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Rhode Island commercial market is improving and has caught the eye of outside investors

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Rhode Island seems to have caught the eye of outside investors, again. This potentially bodes well for the states commercial real estate market going into 2013. Initially, the office market has seen some major players come in and scoop up two substantial office properties, one in Downtown Providence and another in Warwick. Add to that, some substantial moves in the office market, and the future looks bright(er).

Boston-based Berkeley Investments sold the office building at 15 LaSalle Sq. in downtown Providence for \$29.8 million to Oak Brook, Illinois based Inland Real Estate Acquisitions. Hasbro had just signed a 12 year lease for the 135,000 s/f building (aka One Hasbro Place). Also out of Boston, Albany Road Real Estate Partners purchased 475 Kilvert St. within the last month. This 140,000 s/f, class A office building at the Rte. 95 and Airport Connector sold for \$13.6 million. The anchor tenant is United HealthCare along with others which include Konica Minolta, AT&T and the GSA.

Additionally, the law firm Partridge Snow & Hahn is moving into approximately 30,000 s/f in the financial district at 40 Westminster St. They have placed their 25,000 s/f, South Main St. building on the market for sale, opening up an opportunity for more movement around the city.

In general, the office lease market around the state remains stagnant; the suburbs remain quiet with soft demand both north and south of Providence. Although there were a few notable deals in the Warwick (West Bay) market during 2012 (Mass Mutual 12,000 s/f lease at 125 Metro Center, Atrion 32,000 s/f sale at 125 Metro Center, ADP 25,000 s/f lease at 300 Jefferson Blvd., Salve Regina 12,000 s/f at 144 Metro Center), the demand for expansion space or from incoming tenants is very low.

In the industrial market, activity remains soft on the lease side (as it does in the office market), but the sale side continues to pick up momentum with interest rates remaining low and the SBA's 504 loan program pushing it along. For a user to be able to purchase a building with a 10% down payment and interest rates in the 4- 4.5% range, the thought of leasing does not even enter the search process. Companies such as Donnelly's Uniforms (57,000 s/f at 50 Sharpe Dr., Cranston), WinkFlash (51,000 s/f at 96 Frank Mossberg Dr., Attleboro), Alcor (28,000 s/f at 20 Thurber Blvd. Smithfield), Alvit Tool (21,000 s/f at 385 John Dietsch Blvd., North Attleboro) and Rhody Rug (50,000 s/f at 9 Powder Hill Rd., Lincoln) have all recently taken advantage of this program that is moving the industrial sale market forward, and will keep it going through 2013.

This good news leads to a potential negative side effect in the market, lack of good product availability. The activity is great and the sales certainly help all involved, but where do we get the next available buildings from? With new construction non-existent in this market, it makes the brokers work even harder to uncover potentially available buildings.

The retail market in Rhode Island limps along, outside of a few statement locations such as the Warwick Mall in Warwick and Garden City Center in Cranston. These two locations have attracted such signature retailers as Jordan's Furniture, Nordstrom Rack, LA Fitness and Pottery Barn; all either just opened or will be opening in early-mid 2013.

There continues to be an endless supply of upscale frozen yogurt brands and locations opening up around Rhode Island. Time will tell what becomes of these. Chipotle continues to expand in this market with their most recent opening on Post Road in Warwick. All of the signs are that this location will be another successful site for them during 2013.

As Barnes & Nobles continues to struggle, indications are that more store closings will follow a poor holiday season. With three locations in the Rhode Island market, this could be another negative hit to the retail market during 2013. Along the Rte. 2 and Rte. 6 corridors, there remain large vacancies from past closings. One bright spot is that the new Hobby Lobby finally opened at 945 Bald Hill Rd. (Rte. 2) in Warwick eating up the 40,000 s/f of vacancy left by the old CompUSA space in that center.

Although it is "not like it used to be", the commercial real estate market in Rhode Island is improving, on the upswing, past the bottom, trending upward, however you want to phrase it... The good news is that it is better than it has been and 2013 looks to be better than 2012.

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