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Low supply and steady demand is the trend - by Julie Freshman and George Paskalis

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Heading into the last quarter of 2022, the industrial market in Rhode Island continues to remain strong with activity on both the leasing and sale sides. On the sale side, there has been greater activity from investors/developers than from owners/users. The Rhode Island market continues to exhibit historically low vacancy rates in the 1-2% range for “modern” industrial buildings, which has led to fewer empty buildings coming available for owners/users. On the flip side, there are numerous fully-leased industrial buildings, and for owners looking to sell, there is still an ample amount of investors looking to buy.

Inflation and rising interest rates are bringing some changes to Rhode Island's industrial market, forcing some potential buyers to lease vs. purchase, reducing buyer's purchasing power, and causing investors to reassess their underwriting.

The demand for industrial space continues to come from the logistics, medical supply, public storage and direct to consumer sectors, as well as continued supply chain challenges. Demand for industrial space is also increasing from manufacturers, contractors and engineering firms within the energy and environmental sectors (i.e. wind, water, etc.).

Recent sale transactions include a fully-leased 51,120 s/f flex building at 1275 Park East Dr. in Woonsocket that sold to an out-of-state investor for \$6.3 million, an empty 114,036 s/f industrial property at 180 Mill St. in Cranston that sold for \$775,000 to a group from Florida that will rehab the

building to use a portion for their headquarters and to lease-out the remainder. A fully-leased 28,714 s/f industrial building at 1 Angell Rd. in Cumberland sold to an out-of-state investor for \$2.38 million, a 10,310 s/f industrial building at 141 Carolina Ave. in Providence sold for \$625,000 to a company that will use it for warehousing inventory for their online business, a 96,323 s/f industrial building and 116 acres of industrial and residential land in Coventry is under contract, and a 32,000 s/f LEED certified industrial facility at 81 Ocean State Dr. in Quonset is also under contract. Additionally, two 30 plus acre parcels along Wampanoag Trail and Pawtucket Ave. in East Providence are under contract.

On the leasing side, 9,200 s/f of industrial space at 2 Carol Dr. in Lincoln was leased to a general contractor and custom carpentry company, 8,500 s/f of industrial space at 305 Lincoln Ave. in Warwick was leased in July 2022 to a company that performs maintenance on wind turbines, 6,100 s/f of industrial space at 25 Thurber Blvd. in Smithfield was leased to a beer distributor in August 2022, 4,895 s/f of flex/industrial space at 1 Wholesale Way in Cranston was leased to a cabinet manufacturer in August 2022, and 18,000 s/f of warehouse space at 80 Vineyard St. in Pawtucket was leased to a credit tenant in October 2022.

There are still a historically high number of speculative warehouse development and/or build-to-suit leasing projects proposed and/or underway throughout the state in Smithfield, Pawtucket, Warwick and Cranston ranging in size from 165,000 s/f to one million s/f. It is not yet clear if these spaces will lease out in larger sections (100,000 s/f) or if owners will need to start considering dividing them into smaller 20,000-30,000 s/f spaces.

Lease rates and sale prices remain the same as earlier this year. Lease rates are in the \$5-\$6.00 per s/f range, NNN for bulk warehouse space, in the \$6.50-\$7.50 per s/f range for general purpose industrial space, and around \$10 per s/f for flex space. Sale prices for 20,000 s/f to 50,000 s/f have continued to remain as high as \$75 to \$85 per s/f.

The “Rhode Island Ready” program which was announced in January of this year and aims to create an inventory of pre-permitted properties ready for industrial development throughout the state, recently approved six new sites for enrollment, bringing the total number to 11. Eligible sites must be zoned for industrial or off-shore wind support uses. Sites must allow for upgraded or improved infrastructure in support of an industrial use, allow an existing industrial use or facility to expand significantly, or be 10 acres in size or be capable of supporting an approximately 100,000 s/f building and be located within one mile of a designated state highway. The 11 enrolled sites include 649 Waterfront Dr., East Providence; 275 Ferris Ave., East Providence; 20 Goddard Rd., Cranston; 9 Dexter Rd., East Providence; 195 Francis Ave., Cranston; 1347 Roger Williams Way, North Kingstown; 1 Moshassuck St., Pawtucket; 1307 Hartford Ave. in Johnston; 0 Comstock Pkwy. in Cranston; 40 Keyes Way in West Warwick; and 550 Romano Vineyard Way at the Quonset Business Park in North Kingstown.

The speculative warehouse development and build-to-suit projects, coupled with the RI Ready program creating additional pad-ready industrial development sites, are expected to eventually generate more supply in the RI industrial market. However, for the short-term and the foreseeable

future, historically low supply and steady demand will continue as the trend.

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