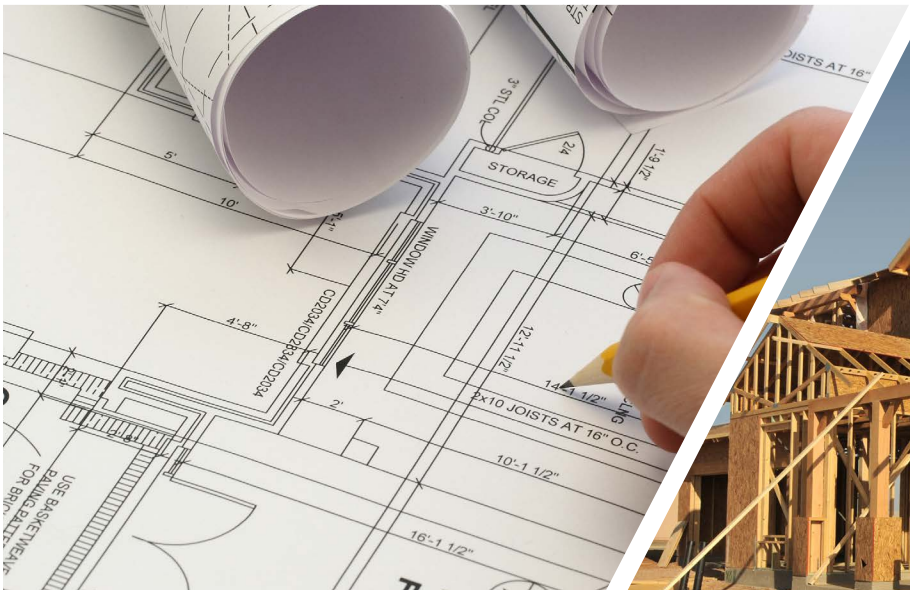




Rhode Island 2017
2nd Quarter / 1st Half Housing Report

WILLIAM RAVEIS
NEW DEVELOPMENT SERVICES





Housing Market is Healthier, But Not for Everyone

The housing market has certainly rebounded from 2008 levels, but not all see the positive benefits

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

The housing market that closed the first half of 2017 is the healthiest it has been since 2008. In the Northeast, and most major metropolitan areas, sales are up and prices are up--good signs of a well-performing industry. But, what if those numbers do not tell the whole story? According to The State of the Nation's Housing 2017, the annual report from the Joint Center for Housing Studies (JCHS) of Harvard University, they might not. Leading us to believe there is more to our current market than meets the eye.

The report analyzed a number of factors, including total number of cost-burdened and severe cost-burdened renters and

homeowners, homeownership stratification and changes in homeownership price. What they ultimately found is interesting, and points to a larger problem in the United States: a stagnation in homeownership. 2016 was the twelfth year in a row in which the homeownership rate was lower than the year prior, and in Q1 2017, the homeownership rate stood at 63.6 percent, the same rate recorded a year prior. And no: the problem is not millennials' love of avocado toast.

Housing Permits Decline in First Half of 2017

MSA	1 Unit	2 Unit	3 & 4 Unit	5+ Unit	Total H1 2017
Providence, RI	876	50	9	45	980
% Change from 2016	+9.90%	+78.60%	-52.60%	-91.30%	-27.90%

MSA	1 Unit	2 Unit	3 & 4 Unit	5+ Unit	Total H1 2016
Providence, RI	797	28	19	515	1359
% Change from 2015	+27.70%	+7.70%	+35.70%	+787.90%	+88.20%

MSA	1 Unit	2 Unit	3 & 4 Unit	5+ Unit	Total H1 2015
Providence, RI	624	26	14	58	722

State of Rhode Island

Housing Permits Issued by MSA
1st Half 2016 vs. 2017

At the close of Q2 2017, new housing permits saw a decrease of 27.9 percent in the state of Rhode Island. Total permits in the Providence MSA fell to 980 from 1,359 in H1 2016. The majority of this decline came in multi-unit permits, with 3 & 4 Unit permits falling 53.6 percent, 5+ Unit permits falling 91.3 percent. However, 1 Unit permits increased 9.9 percent and 2 Unit permits increased 78.6 percent from H1 2016 to H1 2017.



Average Price for Single-Family Homes Trends Up



In 2017, in Rhode Island, Single-Family Home Sales increased slightly, 2.9 percent from 4,909 to 5,049. On a county-by-county basis, Kent County increased 8.3 percent, Washington County increased 4.4 percent and Providence County increased 2.1 percent, while Bristol County decreased 8 percent and Newport County decreased 2.2 percent.

Averages Sales Price for single-family homes in Rhode Island increased this quarter. In the first half of 2017, Sales Price increase 7.2 percent, from \$292,979 to \$313,940. Increases were seen in Bristol County at 11.8 percent, Newport County at 11 percent, Providence County at 8.1 percent, Washington County at 7.7 percent and Kent County at 4.3 percent.

To round out the first half of the year, Average List Price increased 10.5 percent, Months of Supply fell 17 percent and Price Per Square Foot decreased 7.9 percent from H1 2016 to H1 2017.

1st Half 2017 vs. 2016

Unit Sales	2.9%	↑
Avg. List Price	10.5%	↑
Months of Supply	17.0%	↓



Single Family Marketplace

Home Sales 1st Half 2016 vs. 2017

COUNTY	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
	H1 2016	H1 2017	% DIFF.	H1 2016	H1 2017	% DIFF.
Bristol	287	264	-8.00%	\$407,032	\$454,901	+11.80%
Kent	1,099	1,190	+8.30%	\$239,868	\$250,065	+4.30%
Newport	464	454	-2.20%	\$487,930	\$536,755	+10.00%
Providence	2,279	2,327	+2.10%	\$230,214	\$248,871	+8.10%
Washington	780	814	+4.40%	\$393,017	\$423,123	+7.70%
STATEWIDE	4,909	5,049	+2.90%	\$292,979	\$313,940	+7.20%

Single Family Marketplace

Months of Supply 1st Half 2016 vs. 2017

COUNTY	H1 2016	H1 2017	% DIFF.
Bristol	5.80	5.10	-11.90%
Kent	4.20	3.50	-17.20%
Newport	7.20	6.20	-14.40%
Providence	4.00	3.30	-17.30%
Washington	6.10	5.00	-18.80%
TOTAL	4.80	4.00	-17.00%



Condominium Sales and Prices Rise in First Half of 2017



To round out the first two quarters of 2017, we saw Units Sold increase for condominiums in Rhode Island 8.6 percent from 893 in 2016 to 970 in 2017. Several counties experienced significant gains, including Kent County at 30.1 percent, Washington County at 11.1 percent and Providence County at 9.5 percent. Bristol County remained neutral at 29 Units Sold. Newport County was the only to experience a

loss, declining 20 percent in H1 2017.

Averages Sales Price of condominiums in Rhode Island increased 0.5 percent, from \$241,610 in H1 2016 to \$242,820 in H1 2017. Increases were seen in Washington County at 16.2 percent, Kent County at 3.4 percent and Providence County at 0.4 percent. Meanwhile, Newport County decreased 4 percent and Bristol County decreased 3.5 percent.

1st Half 2017 vs. 2016

Unit Sales	8.6%	↑
Avg. List Price	9.0%	↑
Months of Supply	11.1%	↓

To round out the first half of the year, Average List Price increased 9 percent, Months of Supply fell 11.1 percent and Price Per Square Foot increased 1.4 percent from H1 2016 to H1 2017.

Condominium Sales and Prices on the Rise



Condominium Marketplace

Home Sales 1st Half 2016 vs. 2017

COUNTY	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
	H1 2016	H1 2017	% DIFF.	H1 2016	H1 2017	% DIFF.
Bristol	29	29	0.00%	\$340,966	\$329,068	-3.50%
Kent	143	186	+30.10%	\$198,808	\$205,541	+3.40%
Newport	125	100	-20.00%	\$362,808	\$348,339	-4.00%
Providence	461	505	+9.50%	\$199,666	\$200,487	+0.40%
Washington	135	150	+11.10%	\$296,617	\$344,547	+16.20%
STATEWIDE	893	970	+8.60%	\$241,610	\$242,820	+0.80%

Condominium Marketplace

Months of Supply 1st Half 2016 vs. 2017

COUNTY	H1 2016	H1 2017	% DIFF.
Bristol	7.10	4.90	-31.40%
Kent	5.20	4.10	-21.10%
Newport	9.50	8.50	-10.60%
Providence	4.60	4.20	-8.70%
Washington	7.20	7.50	+3.80%
TOTAL	5.80	5.20	-11.10%



Factors Impacting Homeownership

Surging Rents Make Path Difficult

For potential first-time homebuyers, today's rental market places a roadblock in the path to homeownership. Nationally, 48 percent of renters are cost-burdened (spending more than 30 percent of their income on housing), and 26 percent are severely cost-burdened (spending more than 50 percent of their income on housing.)

Those numbers represent significant populations of potential homebuyers who are struggling to pay their landlords each month. Ultimately, that means less disposable income to stash for a down payment, further delaying their household formation.

First-Time Affordability

Increasingly high rents are not the only culprit when looking at low homeownership rates: surging home prices have also had a significant effect. The JCHS report found that, nationally, 45 percent of renters in metro areas can afford

monthly payments on a median-priced home in their market. But that drops to less than 10 percent in the high-cost markets in California, the Pacific Northwest, Florida, and the Northeast.

Additionally, home values now average \$575,000 in the 10 fastest-growing metro markets--a price too steep for many looking to make a first-time home purchase. This is coupled with a decline in starter home builds, leaving an entire population of renters priced-out of today's housing market.

Construction Lows

In 2016, 1.7 million units were added nationwide, a 5.6 increase from 2015, and the nation's seventh straight year of gains. This might sound healthy, but we're still adding fewer new homes of any decade since the 1970s. Even more disconcerting for renters? From 2004 to 2015, the JCHS report shows, the number of starter homes dropped from 500,000 units to just 136,000. Ultimately pushing more first-time buyers to rent longer.



The Good News

For builders and Realtors alike there's good news: a large market of potential homebuyers is waiting to get out from under their suffocating rents. By some estimates, including CNN Money, upwards of three million first-time homebuyers have been shut out of the market since its downturn almost a decade ago.

In a recent whitepaper released by the National Association of Realtors, several factors were identified as "hurdles to homeownership." Chief among them? Housing availability and affordability. There's a massive, untapped opportunity for builders to begin refilling the stock of starter homes, which would give young buyers a compelling reason to enter homeownership.

Another reason identified in the whitepaper was lingering risk aversion following the 2008 downturn. Many young buyers experienced parents, friends and family going through foreclosures, or selling their homes at a loss. This left a lasting impression. As an industry, it is extremely important to focus on re-education of first-time homebuyers to make them more comfortable in the market.

1. <https://www.forbes.com/sites/samanthasharf/2017/04/26/what-president-trumps-tax-proposal-means-for-the-housing-market-and-the-value-of-your-home/#35f63a5c690f>
2. <https://www.forbes.com/sites/lawrenceyun/2016/11/10/trump-presidency-and-impact-on-real-estate/#7ec6b3cb5665>
3. <https://www.usatoday.com/story/money/2017/04/25/lumber-fight-canada-could-raise-home-prices/100877254/>



John Tarducci, MIRM, CMP, CRB
Senior Vice President

William Raveis New Development
Services

John.Tarducci@Raveis.com
RaveisNDS.com

o: 203.925.4587
c: 203.640.6930

Overall, there is potential for a large influx of new buyers into the market in the coming years, but it will not happen organically. Tangible shifts have to be made in order to coax reluctant, cash-strapped renters to start new households.

We anxiously await the next six months of this year as the market direction is as diverse as the communities we are monitoring. Time will tell but we anticipate builders reacting to this consumer segment and begin to fill the starter home inventory gap.

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

WILLIAM RAVEIS
NEW DEVELOPMENT SERVICES