

Rhode Island
2019
First Nine Months
Housing Report



WILLIAM RAVEIS
NEW DEVELOPMENT SERVICES





Building a Modern Buyer's Dream Community

The market is hungry for new inventory, what are they looking for?

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

According to the National Association of Realtors (NAR), nationally, the number of homes for sale at the end of September was nearly 3% lower than September of last year. That makes four straight months of annual declines. But, the NAR also tracks the amount of traffic through homes (by looking at lockbox open rates) and finds that traffic is actually up--so why are buyers visiting homes but not buying? The main culprit is affordability. While interest rates have continued their steady decline, the purchasing power of interest homebuyers has risen, but the shortened inventory has caused housing prices to soar and buyers to balk. In short? The housing market is a bit of a mess.

On the positive side, it means there are eager buyers who want to buy houses, and likely will remain eager for the foreseeable future. Can builders capitalize on their desires and build houses tailored to their preferences? Which trends will stand the test of time?

Affordability

Buying a home is the single most expensive transaction many of us will ever make. So, it makes sense that most people have to make a financial sacrifice to afford their home purchase. According to a Zillow survey, for 25 percent of buyers report reducing spending on entertainment, 18 percent pick up additional work and 16 percent postpone or cancel vacation plans. For today's first time homebuyers, the current housing market hasn't been kind to them: while interest rates have stayed low, continuously shrinking inventories have caused prices to steadily climb. The fact is that there simply aren't many "starter" homes available. But, slowing unit sales across the nation point to the fact that buyers are willing to wait for the dream home they can afford.



Building a Modern Buyer's Dream Community (cont.)

Energy Efficiency

While the “green” housing movement typically focuses on solar panels and other alternative sources of energy, a recent REALTOR Magazine article points out that energy efficiency in home building starts much earlier in the process. Insulation and ventilation are incredibly important to determining a home’s energy efficiency--both of these help reduce energy costs, lower noise pollution and keep pests at bay. Next in the energy efficient conversation is selecting the best (and properly sized) HVAC, furnace, water heating, appliances and lighting. In a home where these mechanicals are properly sized, you can go anywhere in the house and not feel a difference in air temperature, while not sacrificing energy costs.

Mixed-Use Communities

As more millennials move out of the cities they’ve called home to settle down and buy real estate, they miss the high-energy, cultural diversity they’ve become accustomed to. Mixed-use communities make that transition simpler, and draw buyers in. But there is another bonus--they make effective use of land in supply-constrained areas. The modern-day master planned community, mixed-use developments integrate commercial areas (think grocery stores and restaurants) with residential (single-family and multi-unit households.) The trick for planners is carefully curating the types of developments to create a sense of identity.

Housing Permits Fall Through the First Nine Months of 2019

| MSA | 1 Unit | 2 Unit | 3 & 4 Unit | 5+ Unit | Total Q3 2019 |
|--------------------|--------|--------|------------|---------|---------------|
| Providence, RI | 1174 | 92 | 49 | 84 | 1399 |
| % Change from 2018 | 2.1% | -16.4% | 133.3% | -56.0% | -5.0% |

| MSA | 1 Unit | 2 Unit | 3 & 4 Unit | 5+ Unit | Total H1 2018 |
|--------------------|--------|--------|------------|---------|---------------|
| Providence, RI | 1150 | 110 | 21 | 191 | 1472 |
| % Change from 2017 | -15.0% | 129.2% | 40.0% | 235.1% | 0.0% |

| MSA | 1 Unit | 2 Unit | 3 & 4 Unit | 5+ Unit | Total H1 2017 |
|----------------|--------|--------|------------|---------|---------------|
| Providence, RI | 1353 | 48 | 15 | 57 | 1473 |

State of Rhode Island

Housing Permits Fall through Q3 2019

Through Q3 2019, permits in the Providence MSA saw a 5 percent decrease. The total number of permits decreased from 1,472 to 1,399 year-over-year. This included decreases of 56 percent for 5+ Unit permits and 16.4 percent for 2-Unit permits. Meanwhile, 3&4-Unit permits increased 133.3 percent and 1-Unit permits increased 2.1 percent.



Single Family Unit Sales Increase Through Q3 2019



Through Q3 2019, Single-Family Home Sales in the Rhode Island increased 0.6 percent, from 7,962 to 8,007 year-over-year. On a county-by-county basis, increases were seen in 9.3 percent in Newport County, 3.4 percent in Bristol County, 3.3 percent in Washington County and 2.8 percent in Kent County. Unit Sales decreased in Providence County, down 3.2 percent year-over-year.

Average Sales Price for single-family homes in Rhode Island increased 1.8 percent, from \$343,369 to \$349,515. Increases were seen in Washington County at 5.4 percent, Kent County at 2.3 percent and Providence County at 0.2 percent, while decreases were seen in Newport County (5.2 percent) and Bristol County (0.2 percent.)

To round out the quarter, Average List Price increased 8.5 percent, Months of Supply decreased 8.3 percent and Price Per Square Foot increased 2.6 percent.

First Nine Months 2019 vs. 2018

| | |
|------------------|---------|
| Unit Sales | 0.6% ↓ |
| Avg. List Price | 8.5% ↑ |
| Months of Supply | -8.3% ↑ |

Single Family Home Sales



Single Family Marketplace

Home Sales First Nine Months 2018 vs. 2019

| COUNTY | NUMBER OF UNITS SOLD | | | AVERAGE SALES PRICE | | |
|------------------|----------------------|--------------|--------------|---------------------|------------------|--------------|
| | Q3 2018 | Q3 2019 | % DIFF. | Q3 2018 | Q3 2019 | % DIFF. |
| Bristol | 437 | 452 | 3.40% | \$487,854 | \$486,763 | -0.20% |
| Kent | 1,756 | 1,805 | 2.80% | \$280,752 | \$287,305 | 2.30% |
| Newport | 678 | 741 | 9.30% | \$603,091 | \$571,767 | -5.20% |
| Providence | 3,821 | 3,697 | -3.20% | \$277,036 | \$277,530 | 0.20% |
| Washington | 1,270 | 1,312 | 3.30% | \$441,101 | \$454,973 | 5.41% |
| STATEWIDE | 7,962 | 8,007 | 0.60% | \$343,369 | \$349,515 | 1.80% |

Single Family Marketplace

Months of Supply First Nine Months 2018 vs. 2019

| COUNTY | H1 2018 | H1 2019 | % DIFF. |
|--------------|-------------|-------------|---------------|
| Bristol | 4.68 | 4.35 | -7.00% |
| Kent | 3.98 | 3.31 | -16.80% |
| Newport | 6.30 | 6.06 | -3.90% |
| Providence | 3.54 | 3.26 | -7.94% |
| Washington | 4.83 | 4.60 | -4.70% |
| TOTAL | 4.15 | 3.80 | -8.30% |



Rhode Island Condominium Sales Decrease in 2019



To finish Q3 2019, we saw Units Sold decrease for condominiums in the Rhode Island, down 4.2 percent, from 1,715 through Q3 2018 to 1,643 through Q3 2019. Decreases were seen in Bristol County at 22.5 percent, Providence County at 9.8 percent and Kent County at 5.7 percent, while Newport County increased 13

percent and Washington County increased 10.8 percent.

Average Sales Price of condominiums in Rhode Island increased 4.9 percent, from \$265,951 to \$279,054. On a county-by-county basis, Bristol County increased 8.1 percent, Kent County increased 6.2 percent, Newport County increased 5 percent and Providence County increased 2.5 percent, while Washington County increased 0.9 percent.

To round out the quarter, Average List Price increased 8.1 percent, Months of Supply decreased 4.3 percent and Price Per Square Foot increased 4.1 percent.

2019 vs. 2018

| | |
|------------------|---------|
| Unit Sales | -4.2% ↓ |
| Avg. List Price | 8.1% ↑ |
| Months of Supply | -4.3% ↑ |

Condominium Sales



Condominium Marketplace

Home Sales First Nine Months 2018 vs. 2019

| COUNTY | NUMBER OF UNITS SOLD | | | AVERAGE SALES PRICE | | |
|------------------|----------------------|--------------|---------------|---------------------|------------------|--------------|
| | Q3 2018 | Q3 2019 | % DIFF. | Q3 2018 | Q3 2019 | % DIFF. |
| Bristol | 71 | 55 | -22.50% | \$344,413 | \$372,294 | 8.10% |
| Kent | 279 | 263 | -5.70% | \$208,873 | \$221,792 | 6.20% |
| Newport | 162 | 183 | 13.00% | \$424,655 | \$445,879 | 5.00% |
| Providence | 925 | 834 | -9.80% | \$226,394 | \$232,061 | 2.50% |
| Washington | 278 | 308 | 10.80% | \$342,331 | \$339,276 | -0.90% |
| STATEWIDE | 1,715 | 1,643 | -4.20% | \$265,951 | \$279,054 | 4.90% |

Condominium Marketplace

Months of Supply First Nine Months 2018 vs. 2019

| COUNTY | H1 2018 | H1 2019 | % DIFF. |
|--------------|-------------|-------------|---------------|
| Bristol | 4.09 | 6.16 | 50.70% |
| Kent | 4.99 | 4.12 | -17.50% |
| Newport | 6.84 | 7.25 | 5.90% |
| Providence | 3.69 | 3.76 | 2.00% |
| Washington | 5.27 | 3.86 | -26.70% |
| TOTAL | 4.51 | 4.32 | -4.30% |

Conclusion

Today's housing market continues to defy historic trends. Interest rates remain low, housing prices remain high, inventory continues to fall and buyer interest continues to soar. While builders are trying to keep up with demand, there is still a need for single-family starter homes for first-time homebuyers. While there are certain trends that remain consistent, like upgraded kitchens, central air-conditioning, hardwood floors, open floor plans, and walk-in closets, there are others that still warrant consideration, like green building techniques and overall affordability. New buyers have waited a long time to buy, and aren't in a rush to purchase a home they aren't obsessed with.



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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