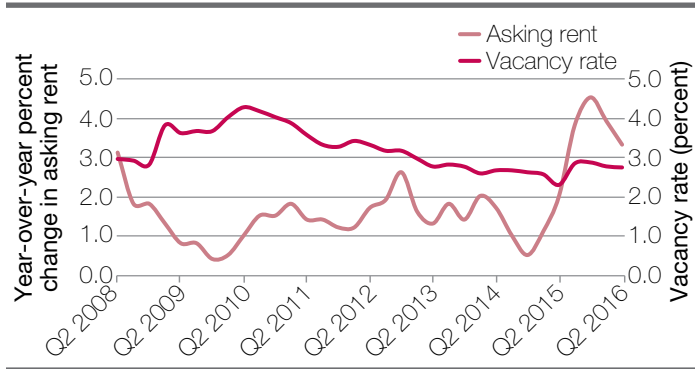
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- Construction activity from 2010 through 2015 was especially strong in Princeton and West Windsor Township (both in the Princeton/East Mercer County area), where an average of 160 and 120 units were permitted annually, respectively, accounting for more than 60 percent of all units permitted in the Trenton metropolitan area.
- Recent construction activity includes the 465-unit Princeton Terrace at West Windsor, which was completed in 2015. Rents for the two-bedroom, two-and-a-half-bathroom units range from \$2,425 to \$2,675. Construction continues at Avalon Princeton,

a planned 280-unit apartment community in Princeton. The first units came on line in mid-2016, and the remaining units are expected to be complete during the next 1 to 2 years. Rents for the newly constructed studio, one-bedroom, two-bedroom, and three-bedroom units start at \$2,250, \$2,700, \$3,125, and \$3,950, respectively.

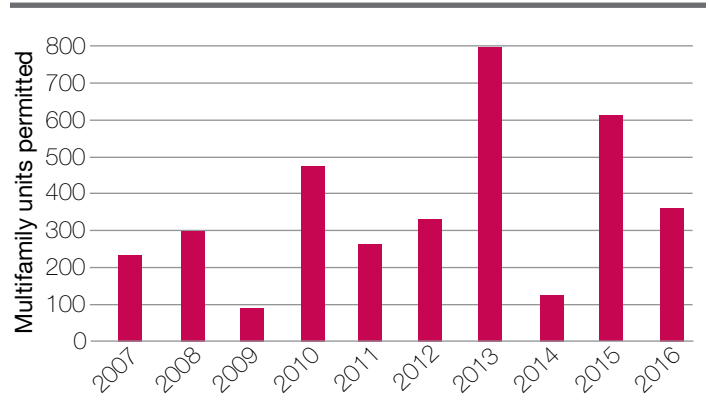
- In the city of Trenton, construction recently began at the 138-unit Roebling Lofts. All units are expected to be completed during 2017, and rents for the one- and two-bedroom units will start at approximately \$1,150 and \$1,600, respectively.

Rent growth has fluctuated in the Trenton area, and the vacancy rate decreased from a peak of 4.2 percent during the second quarter of 2010 to 2.7 percent during the second quarter of 2016.



Source: Reis, Inc.

Multifamily permitting has fluctuated since 2010 in the Trenton area, but the average level was up compared with the average annual number of units permitted from 2007 through 2009.



Note: Includes preliminary data from January 2016 through August 2016.
Source: U.S. Census Bureau, Building Permits Survey

