

MARKETBEAT

PROVIDENCE, RI

Office Q4 2017

CUSHMAN & WAKEFIELD

HAYES & SHERRY
REAL ESTATE SERVICES

PROVIDENCE OFFICE

Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Providence Employment	724k	729.4k	▲
Providence Unemployment	4.8%	4.4%	▼
U.S. Unemployment	4.7%	4.1%	▼

Market Indicators (Overall, All Classes)

	Q4 16	Q4 17	12-Month Forecast
Vacancy	12.7%	12.0%	▼
YTD Net Absorption (sf)	33k	116k	▲
Under Construction (sf)	386k	490k	▲
Average Asking Rent*	\$18.42	\$18.58	▲

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy 4-QTR TRAILING AVERAGE



Economy

Rhode Island's unemployment rate decreased from 4.8% in Q4 2016 to 4.4% in Q4 2017. The State's new jobs tax credits and other economic incentives continue to pick up steam: 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 direct vacancy rate decreased again this quarter, dropping from 12.2% in Q3 2017 to 12.0% at the end of Q4 2017. Leasing activity was healthy and asking rents also ticked up slightly. After unusually strong absorption of 41,000 square feet (sf) in Q3 2017, another 40,000 sf were absorbed in Q4 2017.

Driven by new tenants from outside the state, the Providence office market strengthened throughout 2017 and there are hopes the trend will continue in 2018. The most significant development project in the state, South Street Landing, delivered on time in Q3 and is fully operational with construction of the residential component now underway. This project is one of the largest public/private partnerships in Rhode Island's history and one of the largest historic renovations 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 parking garage and other neighboring property, was purchased in March by Ventas for \$151 million, making it one of the largest institutional buys in the market for several years. The first private development on the I-195 land will be a 165,000-sf office building that has secured commitments from Brown University, Cambridge Innovation Center, and Johnson & Johnson to lease 80% of the total space.

Outlook

Activity levels are expected to remain high in 2018 as the office sector continues to tighten, especially in the downtown market, where obsolete office buildings are being converted to apartments and educational institutions purchase facilities 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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About Cushman & Wakefield

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