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## **R.I. industrial market: Strong throughout 2007 with notable sales, leasing and land transactions**

February 27, 2008 - Spotlights

The R.I. industrial market has been strong throughout 2007 with notable sales, leasing and land transactions of all sizes. While 2006 was a more measured and steady market, this past year showed an increased demand for quality building and land inventory. As in prior years, there continues to be more interest in facilities for sale rather than for lease with modern quality facilities continuing to be in the highest demand.

### Industrial Lease Rate

The leasing market, at the moment, can be categorized as moderate, with several notable transactions such as the Colibri Group's commitment to lease 111,000 s/f in E. Providence and Amtrol occupying 152,000 s/f at Precision Park in N. Kingstown. With several new high bay warehouse spaces becoming available, such as the Ocean State Job Lot space in N. Kingstown, R.I. we will finally have quality warehouse product unlike prior years.

Industrial lease rates range from \$3.50 - \$9 per s/f NNN. Smaller buildings commanding higher rent, larger buildings lower. Pricing depends on the age of the building, location, ceiling height and overall condition of the facility.

### Sales

Interest in purchasing modern industrial facilities continues to be the area in highest demand. When this property type becomes available, it generates solid interest. Prospects are actively searching for quality and showing less enthusiasm for the inventory of older buildings.

Sale prices range from \$30 - \$85 per s/f with smaller buildings commanding a higher price than larger ones. As with leasing, the age of the building, location and overall condition influence price levels. Rapid appreciation over the past few years has slowed somewhat, but the market is holding on to those gains.

A few notable transactions in 2007 located throughout the state were One Vision Blvd. in E. Providence (115,000 s/f), 35 Industrial Rd. in Cumberland (113,000 s/f), and 89 Tom Harvey Rd. in Westerly (132,000 s/f).

### Land

Industrial land sites that are ready for development have seen significant interest over the past year. Land developments such as Quonset, Lakeside Commerce Center in Johnston, Smithfield Business Park and the Plainfield Pike area all show strong activity and numerous transactions. Fully utilitized industrial land sites in park settings are selling between \$170,000 and \$325,000 per acre. As long as there is a lack of quality inventory, land will continue to attract buyers, even in the face of rising construction costs.

### Redevelopment Trends

Our industrial market continues to see the redevelopment of older multi-story mills to apartments

and office conversion uses such as The Foundry, the American Locomotive Works at 555 Valley Street in Providence and the recent sale of the former Paramount Card property, a 335,000 square foot mill in Pawtucket. There were fewer transactions of large, single-story manufacturing buildings converted to office space as there has been in prior years. There has also been very little speculative construction taking place.

#### Industrial Trends

With the decline of manufacturing activity, based on increased global competition and overall cost of doing business in the region, the majority of demand is coming from companies with a warehouse component. We continue to experience a shrinking inventory of modern facilities due to the conversions that have taken place over the past few years to office space. Until interest rates increase significantly, we can still expect to see more interest in ownership rather than leasing. However, the impact of credit market turmoil has yet to impact Rhode Island fully.

#### Forecast

We expect the market to remain active for buyers searching for well-located modern facilities for sale. With close to 1 million square feet of active requirements and pending deals in the market, the momentum looks to continue into the new year. When the economy is soaring, Rhode Island never seems to get too far ahead of itself and even if the economy declines, we should be less affected by a downturn than other states within New England. We are successfully evolving from a manufacturing-based economy to one adapting to the realities of the global marketplace. This has resulted in companies utilizing and upgrading existing facilities, searching out newer more flexible opportunities, and when not available, looking to build them.

Overall, it continues to be good times for the industrial real estate market.

Thomas Barry is VP and Jay Fluck is executive VP, SIOR at CB Richard Ellis, Providence, RI.

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