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2017 is seeing the birth, and rebirth, of some substantial, and unique office projects - by Michael Giuttari

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2017 has become a year of product availability out-pacing demand, all while a complete lack of new construction continues. Does this mean downsizing? Companies exiting the market? More efficient uses of space? On the industrial side, there are a number of available free-standing facilities empty and ready for tenants or buyers. On the office side, there are additional blocks of sub-lease space coming on the market, while others are not being absorbed, regardless of rental rate. The market is changing...

Industrial

Within the industrial market, the demand remains stable, and this happens to be a time in the market cycle where there are actually existing available buildings for sale and/or lease. We seem to be back into the typical 10,000 s/f – 40,000 s/f requirement range for this market, and away from the 2015-2016 time of larger requirements. These larger requirements were satisfied during that timeframe. There are a number of available, modern buildings in the northern Rhode Island market that are getting a lot of looks, both for sale and lease, but the lookers are not acting. A few of the better properties that have been active are shown above.

This is just a sampling of one sub-market within the state. Other areas are showing the same increased levels of inventory. It is a time in the market cycle where, unlike the last few years, availability is outpacing demand, which has been far from the case in recent years.

Office

In addition to increased availabilities, 2017 is seeing the birth, and rebirth, of some substantial, and unique office projects. The “birth” can best be shown by a new waterfront Brady Sullivan development in Warren, R.I. This was the original American Tourister facility on the Warren / Barrington town line. Of this new mixed use project, approximately 60,000 s/f can be office space in Phase I (another 25,000 s/f in Phase II). Occupancy will not be until the 4th quarter of 2017, but there are already three tenants in LOI/lease review. The “rebirth” award has to be given to the Rising

Sun Mills project at 166 Valley St. in Providence. As this complex lost Dassault Systemes (120,000 s/f) to the suburbs over a year ago, the outlook was dire for the development. With an infusion of new equity, architectural changes, smaller, more manageable spaces and a changed up marketing program, the rebirth begins. Multiple smaller tenants have come to Rising Sun Mills recently ranging from 1,500 s/f up to 11,000 s/f, and there are more in the pipeline.

One continuing paradox in the office market is that while we can show good activity for the sale of downtown Providence office buildings, they are not for office uses. Almost every sale over the past few years has been for a residential conversion; 170 Westminster St., 32 Custom House St., 20 Westminster St., 290 Westminster St., 95 Chestnut St. and the recent sale of the 120,000 s/f Old Projo Building and the adjacent Kresge building (this property is now back on the market for sale with no change to it).

Retail

The biggest movement in the retail market, as with the office market, will be the rebirth of a retail icon from the past. The Rhode Island Mall will be going from a long empty property to a mix of big box uses that are coming from outside of the market (Burlington Coat Factory) and right down the road (Planet Fitness and Dick's Sporting Goods), plus a few new restaurants. These retailers are looking for a little more identity, visibility and better access to the public, going from locations in mid-strip with heavy traffic to being right off the highway at the top of the strip.

Other Significant Happenings During 2017

The major downtown Providence developments during 2017 continue to be on the 195 land, with the approval of the 287,000 s/f, \$158 million Phase I portion of the Wexford Science & Technology Innovation complex and the completion of the abutting 270,000 s/f, \$220 million South St. Landing project. Brown / URI / RIC will occupy space in the South St. Landing development, generally administrative space for Brown and a new nursing school for URI and RIC, which will be adjacent to Brown's Warren Alpert Medical School. Along with these developments, structured parking will be added, first in an adjacent parking garage under construction that will accommodate parking for 744 cars at South St. Landing, then another structure with the Wexford development. The South St. Landing project is scheduled for occupancy in the fall of 2017 and the initial parking garage will be complete in the summer of 2017.

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