

# Single-Family House Sales & Rentals in Narragansett<sup>1</sup>

## Five Year Trends -May 2018 - June 2023

### **Introduction**

Narragansett residents report their observation that more and more single-family houses in town are being purchased for use as seasonal and short-term rental properties instead of for owner occupancy. To research this issue, data was compiled about house sales in Narragansett over a recent 5 year period and compared with rental registration lists (the best data available on house rentals). Findings from this research support the anecdotal observations by town residents that single-family houses **are** being purchased and converted from owner occupied into seasonal and short-term rental properties.

### **Methodology**

1<sup>st</sup>. MLS (Multiple Listing Service) data was gathered on house sales in Narragansett in the 5 year period from January 2019 – June 2023 (note: MLS data does not include all house sales). Data was cleaned to remove duplicates – i.e. multiple sales of the same house. MLS data documents that approximately 9.3 % of the detached single-family dwellings in town were sold during the 5 year period.

2<sup>nd</sup>. Houses sold were compared with information in the town's tax assessment database to document:

- Address of where the owner lives (city, state), and
- Number of bedrooms recorded in tax records.

3<sup>rd</sup>. The list of houses sold was compared with rental registration lists to see if each property was registered on:

- Narragansett rental registration; and
- Rhode Island short-term rental registration.

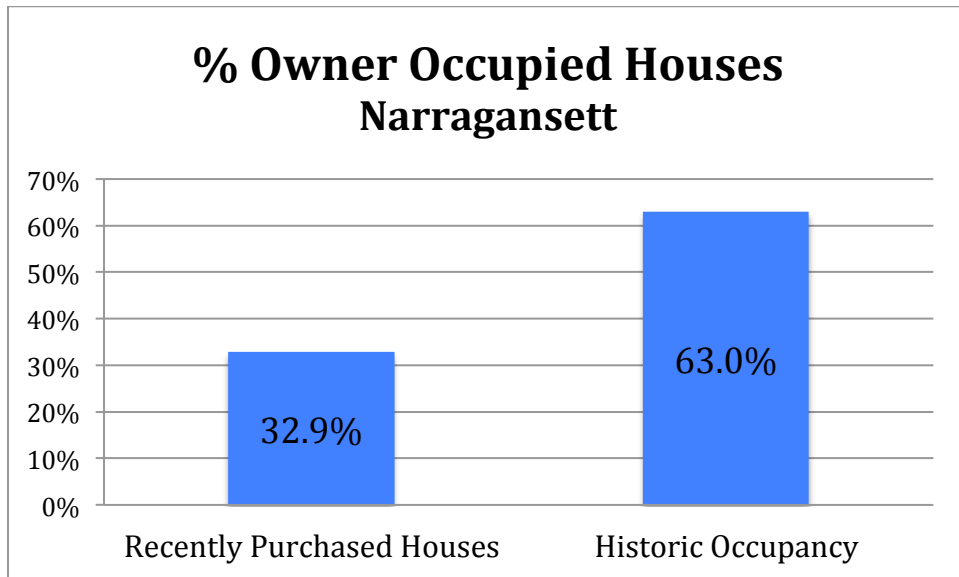
4<sup>th</sup>. Properties recently sold were also compared with previous Narragansett rental registration to see if the properties had been rented prior to their recent purchase.

### **Ownership of Houses Purchased in Past 5 Years**

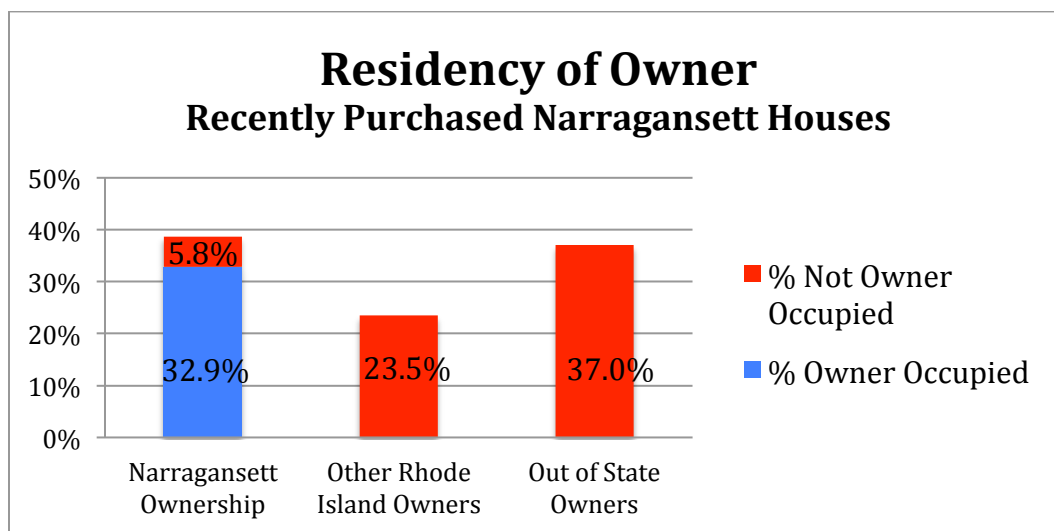
- Only 32.9 % of the houses purchased during the past 5 years are owner occupied. i.e. 67.1 % of the recently purchased houses are not owner occupied.
- This is about ½ of the town's historic rate of 63 % owner occupancy (2010 data – *Narragansett Comprehensive Plan 2017*).
- The Crane Report on Affordable Housing (February 2024) documents that 56% of the houses in Narragansett are not owner occupied (based on tax assessment data). i.e. only 44% are owner occupied.
- Thus, the percentage of houses purchased in a recent 5 year period that are owner occupied (32.9%) is dramatically lower than both the historic percentage reported in the Town's Comprehensive Plan (63%) and the current percentage based on tax assessment data (44%).

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<sup>1</sup> This analysis and report was prepared by Rupert Friday, July 6, 2023.



### Where the House Buyers Live

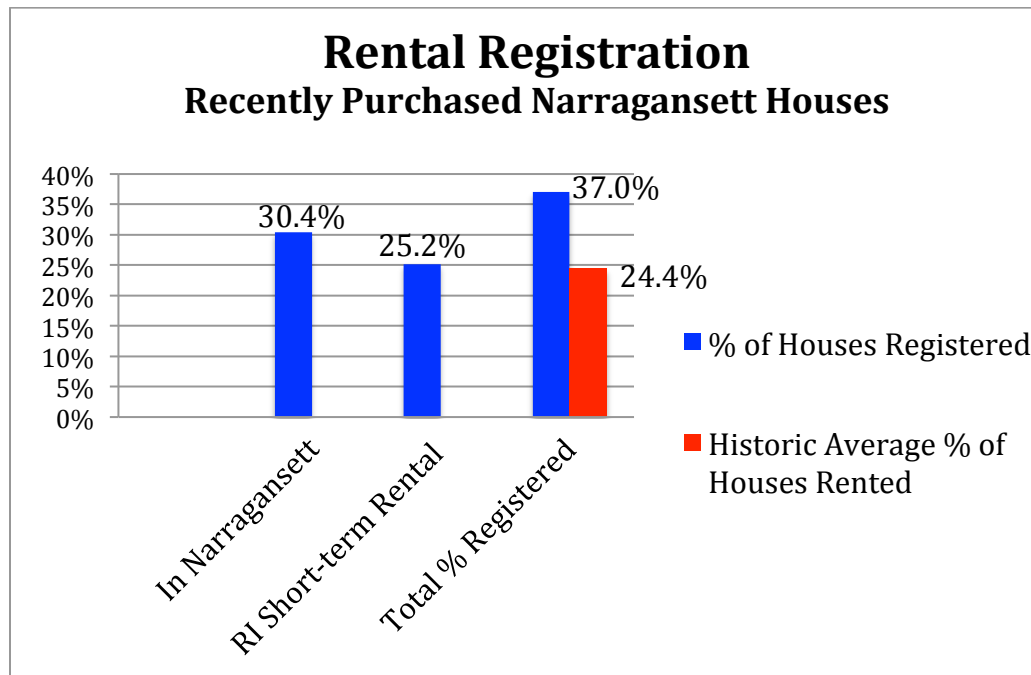


- 38.8 % of single-family house purchasers live in Narragansett including 5.8% of the houses that are not owner occupied. (It is likely that nearly all of the non owner-occupied houses that are owned by Narragansett residents are rental houses.)
- 23.5 % of the Narragansett house purchasers live in other Rhode Island communities.
- Total percentage of Narragansett house purchaser that live in Rhode Island (including 38.8% that live in Narragansett) is 62.3%.
- 37.0 % of the house buyers live out of state.
- It is unknown what portion of the houses that are not 'owner occupied' are second homes used by the owners for the summer or some part of the year.

## **Rental Registration of Recently Purchased Properties**

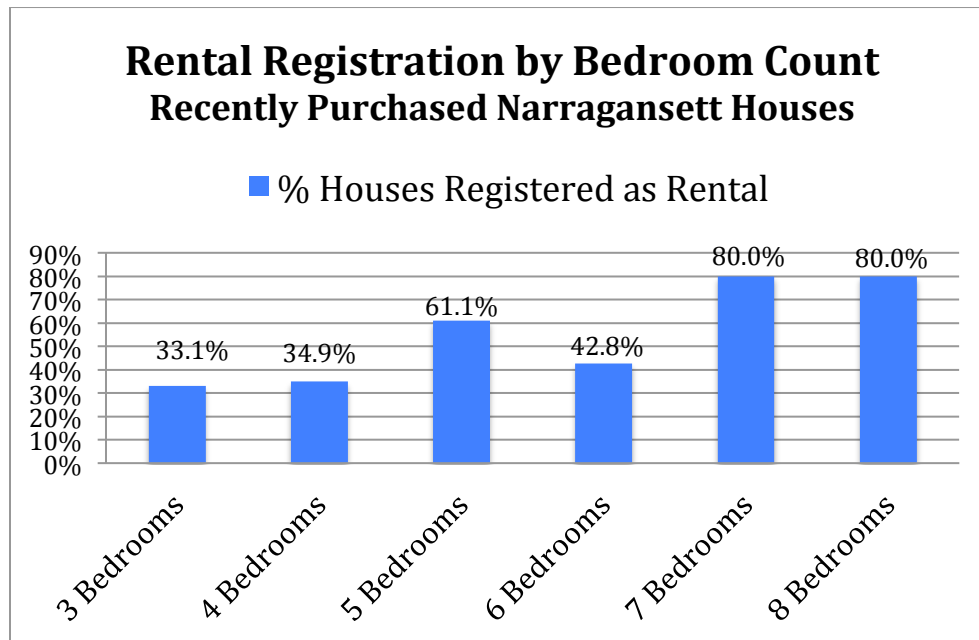
Of houses that sold in Narragansett in the past 5 years:

- 30.3 % are registered with Narragansett (are in the town's rental database). (June '23)
- 25.2 % are registered with the state as "Short Term Rentals" (are in the Rhode Island Short Term Rental database). (June '23).



- 36.6 % are registered on either one or both the Narragansett rental registration and the state's Short Term Rental registration.
- These rates for rental registration are significantly higher than the town's historic average of seasonal rental units which have remained steady at ~ 25% (actual 24.4 % - Narragansett Comprehensive Plan). Very few of the houses rented in Narragansett are rented on a year-round basis – it is unlikely that recently purchased houses are rented on a year-round basis.
- There is considerable evidence that many rental properties are not registered in Narragansett. 13.1 % of properties registered with the State for Short Term Rentals are NOT registered with Narragansett as a rental property. In addition, many known rental properties are not listed in either database.

## **Rental Registration of Recently Purchased Houses by Bedroom Count**



- A higher percentage of recently purchased houses are rented than the long-term average in Narragansett. The trend is especially prominent in large houses with 5 bedrooms or more. This data supports anecdotal observations that investors are buying houses in Narragansett and converting them to seasonal and short-term rental businesses.
- The number of bedrooms is especially important to the revenue that can be generated by renting houses seasonally and short-term.

## **Number of Recently Purchased Houses That Were Previously Rented**

The list of houses purchased in the past 5 years was compared to prior year's Narragansett rental registration. (Note: there was no state short-term rental registration requirement until recent years).

- Notably, 30.4% of the houses that were purchased during the past 5 years were rented prior to their recent purchase. Some of the houses that had been historically rented are no longer registered as rentals. Yet 37%, a significantly higher percentage of the recently purchased houses, are registered as rentals in 2023 even though many houses previously rented are no longer registered
  - 53.3% of the houses purchased in the past 5 years that are registered as rentals are newly rented houses. They are registered for rental in 2023 but were not registered for rental prior to their recent purchase.

Note: This data and analysis is limited by the accuracy of the MLS data on house sales, the accuracy of the rental registration database, and the accuracy of the town's tax records regarding the number of bedrooms. It is clear - as documented earlier in this report - not all rental houses are being registered. Further, more houses were sold than were captured in the MLS data. Finally, town tax records do not always accurately track the number of bedrooms in a house.