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## **Jeff Nick - Greater Burlington's commercial real estate market has improved dramatically in first half**

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Greater Burlington's commercial real estate market has improved dramatically during the first half of 2011 with modest growth projected through the end of the year. Slight growth in the retail sector has been observed and the office and industrial markets are slowly absorbing existing inventories. Retail lease rates are rising; industrial rents have stabilized, while office rents continue to decline.

The decline in retail rental rates has abated as major vacancies have been absorbed. The market's current vacancy rate stands at less than 5%, which is 2% below its historic average. New development for smaller retailers and restaurants in prime locations are expected this year, while the Borders store in Downtown Burlington and a few older restaurant concepts are repositioned for a new generation of retailers and restaurants.

Greater Burlington's office market in both Downtown Burlington and suburban office parks remains soft with a vacancy rate almost 4% above its historic average of 7.5%. Recently, Green Mountain Coffee Roasters, based in Waterbury, VT., has expanded into Chittenden County and has absorbed over 50,000 s/f of existing Class "A" office space. With only one new office building under construction on the Burlington Waterfront, the office market remains soft with over 500,000 s/fof vacant space available, including a portion of the IBM plant in Essex Jct., VT.

Industrial vacancies have dropped to 9% from their historic highs of over 10.5% in 2010. We see activity increasing and expect the vacancy rate to further decline throughout 2011 on its way back to a 20-year average of 7.5%. Again, Green Mountain Coffee Roasters has boosted the recovery by leasing over 200,000 s/f of warehouse space with plans for adding additional space. The challenge for our industrial market is the very limited supply of well-located, fully-serviced industrial lots. Activity has increased for smaller "flex" space of 2,500 to 5,000 s/f.

Overall, the retail market is recovering nicely, while the office sector continues to struggle. 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. Vermont typically does not experience a boom and bust cycle, which can be mainly attributed to its 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. Investors find the market extremely tight for quality, investment grade real estate. However, with patience and the resources to navigate the development process, our commercial real estate market can prove to be quite profitable.

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