

Rhode Island
2019
Full Year
Housing Report



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NEW DEVELOPMENT SERVICES





Affordability and Accessibility: A Double-Edged Sword

While the majority of renters want to buy, in some markets it just isn't feasible.

By John Tarducci, MIRM, Senior Vice President, New Development Services and William Raveis Real Estate, Mortgage & Insurance

Purchasing a home, especially for the first time, is one of the single largest decisions a person can make. Recently, a Chase Home Lending study found that more than 70 percent of millennials felt ready to purchase a home in the next 12 months. While that desire may be strong, the double-edged sword of affordability and accessibility may keep millennials renting.

Now, this isn't to say millennials aren't entering the world of homeownership. This generation spans anyone born between 1980 and 1998 (currently aged 22 to 40), meaning there is a wide range within the "millennial" grouping. According to the National Association of REALTORS® (NAR®) 2019 Home Buyer & Seller Generational Trends report, account for 37 percent, the highest generational percentage, of home buyers.

However, within that group, only 11 percent of recent home buyers were in the "younger" millennial subgroup (in this study, considered to be born between 1990 and 1998, currently aged 22 to 30)--and this is the group who may face problems entering homeownership.

Affordability

In a recent study by ATTOM Data Solutions, owning a median-priced, three-bedroom home is more affordable than renting a three-bedroom property in only 53 percent of counties in the United States. Notably, the study found that buying is typically only cheaper than renting in lightly populated counties--in major metropolises (where millennials tend to congregate), renting is almost always cheaper than buying.



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What is contributing to this for millennial buyers? ATTOM found that in 67.3 percent of counties, median home prices rose faster than average fair-market rents. For millennial renters, this means their needle is constantly moving. While renting and saving for a down payment (or paying off student loans), the bar for what they need to save to reach their goals is constantly being raised, making it hard to get ahead. This is coupled with the fact that home prices are also outpacing wages. In 66.3 percent of markets, median home prices rose faster than average weekly wages (while consequently, wages actually outpaced rent growth in 56.6 percent of markets.)

Accessibility

The other major point of pain for millennial homebuyers is inventory. Short supply has been an issue in the housing market for some time, but according to NAR®, there were only 1.4 million units available for sale in December, the lowest level in at least 20 year. Additionally,

nationally, December saw the largest year-over-year decline of housing inventory in almost three years, with inventory declining 12 percent. While new construction is picking up in some markets, reaching a 6-year high to close out 2019, existing homes on the market may not be enough to keep millennial buyers on the hunt for their perfect home.

As we enter 2020, both of these issues, affordability and accessibility will continue to be the trends to watch, as we continue to patiently await the day millennials become the buyers the industry knows they can be.

Housing Permits Rise through Q4 2019

MSA	1 Unit	2 Unit	3 & 4 Unit	5+ Unit	Full Year 2019
Providence, RI	1596	184	93	175	2048
% Change from 2018	+4.7%	+50.8%	-342.8%	-20.1%	+8.6%

MSA	1 Unit	2 Unit	3 & 4 Unit	5+ Unit	Full Year 2018
Providence, RI	1,524	122	21	219	1,886
% Change from 2017	-12.4%	+27.1%	-12.5%	+33.5%	-6.8%

MSA	1 Unit	2 Unit	3 & 4 Unit	5+ Unit	Full Year 2017
Providence, RI	1,740	96	24	164	2,024

State of Rhode Island

Housing Permits Issued by MSA
Full Year 2017 vs. 2018 vs. 2019

Through Q4 2019, permits in the Providence MSA saw an 8.6 percent increase. The total number of permits increased from 1,886 to 2,048 year-over-year. This included increases of 342.8 percent in 3&4 Unit permits, 50.8 percent in 2-Unit permits and 4.7 percent in 1-Unit permits. The only permit-type to experience a year-over-year decrease was 5+ Unit permits, which fell 20.1 percent.



Single Family Unit Sales Increase Through Q4 2019



Through Q4 2019, Single-Family Home Sales in Rhode Island increased 1.1 percent, from 10,648 to 10,764 year-over-year. On a county-by-county basis, increases were seen of 8.9 percent in Newport County, 4.8 percent in Washington County, 3.7 percent in Bristol County and 0.4 percent in Kent County. Unit Sales decreased in Providence

County, down 1.5 percent year-over-year.

Average Sales Price for single-family homes in Rhode Island increased 2.1 percent, from \$349,931 to \$351,120. Increases were seen in Washington County at 6.8 percent, Kent County at 2.3 percent and Providence County at 0.4 percent, while decreases were seen in Newport County (5 percent) and Bristol County (1.2 percent.)

To round out the year, Average List Price increased 6.5 percent, Months of Supply decreased 2 percent and Price Per Square Foot increased 3.2 percent.

Full Year 2019 vs. 2018

Unit Sales	1.1% ↑
Avg. List Price	6.5% ↑
Months of Supply	2% ↓



Single Family Marketplace

Home Sales Full Year 2019 vs. 2018

COUNTY	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
	2018	2019	% DIFF.	2018	2019	% DIFF.
Bristol	567	588	+3.70%	\$484,078	\$478,094	-1.20%
Kent	2,391	2,400	+0.40%	\$281,156	\$287,567	+2.30%
Newport	906	987	+8.90%	\$609,554	\$579,367	-5.00%
Providence	5,112	5,036	-1.50%	\$277,884	\$278,956	+0.40%
Washington	1,672	1,753	+4.80%	\$444,097	\$474,214	+6.80%
STATEWIDE	10,648	10,764	+1.10%	\$343,931	\$351,120	+2.10%

Single Family Marketplace

Months of Supply Full Year 2018 vs. 2019

COUNTY	2018	2019	% DIFF.
Bristol	4.76	4.59	-3.60%
Kent	3.90	3.72	-4.70%
Newport	6.42	5.95	-7.40%
Providence	3.55	3.54	-0.20%
Washington	4.87	4.80	-1.50%
TOTAL	4.15	4.06	-2.00%



Rhode Island Condominium Sales Decrease in 2019



To finish Q4 2019, we saw Units Sold decrease for condominiums in Rhode Island, down 5.5 percent, from 2,294 through Q4 2018 to 2,168 through Q4 2019. Decreases were seen in Bristol County at 12.2 percent, Providence County at 10.6 percent and Kent County at 8.5 percent, while Newport County increased 10.7

percent and Washington County increased 6.1 percent.

Average Sales Price of condominiums in Rhode Island increased 3.9 percent, from \$270,356 to \$280,873. On a county-by-county basis, Kent County increased 6.7 percent, Providence County increased 2.1 percent and Newport County increased 1.1 percent, while Bristol County decreased 2.4 percent and Washington County increased 0.5 percent.

To round out the year, Average List Price increased 8.2 percent, Months of Supply increased 3.2 percent and Price Per Square Foot increased 2.9 percent.

Full Year 2019 vs. 2018

Unit Sales	5.5% ↓
Avg. List Price	8.2% ↑
Months of Supply	3.2% ↑

Condominium Sales and Prices on the Rise



Condominium Marketplace

Home Sales Full Year 2018 vs. 2019

COUNTY	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
	2018	2019	% DIFF.	2018	2019	% DIFF.
Bristol	90	79	-12.20%	\$348,939	\$340,620	-2.40%
Kent	377	345	-8.50%	\$210,109	\$224,254	+6.70%
Newport	224	248	+10.70%	\$439,957	\$444,818	+1.10%
Providence	1,223	1,093	-10.60%	\$226,105	\$230,945	+2.10%
Washington	380	403	+6.10%	\$353,956	\$352,029	-0.50%
STATEWIDE	2,294	2,168	-5.50%	\$270,356	\$280,873	+3.90%

Condominium Marketplace

Months of Supply Full Year 2018 vs. 2019

COUNTY	2018	2019	% DIFF.
Bristol	3.87	5.77	+49.30%
Kent	4.77	4.56	-4.60%
Newport	7.29	7.69	+5.60%
Providence	3.62	3.93	+8.60%
Washington	5.08	4.11	-19.20%
TOTAL	4.43	4.57	+3.20%

Conclusion



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As we enter 2020, the law of supply and demand is on full display in our current housing market. Demand is soaring. Supply is at record lows. And, as a result, buyers are listing their homes at the highest rates in years. All of these factors are combining to make for an interesting dynamic with the largest potential group of renters-to-turn-homeowners: the young millennials. This group entered adulthood immediately following the financial crisis and while they want to become homeowners, that proposition may not represent the same ideals it did for older generations. Instead of security, homeownership presents a risk: millennials watched as their families suffered through foreclosure and short sales, patterns they are desperate not to repeat. As a result, millennials, especially young millennials, may not be flocking into the housing market in the same wave we thought.

Credits and Resources

1. Information contained herein is based on information obtained from STWMLS and is deemed accurate but not guaranteed
2. Metro Service Area (MSA) housing permit data source: U.S. Census Bureau Compiled by HUD Research
3. This report contains preliminary data Information provided by The U.S. Census Bureau

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