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As economy continues to improve, market conditions and activity should improve too

March 26, 2015 - Spotlights

The snow has finally stopped and market participants are turning their attention from "how am I going to get the snow off my roof?", "how much water damage did my building sustain?" and "what is my insurance agents phone number?" to actually running their businesses and looking ahead to the future. I've always been one of those people who would say that while activity slows down during the holidays and at the end of the year, the commercial market is not as seasonally biased as the residential market is, well this year proved that wrong. While commercial activity usually is not weather dependent, the record amount of snowfall over the last six weeks clearly had an impact. The interesting thing is that as soon as we had a week of temperatures in the 40's the amount of inquiries increased and things appear to be happening.

Rhode Island enters the spring with a new governor, Gina Raimondo and secretary of Commerce, Stefan Pryor. In presenting her first budget to legislature at the beginning of March governor Raimondo revealed an \$8.6 billion spending plan for the fiscal year with one thing in mind, jobs, jobs, jobs. The goal is to build skills by investing in education and make Rhode Island attractive to new and existing companies with economic incentives and innovation in government.

The to-do list for the next five years is lengthy and intriguing. Governor Raimondo wants to eliminate the state sales tax on commercial energy, invest \$25 million into the I-195 redevelopment district, develop real estate incentives around transit hubs and historic structures and create an "anchor tax credit" to encourage relocation to Rhode Island. The plan also provides \$5.2 million for assistance for small businesses, \$1 million for incubator space for innovative companies, as well as a job-creation tax-credit for current employers to create more jobs.

So what does all of this mean in terms of the Rhode Island real estate market? Obviously the hope is that the jobs created by the programs will act as a catalyst for new development across all phases of real estate and all areas of the state. The primary focus currently is the I-195 redevelopment district. At present only two projects have been approved by the commission and both are currently going through the development process, including final design and negotiations with the city of Providence on potential tax stabilization agreements. The Brown University - RIC/URI Nursing School anchored South St. Landing project is moving forward. The recent announcement of the potential relocation of the Pawtucket Red Sox to a waterfront parcel in the district has enlivened the market but there are still a number of issues that have to be addressed before this plan can become a reality. The ownership group led by local attorney James Skeffington and Larry Luchino (of the Boston Red Sox) are making their argument for the project and the economic consequences of it to both statewide and citywide stakeholders. This is a very exciting proposal, but there are still many questions that need to be answered.

With regards to the overall market as we go into the spring, evidence is abound that while there was

a lapse in activity over the last six weeks, market participants are reacting to the overall improvement in not only the regional but the local economy too. Properties that have sat on the market for a number of years have been sold and the amount of inventory for quality properties is getting tighter. On the industrial side, demand still exists in the market for newer high bay warehouses, but we still are not at a point where speculative development is occurring. The office market statewide and in downtown Providence continues to improve. The sale of 170 Westminster St., to the owner of the G Building, for conversion to apartment use, removes a significant block of Class B space from the market. Vacancy continues to decline and there are signs of upward pressure on rents for well-located spaces. The retail market continues to improve with secondary locations beginning to see improved occupancy.

Overall the forecast going into the second quarter of 2015 is one of subdued optimism. As the economy continues to improve, market conditions and activity should improve too. As shown by the focus of the governor's budget, job creation is the main catalyst to this improvement and until we begin to see concrete signs of this there will still remain some concern.

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