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CELEBRATING 55 YEARS

By George Paskalis - Overall the R.I. industrial market is relatively healthy with an ebb and flow of supply and demand

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The Rhode Island industrial market was sluggish overall at the start of the third quarter, despite a marquee transaction, but became increasingly active toward the end of the third quarter. While the start of the second half of the year lacked any velocity, the one noteworthy transaction was the sale of the former Liz Claiborne facility (104,700 s/f warehouse/manufacturing facility) located at 1 Powder Hill Rd. in Lincoln to Denison Pharmaceuticals. Most of the industrial requirements, whether on the lease side or sale side in R.I. fall between 10,000 s/f to 50,000 s/f and R.I. is a heavily weighted owner occupied market. Although leasing activity has increased significantly since the first half of the year, there remains strong interest from potential buyers. Given the favorable sale prices, coupled with low interest rates along with the availability of the SBA 504 financing model, it is more straightforward than ever for a company leasing space to justify owning. Atlas Scaffolding recently took advantage of the 504 loan and closed on 80 Gilbane St., a 12,000 s/f facility in Warwick. Also, CoPex, which initially leased 491 Silver Spring St., in Providence (36,000 s/f warehouse facility) exercised its option to purchase and closed on the property.

Industrial leasing remained flat during the July and August months, but activity increased toward the end of the third quarter. The downward pressure on rental rates for industrial space has remained a constant and Tenants seeking space have been able to benefit from flattened lease rates. While it is an enticing time to lock into a long term lease, it has not been the deciding factor in most cases. Antaya Technologies recently inked a lease at 181 Narragansett Park Dr. in East Providence (22,675 s/f warehouse facility) due to exponential growth. This is the third facility Antaya Technologies occupies in R.I. Triumvirate Environmental based in Somerville, Mass. recently leased 9 Powder Hill Rd., a 50,000 s/f facility to provide medical waste transfer services. This requirement solidified their growth in the R.I. market. Hope Valley Industries, a manufacturer of auto floor mats, which owns a 40,000 s/f facility, leased an additional 20,000 s/f in West Davisville, North Kingstown. This size range is where most of the activity tends to be in R.I.

Although there are some significant lease opportunities for larger blocks of space, demand from larger tenants is weaker than tenants looking for space below 50,000 s/f (mid-market range). One larger noteworthy deal is the leasing of 75,000 s/f at 10 New Rd. in East Providence by Aspen Aerogel. This is another example of a larger single tenant facility (300,000 s/f) having been sub-divided to accommodate a more compatible tenant mix for the R.I. market. Two other examples of this trend are 275 Ferris Ave. in East Providence, which is a 300,000 s/f manufacturing facility sub-divided for tenants ranging from 40,000 s/f to 115,000 s/f and 100 Dupont Dr. in Providence, a 157,000 s/f manufacturing facility, sub-divided to accommodate a tenant mix between 20,000 s/f and 40,000 s/f. We expect demand to continue to be steady from the mid market range of Tenants through much of the fourth quarter and then dropping off again toward the end of the year.

On the new construction front, speculative building is non-existent. The cost to build continues to far exceed the ability for landlord's to offer competitive lease rates. Furthermore, with the vacancy rate up to slightly above 10% from last year and a higher quality of "shadow space" available there are more choices for tenants. On the user/buyer side new construction continued to be flat overall, except in a few circumstances where companies could not find a suitable existing property. Dejana Trucking purchased 54 acres in Smithfield and plans to build their new corporate headquarters on the site. Also, Herbold Granulator, a German based manufacturer of granulating equipment is under agreement on a 2 acre site in North Smithfield with their new building currently under construction and slated to be completed by mid February 2012.

Overall the industrial market is relatively healthy with an ebb and flow of supply and demand. Sale and lease transactions are getting completed and just as we see a flurry of new buildings come onto the market, we then see a flurry of deals taking other space off the market. Most of the deals getting inked, however, are being done at the more modern facilities, while the lower quality type buildings continue to languish. Nonetheless, the renewed activity levels are a positive sign for building owners and sellers as we head into 2012.

George Paskalis is a senior vice president/partner with MG Commercial Real Estate, Providence.