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## **2008 should be a strong year in commercial real estate for the Greater Burlington market**

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The days are finally starting to get longer and the greater Burlington real estate market is looking forward to a good year. Landlords are experiencing vacancy rates near or below historical averages. Meanwhile, retail and office sectors are still showing above average growth.

The retail market is looking as strong as it has been in years. After a three-year permit battle, Lowe's South Burlington location opened on January 17th. Lowe's has also put the Essex Town Plaza on Susie Wilson Rd. under contract. The Post Office Square shopping center in Essex has just undergone some extensive renovations and the owners are continuing to make improvements to the center. The Taft Corners Park in Williston will be adding a 40,000 s/f store in the coming year.

The next phase of development in the Taft Corners Park will be focused on adding smaller shops and offices. These smaller retailers and offices will join other tenants like Toys 'R Us, Circuit City, Marshalls, Bed Bath & Beyond, Wal-Mart, and Home Depot.

Downtown Burlington's outdoor-mall concept continues to draw both local and tourist crowds to Chittenden County's premier retail center. The Church Street Marketplace vacancy rates remain stable at less than 2.5% with a mix of retail, restaurants, and pubs. An optimal mix of both local and national retailers provides Church Street Marketplace shoppers a unique shopping experience. The Burlington Town Center, featuring the likes of Macy's, Pottery Barn, and William Sonoma, anchors the Marketplace with over 140,000 s/f of leased space.

The industrial market is steady, while supply and demand seems to have found equilibrium. 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.

Last year, White Cap Industries purchased the former Rossignol building in Williston. They are in the process of leasing the building and have recently signed a lease with the State of Vermont and the INS for a portion of the building. Burton Corp. purchased an 88,000 s/f building next to its headquarters in Burlington. The expansion will allow Burton to nearly double its operation over the next five years, creating over 250 new jobs.

Burlington's office market has been experiencing stable growth over the past year and continues that growth in 2008. Rents in the CBD are stable and strengthening with rents for Class A space between \$16-\$24 per s/f, while Class B space is renting between \$10-\$15 per s/f. Spaces less than 5,000 s/f are producing the most activity in this sector. Vacancy rates in the CBD remain close to 2%. On the other hand, suburban office vacancy rates are nearly 10%. However, there remains continued growth in the suburban office sector. Rents in the more suburban areas are between \$15-\$20 per s/f for Class A space and \$10-\$14 per s/f for Class B space. High vacancy rates and continued growth in the suburban areas should put pressure on rents.

While landlords enjoy lower vacancy rates and strengthening rents, fewer and fewer quality

investment grade properties are hitting the market. Many investors are having a hard time finding quality properties to add to their portfolios. Low inventory and an abundance of buyers continue to produce aggressive sale prices in the market place.

Even though mud season is almost upon us the year looks bright for the greater Burlington real estate market. Positive growth across all sectors is reflecting the continued stability of the local market. Look for a high amount of leasing activity coming from the retail sector, especially as new projects come online. The industrial sector will see further re-development of larger spaces to accommodate demand for smaller units. Overall, 2008 should be a strong year in commercial real estate for the greater Burlington market.

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