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## **Real estate market is in full recovery and there are more signs of appreciation in all phases**

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Looking forward to the end of 2014 and into 2015, the ever lingering question "is it getting better" remains. From an economic point view there are clear signs that it is. Unemployment is down 1% and stable from the previous quarter. The number of jobs created continues to increase with approximately 12,900 jobs created this year. Leonard Lardaro Ph.D. of the University of Rhode Island (URI), in his Current Condition Index (CCI) stated "We appear to have transitioned from a period where the current recovery was becoming less broadly based into one where economic momentum is increasing". This is based on the fact that Rhode Island sustained its improved momentum and has actually increased for the first time in 12 months according to Lardaro's CCI. So clearly we are in recovery and it is getting better.

However, there are still things that make both consumers and market participants somewhat hesitant to jump on the recovery bus. The state still has the highest unemployment in the New England region and is 3rd in the country overall. There remains a lack of confidence as there is no tangible evidence of growth and development. While consumers see the roadways being constructed for the I-195 redevelopment area, they have not seen any new development within the area. Although shovels aren't hitting the dirt just yet, the Commission has been working hard to lay ground work and develop a streamlined system for future development. While this approach will produce the most benefit going forward, it does not provide the "cranes over the city" view that people, especially Rhode Islanders, like to see.

So what has happened?

In the Industrial market, there is relatively strong activity. Sales prices and rents are trending up and vacancy rates continue to decline. Major transactions include Okonite purchasing of approximately 300,000 s/f facility in Cumberland, Hope Valley Industries occupying 100,000 s/f in Lincoln, VPI occupying 112,000 s/f and Nova occupying 36,800 s/f in Lincoln and Eastern Connection occupying 30,000 s/f in Cumberland. Quonset Point is still very active with Edesia planning an 85,000 s/f facility with expansion potential. The industrial market is as healthy as it has been in a number of years. The lone issue continues to be the lack of high bay warehouse and/or manufacturing space in the 15,000 to 30,000 s/f range. This has resulted in companies having to broaden their search areas and in one case has resulted in the relocation of a Rhode Island company to nearby Massachusetts. In the office market, on the leasing side, overall vacancy is down to 8.6% with positive absorption throughout all classes of space. There were over 40 office transactions across the market with the relocations by Nortek and Coastway Credit Union and Swipely's expansion being the most significant ones. The South St. Landing project with co-tenancy by the URI/RIC nursing school and Brown University continues to move forward. There are a number of requirements that have been rumored and some announced including the Roger Williams Law School. Overall the office market

continues to recover and there is even a lack of quality Class B space for smaller tenants in the downtown area.

The retail market continues to show the most signs of recovery. Retail corridors which were suffering from high vacancy rates are now seeing vacancy continue to decline and the opening of new stores is a cognitive example of a better market. The ongoing renovation and expansion at Garden City, the expansion of Chapel View, the proposed outlet center at Rhode Island Mall and the ongoing development of Dowling Village are the best examples. National tenants are looking at these and other locations in the Rhode Island market and are committing to them. This has a positive impact on the market overall as regional and local tenants look at proximate locations to these centers and benefit from that proximity.

So there is the proof that things are better.

So where do we go from here. The biggest impact on that is what happens on November 4th. This election will result in a new governor for the state and a new mayor for the city of Providence. The direction that the state's chief executive and the leader of the state's largest city take could have a dramatic impact on the real estate market. The main issues in the campaigns have been job development and growth. Obviously anything that results in both will have a positive impact on the commercial real estate market. We hope that a sustained and supportable plan can be devised to encourage not only new development in the I-195 development area but throughout the state. This will further foster new development and redevelopment of real estate throughout the state and have a positive impact on the market in general.

In conclusion, it appears the real estate market is in full recovery and there are more signs of appreciation throughout all phases. The challenge is to build on the successes but also to understand the underlying challenges. Though we don't see the cranes over Providence, as we did in the early 2000's and are seeing in Boston today, we will in the near future as long as we hold true to this path.

Tom Sweeney, SIOR is president of Sweeney Real Estate & Appraisal, Providence, R.I.

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