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## **Retail market recovering, office market soft and industrial market is seeing increased activity**

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Greater Burlington's commercial real estate market saw stagnant growth in 2010, but 2011 is shaping up to be more promising. Slight growth in the retail sector has been observed and the office and industrial markets are slowly absorbing existing inventories. Retail and industrial rents are stabilizing and office rents are continuing to decline.

In 2010, we saw retail rents decline as major vacancies were being absorbed. The market's current vacancy rate stands at less than 7%. New development for smaller retailers and restaurants in prime locations are expected this year.

The area's office market remains on the soft side with many large vacancies and weak demand. Little new development is expected. Burlington's Central Business District remains relatively strong compared to its suburban counterpart.

Industrial vacancies in 2010 reached their historic high at just over 10%. We see activity increasing and expect the vacancy rate to decline throughout 2011 toward its 20-year average of 7.5%. The biggest problem for our industrial market is the very limited supply of well-located, fully serviced industrial lots.

Overall, the retail market has been recovering nicely, while the office sector remains somewhat stagnant. Vermont's economy over the past several years, while challenging, has not produced as much stress on the commercial real estate market as other parts of the country. Thus, Vermont typically does not experience a great boom and bust cycle. This is mainly due to Vermont's complex and costly permitting process on both the state and local level. Given these barriers to entry, most well-located commercial properties retain their value even in a down economy. Additionally, investors find the market extremely tight for quality investment grade real estate. Given the circumstances, our commercial real estate market can be quite profitable for those developers and investors with the patience and resources to navigate the development process.

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