



# nerej

## **Providence office market remains an attractive alternative to regional and national investors**

March 26, 2008 - Spotlights

Office building sales have been "the story" over the last few years in Providence compared to the leasing market.

The office properties that have sold are shown in the top image to the right:

Office property investors have come to perceive the Providence office market as steady and solid.

This is due to two noteworthy factors;

- 1) there has only been one new office building built since 1990, the 220,000 s/f GTECH Center property, and
- 2) several office buildings have been purchased by the educational and medical institutions, decreasing the supply of the conventional office space.

With limited new office property development, coupled with a shrinking inventory, rates have steadily increased.

Blue Cross & Blue Shield of Rhode Island (BCBS) is constructing a new 325,000 s/f 13-story headquarters building in the Capital Center district of Providence. The building is slated for completion in the first quarter of 2010. The state chartered, non-profit insurer currently has 1,100 employees located in six locations around Providence. Once the move to the new headquarters is completed, it is expected the two largest buildings being vacated and currently owned by BCBS will be available. LaSalle Plaza is 137,000 s/f/6 stories, and One Empire St. is 95,000 s/f/6 stories.

The office vacancy rate in Providence is currently 9.25% for Class A and 7.5% for Class B.

Large leases which have been consummated over the past few years are shown in the lower image to the left:

In addition to GTECH's lease at GTECH Center, there are two floors (9 and 10) which have been available for lease totaling 55,000 s/f. Each floor is 27,500 s/f and one lease has been signed for 8,500 s/f on the 9th floor by The Koffler Group. The asking rent for this building is \$38 per s/f, net electric.

The Class A market rents range from \$25 to \$38 per s/f and the Class B range is \$19 to \$23 per s/f.

There are no set plans for any new major "ground up" office developments without a prior significant lease commitment.

The Procaccianti Group owns the former site where the Providence Fire and Police Headquarters were located. They have the ability to build up to 300 feet or 28 to 30 stories.

Capital Properties has more developable sites available on Parcel 6 in Capital Center on land leases next to Citizens Plaza and the Capital Cove development near the train station.

Clearly, Providence remains an attractive alternative to regional and national investors who look for quality value and location.

Pete Hayes, SIOR, and Karl Sherry, SIOR, are partners of Hayes & Sherry Real Estate Services, Providence, R.I.

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