

2007 The Rodman Report



Market Overview

The 2007 Rhode Island real estate market once again reflected the state's ongoing transition from a manufacturing-based economy to a service-based economy. The year saw a continued conversion of many former industrial facilities to alternative uses including office and residential. The negative trend in residential real estate has not filtered into the commercial/industrial market with median prices maintaining, and in some cases increasing, over 2006. The office market saw an increase in activity, the industrial market saw a decrease in both number of transactions and dollar volume. This is generally attributed to both lack of expansion in the manufacturing sector and the lack of quality product in the overall industrial sector. The larger lease transactions within the industrial sector have primarily been a result of relocation and/or consolidation. The larger sales have been primarily to investors, who are already active in the market and are familiar with the types and sizes of tenant requirements in the market.

Rhode Island at the end of 2007 is reflective of the adage "we don't go boom but we don't go bust." While the state benefited from the good economic conditions that were present over the last five years, we did not see dramatic increases in either office or industrial building over this time period. While there was speculative building, predominantly in the Warwick office market, it did not rise to a level, where considering the current economic conditions, it dramatically impacted the market. Most of the new construction within the market was directly attributable to owner/users or tenant-specific developments. As a result, the market is not overbuilt and vacancy rates remain stable as we enter a time of economic uncertainty.

The Rhode Island market, and the downtown Providence market in particular, remain very appealing to investors, primarily from outside the state. There have been a number of transactions involving out of state investors in some of the more prominent buildings in downtown Providence including: the Bank of America buildings, the Union Trust building, and the pending sale of the Turks Head building. Investors are looking at the dynamics of the city, including the colleges and proximity to both Boston and New York, and seeing future growth and appreciation. Many see the city and environs as on their way to reaching their potential with a very bright future.

As we look into 2008, we realize that there are a number of challenges facing the nation, the state and the Rhode Island commercial real estate market. But we also have faith in the resiliency of all three. The market will still be primarily driven by need-based owner occupants, but we see some movement toward leasing due to a continued lack of product and tightening in lending standards. Values and rents should maintain their present levels, but there could be some downward pressure in every phase of the market based upon economic conditions. We see stability overall for the next year, but caution among market participants.

RODMAN
REAL ESTATE INC.

72 Pine Street

Providence, RI 02903

401-273-2270

401-273-2273 fax

www.rodmanrealestate.com



2007 The Rodman Report

Median Industrial Sales Analysis

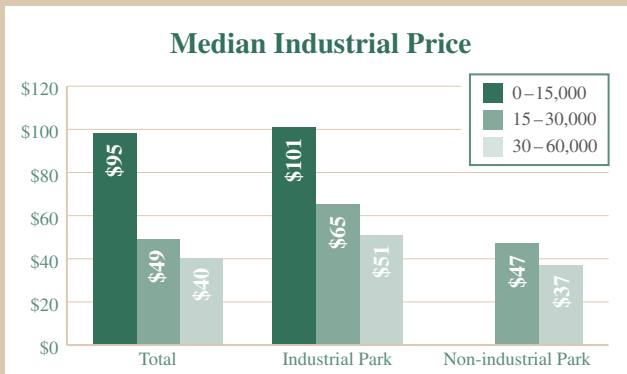
The industrial market decreased in 2007. There were 40 sales in 2007 versus 94 sales in 2006, a 56% decrease.

The total square footage volume in 2007 was 1,400,019, a decrease of 18% from 2006. The total sales were \$56,033,000 in 2007 versus \$66,747,000 in 2006, a 15% decrease.

Buildings of less than 15,000 square feet recorded an increase in the median rate of 5%, to \$95 per square foot. The dollar volume was \$3,060,000, but the total number of sales fell 78%, reflective of the lower number of smaller users in the marketplace. The average size of buildings sold remained around 5,000 square feet.

Buildings between 15,000 and 30,000 square feet recorded an increase of 14% in the total aggregate sample. The industrial park sector showed a decrease of 8% in the sales analysis

and 17% in the non-park sector. The dollar volume was \$9,005,000 versus \$16,500,000 in 2006, a 45% decrease. The average size of buildings sold was 21,649 square feet, while the total square footage sold was 251,925 square feet.



There was virtually no change in the total sample of buildings in the 30,000 to 60,000 square foot category. The industrial park sector decreased by 15% from 2006. The non-park sector decreased by 7%. The average size of buildings sold was 32,373 square feet, 24% smaller than the previous year.

There were eight sales in the 60,000 and larger square foot category, which represented 1,313,572 square feet and \$50,900,000 in sales. The median rate was \$41 per square foot, which historically has been high for this sector. The average building size was 95,713 square feet and six of the nine sales were in industrial parks. The most recent sale was 1600 Division Road in West Warwick. The building is 547,000 square feet and it sold for \$21,500,000, or \$42 per square foot.

Dollar volume and square footage continues to decrease with the continuing shift away from industrial users to an office/warehouse economy. The smaller buildings have become more difficult to sell, while larger buildings are in more demand if ceilings are 18 feet or higher.

Data for this Survey was drawn from research on 45 established Industrial Parks and Industrial Areas encompassing 25,690,894 square feet of space. We included data from buildings of 10,000 square feet or more, however, Industrial Parks with a high concentration of buildings fewer than 10,000 square feet were also included.

Vacancy Analysis

Northern Region: There were some significant large industrial sales in 2007. The absorption of available space was primarily in properties of more than 40,000 square feet. Smaller properties remained vacant for the most part. The northern part of the state has remained unchanged for several years and the building activity that occurred over the last five years has abated.

Providence/Metro: 122,000 square feet of space in the Huntington Industrial Park comprised the majority of the vacancy in the Providence market. Vacancy has steadily dropped over the last two years and the conversion of the American Locomotive Complex displaced smaller tenants to other communities, most notably Urban Smart Growth's building, The Hope Artiste Village, located at 1005 Main Street in Pawtucket.

Central/West Bay: has virtually no vacancy in industrial properties. Penske Truck Leasing and Kamco Distributing bought land in Western Cranston and A. Duie Pyle Trucking and FedEx bought land in Johnston and constructed new facilities. The only other new construction was in small contractor units that averaged 1,500 square feet.

East Bay/Aquidneck Island: experienced the same lack of activity seen in other parts of the state. There is virtually no new construction, with the exception of the Goetz facility, and no change from the previous year.

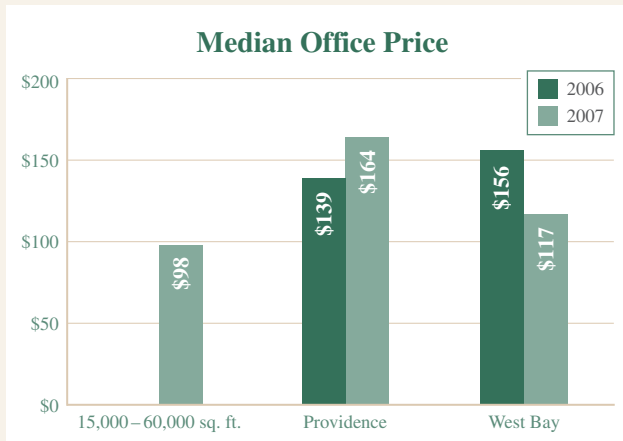
Southern Region: has two large blocks of space. Ocean State Job Lot in Quonset Point has 450,000 square feet. Precision Park has 150,000 square feet available at an asking rate of \$4.50-\$5.50 NNN. It would appear that we would need a major distributor from outside the state to absorb this space.

State: The vacancy factor in the state has remained in the 7% range for a few years, but most of the availability is centered in a few buildings. If we remove the larger spaces the actual vacancy is around 4%.

Median Office Sales Analysis

We tracked 48 transactions in 2007, which accounted for 1,515,000 square feet of space and a monetary value of \$108,574,000. This represents a 43% increase from 2006 and the dollar volume was \$76,000,000 higher.

The median value in 2006 was \$139 per square foot and in 2007 it decreased to \$128 per square foot.



There were 30 sales of buildings between 1,000 - 15,000 square feet. The average size was 4,450 square feet and the median value was \$140 per square foot.

Buildings between 15,000 - 60,000 square feet had a median value of \$98 per square foot and the average size was 32,482 square feet.

In 2007, the median value of buildings sold in Providence was \$164 per square foot and the average size was 5,804 square feet. The median rate for buildings in the West Bay was \$117 per square foot, with an average size of 4,960 square feet.

Currently there is 1,570,000 square feet of office space for sale and 1,870,000 square feet of space for lease, a total of 3,440,000 square feet. The majority of the space is in the smaller than 15,000 square foot category, but there are significant blocks of larger space that are available for companies to expand.

The leasing market has been a challenge with lease rates for existing space remaining stagnant because of the market desire to purchase rather than lease. We do not foresee this situation improving in 2008.

Median Mill Building Sales Analysis

There were five mill building sales in 2007, in Central Falls, Lincoln, Pawtucket, Providence and Tiverton. The total square footage was 1,112,806 square feet while the sales value was \$7,350,000.

The pace of conversion has slowed and the buildings that were sold for conversion averaged \$15 per square foot. Buildings that were sold as industrial properties averaged about \$4 per square foot.

The conversion of existing properties in Providence, Pawtucket and West Warwick has been absorbing tenants and businesses. It is reported that The Royal Mill in West Warwick is at 80% occupancy. Hope Artiste Village in Pawtucket has begun to attract a mixed group of light manufacturing, office, and destination retail. The mill conversion market has reached its saturation, making it difficult to acquire conversion financing from the banks.



Median Retail Sales Analysis

We tracked 25 sales in 2007, which represented 1,251,388 square feet of space which translated into \$80,355,000 in sales.

The median square foot rate was \$108 per square foot and the properties' average size was 52,142 square feet.

The majority of the sales were in the West Bay area where most of the major retail areas exist.

Target has contracted to lease space at the former Filenes store at the Warwick Mall and construction has begun.

Raymour and Flanigan, the former Alpert's Furniture Store, has purchased the former 40,000 square foot HomeLife Store on Bald Hill Road in Warwick. They purchased it for \$8,600,000, which translates to \$215 per square foot.

A medical practice purchased a retail store located at 55 Lambert Lind Highway in Warwick for \$112 per square foot that will be converted to medical offices.



Significant Transactions



141 James P. Murphy Highway,
West Warwick, RI
7,800 square foot office building
Sold to NJV, LLC



72 Pine Street, Providence, RI
5,655 square feet leased to Tarnell Company, LLC
5,934 square feet leased to Rice, Dolan
and Kershaw



400 Pine Street, Pawtucket, RI
400,000± square foot mill space
Sold to Urban Smart Growth



1200 Jefferson Boulevard, Warwick, RI
64,500 square foot warehouse space
Leased to O'Brien Transportation



3-5 Progress Street, Seekonk, MA
7,300 square foot retail center
Sold to MIS Enterprises, LLC



35 Industrial Drive, Cumberland, RI
36,525 square foot warehouse space
Leased to Wm. J. Hirten Co.



717 Allens Avenue, Providence, RI
43,261 square foot industrial building
Sold to Claremont Holdings, Inc.



1541 Atwood Avenue, Johnston, RI
20,560 square foot office space
Leased to U.S. Department of Homeland Security
Division of Citizens and Immigration Services



72 Pine Street

Providence, RI 02903

401-273-2270

401-273-2273 fax

www.rodmanrealestate.com

Sheldon Rodman, SIOR, President
srodman@rodmanrealestate.com

Neil Amper, SIOR, Vice President
namper@rodmanrealestate.com

Thomas Sweeney, SIOR, Vice President
tsweeney@rodmanrealestate.com

David Widmann, Sales Associate
dwidmann@rodmanrealestate.com

Alex Kaufman, Broker Associate

The information provided for this survey was obtained from several sources, including CoStar Group and Loopnet online services. It is intended for informational purposes only and should not be relied on by any party without further independent verification. Although deemed reliable, the information for this report is not warranted by Rodman Real Estate, Inc. Commentary, analysis, observations and opinions expressed in this report are those solely of Rodman Real Estate, Inc. except where noted. This report is copyrighted and may not be reproduced in part, or in its entirety, without the permission of Rodman Real Estate, Inc. Data from this report may be cited with proper acknowledgement given.