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**The outlook for Rhode Island industrial sector is positive - by  
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The industrial real estate sector in Rhode Island has demonstrated steady growth and relatively low vacancy rates over recent years and we expect the same as we look forward into 2025. With minimal new construction in sight this year, we expect that the supply of industrial buildings and spaces in the Rhode Island market will remain low, with vacancy rates in the 3% to 4% range for “modern” industrial buildings.

Rhode Island’s industrial real estate market has benefited from the expanding e-commerce landscape, which has created an increased demand for distribution centers and warehouses from companies looking to ensure efficient delivery times. Other drivers of Rhode Island’s industrial real estate demand include businesses looking to be more resilient and adaptable to supply chain disruption by creating closer-to-home manufacturing and storage options, and the integration of automation and advanced “smart” technologies (i.e. robotics and inventory management systems) in warehouse operations. Additionally, with over 1,500 manufacturing companies and over 41,000 manufacturing employees in Rhode Island, the manufacturing sector will continue to drive industrial market demand in 2025.

The Quonset Business Park, ranked among the top 10 best industrial parks in the U.S., and one of the top 10 auto importers in North America, is managed by the Quonset Development Corp. (QDC) and will continue to see new construction and expansions in 2025. For example, REGENT Craft Inc., a company that opened its headquarters in Quonset 2022 and manufactures all-electric sea

gliders for sustainable marine mobility, announced at the end of 2024 that they will be leasing a 255,00 s/f manufacturing facility at Quonset, to be constructed by QDC through a public-private partnership. QDC is expected to break ground on REGENT's building at the end of January 2025.

General Dynamics Electric Boat (manufacturer of submarines for the U.S. Navy) completed the construction of a 220,000 s/f manufacturing building at the end of last year and broke ground on a 30,000 s/f addition to their coating facility in early 2024 with completion scheduled for the fall of 2025, with further expansion activities planned.

Quonset's Flex Industrial Campus, also a public-private initiative, is comprised of 11 buildings totaling 435,000 s/f of industrial and office space. Buildings #9 and #10 were completed in 2024, totaling 65,000 s/f. Construction of Building #11 began in 2024 and will continue into 2025, for an additional 100,000 s/f.

Approximately 75 acres, previously owned by the federal government, was fully conveyed to the QDC in 2024. Despite this significant conveyance, 120 +/- acres of undeveloped land (15 individual sites) remain in the Quonset Business Park with only four of these sites capable of accommodating facilities larger than 100,000 s/f.

The QDC also manages the statewide Rhode Island Ready initiative, with a mission to provide the services necessary to create a statewide inventory of permitted properties that can support economic development in the industrial sector. 21 sites are enrolled to date, with 12 under review. The 21 enrolled sites represent 820 acres, 5.5 million s/f of development and 5,500 new industrial jobs with more sites expected to be approved in 2025.

Regarding new industrial developments outside of Quonset, one notable project is the Comstock Industrial Center, located immediately off of I-295 in western Cranston, which is a fully approved, two building, industrial center in RI's Western Cranston Industrial Park. Being developed in two phases, phase I will conclude with the delivery of a 70,000 s/f high-bay warehouse building, with phase II commencing as a 200,000 s/f build-to-suit high bay warehouse building. The lease rates for these speculative developments and build-to-suit leasing opportunities will be determined based on tenant needs.

Investors have recognized the industrial sector's stability compared with other segments of commercial real estate, such as retail and office. As such, demand is expected to remain steady from industrial investors looking for investment opportunities in the Rhode Island market; however, inflation and interest rates are still causing investors to reassess their underwriting. A notable recent investment transaction is a 55,000 s/f single tenant, fully leased industrial building in the Western Cranston Industrial Park was purchased by a local investor at the end of 2024 for \$4.5 million.

Persistently low vacancies continue to lead towards fewer buildings coming available for owners/users, and higher inflation and interest rates are reducing buyer's purchasing power, forcing some potential end users to lease vs. purchase. We have seen some softening in the leasing market but there is still enough demand with landlords becoming a bit more competitive to attract

tenants, and spaces are expected to continue to lease up. Currently, the following notable industrial properties are for sale and under contract in Rhode Island: a 39,000 s/f free standing industrial building situated on over seven acres in Warren; a 35,000 s/f warehouse/ distribution building situated on over 3.5 acres in Cumberland; and a 41,500 s/f trucking terminal building with 50 cross docks situated on over 9.5 acres in Cumberland.

A notable recent lease transaction completed at the end of last year is 122,000 s/f of life science/manufacturing space leased for 16 years by Organogenesis Holdings, Inc. at 100 Technology Rd. in Smithfield, made possible through various state and local tax credit and incentive programs. An adjoining 15.55-acres is available to accommodate future expansion.

Industrial lease rates in Rhode Island are now in the \$6-\$7 per s/f range, NNN for bulk warehouse space, in the \$7-8 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 range from \$65 to as high as \$100 per s/f.

The outlook for the industrial real estate market in Rhode Island in 2025 is positive. Demand for industrial space is expected to remain steady, and vacancy rates are expected to remain low. Rents have moderated a bit as more supply has come online, but the leasing market remains strong. The low supply and steady demand have continued to keep the sale market strong for empty buildings as well as fully leased industrial investment opportunities, sometimes leading to multiple offer scenarios.

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