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The Rhode Island industrial market in the first quarter of 2014 has been very active. The market began to shift in late 2013 from a quiet, but steady pace to a significant increase in demand as if the flood gates opened. The number of space requirements has increased noticeably particularly in the 50,000 s/f to 150,000 s/f range. Space requirements between 10,000 s/f to 50,000 s/f are noticeable as well, but since our market is comprised of mostly these size requirements overall, it is not surprising. What is surprising is the number of larger space requirements.

Several notable transactions we completed in the first quarter of 2014, include 112,000 s/f lease transaction with V.P.I. (3PL/Supply Chain Services) located at 100 Higginson Ave. in Lincoln. Also known as the Collyer Business Center, 100 Higginson Ave. is comprised of 473,000 s/f of warehouse and/or manufacturing space. Since becoming available, three tenants have taken space totaling over 200,000 s/f. The most recent tenant to take space, in addition to V.P.I., is NOVA Services, which leased 36,000 s/f. Currently, there is approximately 250,000 s/f available, which can be sub-divided down to 38,000 s/f.

Further absorption has occurred this first quarter with the leasing of 120,000 s/f of warehouse space at 13 Powder Hill Rd. in Lincoln to Hope Valley Industries, a manufacturer of car floor mats. Another Rhode Island manufacturer leased an approximate 25,000 s/f at 35 Martin St. in Cumberland and plan to expand up to 60,000 s/f over the next three years. Narragansett Electric leased 44,000 s/f and 17 acres of lay-down yard space for their continued improvement projects in Smithfield.

At 275 Ferris Ave. in East Providence, a 300,000 s/f manufacturing and warehouse facility, a number of short term lease arrangements in size ranges between 40,000 s/f and 60,000 s/f were completed for fulfillment projects, extending through the first Q 2014. The only two facilities with larger blocks of space available north of Providence are 100 Higginson Ave. in Lincoln and 275 Ferris Ave. in East Providence.

In central and southern Rhode Island, the same larger industrial facilities continue to have space available, but the supply of single Tenant facilities above 50,000 s/f is lacking. The only signature property of this kind is 111 Energy Way in West Warwick, which is a 60,000 s/f, high bay warehouse. There are three prospects considering either leasing or purchasing this property.

While the absorption of space is encouraging news for the Rhode Island marketplace, the down side is that the availability of single-tenant and/or owner/operator type buildings has dwindled considerably. Because our market is comprised of approximately 50 million s/f of single story industrial space, an increase in demand at the current "jet setting" pace can have a profound impact to the market fundamentals. Our firm is representing a number of clients seeking industrial facilities to purchase from 100,000 s/f to 300,000 s/f. After a thorough sweep of the market, their attention is beginning to turn toward land acquisition and new building construction, a trend which has not been

seen in decades. This interest in new construction has increased the need for "shovel ready" sites. Our firm is representing several industrial parks currently in the development stages, including Branch River Commerce Park in North Smithfield, which can deliver up to 25 contiguous acres and fit a building footprint of over 300,000 s/f. Likewise, a new business park being considered and in the design stages in Johnston originally began as a pure retail power center, but with an increase in interest for industrial sites, it is now being designed to accommodate a mix of retail and industrial uses with industrial footprints up to 300,000 s/f, as well.

Despite the inconsistency with economic recovery, some sectors expanding, while others are contracting, we do expect the number of new requirements to remain steady. The need for new space has been driven by several factors, including Tenants turning towards real estate ownership due to the favorable historically low interest rates, business acquisition and consolidation, and companies re-investing into new equipment causing the need for more modern space. Expansion is also part of the equation whether contract based or as a result of sustained growth. This should result in an increase in recorded second quarter transaction volume.

Furthermore, as the availability of existing alternative buildings narrows demand for land should increase and new construction projects will bring new modern building product to our market.

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