

PROVIDENCE OFFICE

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Providence Employment	725.5k	737.1k	▲
Providence Unemployment	4.6%	4.5%	▼
U.S. Unemployment	4.3%	3.8%	▼

Market Indicators (Overall, All Classes)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	12.5%	12.0%	▼
YTD Net Absorption (sf)	35k	27k	▼
Under Construction (sf)	386k	490k	▲
Average Asking Rent*	\$18.40	\$18.62	▲

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

Overall Asking Rent/Overall Vacancy  
4-QTR TRAILING AVERAGE



Economy

Rhode Island's unemployment rate decreased from 4.6% in Q2 2017 to 4.5% in Q2 2018. 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 add a combined 1,000+ employees to the Rhode Island market over the next few years.

Market Overview

The overall vacancy rate decreased slightly this quarter from 12.1% in Q1 2018 to 12.0% at the end of Q2 2018. Leasing activity was healthy and asking rents continued their trend of moderate increases. After only 7,000 square feet (sf) of absorption in Q1 2018 the market posted much stronger numbers in Q2 with 27,000 sf absorbed across the 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's newest project, a 165,000-sf office building, that has secured commitments from Brown University, Cambridge Innovation Center and J&J, is under construction. The building is now fully leased. 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 2018 as the office sector continues to tighten. Two separate trends are occurring and contributing to a tightening of the office supply:

- 1) Obsolete office buildings being converted to apartments
- 2) Educational institutions purchasing office buildings 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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