

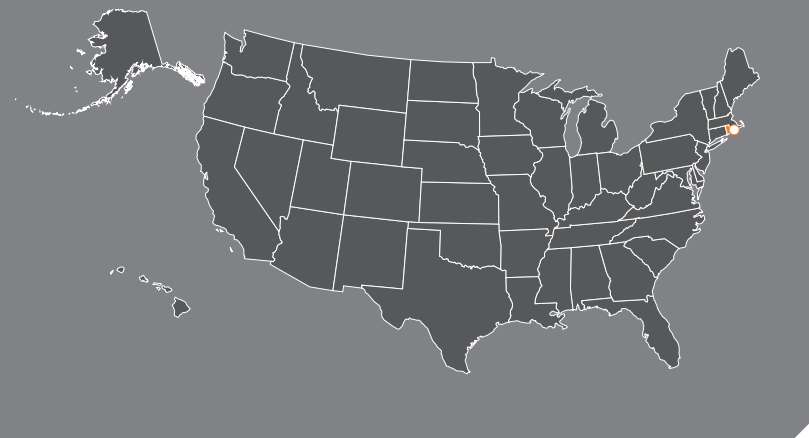
HUD PD&R Housing Market Profiles

Rhode Island



Quick Facts About Rhode Island

- **Current sales market conditions: balanced**
- **Current rental market conditions: balanced**
- **The smallest state by land area in the nation, Rhode Island has the second highest coastline-to-land ratio among states, behind only Maryland.**



Providence, Rhode Island

By Elaine Ng | As of May 1, 2020

Overview

The state of Rhode Island consists of five counties: Bristol, Kent, Newport, Providence, and Washington. Nicknamed “The Ocean State,” Rhode Island is known for its seaside towns and is home to numerous colleges and universities, including Brown University in Providence and the Naval War College in Newport. In the fall of 2019, Brown University enrolled approximately 9,975 students and employed 4,600 faculty and staff, more than 80 percent of whom are Rhode Island residents (Brown University). The university is the seventh largest employer in the state and is the leading center of scientific research and development in Rhode Island, with research spending of \$168 million in 2017.

- As of May 1, 2020, the population of the state of Rhode Island is estimated at 1.06 million, reflecting an average annual increase of 1,575, or 0.1 percent, since 2017. In 2017, net migration became positive for the first time since 2003, when international net in-migration, primarily from the Caribbean and Latin America, outpaced domestic net out-migration (Census Bureau population

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estimates as of July 1). Net natural change (resident births minus resident deaths) has averaged 710 people annually since 2017, whereas net in-migration has averaged 880 people annually.

- From 2010 to 2017, the population grew slightly, by an average of 250 annually, as net natural change—averaging 1,100 people annually—was mostly offset by net out-migration, which averaged 850 people a year.

- As of July 1, 2019, Providence County was the most populous county in the state and had the youngest median age, at 37.4 years, compared with 40.0 years for the state and 38.2 years nationally (2018 American Community Survey [ACS] 1-year data). The younger demographic is drawn to the downtown city center of Providence and jobs in the growing technology industry in the county. An estimated 638,900 people lived in Providence County as of July 1, 2019, accounting for approximately 60 percent of the state population.

Economic Conditions

During the 3 months ending April 2020, nonfarm payrolls declined in Rhode Island from a year earlier, ending a 9-year period of growth. From 2011 through 2019, an average of 4,675 jobs, or 1.0 percent, were added every year. During this 9-year period, nonfarm payroll growth in Rhode Island, however, was generally slower than growth in the New England region and the nation, for which the average annual rate of growth was 1.1 and 1.6 percent, respectively. In response to the COVID-19 pandemic, the state of Rhode Island issued a stay-at-home order on March 28, 2020. As a result of the shutdown in many places of employment, the average unemployment rate rose dramatically to 8.7 percent during the 3 months ending April 2020, up from the 3.8-percent rate during the same period a year earlier. By comparison, the national unemployment rate rose from 3.8 to

7.5 percent during the same respective periods. The statewide unemployment rate rose faster than the national rate because of a 23-percent decline in leisure and hospitality jobs—higher than 16-percent decline nationwide.

During the 3 months ending April 2020—

- Nonfarm payrolls averaged 465,600—down by 31,400 jobs, or 6.3 percent, from a year ago—and all 11 sectors lost jobs. By comparison, the state added 4,100 jobs, a 0.8-percent increase year over year in the 3 months ending April 2019.
- The most significant job declines occurred in the leisure and hospitality sector, down by 13,000 jobs, or 23.4 percent, from the same period a year earlier. Rhode Island relies

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Nonfarm payrolls in Rhode Island declined, as all 11 sectors lost jobs during the 3 months ending April 2020.

	3 Months Ending		Year-Over-Year Change	
	April 2019 (Thousands)	April 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	497.0	465.6	-31.4	-6.3
Goods-Producing Sectors	58.6	56.6	-2.0	-3.4
Mining, Logging, & Construction	18.8	18.0	-0.8	-4.3
Manufacturing	39.8	38.6	-1.2	-3.0
Service-Providing Sectors	438.4	409.0	-29.4	-6.7
Wholesale & Retail Trade	63.7	60.7	-3.0	-4.7
Transportation & Utilities	12.1	11.8	-0.3	-2.5
Information	5.9	5.4	-0.5	-8.5
Financial Activities	35.1	34.8	-0.3	-0.9
Professional & Business Services	66.9	62.9	-4.0	-6.0
Education & Health Services	110.2	105.2	-5.0	-4.5
Leisure & Hospitality	55.5	42.5	-13.0	-23.4
Other Services	22.8	19.7	-3.1	-13.6
Government	66.1	65.9	-0.2	-0.3
Unemployment Rate	3.8%	8.7%		

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

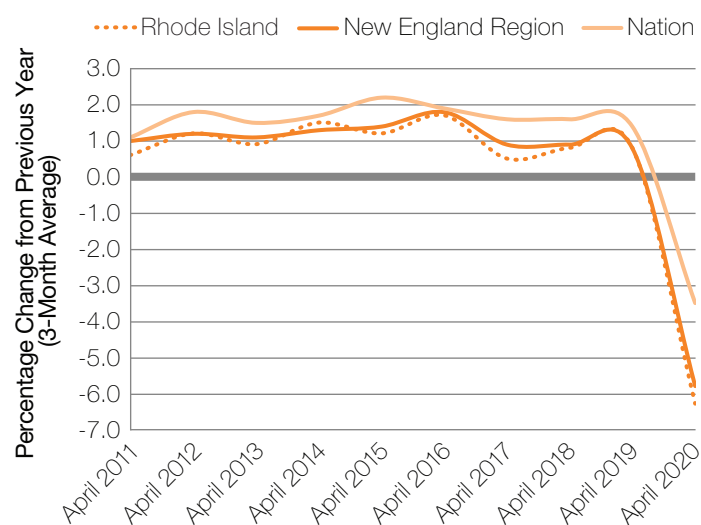


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heavily on tourism, which supported roughly 86,100 jobs and generated more than \$800 million in state and local taxes in 2018—without which, each household would need to pay an additional \$1,969 in taxes (Visit Rhode Island). Rhode Island has required that any out-of-state visitor to the area be quarantined for 14 days, which may dampen economic recovery in the sector.

- The education and health services sector lost 5,000 jobs, or 4.5 percent, with 78 percent of that loss, or 3,900 jobs, occurring in the healthcare and social assistance industry. Declines were pervasive across all healthcare fields, including offices of physicians, dentists, nursing homes, and residential care facilities (State of Rhode Island Department of Labor and Training). In the social assistance subsector, jobs providing services for the elderly and disabled, individual and family

Job growth in Rhode Island has been consistently below the national average since 2011, and jobs are declining at a faster rate than the nation during the most recent 3 months.



Source: U.S. Bureau of Labor Statistics

services, vocational rehabilitation services, and child daycare services were the primary sources of job losses.

- Significant job losses also occurred in the professional and business services and the wholesale and retail trade sectors, with declines of 4,000 and 3,000 jobs, or 6.0 and 4.7 percent, respectively. Approximately 84 percent of the losses in the professional and business services sector occurred in the administrative and support and waste management and remediation services industry, which lost 3,375 jobs, or 12 percent. As employees working in professional offices were asked to work from home during the stay-at-home orders, the need for administrative services or building management—much of which is contracted out to temporary help agencies—declined dramatically.

The COVID-19 pandemic and the resulting declines in nonemergency hospital and healthcare visits have compounded financial issues that healthcare providers in the state were previously facing because of declining Medicare funding. Lifespan Health Connection, the largest healthcare provider in the state, announced the layoff of 55 employees in its corporate office and the voluntary early retirement of another 216 employees in late March 2020. In fiscal year 2019, the healthcare provider reported a \$35 million loss, primarily as a result of a significant reduction in Medicare and Medicaid reimbursement rates. Approximately 70 percent of patients seen at Lifespan Health Connection hospitals use Medicare or Medicaid (*Boston Globe*).

Largest Employers in Rhode Island

Name of Employer	Nonfarm Payroll Sector	Number of Employees
United States Department of the Navy	Government	8,000
Rhode Island Hospital (founder of Lifespan Health Connection)	Education & Health Services	5,754
Brown University	Education & Health Services	4,629

Note: Excludes local school districts.

Source: Infonet

Sales Market Conditions

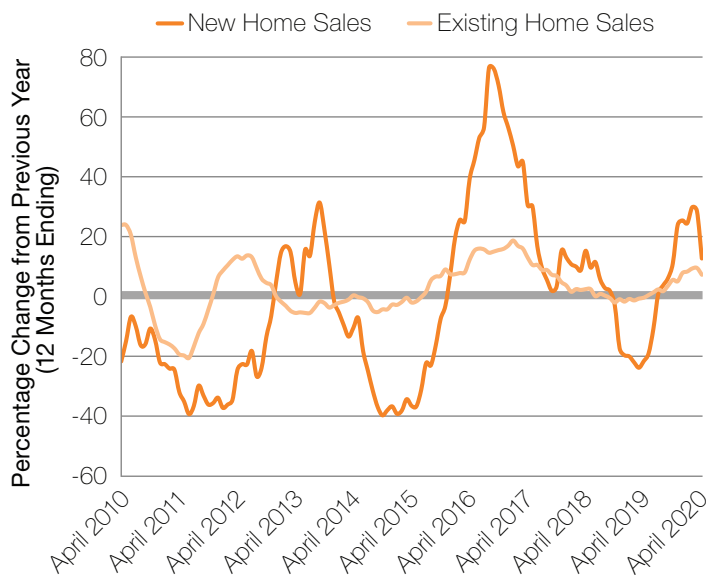
Sales housing market conditions in Rhode Island are currently balanced, with an estimated sales vacancy rate of 1.6 percent, down from 2.0 percent in 2010, when the market was slightly soft because of the housing market collapse. As of March 2020, a 3.4-month supply of homes were available for sale, down from the 4.0-month supply a year ago (CoreLogic, Inc.). Many foreclosed homes entered the market during and after the Great Recession, and despite slow population growth, a substantial

number were absorbed largely because new home construction slowed at the same time. The percentage of home loans in the state that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status peaked at 8.6 percent in February 2010, but the rate has decreased steadily since then (CoreLogic, Inc.). The rate declined from 1.9 percent in February 2019 to 1.6 percent in February 2020 but is higher than the national rate of 1.3 percent.

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New and existing home sales in Rhode Island have increased in the past year.



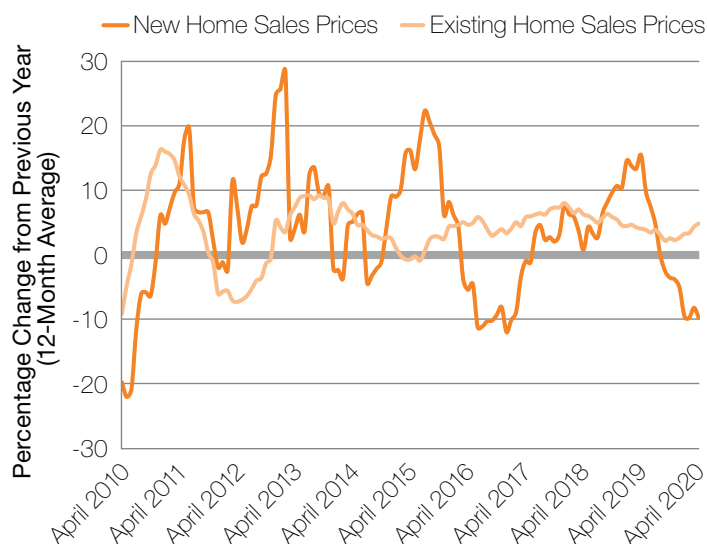
Note: Data are for single-family homes, condominiums, and townhomes.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

During the 12 months ending April 2020—

- Existing home sales (which include regular resale and REO home sales) totaled approximately 17,850 homes, reflecting a 7-percent increase from a year earlier, whereas the average price of an existing home increased almost 5 percent from a year ago, to \$332,900 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- Total REO home sales of 1,000 homes accounted for 6 percent of all existing home sales—similar to the ratio during the same period a year earlier. By comparison, REO home sales accounted for an average of 20 percent of total existing sales from the 2007-through-2013 period, when the sales market was soft.
- New home sales, which accounted for only 1 percent of all homes sold, increased almost 13 percent from a year earlier, to 210 homes sold. The average sales price of a new home declined 10 percent, to \$373,400. The recent decline in new home prices reflects a greater share of new homes available for sale in lower price ranges; 56 percent of new home sales were for homes priced less than \$350,000, compared with 37 percent during the 12 months ending April 2019.

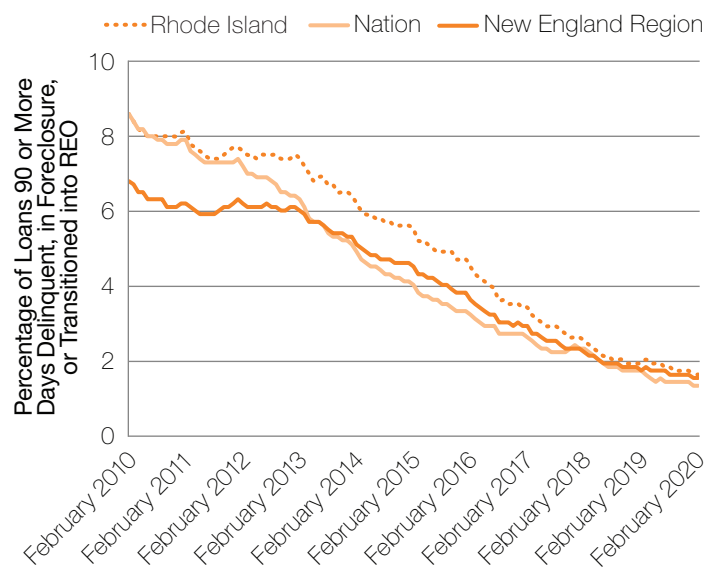
Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased after the Great Recession; however, the current level of permitting is significantly below prerecession levels.

Existing home sales price growth in Rhode Island has been positive since 2015, but new home prices have varied dramatically.



Note: Data are for single-family homes, condominiums, and townhomes.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Despite significant declines since peaking in early 2010, the share of seriously delinquent loans and REO properties in Rhode Island continues to be higher than the regional and national rates.



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

- During the 12 months ending April 2020, 1,050 single-family homes were permitted, up 11 percent from the

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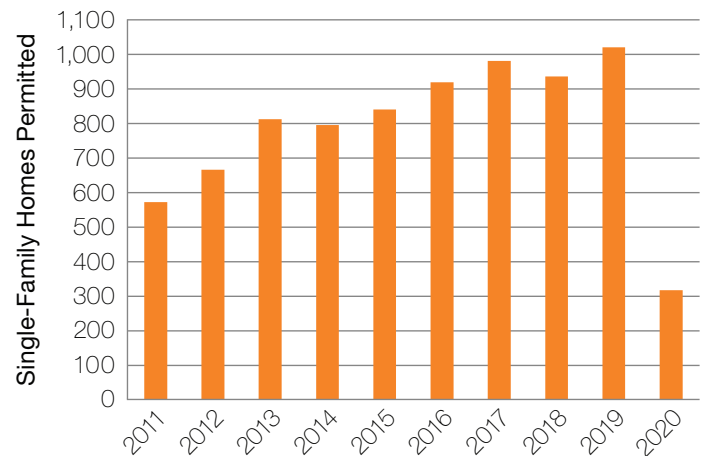
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940 homes permitted during the 12 months ending April 2019 (preliminary data).

- An average of approximately 940 single-family homes were permitted, annually, from 2015 through 2019, a 28-percent increase compared with the average of 740 homes permitted from 2008 through 2014, when foreclosure activity from the housing market collapse was elevated. Despite the recent increase, single-family permitting is 51 percent lower than the average of 1,925 homes permitted annually from 2000 through 2007.
- The Reynolds Farm development is currently underway in North Kingstown, with completion expected by the summer of 2020. The development will include a total of 242 single-family homes with casitas (small, attached guest homes), single-level and two-story condominiums, and cottages and lofts in several neighborhoods. Several home types are already sold out. The starting price is \$369,900 for condominium units, \$405,000 for cottages, and \$419,000 for single-family homes.
- Construction is ongoing at the Cedar Ridge development, with a total of 127 lots in West Greenwich. The community

is reserved for seniors aged 55 years and older, with prices starting at \$300,000. The first homes were completed in 2017, and a total of 109 homes have been completed.

Single-family construction activity has generally increased in Rhode Island since 2012.



Note: Includes preliminary data from January 2020 through April 2020.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

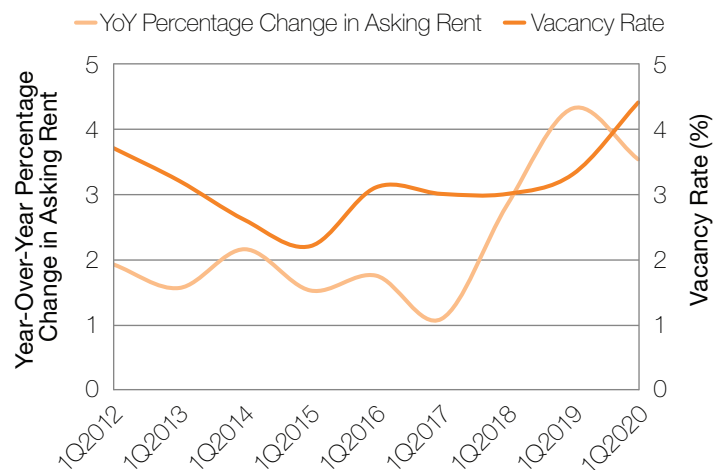
Rental Market Conditions

Rental housing market conditions in the state of Rhode Island are currently balanced, with an estimated vacancy rate for all rental units (including single-family homes, mobile homes, and apartment units) of 6.0 percent as of April 1, 2020, a decrease from 8.8 percent in 2010. Much of the rental inventory is multifamily housing, particularly of smaller duplex or fourplex units. As of 2018, approximately 17 percent of all renter households lived in single-family homes, down slightly from 18 percent in 2010 but well below the national average of 34 percent (2010 and 2018 ACS 1-year data). An estimated 43 percent of renter households in Rhode Island reside in buildings with two or four units, which is significantly higher than the national proportion of 16 percent.

During the first quarter of 2020—

- The apartment market is balanced, with a vacancy rate of 4.4 percent, up from 3.3 percent a year earlier but lower than the national rate of 4.7 percent (Reis, Inc.).
- Apartment rents in the state averaged \$1,490, a 4-percent increase from a year earlier. Apartment rent growth was slow, at less than 3 percent for each first quarter from 2008 to 2017. Since 2018, year-over-year apartment rent growth has exceeded 3 percent, with peak rent growth of almost 5 percent during the first quarter of 2019.

Both the apartment vacancy rate and rent growth in Rhode Island have increased since 2017, as increasing numbers of new apartment units came online.



1Q = first quarter. YoY = year-over-year.

Source: Reis, Inc., with estimates by the analyst

- Three Reis, Inc.-defined market areas (hereafter, market areas) make up the state of Rhode Island. Apartment vacancy rates

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were 3.2 percent in the Southern Rhode Island market area, 3.9 percent in the Northern Rhode Island market area, and 5.4 percent in the Providence market area. As the state capital and population center, the Providence market area contains about 47 percent of the total apartment units statewide.

- Average apartment rents grew in all three of the market areas, with 2-percent growth in the Providence market area, to \$1,690; an almost 4-percent increase in the Northern Rhode Island market area, to \$1,310; and a nearly 6-percent increase in the Southern Rhode Island market area, to \$1,296.

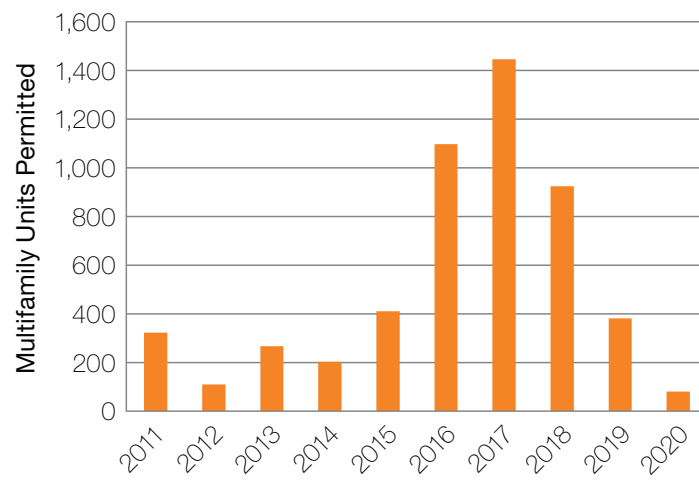
Multifamily construction activity in the state, as measured by the number of units permitted, has risen since reaching lows during the 2008-through-2013 period. Similar to trends in single-family home permitting activity, however, multifamily permitting since 2014 is lower than during the peak period of construction during the early 2000s, when an average of 630 units were permitted annually from 2002 to 2007.

- During the 12 months ending April 2020, approximately 400 multifamily units were permitted, up 35 percent from the 300 units permitted during the previous 12-month period (preliminary data). All the increase in multifamily permitting in the state was due to an increase of 220 multifamily units permitted in Providence County, which offset declines in almost all the other counties of the state. Approximately 18 percent of all multifamily units permitted in the state since 2010 have been in the city of Providence (Providence County).
- Multifamily permitting peaked from 2016 through 2018, when an average of 1,150 multifamily units were permitted in the state—almost four times higher than the average of 240 homes permitted from 2008 through 2013. Multifamily permitting declined in 2019, however, to 380 units, as developers awaited the absorption of newly constructed apartment units.
- One of the largest developments underway is the 145-unit the Nightingale apartment building in downtown Providence, with

completion expected by summer 2020. The development is currently pre-leasing units and offering up to 1 month of free rent. Rents start at \$1,935 for studio units, \$2,090 for one-bedroom units, and \$2,675 for two-bedroom units.

- The third phase of the Park Holm Apartments in the city of Newport is expected to be complete by the fall of 2020 and will add 56 units to the existing 111 units that were completed in 2015. A total of 95 units are expected to be added during the fourth and fifth phases of construction, at dates not yet determined. Park Holm apartments were originally constructed in 1940 to provide affordable housing for military servicemen and their families, and the recent construction includes the demolition of those existing units. Units will be restricted to households earning no more than 80 percent of area median income, which was \$71,850 for a family of four as of 2020.

Multifamily construction activity in Rhode Island has been elevated since 2016, in part because of population growth.



Note: Includes preliminary data from January 2020 through April 2020.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst