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Each sector of the commercial real estate market holds its own opportunities and challenges - by Christina Rouse and Kevin Casey

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The commercial real estate market in Rhode Island, and nationwide has been through quite the transition in the last 18 months and we are in for a dynamic year ahead, shaped both by national and regional factors and trends. A major catalyst is the Federal Reserve's decision to lower their benchmark rate for the first time in four years, with indications of continued rate cuts. This comes as a lovely breeze of relief in the heat of the inflationary pressures and opens up more opportunities for real estate investors.

The population in Rhode Island has seen a steady increase over the last five years, driving demand for multi-family housing, retail and mixed-use sites, particularly in urban centers like Providence, Pawtucket, Cranston and Warwick. These areas present prime opportunities for developers to build new multifamily units, catering to the influx of residents seeking housing near employment and transportation. Mixed-use properties, which combine residential units with retail or office spaces, are also in high demand. This trend reflects the national shift toward walkable, "live-work-play" communities, which has been attracting both young professionals and retirees that are looking for both convenience and lifestyle needs.

In Providence, the redevelopment of older mill and former office buildings into modern apartments and retail spaces continues to trend. The Jewelry District and areas surrounding the new Pawtucket-Central Falls Transit Hub are examples of neighborhoods that have seen significant growth. There have also been local zoning changes that encourage higher-density, mixed-use

developments, aiming to attract developers for both residential and commercial uses.

Suburban retail centers, particularly in affluent areas like East Greenwich, Barrington and parts of Cranston, are expected to perform well. Retailers are focusing on local neighborhoods that value convenience, accessibility, and high-quality services. The “neighborhood center” concept, which includes grocery-anchored shopping centers, remains strong in these markets.

However, traditional retail corridors, such as Bald Hill Rd. in Warwick, face challenges. Many older, large-format retail properties, including “big box” stores, are struggling to remain relevant. As a result, property owners are increasingly exploring adaptive reuse strategies. These spaces are being repurposed into community centers, health care facilities, or even e-commerce fulfillment hubs as retailers shift to smaller, more efficient footprints.

The health of the office market is completely dependent on which city or town you are surveying. In downtown Providence, demand for traditional office space has softened, with companies downsizing and relocating. Suburban markets such as Warwick, Lincoln, and East Providence, have benefited from this trend as these areas offer convenient access to major highways and proximity to Boston and New York, attracting companies looking for more affordable alternatives to the high-cost metro areas.

Class A office buildings, particularly those featuring modern amenities, energy efficiency, and smart technology, continue to attract tenants. On the other hand, older office properties that are not easily adaptable to new workplace demands face higher vacancies and declining rents. Employers are seeking office environments that cater to flexible work arrangements, such as shared workspaces, conference facilities, and high-tech infrastructure.

The industrial real estate sector has been a standout performer in Rhode Island and across the country. Fueled by the continued growth of e-commerce and the need for efficient supply chain operations, demand for industrial space is expected to remain robust into 2025. Warehousing and distribution centers, especially those close to transportation hubs such as the Port of Providence and the state’s major highways, are in high demand.

Adaptive reuse of older industrial buildings has also been trending in the last 18 months, as property owners look to meet the demands of today’s tenants. Like we see at the “old Ann & Hope” in Warwick being converted to a self-storage UHaul facility.

Looking ahead, Rhode Island’s industrial sector is expected to remain a critical driver of commercial real estate activity, with a continued focus on logistics, e-commerce, and the repurposing of underutilized spaces, with multiple shovel ready sites in the western Cranston industrial park ready to outfit the need to for the next distribution centers for e-commerce retailers.

As we head into 2025 we are poised for a dynamic year ahead. Each sector of the commercial real estate market holds its own opportunities and challenges. Providence and Pawtucket are primed for redevelopment, while suburban markets such as Warwick and Lincoln continue to attract businesses

seeking affordable and convenient alternatives to metro markets. The industrial sector, boosted by e-commerce and adaptive reuse will remain the key contributor to the states real estate landscape. As all these factors converge, Rhode Island is set to navigate both growth and maintain resilience in the years ahead.

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