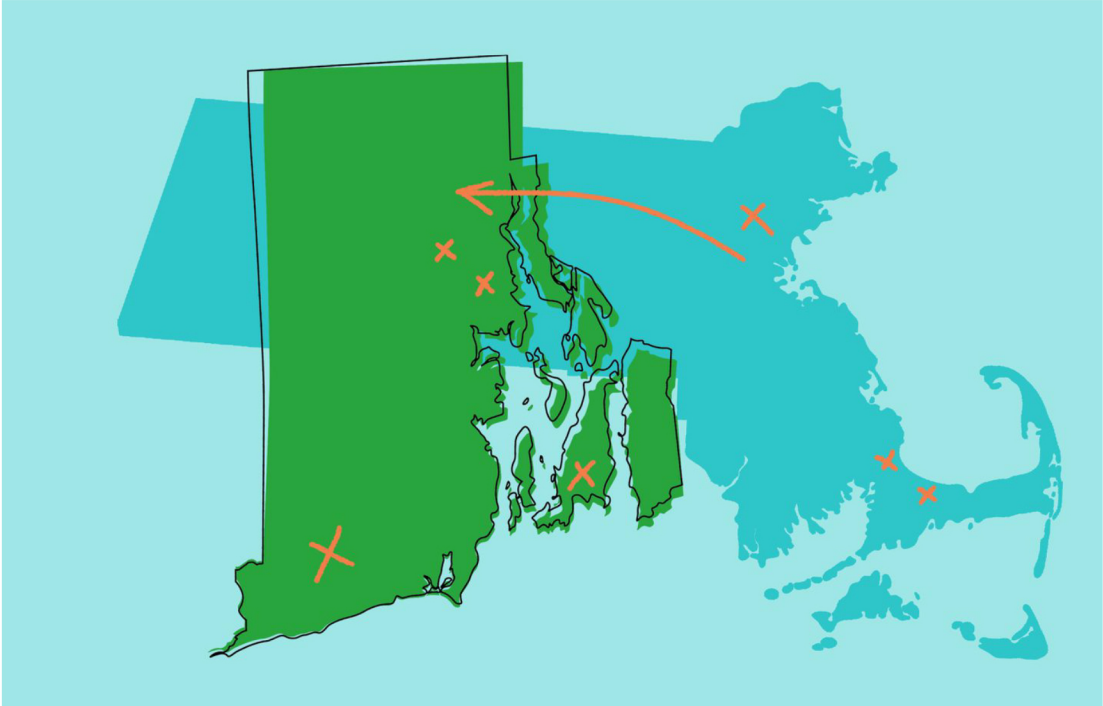
From there to here, from here to there, home buyer woes are everywhere.

In Rhode Island housing, you get more bang for your buck, but some of the same problems frustrate shoppers there, too.

By Cameron Sperance Globe Correspondent, Updated August 21, 2022, 12:00 a.m.



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Longtime Rhode Island home buyers who watched prices surge these past few years may never see the market return to the way things were prior to the pandemic.

The pace of housing development is too slow to compensate for an extraordinarily low supply of housing.

But the Ocean State still manages to offer those increasingly priced out of Greater Boston real estate a hefty discount with many similar lifestyle attributes to New England's largest city.

"We started to see our clients looking into Providence, as there's always been this great communication between the two cities," said Ricardo Rodriguez, a Coldwell Banker real estate agent who recently expanded his Boston-based Ricardo Rodriguez & Associates team into Providence. "The more I started to go, the more I realized there are a lot of similarities between them, and they truly are kind of like sister cities."

The "Hub of the Universe" and the "Renaissance City" do have a lot in common.

Looking for an Ivy League university? Boston has Harvard. Providence has Brown.

What about an Italian enclave? Head to the North End in Boston or Federal Hill in Providence, which is a pasta lover's dream.

Both are also on the Northeast corridor for Amtrak — offering easy connectivity to other major East Coast cities.

There's even a little sibling rivalry between Rhode Island and Massachusetts: Richard Branson's health care venture Virgin Pulse left Framingham for Providence in 2017. Not to be outdone, Massachusetts leaders announced the following year that they had poached the Pawtucket Red Sox, bringing the Red Sox Triple A minor league affiliate to Worcester.

Lower prices, high buyer interest

The similarities are a selling point for buyers looking for Boston vibes at a fraction of the cost: The median price of a single-family home across Rhode Island's 39 municipalities was $422,000 in the second quarter of 2022, according to the Rhode Island Association of Realtors. That reflects a 14.4 percent increase year over year, but the cost is still lower than what buyers find in Greater Boston.

"In the last quarter, we did see an increase from out-of-state buyers, most of whom are from Massachusetts," said Agueda Del Borgo, president of the Rhode Island Association of Realtors. "As some people can't afford the Boston area, they've looked for alternatives, especially since it's within either driving distance or they can take the train or they work for some companies that have now opted for a hybrid model. It makes more sense for folks, both with sales and rentals."

Head north, and the median single-family home price for the first six months of this year across the 64 towns and cities within Greater Boston was $826,000, according to the Greater Boston Association of Realtors. Factor in condo sales, and the disparity

swells even further.

"When we look at data of single-family homes and condos, you do an amalgamation of all price points," Rodriguez said. "In Boston, the average price in the city right now is slightly over a million dollars. When you do the same thing with Providence, you're looking at somewhere around $400,000, so there's a huge price differential."

Buyer interest has expanded the boundaries of the most desirable areas of Providence. Downtown and the East Side, home to Brown, were two of the area's hottest neighborhoods for years, but developer interest is fueling attention in other areas like the West End south of Federal Hill and the historically manufacturing-heavy Jewelry District, said Roger Duque, a managing associate on Rodriguez's Rhode Island team.

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Beyond Providence, more leisure-oriented destinations like Newport and Watch Hill also are attractive to buyers.

Supply and demand

But lower prices don't mean that Rhode Island has a healthy housing supply. It's just as hard to find an available listing here.

The inventory at one point earlier this year fell to a 0.84-month supply. (This number reflects how long it would take for the current inventory of homes on the market to sell given the current sales pace, according to the National Association of Realtors.) What's a healthy supply-demand balance? Six months, the Rhode Island Association of Realtors said in a news release, and in June, the state had a 1.8-month supply. For comparison, Massachusetts had a one-month supply of single-family homes and a 1.6-month supply of condo listings in June, according to the Greater Boston Association of Realtors.

Not only are prospective Rhode Island home buyers facing a shortage of homes for sale, they also are grappling with rising long-term mortgage rates. The average rate on a long-term mortgage was 5.22 percent on Aug. 11, Bloomberg reported. If there is a silver lining to the rise in borrowing costs, it's that it is helping cool down the buying frenzy.

"We're still well below what's considered normal [for the number of sales], but the tide has sort of shifted in the right direction as far as supply," Del Borgo said. The state association reported 949 sales in June, a 17.6 percent decrease year over year.

Prices remain elevated, however.

The $350,000 median sales price for the 2,334 single-family homes sold in Providence County this year through the end of June was well above the $275,000 cost for all of 2020, according to sales data from the Warren Group. The $265,000 median sale price for condos was higher, too — by $51,000.

The median sales price for the 393 single-family homes sold in Newport County in the first six months of this year was $590,000 — a hefty jump from the $465,000 for all of 2020. The median sales price for condos ($525,000) was $110,000 higher.

Construction outlook bleak

Just as you often hear in Massachusetts, those in Rhode Island say the price surge stems from not enough housing getting built — and what does go up isn't for the average buyer.

"The plan that's in place right now — that's at the state level and the municipal and city level — is to build as little as possible, with less density as possible, [and] as expensive as possible," said John Marcantonio, CEO of the Rhode Island Builders Association. "That's the reality of it. That's where we are, and that's what's getting built."

Rhode Island's pace of new residential real estate construction ranked last in the country last year, according to a Boutique Home Plans study of state building permit data from the US Census Bureau. Massachusetts came in 40th.

"It's got to be an exponential jump in order to increase construction to where it needs to be," Marcantonio said.