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Rhode Island market 2018: Remains the same as it has been for years - by Michael Giuttari

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Mike Giuttari,
MG Commercial
Real Estate

This sounds like the proverbial broken record, but in the Rhode Island market, 2018 remains the same as it has been for years, showing a real lack of available product, which sometimes slows our deal flow to a crawl. With the lack of any new speculative construction, this leaves companies searching the same existing properties over and over, hoping for the possibility of one of these becoming available. Does this mean downsizing? Companies exiting the market? More efficient uses of existing space? The lack of space is just one more problem companies run into trying to move into or expand in RI.

Industrial

Within the industrial market, the demand remains stable on the sale/purchase side, although weak on the lease side. 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 time frame. There are few modern buildings currently on the market. Ten months ago, while writing the Spring 2017 review, we highlighted nice modern industrial buildings that were available at that time. Ten months later they are all gone, seven sold and two leased. Currently, there are even less properties available and even fewer modern buildings. A few of the better available properties are shown below.

- 1137 Park East Dr., Highland Corporate Park, Woonsocket, RI; 10,500 s/f;
- 25 Slater Rd., Cranston, RI, 25,000 s/f; and
- 31 James P. Murphy Highway, West Warwick, RI, 31,500 s/f.

This is just a sampling of one sub-market within the state. Other areas are showing the same decreased levels of inventory. These three buildings are all in formal business parks around the state. One bright point is the development of some new industrial space at Quonset Point. The Development Agency is constructing an initial 30,000 s/f of space with more to come if this is

successful.

Office

In the office market, as tenants come to the table in search of new space, many times they are very surprised at the lack of options for them to consider. We have a search going on in northern RI currently for 10,000 - 15,000 s/f of office space for a national defense contractor. The only options available to them are backup positions to deals already underway, or a sub-lease of the office space in a manufacturing situation. A few alternatives came on-line in 2017, and at the time we called them the “birth, and rebirth of some substantial, and unique office projects.” The “birth” was the new waterfront Brady Sullivan development in Warren, RI. In the last ten months, five new commercial tenants totaling approximately 13,000 s/f have been signed up and two have moved in. 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). The “rebirth” award was 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 two years 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 EpiVax has recently signed on for a large section in the building.

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). Additionally, Paolino Properties has taken one of their “B” office buildings at 76 Dorrance St. out of the market and converted it into The Case-Mead Lofts, 44 smaller, but high-end apartments, in the heart of the Capital City.

Other Significant Happenings During 2018

The major downtown Providence developments continuing into 2018 remain on the “195 land,” with the topping-off of the steel this March for the 287,000 s/f, \$158 million Phase I portion of the Wexford Science & Technology Innovation complex. Abutting this site is the recent completion of the 270,000 s/f, \$220 million South Street Landing project. Brown/URI/RIC took occupancy during the 3rd/4th quarter of 2017. Along with these developments, structured parking has been added, first in an adjacent parking garage that accommodates parking for 744 cars at South St. Landing, then another structure with the Wexford development. Additionally, the new student housing for the nursing and medical students is now under construction on the other side of the South St. Landing project. Also, Citizens will be moving and consolidating into their new 420,000 s/f headquarters in Johnston off a new interchange on Rte. 295. Word is that they will be moving approximately 4,000 people in over a 10-week period during the 3rd and 4th quarter of this year.

Mike Giuttari, SIOR, is the president of MG Commercial Real Estate, Providence, R.I.