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Rhode Island office space market update: Balancing concerns with optimism - by Matt Fair

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Matt Fair

As we head into the final quarter of the year, the Rhode Island office space market is sending mixed signals. On one hand, vacancy rates have been ticking up, a trend that has left many landlords and lenders concerned. Yet, on the other hand, there's a growing sense of optimism in the air as back-to-office momentum continues to build, potentially offering a much-needed boost to the sector.

Vacancy rates in Rhode Island's office sector have been gradually increasing, a trend that mirrors what we're seeing in many parts of the country. While the state's commercial real estate market was relatively insulated during the peak of the pandemic, a shift in corporate strategies toward hybrid and remote work has led to more available space than anticipated.

According to recent data, office vacancy rates in key submarkets such as Downtown Providence and Warwick have seen increases, in some cases surpassing 20%. While these numbers are still moderate compared to national figures in larger urban hubs, they are significant for a market the size of Rhode Island. The increase in vacancy is particularly concerning for class B and older class A buildings, which are having a harder time attracting tenants due to the heightened demand for modern, amenity-rich spaces.

Despite these vacancy challenges, there's reason for optimism. Many companies that embraced remote work are now finding that a fully virtual model is not ideal for long-term growth, collaboration, and corporate culture. As a result, back-to-office trends are beginning to take hold across the state. The recent announcement by Amazon requiring all of its workforce to come back to the office on a full-time basis is hopefully going to be a crucial turning point as other companies follow their example.

Hybrid work models, which combine remote and in-office schedules, are becoming more common. Businesses are increasingly seeking flexible office solutions that offer communal spaces for collaboration while allowing for the continued benefits of remote work. Additionally, some larger companies are recognizing the need for "hub-and-spoke" models, where smaller satellite offices in suburban or secondary markets like Rhode Island become more attractive alternatives to dense urban cores.

In particular, industries like healthcare, education, and finance, all of which have a strong presence in Rhode Island, are seeing a resurgence in demand for office space as companies shift away from fully remote work. The recent leasing activity in downtown Providence and the West Bay submarkets is evidence that businesses are renewing their interest in high-quality office environments.

The key to Rhode Island's office market recovery will lie in how property owners and landlords adapt to these changing dynamics. Companies are prioritizing modern spaces with advanced technology, sustainability features, and flexible layouts that allow for a seamless blend of in-person and remote work. Buildings that invest in these upgrades will be better positioned to attract and retain tenants in a competitive market.

Looking ahead, while the vacancy rates are an issue that can't be ignored, the increasing push to get employees back into offices — coupled with innovative workplace solutions — gives us a reason to be cautiously optimistic. If Rhode Island's office sector can continue to evolve and align itself with the new needs of the workforce, we could see a stronger and more resilient market emerge in the near future.

From my perspective, the road ahead might be bumpy, but the wheels of recovery are certainly in motion.

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