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Rhode Island industrial market: Slow but steady pace through the rest of the first half of 2012

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The Rhode Island industrial market, while sluggish at the outset of 2012, has realized an up tick in demand in the second half of the first quarter. The number of space requirements between 15,000 s/f and 25,000 s/f has been most noticeable and while there are several marquee transactions looming and or recently completed in the 50,000 s/f to 100,000 s/f range, it is worth mentioning that activity for buildings less than 15,000 s/f and free standing has, particularly on the sale side. This part of the market has been dormant since the peak of the industrial market in 2007. This is the most exciting news for the industrial sector and the economy at large in four years, as it means the small business owner is gaining confidence. Yet it remains to be seen whether this is just another short lived flurry of activity or the beginning of a steady growth period. Below is an overview of some of the deals in the first quarter of 2012.

Herbold Granulator closed on a 12,000 s/f "build-to-suit" industrial building in early March for \$1.2 million. While looking for more efficient space the build-to-suit option became viable because of the lack of suitable buildings available for ownership in this size range in Northern Rhode Island. SD Concepts recently purchased a 7,500 square foot facility in East Providence and Rhode Island Sheet Metal, Inc. purchased a 5,000 square foot facility in East Providence, as well. 895 Elmwood Ave., a 13,000 square foot warehouse/showroom facility in Providence is going under agreement.

Several marquee transactions include the expansion of Quick Fittings, Inc., a manufacturer and distributor of plumbing fittings, to 30 Plan Way, a 99,000 s/f facility in Warwick, Rhode Island. 50 Sharpe Dr., located in the Howard Industrial Park in Cranston, Rhode Island, is a 56,000 s/f modern industrial facility owned by John Crane, Inc. had three offers in the first month available and is going under agreement. Both of these relocations are due to expansion.

In the 15,000 s/f to 30,000 s/f realm, activity for modern functional space has picked up noticeably in the last 30 days and a few buildings are now under agreement, including 240 Bald Hill Road located on Rte. 2 in Warwick, R.I. This is a 31,000 s/f facility which was available for lease, but evolved into a purchase due to the favorability of low rates. 360 Farnum Pike in Smithfield, a 22,000 s/f truck repair facility on 3.5 acres, is in lease negotiations. 522 Jefferson Blvd. in Warwick, a 14,000 s/f modern office and warehouse facility on 3.5 acres, sold in foreclosure and was simultaneously leased to Air Gas.

In a market totaling almost 50,000 s/f of single story industrial space, just as easily as 248,000 s/f is absorbed by way of these example deals, more space comes on the market representative of the continual ebb and flow of supply and demand. Two new buildings totaling 78,000 s/f are now available for lease or sale in Warwick as a result of the Richline Group, a jewelry manufacturer, relocating to Attleboro, MA. The former BJ's at 1300 Hartford Ave. in Johnston, totals 105,000 s/f and is now also available as wholesale distribution space. Just after the former Liz Claiborne facility,

a 104,000 s/f was sold in the summer of 2011, another 120,000 s/f has just become available in the same Business Park. Demand for space above 100,000 s/f remains virtually non-existent. Larger blocks of space continue to skew the overall vacancy rate with a limited prospect pool from which to draw from locally. When we account for buildings less than 100,000 s/f, the vacancy rate is 6%-6.5%.

Looking ahead, we anticipate demand to continue to rise, albeit at a slow but steady pace through the rest of the first half of 2012. Given a reasonable supply of good modern space and the fact that lease rates are favorable, we expect there to be equilibrium between absorption and new supply to the market on the lease side. On the sale side, functionality and quality is directly related to time on market. Given the historic low interest rates, a lack of supply, and a preference to own by local users, we expect the competition for decent buildings to remain constant.

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