



CELEBRATING
55 YEARS

nerej

2021 Rhode Island multifamily market report: Strong growth continues as developers invest and build - by Derek Brazeau

October 29, 2021 - Spotlights

Derek Brazeau

The Rhode Island multifamily sector continues to show strong signs of growth as reflected in new construction housing developments, higher rents, and extremely low vacancy rates. Providence, in particular, has proven to remain on solid ground as local, regional, and national investors and developers continue to display confidence to invest and build.

Development trends show significant growth in the residential sector. In large part, these investments are focused on the city's many colleges and universities on the East Side, as well as the I-195 Redevelopment District and Providence's Jewelry District. Federal Hill and the West End have also gained attention. In addition to new construction, there's been a remarkable investment in the repurposing of historic buildings. Mill conversions have been highly sought after by many investors who can leverage federal and/or state historic tax credits in areas where municipalities also allow for tax-stabilization agreements. We also have seen the renovation of former office buildings throughout the Downtown District. Since 2015, Providence has gained nearly 4,700 housing units in various developments (this includes under construction, in plan review, undergoing permitting, or completed).

Currently under construction as part of the I-195 Redevelopment project, is the development of "Parcel 6", purchased by D+P Real Estate. Parcel 6 is a 1.5-acre site located on the East Side that has been approved for 62 units, with 50% of the units being offered at below-market rates. The project will be anchored by a national grocery store, a parking garage, and a mixed-use residential/retail building. The other is "Parcel 28", a project included in the I-195 redevelopment district. The EXETER Property Group is projected to spend \$90 million on a mixed-use building that will incorporate 248 residential units and 22,000 s/f of ground-floor retail. The Omni Group, which has been active throughout Providence's Federal Hill section, recently completed The Bradford, a mixed-use property that includes 22 residential apartments with retail on the ground level. Currently, they are working on Bell Tower Place, a development that is made up of 73 residential units with high-end features. The project is the reuse of the former Mount Carmel Church and surrounding area. The Omni Group is also proposing another development project at the former site of Citizens

Bank's corporate office located on Westminster St. Proposed to the city is a conversion of the former building in addition to three separate, three-story apartment buildings each with 16 units per building.

The demand for more housing equates to continued rent growth for the public. This isn't just happening in Providence, it's throughout the nation in both urban and suburban areas. The nation is realizing historic double-digit rent growth, where Providence is just shy at 8.3%. The shortage of apartments and even single-family homes is keeping the pressure on rent growth. The trend is also being compounded by the difficulty to build new products given the disturbances in the supply chain and labor shortages. Demand is outpacing supply and shows no sign of stopping. Regardless of the addition of new construction and availability of converted units, the market has absorbed the new units with ease and the vacancies have easily compressed. Vacancy remains below 5% since 2012. The Providence market is currently at 2.4%. A tenant leaves, a new lease is signed – it's clockwork for landlords. Even despite the uncertainty that the pandemic caused, these numbers are tough to argue and are getting better year over year.

Sales volume has surpassed its historical average for the sixth straight year in 2020; many notable sales have occurred in 2021 as well. One of the significant sales the market has witnessed has been Brown University's acquisition of the "River House" apartment building on Point St. Brown University purchased the 174-unit apartment complex for \$74 million and plans to convert it into student housing, more specifically to graduate and medical school students. The property was originally built in conjunction with Wexford Science and Technology as the redevelopment of the South St. Power Station. Another noteworthy but more recent transaction that closed earlier this month, is the sale of The Promenade Apartments at The Foundry complex for \$105 million. The historic mill consists of two separate residential buildings. The Promenade Building went through a major conversion in 2005 and the Sharpe Building was reclaimed in 2015. The sale includes a total of 433 urban units within the historic mill buildings along with parking garages.

We have noticed a lack of inventory in 2021 which has contributed to slightly lower volume so far this year.

Providence has come a long way – great higher education, a large network of hospitals and easy commutes contribute to the strong growth. These attributes play a large role in the push for development and newer housing.

With record-breaking numbers, low vacancy rates, new construction projects, strong absorption, and a low-interest-rate environment all are key ingredients that help keep the momentum for investors wanting to buy in this extremely sound multifamily market.

Derek Brazeau is a broker with Hayes & Sherry Real Estate Services, Providence, RI.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540