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The strength of R.I. market due to location, population and proximity to other major markets continues to move it forward

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It's dÃ©jÃ vu all over again. After thinking we would begin to see the start of a recovery both nationally and regionally, it looks like we are still where we were a year ago. While there are signs of improvement, there is still a general sense of uncertainty in the market which continues to make participants apprehensive in their decision-making process. Although the unemployment rate continues to decrease, job creation remains stagnant. All indicators show we are in a recovery but it is a very slow and shallow one, as reflected in the amount of real estate market activity. The markets continue to be driven by need-based transactions, which becomes evident as we look at each sector.

Office: The office market continues to have the clearest signs of recovery with Hasbro joining 38 Studios and Admirals Bank in leasing space in downtown Providence, Andera expanding at the Gateway Center, and Atrion expanding at 125 Metro Center Blvd. in Warwick. The office sector still has its challenges with a lack of well-located, small, single-tenant buildings, but the positives currently outweigh the negatives. There is new development but it is primarily need-based, as reflected by the Atrion project and another potential new development in the Warwick market for a tenant-specific requirement.

CoStar reports that vacancy has decreased, net absorption was positive and rents have decreased over the last quarter. The activity in this sector should continue into the new year.

Industrial: The industrial market also had activity but as we've seen in the past, it is once again driven by owner/user activity. Case in point: Hanna Instruments, Dennison Pharmaceutical and DeJana Truck purchased new facilities or land due to expansion needs. The industrial market is still impacted by the lack of modern high bay space available for purchase, but there is beginning to be some new development. The Economic Development Foundation of Rhode Island is constructing a new flex building in the Highland Corporate Park to meet the demand for this type of product in that area. Other development is limited to user-specific requirements. The cost of new construction still impacts decisions but the lack of product is beginning to make companies consider it as a viable alternative. The other limiting factor is the availability of well located, development ready land.

CoStar reports a decrease in vacancy, positive net absorption and a slight increase in rental rates. We see some limited new development with some slight upward pressure on rents and values.

Retail: The retail market continues to struggle -there is still more space than active tenants and/or users in the market. **CoStar** reports little change in this sector with vacancy remaining the same, negative net absorption and a slight decrease in asking rents. There remains a significant amount of space available on the major retail corridors and owners are trying to find the best fits without giving the store away. On the positive side, Jordan's Furniture moved into the Warwick Mall and CVS

opened a new store on South County Trail in East Greenwich. On the negative side is the closing of the Borders stores and lack of major new tenants in the market. This area will continue to face the challenges presented by the economy and the lack of consumer confidence.

There continues to be demand for fully leased properties with national tenants. This is evidenced by sales such as Hoxie Crossing on Airport Rd. in Warwick, the Stop & Shop ground lease on Warwick Ave. in Warwick, the Greenwich Center in East Greenwich and others, including the CVS, WalGreen and RiteAid properties. There is clearly demand in the market for this type of product.

Overall there are signs that the R.I. real estate market is in the midst of a recovery but many of those signs were also here a year ago. The recent formation of the I-195 Commission to deal with the disposition and development of the vital Knowledge District area is a very positive sign.

The strength of the R.I. market due to location, population and proximity to other major markets continues to move it forward. However, the market will continue to lag other nearby areas due to the lack of job creation and lack of new companies coming into the market. Ongoing attempts to resolve governmental issues and fiscal deficits will hopefully reposition the state and the area to benefit from the recovery, however slow, and help all sectors of the market expand.

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