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## **Chittenden County's commercial market is flourishing, particularly greater Burlington**

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Slow, steady growth has characterized the commercial real estate market in Chittenden County and particularly the greater Burlington area, the economic engine of Vermont. Occupancy and rental rates have experienced modest gains in 2013 amidst a decrease in unemployment across Vermont. Already in 2013 unemployment has dropped from 5.2% in January to 4.8% in June, healthy compared to the 7.6% national rate in June.

### Industrial

The industrial market has been consistently strong in 2013 with vacancy down to 5.1%, the lowest we've experienced in the past 5 years and competing well against the historic average of 7.6%. New development in this area has been slow, consisting of a few notable projects. Bob Miller of Miller Realty Group has recently developed a 42,000 s/f flex space building in Williston, the first spec building in recent history. Miller Realty Group plans to bring on line two additional spec buildings, both high flex bay warehouses in Essex, containing 180,000 s/f and 160,000 s/f. Autumn Harp has expanded their facility with a 54,000 s/f addition to their location in Essex.

### Office

Class A office space is incrementally improving from a high vacancy rate of 12.5% in 2010 to the current vacancy rates of 9.4%, which is 2% higher than the 7.5% historic average. This has limited the introduction of new office development with two exceptions. Frank Motter is finalizing a 72,000 s/f spec office building at Water Tower Hill in Colchester with occupancy planned for 3rd quarter 2013, and Pizzagalli Development is redeveloping a 56,000 s/f Essex building into class A office space for GSA.

### Retail

Despite a slight increase in suburban retail vacancy in 2013 to 4.3% in June compared to 4% in December 2012, Chittenden County's performance is still strong compared to the 6.6% historical rate. The greater Burlington area has seen a decrease in vacancy to 5.7% from 6.3% six months previous, the lowest it has been since December 2007. A limited amount of further development in Burlington coupled with increased consumer spending and business growth will have a positive effect on rental rates and will further decrease vacancy rates for 2013 and 2014, particularly in high traffic areas such as Church Street in downtown Burlington and around the waterfront. A trickle of new retail development projects are currently in the works including the new Trader Joe's scheduled to break ground this year on Dorset Street in South Burlington, developed by Malone Properties. Pomerleau Real Estate is currently constructing a new Hannaford's in Milton and plans are in the works to bring a Target to Chittenden County, though that project is currently on hold.

### Residential

Chittenden County has a historically low vacancy rate of 1.4% in part due to the flourishing

downtown in Burlington and a high concentration of colleges and universities increasing the labor pool. It has consistently maintained a low vacancy rate, currently at 1.2% as of June this year. A very tight rental market has allowed for quick absorption of new rental development in Chittenden County.

In 2012, 390 new units were introduced and absorbed into the market and an additional 429 new units are expected in 2013. This will bring the rental housing stock to around 21,500 units, a 2% increase per year. We believe this will not affect the historically low vacancy rate for a few reasons. Chittenden County has experienced healthy growth of employment opportunities with local business flourishing and larger companies, like Dealer.com, pursuing expansion.

A slowly improving housing market indicates that people are choosing to rent over buying and we are witnessing increasing demand for high quality and new construction rentals. Recent developments in the residential market include the construction of the Riverhouse Apartments in Winooski, a LEED designated building consisting of 72 one-bedroom, lofts, one-bedroom with den and 2-bedroom apartments situated on the Winooski River and next to the 100-acre nature preserve. Riverhouse was 45% leased before its occupancy date of September 2013. Farrell Real Estate has also developed 39 new lofts and apartments on North Ave. in Burlington that was virtually full upon completion. Stuart Chase is under construction on the Stratos project in Burlington. Originally meant to be rentals, these 34 units have now being offered as to condominiums, 17 of which were placed under deposit within the first week of offering.

Other recent projects include the immediately absorbed 25 apartments of the Packard Lofts, 64 units developed on Susie Wilson Road by the Wilson Inn and 36 affordable apartments at Cathedral Square in Shelburne's Harrington Village. Miller Realty Group will be completing a new off campus housing project for Champlain College in downtown Burlington consisting of 325 beds and coming online in 2014 or 2015.

\*Data provided by Census Bureau, Homefacts and June 2013 Allen & Brooks Report  
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