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Mike Giuttari - Landlords and sellers have to come to realization that rental rates and sale prices have bottomed out

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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 - 150,000 s/f in size. During the past year and a half, 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. (on its way to a sizeable tenant upgrading from B space), 15 LaSalle Sq.(hoping to land the big fish this year - Hasbro), 100 Westminster St., and most likely push rental rates for class "A" space consistently back over the $30 number on new deals. Schillings 38 Studios has moved into their new 100,000 s/f headquarters and a few landlords still have their fingers crossed in the hopes of landing the big one during 2011, Hasbro, for 150,000 s/f.

In the suburban office market, northern Rhode Island has remained flat during 2011 due to a lack of demand, coupled with low availability of office space. A few smaller deals have been completed such as Colgate Palmolive securing 3,000 s/f at 42 Albion Rd. in Lincoln, continuing the trend of companies wanting immediate access to pharmacy giant CVS. 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 (up to 170,000 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 this spring / summer, 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 more active during the second half of 2010 and has continued that trend during 2011. Much of the activity is 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 users and 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.

Industrial leasing remains flat during 2011 and looks to remain flat, to slightly increasing towards the end of 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 the second half of 2011 will be lead by the smaller tenant.

While the retailers, developers and brokers gather in Las Vegas this month for the annual ICSC convention, the retail market in Rhode Island continues to struggle for the national chains, with vacancies at most retail centers coming and going, new restaurant concepts 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, even though P. F. Chang's is making a run at the Providence Place Mall. The nationals will be looking for opportunities during the second half of this year, 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 the end of 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 is 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.