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The trend is slow, positive growth with improvements across many market segments

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As I said in an early 2012 article, "the trend is slow, positive growth, which is not bad. 2012 looks to be following that model, with slow, continual improvement across all market segments." Four months into the year, this has shown to be the case.

Downtown Office

In the downtown Providence office market during 2011, there was significant absorption outside of the financial district, helping the near 20% office vacancy rate drop back into the mid-teens where it had been since the beginning of the downturn. When Blue Cross left the Empire District three years ago for Capital Center and its new headquarters, there wasn't much doubt that it would be years until that space was absorbed. By the end of 2011, the Empire District was essentially full. 38 Studios took approximately 1/3 of the available space in 2010 (more to follow on this tenant), and then Hasbro and the city of Providence followed, making deals during 2011, and absorbing the balance of the 200,000 s/f of empty Blue Cross space. The success that 10 Memorial Blvd. (GTECH) has had over the last few years lead to the property being placed on the market for sale and being sold by USAA Insurance at the end of last year for ~\$51.5 million (~\$245 per s/f). There are also a few larger tenants poking around keeping downtown landlords mentally active.

Suburban Office

The suburban office market has seen some bright spots recently. Suburban vacancy rates have remained over 20% since the downturn but look to improve during this year with the help of the Warwick/West Bay market. The Warwick sub-market has seen some fairly substantial absorption with the expansion of Atrion Networking taking 32,000 s/f at Integlia's newest 50,000 s/f office property, 121 Metro Center Blvd. In addition, ADP leased 23,000' at 300 Jefferson Blvd. which is now close to fully occupied and 301 Metro Center Blvd., a second generation Integlia property has seen good activity with three new tenants. Northern Rhode Island remained flat during 2011, and continues to be so during 2012, with no significant new construction or demand. Smaller requirements are being satisfied but nothing of significance is going on. The large users (CVS, Fidelity) have been stable over the last year or two and have satisfied any requirements internally. A primary goal for all landlords at this point is to be very proactive with their existing tenant renewals.

Industrial

The Rhode Island industrial market in 2011 seemed to mirror 2010, as both years started off strong and as the years went on, demand/activity dropped off. 2012 looks to change that trend as it started strong and looks to continue through the end of the year, at least with user sales. On the downside, inventories have been creeping up with significant new availabilities in the north and the West Bay markets such as 9 Powder Hill Rd. (52,000 s/f) and 2 Carol Dr. (40,000 s/f) in Lincoln and 50

Colorado Ave. (36,000 s/f), 55 Colorado Ave. (52,500 s/f) and 185 Jefferson Blvd. (43,000 s/f) in Warwick. Industrial leasing remained slow during 2011 and still looks to remain flat throughout 2012, with rental rates holding in the \$3-\$5 net range.

Retail

The retail market has also seen some new activity. A few bright spots include the new Jordan's Furniture and Nordstrom Rack locations that added 150,000 s/f at the Warwick Mall during 2012 and the expansion and planned renovations to Garden City Shopping Center. Newer tenants there include Anthropologie and Pinkberry. The national chains are generally staying in the background in the Rhode Island market, with vacancies at many retail centers coming and going, new restaurant models 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. Although, they will be looking for opportunities in Rhode Island during 2012, it will continue to be only the absolute best locations that will attract any attention from them. The consensus is that most retail trends are pointing in a positive direction in Rhode Island for the balance of the year.

Michael Giuttari, SIOR, is president of MG Commercial Real Estate, Providence.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540