

PROVIDENCE OFFICE

Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Providence Employment	725.7k	736.2k	▲
Providence Unemployment	4.4%	4.6%	▲
U.S. Unemployment	4.7%	4.1%	▼

Market Indicators (Overall, All Classes)

	Q1 17	Q1 18	12-Month Forecast
Vacancy	12.6%	12.1%	▼
YTD Net Absorption (sf)	18k	7k	▼
Under Construction (sf)	386k	490k	▲
Average Asking Rent*	\$18.45	\$18.60	▲

\*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy  
4-QTR TRAILING AVERAGE



Economy

Rhode Island's unemployment rate increased from 4.4% in Q1 2017 to 4.6% in Q1 2018. However, the state's new jobs tax credits and other economic incentives continue to pick up steam: Epiq, Infosys, VistaPrint, GE, J&J, Agoda, E-Money Advisors, and Virgin Pulse will add a combined 1,000+ employees to the Rhode Island market over the next few years.

Market Overview

The overall vacancy rate increased slightly this quarter, jumping from 12.0% in Q4 2017 to 12.1% at the end of Q1 2018. Leasing activity was healthy and asking rents continued their trend of moderate increases. After two strong quarters of absorption, 40,000 square feet (sf) in Q4 2017 alone, only 7,000 sf were absorbed across the market in Q1 2018, which is not abnormal for the seasonality of demand in the Providence market.

Driven by new tenants from outside the state, the Providence office market is forecasted to strengthen further. The most significant development project in the state, South Street Landing, delivered on time in 2017 and is fully operational with construction of the residential component now underway. Additionally, the first private development on the I-195 land now has steel in the air. Wexford is under construction on its newest project with a 165,000-sf office building that has secured commitments from Brown University, Cambridge Innovation Center and Johnson & Johnson. The building is now almost fully leased.

Outlook

Activity levels are expected to remain high in 2018 as the office sector continues to tighten, especially in the downtown market, where obsolete office buildings are being converted to apartments and educational institutions purchase facilities for their own use. There are a limited number of new development projects under construction, which means landlords continue to gain power in negotiations, especially for Class A product. Overall the market is healthy and trending upward with moderate rent growth expected for the foreseeable future.

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