

Housing still a concern in this state

When it comes to real estate, reading the tea leaves can lead to some pretty confused forecasts. Take the last week in February: First came word that sales of existing U.S homes, along with applications for mortgages, were up, followed only a day later by the news that new-home sales were down sharply.

In Rhode Island, the news on home sales and prices has been mixed, too. But, for the first time in years, those of us concerned about making our state a more affordable place to live have reason to hope. On Election Day 2006, voters approved a bond that will provide \$50 million to create homes affordable to the average Rhode Islander. The state is due to issue a request for applications for the first year of bond funds soon.

The \$50 million will help build new homes and convert abandoned houses, mills, and other buildings into homes that will be affordable by law for at least 30 years. The investment will help double the production of affordable homes and generate up to an additional \$450 million in funding from other sources. Rhode Islanders deserve kudos for approving this family-focused, community-focused bond.

A second piece of good news: After five years of skyrocketing housing prices — the average Rhode Island house doubled in price between 2000 and 2005 — Rhode Island saw a moderation in prices in the final quarter of 2006.

But hold off on popping that champagne cork: housing costs, while moderating, remain entirely out of whack with Rhode Islanders' ability to pay. Since 2000, housing prices have increased six times faster than income. The average Rhode Island worker earns 20 percent less than needed to afford the average rent for a two-bedroom apartment, and less than half the \$90,000 needed to afford a median-priced home.

Warren is by no means immune from the affordable housing crisis. In 2005, the median-priced Warren home sold for \$298,250. To afford that home, you would need to have an income of \$95,333, or more than three times the average annual wage for a Warren-based job (\$29,377). Indeed, almost 10 percent of households in Warren pay more than half their income for housing.

To put this in perspective, the U.S. Census Bureau now ranks Rhode Island the eighth most expensive state for homeowners, based on monthly mortgage payments (up from 13th in 2002). And the National Low Income Housing Coalition ranks the Rhode Island market the seventh least affordable in the country for renters.

It doesn't take an economist to recognize that this situation — a market that allows precious few the chance of owning or renting an affordable home — is unsustainable and an obstacle to Rhode Island's continued growth. In 2007, HousingWorks RI will continue to work with policymakers to develop innovative strategies to tackle the gap between incomes and housing costs, implement the promised benefits of the housing bond, and build toward the day when all Rhode Islanders can afford a quality home.

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Warren Times
Thursday, March 22, 2007