

MARKETBEAT

PROVIDENCE, RI

Office Q1 2017



PROVIDENCE OFFICE

Economic Indicators

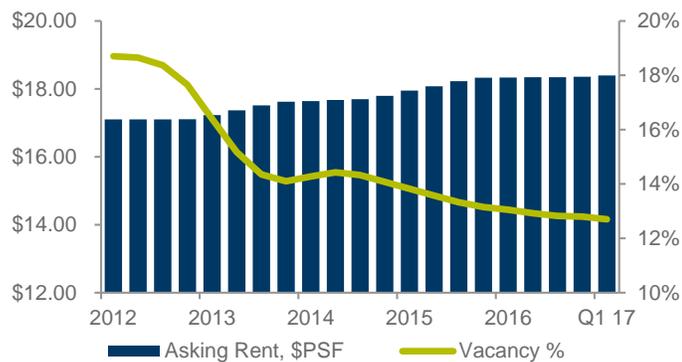
	Q1 16	Q1 17	12-Month Forecast
Providence Employment	721k	724k	▲
Providence Unemployment	5.5%	4.5%	▼
U.S. Unemployment	4.9%	4.8%	■

Market Indicators (Overall, All Classes)

	Q1 16	Q1 17	12-Month Forecast
Vacancy	13.0%	12.6%	▼
Net Absorption (sf)	-9k	18k	▲
Under Construction (sf)	386k	386k	▲
Average Asking Rent*	\$18.31	\$18.45	▲

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy 4-QTR TRAILING AVERAGE



Economy

Rhode Island's unemployment rate decreased from 5.5% in Q1 2016 to 4.5% in Q1 2017. The State's new jobs tax credits and other economic incentives continue to pick up steam: GE, J&J, Agoda, E-Money Advisors and Virgin Pulse recently announced they will add a combined 700+ employees to the downtown over the next few years.

Market Overview

The direct vacancy rate increased slightly from 12.4% reported in Q4 2016 to 12.6% at the end of Q1 2017. Leasing activity was strong again this quarter and asking rents also ticked up slightly. After a strong absorption period in Q4 2016 of nearly 100,000 square feet (SF), Q1 2017 was down slightly as a result of a few space reduction renewals in the market with total market absorption of only 18,000 SF.

The new activity being seen from tenants outside the state will serve to substantially strengthen the office market absorption in Providence over the next year. The most significant economic development project in the state, South Street Landing, continues its brisk pace of construction with expected completion in early 2018. This project represents one of the largest public/private partnerships in Rhode Island's history and one of the largest historic renovation projects in the country. The project will be home to several education institutions including Brown University, University of Rhode Island and Rhode Island College. This building, along with the supporting parking garage and other neighboring property, was purchased in March by Ventas for \$151 million, representing one of the largest institutional buys in the market in several years. Additionally, there is a new proposal for a 1-million-square-foot mixed-use project with office, lab, retail, hotel and residential space on I-195 land. This project is slated to break ground on its Phase I development later this year.

Outlook

Activity levels are expected to remain stable through 2017 with continued tightening in the office sector, especially in the downtown market as obsolete office buildings are converted to apartments and institutions purchase facilities for their own use. There is no new development projects under construction in the downtown or the suburbs which is shifting power in favor of landlords, especially in Class A product. Overall the market is healthy and trending upward with moderate rent growth expected for the foreseeable future.

Hayes & Sherry
146 Westminster Street,
2nd Floor
Providence, RI 02903
hayessherry.com

For more information, contact:
Matt Fair, Senior Vice President
Tel: +1 401 273 1980
mfair@hayessherry.com

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. Our 43,000 employees in more than 60 countries help investors and occupiers optimize the value of their real estate by combining our global perspective and deep local knowledge with an impressive platform of real estate solutions. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.