Economy

Rhode Island’s unemployment rate decreased from 4.2% in second quarter 2018 to 3.7% in second quarter 2019. RI continues to win new business through the state’s jobs tax credits and other economic incentives. Orsted, GEV, Mobius, Eqip, 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 total availability rate increased from the first quarter 2019 to the second quarter 2019 from 10.1% to 10.5%. Leasing activity was down slightly but asking rents continued their trend of moderate increases. The market posted 14,000 square feet of negative absorption in the second quarter of 2019.

The Rhode Island office market is forecasted to continue to remain stable with modest strengthening. The most significant development projects in the state are happening in downtown Providence with numerous hotel and residential developments under construction. 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 nearing completion with estimated delivery in third quarter 2019. There are currently no new 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 modest in 2019 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.