

R.I. market looks for new growth from EDC's Business Innovation Factory and Slater Tech. Fund

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The Rhode Island industrial market consists of approximately 46 million s/f of owner occupied or leasable space, up slightly from last year. The market is primarily made up of free standing, owner occupied buildings ranging from 10,000 to 70,000 s/f. The local manufacturing base has continued to decline through consolidations, resulting in vacancy across the market. Larger buildings constitute the majority of vacant space and are presently difficult to fill. The overall industrial vacancy is 8.3%, up from 5.7% in 2006. Seven buildings represent 1.372 million s/f or 36% of the overall vacancy; these are larger buildings that have not generally tracked well in our market for the last twelve months.

Pricing for existing buildings is steady or declining from peaks reached in 2006; buildings of 50,000 s/f or more are trading in the \$30 to \$45 per s/f range, buildings of 20,000 to 50,000 s/f are trading in the \$40 to \$65 per s/f range, and buildings smaller than 20,000 s/f are trading in the \$50 to \$85 per s/f range. The leasing market is soft in the larger spaces and steady for the smaller spaces. Pricing ranges from \$6.50 to \$8.00 per s/f NNN for space under 20,000 s/f and \$3.00 - \$4.25 per s/f for larger spaces.

The demand for land has been strong in the industrial market, primarily due to a lack of availability of 10,000 to 50,000 s/f buildings. This is evidenced by several new buildings in the Smithfield Business Park at I-295. Likewise, there have been several sales at the Lakeside Commerce Center; two buildings under construction in Western Cranston; and several transactions of land at Quonset Business Park. Infill parcels have been developed throughout Rhode Island, putting pressure on land prices as scarcity becomes more of a problem. The Smithfield Business Park at I-295 took two years to permit, subdivide, clear and build infrastructure. This type of lead time in a state that has so little land is counter-productive. Cities and towns must undertake planned growth in suitable areas aggressively or see their tax bases stagnate. Western Cranston has aggressively sought development and has succeeded over the years.

Quonset Business Park continues to come alive with activity. Boston Fund's announcement of its \$80 million mixed-use project coupled with the completion of the Route 403 connector have set the table for additional construction of the Commerce Business Park, industrial, and waterfront developments. At present, thirteen parcels of land are under agreement, in due diligence or recently closed. This completes Kiefer Park and leaves only one parcel in West Davisville.

Our forecast is for new industrial growth driven through the initiatives of the R.I. Economic Development Corp. and its Business Innovation Factory, the Slater Technology Fund's efforts and collaboration among institutions of higher learning, healthcare industries and hospitals. From these efforts, Rhode Island will continue to emerge as a powerful submarket of the Greater Boston market. The demand for traditional warehouse and distribution facilities and the ever-increasing need for

on-time fulfillment efforts will foster long term health in this market.

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