

THE CAPSTONE REPORT

Rhode Island's Real Estate Survey For 2016

www.capstone-properties.com

by Neil Amper, SIOR

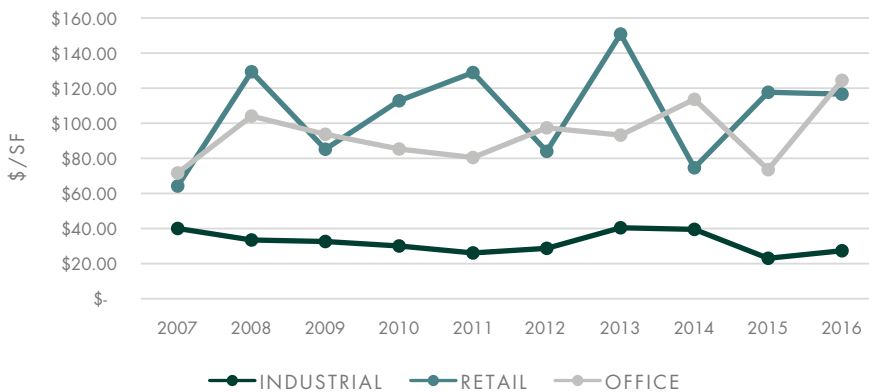
IN 2016, the commercial real estate market conditions in Rhode Island varied depending on property type. There was softness in the retail and office segments versus optimism and activity in the industrial and multi-family markets. In an effort to create a more favorable business climate locally and regionally, the state passed a set of economic development initiatives named WAVE. WAVE provides for job credit and real estate tax credit incentives to attract new companies and expand existing industries. As a result companies, developers, and investors have begun to build and invest in the state. These tools have created a climate that has produced jobs, apartments, hotels and the Wexford Innovation Center. Wexford's anchor tenants of Brown University and the Cambridge Innovation Center are expected to generate 1,000 jobs.

NEW GROWTH IN RHODE ISLAND!



- GE Digital Information Technology Center is bringing 100 jobs to Providence in the near term.
- Johnson and Johnson's new health technology center is expected to bring 75 highly skilled jobs to Providence.
- Virgin Pulse bringing 300 jobs to Providence.
- Trade Area Systems moved to Providence from Attleboro bringing all 20 employees and they are expected to add another 8 in the near term.
- Wexford Innovation Center, a 191,000 SF building is expected to bring 1,000 jobs to Rhode Island.
- 11 apartment buildings with 1,038 units
- 4 hotels with 564 rooms and 1,073 jobs

AVERAGE PRICE/SF BY PROPERTY TYPE

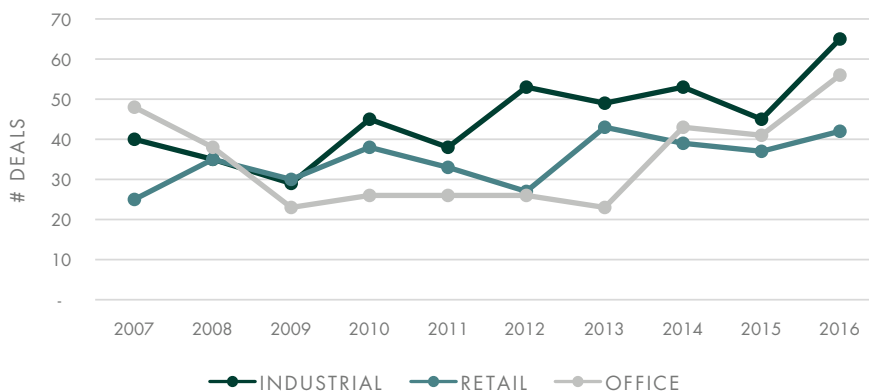


AVERAGE SALE PRICE/SF

	2015	2016	CHANGE
INDUSTRIAL	\$23.04	\$27.33	18.6%
RETAIL	\$117.65	\$116.60	(0.9%)
OFFICE	\$73.54	\$124.46	69.2%

The office average sale price/SF was inflated by the sale-leaseback of Metropolitan Life's Building in West Warwick in 2016

TRANSACTION VOLUME BY PROPERTY TYPE



TRANSACTION VOLUME TREND

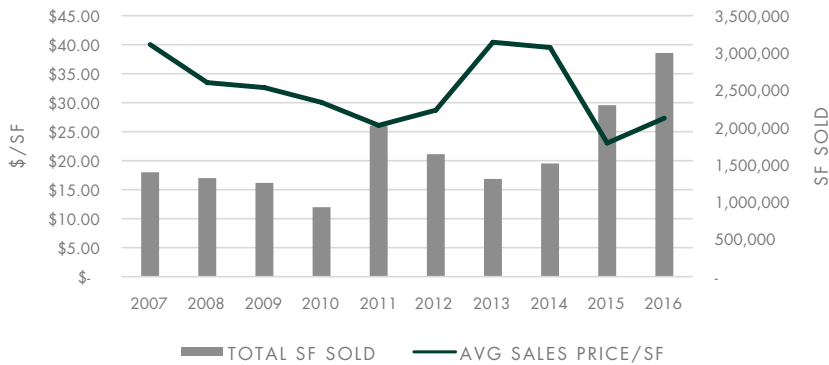
	2015	2016	CHANGE
INDUSTRIAL	45	65	44.4%
RETAIL	37	42	13.5%
OFFICE	41	57	39.0%

The strong increase in deal volume across all property types reflects an improving economy

Industrial Sale/Lease Overview

- The dislocation caused by internet sales in the retail market is creating opportunity in the industrial market. E-commerce has created heavy demand for warehouse, distribution and fulfillment locations regionally and nationwide.
- Rhode Island's industrial market continues to recover, driven by user activity, especially in the 20,000 to 40,000 SF category. Facilities in this size range that are in quality condition are seeing the most activity.
- Further improving RI's industrial market has been the growth of marijuana cultivation.

INDUSTRIAL – PRICE & VOLUME



SALES ACTIVITY, INDUSTRIAL	2015	2016	CHANGE
TOTAL SF SOLD	2,300,000	3,000,000	30.4%
AVG. SALES PRICE/SF	\$23.04	\$27.33	18.6%

SIGNIFICANT SALES



2000 Plainfield Pike, Cranston 236,551 SF – KSR Cranston sold to Berkley, \$4 million, \$16.91/SF, investor

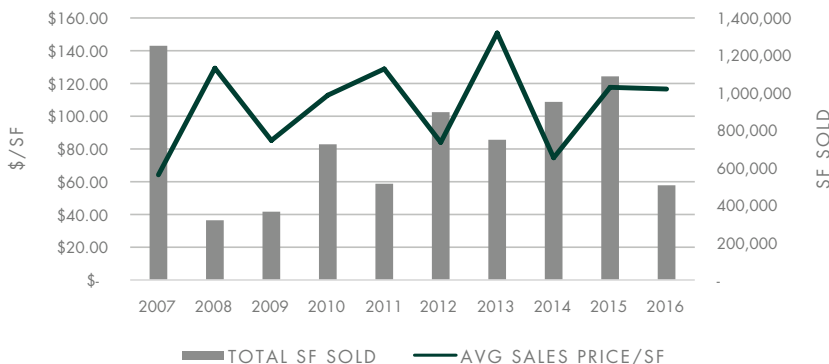


35 Martin St., Cumberland 267,498 SF – Berkley sold to 35 Martin LLC, \$5.5 million \$20.56/SF, user

Retail Sale/Lease Overview

- The fundamental changes disrupting the retail/distribution landscape are well documented and its repercussions are being felt nationwide as retailers shutter stores to remain viable businesses – 3,500 stores closings have been announced with more likely to come.
- Recently announced bankruptcies in the retail category include: Radio Shack, Sports Authority, Rue 21, Payless Shoes, Limited Stores and Wet Seal among others.
- Store closures and industry contraction continue to add to the vacancy stock across the mall, big box and strip center properties. Landlords are getting creative and repurposing vacant stores for entertainment uses like trampoline parks. In Woonsocket, a former Walmart was acquired by a user and converted to office/flex space.

RETAIL – PRICE & VOLUME



SALES ACTIVITY, RETAIL	2015	2016	CHANGE
TOTAL SF SOLD	1,088,000	506,000	(53.5%)
AVG. SALES PRICE/SF	\$117.65	\$116.60	(0.9%)

SIGNIFICANT SALES



1275 Fall River Ave. Seekonk, MA 102,015 SF – US Bank sold to 1275 Fall River LLC, \$4.3 million, \$42.15/SF



1500 Bald Hill Rd. Warwick 59,009 SF – 155 BHR sold to LRC Warwick, \$4.1 million, \$69.48/SF

Office Sale/Lease Overview

- In Providence, there is a decline in Class B vacancy due to conversion of several office buildings to residential apartments.
- Continued stagnation in rental rates is the main hurdle to new construction as organic demand for office product remains low; landlords must attract tenants from outside the state.
- The Wexford project should be an economic catalyst and is expected to lure startups and other employers from inside and outside the state and help establish Providence's innovation economy.
- State incentive programs have supported several of the recent development projects, including Wexford and the Providence Journal building which will be the new home for General Electric's digital innovation office and Virgin Pulse.
- Citizens Bank is relocating from offices in Cranston to a newly built 420,000 SF corporate campus in Johnston.

SIGNIFICANT SALES



700 Quaker Lane, West Warwick – Metropolitan Life sold and leased back their building for \$50 million, \$178.83/SF

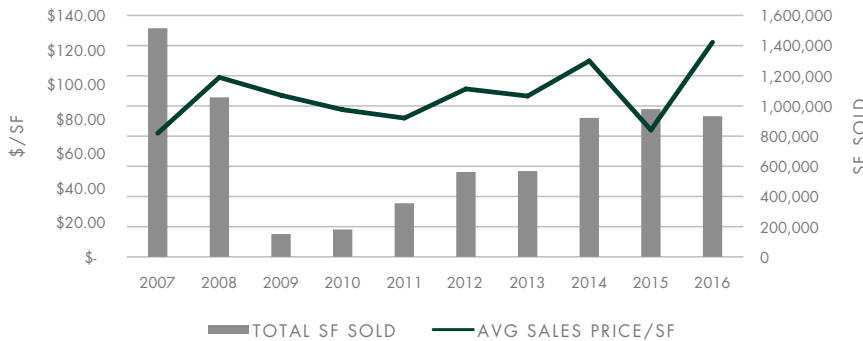


213 Westminster – 100,886 SF building acquired by Projo Westminster, \$1.8 million, \$17.84/SF, investor



300 Metro Center, Warwick 36,408 SF – Baltic Metro sold to JT O'Connell, \$4.7 million, \$129.09/SF, user

OFFICE – PRICE & VOLUME



SALES ACTIVITY, OFFICE	2015	2016	CHANGE
TOTAL SF SOLD	979,000	932,000	(4.8%)
AVG. SALES PRICE/SF	\$73.54	\$124.46	69.2%

Multifamily Overview

- The run up in the Boston housing market has brought investors back to the RI market where the dollar value of sales increased 37% between 2015 and 2016.
- In Providence, according to rental activity tracking website RENTCafé, commensurate increases in rental rates have not yet appeared as the average rents remained unchanged from last year at approximately \$1,573/mo.
- As previously noted, the renovation and conversion of existing office into multi-family residential uses is adding to apartment supply not only in Providence but in surrounding areas such as Pawtucket and Warwick as well.

SIGNIFICANT SALES

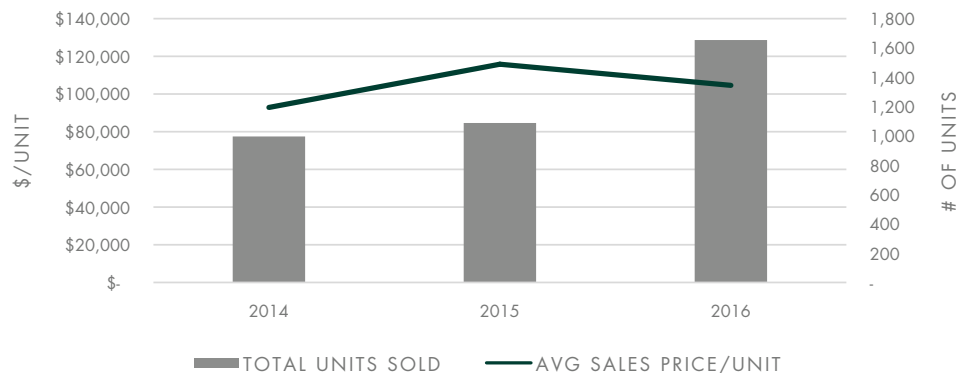


1 Patriot Way – WG Grandville sold to WIP Grandville, 310 units, \$60 million, \$193,000 per unit



254 Wayland, Providence – Maria Langlois sold to Walter Bronhard, \$1.6 million, \$200,000 per unit

RESIDENTIAL – PRICE & VOLUME



SALES ACTIVITY, APARTMENTS	2015	2016	CHANGE
TOTAL UNITS SOLD	1,088	1,654	52.0%
AVG. SALES PRICE/UNIT	\$115,809	\$104,595	(9.7%)

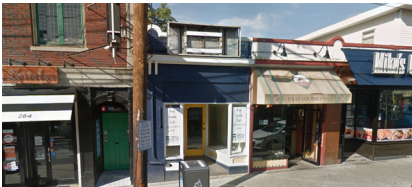
Available Properties



For Sale/Lease: Neil Amper, ext. 322
5 Unit Office
1075 Smith Street, Providence, RI
8,238 SF, 40-car parking, on bus line



Office For Lease: Chris Greenman, ext. 324
469 Angell Street/Wayland Square,
Providence, RI
400 – 2,784 SF



Retail Space For Lease: Greg Bohenko, ext. 234
Brown University/Thayer Street, Providence, RI
288 Thayer Street, Providence, RI
686 SF, perfect for retailer or unique food user



Retail/Entertainment Space for Lease: Greg Bohenko, ext. 234
90 Frenchtown Rd., N. Kingstown, RI
14,000 – 22,000 SF available at Hunt River Commons



For Sale: Neil Amper, ext. 322
327 Pine Street, Pawtucket, RI
121,716 SF mill building, 3.73 Acres, near new proposed train station to Boston, \$750,000



Warehouse For Lease: Neil Amper, ext. 322
155 Brookside, West Warwick, RI
High bay warehouse, 24' – 26' ceiling height
8 loading docks



For Lease: Chris Greenman, ext. 324
Former Walgreens, 1279 Oaklawn Avenue
Cranston, RI 14,820 SF
78 car parking, 2 drive-up windows



Brown University Restaurant For Lease: Greg Bohenko, ext. 234
165 Angell St., Providence, RI
Pristine existing restaurant, minimal work needed



For Sale: Neil Amper, ext. 322
Waterfront Investment, Wickford, RI
11,786 SF Buildings, 25 Boat Slips



For Lease: Greg Bohenko, ext. 234
1128 North Main Street, Providence, RI
At traffic light, near Miriam Hospital and Walgreens, 20,000 CPD



Thayer Street Restaurant Space For Lease: Greg Bohenko, ext. 234 284 Thayer St., Providence, RI
Restaurant space available near Brown University, 2,345 SF with 2,588 SF of usable basement



For Sale: Chris Greenman, ext. 324
973 Willett Avenue, East Providence, RI
Operating service station and convenience store with long-term lease in place to Drake Petroleum



Office/Flex Space: Chris Greenman, ext. 324
Hemingway Drive, East Providence, RI
2,400 – 10,000 SF with great highway accessibility and lots of free parking



For Lease Office Space: Chris Greenman, ext. 324
Downtown Providence
180 Westminster Street, Providence, RI
Up to 10,000 SF, Join TD Bank



For Sale: Chris Greenman, ext. 324
Downtown Providence, 6th floor available,
1,500 – 6,600 SF available
Sale prices have been slashed



180 Westminster Street
Providence, RI 02903

www.capstone-properties.com
401-454-4660
401-272-5378 fax

Paul Griesinger, President
pgriesinger@capstone-properties.com

Chris Greenman, Senior Vice President
cgreenman@capstone-properties.com

Neil Amper, SIOR, Vice President
namper@capstone-properties.com

Sergio Magno, Business Development
smagno@capstone-properties.com

Greg Bohenko, Sales Associate
gbohenko@capstone-properties.com

The information provided for this survey was obtained from several sources, including CoStar Group and Loopnet online services. It is intended for informational purposes only and should not be relied on by any party without further independent verification. Although deemed reliable, the information for this report is not warranted by Capstone Properties. Commentary, analysis, observations and opinions expressed in this report are those solely of Capstone Properties except where noted. This report is copyrighted and may not be reproduced in part, or in its entirety, without the permission of Capstone Properties. Data from this report may be cited with proper acknowledgement given.

