

MARKETBEAT

PROVIDENCE, RI

Office Q2 2017



PROVIDENCE OFFICE

Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
Providence Employment	721k	728k	▲
Providence Unemployment	5.3%	4.5%	▼
U.S. Unemployment	4.9%	4.4%	■

Market Indicators (Overall, All Classes)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	12.8%	12.5%	▼
YTD Net Absorption (sf)	23k	35k	▲
Under Construction (sf)	386k	386k	▲
Average Asking Rent*	\$18.34	\$18.40	▲

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy 4-QTR TRAILING AVERAGE



Economy

Rhode Island's unemployment rate decreased from 5.3% in Q2 2016 to 4.5% in Q2 2017. The State's new jobs tax credits and other economic incentives continue to pick up steam: VistaPrint, GE, J&J, Agoda, E-Money Advisors and Virgin Pulse recently announced they will add a combined 700+ employees to the downtown market over the next few years.

Market Overview

The direct vacancy rate decreased slightly from 12.6% reported in Q1 2017 to 12.5% at the end of Q2 2017. Leasing activity was strong again this quarter and asking rents also ticked up slightly. After a modest absorption period in Q1 2017 of only 18,000 square feet (sf), Q2 2017 was up slightly to 35,000 sf as a result of new tenants entering the market from out of state.

This new activity driven from tenants outside the state will serve to substantially strengthen the office market absorption in Providence through 2017 and into 2018. The most significant economic development project in the state, South Street Landing, continues its brisk pace of construction with expected completion in late 2017. 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 educational 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 educational institutions purchase facilities for their own use. There are 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.

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