

PROVIDENCE OFFICE

Economic Indicators

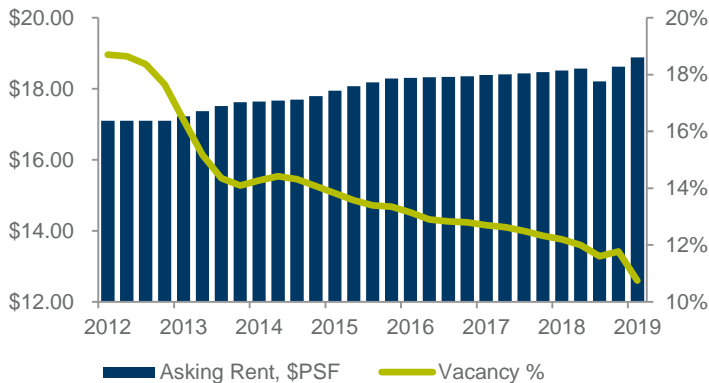
	Q1 18	Q1 19	12-Month Forecast
Providence Employment	731.7k	735.1k	▲
Providence Unemployment	4.5%	3.9%	▼
U.S. Unemployment	4.1%	3.8%	▼

Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Total Available	10.5%	10.1%	▼
YTD Net Absorption (sf)	76k	(69k)	▼
Under Construction (sf)	0k	191k	▲
Average Asking Rent*	\$18.73	\$19.13	▲

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Available
4-QTR TRAILING AVERAGE



Economy

Rhode Island’s unemployment rate decreased from 4.5% in first quarter 2018 to 3.9% in first quarter 2019. The state’s new jobs tax credits and other economic incentives continue to pick up steam: Mobius, Epiq, Infosys, VistaPrint, GE, J&J, Agoda, E-Money Advisors, and Virgin Pulse will combine more than 1,000 employees to the Rhode Island market over the next few years.

Market Overview

The total availability rate increased from the fourth quarter 2018 to the first quarter 2019 from 9.6% to 10.1%. Leasing activity was down slightly but asking rents continued their trend of moderate increases. After posting strong absorption in fourth quarter 2018 the market had a negative absorption of 69,056 in the first quarter of 2019.

Driven by new tenants from outside the state, the Providence office market is forecasted to continue 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 200-unit residential component now underway. Additionally, the first private office development on the I-195 land is being developed by Wexford with commitments from Brown University, Cambridge Innovation Center and J&J. The project is under construction and is now fully enclosed with estimated delivery in third quarter 2019. The building is already entirely committed. There are currently no speculative developments under construction either downtown or in the suburbs, and few in the planning stages, making the market ripe for further tightening and upward pressure on rental rates.

Outlook

Activity levels are expected to remain high in 2019 as the office sector continues to tighten. Two separate trends are occurring and contributing to a tightening of the office supply; obsolete office buildings being converted to apartments and educational institutions purchasing office buildings for their own use. There is 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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