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# Better year ahead for R.I. builders

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Building permit figures recently released by the Rhode Island Builders Association indicate that housing construction in the first quarter of 1978 is well ahead of the comparable period for 1977. The signs are encouraging that this year will be better than the last and that recovery continues from 1975, the poorest year for the housing industry in the 1970s.

It should be realized that building permits, required by all municipalities before construction is undertaken, are the only readily available source of local data to indicate residential building in Rhode Island. Permits are most reliable when discussing single family units because, with few exceptions, these houses are normally built after permits are obtained.

By contrast, data for multifamily units are less reliable because these large-scale developments, sometimes of the order of 300 to 400 units, are inordinately dependent on large investments, whether private or governmental, which often do not materialize. For example, should the 100 multifamily units for which a building permit was issued in North Kingstown in March not be built, the total of 112 units figure for the entire state would be quite inaccurate because only 12 would be built.

GIVEN these limitations and utilizing the

only available data, what has been the pattern of residential construction in Rhode Island in the 1970s?

The accompanying chart illustrates the large fluctuations that have taken place over the last eight years. It should be observed that there are fewer variations from year to year with single-family units than with multifamily units, often subject to the vagaries of federal programs and thus exhibiting much greater fluctuations.

The record high of 8,147 building permits issued in 1972 fell to 3,126 permits in 1975, a precipitous drop of 62 percent. From this lowest point there has been a slow increase to the 4,666 permits recorded in 1977.

## Permits

	Single	Multi-Family	Total
1970 .....	2,073	1,901	3,974
1971 .....	3,162	4,301	7,463
1972 .....	3,803	4,344	8,147
1973 .....	3,382	3,243	6,625
1974 .....	2,400	873	3,273
1975 .....	2,227	899	3,126
1976 .....	2,947	1,336	4,283
1977 .....	3,071	1,595	4,666

THE PEAK YEARS of 1971 and 1972 resulted from two factors: first, an earlier period of tight money ended, so mortgages were more readily available, and second,

the heavy implementation of the Section 235 and 236 programs set out in the National Housing Act of 1968. These latter two interest-subsidy programs for moderate income families were for home ownership and rental units respectively.

Another noteworthy point illustrated in 1971 and 1972 is the greater number of multifamily units. This unusual pattern reflected the national scene in which multifamily units increased from approximately 10 percent of total units in the late '50s to almost 50 percent in the early '70s. The 236 program, the explosion of apartments in the suburbs, and public housing construction, especially for the elderly, explain this phenomenon.

SEVERAL FACTORS explain the rapid falling off of construction from 1972 to 1975, and from which the housing industry is still trying to recover. Most important of these was the 18-month Nixon moratorium instituted in 1973 on all federally aided housing programs. The effect of this edict was most apparent in multifamily units.

A second major constraint was the increasing competition for money which again tightened the money market. Home mortgage rates increased to more than 10 percent in the early part of 1975, and even now are close to 9 percent; far different from the 6 percent rate of the late '60s.

A third consideration was an unemployment rate in the country which averaged

greater than 8 percent in 1975. The 11 percent unemployment rate in Rhode Island did little to stimulate housing demand here.

THE FINAL explanation for decreased housing activity was a problem that still remains: inflation. From January 1972 to October 1974 the average price of a new house skyrocketed by 50 percent, from \$24,700 to \$37,100. Inflation is still with us with the average price of a new house now over \$57,000 in the nation and over \$50,000 in Rhode Island.

Although studies have claimed that three of four American families can no longer pay the price of a new house, approximately 2 million units were built last year; a healthy figure as compared with the peak 2.4 million units built in 1972.

With more working wives, smaller families, state mortgage programs to help moderate income families, and the pent-up demand of that part of the population that was the baby boom of the late '40s and early '50s and is now the house buying market, the future for house construction looks brighter.

The nearly 50 percent increase in total building permits issued from 1975 to 1977 in Rhode Island reflects this encouraging sign.

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