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The State of the Ocean State, or at least the Rhode Island industrial market - by Mike Giuttari

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As we enter the spring of 2017, if nothing else, Rhode Island continues to prove that the industrial market is as consistent as anything could ever be. Rental rates remain relatively low, and not high enough to justify investors speculating on new construction without a tenant in hand. Owner / user sale prices remain consistent, in the \$25 - \$45 per s/f range dependent upon size of building. Occasionally there will be an aberration that brings in an \$80 or \$90 per s/f sale, but this is to a Mr. Perfect buyer that doesn't want to go through the construction process or the location is something they cannot replicate. For the last 30-40 years, as the 40 or so industrial parks sprinkled around this market were being developed, there was never really anything driving companies to these parks from the outside, other than occasional instances in the Highland Corporate Park or Quonset. The bottom line is that there is really no large demand generator that would cause a change in the market, raising lease rates and sale prices.

There is still zoned, permitted industrial land available for private development. The State owned park at Quonset has available land for lease and can make it available in a way, and with State benefits that leave the private developer with land in a predicament.

Although it does not seem like great news, the market we live in is active and relatively strong, although not Boston or N.Y. like. There are certainly many local success stories in the industrial market such as Hope Valley Industries and Alex and Ani, Orion Retail Services and Banneker Industries, Liquid Blue and Edesia, and many, many more home launched, home grown, home-expanded industrial companies that expand and do business here and give the industrial market its substance.

The investor side of the industrial market is the much smaller part of the transaction volume compared to the user side, although there continues to be significant transactions in our market such as the sale of 200-270 Frenchtown Rd. in North Kingstown in June to Equity Industrial Partners from Mass. This is a 700,000 s/f multi-tenant industrial facility, a quarter vacant and in need of capital improvements, but anchored by a few significant tenants such as Anvil in 164,000 s/f and Amtrol in 225,000 s/f. This is a stand-alone property (outside of a business park setting) in between Rtes. 4 and 1.

30 Plan Way in Warwick, a 100,000 s/f facility occupied by a single tenant, sold in February as part of a 1031 situation. 85 Commercial Way in East Providence (18,000 s/f) and 1 Angell Rd. in Cumberland (22,000 s/f) sold to the same active investor in our market. Although the above transactions were generic deals of generic properties needing improvements, capital or tenants, at the other end of the investment spectrum was the sale in July of a mint, fully occupied 54,000 s/f property at 30 Kenney Dr., Cranston, in the highly desired Howard Business Park at Rte. 95 and 37

in the center of the state. This sale was to an out of state investor from N.J. in a 1031 exchange. On the user side of our market, there are continual transactions that reinforce what we talked about in the first paragraph. With our earlier discussion of consistency, the user market is remarkably that, very consistent. We generally do not worry about the property appraising, but more often, is the environmental clean.

We began 2016 with companies such as Hope Valley Industries buying and upgrading 13 Powder Hill Rd. in Lincoln (120,000 s/f) for \$2.8 million (\$23.33 per sf/), for their continuing expansion and the same with KB Surfaces buying 20 Providence Pike in North Smithfield (71,000 s/f) for \$1.73 million (\$24.37 per s/f). As the year went on, John Rocchio purchased 1485 South County Trail for \$2.775 million (\$39.64 per s/f), Interstate Electric purchased 20 North Blossom (30,000 s/f) and Dean Warehousing purchased 2000 Plainfield Pike (250,000 s/f). Dean continues its expansion in Rhode Island, adding this property to their existing 1.5 million s/f portfolio.

Rental rates will be tested shortly just over the line in the North Attleboro Business Park, which floats between the Providence market and the 495 market for pricing. Case Snow Management will be expanding their development site with the addition of another 50,000 s/f of top of the market space, in terms of construction specs, image and pricing. This is not your typical Rhode Island space. Based on the initial plans and renderings, and the initial interest (50% already in discussions), Case will pass the test. This will be good for all, and may signal the other developers to take the plunge and follow Case's lead by putting up some attractive space that tenants have been waiting for.

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