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Investors should keep an eye out for properties they can purchase below recent high prices

October 27, 2009 - Spotlights

One of Chittenden County's largest employers has found a new home. General Dynamics Armament and Technical Products will be moving out of Burlington and into its new home in Williston. General Dynamics, currently located on Lakeside Avenue in Burlington, will be occupying to 112,000 s/f of office space at IBM Rd. in Williston. Its new facility is owned by IBM Corp., and the move will likely not take place until the end of 2010 when the fit-up is scheduled to be finished. General Dynamics currently employs about 450 people at its Burlington facility. With only a few months left in the year, this is likely to be the largest deal done in this market during 2009.

RETAIL

In Williston the former Circuit City and Linen's & Things continue to be available opportunities for larger retailers looking to enter the market. Moe's Southwest Grill has just opened its second store in the area. The new store is located in front of Petsmart at the Taft Corners Park off Rte. 2A. Lowe's has opened a second 153,000 s/f store at the former Essex Town Plaza on Susie Wilson Road. This will increase the size of the current center by 53,000 s/f. Goodwill is in the process of opening its second store in the market as well. The new store, to be located on Shelburne Rd. in South Burlington, is currently under construction and should be open before the new year.

Downtown Burlington's outdoor-mall concept continues to draw both local and tourist crowds to Chittenden County's premier retail center. Church Street Marketplace vacancy rates have increased in recent months, but spaces are slowly being filled. An optimal mix of both local and national retailers provides Marketplace shoppers a unique shopping experience. The Burlington Town Center, featuring the likes of Macy's, Pottery Barn, and Williams-Sonoma, anchors the Marketplace with over 140,000 s/f of leased space.

INDUSTRIAL

The industrial market has been stable but is showing some signs of weakening. Activity in the industrial market is still focused on smaller spaces ranging from 2,500 - 7,500 s/f. Many of the larger spaces on the market are being re-developed to accommodate the demand for smaller space. Demand for new industrial space in 2008 was well below historical averages. Demand in 2009 is expected to be less than originally anticipated. Vermont's largest employer, IBM, has seen its work force decline over the last seven years from 8,500 in 2001 to 4,800 in 2009.

OFFICE

Approximately 300,000 s/f of new office space was added to the marketplace over the last two

years. Rents in the CBD are beginning to weaken, with rents for Class A space between \$14-\$17 per s/f, and Class B space renting between \$9-\$13 per s/f. Spaces less than 5,000 s/f are producing the most activity in this sector. Vacancy rates in the CBD have risen above 4%. On the other hand, suburban office vacancy rates are nearly 15%. Several buildings in the suburban market have been constructed in the last year and some are still under construction. A few of these buildings have yet to fill more than 60% of the space. Rents in the more suburban areas are between \$13-\$16 per s/f for Class A space and \$8-\$12 per s/f for Class B space.

Despite the recession, there remains opportunity for those who seek it. Rising vacancy rates and lower rents should allow good businesses to retrench and weather the storm. Investors should keep an eye out for properties they can purchase below the high asking prices we have seen over the last several years.

Vermonters are looking forward to rebuilding our local economy. New ideas and new businesses are often born out of economic turmoil and will lead the way to recovery. Vermont remains a wonderful place to live and do business.

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