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Overall the Rhode Island brokerage market is still presenting opportunities to market participants

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Not much has changed over the past year with most tenants and buyers continuing to take their time and carefully analyze their next step. While we anticipated that the new year would see upward pressure on pricing throughout the market, values and rents have stabilized for the most part in the office and industrial markets, but retail is still suffering from the fallout of the economic downturn. If we look at each section of the market we can see what the trends are.

Office Market

There appears to be continuing positive absorption of space. In the downtown Providence market, 38 Studios and Admiral Bank signed leases in the third and fourth quarters of 2010 and should be occupying their spaces in second quarter of 2011. There are still a few significant requirements in the market but tenants are negotiating hard to get the best deal and landlords are making some concessions.

We have seen some stabilization in the suburban office market, but tenants continue to have multiple options. In addition, the still-fresh image of flooded buildings lingers over some properties. One of the office requirements that was in the market in the third quarter of 2010 has recalculated their space needs and is now looking for approximately half the space they had been looking for last year. In some cases, buyers continue to have limited options as owners are still inclined to hold onto their property with hopes of an improving market.

Bottom line: there are signs of some improvement but the office market still presents opportunities for tenants and buyers.

Industrial Market

The biggest news here is the purchase of 2000 South County Trail in East Greenwich by an owner/user at the end of 2010. This purchase reflects the overall market as the property was originally purchased in the mid-2000s and redeveloped for potential office use. However, the changes in the market and the economy made the property more desirable to an industrial user.

The vacancy rate in this category has remained below 10% statewide as the market still lacks availability in stand-alone high bay warehouse space. But, there is activity across the board with buyers and tenants taking advantage of lower prices and rents. Most properties, if they are reasonably priced, are transferring and this market is still primarily driven by owner/users.

Retail Market

Bald Hill Rd. in Warwick reflects the ongoing issues in this market. There are approximately 20 spaces available on the corridor. Most of the activity consists of relocation or limited entry into the market. Bed Bath & Beyond's relocation was fueled by a combination of downsizing and incentives both in pricing and tenant improvement allowance. Bernie and Phyl's purchase of the former Bernie's was the only significant transfer on the corridor.

Most landlords are working with their existing tenants to keep them in a variety of ways, but primarily through rent concessions. For example, the Borders Book Store in Garden City was taken off of the company's closure list due to concession by the landlord.

Financial institutions and pharmacies continue to be the most active participants in this market. TD Bank entered the region and CVS continues to expand, including their new store at the intersection of Broad St., Norwood Ave. and Warwick Ave. in the Edgewood section of Cranston. The market is such that most quality tenants have more than one option to choose from and are leveraging this advantage to achieve very good terms.

The Big Picture

Overall the brokerage market still is presenting opportunities to market participants. While the number of transactions is still well below the highs of 2006 and 2007, there are still significant deals both in process and already completed. However, these deals are taking longer to close and getting to the finish line involves more work on behalf of all the participants. The upside: more tenants and buyers are realizing that now is the time to at least think about addressing space issues. Whether it is expansion or downsizing, the current market offers many opportunities and smart participants in the real estate market are taking advantage of them.

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