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Rhode Island office market will continue its upward march during 2014

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There was marginal improvement in the overall vacancy rate for the Rhode Island office market and for Providence last year.

In Providence, the vacancy rate was 15.5% in the first quarter of 2013 and since then, has lowered to 14.5%. Concessions by landlords have tightened up with no new product being added to the office inventory.

Adler Pollock & Sheehan (39,986 s/f), Merrill Lynch (18,500 s/f) and Burns & Levinson (7,500 s/f) all signed long-term renewals at One Citizens Plaza. Additionally, Nortek signed a ten-year lease for 24,000 s/f at 500 Exchange St.

On a very positive note, the South St. Power Station, formerly known as "Dynamo House" over the last few years, has a grand new plan. Commonwealth Ventures Properties is working with Brown University, the University of Rhode Island (URI) and Rhode Island College (RIC) to renovate up to 120,000 s/f for a shared nursing education center for URI and RIC, and 120,000 s/f of administrative offices for Brown University. In addition to the above, there is serious discussion for a large apartment style student residence and parking garage on adjacent parcels.

On the Capital Markets side, Paolino Properties paid approximately \$60 million for the 350,000 s/f 100 Westminster St. tower, the attached historic building at 30 Kennedy Plaza, and parking lot at 100 Westminster St. The tower was the former Fleet Bank headquarters and the parking lot is a future development site.

The Foundry Associates purchased the five building, 200,000 s/f former American Locomotive Works (ALCO) property which was converted into office space in 2008 for \$19,050,000. The 11.8 acre site sits just west of Downtown Providence in the Promenade St. district.

For future office development in the "Knowledge District" (formerly referred to as the Jewelry District), the Victory Place site is 5.3 acres which is located at Rte. 95 and the new Rte. 195, between the Hospital District, Brown University's Medical School and Johnson & Wales University. It is being marketed to "Meds & Eds" users, residential developers, hotel groups and retailers.

The former Rte. 195 land opened up 40 acres, of which approximately 19 acres is usable. The Rte. 195 Development District Commission is calling the developable land "The Link".

In the suburbs, the West Bay went from an 18.6% vacancy in the first quarter of 2013 to 17% today. Michael Integlia & Company is completing a 45,000 s/f build-to-suit for Coastway Community Bank off Metro Center Blvd. in Warwick.

In Johnston, Northwoods is a 341,000 s/f, \$65 million development on 150 acres located just off Rtes. 295 and 6, and 5 minutes from Downtown Providence. Dassault Systemes is the lead tenant committing to 90,000 s/f and will move in this fall. This Class A development is the largest office development currently under construction in Rhode Island.

In Lincoln, RJB Properties is constructing a 36,000 s/f, Class A office building at 640 George Washington Hwy. which will be ready for occupancy the fourth quarter of 2014.

The East Bay suburban market has been quiet with vacancy rates rising slightly from 8.2% to 8.9%. We are optimistic that the Rhode Island economy will continue its upward march during 2014 but we do not expect robust growth. Overall the market is stable.

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