

COMPREHENSIVE HOUSING MARKET ANALYSIS

Trenton-Princeton, New Jersey

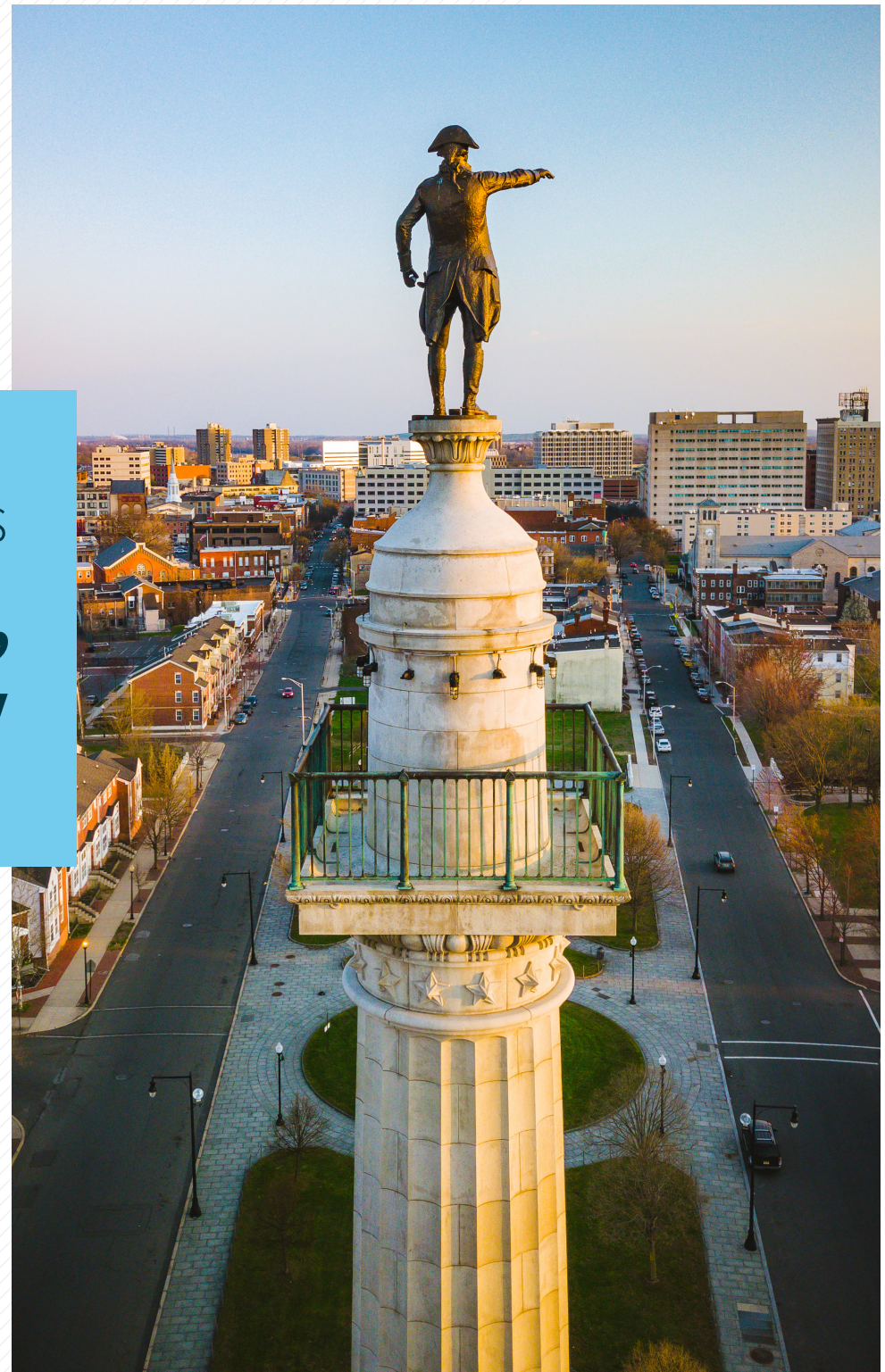
U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of April 1, 2021



PD&R

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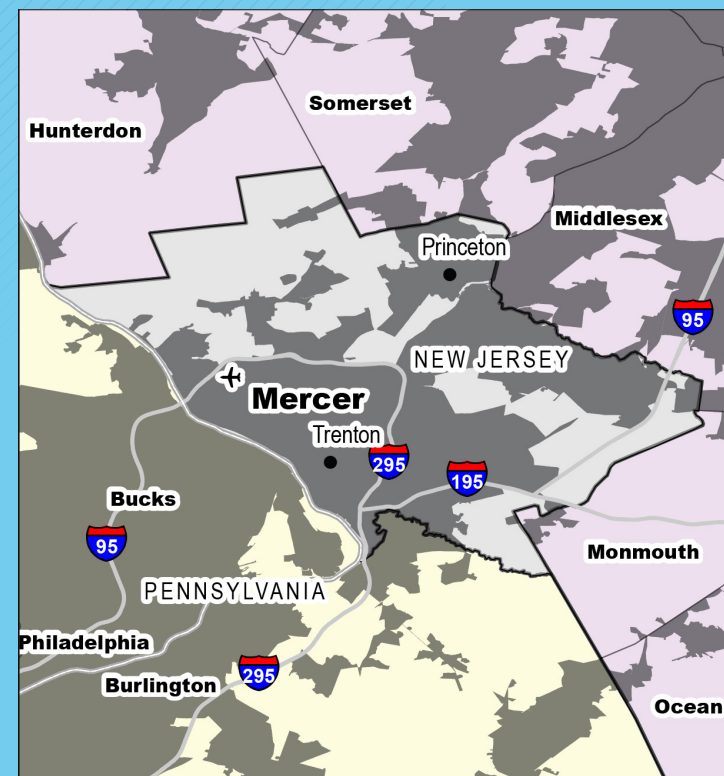
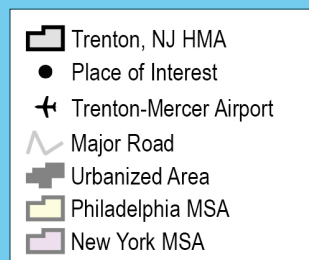


Executive Summary

Housing Market Area Description

The Trenton-Princeton Housing Market Area (hereafter, Trenton HMA) consists of Mercer County in New Jersey and is coterminous with the metropolitan statistical area (MSA) of the same name. The city of Trenton, the capital city of the state of New Jersey, was known as a leader in global manufacturing, with firms such as John A. Roebling's Sons Company, which produced the wire rope used to build the Brooklyn Bridge, the George Washington Bridge, and the Golden Gate Bridge. The municipality of Princeton (hereafter, Princeton), which includes the former Princeton Borough and Princeton Township, is known for Princeton University, which was ranked 11th in best global universities in 2021 (usnews.com).

The current population in the HMA is 367,800.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



Market Qualifiers

Economy



Weak: Approximately 43 percent of the jobs lost at the start of the COVID-19 pandemic were recovered by March 2021 (not seasonally adjusted).

During the 12 months ending March 2021, nonfarm payrolls declined by 19,200 jobs, or 6.8 percent, compared with an increase of 4,000 jobs, or 1.4 percent, a year ago. The most significant job losses were in the leisure and hospitality, the education and health services, and the wholesale and retail trade sectors, which declined by averages of 6,400, 3,700, and 3,300 jobs, or 40.5, 7.3, and 12.4 percent, respectively. During the 12 months ending March 2021, the unemployment rate averaged 8.2 percent—up from 3.1 percent during the same period a year ago. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.5 percent annually, nearing but not exceeding prepandemic levels.

Sales Market



Slightly Tight: The current sales vacancy rate is estimated at 1.2 percent—down from 1.6 percent in April 2010, when conditions were soft.

The home sales market is slightly tight compared with slightly soft conditions in April 2010. During 2020, approximately 4,850 homes sold—down 3 percent from the previous 12 months—and the average home sales price increased 7 percent to \$333,700 (Zonda). As of March 2021, 4.8 percent of home loans in the HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status—up from 2.0 percent a year earlier (CoreLogic, Inc.). Demand is estimated for 750 new homes during the forecast period. The 55 homes under construction are expected to satisfy a portion of that demand during the first year.

Rental Market



Balanced: During the past year, the average apartment vacancy rate in the HMA declined slightly, and the average apartment rent increased 2 percent.

The overall rental housing market is balanced, with an estimated rental vacancy rate of 6.0 percent—down from 8.6 percent in 2010. The apartment market is slightly tight, however, with a 3.4-percent vacancy rate during the first quarter of 2021—down from 3.7 percent a year ago (RealPage, Inc.). During the forecast period, demand is expected for 1,100 new rental units in the HMA. The 580 units under construction will satisfy a portion of that demand during the next 2 years.

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3-Year Housing Demand Forecast

	Sales Units	Rental Units
Trenton HMA		
Total Demand	750	1,100
Under Construction	55	580

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2021. The forecast period is April 1, 2021, to April 1, 2024.

Source: Estimates by the analyst



Economic Conditions

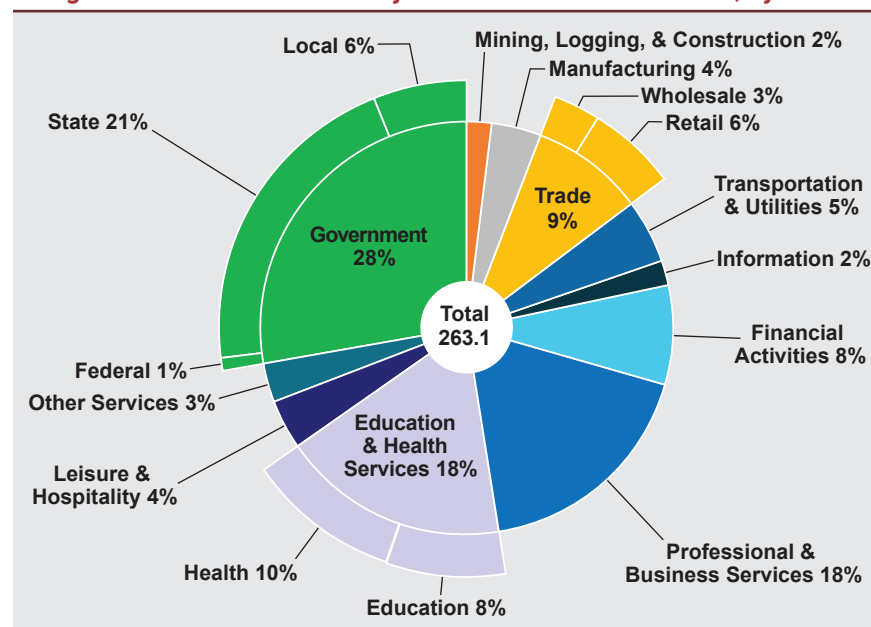
Largest Sector: Government

The Trenton HMA serves as a job magnet, attracting approximately 150,900 commuters from surrounding counties for employment (U.S. Census Bureau, “OnTheMap,” 2018).

Primary Local Economic Factors— From Manufacturing to State Government and Higher Education

From the 1800s through the mid-1960s, the Trenton HMA was a globally recognized center for manufacturing. In an effort to ameliorate the economic fallout stemming from the decline in the manufacturing industry during the late 1960s and early 1970s, the state of New Jersey borrowed \$104 million through the Mercer County Improvement Authority to fund the construction of the Richard J. Hughes Justice Complex, the first of many major state government buildings, to revitalize the city of Trenton by making it a hub for public-sector activity. The Trenton HMA remains strongly influenced by the government sector and state-funded organizations and programs. The government sector is currently the largest job sector in the HMA, accounting for 28 percent of all nonfarm payrolls (Figure 1), partially because of public colleges and universities. Mercer County Community College and The College of New Jersey employ a combined 2,950 people, whereas Princeton University, the second largest private employer in the Trenton HMA, employs approximately 7,300 people (Table 1). During 2020, visitors to the HMA totaled 2.2 million—down 39.6 percent from the previous year (Tourism Economics, 2020), whereas an average of 558,000 people visit Princeton University annually (Princeton University Office of Public Affairs). Although the cities of Trenton and Princeton are cardinal to the HMA economy, jobs are well distributed throughout the central region (Map 1).

Figure 1. Share of Nonfarm Payroll Jobs in the Trenton HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through March 2021. Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Trenton HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The State of New Jersey	Government	57,100
Bank of America Corporation	Financial Activities	10,000
Princeton University	Education & Health Services	7,300
Bristol-Myers Squibb Company	Manufacturing	6,000
Amazon.com, Inc.	Transportation & Utilities	4,100
Capital Health	Education & Health Services	3,800
NJM Insurance	Financial Activities	2,552
Penn Medicine Princeton Health	Education & Health Services	2,400
McGraw-Hill Education, Inc.	Information	2,000
Pharmanet Development Group, Inc.	Professional & Business Services	2,000

Note: Excludes local school districts.

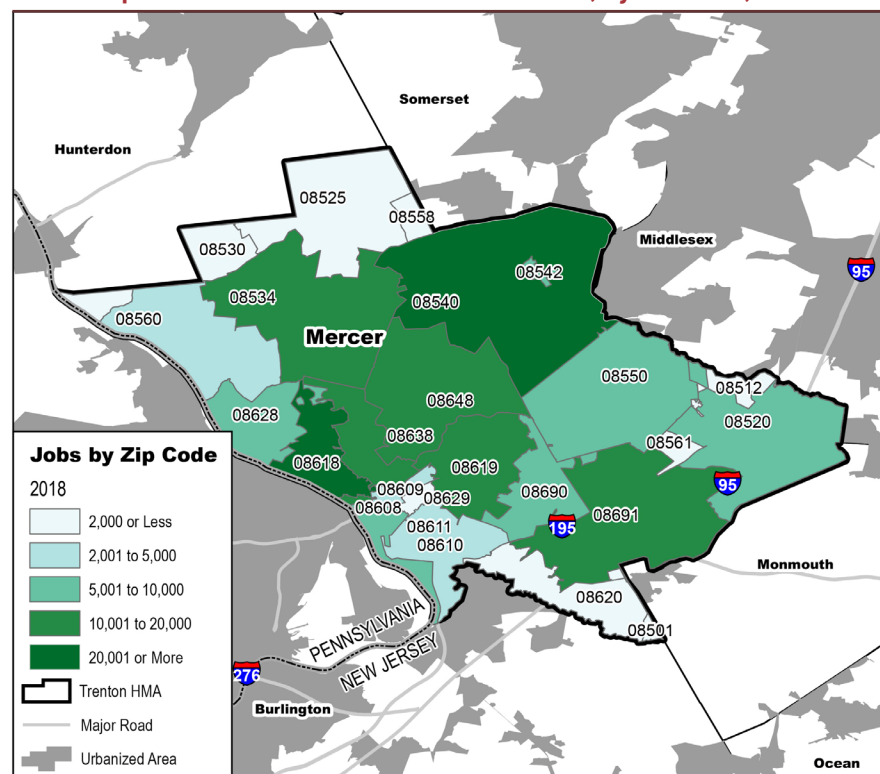
Sources: Economy.com; NJ105.com; Princeton.edu

Current Conditions and the Impact of the COVID-19 Pandemic

Nonfarm payrolls have fallen sharply during the past 12 months, declining by 19,200 jobs, or 6.8 percent, compared with the previous year (Figure 2). Although the rate of job declines stemming from the countermeasures used to slow the spread of COVID-19 was less severe in the Trenton HMA compared with the nation, the rate of job recovery has been slower in the HMA than in the nation. From February 2020 through April 2020, nonfarm payrolls in the HMA declined by 30,200 jobs, or 10.7 percent, compared with a decline of

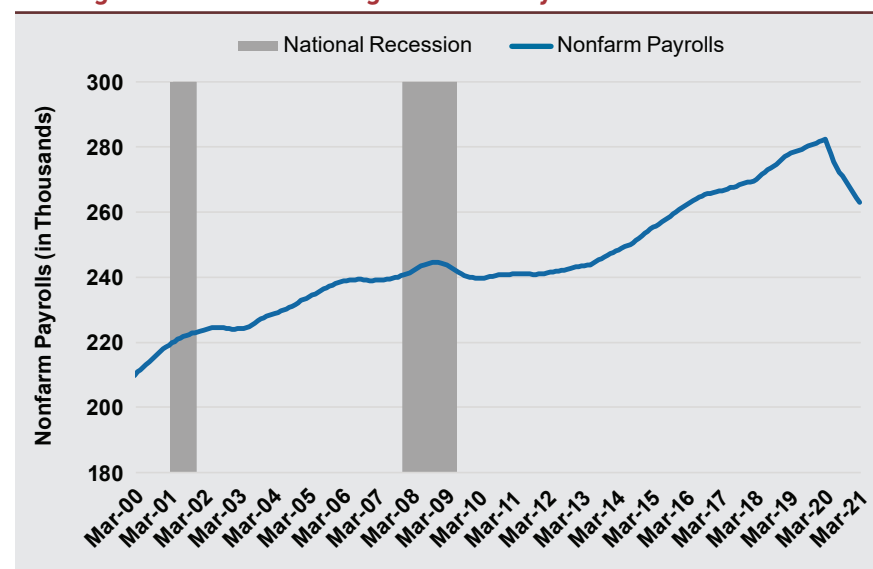
13.7 percent in the nation (not seasonally adjusted). As of the current date, the HMA has recovered just 43 percent of the jobs lost compared with 63 percent of jobs lost in the nation. A high concentration of jobs lost were in the leisure and hospitality sector, which fell by 6,400 jobs, or 40.5 percent (Table 2). Ongoing job vacancies stemming from temporary business closures contributed to significant job losses and the subsequent slow recovery in the leisure and hospitality sector. Bobby's Burger Palace, a casual restaurant owned by Bobby Flay, and a Panera Bread Company restaurant in Princeton both permanently closed during 2020. The education and health services sector declined by 3,700 jobs, or 7.3 percent, during the 12 months ending March 2021. Hospitals were temporarily unable to provide many elective procedures, causing furloughs among healthcare providers. The wholesale and retail trade sector declined by 3,300 jobs, or 12.4 percent. The closure of a Walmart in Princeton eliminated approximately 210 jobs, contributing to losses in the sector.

Map 1. Job Distribution in the Trenton HMA, by ZIP Code, 2018



Source: U.S. Census OnTheMap 2018

Figure 2. 12-Month Average Nonfarm Payrolls in the Trenton HMA



Note: 12-month moving average.

Sources: National Bureau of Economic Research; U.S. Bureau of Labor Statistics

**Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s)
in the Trenton HMA, by Sector**

	12 Months Ending March 2020	12 Months Ending March 2021	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	282.3	263.1	-19.2	-6.8
Goods-Producing Sectors	16.8	15.1	-1.7	-10.1
Mining, Logging, & Construction	5.8	5.2	-0.6	-10.3
Manufacturing	11.0	10.0	-1.0	-9.1
Service-Providing Sectors	265.5	247.9	-17.6	-6.6
Wholesale & Retail Trade	26.7	23.4	-3.3	-12.4
Transportation & Utilities	12.4	13.7	1.3	10.5
Information	4.4	4.1	-0.3	-6.8
Financial Activities	20.1	20.0	-0.1	-0.5
Professional & Business Services	49.9	47.0	-2.9	-5.8
Education & Health Services	50.7	47.0	-3.7	-7.3
Leisure & Hospitality	15.8	9.4	-6.4	-40.5
Other Services	10.2	8.5	-1.7	-16.7
Government	75.4	74.9	-0.5	-0.7

Notes: Based on 12-month averages through March 2020 and March 2021. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics

Economic Sectors of Significance

Government

The government sector is the largest sector in the HMA economy, accounting for 74,900 jobs; 75 percent of those jobs are in the state government subsector. During 2020, state government jobs in the justice, public order, and safety industry, which includes police and fire jobs, accounted for 15,650 jobs—the most of any industry (Quarterly Census of Employment and Wages, preliminary data). State jobs in the administration of economic programs accounted for approximately 6,725 jobs. During the 12 months ending March 2021, the local government subsector averaged 16,100 jobs—down by 1,100, or 6.5 percent, compared with the previous year. Federal government jobs increased by 100, or 2.6 percent, to 2,300 during the 12 months ending March 2021.

Economic development initiatives are integral to the HMA as well. The Grow New Jersey Assistance Program (Grow NJ), the primary New Jersey Economic Development Authority (NJEDA) program, leverages tax credits to incentivize firms to create and retain jobs. Since 2012, Grow NJ has funded 20 projects in the HMA, 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 from 2012 through 2018.

Education and Health Services

Princeton is the fulcrum for employment in the education and health services sector, primarily because of the impact of Princeton University. Approximately 8,150 students spent nearly \$59.7 million off campus in the Princeton area during fiscal year 2015 (economicimpact.princeton.edu). During 2015, the Princeton University total-economic-impact—including university, student, and visitor spending—was estimated at \$1.06 billion and supported approximately 10,400 jobs with combined earnings of \$755 million (Appleseed Inc., 2015). Various research initiatives, including the fusion research being conducted at the Princeton Plasma Physics Laboratory, were supported by funding sources internal and external to the university and totaled \$369.6 million during 2020 (Princeton University, Annual Report of the University Research Board and The Office of Research and Project Administration, Fiscal Year 2019–2020).

The education and health services sector is tied as the second largest payroll sector in the Trenton HMA, but job growth in the sector has been moderate since 2011. The education and health services sector increased by 600 jobs, or 1.3 percent, annually from 2001 through 2010, compared with a gain of 500 jobs, or 1.0 percent, a year from 2011 through 2018. Gains in the educational services industry offset declines in the hospital industry. Capital Health laid off 175 employees from its Trenton and Hopewell hospitals in 2012, contributing to the decline of 2,400 jobs, or 25.8 percent of jobs in the hospital industry, from 2011 through 2015. The hospital industry has gradually improved, adding approximately 800 jobs from 2016 through 2020.



Professional and Business Services

The professional and business services sector is the other half of the pair of second-largest payroll sectors in the Trenton HMA. The sector accounts for 18 percent of nonfarm payrolls, but this sector is characterized by many multinational firms in the professional, scientific, and technical services industry, each with fewer than 1,000 employees in the HMA. Mathematica and Laboratory Corporation of America Holdings are located in Princeton and employ 773 and 148 people, respectively, in the HMA (economy.com; naics.com).

Growth in the professional and business services sector accelerated during the 2010s before the pandemic. During 2010 and 2011, nonfarm payrolls in the sector increased by an average of 600 jobs, or 1.6 percent, annually. From 2012 through 2019, job growth accelerated to an average of 1,500 jobs, or 3.5 percent, annually. Strategic support from the NJEDA contributed to increased growth during the period. Billtrust, a firm in the professional, scientific, and technical services industry, received a \$1.3 million annual award from Grow NJ, which allowed the firm to build its headquarters in Lawrenceville Township and add approximately 200 new jobs (*Philadelphia Business Journal*).

Historical Trends—2001 Through 2008

From 2001 through 2005, the Trenton HMA gained an average of 4,000 jobs, or 1.8 percent, annually, more than offsetting the 4,000 professional and business services sector jobs lost during 2001 and 2002 because of the dot-com recession. Job growth from 2001 through 2005 was concentrated in the state government subsector, which accounted for approximately 45 percent of the jobs gained in the HMA. Those gains were largely attributed to New Jersey building and expanding state-run healthcare facilities, part of long-term care initiatives in the state. State government employment in the health care and social assistance industry nearly tripled, from 2,600 in 2001 to 7,700 in 2005 (Quarterly Census of Employment and Wages).

Nonfarm payroll growth decelerated to an average of 2,200 jobs, or 0.9 percent, from 2006 through 2008. Job growth was strongest in the professional and

business services and the government sectors, which increased by averages of 900 jobs each annually, or 2.5 and 1.4 percent, respectively. All of the gains in the professional and business services sector were attributed to growth in the professional, scientific, and technical services industry.

Historical Trends—2009

Although nonfarm payrolls declined in the Trenton HMA following the foreclosure crisis, job losses were less severe in the HMA compared with the nation, partially because of the economic stability provided by the government sector. During 2009, job losses in the HMA totaled 4,800 jobs, or 2.0 percent, compared with a 4.3-percent decline in the nation. The largest declines were in the professional and business services and the financial activities sectors, which fell by 1,900 and 1,200 jobs, or 4.9 and 6.6 percent, respectively. Approximately 63 percent of the losses in the professional and business services sector were in the administrative and support and the waste management and remediation services industries, which declined by 1,200 jobs. Partially offsetting those declines were gains in the state government subsector, which increased by 600 jobs, or 1.3 percent.

Historical Trends—2010 Through 2018

Nonfarm payroll growth during 2010 and 2011 averaged 600 jobs, or 0.2 percent, annually before accelerating during the next 6 years. From 2012 through 2018, nonfarm payrolls increased by an average of 5,000 jobs, or 2.0 percent, a year. The professional and business services sector added 1,400 jobs, or 3.4 percent, a year—the most of any sector—whereas the transportation and utilities sector was the fastest growing sector, increasing by an average of 11.9 percent, or 900 jobs, annually (Figure 3). In 2014, Sandoz International GmbH, a major pharmaceutical firm, used a \$9.1 million grant package, which was approved by Grow NJ, to expand its Princeton headquarters, retaining 290 existing positions and adding 70 new full-time positions. Amazon.com, Inc. opened a 1.2 million-square-foot fulfillment center in June 2014, an addition of 2,500 jobs in the transportation and utilities sector.

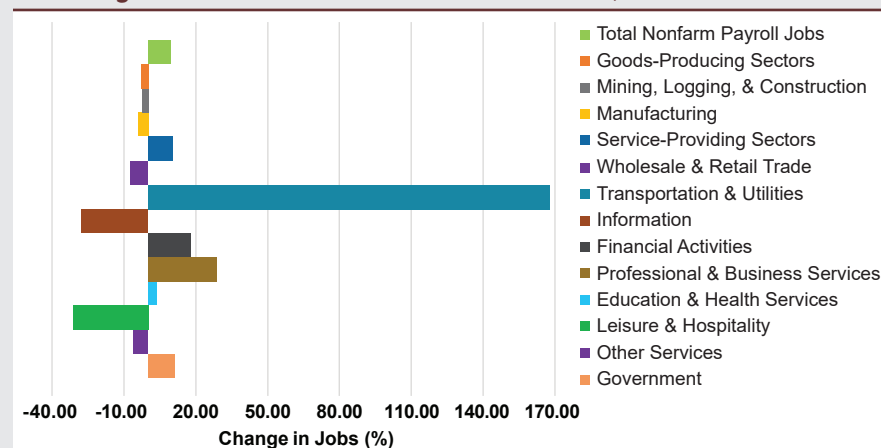
Unemployment Trends

The unemployment rate in the HMA peaked at 8.5 percent during 2010 and remained elevated until early 2013, whereas the national unemployment rate peaked at 9.7 percent during 2010 and began to decline during 2011 (Figure 4). From 2014 through 2019, however, the unemployment rate in the HMA declined following 2 consecutive years of strong economic growth. Although the unemployment rate in the Trenton HMA more than doubled during 2020 to 7.4 percent in response to strong job losses, it remained below the 8.7-percent rate for the nation. During the 3 months ending March 2021, the unemployment rate in the HMA averaged 6.4 percent.

Employment Forecast

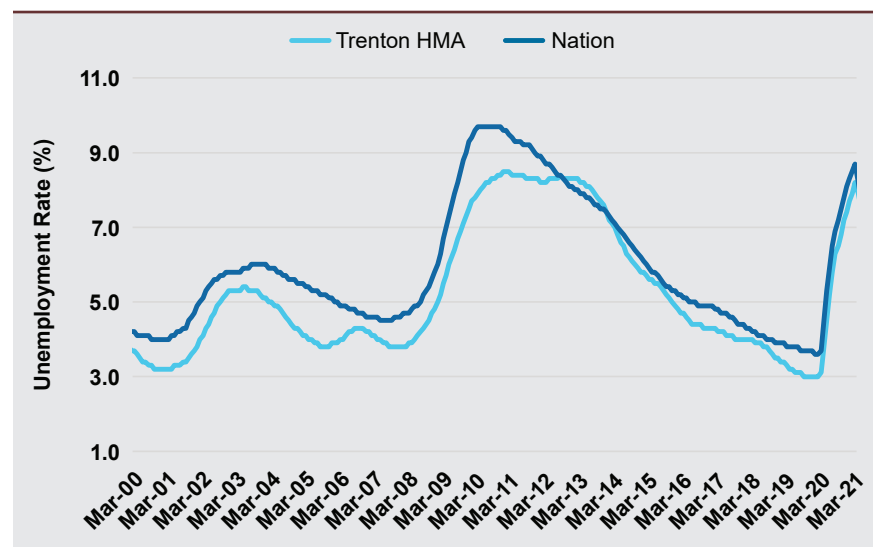
During the 3-year forecast period, nonfarm payrolls in the Trenton HMA are expected to increase gradually—by an average of 4,100 jobs, or 1.5 percent, annually. Job gains are expected particularly in the transportation and utilities sector. Amazon.com, Inc. announced plans to purchase a 340,000-square-foot delivery facility in the HMA. The delivery facility is expected to add 250 jobs in the HMA by the end of 2022, a portion of the 6,900 jobs the firm plans to add in the state of New Jersey. An estimated 92 percent of the jobs lost from March through April 2020 will be recovered by the end of the forecast period.

Figure 3. Sector Growth in the Trenton HMA, 2011 to Current



Note: The current date is April 1, 2021.
Source: U.S. Bureau of Labor Statistics

Figure 4. 12-Month Average Unemployment Rate in the Trenton HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Population and Households

Current Population: 367,800

The current HMA population total is approximately 1,275 higher than it was in 2010.

Population Trends

As of April 1, 2021, the population of the Trenton HMA is estimated at 367,800—up slightly from 366,513 in April 2010 (Table 3). Population growth averaged 2,450 people, or 0.7 percent, annually from 2000 to 2004 (Figure 5), with net natural change accounting for 69.4 percent of the increase. From 2004 to 2009, population growth slowed to an average of 830 people, or 0.2 percent, annually, because net out-migration occurred and averaged 870 people a year. The HMA population increased by 2,325, or 0.6 percent, from 2009 to 2010 following significant job losses stemming from the Great Recession. Since 2010, population trends in the HMA have been responsive to relative home price dynamics and real estate tax rates. From 2010 to 2019, a period of changing home price dynamics, net out-migration occurred, averaging 1,150 people annually.

From 2014 to 2018, an average of 2,450 Trenton HMA residents migrated to Pennsylvania annually

Table 3. Trenton HMA Population and Household Quick Facts

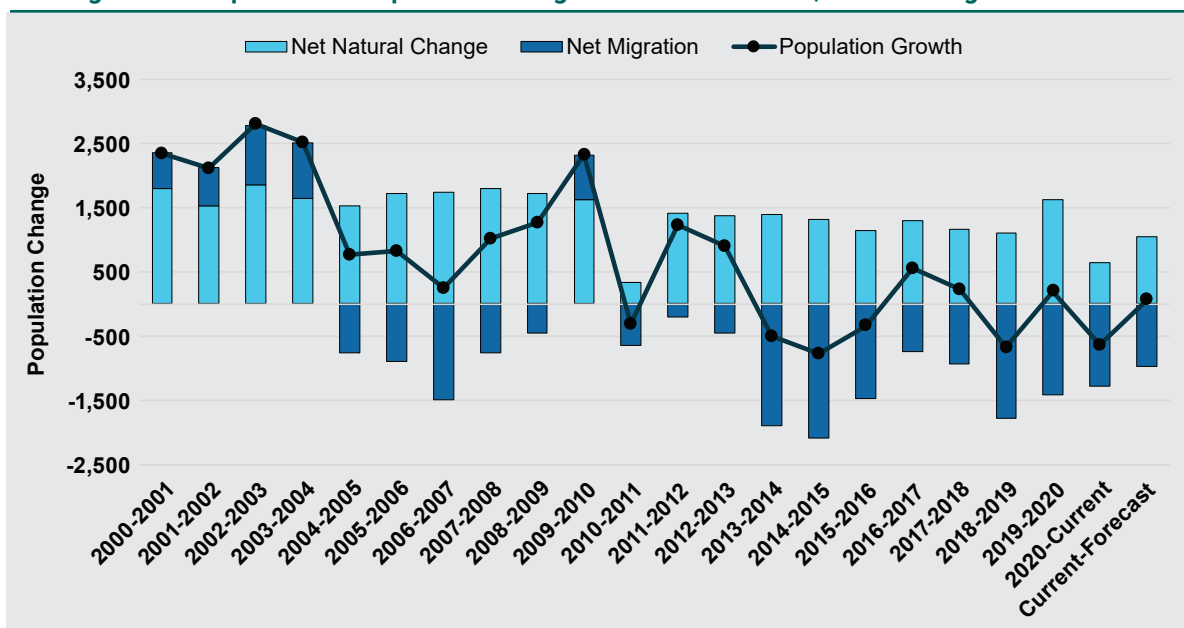
Population Quick Facts	2010	Current	Forecast
	Population	366,513	367,800
	Average Annual Change	1,575	120
	Percentage Change	0.4	0.0
Household Quick Facts	2010	Current	Forecast
	Households	133,155	136,400
	Average Annual Change	730	290
	Percentage Change	0.6	0.2

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast.

The forecast period is from the current date (April 1, 2021) to April 1, 2024.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Trenton HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (April 1, 2021) to April 1, 2024.

Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

(Table 4), with most of those former HMA residents settling in Bucks County for a lower cost of homeownership. During 2007, the average home sales price for regular resales in the Trenton HMA was 6.2 percent less expensive than the average in Bucks County (Zonda). From 2008 through 2016, regular resales in the HMA ranged from 4.1 percent to 10.1 percent more expensive than regular resales in Bucks County. The state of New Jersey has the highest real estate tax rate of any state, and the 2.63-percent average real estate tax rate in the HMA is 1.08 percent points higher than the average real estate tax rate in Bucks County (Smartasset.com). During 2017, when the price of regular resale homes was less than 1 percent more expensive in the HMA than in Bucks County, the real estate tax liability for those homeowners in the HMA averaged \$8,950, \$3,700 higher than the average real estate tax liability of \$5,250 for Bucks County residents (estimates by the analyst).

Students

Fewer than 1,000 student households are estimated to currently reside off-campus in the HMA, or less than 0.7 percent of all households. Following the suspension of in-person classes to contain the spread of COVID-19, The College of New Jersey, Princeton University, and Rider University allowed students to return to campus during the Spring 2021 semester while maintaining remote learning options. When the pandemic began, there was uncertainty concerning the number of students that moved

Table 4. Migration Flows in the Trenton HMA: 2014–2018

Into the HMA	
Middlesex County, NJ	2,991
Burlington County, NJ	1,688
Somerset County, NJ	1,348
Asia	1,127
Hudson County, NJ	1,112
Out of the HMA	
Middlesex County, NJ	2,148
Burlington County, NJ	1,797
Bucks County, PA	1,793
Monmouth County, NJ	997
Philadelphia County, PA	662

Sources: U.S. Census Bureau County-to-County Migration Flows; 2014–2018 American Community Survey, 5-year data

from on-campus housing to rental units in the HMA. Approximately 90 percent of students at The College of New Jersey originated from within the state and likely returned home when on-campus capacity was limited, and although 10 percent of students at Princeton University originated from within the state, just 4 percent of undergraduate students resided off-campus or commuted during the 2019–20 academic year (The College of New Jersey Common Data Set 2019–20; Princeton University Common Data Set 2019–20). From 2010 through the current date, college enrollment in the HMA increased by an average of 170 students, or 0.9 percent, annually. Two residential developments are currently underway at Princeton University and are expected to add approximately 1,020 student dormitory beds by the summer of 2022.

Household Trends

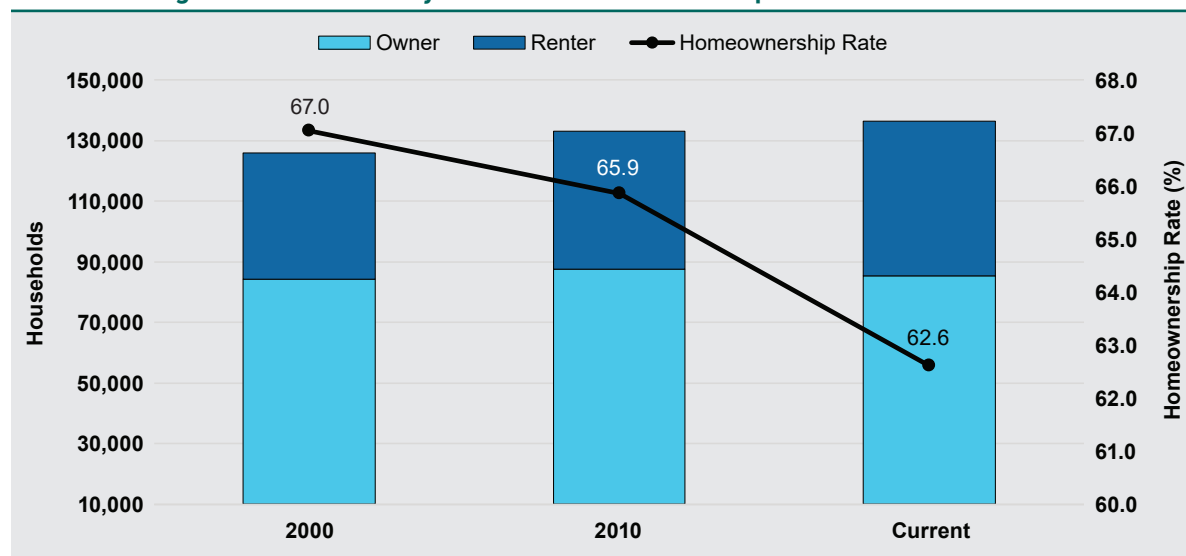
Household growth has slowed since 2010 compared with the previous decade, primarily because the HMA population held steady during the 2010s. From 2000 through 2010, which includes a period of relatively strong population growth and relaxed lending standards, household growth averaged 730 households, or 0.6 percent, a year, and approximately 93 percent of new households were owner households. Since 2010, household growth has changed significantly in pace and tenure. The number of households has increased by an average of 290, or 0.2 percent, annually, as net out-migration occurred in response to relatively high costs of homeownership stemming from rising home prices and high real estate tax rates. The current homeownership rate in the HMA is estimated at 62.6 percent—down from 65.9 percent during

2010 (Figure 6). Approximately 71 percent of the households added since 2010 were rental households, and because rental households in the HMA are smaller on average, the average household size declined from 2.61 people in 2010 to 2.57 people currently.

Forecast

During the next 3 years, the HMA population is expected to increase by 65 people, or less than 0.1 percent, annually. The population is anticipated to be relatively stable throughout the forecast period as economic conditions improve, because net out-migration is estimated to slow slightly to an average of 980 people a year, compared with an average of 1,150 people annually from 2010 to 2019. Household growth in the HMA is expected to remain steady at 0.2 percent. Renter household growth is expected to outpace owner household growth.

Figure 6. Households by Tenure and Homeownership Rate in the Trenton HMA



Note: The current date is April 1, 2021.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Home Sales Market

Market Conditions: Slightly Tight

Low levels of new home construction contributed to tightening sales market conditions despite net out-migration from the Trenton HMA each year since 2010.

Current Conditions

The home sales market is slightly tight—a shift from more balanced conditions during 2017, when price growth decelerated, and from soft conditions in 2010, when the inventory of homes for sale was elevated. The current home sales vacancy rate is estimated at 1.2 percent—down from 1.6 percent in 2010 (Table 5). Market conditions have tightened since 2010 despite stagnant population growth because new home construction slowed and investor demand increased, contributing to rising prices. During 2020, the average sales price of a new home declined by \$16,850, or 3 percent, following a substantial increase of \$125,500, or 25 percent, during 2019 (Zonda). The sales price of existing homes increased by \$26,900, or 9 percent, during 2020—up from an increase of less than 1 percent during 2019.

Total Home Sales

Total home sales (including new and existing single-family homes, townhomes, and condominiums) in the HMA reached a level of 8,500 homes during 2005 before declining

an average of 23 percent annually from 2006 through 2008 in response to slower job growth and the subsequent fallout stemming from the foreclosure crisis (Figure 7). Existing home sales, which include regular resales and REO sales, averaged 4,750 homes annually, or 89 percent of all sales, from 2006

Table 5. Home Sales Quick Facts in the Trenton HMA

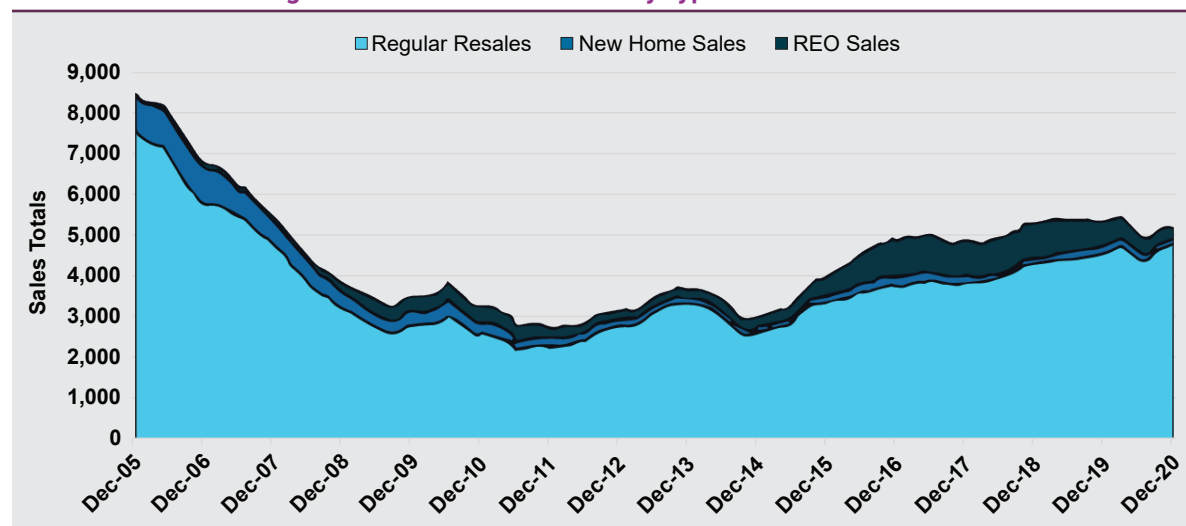
	Trenton HMA	Nation
Vacancy Rate	1.2%	NA
Months of Inventory	1.8	2.7
Total Home Sales	5,200	5,822,000
1-Year Change	-3%	-1%
New Home Sales Price	\$610,100	\$409,200
1-Year Change	-3%	-1%
Existing Home Sales Price	\$328,000	\$349,600
1-Year Change	9%	12%
Mortgage Delinquency Rate	4.8%	3.9%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2020; and months of inventory and mortgage delinquency data are as of March 2021. The current date is April 1, 2021.

Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc.; HMA home sales and prices—Zonda; national home sales and prices—National Association of Realtors® and Census Bureau/HUD

Figure 7. 12-Month Sales Totals by Type in the Trenton HMA



REO = real estate owned.

Source: CoreLogic, Inc., with adjustments by the analyst

through 2008 (Zonda). The level of total home sales was lower from 2009 through 2013, with 3,675 homes sold during the final year of the period. From 2014 through 2018, total home sales increased to an average of 4,425 homes a year, partially because existing sales increased significantly and averaged 4,275 homes annually. REO sales more than doubled compared with 2009 through 2013, to an average of 680 homes sold a year during the period. During 2020, total home sales in the Trenton HMA totaled 5,200 homes—down 3 percent from 2019. Home sales declined during that time largely because of a decline in for-sale inventory, as potential sellers were reluctant to list homes and make them available for tours during the pandemic.

Delinquent Mortgages

The share of seriously delinquent mortgages and real estate owned (REO) properties more than quadrupled from 2007 through 2011, resulting in an increase in the inventory of homes for sale. Developers responded to elevated levels of inventory with lower levels of construction activity compared with the early 2000s, whereas speculative investors—interested in relatively affordable properties with access to employment, shopping, and culture in the cities of Philadelphia and New York—responded by purchasing homes in the HMA. The share of non-owner-occupied purchases, a measure of investor activity, increased in 11 of the 13 years from 2006 through 2018, from 10 percent to 29 percent (Zonda), whereas the supply of inventory on the market declined from an average of 2,400 homes in 2011 to an average of 1,400 homes in 2019 (CoreLogic, Inc.).

As the HMA went through an economic shock at the beginning of the pandemic, many mortgage holders lost income and were unable to make their housing payments. The percentage of seriously delinquent home loans and REO properties increased from 2.0 percent in February 2020 to 5.2 percent in June 2020 and to 6.1 percent in August 2020 (CoreLogic, Inc.). The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes the right to request forbearance for federally backed mortgages, helped limit the impact of the pandemic-related economic decline on the housing market

in the HMA. The share of seriously delinquent home loans and REO properties declined in every month since August 2020 to 4.8 percent in March 2021—higher than the 3.9-percent rate for the nation.

Home Sale Prices

Total home sale prices in the HMA are strongly influenced by existing home sales prices because existing homes account for nearly all of the homes sold since 2009. Existing home sales price growth has been slow, partially because of declining demand for regular resale units and increased demand for new homes and less expensive REO homes. From 2010 through 2013, regular resale prices increased by an average of \$2,275, or 1 percent, annually (Zonda). The average price of REO homes, however, rose sharply, with an average annual increase of \$10,400, or 9 percent, during the period. Despite the increase in the average REO sales price, REO homes were 63 percent less expensive than regular resale homes during the period. From 2014 through 2018, regular resale and REO home prices declined by averages of \$1,850 and \$480, or 1 percent and less than 1 percent a year, respectively (Figure 8). REO sales increased during that period. From 2014 through 2018, a total of 3,425 REO homes were sold, compared with a total of 1,550 REO homes sold from 2009 through 2013.

New home prices have varied considerably since the mid-2000s. The price of new homes increased by an average of \$28,200, or 6 percent, annually from 2006 through 2008 before declining precipitously, by \$177,000, or 33 percent, during 2009 because of the foreclosure crisis. From 2010 through 2013, new home prices increased by an average of \$22,550, or 6 percent, a year. Relatively low levels of home construction contributed to new home price growth during the period. From 2014 through 2018, new home price growth slowed to \$9,025, or 2 percent, a year. During 2019, in response to low levels of inventory and increased bidding for new homes, the average price of new homes rose significantly, from \$501,400 during 2018 to \$627,000. Figure 9 shows the share of sales by price range during the 12 months ending March 2021.

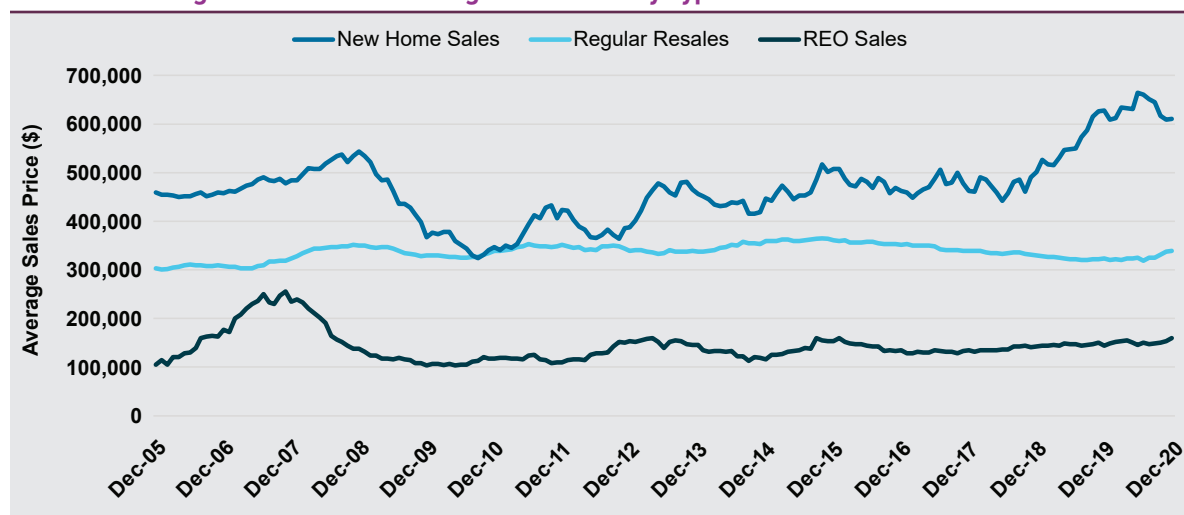


New Home Construction

Homebuilding—as measured by the number of units permitted for single-family homes, townhomes, and condominium units—declined substantially during the 2010s compared with the early 2000s (Figure 10). From 2001 through 2005, 1,175 sales units were permitted annually, partially because of relatively strong population growth from 2000 to 2004 and lenient mortgage lending standards. Homebuilding averaged 640 homes permitted a year from 2006 through 2008—46 percent less compared with the number of homes built from 2001 through 2005. In response to tighter lending standards and high inventory levels, builders significantly reduced homebuilding. From 2009 through 2012, construction activity averaged 170 homes annually before increasing to an average of 260 homes annually from 2013 through 2018. During the 12 months ending March 2021, sales construction in the HMA averaged 370 sales units—up 37 percent from the previous 12-month period (preliminary data, with adjustments by the analyst).

Most of the new homes completed during the 2010s were in small developments, consisting of fewer than 20 homes, and contributed to the high variability of new home prices. The Crossings at Hamilton Station—a residential community with apartments, townhomes, and condominiums—began construction in 2010. At least 7 townhomes and 26 condominiums in

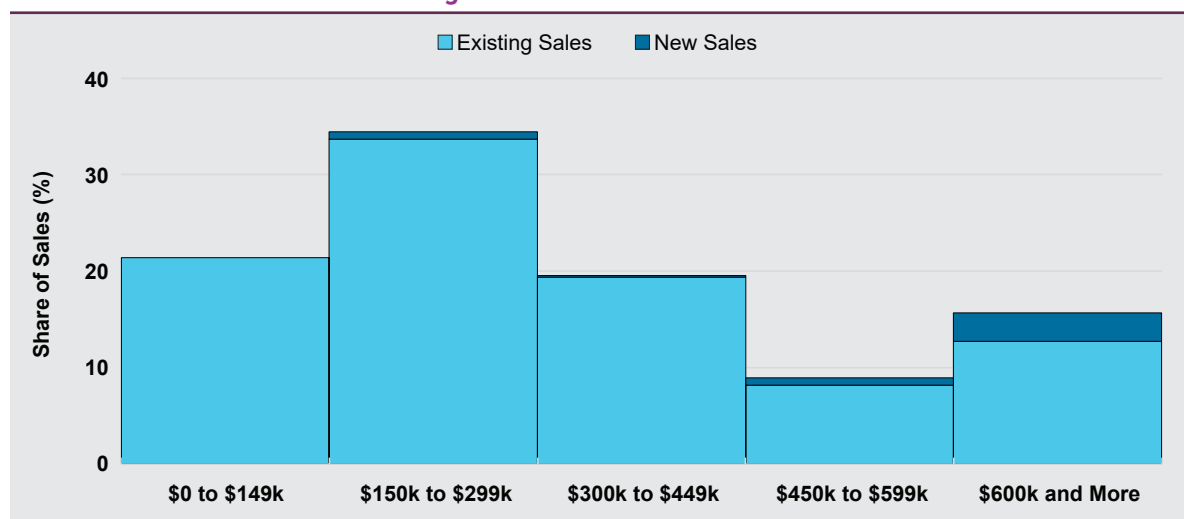
Figure 8. 12-Month Average Sales Price by Type of Sale in the Trenton HMA



REO = real estate owned.

Source: CoreLogic, Inc., with adjustments by the analyst

Figure 9. Share of Overall Sales by Price Range During the 12 Months Ending March 2021 in the Trenton HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.

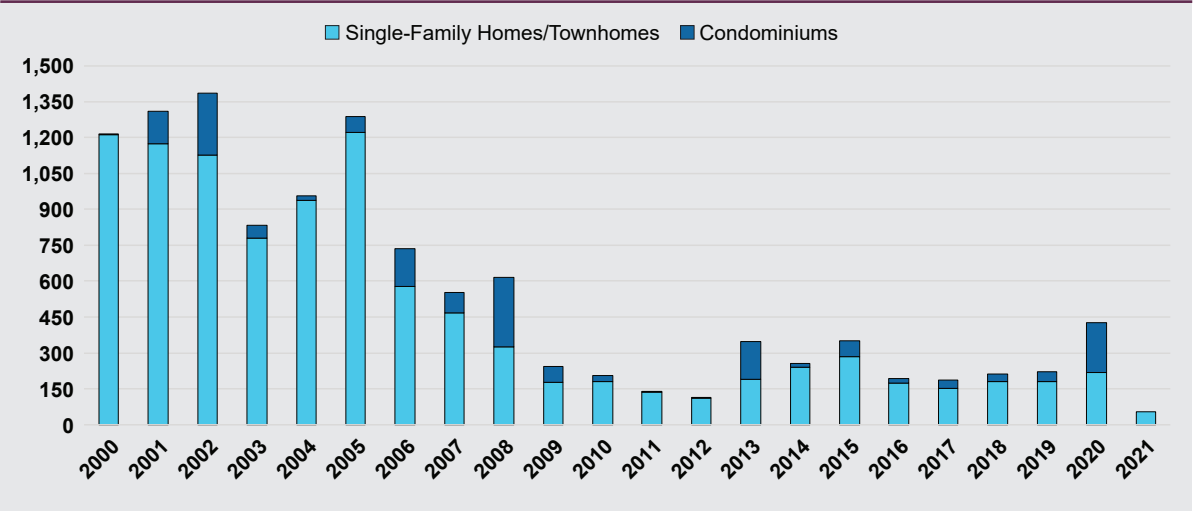
Source: Zonda

the development have been sold since 2019, reflecting gradual construction plans based on population trends. Prices for townhomes ranged from \$252,600 to \$496,800, whereas prices for condominiums ranged from \$203,800 to \$324,000.

Forecast

Demand is estimated for 750 homes in the Trenton HMA during the next 3 years. (Table 6). The 55 homes currently under construction are expected to meet a portion of that demand during the first year of the forecast period. Despite weak population growth trends, improving economic conditions and low levels of existing inventory are expected to result in higher annual demand for new homes compared with the 2010s.

Figure 10. Average Annual Sales Permitting Activity in the Trenton HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2021 are through March 2021.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2020—final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

Table 6. Demand for New Sales Units in the Trenton HMA During the Forecast Period

Sales Units	
Demand	750 Units
Under Construction	55 Units

Note: The forecast period is from April 1, 2021, to April 1, 2024.
Source: Estimates by the analyst

Rental Market

Market Conditions: Balanced

Rental construction has kept pace with renter household growth since 2010, contributing to balanced conditions in the rental market.

Current Conditions

The overall rental market in the Trenton HMA is balanced, with a rental vacancy rate of 6.0 percent—down from 8.6 percent in April 2010, when conditions were soft (Table 7). Although rental construction activity—as measured by the number of multifamily units permitted—rose sharply during the 2010s, the overall rental vacancy rate declined because renter household growth accelerated, partly due to increased foreclosures inducing a shift toward renting. In addition, the increase in renter households helped incentivize

Table 7. Rental and Apartment Market Quick Facts in the Trenton HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	8.6	6.0
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	28.6	28.9
	Multifamily (2–4 Units)	18.3	16.0
Apartment Market Quick Facts		Q1 2021	YoY Change
	Apartment Vacancy Rate	3.4	0.2
	Average Rent	\$1,741	2%
	Studio	\$1,385	4%
	One-Bedroom	\$1,423	0%
	Two-Bedroom	\$1,927	1%
	Three-Bedroom	\$2,574	0%

Q1 = first quarter. YoY = year-over-year.

Notes: The current date is April 1, 2021. Percentages may not add to 100 due to rounding.

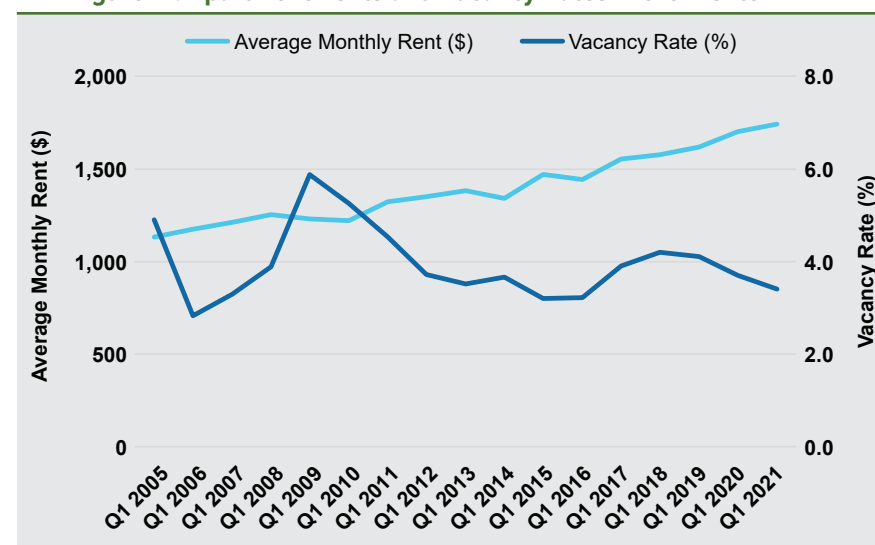
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—RealPage, Inc.

investor purchases in the HMA and slightly advanced redevelopment initiatives, particularly in the city of Trenton. An estimated 28.9 percent of renter households in the HMA occupied single-family rental homes in 2019—nearly unchanged from the 28.6-percent rate in 2010 (American Community Survey 1-year data).

Apartment Market Conditions—Trenton HMA

The apartment market is currently slightly tight. From the first quarter of 2015 to the first quarter of 2021, the average apartment rent increased by \$67, or 4 percent, annually, compared with an average annual increase of \$28, or 2 percent, from the first quarter of 2010 to the first quarter of 2015 (RealPage, Inc.; Figure 11). The average apartment rent generally increased during the 2010s because of newer, more expensive units entering the market. The apartment vacancy rate has steadily declined since the first quarter of 2018, from 4.2 percent to the 3.4-percent rate during the first quarter of 2021.

Figure 11. Apartment Rents and Vacancy Rates in the Trenton HMA



Q1 = first quarter.

Source: RealPage, Inc.

Apartment Market Conditions—North Mercer County and Trenton-Ewing

Apartment market conditions in the RealPage, Inc.-defined North Mercer County market area, which includes West Windsor Township and Princeton, are also currently slightly tight. From 2010 to 2015, the apartment vacancy rate in the North Mercer County market area declined from 5.0 percent to 3.1 percent, and apartment rents increased by an average of \$88, or 6 percent, a year, despite the county permitting 1,700 multifamily units during the period. From 2015 to 2019, rent growth slowed to \$71, or 4 percent, a year, whereas the vacancy rate increased from 3.8 percent to 4.5 percent, despite a nearly 50-percent decline in apartment construction activity. The vacancy rate increased partially because of increased net out-migration. From the first quarter of 2019 to the first quarter of 2021, the vacancy rate declined, from 4.5 percent to 3.9 percent, whereas average annual rent growth slowed to \$47, or 2 percent. The apartment market in the Trenton-Ewing submarket is tight, with a 2.9-percent vacancy rate during the first quarter of 2021—down from 3.8 percent a year ago. From 2010 through the first quarter of 2021, the average apartment rent increased by an average of \$36, or 3 percent, a year.

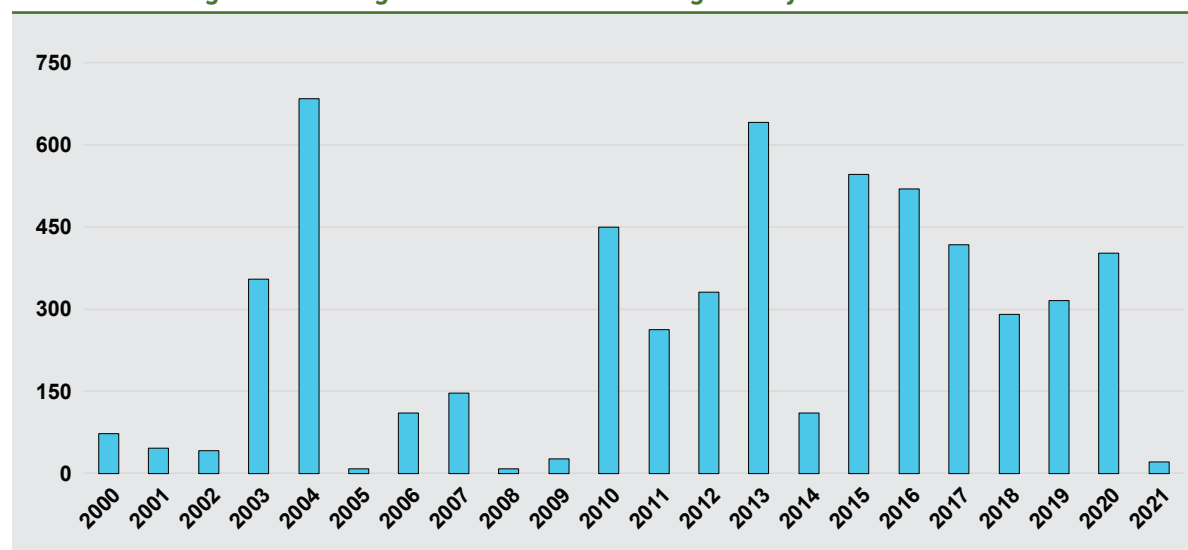
Rental Construction Activity

Rental construction activity in the Trenton HMA totaled 320 units during the 12 months ending

March 2021, compared with 340 units permitted a year earlier (preliminary data, with adjustments by the analyst). Rental construction surged from an average of 55 units permitted from 2000 through 2002 to an average of 520 units permitted during 2003 and 2004 because of very tight apartment market conditions (Figure 12). Developers reduced building activity to an average of 60 units a year from 2005 through 2009 as the units permitted during 2003 and 2004 were absorbed. Construction increased significantly from 2010 through 2020 compared with the 2000s (Map 2; Map 3). The significant increase in rental construction activity was in response to a sharp decline in homebuilding following the foreclosure crisis. From 2010 through 2018, rental construction activity averaged 400 units a year. The 443-unit Woodmont Way at West Windsor apartments is currently under construction in West Windsor Township, with rents ranging from \$2,145 to \$2,600 for one-bedroom units, \$2,645 to \$3,685 for two-bedroom units, and \$3,380 to \$3,550 for three-bedroom units, respectively.

Renewed interest in downtown living has led to the development of new apartment units in the city of Trenton. Broad Street Bank Apartments, a 124-unit development on East State Street, was converted from the historic Broad Street National Bank building in 2007. The Delaware Edge Apartments were completed

Figure 12. Average Annual Rental Permitting Activity in the Trenton HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2021 are through March 2021.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020—final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

in 2019, an addition of 35 units in the city of Trenton. Rents for The Delaware Edge Apartments started at \$1,250 for one-bedroom units and ranged from \$1,399 to \$1,475 for two-bedroom units. The Circle F Lofts, also in the city of Trenton, were completed in 2018, adding 65 units.

Forecast

Demand is expected for an additional 1,100 rental units during the 3-year forecast period (Table 8). The 580 units under construction are expected to meet a portion of that demand.

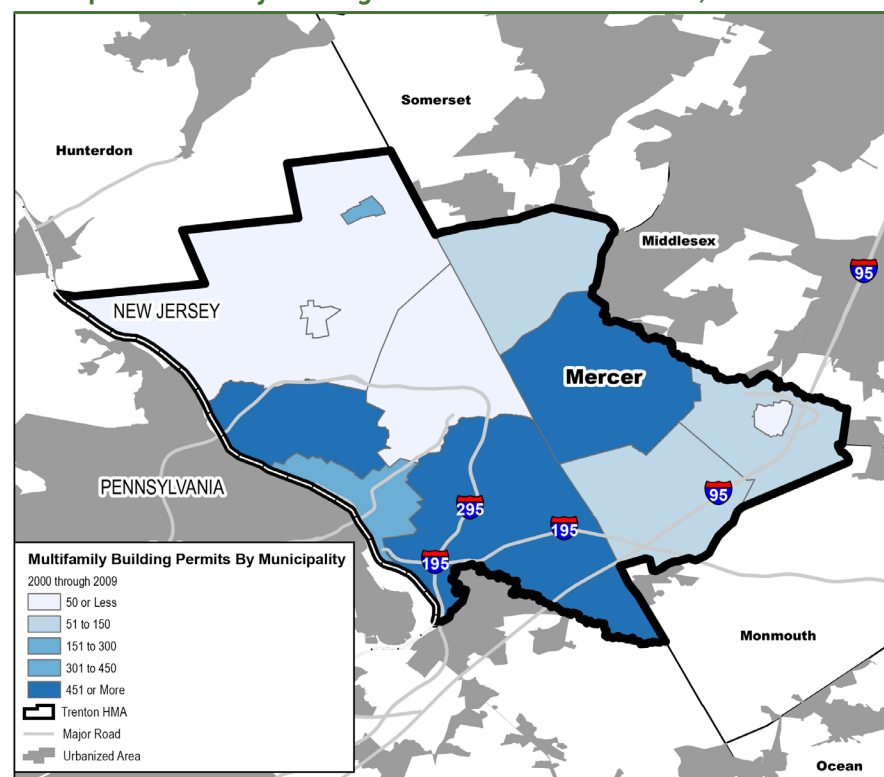
Table 8. Demand for New Rental Units in the Trenton HMA During the Forecast Period

Rental Units	
Demand	1,100 Units
Under Construction	580 Units

Note: The forecast period is April 1, 2021, to April 1, 2024.

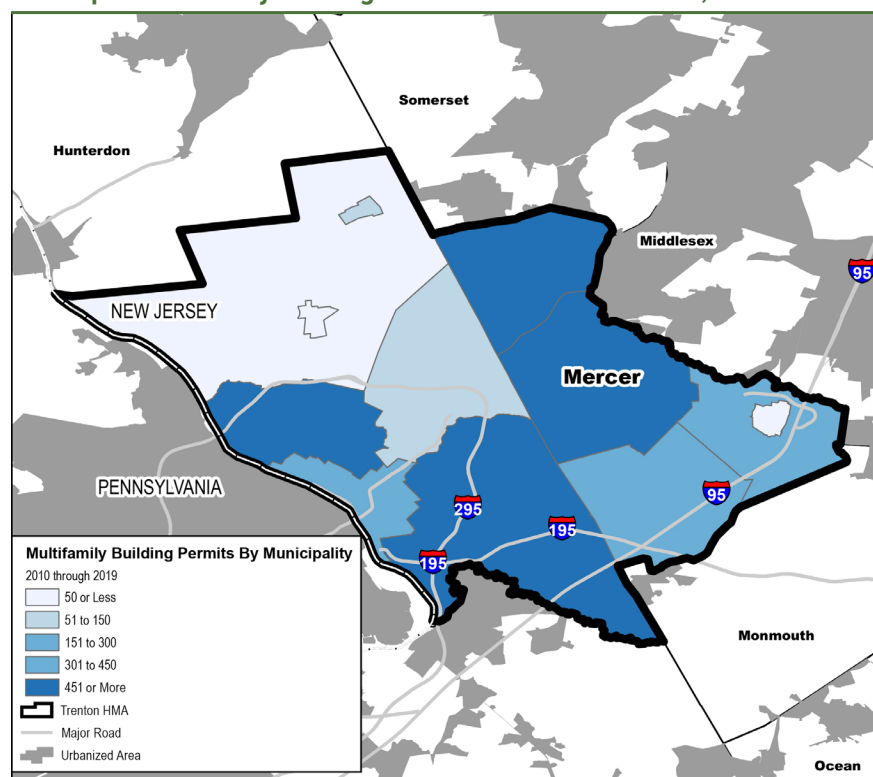
Source: Estimates by the analyst

Map 2. Multifamily Building Permits in the Trenton HMA, 2000–2009



Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2009—final data and estimates by the analyst

Map 3. Multifamily Building Permits in the Trenton HMA, 2010–2019



Sources: U.S. Census Bureau, Building Permits Survey; 2010 through 2019—final data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

CARES Act	The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The more-than-\$2 trillion in federal funding provides economic assistance in response to the public health and economic impacts of COVID-19.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Forecast Period	4/1/2021–4/1/2024—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Homebuilding/ Rental Construction/ Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Homes/ Units Under Construction	Units under construction represent sales or rental housing for year-round residents of the HMA and do not include units that would be intended for occasional visitors to the HMA.
Overall Rental Market	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.



B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

D. Photo/Map Credits

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Contact Information

Derek Brightman II, Economist
 Philadelphia HUD Regional Office
 215-430-6276
derek.d.brightman@hud.gov

