

# THE CAPSTONE

MIDYEAR 2012  
REPORT

RHODE ISLAND'S REAL ESTATE SURVEY

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by Neil Amper, SIOR

## Market Overview

In the first half of 2012 there were 76 transactions, compared to 69 in the first half of 2011 and 97 in the first half of 2010. The last three months of 2011 and the first three months of 2012 were very encouraging and there were multiple signs of improvement. There was some recognition among buyers, sellers, lessors and lessees that inevitably comes when market expectations begin to coincide and transactions are consummated.

The market began to slow down beginning in April and continuing into May and June. The last four years have seen a normal business climate in the first and last quarter of each year with the middle two quarters being below normal. There has been some stabilization of lease and sale rates in some market sectors, but it is too early to postulate on any increases.

### OFFICE SPACE

The statewide vacancy rate is currently 9.2 percent. The vacancy rate last year at this time was 10 percent, but there is still a significant vacancy in Class A space at 14.6 percent. While Class B space vacancy is at 9 percent, there has been very little activity and the Jefferson Boulevard corridor in particular has numerous properties available for lease.

Atrion Networking Corporation moved into its new 45,000 SF building located at 125 Metro Center Boulevard in Warwick. A 4,334 SF office condominium was sold at 175 Metro Center Boulevard for \$107 PSF, which is a small improvement from previous sales in the area. A 76,968 SF building located at 300 Jefferson Boulevard in Warwick, which was constructed in 2007, has been fully leased with ADP taking the remaining 25,000 SF. Alex and Ani, a local jewelry company success story, has purchased a 16,423 SF building located at 159 Weybosset Street in downtown Providence. The GTECH building, a 210,000 SF building located at 10 Memorial Drive in downtown Providence, sold for \$51.5 million to RJ Kelly, an investment firm from Massachusetts. The marketplace is not absorbing space and consequently prices have stagnated and concessions are still prevalent in all categories.

### RETAIL SPACE

This category has shown very little change or improvement over last year at this time. The vacancy is virtually unchanged at 6.1 percent and the vacancies that existed last year on Bald Hill Road are still there with very little new activity. The International Council of Shopping Centers convention was more encouraging than at this time last year, but there are very few major retailers expanding in New England. The majority of the activity is centered in the food service industry with new entries trying to find affordable space for their concepts.

There were a few significant leases in the first half of the year. LA Fitness and Hobby Lobby are actively seeking spaces in the area and reportedly are close to or have signed leases. BJ's has leased 110,000 SF at Seekonk Crossings for 20 years and the store is anticipated to open in August 2012. Flatbreads of New Hampshire has signed a 15 year lease at the former Adesso's at 161 Cushing Street on the east side of Providence. Small convenience retailers including yogurt franchise Pink Berry, Advance Auto, TD Bank, Family Dollar and Dollar Tree continue to seek out the best locations and take advantage of reduced valuations. Big Box vacancies are still a problem nationally, regionally, and locally. Owners have attempted to be proactive and have subdivided spaces for multiple tenants.

### INDUSTRIAL

There has been increased activity in the marketplace with leases and sales being negotiated at reasonable market rates. Quick Fit, a local company, has leased 50,000 SF at 30 Plan Way in Warwick in order to bring some manufacturing back from overseas. Two notable sales of mill buildings were completed:

- 31 Manton Ave in Providence  
119,322 SF sold for \$9.40 PSF
- 116 Singleton Street in Woonsocket  
sold for \$9.80 PSF

Unfortunately though, future mill conversions will be difficult as Rhode Island's legislature failed to renew the Historic Tax Credit Program. Smaller users, owner-occupied lessees requiring 25,000 SF or less, have not been a factor in the industrial market's improving transaction numbers. There may be a reason for optimism going forward, as we have seen increased inquiries in this portion of the industrial market in the first half of the year.

### MARKET SALE/LEASE TRANSACTIONS

#### Providence Biltmore Hotel

Downtown Providence  
\$15 million, 292 rooms, \$51,369 per room

#### Clariant Corp. to Rhodes Technologies

498 Washington Street, Coventry  
102,310 SF, \$34 PSF

#### Yawgoo Valley Apartments to Exeter Property Group

56 apartment units sold for \$3 million,  
\$53,571 per unit

#### New England Tech. to Winter Products

2457 Post Road, 25,454 SF, \$43 PSF

### CONCLUSION

Sale and leasing activity in the first six months of the year was broader based and spread out over more categories and sizes. While we have not seen an increase in pricing, the re-entry of the smaller user makes us more optimistic than last year. Banks appear more willing to lend and some local companies have expanded and begun to occupy buildings that have been vacant for years.

We have seen increased apartment building sales, while capitalization rates have declined, signaling investor's sentiment of the perceived safety in the multi-family market asset class as compared to other real estate investments.

Vacancies in the office and retail segments of the market will continue to keep lease rates low and force landlords to offer concessions. The industrial market has begun to show some life and buildings are beginning to sell and lease after a long hiatus. The same challenges remain, but there is more stability than we have seen in recent years.

Lower prices tend to create more activity, but local economic conditions may temper the anticipated increase in sales and leasing.

#### Notable activity during the period includes:

- Finard Coventry Hotel Management's acquisition of the Biltmore Hotel out of receivership, proving that there always appears to be money available for value real estate purchases.
- Alex and Ani, one the areas local success stories is expanding its footprint in the area to support continued growth.
- Atrion, a computer networking company moved into a new 45,000 SF office building.
- Quick Fit leased 50,000 SF in Warwick and is bringing manufacturing jobs back to the area.
- RJ Kelly an investor from Burlington, MA bought the GTECH building in Providence.

## Available Properties



### Warehouse/Manufacturing Building For Sale/Lease, ext. 322

200 Corliss Street, Providence, RI  
53,604 SF on 2.42 acres



### Re-Development Opportunity, ext. 322

569 Main Street  
Warren, RI  
47,884 SF; 37,291 SF land



### Building For Sale/Lease, ext. 322

288 Lincoln Avenue  
Warwick, RI  
10,163 SF, all A/C, 1/2 mile to Route 95



### For Lease, ext. 324

Quaker Lane  
Warwick, RI (on Route 2)  
Former stand-alone bank with 3 DU windows



### For Lease, ext. 324

34 Hemingway Drive, East Providence, RI  
2,400 - 9,000 SF possibilities. Leases are being written with tremendous discounts.



### Office For Sale/Lease, ext. 322

100 Jefferson Blvd.  
Warwick, RI  
24,100 SF (2,410 - 4,820 SF available)



### Development Opportunity, ext. 322

105 Pawtucket Avenue, East Providence, RI  
12.32 acres  
2 miles to Route 95



### For Sale, ext. 325

Calart Tower Office Condo, Cranston, RI  
2,112 SF  
**\$369,900**



### For Sale, ext. 324

Shakespeare Hall, Providence, RI  
Entire Penthouse available with expansive views of the Bay and East Side.



### For Lease, ext. 325

180 Westminster Street, Providence, 1,900 SF  
Full floor opportunities at the TD Bank Building.  
New elevator cabs and other upgrades.

## Recent Transactions



### Office Space

Leased to Two Tenants  
75 Commerce Drive, Warwick, RI  
19,462 SF



### Sold

38 Broadway  
Raynham, MA  
13,000 SF on 4.9 acres



### Sold

3 Chalet Road  
Middleboro, MA  
18,198 SF on 3.05 acres



### Sold

Industrial Mill Building, Cell Tower & Billboard  
60 King Street, Providence, RI  
119,322 SF on 10 acres



### Sold

50 Sharpe Drive  
Cranston, RI  
56,594 SF on 4.6 acres



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