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R.I. commercial real estate market report: office sector is solid in Providence and suburbs

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The Rhode Island commercial real estate market is healthy with the current market in the tenant's favor. There is a feeling that the capital markets instability will bypass Rhode Island, and while there may be a slowdown in institutional investment and sales, this is buffered by a current occupancy level of 88% in Providence Class A space. On the surface that may not sound strong, but of the 330,000 s/f of available Class A space nearly 48% is at the Foundry and currently in shell condition and will be built out upon signed leases. Therefore, excluding the newly added Foundry space, the Providence Class A office market is at a stable 94%.

From a capital markets perspective, Providence is Rhode Island's capital city, home to five colleges and universities, and many major financial institutions, including Fidelity, Bank of America, Citizens Bank and Sovereign Bank, all of which have a major presence in Providence. These uses provide Providence with the long term stability which is so important for institutional capital and should bring attention back to the city once the capital markets rebound nationally.

Suburban office markets have enjoyed significant absorption over the first quarter, with about 400,000 s/f reportedly either leased or sold. If these transactions come to fruition, the suburban vacancy could be reduced by mid-year by one third.

Providence

Our capital city continues to take exciting turns. Ten Memorial Dr., the first new downtown office building in 15 years, with the GTECH headquarters (shown) as its lead tenant, has leased to its first non-GTECH tenant, substantially raising the bar for lease rates in the city.

Three major residential developments are still in play in spite of a downturn in the residential condo market. Waterplace, the Residences at the Westin, and One-Ten Luxury Residences are all moving along, but clearly at a slower pace. A resurgence of condominium sales will be needed to move these three projects to a conclusion. Construction on the Hampton Inn on Weybosset St. in the Financial District is well under way, anticipating a Q4 opening.

Brown University's presence in the Jewelry District bodes well for the future of the downtown. As the relocation of I-195 concludes over the next few years, Brown's Jewelry District campus will be part of the downtown area, connecting downtown to the city's hospitals including Rhode Island Hospital, Hasbro Children's Hospital and Women and Infants' Hospital.

Mill conversions along the Woonasquatucket River in the Promenade District are expanding the city westerly and adding new office product and mixed uses in an emerging new neighborhood. Along the length of Valley St. is the final phase of the Foundry Corporate Office Center, The American Locomotive Works, Eagle Square Retail Center, Rising Sun Mills, The Plant and the new United Way headquarters.

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