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## **2011 Rhode Island real estate market: Starting to see small signs of recovery**

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Many of the trends we predicted a year ago have come to fruition. The market has begun to stabilize with rents and sale prices beginning to see little if any declines - and in some cases appreciation. Landlords, while still offering incentives to larger tenants, are beginning to hold the line on rents and beginning to build in some increases. Tenants and buyers are beginning to realize we have reached the bottom and now face a decision whether to extend, relocate or buy. If decisions aren't made soon, they will have to be made in an appreciating market.

While not in full recovery, the state is beginning to see some small signs indicating it's beginning. This should begin to encourage participants to reenter the market.

### Office

One area of concern a year ago was the amount of office space on the market: 2 million s/f statewide and 1 million s/f in Providence, approximately. Over the past twelve months, both leasing activity and active requirements have increased. One symbol of the down market, 300 Jefferson Blvd., Warwick, has just under two-thirds of the building leased and a prospective tenant looking at the entire third floor. In downtown, 38 Studios' announcement to occupy One Empire Square will result in both a reduction in available space and added activity to the area, hopefully acting as a catalyst for other media companies. GTech Center has seen a decline in vacancy with just over 11,000 s/f available in the building. In addition, the Big East conference moved into 30,000 s/f at Gateway Center. There are other significant requirements considering space in downtown and this can only have a positive impact. Over the last four quarters the market has seen both positive absorption and decreasing vacancy rates, though there are still significant blocks of space including 2000 South County Trail, East Greenwich and the former GTech property in West Greenwich.

On the sale side, there are still many who are looking for space outside downtown with on-site parking. The lack of available product has limited activity but there are some astute buyers who are looking at the opportunities that are presenting themselves.

### Industrial

The industrial market has also stabilized with both positive absorption and decreasing vacancy. Large blocks of space were taken in northern Rhode Island and at the Quonset Business Park. Rents have stabilized with some properties beginning to look at increases over the term. Average rents have seen slight increases over the last four quarters and this trend should continue. An ongoing issue is the lack of product for owner-occupied high bay warehouse space, which led to this type of product not seeing the decreases that others in the industrial class have. There have been a few spec buildings constructed over the period and they are beginning to see an increase in leasing activity. The industrial market will continue to see stabilization, with some of the older properties being converted to alternative uses or made into multi-tenanted facilities to serve smaller

companies.

#### Retail

The retail market was hardest hit by the recession and there are a number of large spaces remaining available along the primary retail corridors and in community centers. The fourth quarter of 2009 and the first quarter of 2010 both had negative absorption, but there was positive absorption in the second and third quarters of 2010. Vacancy rates have stabilized and rents have begun to show slight increases. Although, as one of largest transactions in the market, Bed Bath & Beyond was able to negotiate a significant decrease in rates for their Warwick relocation. Most active retail requirements are capitalizing on economic conditions and are using them to their benefit. It would appear that this market is at the very beginning of a slow recovery with tenants still able to locate in premium areas at rents below the highs of three years ago.

#### Conclusion

As we look ahead, it appears that we are at or very near the bottom of the cycle. Opportunities are available across all facets of the market but timing is beginning to become an issue as the markets begin the recovery and rents and values begin to appreciate.

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