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Investors should keep an eye out for properties they can purchase below last year's high prices

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Vermont appears to be nearing the bottom of this recession and on its way back to recovery, but the effects will continue to be felt for quite some time. Unemployment in Vermont rose in 2009, but is still below the national average. Our state was less impacted by the sub-prime mortgage crisis, somewhat insulating us from the effects.

The commercial real estate market in Vermont, like all sectors of the economy, has been affected by the recession. 2009 saw lower than average growth in all sectors of the commercial market. In 2010 growth is expected to be higher than the previous year, but still below historical averages. This limited growth should mirror the slow and steady recovery from this recession.

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 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 SF store at the former Essex Town Plaza on Susie Wilson Rd. This will increase the size of the current center by 53,000 s/f. There is a 1.6-acre pad site available for development in front of the new Lowe's. This pad site could accommodate up to 10,000 s/f of retail space.

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 did increase in 2009, but vacancies are slowly being absorbed. The Church Street Marketplace Commission and local city leaders are looking into ways to expand the marketplace experience. It is possible the marketplace could expand down adjoining side streets. 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 William Sonoma, anchors the Church Street Marketplace with over 140,000 s/f of leased space.

INDUSTRIAL

The industrial market saw a slight negative growth rate in 2009. This occurred due to the conversion of a large industrial building to another commercial use. 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 2010 should be higher than the negative growth seen last year, but is still anticipated to be

below historical averages. Vermont's largest employer, IBM, has seen its work force increase slightly over the last year, adding about 150 new jobs.

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. Vacancy rates in the CBD have risen above 5%. On the other hand, suburban office vacancy rates are nearly 15%. Several buildings in the suburban market have been constructed in the last two years. 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 their local economy. New ideas and new businesses are often born out of economic turmoil and will lead the way on the road to recovery. Vermont remains a wonderful place to live and do business.

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