

# COMPREHENSIVE MARKET ANALYSIS REPORTS



Policy Development & Research

## Analysis of the Trenton, New Jersey Housing Market

As of November 1, 2003



ECONOMIC RESEARCH

U.S. Department of Housing and Urban Development

## **Foreword**

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions also may 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 particular mortgage insurance proposals that may be under consideration in a particular locality or the housing market area.

The factual framework for this analysis follows the guidelines developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the "as-of" date from both local and national sources. As such, any findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

This analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three periods: from 1990 to 2000, from 2000 to the as-of date of the analysis (Current date), and from the Current date to a Forecast date. The analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 Census, 2000 Census, Current date, and Forecast date. For the purposes of this analysis the forecast period is 24 months.

The prospective demand expressed in the analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production that would maintain a reasonable balance in demand-supply relationships given the market's condition on the as-of date of the analysis. This analysis was prepared by Paul M. Bennett, the Division's Field Economist in the New Jersey State Office, based on fieldwork conducted in November 2003. Questions regarding the findings and conclusions of the analysis may be addressed to Mr. Bennett at 973-622-7900, ext. 3109, and at [Paul\\_M.\\_Bennett@hud.gov](mailto:Paul_M._Bennett@hud.gov).

## **Housing Market Area**

The Trenton Housing Market Area (HMA), located midway between New York City and Philadelphia, is defined as Mercer County, New Jersey. For the purposes of this analysis the HMA has been divided into two submarkets: the City of Trenton and the Remainder of the HMA.

## **Summary**

The economic base of the Trenton HMA grew moderately, but unevenly, from 1992 through 2002, increasing an average of 2,050 jobs a year. After an annual loss of 1,000 nonfarm jobs in the 1994-to-1996 period, job growth increased significantly, averaging 4,800 a year from 1998 to 2002. Trenton is the state capital, and 57,000 state and local government jobs have helped stabilize the local economy. Economic conditions are expected to improve during the forecast period, largely because of expected employment gains in the retail and services sectors.

In recent years residential activity and commercial and office development have been increasing in the suburbs. As the HMA economy has grown, a number of newer employment centers have emerged, such as the Princeton University research area.

Housing market conditions in the HMA mirrored the relatively stable employment picture between 1990 and 2000. Owners made up 66.5 percent of all households in 1990 and by 2000 that percentage had increased slightly to 67 percent. Renter occupancy was 94 percent in 1990 and the same in 2000. The annual volume of multifamily housing production, although relatively small, has increased significantly during the past 3 years.

Since 2000, 95 percent of the housing activity in the HMA has occurred outside the City of Trenton. The proportion of activity in the city may increase during the forecast period depending on the progress of recently announced development in downtown Trenton.

The current demand-supply conditions in the Trenton HMA sales market can best be described as tight overall, while the rental market is balanced. The strong demand for new and existing sales housing reflects the low mortgage rates and other factors. The rental market has weakened since 2000 as a result of the stronger sales market.

Conditions in both the sales and rental housing markets are expected to remain unchanged during the next 2 years as construction increases to meet the demand. During the 2-year forecast period ending November 2005, demand for new sales housing is estimated at 1,500 homes annually. Demand for new market-rate rental housing during the period is estimated at 200 units annually.

## **Economy of the Area**

Modest employment growth in the HMA during the 1990s centered almost exclusively in the services, government, and trade sectors. The economy of the HMA has been slightly

affected by the current slowdown experienced in much of the nation. While many areas have experienced significant job losses during the past 2 years, nonfarm wage and salary employment in the HMA has increased by 5,300 jobs, or 2.4 percent, since 2000. The steady presence of the state government, together with education and health services, is the underlying foundation of the economy and has helped the HMA to fare better than many areas. The trends in annual average civilian labor force, total employment, and nonfarm wage and salary employment by industry sector, from 1993 through the Current date, are presented in Tables 1 and 2 respectively.

From 1990 to 2000 resident employment increased at a rate of 1.1 percent annually and nonfarm employment increased at a 1.5-percent annual rate. Increased commutation into the Trenton HMA accounts for the difference between these two measures. Employment growth in the HMA was inconsistent throughout the decade. Nonfarm wage and salary employment increased 0.04 percent each year during the first half of the decade and 2.6 percent annually during the latter half. At the same time, resident employment grew at an average annual rate of 0.03 percent during the early 1990s and 1.9 percent over the second 5 years. Employment has grown 2.3 percent since 2000. In the 12 months ending September 2003 nonfarm wage and salary employment in the Trenton metropolitan area averaged 222,200 persons, 1,400 fewer than the 223,600 annual average during the comparable period ending September 2003.

Nearly one in every four nonfarm wage and salary jobs in the state capital of Trenton is in either state or local government. State and local government employment increased at an average annual rate of 0.9 percent as it rose from 51,200 in 1992 to 57,000 in 2002. Federal civilian employment has been consistent, ranging between 3,000 and 3,800 since 1992.

Average annual manufacturing employment in the Trenton HMA decreased 50 percent from 18,600 jobs in 1992 to 9,300 in 2002. Manufacturing employment during the 12 months ending September 2003 declined by an additional 500 jobs to 8,800. Bristol-Myers Squibb, the pharmaceutical company, accounts for more than 60 percent of all manufacturing jobs in the HMA with 5,100 employed in four separate facilities. Other large manufacturers include Congoleum Corporation with 1,500 employees in the business of floor coverings, and Janssen Pharmaceutica with 1,200 employees. These three large firms provide more than 85 percent of manufacturing employment in the HMA.

The education and health services sector, with 19 percent of nonfarm employment, is the largest private supersector in the metropolitan area's economy. By size, Princeton University, with 5,200 employees, provides the second largest private job source. First in this category is Merrill Lynch, a financial services firm in Hopewell with 6,000 jobs. Educational Testing Service, Capital Health Systems, and University Medical Center at Princeton each employ more than 2,400 wage earners.

Total employment is forecast to continue to increase during the next 2 years. The completion of The Marketplace at Hamilton Square and Hopewell Crossing shopping centers will produce significant gains in retail trade. Wholesale distribution centers for

Mercedes-Benz and Home Depot totaling 1.425 million square feet are under construction in Washington Township. The education and health services sector is expected to continue its moderate and consistent growth. State employment is expected to continue to decline in 2004 when the payroll impact of an early retirement program is fully effective. Some state and local employment increase is probable in the latter half of the forecast period with increased revenues from the New Jersey economy, which has been improving since February 2003. Total employment is anticipated to add 1,250 jobs a year to total 2,500 for the forecast period. It is estimated that most of the employment growth will be in the Remainder of the County rather than in the City of Trenton.

## **Household Incomes**

According to HUD's Economic and Market Analysis Division, the median family income in the Trenton HMA is estimated to be \$76,800 in 2003. The rate of increase in median family income during the past 3 years is equal to the 3.5 percent average annual rate of increase from 1990 to 2000.

## **Population**

As of November 1, 2003, the population of the Trenton HMA was estimated to be 361,200 or an average annual gain of 0.8 percent since the 2000 Census. The HMA is growing at the same rate that prevailed in the 1990s. The moderate increase in population parallels the modest increase in employment and the stability of the local economy. The trends in population from 1990 through the Forecast date for the HMA and the two submarkets are presented in Table 3.

Of the 1990 to 2000 population increase, net natural increase (resident births minus resident deaths) accounted for 68 percent of the change while in-migration accounted for the other 32 percent. In that decade in-migration averaged almost 800 persons annually. Population change as a result of net natural increase averaged approximately 1,700 persons a year between 1990 and 2000. Annual data from the New Jersey Center for Health Statistics and analysts' estimates indicate that net natural increase accounts for 52 percent of the estimated change in population since 2000. From 2000 to the Current date net in-migration has averaged an estimated 1,050 persons annually.

In the 1990s nonhousehold population in the HMA grew at more than three times the general rate of population and increased to 6.0 percent of the population in 2000. State and local government penal facilities housed 5,750 persons in 2000, up from 4,650 in 1990. Approximately 12,200 students at Princeton University, The College of New Jersey, and Ryder University reside in group quarters either on or off campus compared with 7,300 in 1990. Dormitories and other university housing accommodate more than 90 percent of noncommuter students. Students, therefore, represent a small portion of the market for general occupancy rental housing and have no significant impact on the demand for housing in the forecast period.

Based on the level of economic growth and in-migration anticipated during the 2-year forecast period and the expectation that annual net natural increase will continue at approximately the same absolute level as it did between 2000 and the Current date, population growth is expected to continue at about the same rate during the forecast period as it did from 2000 to the Current date. As of the November 1, 2005 Forecast date, the population of the Trenton HMA will be an estimated 368,600 persons, which translates to an average annual gain of 3,700 persons, or 1 percent.

## **Households**

The trends in growth in the number of households in the Trenton HMA have been less than the increase in the area's population during the past 3 years. Between 1990 and 2000 the data indicate an average annual rate of growth of more than 875 households, or an increase of 0.8 percent a year. As was the case with net natural increase and in-migration, this growth was evenly spread throughout the decade. An estimated 129,900 households reside in the Trenton HMA as of the Current date, reflecting an average annual increase of more than 1,150 since the 2000 Census. The trends in households from 1990 through the Forecast date for the HMA and the two submarkets are presented in Table 3. Based on the current characteristics of household size and the rate of population growth expected as a result of employment increases and continued in-migration, estimates indicate that the number of households in the HMA will increase by 1,525 annually during the 2-year forecast period to total 133,050 households as of the Forecast date.

## **Housing Inventory**

As with the population and households in the HMA, the housing inventory has grown moderately since 1990. The inventory of single-family units increased by more than 825 units annually from 1990 to 2000; the multifamily inventory increased an average of 140 units during the same period. As of November 2003 it is estimated that approximately 138,925 housing units are in the Trenton HMA, or an average annual increase of more than 1,575 units since the 2000 Census. The counts of housing inventory and occupancy and vacancy by tenure for the 1990 and 2000 Censuses and the Current date are presented in Table 4.

From 1990 through 1999 single-family permits averaged more than 825 a year, with total single-family permits varying considerably from year to year. From 1990 through 1994 single-family building permit activity averaged 675 homes annually, almost 20 percent less than the average for the decade. From 1995 to 1999, the annual average increased to 975, moderately higher than the 10-year average. New single-family home construction permits from 2000 through the third quarter of 2003 accelerated modestly to an annual average of more than 1,075 homes. Condominium communities have not held a strong appeal for consumers in this market. The demand for townhouses has increased since 2000, reflecting their lower prices compared to detached units.

Most of the multifamily activity during the 1990s occurred in the first half of the decade. From 1990 to 1994 permits averaged 250 units a year. From 1995 through 1999

multifamily permits averaged 65 units a year, just one quarter of the level from 1990 to 1994. Since 2000, multifamily activity, as measured by building permits, has increased once again to almost 200 units a year. The trends in building permit activity from 1990 through September 2003 for single-family and multifamily housing in the HMA and the two submarkets are presented in Table 5.

## **Housing Vacancy**

The steady economic growth and diversity of the economy in the HMA have led to a steady increase in homeownership since 1990. The change in the distribution of the housing inventory by tenure is a reflection of the area's changing market conditions and emphasis on single-family production. In 1990, 66.5 percent of all households in the Trenton HMA were owners. By 2000 the homeownership rate had increased to 67 percent and is estimated to be 69 percent as of the Current date. Much of the shift in tenure in the past 3 years reflects continued low interest rates, the predominance of single-family construction over multifamily, and the continuing availability of land for single-family production.

In 1990 the sales vacancy rate was 2.6 percent. The rental vacancy rate at that time was 5.8 percent, a result of a limited supply of apartments that had begun to enter the market. With strong demand for homes during the 1990s, the sales vacancy rate decreased 1 percent to 1.6 percent in 2000. From 1990 to 2000 the rental vacancy rate dipped slightly from 5.8 percent to 5.4 percent. The rental vacancy rate in the Trenton submarket declined in part due to the demolition of public housing units under the HUD-funded HOPE VI program. As of November 2003 the overall sales had declined to 0.8 and the rental vacancy rate increased to 6.2 percent.

## **Sales Market Conditions**

Conditions are currently strong throughout all price ranges of the sales market in the Trenton HMA. Demand has exceeded increased housing production since 2000. Sales price data indicated a modest increase of 12 percent in the median home value between 1990 and 2000. As interest rates began to decline during 2000 and 2001, sales volume and the median price increased. As of the third quarter of 2001 the median price had increased to \$191,700. Continued low interest rates and strong demand contributed to increased production in 2002 and 2003. Sales in the 12 months ending September 2003 (the most recent data available) totaled more than 1,216 homes, an increase of 10 percent compared with the same period a year earlier. The median sales price for the period was \$234,300, or 22.2 percent higher than the prior period ending in 2002. Overall median sales price increased approximately 11.5 percent annually from in the 3 years prior to the Current data. To date, condominiums have not accounted for a significant portion of the sales activity in the HMA.

## **Rental Market Conditions**

The rental market in the HMA is balanced overall. Apartment building permits issued averaged more than 250 units a year during the first half of the decade. As of November 2003 approximately 200 of these units were still in construction stages. Since 2000 the renter vacancy rate has increased and is estimated to be 6.2 percent as of the Current date.

The rent for a two-bedroom/two-bath unit in a newly completed Class A development outside the Princeton area begins at \$1,430 with only water included. Rents are somewhat higher in comparable developments in the Princeton area, which has locational and attractiveness advantages and thus commands premium rents.

Market conditions in the City of Trenton continue to be softer than the surrounding suburbs although but have improved since 2000. Occupancy levels in apartment developments built in the 1950s and 1960s, however, have declined significantly in Trenton and parts of Ewing and Hamilton Townships. Rents have declined since 2000 and one or more months' concessions are commonplace. Rents for these older units are available at under \$800 for two bedroom/one-bath units.

Tax credit financing plays a major role in the rental housing market for senior citizens housing in the HMA. Of the 670 tax credit units completed or under construction, 585 are for senior citizens. New construction accounted for 425 of the units.

## **Forecast Housing Demand**

The principal factor of demand is forecast household growth. In addition, adjustments are made for the replacement of units lost from the inventory due to demolitions and other causes. Based on anticipated household growth and current market conditions, it is estimated that demand will total approximately 3,400 new housing units during the 2-year forecast period ending November 1, 2005. This demand could be met successfully by the construction of 1,500 units of sales housing and 200 market-rate rental units annually. This level of construction would ensure the maintenance of balanced demand-supply conditions. The portion of total demand met by sales housing is expected to increase compared with recent trends due to the tenure shift of renter households to homeownership fueled by continued lower mortgage interest rates and to the relatively affordable price of new homes in the HMA compared to more expensive areas of north central New Jersey. It is anticipated that most of the demand for single-family detached homes will be for properties priced above \$375,000 and that the demand for single-family attached homes will range from \$ 275,000 to \$375,000. Demand for multifamily condominiums is expected to remain low.

The forecast annual demand for new rental housing is comparable to the average annual building permit volume since January 2000. The distribution of forecast demand for market-rate rental units by bedroom size is based on the distribution of renter households by size, the distribution of the rental inventory as of the 2000 Census, the trends in production since the Census, the current pipeline, and market conditions. During the



forecast period demand is expected to be strongest for one-bedroom units. A tabular summary of rental qualitative demand for the HMA in total is presented in Table 6.

**Table 1**  
**Labor Force and Total Employment**  
**Trenton HMA**  
**1993 to October 1, 2003**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Previous 12 Mos.	Current 12 Mos.
Labor Force	168.7	168.4	168.6	169.2	170.3	166.7	171.7	179.0	183.8	187.5	187.5	188.1
Employment	159.7	159.2	159.4	159.6	162.5	159.8	165.0	173.6	177.6	178.0	178.6	179.0
Unemployment	9.0	9.2	9.2	9.6	7.8	6.9	6.7	5.4	6.2	9.5	8.9	9.3
Rate (%)	5.3	5.5	5.5	5.7	4.6	4.1	3.9	3.0	3.4	5.1	4.7	4.9s

Note: Numbers are in thousands.  
Source: New Jersey Department of Labor

**Table 2**  
**Nonfarm Employment by Industry**  
**Trenton HMA**  
**1993 to October 1, 2003**

Employment Sector	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	12 mos. ending 9/30/2002	12 mos. ending 9/30/2003
Total Nonfarm Employment	199.4	195.9	195.4	194.0	197.4	199.1	207.4	216.9	222.4	223.0	223.6	222.2
Manufacturing	18.1	17.8	16.9	14.3	13.4	11.7	10.8	12.1	11.9	9.3	9.9	8.8
Construction and Mining	3.8	4.3	4.2	4.1	4.3	4.6	4.9	5.2	5.4	5.5	5.5	5.5
Retail Trade	16.3	16.0	16.9	17.0	17.1	17.3	18.3	19.0	20.2	20.4	20.4	20.7
Wholesale Trade, Transportation, & Leisure and Hospitality	10.2	9.8	9.7	9.7	9.6	9.7	9.7	10.3	11.5	11.4	11.6	11.3
Information	6.5	6.6	6.2	5.7	6.1	6.6	6.7	7.1	7.6	7.7	7.7	6.8
Financial	10.7	11.3	11.2	11.5	12.0	11.7	12.4	13.0	13.9	16.0	15.7	16.8
Business and Related Services	22.0	22.6	23.7	25.1	27.2	26.9	33.9	35.6	33.1	32.0	32.2	30.6
Education and Health	37.4	37.8	37.7	37.3	38.3	38.2	39.1	39.8	39.7	41.0	40.7	42.2
Other Services	15.8	16.1	16.2	16.8	17.1	17.5	17.9	18.8	19.2	19.8	20.7	20.7
Government	53.5	53.6	52.8	52.4	52.3	52.2	53.7	56.0	59.8	59.9	60.5	59.1
Federal	3.3	3.4	3.4	3.8	3.6	3.2	3.0	3.1	3.0	3.0	3.0	3.0
State	33.4	33.2	32.6	31.7	31.9	32.2	33.7	35.7	39.1	38.8	39.4	37.8
Local	16.8	17.0	17.0	16.8	16.7	16.8	17.0	17.2	17.8	18.2	18.1	18.2

Notes: Numbers in thousands.  
Numbers may not add to totals due to rounding.  
Source: New Jersey Department of Labor

**Table 3**  
**Population and Household Trends**  
**Trenton HMA**  
**April 1, 1990 to November 1, 2005**

	April 1, 1990	April 1, 2000	Current Date	Forecast Date	Average Annual Change					
					1990 to 2000		2000 to Current		Current to Forecast	
					Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
<b>Population</b>										
Trenton HMA	325,824	350,761	361,200	368,600	2,495	0.8	2,915	0.8	3,700	0.9
City of Trenton	88,605	85,403	84,950	85,250	-320	-0.3	-130	-0.2	150	0.1
Remainder of HMA	237,219	265,358	276,250	283,350	2,815	1.2	3,045	0.8	3,550	0.9
<b>Households</b>										
Trenton HMA	116,941	125,806	129,900	133,050	885	0.8	1,165	0.9	1,525	0.8
City of Trenton	30,774	29,437	29,000	29,400	-135	-0.4	-125	-0.4	200	0.3
Remainder of HMA	86,197	96,369	100,900	103,650	1,020	1.2	1,290	1.3	1,325	0.9

Sources: U.S. Census Bureau, 1990 and 2000 Censuses  
 Current and Forecast: Estimates by analyst

**Table 4**  
**Housing Inventory Tenure and Vacancy**  
**Trenton HMA**  
**1990 to November 1, 2003**

	Trenton HMA			City of Trenton			Remainder of HMA		
	1990	2000	Current	1990	2000	Current	1990	2000	Current
<b>Total Housing Inventory</b>	123,666	133,280	138,925	33,578	33,908	33,650	90,088	99,437	105,375
Occupied Units	116,941	125,806	131,175	30,744	29,425	29,000	86,197	96,369	101,925
Owners	77,816	84,337	90,400	15,714	13,386	13,825	62,102	70,951	76,325
%	66.5	67.0	68.8	51.1	45.5	47.2	72.0	73.6	74.9
Renters	39,125	41,469	40,775	15,030	16,039	15,175	24,095	25,418	25,600
%	33.5	33.0	31.2	48.9	54.5	52.8	28.0	26.4	25.1
Vacant Units	6,725	7,473	7,750	2,834	4,406	3,825	3,891	3,067	3,450
Available Units	4,445	3,710	2,525	1,588	2,024	1,625	2,857	1,688	1,900
For Sale	2,034	1,334	750	468	558	350	1,566	788	400
Rate (%)	2.6	1.6	0.8	2.9	4.3	2.5	2.5	1.1	0.6
For Rent	2,411	2,366	2,675	1,120	1,466	1,275	1,291	900	1,400
Rate (%)	5.8	5.4	6.2	6.9	8.4	7.8	5.1	3.2	5.3
Other Vacant	6,725	3,763	3,850	1,246	1,750	2,200	1,034	1,375	1,550

Sources: U.S. Census Bureau, 1990 and 2000 Censuses  
 Current and Forecast: Estimates by analyst

**Table 5**  
**Residential Building Permit Activity**  
**Trenton HMA**  
**1993 to September 30, 2003**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Trenton HMA</b>											
Total	1,370	1,304	856	802	1,063	1,393	1,159	1,283	1,355	1,428	865
Single-family	881	1,056	809	788	1,040	1,200	1,099	1,210	1,172	1,126	599
Multifamily	486	248	49	14	23	193	60	73	183	302	266
<b>City of Trenton</b>											
Total	3	26	17	13	0	6	19	34	5	0	0
Single-family	3	26	13	13	0	6	19	34	5	0	0
Multifamily	0	0	4	0	0	0	0	0	0	0	0
<b>Remainder of HMA</b>											
Total	1,367	1,278	839	789	1,063	1,387	1,140	1,249	1,350	1,428	865
Single-family	878	1,030	796	775	1,040	1,194	1,080	1,176	1,167	1,126	599
Multifamily	489	248	45	14	23	193	60	73	183	302	266

Note: 2003 data is through September 30.  
Source: U.S. Census Bureau, C-40 Construction Series

**Table 6**  
**Estimated Qualitative Annual Demand for New Market-Rate Rental Housing**  
**Trenton HMA**  
**November 1, 2003 to November 1, 2005**

One Bedroom		Two Bedrooms		Three Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,200	90	1,550	80	1,775	30
1,250	75	1,600	65	1,825	25
1,300	70	1,650	60	1,875	20
1,350	65	1,700	50	1,925	20
1,400	55	1,750	40	1,975	15
1,450	45	1,800	35	2,025	15
1,500	35	1,850	25	2,075 or more	10
1,600	25	1,950	20		
1,700	20	2,050 or more	15		
1,800	15				
1,900 or more	10				

Notes: Distribution above is noncumulative.  
Demand of fewer than 10 units is shown as 0.  
Numbers have been rounded for comparison.

Source: Estimates by analyst