

Spotlight: Rhode Island

BY RAYMOND FLEISCHMANN



THE WEATHER'S BEEN STORMY IN THE OCEAN STATE FOR THE PAST FEW YEARS, AND IT'S STILL UNCERTAIN HOW QUICKLY THE REMAINING CLOUDS WILL CLEAR.

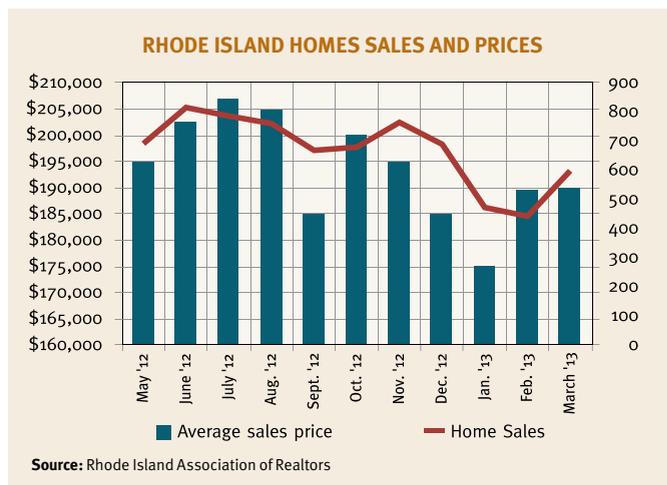
Unemployment has long been a sore spot for Rhode Island, and the New England Economic Partnership doesn't expect the rate to drop below 7 percent until 2016. The state's employment picture is likely muddled by a negative perception of its business atmosphere. In both 2011 and 2012, an annual study by CNBC.com found Rhode Island to be the worst state for business, citing its low marks in transportation, workforce and cost of doing business. While speaking at a meeting of the Greater Providence Chamber of Commerce this past May, Rhode Island's governor, Lincoln Chafee, admitted that the state's economic outlook "still is fragile."

The New England Economic Partnership forecasts that the state's real gross state product will reach \$45.5 billion this year, an increase of just 1.9 percent from 2012. Even so, the partnership reported that the state's net general sales and gross receipt taxes increased 3.8 percent for the first 10 months of 2012, a sign that residents are experiencing an improvement in their economic condition. The partnership expects the state's median home price to reach \$221,100 this year, an increase of 4.6 percent from 2012.

Home sales and prices

The recession wasn't kind to the housing market in Rhode Island's largest city, nor to the state as a whole. According to the National Association of Realtors, the median home sales price in the Providence-New Bedford-Fall River, R.I.-Mass., metropolitan area has declined in each of the past three years, dropping to \$214,700 this past year.

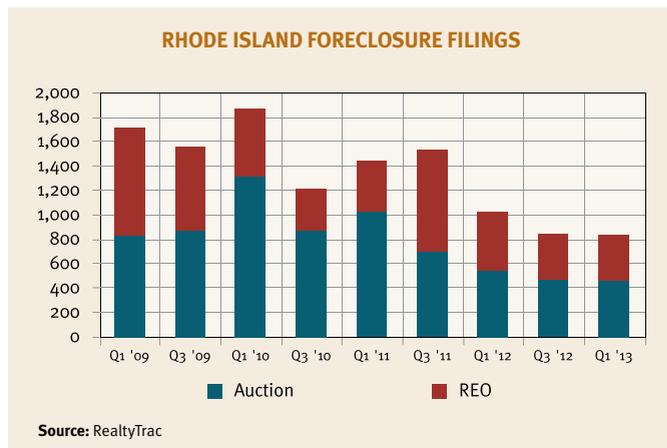
In addition, according to the *Providence Journal* and the Rhode Island Association of Realtors, nearly half of all single-family home sales in Providence — excluding its east side — consisted of distressed properties this past first quarter. Rhode Island's statewide home sales picture is slightly sunnier, however. The state's median home sales price improved more than 8 percent year over year this past March, when the price was \$190,000 from 598 sales.



Delinquencies and foreclosures

Despite the state's unemployment woes, Rhode Island's delinquencies and foreclosures seem to be trending down. According to RealtyTrac, total foreclosure activity declined year over year in each quarter between first-quarter 2011 and this past first quarter. In the past five years, foreclosure activity in Rhode Island peaked in fourth-quarter '08.

Compared to several of the states around it, however, Rhode Island's delinquency numbers seem less encouraging. According to the Mortgage Bankers Association, the Ocean State's first-quarter percentage of loans in foreclosure (3.89 percent) and its percentage of loans with installments past due (7.71 percent) were higher than the overall averages of its region, an area that includes Connecticut, Maine, Massachusetts, New Hampshire and Vermont.



Unemployment

Unemployment has been a persistent problem for Rhode Island, and that problem may continue for some time. This past April, Rhode Island's unemployment rate was 8.8 percent, the sixth highest rate in the country. This is still low, however, compared to the state's recent unemployment struggles. The rate either increased or stayed the same every month between January 2007 and February 2010, when unemployment reached almost 12 percent. The New England Economic Partnership expects the state's annual unemployment rate to be 10.1 percent in 2013.

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3 Cities to Watch

BRISTOL



Flanked by Mt. Hope Bay and its own eponymous harbor, Bristol offers an array of outdoor recreational activities. With its miles of coastline and hundreds of moorings, Bristol is a popular attraction for boating enthusiasts. Between this past February and this past April, the town's median home sales price was \$285,000, according to Trulia.

NEWPORT



Home to Salve Regina University and the U.S. Naval War College, Newport is situated on the southernmost end of Aquidneck Island. Newport is known for its yachting recreation as much as its historic mansions, as it was once home to the summertime residences of the Vanderbilt and Astor families, among others. Newport remains a popular locale for many vacation and second homes.

WARWICK



The second-largest city in Rhode Island, Warwick is located about 12 miles south of Providence and about an hour south of Boston. Citing its proximity to these hubs, as well as its oceanfront location, CNNMoney.com named Warwick one of the best small cities in America in 2010. According to Trulia, the city's median home sales price was \$150,000 between this past February and this past April.



WHAT THE LOCALS SAY

"What I'm very surprised at is the very high sales numbers that we're seeing in the condo market. Our condominium market is making a very strong comeback. Last week, we had 45 recorded sales on condominiums statewide. During the [problems] we were having with the economy and the market, we were seeing about six to nine condo sales per week; 45 is the strongest number I've seen probably since 2006."

— STEPHEN C. TETZNER, VICE PRESIDENT, HOMESTAR MORTGAGE

Sources: 630wpro.com, CNBC.com, CNNMoney.com, ExploreBristolRI.com, GoNewport.com, Mortgage Bankers Association, National Association of Realtors, The New England Economic Partnership, *Providence Journal*, RealtyTrac, Rhode Island Association of Realtors, Trulia, U.S. Department of Labor, WarwickRI.gov