

MARKETBEAT

PROVIDENCE, RI

Office Q3 2017



PROVIDENCE OFFICE

Economic Indicators

	Q3 16	Q3 17	12-Month Forecast
Providence Employment	723k	734k	▲
Providence Unemployment	5.0%	4.6%	▼
U.S. Unemployment	4.9%	4.4%	▼

Market Indicators (Overall, All Classes)

	Q3 16	Q3 17	12-Month Forecast
Vacancy	12.7%	12.2%	▼
YTD Net Absorption (sf)	45.5k	76k	▲
Under Construction (sf)	386k	490k	▲
Average Asking Rent*	\$18.36	\$18.47	▲

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy 4-QTR TRAILING AVERAGE



Economy

Rhode Island's unemployment rate decreased from 5.0% in Q3 2016 to 4.6% in Q3 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 12.5% reported in Q2 2017 to 12.2% at the end of Q3 2017. Leasing activity was strong again this quarter and asking rents also ticked up slightly. After a reasonably strong absorption period in Q2 2017 of 17,000 square feet (sf), Q3 2017 surpassed the market with 41,000 sf absorbed as a result of new tenants entering the market from out of state and existing tenant expansions.

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, delivered on time in Q3 and is now fully operational with new construction of the residential component now underway. 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, the first private development on the I-195 land has broke ground on a 165,000 sf office building with commitments from Brown, Cambridge Innovation Center and Johnson & Johnson leasing 80% of the total building square footage with approximately 30,000 sf available for lease on the market.

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 very few new development projects under construction in the market which continues to shift 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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