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Rhode Island office market leasing activity remains steady; vacancy down to 16.2 percent

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The Rhode Island office market continues to improve from the 1st Quarter of 2012. In Providence, which experienced a significant decrease in vacancy rates from 19.5% to 16.2%, it is an encouraging sign that leasing activity, although still not robust, remains steady.

40 Westminster St. has recently secured a 30,000 s/f law firm; Bank of America has renewed its lease at 100 Westminster St. and One Financial Plaza. The Bank has also moved its remaining employees from 110 Westminster St. and taken additional space in both buildings. At Citizens Plaza, Ameriprise has leased 12,500 s/f and one of the largest building tenants has recently renewed. Deloitte has recently signed up for 12,000 s/f at 10 Charles St. and Delta Dental has expanded into the first floor. At West Exchange St., Retail Solutions recently leased 20,000 s/f.

Two of the more significant developments in the Providence market are the owners of the 310,000 s/f, 110 Westminster St. property may be contemplating a residential conversion, and the same is being considered by owners of the 180,000 s/f building located at The Foundry. We will be watching those two properties closely as a residential conversion would significantly change the office supply and vacancy rates in the Providence market.

Another encouraging sign in the city is the number of Request For Proposals in the market for large blocks of space. The GSA, Roger Williams University, and the State of Rhode Island have significant requirements for office space in 2013. And in the Jewelry District, we anticipate continued growth from Brown University, Lifespan, Care New England and Johnson & Wales University. Johnson & Wales is about to break ground on its new facility on the Rte.195 land and a new Johnson & Wales garage on Pine St. is currently under construction.

Investment sales (Capital Markets) have also been notable. The GTECH Building, LaSalle Sq. and currently Citizens Plaza have changed hands recently.

In the Rhode Island suburban market, vacancy rates have decreased from 22% a year ago to the current rate of 18.8%

In the northern suburban market, vacancy rates remain at 16% and leasing activity increased slightly. The most significant change in this market will be the introduction of a newly reconstructed 360,000 s/f class A suburban office park located at 1301 Atwood Ave. next to FM Global headquarters in Johnston.

The East Bay suburban market is active lately. Lifespan has recently signed a lease at 900 Warren Ave. and Fresenius Medical just signed on at 401-501 Wampanoag Trail in East Providence, leaving a slight decrease in vacancy from 8.9% to 8.2%.

The West Bay suburban market easily remains the most active market. Prudential Insurance, the United States Coast Guard, ADP, Alex and Ani, First Comp, and Lifespan all signed leases recently in the market lowering vacancy rates under 20% for the first time in several years.

Capital Market activity was also notable in the suburbs. 475 Kilvert St., The Rhode Island Mall and several multifamily projects were sold in recent months.

As predicted last year, there is some stability to the Rhode Island office market. Rental rates are no longer moving lower and in some instances in Providence, rental rates are increasing.

The continuing lack of new construction in the market will enable existing office space to slowly be absorbed. Expect vacancy rates to continue a slow decline and rental rates start to move up by the end of 2013.

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