

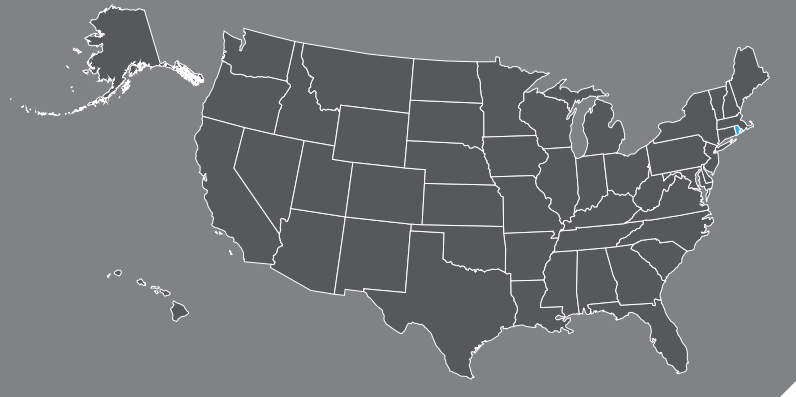
HUD PD&R Housing Market Profiles

Rhode Island



Quick Facts About Rhode Island

- Current sales market conditions: tight
- Current apartment market conditions: tight
- The economy of Rhode Island is influenced by its proximity to the Atlantic Ocean. In 2016, the fisheries and seafood industry had approximately 4,375 jobs and an economic impact of \$419.8 million in the state (University of Rhode Island). The Naval Undersea Warfare Center (NUWC)—the principal research, development, test, and evaluation center for undersea weapons systems for the U.S. Navy and part of the Naval Station Newport—had a \$1.4 billion economic impact on Rhode Island in 2021 (NUWC Division Newport Public Affairs Office).



Pawtucket, Rhode Island

By Diana Villavicencio | As of November 1, 2022

Overview

Rhode Island consists of Bristol, Kent, Newport, Providence, and Washington Counties. Situated along the east coast of the United States, Rhode Island has nearly 400 miles of coastline and is nicknamed the Ocean State. Although Rhode Island is the smallest state in land area in the nation, it has the second highest coastline-to-land ratio, following only Maryland. Economic conditions in the state are relatively strong, and nonfarm payrolls increased on a year-over-year basis for the second consecutive year, following the recession that resulted from the COVID-19 global pandemic in 2020. The sales market has tightened from a year ago and is currently tight, partly because of job growth, population growth, and a shortage of for-sale housing. Apartment market conditions are also tight, and conditions have tightened from a year earlier.

- As of November 1, 2022, the estimated population of Rhode Island is 1.10 million, representing an average increase of 4,325, or 0.4 percent, annually since July 2021. Net in-migration rose to an average of 5,175 people a year, and net natural decrease slowed to an average of 850 people annually. During the period, which included

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the phasing out of restrictions put in place to slow the spread of COVID-19, estimates indicate that net in-migration and births rose, but deaths remained elevated from the start of the pandemic.

- By comparison, from April 2020 to July 2021, during the early stages of the COVID-19 pandemic, net in-migration and net natural decrease averaged 700 and 2,125 people a year, respectively, which caused the population to decline by an average 1,425, or 0.1 percent, annually (Census Bureau decennial census count and population estimates as of July 1). During this period, the state had lower levels of international net in-migration, fewer births, and more deaths compared with the July 2021-to-current period.

- Providence County is the most populous county in the state, with an estimated 660,700 people. Since July 2021, net in-migration to the county resumed, averaging 1,575 people a year, after offices and universities reopened and residents, workers, and students returned to the county. By comparison, from April 2020 to July 2021, net out-migration from the county averaged 2,000 people a year because increased telework and relatively low mortgage interest rates in 2020 allowed some households to move out of the county, and many students left the area when schools transitioned to remote learning.

Economic Conditions

Although economic conditions in Rhode Island are relatively strong, nonfarm payrolls are currently below the 2019 level, which was the highest level recorded during a 3-month period ending in October. During the 3 months ending October 2022, nonfarm payrolls rose by 14,500 jobs, or 3.0 percent, from a year earlier to 502,700 jobs, slowing from a gain of 20,400 jobs, or 4.4 percent, during the 3 months ending October 2021. With the recent job gains, nonfarm payrolls were 7.5 percent above the level during the 3 months ending October 2020, a period that followed the pandemic-induced recession, but they were 1.1 percent below the 508,400 jobs during the 3 months ending October 2019. By comparison, nonfarm payrolls in the nation rose at a 3.7-percent rate during the 3 months ending

October 2022, and jobs were 8.0 percent above levels during the 3 months ending October 2020 and 1.1 percent above levels during the 3 months ending October 2019.

During the 3 months ending October 2022—

- Statewide job growth occurred in 10 of the 11 payroll sectors compared with the 3 months ending October 2021, but growth slowed in 7 of those sectors compared with a year earlier. In many sectors, job growth was faster from the 3 months ending October 2020 to the 3 months ending October 2021 as the economy recovered from the effects of the 2020 recession.

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Jobs rose in 10 of the 11 nonfarm payroll sectors in Rhode Island during the 3 months ending October 2022.

	3 Months Ending		Year-Over-Year Change	
	October 2021 (Thousands)	October 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	488.2	502.7	14.5	3.0
Goods-Producing Sectors	61.0	63.9	2.9	4.8
Mining, Logging, & Construction	21.5	23.6	2.1	9.8
Manufacturing	39.5	40.3	0.8	2.0
Service-Providing Sectors	427.2	438.8	11.6	2.7
Wholesale & Retail Trade	62.2	62.2	0.0	0.0
Transportation & Utilities	12.9	13.7	0.8	6.2
Information	5.6	5.7	0.1	1.8
Financial Activities	34.7	34.9	0.2	0.6
Professional & Business Services	69.8	71.6	1.8	2.6
Education & Health Services	101.4	104.9	3.5	3.5
Leisure & Hospitality	56.9	60.1	3.2	5.6
Other Services	21.3	22.0	0.7	3.3
Government	62.4	63.6	1.2	1.9
Unemployment Rate	5.0%	3.5%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



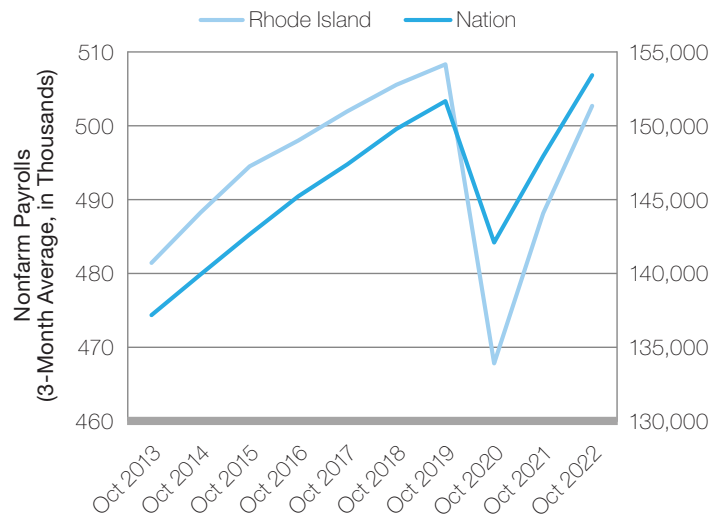
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- The fastest year-over-year job growth in the state occurred in the mining, logging, and construction and the transportation and utilities sectors, up 9.8 and 6.2 percent, respectively, to 23,600 and 13,700 jobs. Sector gains occurred partly because of increased housing construction and the transportation of e-commerce goods.
- The leisure and hospitality sector rose 5.6 percent, or by 3,200 jobs, compared with the 3 months ending October 2021, when 7,500 jobs were gained, an increase of 15.2 percent. The sector added the second most jobs of any sector, and job growth is expected to continue; in August 2022, construction began on a \$124 million 7,500-seat soccer venue, Tidewater Stadium, in the city of Pawtucket that will host a United Soccer League Championship soccer team when complete in spring 2024.
- The unemployment rate declined to an average of 3.5 percent, down from 5.0 percent a year earlier and 8.4 percent during the same period in 2020. The recent unemployment rate was identical to the national rate, but statewide rates have generally been above the national rates, including during the 3 months ending October 2020 and 2021, when the national rates averaged 7.6 and 4.7 percent, respectively.

Rhode Island is a center for higher education and health care and is a popular location for corporate headquarters in the New England region. The education and health services sector is the largest nonfarm payroll sector in the state, accounting for 104,900 jobs, or 21 percent of total jobs in the state, during the 3 months ending October 2022. During the 3-month period, the sector grew by 3,500 jobs, the most of any sector, compared with an 800-job increase during the previous year. The state is home to 11 institutions of higher education, with combined enrollment of approximately 93,000 students (American Community Survey 1-year data, with estimates by the analyst), including Brown University. Brown University includes The Warren Alpert Medical School, which is affiliated with hospitals that are part of Lifespan Health System, the second largest employer in the state.

The professional and business services sector is the second largest payroll sector, accounting for 71,600 jobs, or 14 percent of all jobs in the state. During the 3 months ending October 2022, jobs in the sector increased by 1,800, or 2.6 percent, compared with a 5.0-percent rise during the previous year. Seven Fortune 500 companies have headquarters in the state, including CVS Health Corporation, ranked fourth on the Fortune 500 list (2022 Fortune 500).

Nonfarm payrolls in Rhode Island are currently below the level during the 3 months ending October 2019, whereas jobs in the nation have surpassed that level.



Source: U.S. Bureau of Labor Statistics

Largest Employers in Rhode Island

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Rhode Island State Government	Government	10,000–15,000
Lifespan Health System	Education & Health Services	10,000–15,000
U.S. Government	Government	10,000–15,000

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

Source: Rhode Island Commerce Corporation, 2018

Sales Market Conditions

The home sales market in Rhode Island is currently tight, with an estimated vacancy rate of 0.9 percent, down from 2.0 percent in April 2010, when conditions were slightly soft. The vacancy rate declined from 2010 through 2019 because of a combination of relatively low levels of homebuilding activity and population and economic growth, which generated increased demand for sales housing. In 2020—despite significant job losses, steady homebuilding activity, and population loss—the sales market tightened further, partially because of a decline in the number of homes listed for sale and because mortgage interest rates reached their lowest levels in more than 50 years and caused a surge in homebuying. Although the interest rate has been rising since mid-2021, conditions have remained tight, partly because of improved economic conditions and resumed population growth. During October 2022, the state had 1.6 months of available for-sale inventory, down from 1.7 months a year earlier and 2.2 months in October 2020 (CoreLogic, Inc.). By comparison, the supply of for-sale inventory in the nation increased to 2.2 months in October 2022 from 1.5 months in October 2021. In October 2022, the average interest rate for a 30-year fixed-rate mortgage was 7.1 percent, up from 3.1 percent 1 year earlier (Freddie Mac).

The pandemic-related recession resulted in an increase in the percentage of seriously delinquent mortgages and real estate owned (REO) properties in Rhode Island and the nation. As of October 2020, the rates in the state and the nation were 4.0 and 4.2 percent, up from 1.7 and 1.4 percent, respectively, during October 2019 (CoreLogic, Inc.). The entire increase

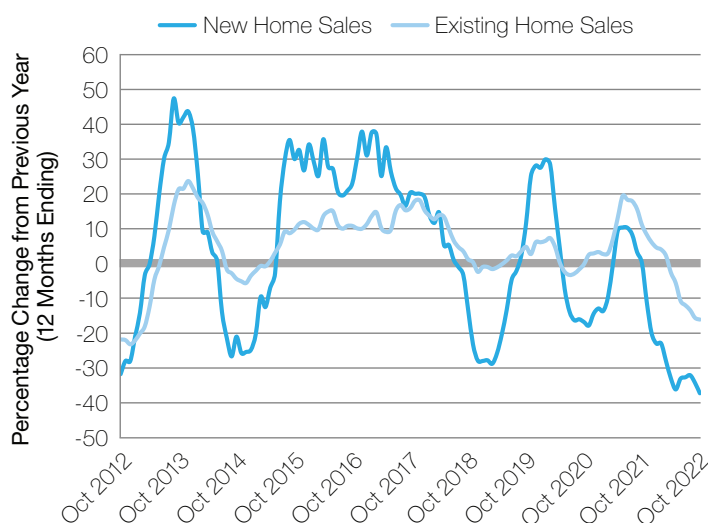
in the rates was due to delinquent mortgages because many homeowners were able to avoid foreclosure because of mortgage forbearance policies, and the rates have since declined. As of October 2022, 1.3 percent of home loans in Rhode Island and the nation were seriously delinquent or had transitioned into REO status, down from 2.2 and 2.3 percent, respectively, in October 2021.

During the 12 months ending October 2022—

- Approximately 13,150 existing homes were sold in the state, representing a decrease of 2,525 homes, or 16 percent, from 1 year earlier and compared with an 11-percent increase during the 12 months ending October 2021 (Zonda). All of the decrease in existing sales during the recent 12 months resulted from 15- and 59-percent decreases in regular resale and REO home sales, respectively.
- The average sales price for existing homes was \$456,100, reflecting a 9-percent gain year over year, compared with a 15-percent increase during the same period a year earlier (Zonda). During the 12 months ending October 2022, prices rose 15 percent each for regular resale and REO home sales.
- New home sales declined 37 percent, the fastest rate of decline during any 12-month period ending in October, to 190 homes sold, from the same period a year earlier. By comparison, new home sales rose less than 1 percent during the 12 months ending October 2021.

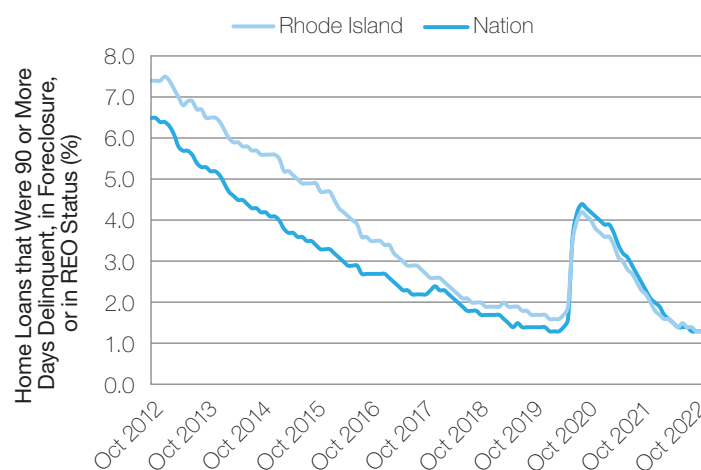
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New and existing home sales in Rhode Island decreased during the past year compared with increases a year ago.



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

The rate of seriously delinquent mortgages and REO properties in Rhode Island increased significantly from April 2020 through August 2020 but has steadily declined since September 2020, and the rate is currently identical to the rate for the nation.



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

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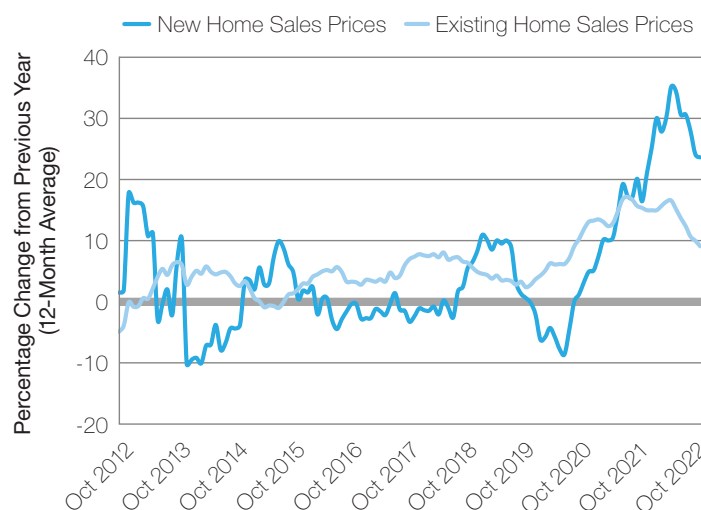
- The average sales price for a new home was \$514,900, up 24 percent from an average price of \$416,700 during the previous year, when the average sales price rose 16 percent. The recent rate of price growth was the fastest rate observed in the state in more than a decade.

New home construction, as measured by the number of single-family homes, townhomes, and condominiums permitted, has been at elevated levels in Rhode Island since 2015, and homebuilding accelerated during the most recent 24-month period.

During the 12 months ending October 2022—

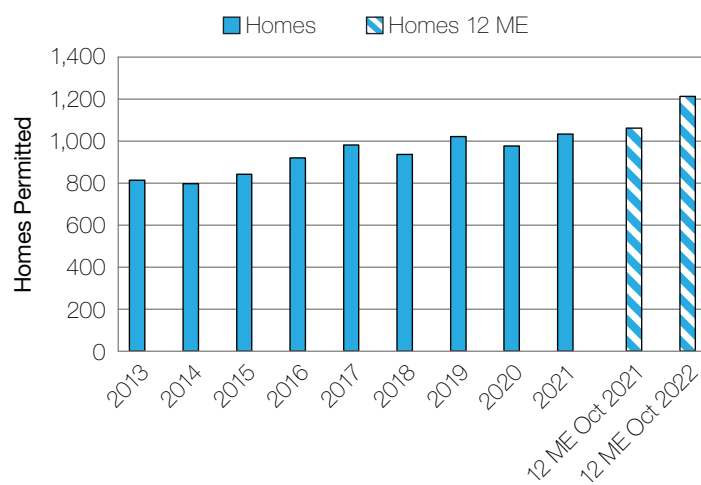
- The number of single-family homes, townhomes, and condominiums permitted increased 14 percent to 1,200 homes, compared with 1,050 homes permitted a year earlier (preliminary data, with estimates by the analyst). During 2013 and 2014, an average of 800 homes were permitted annually—a figure that rose to an average of 960 homes annually from 2015 through 2021.
- Thirty-seven percent of new home construction activity in the state occurred in Providence County, where a relatively limited supply of developable land has led to denser development of more cost-effective housing such as condominiums. Under construction in the West End neighborhood in the city of Providence is the four-story, 21-unit Condominiums at 473 Washington, which began construction in September 2022 and is expected to be complete in August 2023.
- Washington County accounted for 31 percent of new home construction in the state. Under construction in the town of North Kingstown is the third phase of Reynolds Farm, which includes single-family homes with square footage ranging from 1,500 to 1,800 square feet; sales prices for these homes start at \$560,000. Construction at Reynolds Farm began in 2014 and, when complete, will include 200 single-family homes, 41 condominiums, 80 senior apartments, 200 apartments, and 20,000 square feet of commercial space and will be the largest subdivision in Rhode Island in more than 50 years.

New home sales price growth during the past year in Rhode Island rose at a faster pace than existing home sales price growth.



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

New home construction activity in Rhode Island increased to relatively high levels during the most recent 24 months.



12 ME = 12 months ending.

Note: Permits are for single-family homes, townhomes, and condominiums.
Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Apartment Market Conditions

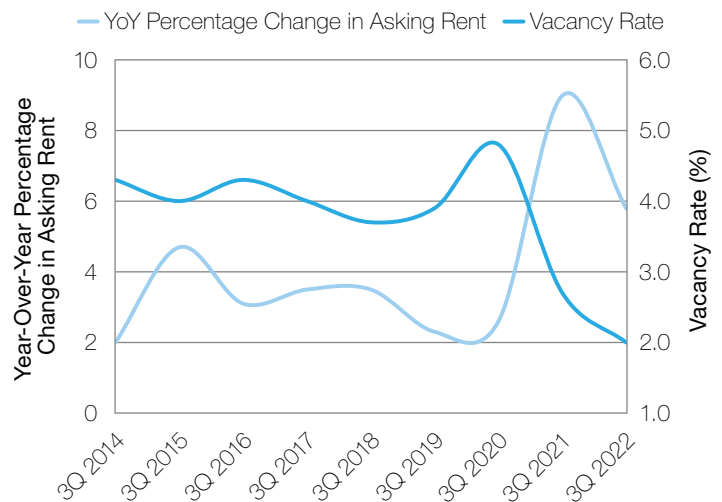
At the onset of the COVID-19 pandemic in 2020, apartment market conditions were more balanced than tight. Since then, apartment market conditions in the state transitioned to tight, despite relatively elevated levels of rental construction activity, because a low supply of for-sale inventory and rising interest rates made homeownership less attainable, and the reopening of offices and universities increased the demand for apartment units by residents, workers, and students.

During the third quarter of 2022—

- The apartment vacancy rate in the state was 2.0 percent, the lowest third quarter rate since at least 2014, down from 2.7 percent during the third quarter of 2021 and a 4.8-percent rate during the third quarter of 2020 (CoStar Group). During the third quarter of 2022, the average rent rose 6 percent year over year to \$1,733, compared with a 9-percent increase during the third quarter of 2021 and a 3-percent increase during the same quarter in 2020. Nationally, the apartment vacancy rate was 5.7 percent during the third quarter of 2022, up from 4.7 percent a year earlier, and the rent averaged \$1,636, up 6 percent from a year earlier.
- The vacancy rate declined in three of the five counties in Rhode Island, ranging from a 0.4-percentage-point decline to 0.7 percent in Washington County to a 0.8-percentage-point decrease to 2.4 percent in Providence County; the rate declined 0.5 percentage point to 1.0 percent in Kent County (CoStar Group). The large vacancy rate reduction in Providence County, a county with a high concentration of jobs and universities compared with other counties in the state, was partly a result of residents, workers, and students returning to the county when offices and universities reopened.
- Apartment vacancy rates were unchanged in Bristol and Newport Counties, at 0.5 and 2.3 percent, respectively, from 1 year earlier, partly because rents in both counties are some of the highest in the state.
- Apartment rents rose in all five counties, ranging from a 3-percent increase in Washington County, where the average rent rose to \$1,861—the highest rent in the state—to 7-percent increases in Providence and Newport Counties, to \$1,777 and \$1,639, respectively, from the third quarter of 2021. The average rent in Bristol and Kent counties increased 4 percent each, to \$1,834 and \$1,611, respectively.

Rental construction, as measured by the number of units permitted, increased to a relatively high level in 2016 and has remained elevated in response to tightening market conditions.

The apartment vacancy rate declined to the lowest third quarter rate since at least 2014, whereas the average rent has increased significantly for the past 2 years.



3Q = third quarter.

Source: CoStar Group

During the 12 months ending October 2022—

- Approximately 880 rental units were permitted, down 22 percent from the 1,125 units permitted during the same period a year earlier (preliminary data, with estimates by the analyst). From 2013 through 2015, an average of 390 rental units were permitted annually before increasing to 1,225 units in 2016 and an average of 900 units a year from 2017 through 2021.
- Nearly 80 percent of new rental unit permitting activity in the state occurred in Providence County, where 16 apartment properties are under construction, including the market-rate, general-occupancy, 416-unit Wampanoag Meadows Apartments in East Providence. It is the largest property under construction in the state and is expected to be complete in July 2023; at completion, the property will feature studio, one-bedroom, and two-bedroom units.
- In the city of Providence, the market-rate, general-occupancy Parcel 6 is under construction; it will include 62 units and retail space on the first floor. When complete in December 2022, the property will feature studio, one-bedroom, two-bedroom, and three-bedroom units with average unit sizes ranging from 527 to 1,791 square feet.
- Rental unit permitting in Kent County accounted for 15 percent of permitting in the state. In West Warwick is Arctic

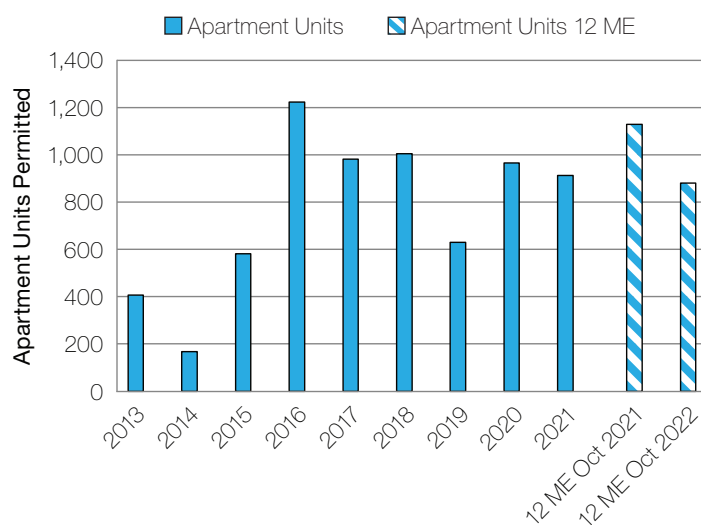
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Mill, an old mill-to-apartment conversion; when complete in September 2023, the property will feature a brewpub, 105 market-rate units, and 31 units restricted to households earning 80 to 100 percent of the Area Median Income.

- The remaining 5 percent of rental units permitted occurred in Bristol and Washington Counties. No rental units were permitted in Newport County during the recent 12-month period.

Rental unit building activity increased to a relatively high level in 2016 and has remained elevated.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
Existing Home Sales	Includes regular resales and REO sales.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Lease Up	Refers to apartments that have been recently completed and have yet to reach an occupancy level deemed stabilized.
Net Natural Decrease	Resident deaths are greater than resident births.
New England Region	Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.
Regular Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party and include short sales.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Stabilized	An apartment property is stabilized once a 90 percent or above occupancy rate is reached, or at least 18 months pass since the property was completed.