

**Quonset Development Corporation
Meeting of the Marketing & Business Development Committee**

Public Session Minutes
Thursday, October 23, 2008

A meeting of the Marketing & Business Development Committee of the Quonset Development Corporation (the "Corporation" and/or "QDC") was held at 4:00 p.m. on Thursday, October 23, 2008 at the offices of the Corporation located at 95 Cripe Street, North Kingstown, Rhode Island, pursuant to notice to all members of the Committee and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island Law.

The following Committee Members were present and participated throughout the meeting as indicated: James D. Berson, Steven Campo, and John G. Laramee. The following QDC staff were present: Steven J. King, P.E., Managing Director and Heidi J. Green, Planning Specialist, Development & Planning. Charles Francis, Gerald Lavalley, and Michael Wall from CB Richard Ellis ("CBRE") were also present.

1. CALL TO ORDER:

The meeting was called to order at 4:10 PM by Mr. Berson.

2. ECONOMIC OVERVIEW BY CB RICHARD ELLIS:

Mr. Francis of CBRE provided the history of CBRE to the new Committee Members.

- CBRE bought real estate companies all over the United States and have an international presence in 254 countries.
- Last year CBRE generated \$5 billion in revenue.
- CBRE has 100 professionals in the New England region.
- There are 8 real estate professionals in the Providence office.

A. Office Market

Mr. Francis went on to describe the trends of the office and industrial markets as well as the capital markets:

- Downtown America vacancy has increased to 10.7% from 10.2%
- Suburban Market vacancy has increased from 14.9% to 15.1%
- There is currently 3.87 million square feet available nationally
- There is 27 million square feet currently under construction
- Generally the east coast commercial real estate market is faring better than the west coast
- Nationwide sale prices have decreased by 8%

B. Industrial Market

- Consumer spending has decreased
- Overall industrial vacancy has increased to 11% from 10.5%
- In Boston industrial vacancy has increased to 19% from 16.9%
- In Hartford industrial vacancy has increased to 14% from 12.6%
- Overall sale prices have decreased 3%

C. Capital Markets

- From January to July of 2007 there was \$159 billion in real estate lending
- From January to July of 2008 there was \$34 billion in real estate lending
- For office and industrial deals banks are requiring 40% equity
- Banks are no longer offering non-recourse loans
- The picture looks bleak for the future of commercial real estate
- Small local and regional banks are lending money however term sheets look a lot different
- For example, before a \$3 million deal would require \$300,000 in equity now that same deal would require \$1.2 million in equity
- Spreads have dramatically increased from 100-125 to 300-400
- The cost of debt is significantly more expensive
- Small businesses are being especially hard hit by the credit crunch

Mr. Berson expressed concern for Quonset's current tenants and inquired if there was an EDC business retention strategy. There currently is not.

Mr. Lavalley expressed further challenges in the commercial real estate market:

- Construction materials and site work are at all time highs.
- There are more concessions being made for tenants by landlords

Mr. Wall provided an overview of the Rhode Island market:

- Office vacancy has increased to 17%
- New England Tech bought the former Brooks' 180,000 sf building in East Greenwich
- Vacancy has increased, rents have decreased and concessions have increased (free month's rent, tenant improvements, landlord paying for brokerage fees, etc.)
- Industrial vacancy has held at 8% which is the same as last year
- The 15,000-20,000 sf industrial space is still hard to find
- There is a lot of older space (i.e. Precision Park and Job Lot) available
- There is not enough smaller space in the 5,000-15,000 sf range for businesses
- Unemployment has increased in the construction, retail and government sectors
- Land prices are still increasing due to demand for a limited resource

D. Quonset Business Park®

Mr. Francis indicated that the Quonset Business Park® has come a long way in the past five years.

- There is more transparency in the process
- There is consistent pricing
- The curb appeal has been dramatically improved

Mr. Lavallee indicated that when CBRE was hired the goals were to:

- Create development initiatives
- Market the 3-10 acre infill parcels – (i.e. Kiefer Park parcels have sold out)
- Act as the real estate gate keeper
- Institute consistent land pricing – (initially lots sold for \$60,000/acre now they are selling for \$165,000-\$175,000/acre)
- Consult on real estate matters (market conditions/appraisals)
- CBRE is currently not marketing to end users

Mr. Berson inquired about the QDC/QBP branding and marketing. Mr. King responded that there have been significant improvements to the Park including infrastructure projects, signage with the Quonset Business Park logo and establishment of a diversified mix of businesses. Quonset offers multimodal transportation opportunities (i.e. rail, port, airport and highway). Mr. Francis added that from 2000 to now there have been dramatic improvements to the Park.

Mr. Lavallee indicated that the following development proposals are pending at Quonset:

- Atlantic Ethanol
- B.E. Publishing
- Patriot
- Nickol
- Deepwater Wind

Mr. Lavallee set forth the indicators that are evaluated with each development proposal:

- Number of jobs
- Capital investment
- Tax generation
- Stability/viability of each project

Mr. Lavallee then described the lease space currently available in the Park:

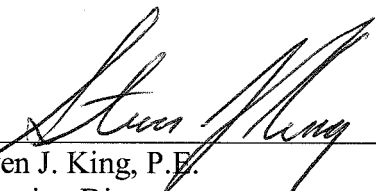
- 400,000 sf high bay warehouse-Job Lot
- 90,000 sf office-New Boston
- 20,000 sf office-Falvey Cargo Underwriting
- 30,000 sf office-Riggs & Gallagher

Mr. Lavallee advised the Committee members of future marketing endeavors:

- Market to rail and port users as well as to research and development businesses
- Develop a partnership for Building 314 and breakdown the massive warehouse space to 5,000-10,000 sf spaces to respond to the market demand for small businesses/incubator space
- Utilize Building 7 for incubator opportunities
- Perform a new SWOT analysis
- Continue to market the infill parcels
- Invite capital institutions to visit the Park to update them on the progress
- Continue to streamline the permitting process

There being no further business to come before the Committee, upon motion made duly by Mr. Campo and seconded by Mr. Laramée, the meeting was adjourned at 5:20 p.m.

Respectfully submitted:

By: 
Steven J. King, P.E.
Managing Director