Affordable Housing in Rhode Island

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Rhode Island payroll jobs lost during “pandemic lockdown” are nearly recovered

*Source: US Bureau of Labor Statistics*
Positive net domestic migration in Rhode Island in 2021 after years of outmigration

*Source: US Census Bureau*
Owner-occupied Housing
Severe supply shortage: active listings down 34% equal to 1 month’s supply

Source: Rhode Island Realtors®
Existing SF home prices up 11% as of January 2022

Median single-family sales price

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Price</th>
<th>Y/Y % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-20</td>
<td>$296,750</td>
<td>17%</td>
</tr>
<tr>
<td>Jan-21</td>
<td>$334,000</td>
<td>13%</td>
</tr>
<tr>
<td>Jan-22</td>
<td>$370,000</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: Rhode Island Realtors®
Properties are selling faster (-26 days vs. 2020)

- Median days on market:
  - Jan-20: 68
  - Jan-21: 50
  - Jan-22: 42

Source: Rhode Island Realtors®
Home sales are rising although at a slower pace of 5% in January 2022

Source: Rhode Island Realtors®
Home prices* in Rhode Island are rising 5x than wages

• *Price change is based on FHFA price index on repeat sales; average weekly wage is from Bureau of Labor Statistics
Home prices in Providence-Warwick are rising 4x than wages.

*Price change is based on FHFA price index on repeat sales; average weekly wage is from Bureau of Labor Statistics.
Providence-Warwick single-family home prices up 16% as of 2021 Q4
Rising share of institutional buyers in Rhode Island

- Source: NAR analysis of Black Knight data. NAR delineated institutional buyers as buyers where the BUYER ID type was of the following: Builder/Developer, Corporation, Company or Corporation, Doing business as (DBA), Limited Liability Company, Limited Liability Partnership, Limited Partner, Limited Partnership, Sole Proprietorship.
States with highest share of institutional buyers to total single-family purchase in 2021

Institutional buyer share of single-family purchases in the state in 2021

Source: NAR analysis of Black Knight data.

Source: NAR analysis of Black Knight data. NAR delineated institutional buyers as buyers where the BUYER ID type was of the following: Builder/Developer, Corporation, Company or Corporation, Doing business as (DBA), Limited Liability Company, Limited Liability Partnership, Limited Partner, Limited Partnership, Sole Proprietorship.
The impact of the “Double Trouble” in the Providence metro area

<table>
<thead>
<tr>
<th>Income level</th>
<th>Number of homes that they can afford to buy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $15,000</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>12</td>
</tr>
<tr>
<td>$15,000-$24,999</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>26</td>
</tr>
<tr>
<td>$25,000-$34,999</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>66</td>
</tr>
<tr>
<td>$35,000-$49,999</td>
<td>45</td>
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<tr>
<td></td>
<td>197</td>
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<tr>
<td>$50,000-$74,999</td>
<td>191</td>
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<td></td>
<td>758</td>
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<tr>
<td>$75,000-$99,999</td>
<td>472</td>
</tr>
<tr>
<td></td>
<td>1,633</td>
</tr>
<tr>
<td>$100,000-$124,999</td>
<td>727</td>
</tr>
<tr>
<td></td>
<td>2,337</td>
</tr>
<tr>
<td>$125,000-$149,999</td>
<td>883</td>
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<td>2,820</td>
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<tr>
<td>$150,000-$199,999</td>
<td>1,057</td>
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<td></td>
<td>3,228</td>
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<tr>
<td>$200,000-$249,999</td>
<td>1,219</td>
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<tr>
<td></td>
<td>3,535</td>
</tr>
<tr>
<td>$250,000-$499,999</td>
<td>1,333</td>
</tr>
<tr>
<td></td>
<td>3,751</td>
</tr>
<tr>
<td>$500,000 and Up</td>
<td>1,486</td>
</tr>
<tr>
<td></td>
<td>4,004</td>
</tr>
</tbody>
</table>

Share of homes for sale that households can afford to buy at the end of 2021

# Homes households can afford to buy recently versus pre-pandemic
Rhode Island had lower Black homeownership rate than nationwide as of 2020.
Affordability for Black households is low in Rhode Island

25% of the Black households in Rhode Island have an income higher than $100,000. Nationwide, only 20% of Black households have that income. Yet, affordability score is lower.

Source: NAR Calculations on 2020 HMDA data
Rental Housing
Rhode Island rental vacancy rate of 4% is below U.S. rate

*Source: US Census Bureau
Apartment demand has been stronger than supply from 2021.

*Source: NAR Analysis of CoStar*
Asking rent in Providence is up 11% y/y

*Source: NAR Analysis of CoStar*
Excluding property taxes, apartment asking rent is higher than the monthly mortgage in Providence-Warwick.

*Source: asking rent as of February 23 based on CoStar data; estimated monthly mortgage is based on NAR median sales price in 2021 Q4 of $400,500, 10% down payment on a 30-year mortgage, 3.08% mortgage rate and 0.7% fees.
Rhode Island Housing by the Numbers

Source: RI Housing 2021 Annual Report
Observations:

- **Housing Shortage is Critical and Intense**
- Housing is a basic need.

- Sustainable homeownership is an advantage. Net worth of family who owns their home is in excess of $250,000. Net worth of family who rent is less than $5,000. (National Association of Realtors Data)

- 2016 RI Housing’s Housing Works RI Report projection of shortfall of housing units for ten years would be **34,610 to 40,230**. Yet we have been building at a rate of less than **1500 new** units a year, (less than 15,000 of the need).
Observations:

• Many great projects are defeated or delayed by NIMBY mentality.
• Those projects that overcome those objections are often major success stories that do not have any of the issues that were first stated:
• Examples include.
  1. Sheridan Small Homes in Olneyville,
  2. The Newport Housing Authority,
• Strategies to stop development of affordable housing include requirements for additional study, environmental challenges, and when all else fails, legal suit.
Observations:

- Zoning arrived in large part in Rhode Island in the 1950s. Goal then was 1/4 acre homesite, with 1000-2200 sq. ft. cape, colonial, or ranch with picket fence and a garage.

- Zoning has been used to limit growth, with minimum lot sizes, limited units per lot, required frontage etc.

- "Smart Growth" is a proven approach—purpose is efficiency of cost, land use, energy efficiency, and sustainability.

- Our expectations of ‘minimum’ house size has changed...we can and will live in much smaller homes.

- We need more shelter. 1500 new units a year does not keep up with 34000 to 40,000 shortfall.
The opportunity:

• The **size of Rhode Island is an ADVANTAGE** and needs to be viewed as such.

• **Time has a present value.** Permitting and Approval processes need to be efficient. Environmental review time also needs efficiency.

• **The Law of Substitution** is Important to understand: If not this home, then this one, if not this town, then this one, if not Rhode Island, how about....

• **We need to make Rhode Island THE Choice,** not the discarded option for Rhode Islanders.
The opportunity:

- **Small Homes and Accessory Dwelling Units Movement ADU**
  - Need to support laws that make it easier to build small homes
  - Small homes cost 1/5 to build
  - Small homes can provide a great number of the needed shelters, specifically for vulnerable residents and create first time home buyer opportunities.

- **Zoning & Permitting**
  - Comprehensive review.
  - What is intent? Are they to prevent or to encourage? Should not prevent creative, smart solutions.
  - **Use** i.e. 2 vs 3 family
  - **Time** for Process
  - Creative and forward thinking
  - Copy best practices
The opportunity:

I - Rhode Islander:
Inspired,
Imaginative &
Inclusive

Birthplace of Industrial Revolution:
Time to recapture our heritage

Rhode Island is a place of towns and cities
But also, of villages and neighborhoods
That’s where people want to live
We need to create more of it
Steps:
Identify every parcel in State
Highlight ‘surplus land from
every entity to incentivize
Redevelopment. (Does not
require environmental
encroachment.)
Create momentum...Project
that people can point to see us
creating the future today

• We need to be authors and
architects of our future
National Association of Realtors Housing Policy Recommendations to Increase Affordable

- Increase funding for affordable housing construction
- Preserve, expand and create tax incentives to renovate distressed properties
- Convert unused commercial space to residential units
- Encourage and incentivize zoning reform
- Allow more construction of apartments and single-family homes
  - Expedite permitting process
  - Do not delay with excessive environmental review
THANK you
Resources-Appendix
Sources

• National Association of Realtors Research Department Washington D.C.
• Dr Lawrence Yun, Chief Economist National Association of Realtors
• Rhode Island Association of Realtors
• Rhode Island Housing & Housing Works RI
• Smart Growth Council, NAR, ”On Common Ground” Fall 2021
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