

RHODE ISLAND'S OFFICE SECTOR NO LONGER A TENANT'S MARKET



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The office sector in Rhode Island's commercial real estate market has seen a strong carryover of positive momentum from 2017 into 2018. The market has seen positive absorption in most areas and, with little speculative development on the horizon, lease rates are being affected accordingly. It's safe to say, it is no longer a tenant's market.

In Providence, vacancy rates are hovering in the 12 percent range, down from 16.5 percent just a few years ago. Recent projects include the redevelopment of South Street Landing, a \$230 million dollar renovation of the former Narragansett Electric power station, which is now home to the URI/CCRI Nursing School as well as some of the administrative offices of Brown University. Just a block away, construction is underway for the 191,000-square-foot Providence Innovation Center. This will be occupied by the Brown

University School of Professional Studies, Johnson & Johnson, and the Cambridge Innovation Center.

The redevelopment of 75 Fountain Street, a 160,000-square-foot building once fully occupied by the Providence Journal, has also enjoyed positive absorption. The redevelopment by Nordblom Company and Cornish Associates has attracted companies such as Tufts Healthcare, GE Digital and Virgin Pulse to join the Providence Journal.

Most of the downtown development however, has been driven by hospital-ity or residential projects. First Bristol Corp. and Paolino Properties are currently developing a 120-room Homewood Suites extended-stay hotel and the Procaccanti Group is building a 168-room Marriott Residence Inn.

The continued trend of adaptive reuse development for functionally obsolete office buildings is most recently highlighted by Paolino Properties' redevelopment of 76 Dorrance Street into 44 residential apartments and micro lofts. There are also many new residential construction projects currently underway. There are more than 800 residential units being developed in downtown with more projects on the horizon, including a 46-story resi-

dential tower by New York-based developer Jason Fane.

Still looming over the capital city is 111 Westminster Street, a 350,000-square-foot former headquarters for Bank of America that has been vacant since 2013. It was developed as a single-tenant building and now sits as an obsolete multi-tenant property, too expensive to renovate. Without state and municipal assistance, this building will remain vacant for the foreseeable future.

Looking south, the West Bay suburban market realized negative absorption of about 65,000 rentable square feet and a vacancy rate of 11 percent. The consolidation of Citizens Bank into a new 420,000-square-foot corporate campus in Johnston will further create large blocks of office space that are not easily sub-dividable. However, tenants that drive the market — those looking for 15,000 square feet or less — will be hard pressed to find many viable options. The largest developer in this market, Michael Integlia & Co is realizing 90 percent occupancy rates with lease rates for first-generation space in the \$25-per-square-foot range. Unfortunately lease rates are not keeping pace with construction costs, which is stunting any new development.

Finally, the 93,000-square-foot former GTECH/IGT world headquarters located at 53 Technology Way in West Greenwich was purchased at auction by UHaul for \$26 per square foot. UHaul intends to convert the building to self-storage.

In Northern Rhode Island, the acquisition and redevelopment of 1301 Atwood Avenue in Johnston by Hobbs Brook Management continues to yield new tenants. Most recently Pannone, Lopes, Devereaux & O'Gara leased 20,000 square feet and will join Dassault Systems with 100,000 square feet and New York Life which leases 25,000 square feet.

Looking forward, with little to no speculative development on the horizon, vacancy rates should continue to contract with a continued slight increase in lease rates. The wild card in the market right now is Hasbro, which is allegedly looking at development sites in and around Downtown Providence to relocate their 600,000-square-foot headquarters from Pawtucket. The ripple effect of a relocation of this size into downtown Providence would be an obvious game changer.

PROVIDENCE RETAIL PRESENTS SIGNS OF A STRENGTHENING ECONOMY



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The Rhode Island retail market has seen a considerable level of activity over the last year that presents promising signs of a strengthening economy and an improving property market. Generally speaking, each submarket has seen positive absorption of retail space, with the new concepts entering the market for the first time, as well as existing operators further expanding their footprints and market share. From street retail to lifestyle and big-box centers, each class has seen significant activity that represents a much healthier retail climate than popular opinion and media reporting might suggest.

Some specific transactions are worth noting. Garden City Center in Cranston continues to outperform as the dominant outdoor shopping destination in the greater Providence market. This past year, The Wilder Companies built an approximately 29,800-square-foot addition at Garden City, which allowed them to bring Boston favorites Legal C Bar and Tavern in the Square

to town. These are the first Rhode Island locations for both operators, which points to the strength of the local Rhode Island economy as well as the faith tenants have in the long-term viability of the best retail projects.

Wilder was also able to bring The Simple Greek, Anthony's Coal Fired Pizza, Z Gallerie and Ethan Allen into the center this past year. The Ethan Allen deal is especially noteworthy, considering they took approximately 6,000 square feet of space, which is a far cry from their traditional 20,000-square-foot stores. This new smaller prototype for the traditionally big box retailer is a good example that the best retailers continue to "right-size" their brick-and-mortar footprints to remain as efficient and competitive as possible. Z Gallerie is an exceptionally unique lifestyle brand that is new to the market; the retailer opens a limited number of locations within major metros.

Thayer Street, located within the Brown University campus in Providence, continues to be the darling of metro Providence. With sexy curb appeal along this active streetscape, this vibrant urban retail corridor continues to attract tenants. New tenants along Thayer Street include Denali Outdoor, which leased 10,000 square feet, making it one of the largest retailers on the street. As an extension of the success of Thayer Street, the neighbor-

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ing Wayland Square also continues to see growth of high-quality operators, with the recent addition of West Elm giving the area new-found notoriety. Pawtucket also offers urban infill retail opportunities in a variety of gentrifying neighborhoods.

South Coast Marketplace in Fall River, Massachusetts, is a true retail success story that shows that proper merchandising, leasing and physical upgrades can bring to a dying retail property back to life, even in today's increasingly tough environment. Although a Massachusetts address, this submarket is included in the greater Providence MSA. Originally built as New Harbour Mall, the center had become almost totally vacant, including the enclosed mall space, after losing Kmart and Walmart. By tearing down the mall, upgrading the architecture, landscaping and merchandising plan, the developer was able to "make lemonade out of lemons." Today, South Coast Marketplace is anchored by a

Market Basket, TJ Maxx, PetSmart, Ulta, Five Below, Verizon, Starbucks, 110 Grill, and Qdoba. The success of South Coast Marketplace has improved the overall Fall River submarket and resulted in additional deals, as evidenced by Aldi and Ocean State Job lot opening in the vacant Shaw's box across the street later this year.

Other noteworthy activity includes Dick's Sporting Goods relocating from its existing location on Bald Hill Road in Warwick to the Rhode Island Mall, Market Basket taking over the former Sam's Club in Warwick and At Home opening stores in Warwick as well as Seekonk, Massachusetts. Active retailers that are either new to the market or continue to fill out their metro Providence expansion include Aldi, LA Fitness, and Chick-fil-A.

Although retail has had lots of bad press of late, you wouldn't know that to be the case by the amount of activity in the Providence MSA.