

# Housing Market Profile

New England • HUD Region I



## Rhode Island

Rhode Island, located 50 miles southwest of Boston in southern New England, includes Bristol, Kent, Newport, Providence, and Washington Counties. The state represents the predominant portion of the Providence-New Bedford-Fall River, RI-MA metropolitan area, which is the largest metropolitan area in New England aside from the Boston metropolitan area. As of January 1, 2012, the estimated state population was slightly more than 1 million. Weak economic conditions relative to the other New England states have resulted in net out-migration every year since 2004, leading to population declines from 2004 through 2006 and no population growth since 2007. Data from the American Community Survey, however, indicates that the city of Providence, the state capital, largest city, and economic center, added an average of 3,100 people, or 1.8 percent, a year from 2007 through 2010, increasing the city's population to 178,162. According to Moody's Analytics, Inc., the largest employers in Rhode Island are Citizens Bank, Lifespan, and Care New England Health System, with 22,600, 11,900, and 7,050 employees, respectively. In the fall of 2011, Brown University enrolled more than 8,750 students and, as of 2009 (the most recent data available), reported a statewide economic impact of \$660 million annually, contributing nearly 8,200 jobs directly and indirectly to the area economy.

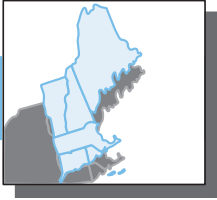
Economic conditions in Rhode Island are weak but have begun to improve slowly after 4 years of declining non-farm payrolls. During the 12 months ending November 2011, nonfarm payrolls increased by 2,300 jobs, or 0.5 percent, to 461,100 jobs compared with a decline of 3,100 jobs, or 0.7 percent, during the previous 12 months. During the 12 months ending November 2011, every sector added jobs except the government, the financial activities, and the mining, logging, and construction sectors, which lost 1,500, 600, and 600 jobs, or 2.4, 2.1, and 3.8 percent, respectively. These declines resulted primarily from the housing crisis and budget cuts. The retail trade subsector and the leisure and hospitality sector led the growth, adding 2,200 and 900 jobs, an increase of 4.8 and 1.8 percent, respectively. These gains contributed to a decrease in the average unemployment rate to 10.8 percent during the 12 months ending November 2011 compared with 11.7 percent during the previous 12 months. In April 2011, 38 Studios, LLC, an entertainment and Internet protocol-creation company, relocated from Massachusetts to Providence, near the

city's new Knowledge District. According to IHS Inc., 38 Studios expects to add 450 jobs by the end of 2013. In North Kingston, General Dynamics Electric Boat, a submarine component manufacturer, completed a \$45 million facility expansion and plans to hire an additional 400 workers by the end of 2012.

Sales housing market conditions in Rhode Island are soft because of tight lending practices and a weak, albeit improving, economy. Based on data from Hanley Wood, LLC, during the 12 months ending November 2011, new and existing single-family home sales totaled 6,225, down 900, or 13 percent, from the number of homes sold during the previous 12 months, a period when homebuyer tax credit incentives influenced sales. Single-family home sales have declined 22 percent from the average annual rate of 7,975 homes sold from 2007 through 2009. During the 12 months ending November 2011, the average sales price for new and existing single-family homes was \$259,600, a 3-percent decrease from the \$267,200 average a year earlier and a 12-percent decrease from the average price of \$296,000 from 2007 through 2009. During the 12 months ending November 2011, new and existing condominium sales represented 11 percent of all home sales in the state, totaling 770, a 37-percent decrease from the 1,225 sales during the previous 12 months and a 45-percent decrease from an average annual rate of 1,400 sales from 2007 through 2009. The average condominium sales price increased by 16 percent, to \$258,800, because of a significant number of high-end sales and is up 2 percent from the average sales price of \$254,300 from 2007 through 2009. According to LPS Applied Analytics, as of December 2011, 8.5 percent of total home loans in Rhode Island were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), the same percentage as a year earlier. During the 12 months ending November 2011, REO sales represented 16 percent of all existing home sales, a decrease from the 20-percent rate during the previous 12 months.

Soft sales housing market conditions have resulted in declines in single-family homebuilding activity, as measured by the number of permits issued. Based on preliminary data, during the 12 months ending November 2011, the number of single-family homes permitted decreased to 590 compared with 740 homes permitted during the previous 12 months and an average of 990 homes permitted each year from 2007 through 2009. More than 70 percent of recent single-family home construction in Rhode Island was in Providence and Washington Counties, the state's northernmost and southernmost counties.





Overall rental housing market conditions in Rhode Island are soft, but the market for newer and larger apartment projects is balanced and tightening. According to Reis, Inc., during the third quarter of 2011, the apartment vacancy rate decreased to 4.5 percent from 6.4 percent in the third quarter of 2010 as a result of moderate net absorption and limited completions. The average monthly rents for one-, two-, and three-bedroom units were \$1,068, \$1,372, and \$1,409, respectively, averaging \$1,221 overall, an increase of less than 1 percent compared with the average rent during the same period a year earlier. During the third quarter of 2011, in Providence and the other cities

and towns inside Interstate 295, the rental vacancy rate was 5.1 percent, and rents increased less than 1 percent to \$1,357 compared with Kent and Washington Counties, which reported a 4.3-percent vacancy rate and rents increasing nearly 2 percent to \$1,076. During the 12 months ending November 2011, multifamily construction, as measured by the number of units permitted, remained relatively unchanged at 170 units compared with the number of units permitted during the previous 12 months. This total compares with an average of 330 units permitted a year from 2007 through 2009.