

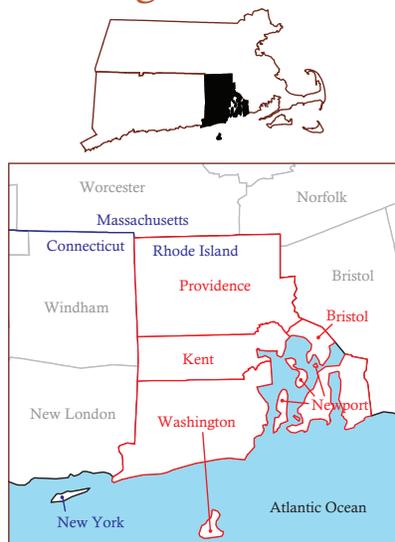


Rhode Island

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of May 1, 2012



Housing Market Area



The Rhode Island Housing Market Area (HMA), 50 miles southwest of Boston, comprises the state of Rhode Island, which includes Bristol, Kent, Newport, Providence, and Washington Counties. The HMA represents the predominant portion of the Providence-New Bedford-Fall River, Rhode Island-Massachusetts metropolitan area, the largest metropolitan area in New England aside from the Boston metropolitan area. This report divides the HMA into the Providence County submarket and the Southern Rhode Island submarket, which includes the rest of the state.

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Summary

Economy

Economic conditions in the Rhode Island HMA continue to be weak because a portion of the modest job gains that began in the summer of 2010 were lost in late 2011 and early 2012. During the 12 months ending April 2012, nonfarm payrolls decreased by 300 jobs, or 0.1 percent, to 459,500 jobs compared with the number of jobs recorded during previous 12 months. Despite the overall losses, the largest employment sector in the HMA, education and health services, which accounts for 23.0 percent of the jobs in the HMA, added approximately 1,000 jobs, a 1.0-percent increase. During the 3-year forecast period, nonfarm payrolls are projected to rebound and increase at an average annual rate of 2,800 jobs, or 0.6 percent.

Sales Market

The home sales market in the HMA is soft, with a current estimated owner

vacancy rate of 1.9 percent, relatively unchanged from 2.0 percent in April 2010. During the 3-year forecast period, demand is expected for 1,650 new homes. The 300 homes currently under construction (Table 1) and a portion of the estimated 32,250 other vacant units that may reenter the sales housing market will satisfy some of the forecast demand.

Rental Market

Overall, the rental housing market in the HMA is soft, but tightening, and the apartment market is tight. Because of moderate net absorption and limited completions, the current overall renter vacancy rate declined to an estimated 7.5 percent from 8.8 percent in April 2010 (Table DP-1). During the forecast period, demand is expected for 900 new rental units, and the 160 units currently under construction will meet a portion of that demand (Table 1).

Table 1. Housing Demand in the Rhode Island HMA, 3-Year Forecast, May 1, 2012, to May 1, 2015

	Rhode Island HMA		Providence County Submarket		Southern Rhode Island Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	1,650	900	600	550	1,050	350
Under Construction	300	160	100	110	200	50

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2012. A portion of the estimated 32,250 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Rhode Island HMA are weak. During the 12 months ending April 2012, nonfarm payrolls decreased by 300 jobs, or 0.1 percent, to 459,500 jobs compared with an increase of 1,700 jobs, or 0.4 percent, during the previous 12 months (Table 2). By comparison, from 2002 through 2006, nonfarm payrolls increased by nearly 3,500 jobs, or 0.7 percent, peaking at 493,300 jobs in 2006, before flattening in 2007 and then losing more than 16,000 jobs, or 1.7 percent, annually from 2008 through 2009. During the 12 months ending April 2012, the average unemployment rate in the HMA declined to 11.2 percent from

11.5 percent during the previous 12 months; the rate remains 6.0 percentage points higher than the prerecession level of 5.2 percent recorded in 2007. During the 12 months ending April 2012, the average unemployment rate in the HMA represented the highest statewide rate in New England and the third highest statewide rate in the nation, lower than only Nevada and California. During the 12 months ending April 2012, the decrease in the Rhode Island statewide unemployment rate was attributed to a decline of 6,800 people, or 1.2 percent, in the labor force, not to growth in resident employment, which declined by 4,700 workers, or 0.9 percent. Figure 1 shows labor force, resident employment, and unemployment rate trends in the HMA from 2000 to 2011.

Although overall nonfarm payrolls in the HMA are essentially unchanged, the education and health services sector continued to add jobs during the 12 months ending April 2012, increasing by 1,000 jobs, or 1.0 percent, slightly slower than the increase of 1,200 jobs, or 1.2 percent, that occurred in the sector during the previous 12 months. The education and health services sector, which accounts for 23 percent of all nonfarm payrolls in the HMA, is both the largest employment sector in the area (Figure 2) and the fastest growing sector since 2000 (Figure 3). The education and health services sector has added jobs every year since 2000, helping to stabilize the state economy somewhat, even as job losses in other sectors were significant during the most recent recession. From 2000 through 2007, the sector expanded by 16,000 to 99,200 jobs, a 2.5-percent annual increase, which represents more than triple the number of net job gains in any other sector

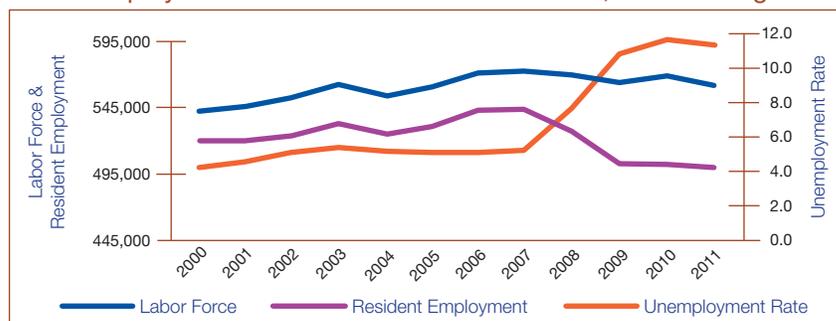
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Rhode Island HMA, by Sector

	12 Months Ending April 2011	12 Months Ending April 2012	Percent Change
Total Nonfarm Payroll Jobs	459,800	459,500	- 0.1
Goods Producing	56,400	56,700	0.4
Mining, Logging, & Construction	16,000	15,900	- 0.7
Manufacturing	40,500	40,800	0.8
Service Providing	403,300	402,800	- 0.1
Wholesale & Retail Trade	62,400	62,300	- 0.1
Transportation & Utilities	10,500	10,700	1.8
Information	10,000	10,400	3.7
Financial Activities	30,700	30,600	- 0.3
Professional & Business Services	53,800	54,300	0.9
Education & Health Services	102,700	103,800	1.0
Leisure & Hospitality	49,700	48,800	- 1.9
Other Services	22,100	21,700	- 1.9
Government	61,400	60,300	- 1.8

Notes: Based on 12-month averages through April 2011 and April 2012. Numbers may not add to totals because of rounding.

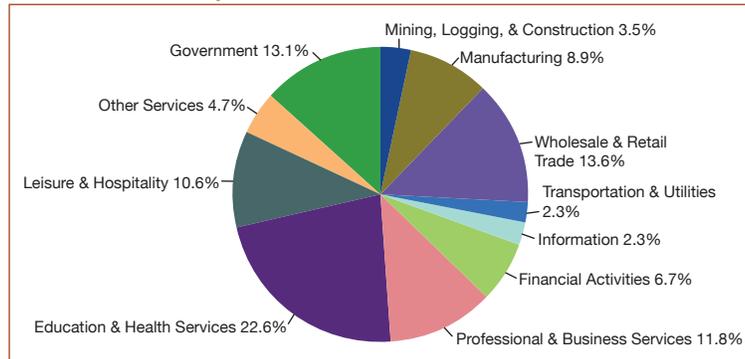
Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Rhode Island HMA, 2000 Through 2011



Source: U.S. Bureau of Labor Statistics

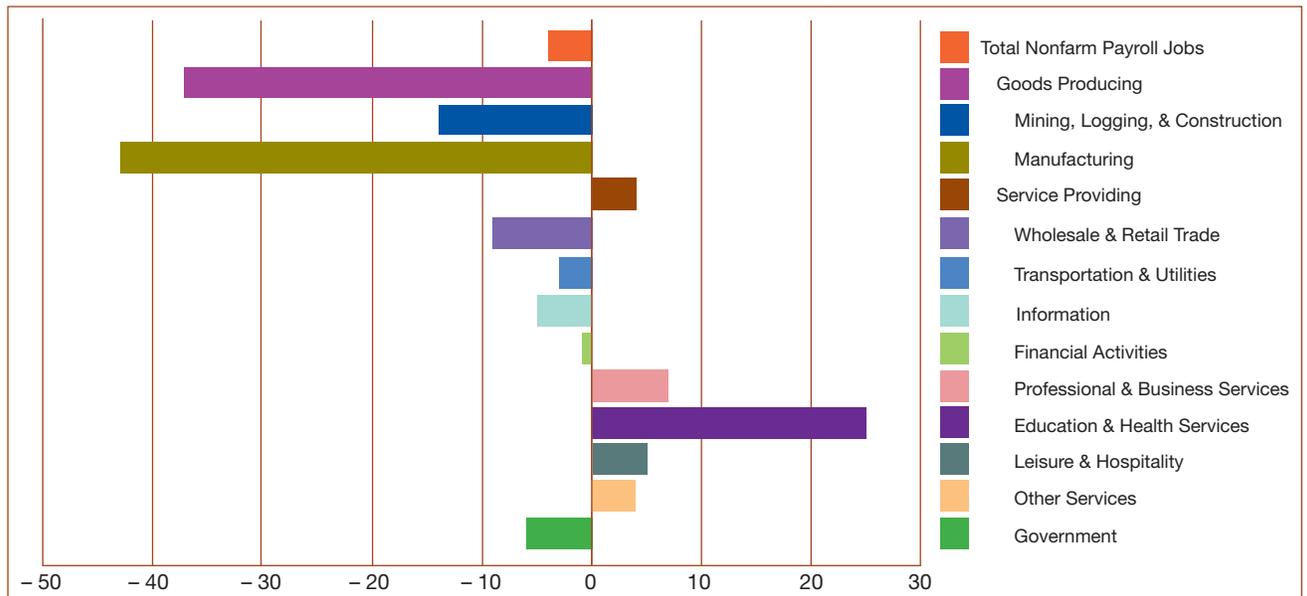
Figure 2. Current Nonfarm Payroll Jobs in the Rhode Island HMA, by Sector



Note: Based on 12-month averages through April 2012.
Source: U.S. Bureau of Labor Statistics

during the period. From 2007 through 2009, a period when nearly every other sector lost jobs, the education and health services sector added 900 jobs a year, an annual increase of 0.9 percent. Three of the five largest employers in the state (Table 3) are part of the education and health services sector: Lifespan, Care New England Health System, and Brown University, with 12,400, 7,050, and 4,200 employees, respectively. Brown University enrolled more than 8,750 students in the fall of

Figure 3. Sector Growth in the Rhode Island HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through April 2012.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Rhode Island HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Lifespan	Education & Health Services	12,400
Care New England Health System	Education & Health Services	7,050
CVS Caremark Corporation	Wholesale & Retail Trade	6,200
RBS Citizens Financial Group, Inc.	Financial Activities	5,350
Brown University	Education & Health Services	4,200
Roman Catholic Diocese of Providence	Other Services	3,600
Bank of America Corporation	Financial Activities	3,500
CharterCARE Health Partners	Education & Health Services	3,175
Women & Infants Hospital of Rhode Island	Education & Health Services	3,100
Fidelity Investments	Financial Activities	2,900

Note: Excludes local school districts.
Source: Moody's Analytics

2011 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.

During the 12 months ending April 2012, the manufacturing sector increased by 300 jobs, or nearly 1 percent, to 40,800 jobs compared with the number of jobs recorded during the previous 12 months. The addition of 300 jobs in the manufacturing sector during 2011 marked the first annual

expansion for the sector in more than 20 years. From 2007 through 2009, nearly one-third of all jobs lost in the state were in the manufacturing sector. Since 1990, the sector has declined by a total of 57 percent, losing more than 54,000 jobs. The transition from a manufacturing-based economy to a service-based economy has proven more difficult for Rhode Island than for neighboring New England states such as Massachusetts, Connecticut, and New Hampshire, which lost 47, 21, and 22 percent of their manufacturing jobs, respectively, during the same period. Although employment in the manufacturing sector in the HMA will likely never return to the levels that prevailed during the 1990s and is not expected to return to levels of before the recession, employment in the sector may have stabilized. According to IHS Inc., the food manufacturing company Daniele, Inc., will begin construction of a new \$50 million, 300,000-square-foot facility in Burrillville in May 2012. The company expects to add employees on completion, but it has yet to specify an exact number. In North Kingstown, General Dynamics Electric Boat, a submarine component manufacturer, completed a \$45 million business expansion in January 2012 and plans to hire an additional 500 workers by the end of 2014.

By contrast, with the growth in the education and health services sector and

the recent stabilization of the manufacturing sector, declines have continued in the government sector. During the 12 months ending April 2012, the government sector lost 1,100 jobs, or 1.8 percent, declining to 60,300 jobs compared with a decrease of 400 jobs, or 0.6 percent, during the previous 12 months. From 2007 to the current date, nonfarm payrolls in the sector declined every year, losing a total of 4,100 jobs during the period. State and local governments were most negatively affected and, since 2007, reduced revenue streams and budget cuts led, in part, to the loss of 1,200 and 3,100 jobs, or 7 and 8 percent, down to 16,100 and 34,200 jobs, respectively.

During the 3-year forecast period, nonfarm payrolls are expected to rebound and increase by an average annual rate of 2,800 jobs, or 0.6 percent. Job growth is expected to be slow during the first year of the forecast period, but it is expected to accelerate to 1.1 percent by the final year of the forecast period. Although employment in the government sector is expected to decline further, the manufacturing sector should remain relatively stable, and all other sectors are forecast to expand, with the strongest gains expected in the education and health services sector.

Population and Households

As of May 1, 2012, the population of the Rhode Island HMA was estimated at approximately 1.05 million, reflecting an average annual decrease of 750, or 0.1 percent, since April 2010. (Tables DP-1 through DP-3

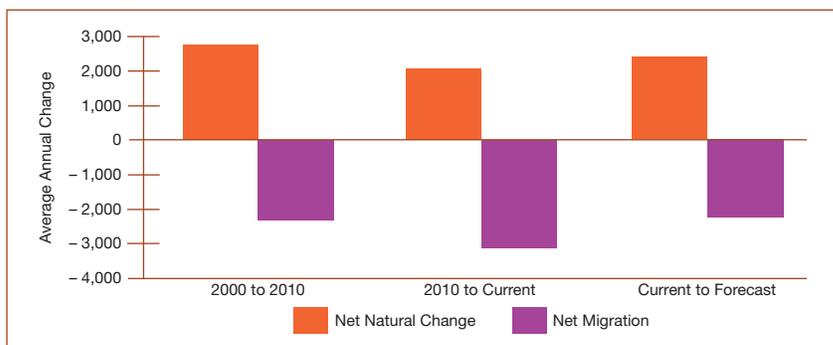
at the end of this report provide information on population growth in the HMA and in the Providence County and Southern Rhode Island submarkets.) Weak economic conditions have resulted in net out-migration and

population declines every year since 2004; the rate of population loss has slowed since 2008, however. From July 2004 to July 2007, net out-migration averaged 8,250 people a year, but has slowed to 3,750 annually since July 2007. Based on data from the Internal Revenue Service, Massachusetts, Florida, and Connecticut accounted for the greatest share of migration to and from the HMA. The slowing net out-migration can partially be attributed to fewer Rhode Islanders leaving for Florida and Connecticut, two states that were disproportionately affected by the financial housing crisis during the late 2000s. From 2005 through 2007, the average annual rates of net out-migration from the HMA to Florida and Connecticut were 3,050 and 930 people, respectively. From 2008 through 2010, the average annual rates slowed to 1,325 and 150 people. Net out-migration did, however, increase to Massachusetts, which was affected less by the most recent recession than the HMA and the nation as a whole. During the 3-year forecast period, as the state economy slowly improves and regains some of the jobs lost during the most recent recession, net out-migration in the HMA is expected to slow (Figure 4), and the population is forecast to stabilize at approximately 1.05 million by May 1, 2015.

The Providence County submarket has accounted for all the net population growth in the HMA since 2000, and it has a current estimated population of 626,500, representing 60 percent of the HMA population. From 2000 to 2010, the population of the submarket increased by slightly more than 500, or 0.1 percent, annually, but it has flattened since 2010. Data from the American Community Survey, however, indicates that the city of Providence, the state capital, largest city, and economic center of Rhode Island, added an average of 3,100 people, or 1.8 percent, annually from 2007 to 2010, increasing the city's population to 178,200. During the 3-year forecast period, the population of the submarket is expected to remain essentially unchanged, increasing by 370, or 0.1 percent, a year.

The population of the Southern Rhode Island submarket is currently estimated at 424,000. From 2000 to 2010, the population of the submarket remained essentially unchanged, but since 2010 it has decreased by 910, or 0.2 percent, annually. The lack of growth resulted from net out-migration (described previously) and declines in the rate of net natural change (resident births minus resident deaths). According to the Census Bureau's Population Estimates Program, from July 1, 2009, to July 1, 2011, the average annual rate of deaths exceeded the rate of births in the submarket, which can be attributed to the relative age of the population. Based on census data, in 2010, the median age of residents in the submarket was more than 5 years older than the Providence County submarket and nationwide median ages. From 2000 to 2010, the population of residents in the Southern Rhode Island submarket ages 60 and older

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



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

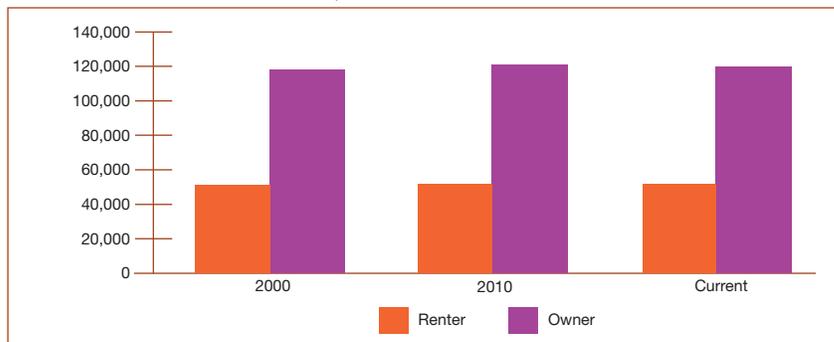
increased 22 percent compared with a 5-percent decline in the number of residents younger than 60 years old. Despite the aging of the population, during the forecast period, the population of the submarket is expected to remain essentially unchanged, decreasing by 200 a year, to 423,400.

Figure 5. Number of Households by Tenure in the Providence County Submarket, 2000 to Current



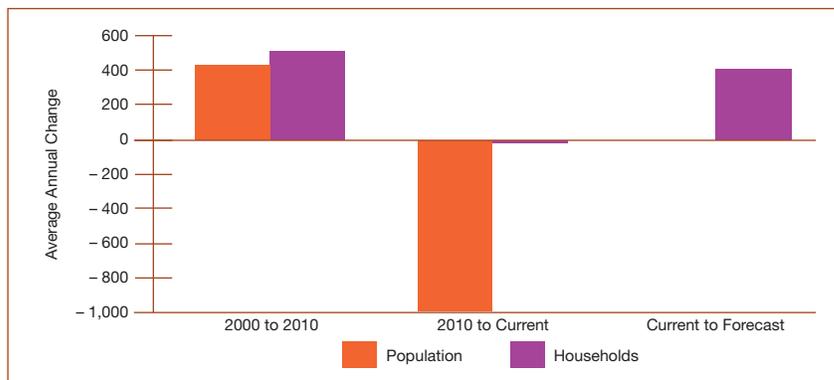
Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Number of Households by Tenure in the Southern Rhode Island Submarket, 2000 to Current



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

Figure 7. Population and Household Growth in the Rhode Island HMA, 2000 to Forecast



Note: No population change is expected from current to forecast.

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

Net out-migration throughout the state has resulted in slowed household formation in recent years. The HMA has an estimated 413,600 households, with 241,800 in the Providence County submarket and 171,800 in the Southern Rhode Island submarket. From 2000 to 2010, annual household growth in the Providence County and Southern Rhode Island submarkets averaged 180 and 340 households, or 0.1 and 0.2 percent, respectively. In the Southern Rhode Island submarket, the increase in households without a corresponding increase in population can be attributed, in part, to an increase in the number of seniors living alone. From 2000 to 2010, the number of people 65 years or older living alone in the Southern Rhode Island submarket increased by 1,400, or 7 percent, and as of 2010, accounted for 12 percent of all households in the submarket. Since 2010, household growth in both submarkets has nearly ceased. Owners currently constitute an estimated 60.2 percent of all HMA households, down from 60.7 percent as reported in the 2010 Census, but up slightly from 60 percent reported in the 2000 Census. In the Providence County and Southern Rhode Island submarkets, owners currently account for an estimated 53.4 and 69.8 percent of all households, respectively, both down from 2010 but up slightly from 2000 (Figures 5 and 6). The number of households in the HMA is expected to grow by 400, or 0.1 percent, annually during the 3-year forecast period, to 414,800. The number of households in the Providence County and Southern Rhode Island submarkets is expected to grow to 242,300 and 172,500, respectively. Figure 7 shows population and household growth in the HMA from 2000 through the forecast period.

Housing Market Trends

Sales Market—Providence County Submarket

The home sales market in the Providence County submarket is soft because of weak economic conditions and tight mortgage lending practices. The current owner vacancy rate is estimated at 2.0 percent, relatively unchanged from 2.1 percent in April 2010 but greater than 1.1 percent during the tight market of April 2000. Based on data from Hanley Wood, LLC, during the 12 months ending April 2012, the number of new and existing single-family home sales totaled 3,375, up 3 percent from the 3,275 sales recorded during the previous 12 months. Despite trending upward during the past year, home sales were down 16 percent from the average annual rate of 4,000 new and existing homes sold from 2007 through 2009 and down nearly 40 percent from the average that prevailed during the peak period of 2005 through 2006. During the 12 months ending April 2012, the average sales price for new and existing homes was \$189,700, an 8-percent decline from a year earlier. Annual average sales prices for new and existing single-family homes have declined every year since 2005, except for 2010. By comparison, average home sales prices during the 12 months ending April 2012 are down 12 percent from the average annual rate from 2008 through 2009 and down 33 percent from the peak period of 2005 through 2007.

The weak economy has partly led to increased delinquencies and foreclosures in the HMA, a significant portion of which were located in the Providence County submarket. According to LPS Applied Analytics, as of April 2012, 10.8 percent of total home loans in the Providence County submarket were 90 or more days

delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), up from 10.6 percent a year earlier. That current rate is the highest among Rhode Island counties by nearly 2 percentage points and compares with rates of 7.1 percent in New England and 7.8 percent nationwide. During the 12 months ending April 2012, REO sales represented 27 percent of all existing single-family home sales in the Providence County submarket, up from 21 percent during the previous 12 months and up from the average annual rate of 25 percent from 2008 through 2009. The sustained high level of REO sales has negatively affected overall average home sales prices. During the 12 months ending April 2012, the average REO sales price for existing single-family homes was \$118,900, 43 percent less than the average non-REO sales price for existing single-family homes of \$208,400.

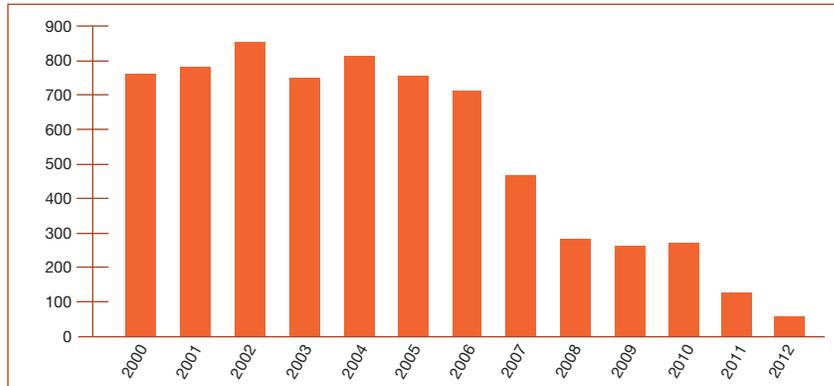
Soft sales housing market conditions in the submarket resulted in historically low levels of single-family homebuilding activity, as measured by the number of homes permitted. Based on preliminary data, during the 12 months ending April 2012, the number of single-family homes permitted decreased to 230 compared with the 240 homes permitted during the previous 12 months. The number of homes permitted averaged 340 homes annually from 2007 through 2009, down from the 780 homes permitted annually during the peak period of 2000 through 2006. Currently, no significant market-rate single-family home developments are under construction in the submarket. Figure 8 shows single-family building permits issued in the submarket from 2000 through the current date.

Housing Market Trends

Sales Market—Providence County Submarket *Continued*

During the 12 months ending April 2012, condominiums represented 13 percent of all home sales in the Providence County submarket. During the same period, the number of

Figure 8. Single-Family Building Permits Issued in the Providence County Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through April 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Providence County Submarket, May 1, 2012, to May 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	199,999	50	8.3
200,000	249,999	150	25.0
250,000	299,999	150	25.0
300,000	349,999	100	16.7
350,000	399,999	50	8.3
400,000	449,999	40	6.7
450,000	499,999	35	5.8
500,000	and higher	25	4.2

Note: The 100 homes currently under construction and a portion of the estimated 11,450 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

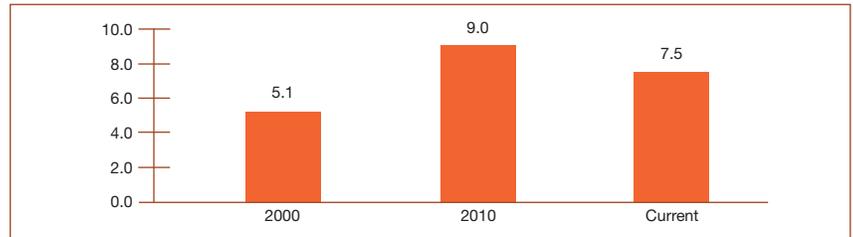
new and existing condominium sales totaled 490, an 18-percent decrease from the 600 sold during the previous 12 months. The number of condominium sales was down 23 percent from the average annual rate of 640 during 2008 and 2009 and down more than 60 percent from the peak period of 2005 through 2007. During the 12 months ending April 2012, the average sales price for new and existing condominiums was \$170,400, down 11 percent from \$191,800 a year earlier. By comparison, the average annual sales price from 2008 through 2009 was \$198,100 and during the peak period from 2005 through 2007, the average annual sales price was \$234,000.

During the 3-year forecast period, demand is expected for 600 new homes (Table 1). The 100 homes currently under construction will meet part of the demand. Demand is estimated to be strongest in the third year of the forecast period and for single-family homes priced from \$200,000 to \$299,999 (Table 4). An estimated 11,450 other vacant units are currently in the inventory, a portion of which may reenter the sales housing market and satisfy some of the forecast demand.

Rental Market—Providence County Submarket

Overall rental housing market conditions in the Providence County submarket are soft but have tightened during the past 2 years. The current overall estimated rental vacancy rate of 7.5 percent is down from 9.0 percent in April 2010, but it is up from the 5.1-percent rate in April 2000, when the rental markets were tight throughout most of New England (Figure 9). Vacancies increased

during the 2000s as the population of Providence County decreased by more than 12,000 people from July 2004 to July 2009. During the past 2 years, however, the rental market has tightened as population losses have slowed and an increasing number of foreclosures of small multifamily rental units have, in many cases, at least temporarily, constrained supply. According to HousingWorks RI,

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

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

from 2009 through 2011, nearly 2,200 multifamily properties were foreclosed on in the HMA, 89 percent of which were located in the submarket, affecting an estimated 5,600 rental units in Providence County. These factors, combined with increased renter demand and extremely limited completions, have caused overall renter vacancy rates to decline and the market to tighten.

By contrast to the overall rental market conditions, the market for more traditional apartment complexes with five or more units that are leased through a central management company or agent is tight. According to MPF Research, during the first quarter of 2012, the apartment vacancy rate in the Providence County submarket decreased to 2.9 percent, down from 3.7 percent during the same period a year earlier. Vacancy rates were lowest for efficiency and one-bedroom units at 2.2 and 2.4 percent, respectively, and vacancy rates were slightly higher for two- and three-bedroom units at 3.6 and 3.5 percent, respectively. The significant difference between vacancy rates for the overall rental market and vacancy rates for more traditional apartment complexes stemmed from the above-average proportion of rental units built before 1940. Based on data from the 2010 American Community Survey, nearly one-half of all renter-occupied units in the submarket were built before 1940. By comparison, the rate is 37

percent in the Southern Rhode Island submarket and 15 percent nationwide. These older renter units are usually smaller multifamily units that tend to be lower quality housing options, and, in general, have higher vacancy rates than do the more traditional apartment complexes. Average effective rents for the more traditional apartment complexes remained unchanged at \$1,150 during the first quarter of 2012 compared with average rents during the same period a year earlier. Monthly rents averaged \$910, \$1,050, \$1,275, and \$1,425 for efficiency, one-bedroom, two-bedroom, and three-bedroom units, respectively.

Multifamily construction activity, as measured by the number of multifamily units permitted, has been extremely limited since 2008 because of weak economic conditions. Despite the tightening rental market conditions, construction activity remains limited. During the 12 months ending April 2012, based on preliminary data, the number of multifamily units permitted increased to 55 units, up from the 35 units permitted during the previous 12 months. By comparison, during the peak period from 2004 through 2006, an average of 630 units was permitted annually before permitting declined to 310 units in 2007 and an average of 95 units annually during 2008 and 2009 (Figure 10). Although no significant market-rate multifamily

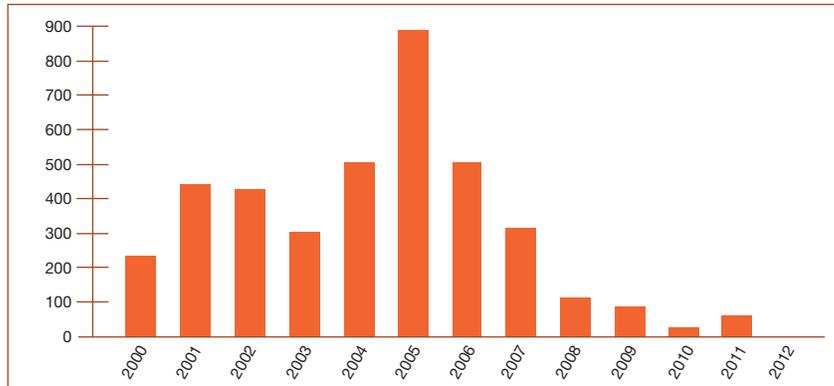
Housing Market Trends

Rental Market—Providence County Submarket *Continued*

developments are currently under construction in the Providence County submarket, planning is under way on phase two of The Lofts 125, an adaptive reuse of a vacant manufacturing

plant in Pawtucket, which will include 140 units and is expected to open by mid-2014. Rents for efficiency, one-bedroom, and two-bedroom units are expected to start at \$775, \$875, and \$1,200, respectively.

Figure 10. Multifamily Building Permits Issued in the Providence County Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through April 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

During the 3-year forecast period, steady demand is expected for a total of 550 new rental units in the submarket (Table 1). Demand is estimated to be strongest for efficiency units with monthly rents ranging from \$900 to \$1,299 and for one-bedroom units with monthly rents ranging from \$1,200 to \$1,599 (Table 5). The 50 new units currently under construction and the 60 units currently being converted into apartments will satisfy part of this demand.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Providence County Submarket, May 1, 2012, to May 1, 2015

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
900 to 1,099	50	1,000 to 1,199	60	1,400 to 1,599	25	1,500 or more	30
1,100 to 1,299	35	1,200 to 1,399	75	1,600 to 1,799	40		
1,300 to 1,499	25	1,400 to 1,599	75	1,800 to 1,999	40		
1,500 or more	10	1,600 to 1,799	25	2,000 to 2,199	25		
		1,800 or more	15	2,200 or more	20		
Total	120	Total	250	Total	150	Total	30

Notes: Numbers may not add to totals because of rounding. The 110 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Southern Rhode Island Submarket

The home sales market in the Southern Rhode Island submarket is soft, but it is stronger than the more urban Providence County submarket. The current owner vacancy rate is estimated at 1.8 percent. Mirroring trends in the Providence County submarket, the current owner vacancy rate is relatively unchanged from 1.9 percent in April 2010, but it is greater than 0.9 percent in April 2000. Based on data from Hanley Wood, LLC, during the 12

months ending April 2012, the number of new and existing single-family home sales totaled 3,575, up 3 percent from the 3,475 sales during the previous 12 months. Sales were down 6 percent, however, from the average annual rate of 3,800 new and existing homes sold during 2008 and 2009 and down 30 percent from the peak period of 2005 through 2007. During the 12 months ending April 2012, the average sales price for new and existing homes was

\$308,300, a 4-percent decline from a year earlier. Average annual sales prices for new and existing single-family homes in the submarket have declined but at a slower rate than those in the Providence County submarket, and the rate is down 5 percent from the average annual rate from 2008 through 2009 and down 22 percent from the peak period of 2005 through 2007. According to LPS Applied Analytics, as of April 2012, 6.6 percent of total home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), up from 6.2 percent a year earlier.

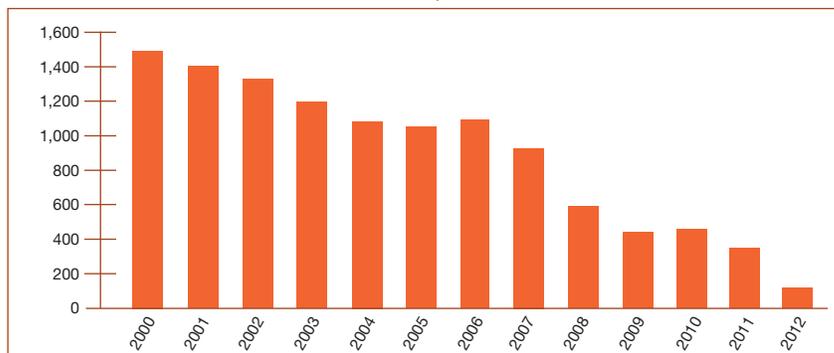
Average home sales prices are highest in the coastal counties of the submarket. During the 12 months ending April 2012, average home sales prices in the coastal counties of Newport, Bristol, and Washington were \$437,500, \$395,200, and \$369,200, respectively. According to the 2010 Census, more than 80 percent of the 17,100 seasonal homes in the state are located in Washington County (known locally as South County) and Newport County, where seasonal homes account for 10 and 16 percent of the entire housing stock, respectively. By comparison, average sales prices in Kent County, which is

primarily landlocked with seasonal homes accounting for 1 percent of the housing stock, were \$200,400. As of April 2012, 8.9 percent of total home loans in Kent County were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), nearly 3 percentage points higher than any other county in the submarket.

Although some housing market characteristics vary greatly between counties in the Southern Rhode Island submarket, single-family construction, as measured by the number of permits issued, is low throughout the submarket. Based on preliminary data, during the 12 months ending April 2012, the number of single-family homes permitted decreased to 390 compared with the 430 homes permitted during the previous 12 months. By comparison, from 2000 through 2007 before the housing market collapse, the number of homes permitted averaged 1,200 homes annually, decreasing to 520 homes permitted annually during 2008 and 2009. No significant market rate single-family home developments are currently under construction in the submarket. Figure 11 shows single-family building permits issued in the submarket from 2000 through the current date.

During the 3-year forecast period, demand is expected for 1,050 new homes (Table 1). The 200 homes currently under construction and a portion of the 20,800 other vacant units in the submarket that may reenter the market will satisfy some of the forecast demand. Table 6 illustrates the estimated demand for market-rate sales housing in the submarket by price range. As the economy slowly improves, demand is estimated to increase during years 2 and 3 of the forecast period.

Figure 11. Single-Family Building Permits Issued in the Southern Rhode Island Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through April 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Southern Rhode Island Submarket, May 1, 2012, to May 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
175,000	199,999	50	4.8
200,000	249,999	150	14.3
250,000	299,999	200	19.0
300,000	349,999	300	28.6
350,000	399,999	150	14.3
400,000	499,999	100	9.5
500,000	599,999	50	4.8
600,000	and higher	50	4.8

Note: The 200 homes currently under construction and a portion of the estimated 20,800 other vacant units in the submarket will likely satisfy some of the forecast demand.

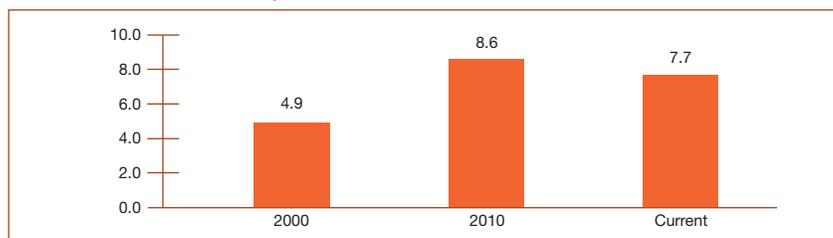
Source: Estimates by analyst

Rental Market—Southern Rhode Island Submarket

The overall rental housing market in the Southern Rhode Island submarket is soft but tightening, with a current overall estimated rental vacancy rate of 7.7 percent, down from 8.6 percent in 2010 but up from 4.9 percent in 2000, when most New England markets were tight (Figure 12). Conditions have tightened at a slower pace in this submarket, however, than in the Providence County submarket since 2010, partly because the foreclosure of multifamily properties is less prevalent outside of Providence County. In the Southern Rhode Island submarket, the market for new and higher quality apartments is tight as a result of moderate absorption and extremely limited completions, mirroring the Providence County submarket. According to MPF Research, during the first quarter of 2012, the

apartment vacancy rate in the submarket decreased to 3.6 percent, down from 4.6 percent during the same period a year earlier. Vacancy rates for efficiency, one-bedroom, two-bedroom, and three-bedroom units were 5.4, 3.8, 3.5, and 2.7 percent, respectively. Average effective rents increased 2 percent, to \$1,150, during the first quarter of 2012 compared with rents recorded during the same period a year earlier. Monthly rents averaged \$760, \$980, \$1,250, and \$1,600 for efficiency, one-bedroom, two-bedroom and three-bedroom units, respectively.

Multifamily construction activity, as measured by the number of multifamily units permitted, has been limited since 2008 with severe declines since the beginning of 2011. During the 12 months ending April 2012, based on preliminary data, the number of multifamily units permitted decreased to 40 units, down from the 210 units permitted during the previous 12 months. By comparison, the number of units permitted averaged 190 units annually during 2008 and 2009, down from 600 units permitted annually during

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

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

Housing Market Trends

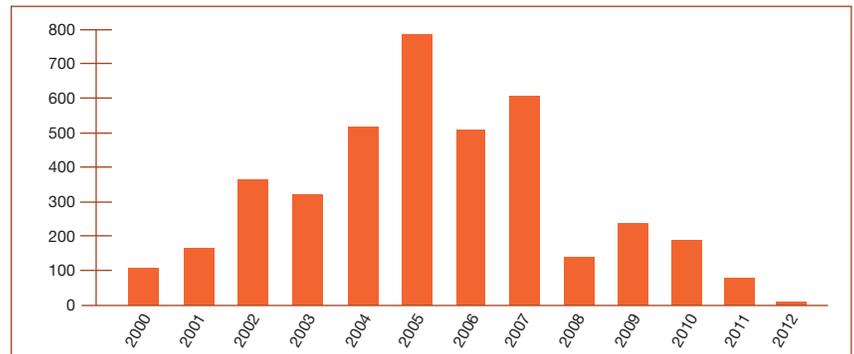
Rental Market—Southern Rhode Island Submarket *Continued*

the peak period of 2004 through 2007 (Figure 13). No significant market-rate multifamily developments are currently under construction in the Southern Rhode Island submarket.

During the 3-year forecast period, demand is estimated for 350 new market-rate rental units in the

submarket (Table 1). Demand is expected to be strongest for one-bedroom units with monthly rents ranging from \$1,100 to \$1,299 and for two-bedroom units with monthly rents ranging from \$1,400 to \$1,599 (Table 7). The 50 units currently under construction will satisfy part of this demand.

Figure 13. Multifamily Building Permits Issued in the Southern Rhode Island Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through April 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Southern Rhode Island Submarket, May 1, 2012, to May 1, 2015

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
800 to 999	30	900 to 1,099	40	1,200 to 1,399	20	1,400 or more	30
1,000 or more	20	1,100 to 1,299	60	1,400 to 1,599	50		
		1,300 to 1,499	30	1,600 to 1,799	25		
		1,500 or more	20	1,800 to 1,999	15		
				2,000 or more	10		
Total	50	Total	150	Total	120	Total	30

Notes: Numbers may not add to totals because of rounding. The 50 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

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	520,758	503,576	497,900	- 0.3	- 0.8
Unemployment Rate	4.2%	11.7%	11.2%		
Nonfarm Payroll Jobs	476,700	459,100	459,500	- 0.4	0.1
Total Population	1,048,319	1,052,567	1,051,000	0.0	- 0.1
Total Households	408,424	413,600	413,600	0.1	0.0
Owner Households	245,156	250,952	249,100	0.2	- 0.4
Percent Owner	60.0%	60.7%	60.2%		
Renter Households	163,268	162,648	164,400	0.0	0.5
Percent Renter	40.0%	39.3%	39.8%		
Total Housing Units	439,837	463,388	464,000	0.5	0.1
Owner Vacancy Rate	1.0%	2.0%	1.9%		
Rental Vacancy Rate	5.0%	8.8%	7.5%		
Median Family Income	NA	\$72,800	\$72,400	NA	- 0.5

NA = data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through April 2012. Median family incomes are for 1999, 2009, and 2010.

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

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	626,500	0.1	0.0
Total Households	239,936	241,717	241,800	0.1	0.0
Owner Households	127,584	130,368	129,200	0.2	- 0.4
Percent Owner	53.2%	53.9%	53.4%		
Rental Households	112,352	111,349	112,600	- 0.1	0.5
Percent Renter	46.8%	46.1%	46.6%		
Total Housing Units	253,214	264,835	264,900	0.4	0.0
Owner Vacancy Rate	1.1%	2.1%	2.0%		
Rental Vacancy Rate	5.1%	9.0%	7.5%		

Note: Numbers may not add to totals because of rounding.

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

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	424,000	0.0	- 0.2
Total Households	168,488	171,883	171,800	0.2	0.0
Owner Households	117,572	120,584	120,000	0.3	- 0.2
Percent Owner	69.8%	70.2%	69.8%		
Rental Households	50,916	51,299	51,800	0.1	0.5
Percent Renter	30.2%	29.8%	30.2%		
Total Housing Units	186,623	198,553	199,000	0.6	0.1
Owner Vacancy Rate	0.9%	1.9%	1.8%		
Rental Vacancy Rate	4.9%	8.6%	7.7%		

Note: Numbers may not add to totals because of rounding.

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 5/1/2012—Analyst’s estimates
Forecast period: 5/1/2012–5/1/2015—Analyst’s estimates

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 the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, 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 www.huduser.org/publications/pdf/CMARtables_RhodeIsland_13.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 HUD’s Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from 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
www.huduser.org/publications/econdev/mkt_analysis.html.