

RHODE ISLAND

RHODE ISLAND RETAIL

Rhode Island is the smallest state in the United States in terms of geographic area. With a population of 1.05 million, it is the eighth least populous state; however, its small geographic area makes it the second most densely populated of all 50 states. This density of population is attractive to retailers looking to expand in The Ocean State.

The city of Providence is the only major urban center in Rhode Island. As such, it serves as the cultural and economic hub of the state. Providence Place Mall, one of the most successful urban regional malls in the country, continues to serve as a strong anchor to the downtown area, bringing suburban customers in to the city of Providence to shop and eat at one-of-a-kind retailers and restaurants in the state, including Nordstrom,

Cheesecake Factory, Dave & Busters, and Apple. Other than Providence Place, retail activity in the downtown market has been primarily focused on chain restaurants, such as Ruth's Chris, The Capital Grille and McCormick & Schmick's, continuing their presence and new local operators opening in the areas adjacent to the downtown core such as Federal Hill (Providence's "Little Italy") or along Thayer Street, which is the hub of retail activity on the Brown University campus.

In Cranston, Carpiionato Properties recently completed its multi-phased buildout of Chapel View, a \$180 million mixed-use development located on the site of the former Sockanosset Reform School for Boys. The 650,000-square-foot development contains 285,000 square feet of retail space with tenants such as Shaw's, REI, Johnny Rockets and Ted's Montana Grill. The

project, which is a creative mix of new and old buildings saved and renovated from the Reform School, also contains 25 luxury residential condominiums and 245,000 square feet of Class A office space.

Also in Cranston, at the same intersection as Chapel View, is Garden City Center. Originally built in 1948, Garden City was redeveloped 20 years ago into what is considered one of the first lifestyle centers in the country. This initial redevelopment included space for big box tenants such as Linens 'n Things, Circuit City and Borders Books. With the demise of these big box tenants and the success of the existing lifestyle tenants such as Whole Foods, Anthropologie, Banana Republic, Chico's and Bath & Body Works, Garden City's management company, The Wilder Companies, saw the opportunity to expand the lifestyle portion of the project.

"The Garden City redevelopment will reconfigure big boxes and add new buildings to extend the lifestyle

portion of the project."

— Hayes



This redevelopment of Garden City will involve the reconfiguration of the existing big box buildings as well as the addition of new buildings in order to extend the existing lifestyle portion of the project. The first phase of this redevelopment is currently under way with occupancy set for fall of this year. The second phase of the redevelopment will be completed in 2013.

The Route 2 (Bald Hill Road) corridor — which runs through the town of Warwick and has been home to almost every big box retailer in the state — has historically been considered the most dominant regional retail corridor in the state. However, with the economic downturn, spaces previously occupied by Linens 'n Things, Shaw's and Bed Bath & Beyond still remain vacant.

In North Smithfield, Bucci Development is building the 600,000-square-foot Dowling Village, with anchor tenants Walmart, Lowe's, Kohl's, CVS/pharmacy and Aldi. The Walmart store, a relocation of an existing store in Woonsocket, opened in the fall of 2011. CVS/pharmacy is also currently open with Kohl's, Aldi and Lowe's scheduled to open in spring of 2013.

In Middletown, which is adjacent to the coastal resort town of Newport in the southern portion of the state, several developers are working to rezone large tracts of existing farmland that is located in the northern end of town to accommodate big box development. Although big box development has been overbuilt in some parts of the state, this did not occur in the Newport/Middletown submarket due to the difficulty of permitting such projects. With the need to increase tax rolls due to the economic slowdown, the politics of obtaining approvals may be changing.

— Jed Hayes is principal of Sullivan-Hayes Northeast/TCN Worldwide.

RHODE ISLAND OFFICE

In Providence, 100 Westminster and One Financial Plaza still have ample true Class A space available, but GTECH Center has arguably produced the best return on its tenant investment, essentially leasing up all of its available space to four or five tenants. Consequently, the GTECH Building just sold for more than \$50 million.

In addition, the new Blue Cross tower was successful in leasing half of its 20,000 square feet of available space. This activity has pushed rental rates for Class A space back over the \$30 per square foot mark on new deals. The vacancy rate will dip just below 17 percent as Hasbro officially announced that it has leased approximately 135,900 square feet in the capital city. Finally, it looks like Ameriprise Financial will be moving from Cranston into One Citizens Plaza, which will help the Class A absorption.

However, the recent failure of game developer 38 Studios will negatively impact occupancy rates; the company occupied space at One Empire Plaza, a 104,000-square-foot office building in Providence.

Looking forward, Bank of America announced that it will vacate its headquarters located at 111 Westminster in April 2013. It is expected that 100 Westminster will absorb employees leaving this 340,000-square-foot office building that has not been fully utilized by Bank of America for some time.

The West Bay suburban office market remained quiet throughout 2011 but has shown a bit of activity during the first half of 2012. There are larger pockets of office space available for subdivision, offering ample opportunities for larger tenants to secure space at currently low market rents. A few of these are the New England Tech facilities in Warwick (up to 170,000 square feet); a number of buildings in Metro Center, including One Home Loan Plaza (15,000 square feet); Metro East (15,000 square feet) and going all the way up to 300,000 square feet at the former FM Global Headquarters in Johnston.

Some of the most notable deals in the West Bay office market this year include the leasing of 30,000 square feet to Atrion at 125 Metro Center in Warwick and the leasing of 25,000 square feet by ADP Payroll Services

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at 300 Jefferson Boulevard in Warwick. In addition, 301 Metro Center Boulevard has had success leasing spaces between 5,000 and 10,000 square feet, and Salve Regina University just leased 12,000 square feet at 144 Metro Center Blvd. With this absorption we expect vacancies to decrease below 20 percent with rents continuing to average in the mid- to high teens for B space and low \$20s for A space.

The Northern Rhode Island suburban office market remained flat during 2011 and the first half of 2012 due to lack of demand and the low availability of office space. Most of the office leasing that has taken place in this submarket has been influenced by the proximity of CVS's world headquarters, located in The Highland Corporate Park. For example, Colgate Palmolive secured 3,000 square feet at 42 Albion Road in Lincoln.

It is unlikely that we will see any further compression on pricing in the market. Pricing should remain at current levels at least through the end of the year, providing tenants continued opportunity to enjoy advantageous lease rates and concessions. While vacancy may be waning slightly, unemployment rates continue to drive market hesitation allowing tenants continued enjoyment of low rents and landlord concessions. Job growth will precipitate true market strengthening.

— Leeds Mitchell IV is vice president of Providence, Rhode Island-based MG Commercial Real Estate.