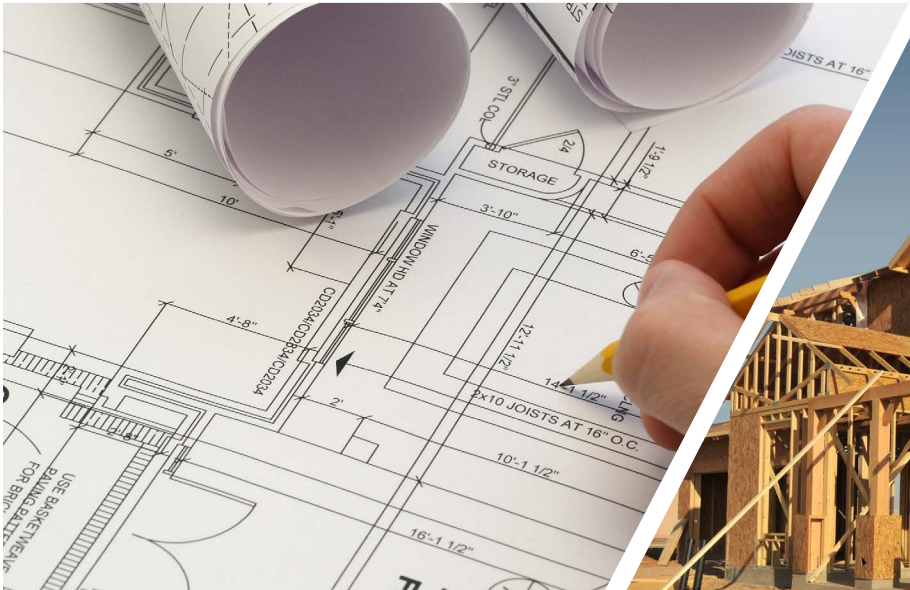




Rhode Island 2017
Full Year Housing Report

WILLIAM RAVEIS
NEW DEVELOPMENT SERVICES





What Changes Can We Expect From Housing In 2018?

To close the year, the Rhode Island market remains steady, while permits decline

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

Just before the close of 2017, President Trump signed the Tax Cuts and Jobs Act into law. What does the final bill ultimately mean for current and potential homeowners? According to the National Association of Home Builders, the tax law is anticipated to boost growth in gross domestic product by 2.6 percent in 2018, spurring job growth and wage increases. This, combined with the lowered tax rate for many individual filers, is expected to keep the housing market on its steady, upward climb.

In many cases, the new bill's biggest impact will be on the tax liability of renters versus buyers. Under prior tax code, homebuyers were incentivized with

larger deductions available for mortgage interest and property taxes. Under the new bill, with the standardized deduction being doubled, the overall liability of renters and buyers will come much closer together.

The real question will become whether or not this change will truly disincentivize renters from entering homeownership. Is a potential tax break really the driving force behind many's decision to buy? Or are their homebuying inclinations more heavily influenced by their idea of the American dream? The next year will certainly be telling for the actual impact of the tax bill on housing.

Housing Permits Fall in Providence

MSA	1 Unit	2 Unit	3 & 4 Unit	5+ Unit	Full Year 2017
Providence, RI	1,740	96	24	164	2,024
% Change from 2016	+4.6%	+4.4%	-81.8%	-75.1%	-20.5%

MSA	1 Unit	2 Unit	3 & 4 Unit	5+ Unit	Full Year 2016
Providence, RI	1,664	92	132	659	2,547
% Change from 2015	+12.7%	+12.2%	+144.4%	+258.2%	+41.7%

MSA	1 Unit	2 Unit	3 & 4 Unit	5+ Unit	Full Year 2015
Providence, RI	1,477	82	54	184	1,797

State of Rhode Island

Housing Permits Issued by MSA
Full Year 2015 vs. 2016 vs. 2017

At the close of 2017, new housing permits saw a decrease of 20.5 percent in the state of Rhode Island. Total permits in the Providence MSA fell to 2,024 from 2,547 in 2016. The majority of this decline came in multi-unit permits, with 3-4 Unit permits falling 81.8 percent and 5+ Unit permits falling 75.1 percent. However, 1-Unit permits increased 4.6 percent and 2-Unit permits increase 4.4 percent, year-over-year.



Average Price for Single-Family Homes Trends Up



In 2017, in Rhode Island, Single-Family Home Sales increased slightly, 1.8 percent from 11,021 to 11,217. On a county-by-county basis, Kent County increased 4.2 percent, Bristol County increased 2.9 percent, Providence County increased 1.7 percent, Washington County increased 1.3 percent and Newport County decreased 3.3 percent.

Averages Sales Price for single-family homes in Rhode Island increased this quarter. In 2017, Sales Price increased 7.7 percent, from \$301,105 to \$324,227. Increases were seen in Bristol County at 15.2 percent, Newport County at 9.8 percent, Providence County at 8.3 percent, Washington County at 6.3 percent and Kent County at 5.8 percent.

Full Year 2017 vs. 2016

Unit Sales	1.8% ↑
Avg. List Price	11.0% ↑
Months of Supply	11.6% ↓

To round out 2017, Average List Price increased 11 percent, Months of Supply fell 11.6 percent and Price Per Square Foot decreased 7.9 percent.



Single Family Marketplace

Home Sales Full Year 2016 vs. 2017

COUNTY	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
	2016	2017	% DIFF.	2016	2017	% DIFF.
Bristol	589	606	+2.90%	\$403,557	\$464,739	+15.20%
Kent	2,465	2,569	+4.20%	\$243,241	\$257,236	+5.80%
Newport	1,028	994	-3.30%	\$506,590	\$556,176	+9.80%
Providence	5,144	5,229	+1.70%	\$240,075	\$260,092	+8.30%
Washington	1,795	1,819	+1.30%	\$404,067	\$429,675	+6.30%
STATEWIDE	11,021	11,217	+1.80%	\$301,105	\$324,227	+7.70%

Single Family Marketplace

Months of Supply Full Year 2016 vs. 2017

COUNTY	2016	2017	% DIFF.
Bristol	5.40	4.60	-16.30%
Kent	4.10	3.60	-12.10%
Newport	6.90	6.40	-6.60%
Providence	4.00	3.60	-11.00%
Washington	6.10	5.30	-12.80%
TOTAL	4.70	4.20	-11.60%



Rhode Island Condominium Sales and Prices Rise



In 2017, we saw Units Sold increase for condominiums in Rhode Island 11.5 percent from 1,918 in 2016 to 2,139 in 2017. Several counties experienced significant gains, including Washington County at 25.4 percent, Kent County at 14.6 percent, Providence County at 10.4 percent and Newport County at 3.8 percent. Bristol

County declined 12.3 percent, from 81 Units in 2016 to 71 in 2017.

Averages Sales Price of condominiums in Rhode Island increased 7.6 percent, from \$241,101 in 2016 to \$259,541 in 2017. Increases were seen in Washington County at 13.5 percent, Kent County at 8.5 percent, Providence County at 7 percent, Bristol County at 5.1 percent and Newport County at 5.1 percent.

Full Year 2017 vs. 2016

Unit Sales	11.5% ↑
Avg. List Price	3.9% ↑
Months of Supply	11.5% ↓

To round out 2017, Average List Price increased 3.9 percent, Months of Supply fell 11.5 percent and Price Per Square Foot increased 2 percent.

Condominium Sales and Prices on the Rise



Condominium Marketplace

Home Sales Full Year 2016 vs. 2017

COUNTY	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
	2016	2017	% DIFF.	2016	2017	% DIFF.
Bristol	81	71	-12.30%	\$403,557	\$464,739	+15.20%
Kent	329	377	+14.60%	\$243,241	\$257,236	+5.80%
Newport	234	243	+3.80%	\$506,590	\$556,176	+9.80%
Providence	998	1,102	+10.40%	\$240,075	\$260,092	+8.30%
Washington	276	346	+25.40%	\$404,067	\$429,675	+6.30%
STATEWIDE	1,918	2,139	+11.50%	\$301,105	\$324,227	+7.70%

Condominium Marketplace

Months of Supply Full Year 2016 vs. 2017

COUNTY	2016	2017	% DIFF.
Bristol	7.00	5.90	-15.00%
Kent	4.60	4.20	-7.90%
Newport	8.50	6.90	-18.80%
Providence	4.50	4.00	-12.10%
Washington	7.60	7.10	-6.50%
TOTAL	5.60	4.90	-11.50%



Disruptive Forces for Builders

For builders across the country, unfilled construction jobs, a shortage of buildable lots and price of lumber continue to hinder production of new construction. Softwood lumber futures, specifically, remained a problem in 2017. A combination of tariffs imposed by the U.S. Commerce Department, stalled negotiations between the United States, Canada and Mexico, and historic hurricane activity, led lumber futures to their highest levels since 1995.

The lack of affordable building material, skilled labor and buildable lots, which stifle new construction starts, is also contributing to a severe lack of inventory. Across the Northeast, Months-of-Supply have been at historic lows, which creates a vicious cycle--homeowners are staying put longer than they might have because there just aren't many viable move-in-ready options. This leads to the perception of decreasing demand, which disincentivizes builders from investing in new construction. Meanwhile, new homeowners are clamoring for affordable starter homes. And around and around it goes.

And finally, and perhaps most interestingly, there's Amazon. The online retail giant has recently proved that no industry is too big for them to tackle--from developing smarter brick-and-mortar storefronts to diving into the healthcare marketplace. Could the housing market be next? As they get closer to identifying a location for Amazon HQ2, a second headquarters with a planned employee count of 50,000, the answer is: maybe.

The 20 municipalities, including Boston and New York City, Amazon has identified in the second phase of their search have devised in-depth plans for housing, transit, accessibility and education to try and woo the Company to them. But when the time comes, will Amazon leave housing decisions for 50,000 new and relocated employees to be decided by the industry's status quo? Or will they do what the company was founded on, and find a way to innovate and, possibly, do it better? Only time will tell.

1. <https://www.nar.realtor/tax-reform/the-tax-cuts-and-jobs-act-what-it-means-for-homeowners-and-real-estate-professionals>
2. <https://www.cnn.com/2017/04/25/trumps-canadian-lumber-tariff-could-cost-us-homebuyers-about-1200.html>

Conclusion



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In conclusion, while uncertainty looms ahead for how the new tax bill will impact the housing market, it isn't stopping current market growth. For the most part, Unit Sales and Average Sales Price continued to rise in 2017 across the Northeast, a trend we anticipate will continue into 2018. However, shortened supply remains a significant issue that shows no signs of resolving itself. Builders remain pressured by material costs, a lack of labor and fewer viable lots, even while potential homebuyers are calling for more inventory. Over the next twelve months, economic growth under the next tax bill will have a marked impact of the overall growth in new construction.

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

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