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Looking forward through 2011, the consensus is that most trends are pointing upward in R.I.

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When the commercial real estate world crashed after a very strong 2007, it felt like we would not see a turnaround for at least the next five years. The level of sale and lease activity in 2008 was insignificant compared to the prior year, and 2009 was even worse. 2010 started in much the same manner, but as the middle of the summer arrived, there was a sense of optimism that we were on the upside of the turnaround. Unemployment was flattening out, interest rates remained low and lenders were lending, with especially good financing for owner occupied properties. It looked like commercial real estate had bottomed out during the first half of 2010 and we were on the way back, although from a very low point.

In the downtown Providence office market, there has not been the large volume of deals, but the deals that have happened, or are in the pipeline, are significant, ranging anywhere from 10,000 s/f - 150,000 s/f in size. During 2010, 10 Memorial Blvd. (GTECH) had arguably the best return on their tenant investment, essentially filling up the available space over four or five tenants. This will help the other available "A" space during 2011, such as 500 Exchange St., 15 LaSalle Sq., 15 Park Row and 100 Westminster St., and most likely push rental rates for class "A" space consistently back over the $30 number on new deals.

In the suburban office market, northern Rhode Island will remain flat during 2011, due to the lack of demand, coupled with low availability of office space. South and west of Providence, there are larger pockets of office space available for sub-division, offering ample opportunities for larger tenants to secure space at the currently low market rents. A few of these are the New England Tech facilities in Warwick (150,000 s/f), a number of buildings in Metro Center, including One Home Loan Plaza (15,000 s/f), the possibility of a second building (50,000 s/f) at Metro East during the spring / summer of 2011, and going all the way up to 300,000 s/f at the former FM Global headquarters at 1301 Hartford Ave. in Johnston.

The Rhode Island industrial market became very active during the second half of 2010 and looks to continue that trend during 2011. Much of the activity was in the typical 20,000 s/f - 40,000 s/f user driven market that Rhode Island seems to have an abundance of. Much of this activity was on the sale side of the business and driven by the SBA 504 financing model. Given the ability for a buyer to make a deal with 10% down and roll improvement dollars into the package, it is fairly straightforward for a company renting space to justify the purchase. As with the suburban office space in northern Rhode Island, the industrial market will be held back some during 2011 due to a lack of good available product and a complete lack of any spec construction.

Industrial leasing was flat during 2010 and looks to remain flat, to slightly increasing during 2011, with rental rates following the same trend. Although there are some significant lease opportunities for tenants, the larger tenants are not around. Any revival of the industrial lease market during 2011 will be lead by the smaller tenant.

The retail market continues to struggle for the national chains, with vacancies at most retail centers coming and going, new restaurant models trying empty locations, landlords putting facelifts on what they have in order to stand out from the pack, and many times only the best locations surviving. The smaller regional players with three to eight existing stores are active and taking advantage of the reduced rental rates and improvement allowances being offered by struggling landlords. National chain retailers remain very quiet, including those from the full service restaurant sector. Although, they will be looking for opportunities during 2011, in Rhode Island, it will only be the absolute best locations that will attract any attention from them.

Although it has been a mix of optimism and pessimism, looking forward through 2011, the consensus is that most trends are pointing upward in Rhode Island. The optimism about new deals is also based on the establishment of a new base for rental rates and deal terms. From a low point in 2009, 2010 was better than 2009 and 2011 will be better than 2010. Landlords and sellers just have to come to the realization that rental rates and sale prices have bottomed out, but are still low and that concessions are necessary to keep existing tenants and acquire new tenants.

Mike Giuttari, SIOR, is president of MG Commercial Real Estate, Providence, R.I.