

PROVIDENCE OFFICE

Economic Indicators

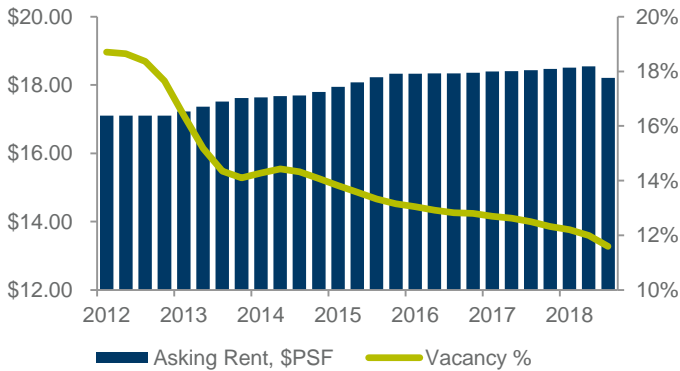
	Q3 17	Q3 18	12-Month Forecast
Providence Employment	731.2k	740.2k	▲
Providence Unemployment	4.5%	4.3%	▼
U.S. Unemployment	6.0%	6.0%	■

Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	4.4%	6.9%	▼
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 second quarter 2017 to 4.5% in second quarter 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 combine more than 1,000 employees to the Rhode Island market over the next few years.

Market Overview

The overall vacancy rate decreased again this quarter from 12.0% in second quarter 2018 to 11.9% at the end of third quarter 2018. Leasing activity was healthy and asking rents continued their trend of moderate increases. After posting strong absorption in second quarter 2018 the market absorbed another 20,000 square feet (sf) in third quarter.

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 2018 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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