

HUD PD&R Housing Market Profiles

Trenton-Princeton, New Jersey



Quick Facts About Trenton-Princeton

Trenton, New Jersey

By Derek Brightman II | As of July 1, 2021

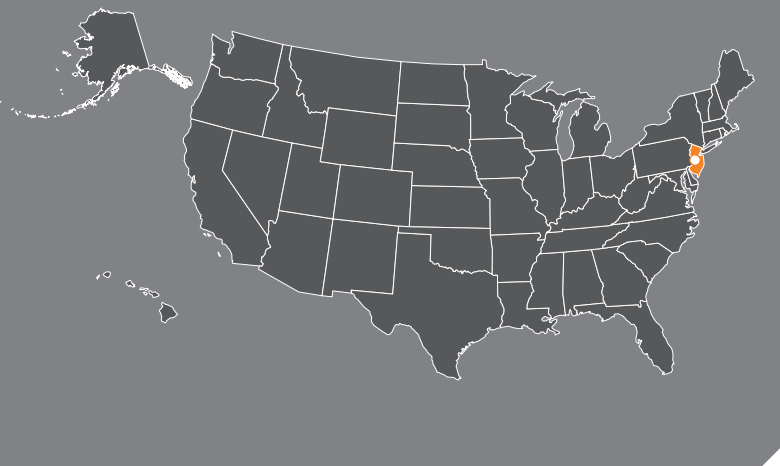
- Current sales market conditions: slightly tight
- Current rental market conditions: balanced
- The city of Trenton was once a leader in global manufacturing, with notable works including the wire rope used to construct the Brooklyn, George Washington, and Golden Gate Bridges.

Overview

The Trenton-Princeton (hereafter, Trenton) metropolitan area is coterminous with Mercer County, New Jersey. Located on the Interstate 95 corridor with commuter access to Philadelphia and New York City, the metropolitan area is home to the city of Trenton, the capital city of New Jersey, with approximately 189,200 nonfarm payroll jobs. Because the Trenton metropolitan area is a center for state government agencies and home to public and private higher education institutions, the government and the education and health services sectors are the two largest sectors in the metropolitan area. Full-time enrollment at the College of New Jersey and Princeton University totaled approximately 15,500 students as of 2020 (The College of New Jersey Common Data Set 2019–2020; Princeton University Common Data Set 2019–2020).

- As of July 1, 2021, the population of the Trenton metropolitan area is estimated at 367,400, reflecting an average decrease of 480 people, or 0.1 percent, annually since 2018. Net out-migration has occurred each year since 2010, averaging 1,350 people a year from 2018 to the current date, compared with an average of 910 people annually from 2016 to 2018, partially because home sales prices increased recently,

continued on page 2



continued from page 1

allowing residents to sell their homes and relocate (U.S. Census Bureau population estimates as of July 1).

- Net out-migration since 2010 was entirely attributed to domestic out-migration, which occurred partially because of higher housing costs compared with Bucks County, Pennsylvania. From 2010 through 2015, the average home sales price in the metropolitan area was \$28,650 higher than home prices in Bucks County, and the average real estate tax was \$4,225 higher than in Bucks County. During 2017, when regular resale prices in the Trenton metropolitan area

and Bucks County were comparable, the average real estate tax for homeowners in the Trenton metropolitan area was approximately \$3,700 higher than the average real estate tax in Bucks County (Zonda, with adjustments by the analyst).

- Net natural change (resident births minus resident deaths) has averaged 1,075 people a year from 2018 to the current date, down slightly from the average of 1,150 people a year from 2016 to 2018. Net natural change declined partially because births slowed as the population aged (U.S. Census Bureau population estimates as of July 1).

Economic Conditions

Although the economy of the Trenton metropolitan area was significantly affected by the onset of the COVID-19 pandemic, the gradual reopening of businesses has contributed to a partial recovery of jobs since May 2020. From May 2020 through June 2021, 18,000 jobs, or 60 percent of the jobs lost during March and April 2020, have been regained (not seasonally adjusted). Nonfarm payrolls remain 4.3 percent below the February 2020 level (not seasonally adjusted).

During the second quarter of 2021 —

- Nonfarm payrolls in the metropolitan area averaged 267,900 jobs, an increase of 13,400 jobs, or 5.3 percent, compared with a decline of 27,100 jobs, or 9.6 percent, during the same period a year earlier.

- The wholesale and retail trade sector added the most jobs of any sector, increasing by 3,100 jobs, or 14.6 percent, compared with the second quarter of 2020.
- The leisure and hospitality sector had the highest rate of growth of any sector in the metropolitan area, increasing by 31.7 percent, or 2,600 jobs; however, nonfarm payrolls in the sector remain approximately 5,400 jobs lower than during the same period in 2019. The accommodation and food services industry accounted for 81 percent of the recent job gains in the sector.
- The transportation and utilities sector increased by 1,100 jobs, or 8.7 percent, partially because Amazon.com, Inc.

continued on page 3

During the second quarter of 2021, the most jobs added in the Trenton metropolitan area were in the wholesale and retail trade sector, whereas nonfarm payrolls increased at the fastest pace in the leisure and hospitality sector.

	3 Months Ending		Year-Over-Year Change	
	June 2020 (Thousands)	June 2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	254.5	267.9	13.4	5.3
Goods-Producing Sectors	14.6	15.6	1.0	6.8
Mining, Logging, & Construction	5.1	5.1	0.0	0.0
Manufacturing	9.5	10.4	0.9	9.5
Service-Providing Sectors	239.9	252.3	12.4	5.2
Wholesale & Retail Trade	21.2	24.3	3.1	14.6
Transportation & Utilities	12.6	13.7	1.1	8.7
Information	3.9	4.1	0.2	5.1
Financial Activities	19.7	20.3	0.6	3.0
Professional & Business Services	45.7	45.7	0.0	0.0
Education & Health Services	46.0	48.1	2.1	4.6
Leisure & Hospitality	8.2	10.8	2.6	31.7
Other Services	7.9	9.1	1.2	15.2
Government	74.7	76.2	1.5	2.0
Unemployment Rate	11.5%	5.9%		

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



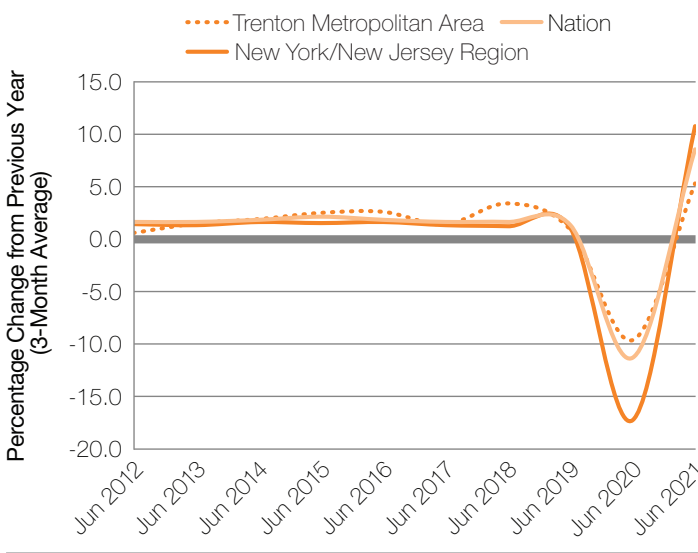
continued from page 2

opened a warehouse in Lawrence Township, bringing approximately 250 new jobs into the metropolitan area.

- The average unemployment rate was 5.9 percent, down from 11.5 percent during the same period a year ago but still more than double the 2.7-percent rate during the second quarter of 2019.

The State of New Jersey is the largest employer in the Trenton metropolitan area, accounting for approximately 21 percent of

Nonfarm payroll growth since June 2020 has occurred more slowly in the Trenton metropolitan area than in the New York/New Jersey region and the nation.



Source: U.S. Bureau of Labor Statistics

total nonfarm payrolls. Government employment and public sector programs, such as the New Jersey Economic Development Authority (NJEDA), are integral to the Trenton metropolitan area economy. Grow New Jersey (Grow NJ), an NJEDA program, funded 20 projects in the metropolitan area from 2012 through 2018, leading to the creation or retention of 3,250 jobs with an average salary of \$112,916 (State of New Jersey Office of the Comptroller, 2019). Jobs incentivized by Grow NJ accounted for approximately 18 percent of the jobs added in the metropolitan area from 2012 through 2018. During the pandemic, NJEDA distributed approximately \$238 million to nearly 55,000 businesses that added or retained jobs in the metropolitan area (NJEDA COVID-19 Programs Report 2020). That effort has contributed to relatively less severe economic declines stemming from countermeasures used to slow the spread of COVID-19. During the second quarter of 2020, nonfarm payrolls in the metropolitan area declined by 27,100 jobs, or 9.6 percent. For comparison, jobs declined by 17.2 percent in the New York/New Jersey region and 11.3 percent in the nation during the same period.

Largest Employers in the Trenton Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The State of New Jersey	Government	57,400
Bank of America Corporation	Financial Activities	10,000
Princeton University	Education & Health Services	7,300

Note: Excludes local school districts. Sources: BLS.gov; Moody's Analytics

Sales Market Conditions

Sales housing market conditions in the Trenton metropolitan area are currently slightly tight, compared with soft conditions during 2015, with a current estimated sales vacancy rate of 1.2 percent. Relatively high foreclosure rates and persistent net out-migration contributed to excess affordable inventories and soft housing market conditions during 2015. Since 2016, a high level of real estate owned (REO) home sales and a growing share of non-owner-occupied purchases, a measure of investor activity, contributed to declining inventories, which fell from 7.3 months in June 2015 to 3.3 months in December 2019 (CoreLogic, Inc.). Recently, inventory levels have been influenced by homeowners being less willing to list homes for sale. Active inventory was stable during the first quarter of 2020 before declining in response to the pandemic. By February 2021, active inventory had declined to approximately 630 homes, the lowest level since 2007 and 50 percent lower than inventory

levels in February 2019. As sellers have resumed listing their homes, the inventory of homes for sale has increased from 1.7 months of supply in February 2021 to 2.2 months in June 2021. In May 2021, 4.3 percent of home loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, up from 2.4 percent during May 2020 (CoreLogic, Inc.). The rise during the past year was due to the number of home loans that were 90 or more days delinquent doubling as strong job losses during the past year made it difficult for some homeowners to stay current on their mortgage payments.

During the 12 months ending May 2021 —

- Existing home sales (which include regular resale and REO home sales) totaled approximately 5,350, an increase of 7 percent compared with the previous year, whereas the

continued on page 4



continued from page 3

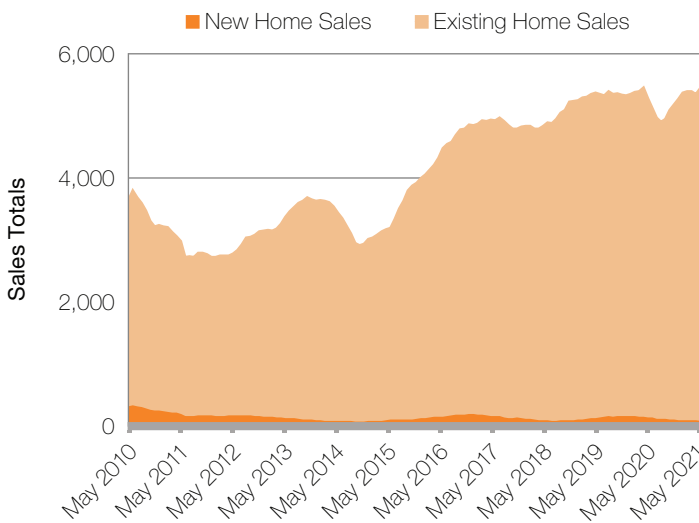
average existing home sales price increased significantly, by 13 percent, to a peak of \$347,900 (Zonda, with adjustments by the analyst). By comparison, existing home sales declined by 4 percent during the 12 months ending May 2020, and existing home prices increased 4 percent.

- REO sales accounted for 3 percent of all existing home sales, down significantly from 9 percent during the previous 12 months. The average sales price for REO homes was \$172,700, up 17 percent compared with the previous 12 months but 51 percent lower than the average sales price for regular resales in the metropolitan area.
- New home sales, which accounted for just 1 percent of all homes sold, totaled 70 homes, down by 50 homes, or 40 percent, compared with a year ago. The average new home sales price declined by \$99,050, or 13 percent, to \$640,200, compared with an increase of \$102,700, or 16 percent, during the previous 12 months.

Homebuilding activity, as measured by the number of single-family homes and townhomes (hereafter, homes) permitted, has been relatively stable in recent years, increasing by an average of 20 homes annually from 2018 through 2020. For comparison, home permitting declined by an average of 65 homes a year from 2015 through 2017.

- During the 12 months ending June 2021, single-family building activity totaled 250 homes, up by 20 homes, or 10 percent, compared with the previous 12 months (preliminary data). Robbinsville Township, a suburb approximately 11 miles east

Total home sales in the Trenton metropolitan area have generally been high since 2015, with modest declines from early to mid-2020.



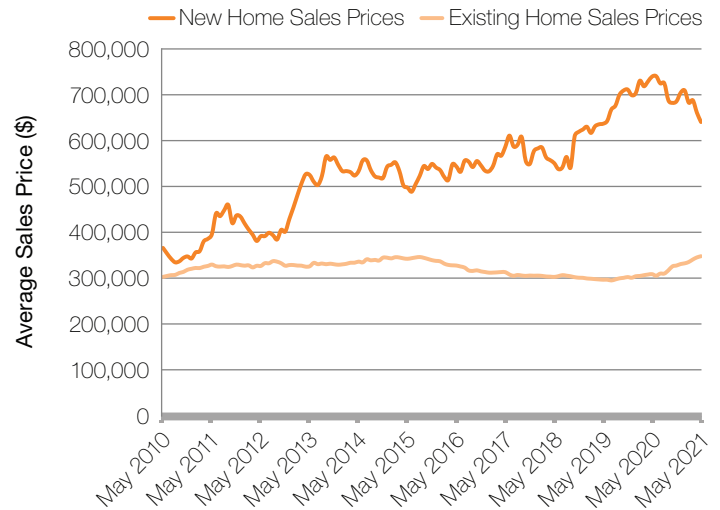
Note: Sales are for single-family homes, townhomes, and condominiums. Source: Zonda, with adjustments by the analyst

of the city of Trenton, accounted for the highest share of the homebuilding activity during the period, with approximately 85 homes permitted.

- The Crossings at Hamilton Station, a residential community with apartments, townhomes, and condominiums, began

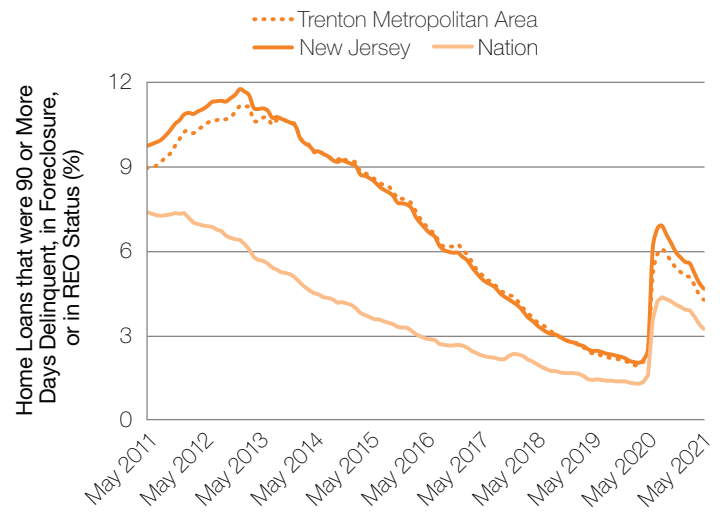
continued on page 5

The average new home sales price in the Trenton metropolitan area generally declined from May 2020 through May 2021 following a significant increase during the previous year.



Note: Prices are for single-family homes, townhomes, and condominiums. Source: Zonda

The proportion of seriously delinquent home loans and REO properties in the Trenton metropolitan area declined substantially following a sharp increase in mid-2020.



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

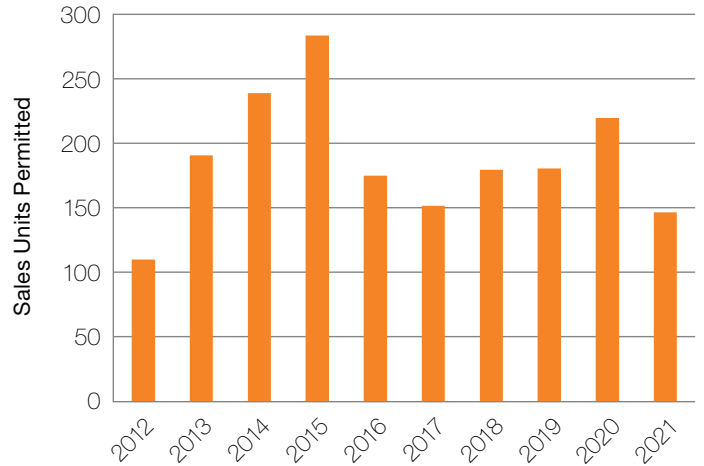


continued from page 4

construction in 2010. Approximately 168 of the planned 370 townhomes and condominiums had been sold from 2011 to June 2021. Prices for townhomes ranged from \$252,600 to \$496,800, whereas prices for condominiums ranged from \$203,800 to \$324,000.

- Approximately 21 of the 122 planned townhomes in the Vintage at Hamilton subdevelopment are currently under construction, with prices ranging from \$440,900 to \$470,900 for three-bedroom homes and from \$477,900 to \$480,900 for duplexes.

Single-family homebuilding activity in the Trenton metropolitan area has gradually increased since 2017.



Note: Includes preliminary data from January 2021 through June 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

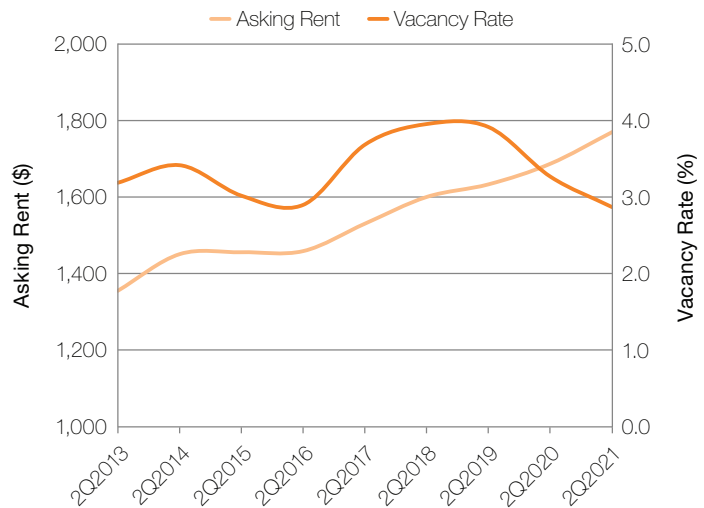
Rental Market Conditions

Rental market conditions in the Trenton metropolitan area are currently balanced, compared with soft conditions during 2010. The estimated overall rental vacancy rate (including single-family homes, mobile homes, and apartments) was 6.0 percent as of June 2021, down from 8.6 percent during 2010 when conditions were soft. Apartment market conditions in the Trenton metropolitan area, however, are tight, compared with slightly tight conditions a year ago, primarily because demand for apartment units has outpaced increases in supply.

During the second quarter of 2021 —

- The apartment vacancy rate, having declined for the third consecutive year, was 2.9 percent, down from 4.0 percent during the second quarter of 2018 (RealPage, Inc.).
- The average apartment rent was \$1,770. Rent growth accelerated to \$85, or 5 percent, up from \$55, or 3 percent, during the same period a year ago.
- Apartment rents in the RealPage, Inc.-defined North Mercer County market area, which includes the municipality of Princeton, rose by \$111, or 6 percent, whereas the vacancy rate increased slightly, from 3.0 percent to 3.3 percent, during the second quarter of 2021. Although full-time enrollment at Princeton University was 8,325 students as of 2020, the impact of students on market conditions is estimated to be small; only 4 percent of undergraduate students live off-campus or commute (Princeton University

Apartment market conditions in the Trenton metropolitan area have tightened since 2020, with the vacancy rate declining and rent growth accelerating.



2Q = second quarter. YoY = year-over-year. Source: RealPage, Inc.

Common Data Set 2019–2020). Those students represent an estimated 2 percent of the rental households in the metropolitan area.

- Apartment market conditions in the RealPage, Inc.-defined Trenton-Ewing market area are also tight, with a vacancy

continued on page 6



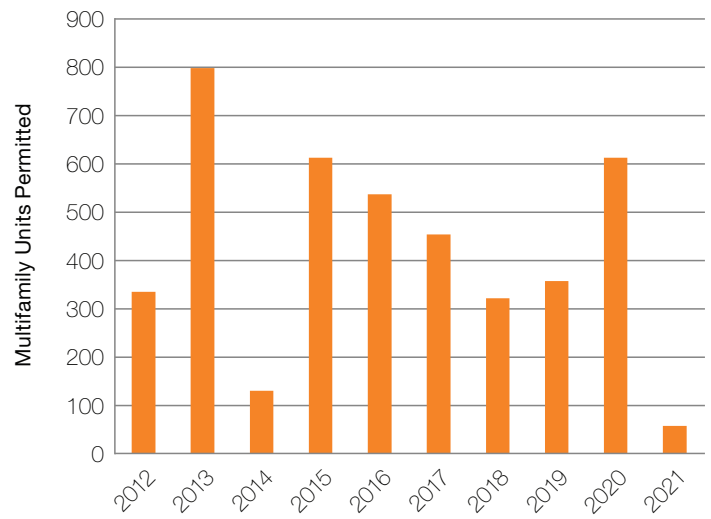
continued from page 5

rate of 2.4 percent. Rent growth has been slow, however, partially because the population has declined since 2018.

Multifamily construction activity in the Trenton metropolitan area, as measured by the number of multifamily units permitted, generally increased during 2019 and 2020. Approximately 120 multifamily units were permitted in the city of Trenton during 2019 and 2020, up from 45 units during 2017 and 2018.

- During the 12 months ending June 2021, approximately 570 multifamily units were permitted, up 84 percent from the 310 units permitted during the previous year (preliminary data).
- Rental construction activity has been more consolidated in recent years. Approximately 580 multifamily units were permitted in West Windsor Township from 2018 through 2020, more than the combined 490 units permitted in the city of Trenton and Hamilton and Ewing Townships.
- Woodstone at West Windsor Apartments, a 443-unit development in West Windsor Township, is currently under construction, with rents for one- and two-bedroom apartment units starting at \$2,160 and \$2,775, respectively.
- Southside Lofts at Town Center, located in Robbinsville Township, was completed in November 2020. The property has 64 units, with rents for one- and two-bedroom units ranging from \$1,725 to \$2,350 and from \$2,250 to \$2,400, respectively.

Multifamily building activity in the Trenton metropolitan area declined for 3 consecutive years before rising during 2019 and 2020.



Note: Includes preliminary data from January 2021 through June 2021.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

