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## **R.I. market will continue its steady recovery; One of the bright signs is redevelopment of residential housing in downtown Providence**

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As we look ahead to the year end 2013 and into 2014, the Rhode Island real estate market continues its slow but steady recovery. Across the board there are both encouraging and discouraging signs. In general the Rhode Island economy is in a recovery mode but that recovery still lags behind the recovery in other New England states. We continue to benefit from our proximity to Boston, but the trickle down has not reached us. Prices have stabilized but there is some underlying fear of increasing interest rates. While national investors are weary of increasing interest most feel that increasing rents and decreasing vacancies will deflect the impact of those increases. In Rhode Island, due to the limited upward pressure on rental rates and sale prices, any increase in interest rates would have more of a negative impact on the market.

A look across all phases of the market shows that there was a slight increase in vacancy rates in all types in the 3rd quarter. Rental rates moved upward slightly in the office sector but declined in both the industrial and retail sectors. Sales activity has increased slightly over 2012 with most sectors showing the anticipated stability in pricing. Significant sale transactions in 2013 include the sale of the 140,000 s/f Polytop industrial facility in North Smithfield to a Boston investment group, Albany Rd.'s purchase of the 117,000 s/f 15 Park Row West office property in Providence, the purchase of the 100,000 s/f office/warehouse property at 275 West Natick Rd. in Warwick and the recently consummated sale of the ALCO property in Providence to Foundry Associates. On the leasing side Tunstall has occupied the 85,000 s/f at 100 Freight St. in Pawtucket, Liberty Title moving into 20,000 s/f at 275 West Natick Rd. in Warwick and American Express Financial Advisors moving into 25,000 s/f at Chapel View in Cranston. A good sign of the recovery is the future development of the Leviton property in Warwick by Michael Integlia, the new construction of the Coastway Community Bank corporate headquarters in MetroCenter in Warwick, Swiple's anticipated occupancy of 30,000 s/f in Downtown and the coming online of the I-195 development sites.

While the disposition of the I-195 land is not happening as swiftly as some would like, the commission that oversees that project is taking a measured approach. They have hired an executive director and are proceeding in an orderly fashion to deliver pad ready sites to the market. The combination of Meds and Eds potential in this district should be a driving force for future economic development in the city of Providence and the state in general. The collaboration between a private developer, Brown University, the University of Rhode Island and Rhode Island College in the proposed renovation of the Dynamo House into office space and the nursing school and student housing on the Davol Sq. site should be another catalyst for the area.

One of the bright signs is the ongoing redevelopment of residential housing in downtown Providence including the Providence G, the Arcade microlofts and the newer projects proposed for the Laptham

Building and the Kinsley Building on Westminster St. Demand for downtown living space is still high and these projects will add product to the mix. Most of the projects are coming on line with preleased units and are stabilizing very quickly. The area on the west side of Dorrance St. is quickly becoming a destination in the city with a mix of residential and retail uses.

As we look forward, the Rhode Island market will continue its slow but steady recovery. Growth will be limited by the lack of any large scale demand in the market. There are a number of good size GSA requirements in the market but there are no private ones on the horizon. We feel that the driving force in the market will mostly be growth in small entrepreneurial companies and local businesses. This has been the historical pattern in the state and we feel that it will continue. The reinstatement, on a limited basis, of the state's historic tax credits should have a positive impact on development. We see Rhode Island continuing to benefit from its proximity to Boston but without a sustained driving force, growth will continue to be limited.

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