

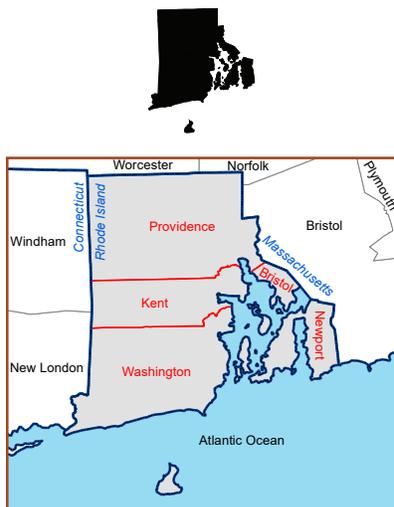


Rhode Island

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of December 1, 2018



Housing Market Area



The Rhode Island Housing Market Area (hereafter, Rhode Island HMA), 50 miles southwest of Boston, is the entire state of Rhode Island. The HMA represents the predominant portion of the Providence-New Bedford-Fall River, Rhode Island-Massachusetts metropolitan area, the second largest metropolitan area in New England. For the purpose of this analysis, the HMA is divided into two submarkets: the Providence County submarket and the Southern Rhode Island submarket, which includes Bristol, Kent, Newport, and Washington Counties.

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Summary

Economy

The economy of the Rhode Island HMA has improved since 2011. During the 12 months ending November 2018, nonfarm payrolls increased by 7,600 jobs, or 1.5 percent, to 501,200. Education and health services is the largest sector, accounting for 22 percent of nonfarm payrolls. The other services sector grew at the fastest rate during the past 12 months, 3.9 percent, followed by a 3.2-percent increase in the mining, logging, and construction sector. The unemployment rate averaged 4.1 percent during the past 12 months, down from 4.5 percent a year earlier. Nonfarm payrolls are anticipated to grow by an average annual rate of 0.8 percent during the 3-year forecast period, with growth declining each year.

Sales Market

The sales housing market in the HMA is currently balanced. The estimated sales vacancy rate is 1.6 percent, down from 2.0 percent

in 2010. During the 12 months ending November 2018, home sales totaled 16,600, a decline of 740, or 4 percent, from a year earlier, while home prices averaged \$304,300, a gain of \$18,500, or 7 percent. During the next 3 years, demand is expected for 2,240 new homes in the HMA (Table 1). The 250 homes currently under construction will satisfy some of the demand.

Rental Market

The rental housing market in the HMA is currently balanced, with an overall estimated vacancy rate of 6.0 percent, down from 8.8 percent in 2010. The apartment market is tight, with a 2.4-percent vacancy rate, and an average asking rent of \$1,441, up 4 percent from a year ago (RealPage, Inc.). During the forecast period, demand is expected for 1,330 new market-rate apartments (Table 1). The 1,340 units under construction will satisfy most of the demand during the next 3 years.

Table 1. Housing Demand in the Rhode Island HMA During the Forecast Period

	Rhode Island HMA		Providence County Submarket		Southern Rhode Island Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	2,240	1,330	740	980	1,500	350
Under Construction	250	1,340	100	1,100	150	240

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of December 1, 2018. The forecast period is December 1, 2018, to December 1, 2021.

Source: Estimates by the analyst

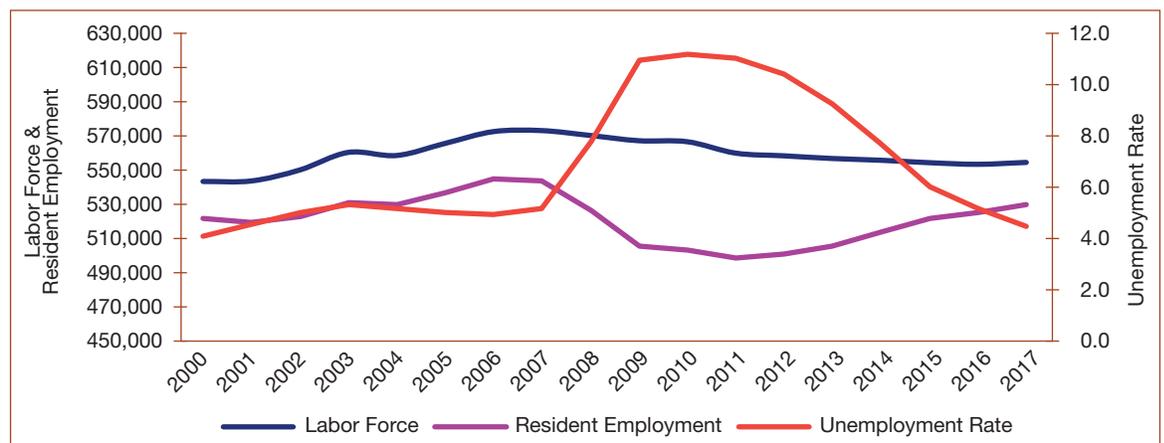
Economic Conditions

The economy of the Rhode Island HMA continues to expand following the Great Recession, when payrolls declined by an average of 8,700, or 1.8 percent, annually from 2007 through 2010. From 2011 through 2016, nonfarm payroll growth averaged 5,300 jobs, or 1.1 percent, annually. During the 12 months ending November 2018, annual payroll growth averaged 7,600 jobs, or 1.5 percent, more than double the average annual growth rate from 2001 through 2006.

The HMA was known as the “Jewelry Capital of the World” for most of the 20th century, but

increased foreign competition in jewelry manufacturing over the past few decades led to a precipitous decline in the manufacturing sector. From 2001 through 2006, losses in the manufacturing sector averaged 3,100 jobs annually, or 4.9 percent. Despite the significant decline in manufacturing jobs during this period, nonfarm payrolls grew by an average of 2,700 jobs, or 0.6 percent, annually, with the unemployment rate averaging 5.0 percent (Figure 1). The education and health services sector accounted for 85 percent of the jobs gained during this period.

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Rhode Island HMA, 2000 Through 2017



Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Rhode Island HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Lifespan Health Connection	Education & Health Services	14,000
United States Department of Navy	Government	8,000
Rhode Island Hospital	Education & Health Services	5,700
Brown University	Education & Health Services	4,800
Met Life	Professional & Business Services	3,200
CVS Health Corporation	Education & Health Services	3,000
CVS/Pharmacy, Inc.	Wholesale & Retail Trade	3,000
University of Rhode Island	Government	2,500
Kent Hospital Acute Rehab	Education & Health Services	2,300
Miriam Hospital	Education & Health Services	2,200

Notes: Excludes local school districts. Data include military personnel, who are generally not included in nonfarm payroll survey data.

Source: Infogroup

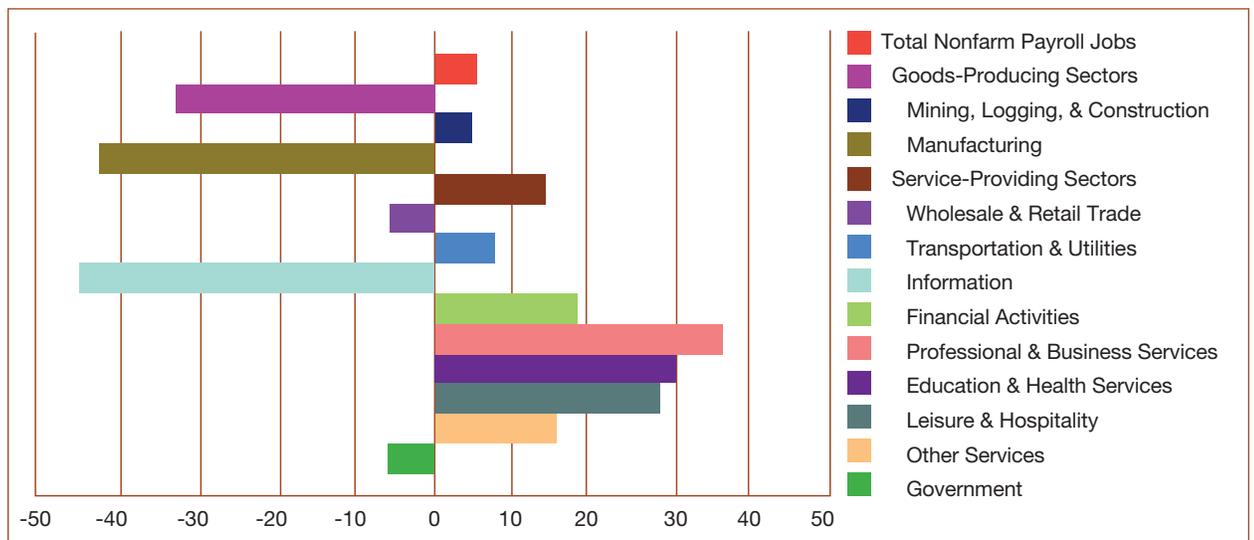
The HMA is home to numerous higher education institutions, including Brown University, as well as healthcare providers Lifespan Health Connection and CVS Health Corporation, two of the largest employers in the HMA (Table 2). Sectors related to real estate had significant gains while the housing market was strong. From 2001 through 2006, the mining, logging, and construction and the financial services sectors each added an average of 800 jobs, or 3.9 and 2.5 percent, respectively.

From 2007 through 2010, a period that includes the Great Recession, payrolls in the HMA declined by an average of 8,700 jobs, or 1.8 percent, annually. During this period, the education and health services sector was the only sector that continued adding jobs, increasing by an average of 1,200 jobs, or 1.2 percent, a year. The mining, logging, and construction sector had the greatest rate of decline, losing an average of 1,800 jobs, or 8.6 percent, a year; this decline was in response to a sharp decrease in new home construction due to increasing out-migration, a tightening credit market, and an increased rate of foreclosures. Losses in the financial activities sector were less severe but significant, declining by 900 jobs, or 2.8 percent, a year. The information sector lost an average of 400 jobs, or 4.2 percent, annually. Some of these losses were at *The Providence Journal* newspaper, which went through a period of layoffs and buyouts that included 100 jobs lost in March 2009. Manufacturing continued to shed an average of 3,100 jobs each year at an average annual rate of 6.4 percent.

Economic conditions in the HMA began to improve in 2011. From 2011 through 2016, nonfarm payrolls increased by an average of 5,300 jobs, or 1.1 percent, annually. During this period, every sector, except for the information and the government sectors, had job growth. The professional and business services sector led the HMA in both total jobs added and rate of growth, up 2,100 jobs, or 3.5 percent a year. The HMA has become increasingly popular with software development and industrial technology firms due to its proximity to Boston and New York, lower cost of living compared with those cities, and the 11 local colleges and universities, which help create and maintain a large pool of qualified artists, engineers, and business professionals. GE Digital's new information technology center in downtown Providence opened in the fall of 2016, with an initial hiring of 50 employees, mostly engineers and data scientists. Figure 2 shows sector growth in the HMA since 2000.

Historically, commercial fishing has been a principal part of the

Figure 2. Sector Growth in the Rhode Island HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through November 2018.

Source: U.S. Bureau of Labor Statistics

economy and culture in Rhode Island. After years of decline, the industry has recently recovered to levels prior to the Great Recession. In 2017, Rhode Island fishermen caught nearly 34 million pounds of squid, accounting for 12 percent of the national supply (National Oceanic and Atmospheric Administration). Rhode Island commercial vessels landed more than 84 million pounds of seafood, an increase of 2 percent from the previous year, with a landed value of more than \$101 million, up 7 percent from a year earlier (*Providence Business News*). This is the highest landed value recorded for Rhode Island commercial fishing vessels.

Job growth during the past 12 months increased, and the unemployment rate continued to decline. During the 12 months ending November 2018, 7,600 jobs were added to the HMA, a 1.5-percent increase from the previous 12-month period, with gains in all sectors except the information and the wholesale and retail trade sectors (Table 3). The unemployment rate averaged 4.1 percent, down from 4.5 percent

during the previous 12 months. This is the lowest unemployment rate since 2000 and is well below the 2010 average of 11.2 percent.

The professional and business services sector continues to add the greatest number of jobs of any sector in the HMA. During the 12 months ending November 2018, an additional 1,900 jobs were added in this sector, representing 2.8 percent annual growth. In the fourth quarter of 2017, Virgin Pulse, an employee wellness and business consulting firm opened its global headquarters in downtown Providence employing approximately 300 people.

The mining, logging, and construction and the manufacturing sectors both grew during the past 12 months. Payrolls in the mining, logging, and construction sector increased by 600 jobs, or 3.2 percent, the fastest rate of growth of any sector in the HMA aside from other services, which added 900 jobs, at a rate of 3.9 percent. The manufacturing sector grew by 800 jobs, or 2.0 percent, an amount surpassed only once in the past 18 years. Growth

Table 3. 12-Month Average Nonfarm Payroll Jobs in the Rhode Island HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	November 2017	November 2018		
Total Nonfarm Payroll Jobs	493,600	501,200	7,600	1.5
Goods-Producing Sectors	59,000	60,500	1,500	2.5
Mining, Logging, & Construction	18,600	19,200	600	3.2
Manufacturing	40,400	41,200	800	2.0
Service-Providing Sectors	434,700	440,700	6,000	1.4
Wholesale & Retail Trade	65,000	64,900	-100	-0.2
Transportation & Utilities	11,700	11,800	100	0.9
Information	6,200	6,000	-200	-3.2
Financial Activities	36,000	36,600	600	1.7
Professional & Business Services	67,300	69,200	1,900	2.8
Education & Health Services	106,700	108,300	1,600	1.5
Leisure & Hospitality	58,200	59,300	1,100	1.9
Other Services	23,000	23,900	900	3.9
Government	60,600	60,600	0	0.0

Notes: Based on 12-month averages through November 2017 and November 2018. Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

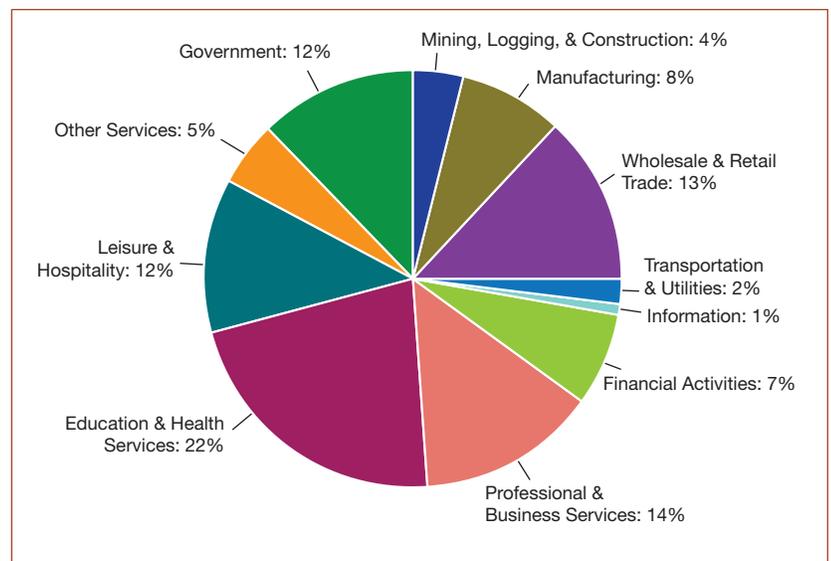
in both sectors is partly due to the expansion of Quonset Point industrial park and commercial shipping port. Electric Boat, a subsidiary of General Dynamics headquartered in Connecticut, expects to add more than 1,300 jobs to its manufacturing facility at Quonset Point during the next decade after being awarded a \$5 billion government contract to design and manufacture the new Columbia-class submarine, which is expected to begin in 2020.

The education and health services sector continues to be the largest sector in the HMA. During the 12 months ending November 2018, the sector accounted for 22 percent of all nonfarm payrolls in the area (Figure 3). Approximately 1,600 jobs were added during the past 12 months, a rate of 1.5 percent. Over the past decade, one of the largest employers in the HMA, Brown University, invested more than \$220 million in the local economy toward new construction, renovation, neighborhood revitalization, and infrastructure improvement programs. With current enrollment of nearly 10,000 undergraduate

and graduate students, and a total workforce of more than 4,800, Brown University is currently expanding its campus, including a new 20,000-square-foot facility for the Watson Institute for International and Public Affairs expected to be complete by the end of 2018 and to host classes in the spring semester.

During the 3-year forecast period, the economy of the Rhode Island HMA is expected to expand, although at a slightly slower pace than from 2011 through 2016. Total nonfarm payrolls are expected to grow by an average of 4,200 jobs, or 0.8 percent, annually. The rate of growth is expected to decrease each year as the current level of hiring slows. During the forecast period, the professional and business services sector will contribute substantially to job growth in the HMA. GE Digital's Providence office is planning to hire up to 300 employees by 2021 to qualify for state and local tax incentives. The manufacturing sector is also expected to grow while Electric Boat begins producing the Columbia-class submarine.

Figure 3. Current Nonfarm Payroll Jobs in the Rhode Island HMA, by Sector



Notes: Based on 12-month averages through November 2018. Numbers may not add to 100 percent due to rounding.

Source: U.S. Bureau of Labor Statistics

Population and Households

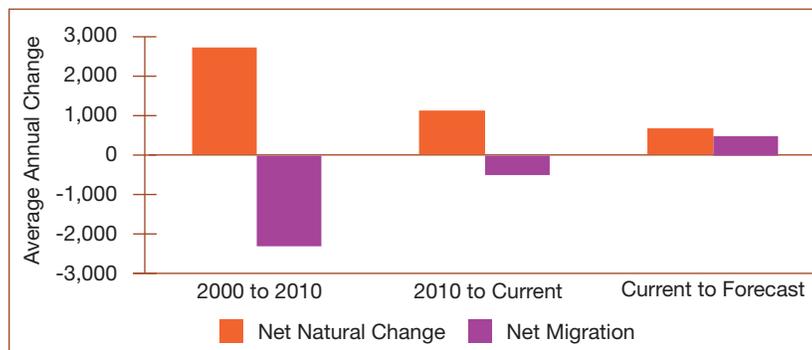
Population growth in the Rhode Island HMA increased since April 2010 and is currently growing at the same rate as before the Great Recession. As of December 1, 2018, the population of the HMA is estimated at 1.06 million, with average annual population growth of 630 people, or 0.1 percent, since 2010. By comparison, from 2000 to 2007, population growth averaged 1,250 people, or 0.1 percent annually, before averaging a loss of 940 people or 0.1 percent, annually, from 2007 to 2011. Net out-migration increased during this period, averaging 3,150 people annually compared with 1,525 people each year from 2000 to 2007. Since the economy began to recover in 2011, net out-migration averaged 450 people each year due to a decline in domestic out-migration as the economy recovered. From 2010 to 2011, domestic out-migration was estimated at 6,150 compared with 2,650 from 2017 to 2018. Figure 4 shows the components of the population change in the HMA from 2000 to the forecast date.

The HMA has been a popular destination for immigrants, notably Providence County, due to the relatively low cost of living in the cities of Providence, Pawtucket,

and Woonsocket compared with other nearby cities with large foreign-born communities, such as Boston and New York. From 2010 to 2017, international migration into the HMA averaged 4,400 annually. While the percentage of the population that was foreign-born in the HMA was 14 percent, the same as national levels, in Providence County, the population of foreign-born individuals accounted for 19 percent of the total, with the aforementioned cities having a large population with familial ties to the Caribbean and Latin America (2010 and 2017 American Community Survey [ACS] 1-year data). In 1980, there were approximately 20,000 people in Rhode Island that identified as Hispanic. An estimated 163,200 did so in 2017, 145,300 of which are in Providence County. In 2017, approximately 23 percent of the population in Providence County identified themselves as Hispanic, compared with 4 percent in the Southern Rhode Island submarket and 18 percent nationally.

As net natural change (resident births minus resident deaths) and out-migration decreased after 2010, the population in the HMA grew older. From 2000 to 2010, net natural change averaged 2,700 a year before declining to an average of 1,100 a year since 2010. Out-migration in the HMA followed a similar trend, averaging 2,275 a year from 2000 to 2010 and declining to an average of 470 annually since 2010. As of July 2017, 16.4 percent of the population was age 65 or older, compared with 14.9 percent nationally (2010 and 2017 ACS 5-year data). The median age in the HMA was estimated at 39.9 years, higher than the national median age of 37.8 years.

Figure 4. Components of Population Change in the Rhode Island HMA, 2000 to Forecast



Notes: The current date is December 1, 2018. The forecast date is December 1, 2021.

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

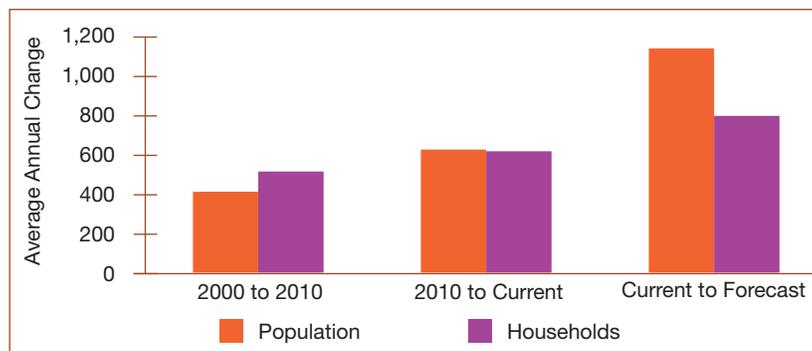
Population and Households *Continued*

Despite the higher median age in the HMA, Providence County continues to attract a younger demographic, drawn to downtown city centers, notably in the city of Providence, and a growing technology industry. The median age in the submarket is 37.3 years, below the national average and the lowest in the state. The median age in Bristol, Kent, Newport, and Washington Counties, which make up the Southern Rhode Island Submarket are estimated at 42.0, 43.7, 44.6, and 44.1 years, respectively. The lower median age in the Providence County submarket compared with the rest of the state is due

to the higher rate of net natural change and out-migration of older individuals compared with the Southern Rhode Island submarket. Since 2010, net natural change in Providence County averaged a gain of 1,575 people annually, compared with a loss of 460 people each year in Southern Rhode Island. Out-migration in Providence County accounted for nearly 80 percent of out-migration in the HMA, averaging 370 people annually compared with 100 in Southern Rhode Island.

The HMA has an estimated 419,000 households as of December 1, 2018, an increase of 620 households, or 0.1 percent, annually since 2010. By comparison, household growth averaged 520, or 0.1 percent, annually from 2000 to 2010 (Figure 5). The slight increase in household growth reflects decreased out-migration between the two periods. The homeownership rate is currently estimated at 60.0 percent, down slightly from 60.7 percent in 2010, in part because of the tighter credit market compared with the previous decade and increased demand for rental units due to changing demographics. In the Rhode Island HMA, the homeownership rate for foreign-born residents is 44.4 percent, compared with 63.9 percent for residents born in the United States. Providence County, with its younger population and greater number of people who are foreign born, has a homeownership rate of 53.0 percent compared with 69.9 percent in the Southern Rhode Island submarket. Figures 6 and 7 show the number of households by tenure for both submarkets from 2000 to the current date. Table DP-1 at the end of this report has additional data about the Rhode Island HMA.

Figure 5. Population and Household Growth in the Rhode Island HMA, 2000 to Forecast



Notes: The current date is December 1, 2018. The forecast date is December 1, 2021.

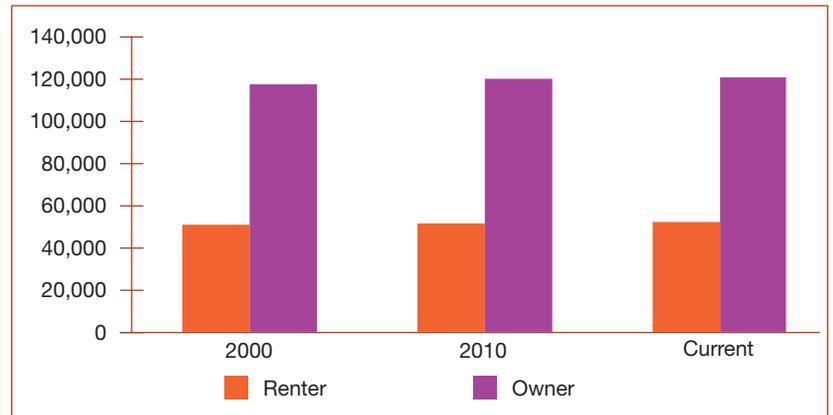
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 6. Number of Households by Tenure in the Providence County Submarket, 2000 to Current



Note: The current date is December 1, 2018.

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

Figure 7. Number of Households by Tenure in the Southern Rhode Island Submarket, 2000 to Current

Note: The current date is December 1, 2018.

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

During the 3-year forecast period, the population in the HMA is expected to increase by approximately 1,150 a year, or 0.1 percent annually. Some of the of the population growth will be due to net in-migration, with domestic out-migration declining and foreign in-migration rising, while net natural change is

expected to slow, albeit modestly, as the population grows older. The number of households in the HMA is expected to increase by an average of 800, or 0.2 percent, annually, to approximately 421,400. Approximately 60 percent of the growth is expected to be in Providence County.

Housing Market Trends

Sales Market—Providence County Submarket

Sales housing market conditions in Providence County are balanced, with an estimated vacancy rate of 1.6 percent, down from 2.1 percent in April 2010 (Table DP-2 at the end of this report). The decline in vacancies reflects a decrease in new construction and the absorption of excess inventory after the foreclosure crisis. The inventory of homes for sale increased slightly from a 3.0-month supply in November 2017 to a 3.6-month supply as of November 2018 (CoreLogic, Inc, with estimates by the analyst).

Home sales started to increase in 2012, after declining each year from 2006 through 2011, in part because net out-migration began to slow. However, the current level

of homes sold, including new and existing single-family homes, townhomes, and condominiums, is well below the prerecession peak. During the 12 months ending November 2018, home sales were unchanged from the previous 12-month period, at 9,200 homes sold (CoreLogic, Inc., with adjustments by the analyst). By comparison, from 2000 through 2005, new and existing home sales averaged 10,450 annually, reaching a peak in 2005 of 11,300 homes sold. Home sales declined significantly from 2006 through 2011, to a low of 5,850 before the housing market began to recover in 2012. During the recovery, home sales increased by 8 percent annually, to 8,475 homes sold during 2016. During the 12

Housing Market Trends

Sales Market—Providence County Submarket *Continued*

months ending November 2018, the average new and existing home sales price increased 9 percent, or by \$20,900, to \$252,100, compared with an increase of 8 percent, or \$16,800, during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). By comparison, the average annual sales price peaked at \$270,200 in 2006 before declining to a low of \$166,000 during 2011. From 2012 through 2016, home prices increased by an average of \$9,825 a year, or 5 percent, annually to \$215,100 during 2016.

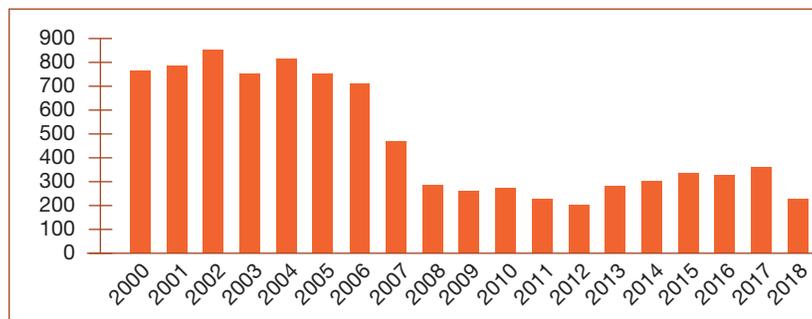
Many foreclosed homes entered the market during the Great Recession, and despite the slow population growth, a substantial number were absorbed largely because new home construction slowed. During the 12 months ending November 2018, distressed home sales (real estate owned [REO] and short sales) accounted for approximately 5 percent of total sales, below a high of 41 percent in 2009 (CoreLogic, Inc.). However, the share of distressed home sales remains higher than the average from 2001 through 2007, when they accounted for approximately 3 percent. In 2014, the average time between initial filing of a foreclosure and resolution in the state of Rhode Island was 260 days, compared with 572 days nationally, contributing to the quick

rate of absorption (RealtyTrac). During the 12 months ending November 2018, the sales price of an REO home in the Providence County submarket averaged \$183,800, representing a 33-percent increase in price from the previous 12-month period. While the increase is large, the average price of an REO home was 28 percent less than a regular resale home. Comparatively, short sales averaged \$168,600, an 8-percent increase compared with a year ago and 34 percent less than a resale home. As of November 2018, the percentage of home loans in the Providence County submarket that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status was 2.4 percent, above the national average of 1.7 percent, but below the November 2017 average of 3.3 percent. While this is below the peak of 11.0 percent that occurred in 2010, it is above the 2005 average of 1.0 percent during the height of the housing boom.

As net out-migration declined and economic conditions improved, new home construction since 2013, as measured by the number of single-family homes permitted, has increased modestly. Single-family permitting from 2013 through 2016 averaged 310 homes each year, with an average annual increase of 15 homes, or 5 percent, from 2014 through 2016. By comparison, single-family homebuilding peaked in 2002, with 860 homes permitted (Figure 8) before declining by an average of 65 homes, or 14 percent, annually through 2012, to a low of 200.

During the 12 months ending November 2018, an estimated 260 single-family homes were permitted, a decline of 25 percent compared with the same period a year earlier (preliminary data). Currently,

Figure 8. Single-Family Homes Permitted in the Providence County Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through November 2018.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and estimates by the analyst; 2017–2018 preliminary data and estimates by the analyst

Housing Market Trends

Sales Market—Providence County Submarket *Continued*

an estimated 100 single-family homes are under construction in Providence County. The Residences at Stillwater is a recently developed community in the town of Smithfield, less than a mile from the intersection of Interstate 295 (I-295) and Route 7. Completed during the summer of 2018, the development consists of 32 two-bedroom townhomes with two-car garages; prices currently start at \$350,000.

During the next 3 years, demand is expected for 740 new homes in the Providence County submarket, decreasing each year as the recent growth in population tapers off (Table 1). The 100 homes currently under construction will satisfy a portion of the demand. Approximately 70 percent of the demand will be for new homes priced between \$200,000 and \$399,999 (Table 4).

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Providence County Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	199,999	75	10.0
200,000	299,999	260	35.0
300,000	399,999	260	35.0
400,000	and Higher	150	20.0

Notes: Numbers may not add to totals due to rounding. The 100 homes currently under construction in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by the analyst

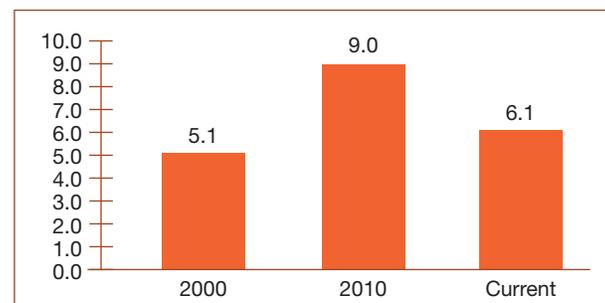
Rental Market—Providence County Submarket

Rental housing market conditions in the Providence County submarket are currently balanced, with an overall rental vacancy rate estimated at 6.1 percent as of December 1, 2018, a decline from the April 2010 rental vacancy rate of 9.0 percent (Figure 9). As of July 2017, approximately 13 percent of all renter households live in single-family homes, unchanged since 2010 and well below the national average of 35 percent, due to the larger-than-average share of

multifamily housing inventory in the submarket. An estimated 46 percent of renter households in the submarket reside in buildings with two to four units, significantly higher than the national rate of 18 percent. In Providence County, large multifamily buildings account for approximately 41 percent of the occupied rental housing inventory, compared with 43 percent nationally (2010 and 2017 ACS 1-year data).

Although the overall rental housing market is balanced, the large apartment complex market is tight, with a vacancy rate of 2.4 percent during the third quarter of 2018, down from 3.5 percent a year earlier (RealPage, Inc.). Due to the decline in out-migration, vacancy rates, on average, declined each year after rising to 8.6 percent during the first quarter of 2007. Rents in the third quarter of 2018 averaged \$1,425, unchanged from a year ago. The lack of a rent increase is, in part,

Figure 9. Rental Vacancy Rates in the Providence County Submarket, 2000 to Current



Note: The current date is December 1, 2018.

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

Housing Market Trends

Rental Market—Providence County Submarket *Continued*

due to competition among new units entering the market. In 2017, the level of multifamily permitting was the highest since 2005 (Figure 10). During the 12 months ending November 2018, approximately 790 multifamily units were permitted, a decrease of 210, or 21 percent, from the 1,000 units permitted during the previous 12 months (preliminary data). From 2000 through 2005, multifamily building activity increased from 240 units permitted to 1,075, at an average of 550 a year.

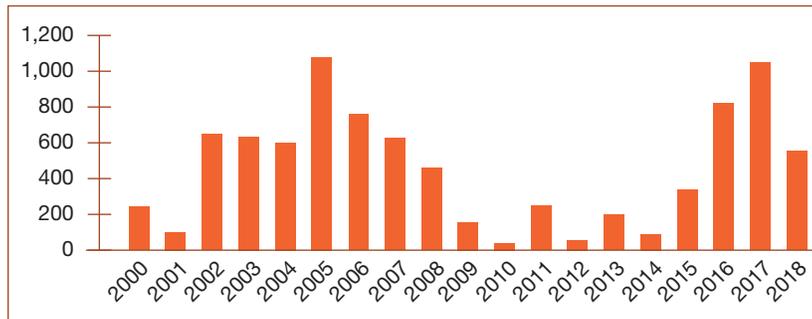
As a result of many apartments entering the market, coinciding with increased out-migration and the start of economic contraction, permitting declined from 1,075 in 2005 to 40 in 2010, an average annual decline of 49 percent. From 2011 through 2016, multifamily permitting in the HMA averaged 290 units a year, increasing in most years from a low of 50 units in 2012 to 830 in 2016, in part because of the decline in out-

migration and demographic changes increasing demand for rental units. The growth in multifamily building activity since 2011 has been mostly in the city of Providence, as it is attractive to young professionals and foreign-born individuals with a higher propensity to rent. The student population has a modest but significant impact on the rental market in Providence County, with undergraduate and graduate students living off campus—attending Brown University, Johnson and Wales University, and Rhode Island College—accounting for approximately 6 percent of occupied rental housing in the submarket.

The share of multifamily permitting for condominiums in developments with five or more units, in the submarket, is substantially less than during the previous decade. From 2000 through 2009, condominiums accounted for an estimated 29 percent of multifamily construction. Since 2010, condominiums have accounted for less than 1 percent of multifamily building activity.

During the 3-year forecast period, demand is expected for 980 new market-rate rental units (Table 1). The 1,100 currently under construction will satisfy all expected demand for the next 3 years. Table 5 shows the forecast demand for new market-rate rental housing in the submarket by rent level and number of bedrooms. Approximately one-half of the demand will be for one-bedroom apartments. Developments currently underway include the 174-unit River House in Providence County, consisting of studio, one-bedroom, and two-bedroom units. Rents start at \$1,895, \$2,240, and \$2,290, respectively. Expected to be complete in the summer of 2019, the development is in the Jewelry District of downtown Providence.

Figure 10. Multifamily Units Permitted in the Providence County Submarket, 2000 to Current



*Notes: Excludes townhomes. Current includes data through November 2018.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and estimates by the analyst; 2017–2018 preliminary data and estimates by the analyst*

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Providence County Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms	
Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand
950 to 1,149	90	1,200 to 1,399	240	1,500 to 1,699	100
1,150 to 1,349	45	1,400 to 1,599	150	1,700 to 1,899	170
1,350 or More	15	1,600 or More	100	1,900 or More	70
Total	150	Total	490	Total	340

*Notes: Monthly rent does not include utilities or concessions. Numbers may not add to totals due to rounding. The 1,100 units currently under construction will likely satisfy some of the estimated demand.
Source: Estimates by the analyst*

Sales Market—Southern Rhode Island Submarket

Similar to the Providence County submarket, sales housing market conditions in the Southern Rhode Island submarket are balanced, with an estimated vacancy rate of 1.6 percent, down from 1.9 percent in April 2010 (Table DP-3 at the end of this report). The decline in vacancies reflects a decrease in new construction and the absorption of excess inventory after the foreclosure crisis. The inventory of homes for sale increased from a 4.2-month supply in September 2017 to a 4.9-month supply as of April 2018 (CoreLogic, Inc., with estimates by the analyst).

After declining each year from 2008 through 2011, home sales grew as net out-migration declined. Homes sales, however, are well below the high prior to the Great Recession. During the 12 months ending November 2018, sales of new and existing homes decreased by 730, or 9 percent, from the previous 12-month period, to 7,425 homes sold (CoreLogic, Inc., with adjustments by the analyst). By comparison, from 2000 through 2005, new and existing home sales averaged 8,775 annually, reaching a peak in 2004 of 9,125 homes sold. Home sales declined significantly from 2005 to a low of 5,175 during 2010 before the housing market began to recover in 2011. Since 2011, sales increased by 390, or 6 percent, annually to 7,500 homes sold in 2016. During the 12 months ending November 2018, the average new and existing home sales price increased 6 percent, or by \$21,200, to \$369,100, the same rate as during the previous 12-month period. For comparison, during 2007, the average homes sales price grew to a high of \$375,500 before declining to a low of \$280,000 during 2009. As home prices began to recover in 2010, home prices

increased by \$7,025 each year, or 2 percent, through 2016.

The sales price in the Southern Rhode Island submarket is higher than in the Providence County submarket partly because the area is a well-known summer vacation destination. The average home price during the 12 months ending November 2018 was approximately 46 percent higher in the Southern Rhode Island submarket compared with the Providence County submarket, with seasonal homes accounting for an estimated 10 percent of the single-family inventory in the Southern Rhode Island submarket. Newport County is particularly popular, with its architectural history, cliffs, and shoreline. During the 12 months ending November 2018, single-family home prices in Newport County averaged \$507,500, the highest in the state.

The Southern Rhode Island submarket had a decline in distressed home sales similar to that of Providence County. During the 12 months ending November 2018, distressed home sales (REO and short sales) accounted for nearly 5 percent of total sales, below the recent high of 22 percent of homes sold in 2009 (CoreLogic, Inc.). Similarly, the share of distressed home sales remains higher than the average from 2001 through 2005, when they accounted for less than 1 percent of sales. During the 12 months ending November 2018, the sales price of an REO home averaged \$318,700, 15 percent less than a regular resale home. This represents a 12-month average price increase of 78 percent for REO homes because the number of REO properties on the market decreased significantly. During this period, there was a

Housing Market Trends

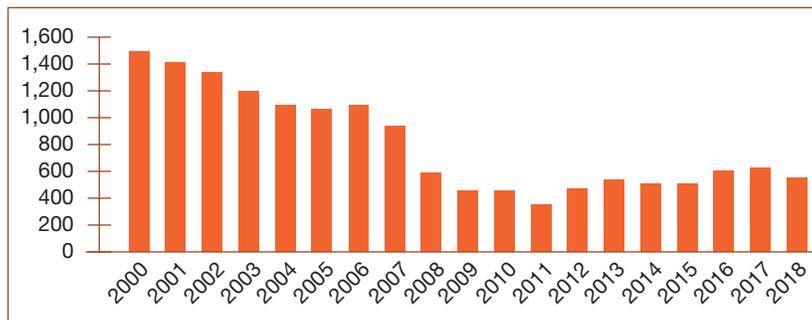
Sales Market—Southern Rhode Island Submarket *Continued*

14-percent drop in REO sales while total REO inventory declined. Although there was a relatively higher percentage of REO sales compared with the Providence County submarket, as of November 2018, the percentage of home loans in the Southern Rhode Island submarket that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status was 1.5 percent, below the 2.4 percent average in the Providence County submarket. The housing crisis did not affect the Southern Rhode Island submarket nearly as much as the Providence County submarket, with distressed home loans peaking in 2012 at 5.7 percent.

With improving economic conditions and decreasing out-migration, new home construction since 2012, as measured by the number of single-family homes permitted, has increased. Single-family permitting from 2012 through 2016 averaged 520 a year, increasing to 590 by the end of 2016. By comparison, from 2000 through 2011, single-family homebuilding activity averaged 950 each year, declining, on average, 12 percent each year, from 1,500 homes permitted in 2000 to a low of 350 during 2011 (Figure 11). During the 12 months ending November 2018, an estimated 550 single-family homes were permitted, a decline of 7 percent compared with the same period a year earlier (preliminary data). Currently, an estimated 150 single-family homes are under construction throughout the Southern Rhode Island submarket. Currently under development is the 55 and over community Villages on Mount Home Bay in the town of Tiverton in Newport County. Approximately 200 of the planned 290 combined townhomes and condominiums are complete, with 30 townhomes currently under construction. Prices start at approximately \$380,000 for a two-bedroom condominium.

During the next 3 years, demand is expected for 1,500 new homes in the Southern Rhode Island submarket, with demand decreasing slightly each year (Table 1). The 150 homes currently under construction will satisfy a portion of the demand. Approximately 60 percent of the demand will be for new homes priced between \$200,000 and \$399,999 (Table 6).

Figure 11. Single-Family Homes Permitted in the Southern Rhode Island Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through November 2018.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and estimates by the analyst; 2017–2018 preliminary data and estimates by the analyst

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Southern Rhode Island Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	199,999	220	15.0
200,000	299,999	450	30.0
300,000	399,999	450	30.0
400,000	and Higher	370	25.0

Notes: Numbers may not add to totals due to rounding. The 150 homes currently under construction in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by the analyst

Rental Market—Southern Rhode Island Submarket

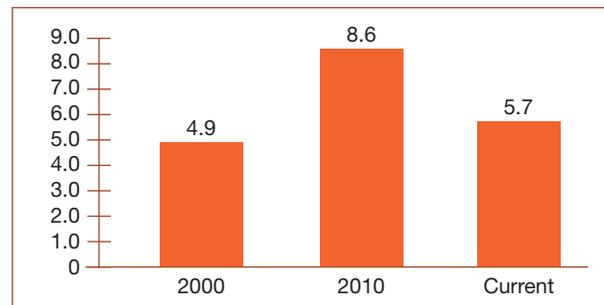
Rental housing market conditions in the Southern Rhode Island HMA are currently balanced, with an overall rental vacancy rate estimated at 5.7 percent as of December 1, 2018, a decline from the April 2010 rental vacancy rate of 8.6 percent (Figure 12). As of July 2017, approximately 28 percent of all renter households lived in single-family homes, down only 1 percent from 2010 and significantly higher than the percentage of renter households living in single-family homes in Providence County (2010 and 2017 ACS 1-year data).

Although the overall rental housing market is balanced, the apartment market is tight, with a vacancy rate of 2.7 percent during the third

quarter of 2018, unchanged from a year earlier (RealPage, Inc.). With net out-migration decreasing since 2011 and a decline in building activity during the recession, vacancy rates, on average, fell each year after rising to 9.7 percent during the first quarter of 2005. Rents in the third quarter of 2018 averaged \$1,450, an increase of \$35, or 2.5 percent, from a year ago.

While rents have increased, the current level of multifamily permitting is the highest in the past decade (Figure 13). During the 12 months ending November 2018, approximately 400 multifamily units were permitted, an increase of 50, or 14 percent, from the 350 units permitted during the previous 12 months (preliminary data). From 2000 through 2007, multifamily building activity varied considerably from year to year, from a low of 100 units in 2000 to a high of 710 units permitted in 2005. On average, the number of multifamily units permitted from 2000 through 2007 was 360 each year. From 2008 through 2012, multifamily permitting declined by 100 units, or 37 percent, each year, to a low of 60 units, in part because of limited access to financing for apartment construction and reduced demand resulting from slow population growth. From 2013 through 2015, there was little change in activity, with an average of 85 units permitted each year. In 2016, however, multifamily permitting rose to 270 units, as economic conditions in the submarket continued to improve and net out-migration declined. Tourister Mill is a 190-unit development in the town of Warren in Bristol County. Currently in lease up, it consists of one- and two- bedroom apartments starting at \$1,495, and three-, four-, and five- bedroom apartments starting at \$2,495, \$2,695, and \$2,995, respectively.

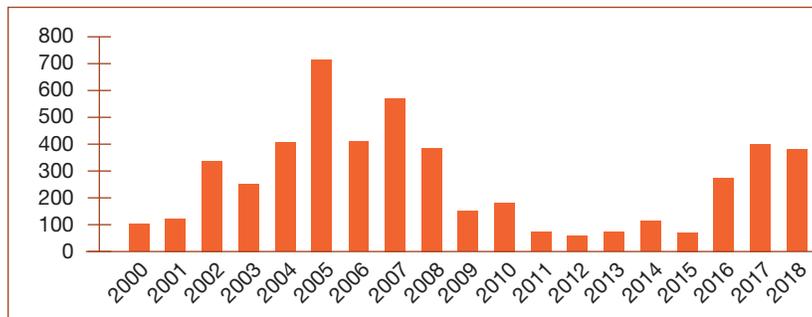
Figure 12. Rental Vacancy Rates in the Southern Rhode Island Submarket, 2000 to Current



Note: The current date is December 1, 2018.

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

Figure 13. Multifamily Units Permitted in the Southern Rhode Island Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through November 2018.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and estimates by the analyst; 2017–2018 preliminary data and estimates by the analyst

Housing Market Trends

Rental Market—Southern Rhode Island Submarket *Continued*

While the total share of multifamily permitting for condominiums was less than in the Providence County submarket, that has changed during the past decade. From 2000 through 2009, approximately 26 percent of multifamily units permitted were for condominiums compared with 29 percent in the Providence County submarket. Since 2010, condominium construction accounted for 19 percent of multifamily permitting in the Southern Rhode Island submarket. While below the share

from the previous decade, it is higher than the 1 percent share in Providence County.

During the 3-year forecast period, demand is expected for 350 new market-rate rental units (Table 1). The 240 units under construction will fulfill most of the expected demand during the first 2 years of the 3-year forecast. Because of the higher cost of homes, demand for two-bedroom apartments is greater in this submarket, accounting for approximately one-half of the demand for rental units (Table 7).

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Southern Rhode Island Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms	
Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand
1,300 to 1,499	70	1,500 to 1,699	70	2,000 to 2,199	10
1,500 to 1,699	55	1,700 to 1,899	85	2,200 to 2,399	15
1,700 or More	15	1,900 or More	15	2,400 or More	10
Total	140	Total	170	Total	35

Notes: Monthly rent does not include utilities or concessions. Numbers may not add to totals due to rounding. The 240 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by the analyst

Data Profiles

Table DP-1. Rhode Island HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	521,313	503,216	537,000	-0.4	0.8
Unemployment Rate (%)	4.1	11.2	4.1		
Total Nonfarm Payroll Jobs	476,700	458,000	501,200	-0.4	1.1
Total Population	1,048,319	1,052,567	1,058,000	0.0	0.1
Total Households	408,424	413,600	419,000	0.1	0.1
Owner Households	245,156	250,952	251,200	0.2	0.0
Percent Owner (%)	60.0	60.7	60.0		
Renter Households	163,268	162,648	167,800	0.0	0.4
Percent Renter (%)	40.0	39.3	40.0		
Total Housing Units	439,837	463,388	470,800	0.5	0.2
Sales Vacancy Rate (%)	1.0	2.0	1.6		
Rental Vacancy Rate (%)	5.0	8.8	6.0		
Median Family Income	\$48,100	\$72,500	\$80,600	4.2	1.3

Notes: Median family incomes are for 1999, 2009, and 2017. Employment data represent annual averages for 2000, 2010, and the 12 months through November 2018.

Sources: Estimates by the analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Data Profiles *Continued***Table DP-2.** Providence County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	621,602	626,667	637,100	0.1	0.2
Total Households	239,936	241,717	246,200	0.1	0.2
Owner Households	127,584	130,368	130,400	0.2	0.0
Percent Owner (%)	53.2	53.9	53.0		
Renter Households	112,352	111,349	115,800	-0.1	0.5
Percent Renter (%)	46.8	46.1	47.0		
Total Housing Units	253,214	264,835	268,900	0.4	0.2
Sales Vacancy Rate (%)	1.1	2.1	1.6		
Rental Vacancy Rate (%)	5.1	9.0	6.1		
Median Family Income	\$48,100	\$72,500	\$80,600	4.2	1.3

Note: Median family incomes are for 1999, 2009, and 2017.

Sources: Estimates by the analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Table DP-3. Southern Rhode Island Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	426,717	425,900	421,000	0.0	-0.1
Total Households	168,488	171,883	172,800	0.2	0.1
Owner Households	117,572	120,584	120,800	0.3	0.0
Percent Owner (%)	69.8	70.2	69.9		
Renter Households	50,916	51,299	52,000	0.1	0.2
Percent Renter (%)	30.2	29.8	30.1		
Total Housing Units	186,623	198,553	201,800	0.6	0.2
Sales Vacancy Rate (%)	0.9	1.9	1.6		
Rental Vacancy Rate (%)	4.9	8.6	5.7		
Median Family Income	\$48,100	\$72,500	\$80,600	4.2	1.3

Note: Median family incomes are for 1999, 2009, and 2017.

Sources: Estimates by the analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Terminology Definitions and Notes

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 12/1/2018—Estimates by the analyst

Forecast period: 12/1/2018–12/1/2021—Estimates by the analyst

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 February 28, 2013.

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.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

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.

For additional data pertaining to the housing market for this HMA, go to https://www.huduser.gov/portal/publications/pdf/CMARtables_RhodeIsland_18.pdf.

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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.

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.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.