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Demand is there, activity has not decreased, but lack of inventory is still a major concern

May 28, 2015 - Spotlights

After coming off an excellent, and in some ways, record-setting year in 2014, 2015 will have a lot to live up to, but we will have to work harder to find suitable locations for our clients. One of our chief concerns, which has been a concern for years, but now exacerbated due to a very active 2014, is the real lack of inventory in all product types. In Rhode Island, the demand is still there, the level of activity that we brokers are going through each day has not decreased, but the reasonable locations to place buyers and tenants continue to decrease.

Industrial

Within the industrial market, the demand remains strong, but the complete lack of any spec development leaves the requirements either doing nothing and living with their inefficient situations during 2015, leasing some short term, off-site space or trying to figure out how to add on to their existing facility. Some of the existing, larger requirements in the marketplace for modern buildings have satisfied their need during the first half of 2015. Wildtree Herbs, a 150,000 s/f requirement, has purchased 15 Wellington Rd. in Lincoln (144,000 s/f) in May 2015 for \$4.27 million. Another 150,000 s/f requirement has purchased 275 Ferris Ave. in East Providence (303,000 s/f) in April 2015 for \$3.3 million. Even with these large requirements being satisfied during the 1st half of the year, there remain just as many unsatisfied, and still hunting for the right building or site, which will continue through 2015. On the smaller side, the same difficulties exist. These smaller requirements are where we see the additions going on existing buildings.

Office

The office market is active, but at this time, mainly with hangover prospects from 2014. The Providence CBD continued to show some life and the suburbs follow, not so much with tenants re-trading space looking for better value, but with new requirements. We are seeing increased activity in the leasing and sale of office properties. Both northern Rhode Island, (L'Oréal, Johnson Controls) and the west bay sub-market south of Providence saw excellent activity during the first half of 2015, and this looks to continue through the balance 2015. In the south, the top quality properties such as any of Michael Integlia & Co.'s product at The Summit, Jefferson Gateway and Metro East continue to see excellent prospect activity with new showings, and condo unit sales at The Summit. Over the last six months, The Summit at 300 Centerville Rd. in Warwick has seen a condo sale to a law firm, signed three new leases, currently has three new prospects and the potential sale of another large condo. 2015 activity looks to be just as vigorous as last year.

One paradox in the office market is that while we can show good activity for the sale of downtown office buildings, they are not for office uses. Almost every recent sale has been for a residential conversion. 170 Westminster St., 32 Custom House, 20 Westminster St., 290 Westminster St. along with a few more under contract for a conversion such as the 60,000 s/f 95 Chestnut St.

Retail

The retail market continues to look for only the best locations. One segment of the retail market that remains strong is the "Dollar" concept, with new openings almost on a monthly basis. Some areas are so hot, that the companies are opening their own stores within blocks of the same brand. Between Dollar Tree, Family Dollar, Dollar General and others, the available 10,000 s/f spaces in neighborhood centers continue to be absorbed and this is causing ground up construction of these sites. During the second half of 2015, it looks like there will be some consolidation and absorption of the weaker brands by the stronger ones.

Garden City in Cranston will continue its extremely successful makeover during 2015 with a remake of the perimeter areas. The first LA Fitness in this market opened at Garden City during 2014 and another has recently opened just to the south at 1500 Bald Hill Rd. in Warwick. A third LA Fitness, under construction, will be located on North Main St. on the Providence / Pawtucket line.

Like Garden City, The Warwick Mall continues the very active development with the razing of a pad site building which will be the home to a new Starbuck's at the northwest corner of the site. The Warwick Mall remains a center piece of the Rhode Island retail market. It offers a top shopping experience with multiple food and entertainment options available. There are no less than five full service restaurants including Buffalo Wild Wing's, Not Your Average Joe's, Red Robin, Longhorn Steakhouse and Fat Bellies plus a full food court. In addition, there is a Showcase Cinema on site.

2015 Outlook

All market sectors show excellent activity and the overhang from the hot 2014 remains fairly significant. The I-195 Redevelopment District in downtown Providence continues to be at the forefront of the news and discussions, especially with the new administration in place. The central point of focus continues to be the relocation of the Pawtucket Red Sox to a prime 195 waterfront site in Providence. Currently there are two 195 land deals approved, subject to a tax stabilization agreement, and a third that is abutting the 195 land in a similar situation. This will continue to be one of the very active areas to watch for the balance of 2015.

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