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Signs of recovery are encouraging, however leaders need to create more jobs to help economy

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Here it is spring again and as we look forward we see that the Rhode Island real estate market has begun to reflect the overall positive economic climate. The signs of recovery are evident with unemployment rates decreasing to their lowest levels since 2008 and the overall economic conditions, as reflected in the Lardaro economic index, beginning to show positive signs. Residential sales are up for single-family, multifamily and condominiums, while prices remain relatively flat. Foreclosures are at their lowest levels in years. While these are all good indicators of economic growth, we are still facing challenges, specifically in job growth.

From an office market perspective, the number of transactions across the market continues to grow. The major transactions of last year have resulted in occupancy by Hasbro in Providence and ADP in Warwick. A recent announcement by Tunstall stated that they will be occupying 85,000 s/f at 100 Freight St. in Pawtucket, which removes a substantial block of office space from the market. The office market is finally reaching a level of equilibrium and there is some very quiet talk of the beginning of some speculative building in the next few months. While this will be driven by tenant requirements, it is a very good sign. There are a number of requirements in the market that should transpire in the next two quarters. The obvious signs of lower vacancy, greater absorption and evidence of upward pressure on rents clearly show a market that has stabilized.

While the relocation of Bank of America to 100 West and One Financial Plaza, have left the Industrial National Building empty, we don't see this as a significant drag on the market. The building is in need of repositioning with an alternative use and is not considered as a viable alternative to space in the market. The ownership is seeking state help via tax credits to renovate the building to a mixed use. Discussions are underway as to how much help will be granted and we continue to monitor this progression.

In the industrial market, the activity continues to be steady and should continue through the remainder of the year. Toray's leasing of 255,000 s/f in East Greenwich and Eaton's leasing of 145,000 s/f in East Providence were the two major transactions last year. Both were for primarily warehousing requirements. The market continues to be somewhat challenged with existing inventory being older buildings with short ceilings and by a lack of modern high bay space. There is sufficient inventory to meet the existing demand and there is very little to no demand for speculative construction.

The retail market place is the most obvious reflection of an improving economy as areas that have seen little activity are beginning to see increases in leasing and absorption. A primary indicator is the sale of 1400 Bald Hill Rd., Warwick, on the Rte. 2 corridor. This 25,000 s/f retail center had remained empty since Petco relocated in 2010. There had been random interest over the last year and it was finally sold to an investor, with a tenant in hand, at the end of the year. Activity along the

major and secondary corridors has increased.

Rhode Island is doing considerably better than what we were led to believe. We have never flirted with a double dip recession since the end of the last recession almost three years ago. But while Rhode Island's economy was improving, so were the economies of almost every state in the nation. Six years from our prior payroll employment peak in December of 2006, Rhode Island employment rate remains about 6% below where it once was. Ironically, while our unemployment rate has declined to below 10%, we continue to have one of the highest unemployment rates in the country. Signs of a steady recovery are encouraging in almost all sectors of the real-estate marketplace. However, there is a need for a concerted effort between our state leaders and government to help create jobs for the Rhode Island economy. Job creation is vital to for a positive economic turn around and to gain the ability to compete not only with neighboring states but the region in general. Thomas Sweeney, SIOR, is president of Sweeney Real Estate & Appraisal, Providence, R.I.

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