

MarketView Providence Office

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Mid-Year 2010

Downtown Quick Stats

	Current	Change from end 2009
Vacancy	21.53%	↑
Net Absorption*	(259,812)	↓
Class A Lease Rates	\$29.60	↓
Class A Vacancy Rates	17.59%	↓
Class B Lease Rates	\$20.71	↓
Class B Vacancy Rates	22.95%	↑
Class C Lease Rates	\$17.41	↓
Class C Vacancy Rates	23.99%	↑

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

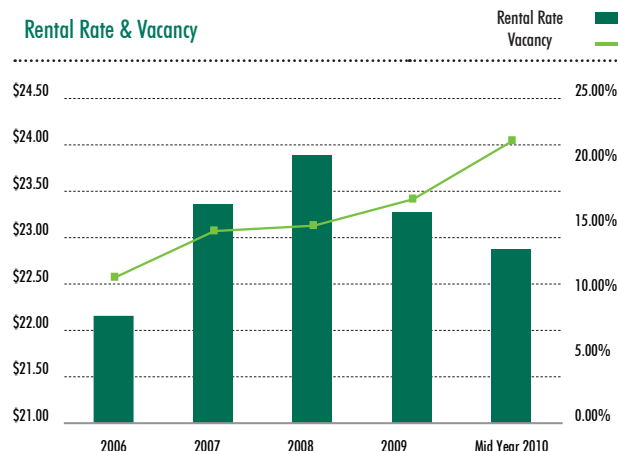
Hot Topics

- Landlords will aggressively compete for tenants with concession packages including free rent and large tenant improvement allowances
- Landlords will continue to show flexibility on restructuring and short term extensions of leases
- Companies with strong balance sheets will benefit the most from the current opportunities
- There are several large tenants in the market with decisions to make in the second half 2010 which could significantly mitigate the current negative absorption levels

Downtown Providence Overview

The first half of 2010 has proceeded as forecast at the end of 2009. There was the addition of 301,597 square feet of Class B vacancy due to Blue Cross Blue Shield of Rhode Island's lease obligations expiring in three downtown buildings. With the commencement of construction at 222 Richmond Street for the new home to Brown University's Warren Alpert School of Medicine, tenants have relocated from 222 Richmond Street to other buildings in the market. This relocation of approximately 70,000 square feet is highlighted with the Big East lease of 32,802 square feet at Gateway Center.

Rental Rate & Vacancy



The Downtown office market vacancy rate increased from 17.21% to 21.53%. Similar to the forecast at the end of 2009, the Downtown Providence market is experiencing downward compression on asking rents and increased vacancy. Landlords generally have become more aggressive in 2010 primarily with rent structure, larger tenant improvement allowances and free rent.

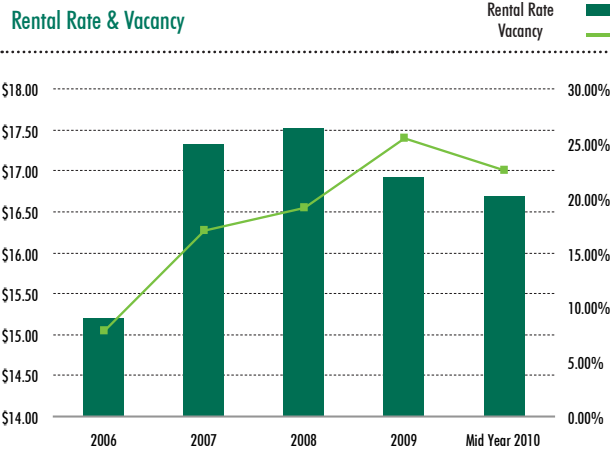
District	Total SF	Available SF	Vacancy	Net Absorption	Average Asking Lease Rate
Capital Center	615,190	164,333	26.71%	34,618	\$31.35
Financial	2,688,622	414,498	15.42%	(1,964)	\$23.42
Westminster	475,300	44,061	9.27%	(501)	\$18.80
South Main	138,107	14,246	10.32%	6,999	\$21.07
Randall Square	195,986	19,140	9.77%	8,285	\$20.79
Empire	522,513	301,597	57.72%	(301,597)	\$23.53
Promenade	1,234,206	341,319	27.65%	1,005	\$20.74
Jewelry (Richmond)	398,902	50,475	12.65%	(6,657)	\$18.37
Total Market	6,268,826	1,349,669	21.53%	(259,812)	

Suburban Rhode Island Overview

The Suburban Rhode Island office market saw a drop in vacancy in the first half of 2010, from 25.51% at the end of 2009 to a current level of 22.57%. This reduction can be attributed to some large blocks of office space that were leased as well as the removal from the supply of a 68,412 square foot building sold to a user and the reclassification of 140,000 square foot building from office to flex industrial.

The most active submarket was the West Bay, which had a drop in vacancy from 26.01% to 19.06%. 50 Service Avenue, a 68,412 SF office building was sold to a user in February 2010. The other major factor in the West Bay was the flood event in March, which led to several short term requirements, including 43,980 square feet leased to FEMA. Additionally, 275 West Natick Road recently leased 36,000 square feet of office space for the back office production of a television series.

Even with the West Bay drop in vacancy, the overall Suburban Rhode Island office market has experienced continued downward compression on asking rents. With the high vacancy rates in Northern RI and East Bay, landlords with large blocks of space will aggressively pursue any large requirements that enter the market. Tenants will continue to have leverage over landlords in the second half of 2010 and the successful landlords will be those that have the capacity to offer substantial tenant concessions.



Suburban Quick Stats

	Current	Change from end 2009
Vacancy	22.57%	↓
Net Absorption*	74,080	↑
Lease Rate	\$16.69	↓

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- West Bay vacancy rate is down 36.5% from the end of 2009
- Decrease in rental rates in every submarket
- Credit tenants will continue to have leverage in negotiations with landlords
- Large concession packages will be the norm for the remainder of 2010
- Expectation that in the 2nd half of 2010 and in 2011 there will be an uptick in commercial foreclosure activity that will lead to a resetting of cost bases

Submarket	Total SF	Available SF	Vacancy	Net Absorption	Average Asking Lease Rate
Northern RI	1,752,467	552,020	31.50%	(17,479)	\$16.87
West Bay	2,965,066	565,113	19.06%	82,626	\$18.00
East Bay	1,124,478	291,496	25.92%	4,936	\$15.46
Suburban Providence	827,379	207,043	25.02%	(5,118)	\$16.93
Aquidneck Island	975,436	109,965	11.27%	9,115	\$13.63
Total Market	7,644,826	1,725,637	22.57%	74,080	

For more information, please contact:

Alden Anderson, Jr.
Senior Vice President/Partner
401.621.4338
alden.anderson@cbre-ne.com

Jay Fluck
Executive Vice President/Partner
401.621.4333
jay.fluck@cbre-ne.com

Andrew Galvin
Associate
401.330.1915
andrew.galvin@cbre-ne.com