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Vermont industrial market overview - Vacancy rate becoming more reflective of what the market is able to support in terms of inventory - by Ross Montgomery of Redstone

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Entering 2015, the Vermont industrial market has begun to see signs of stabilization and even strength in comparison to the inconsistency that has been commonplace in recent years. The combination of healthier development projections along with more balanced supply and demand trends have bolstered the market to one more in line with the industrial sector Vermont has historically excelled at.

Examining the overall health of the industrial market with regard to development projections of new inventory, Vermont has been forced to endure quickly changing peaks and valleys over a relatively short period of time, with the last 10 years of growth having dramatic differences from one year to the next. To that end, we are finally seeing these numbers begin to regain their balance, with a modest but healthy 1.6% growth projected in 2015 representing 204,000 s/f in Chittenden County alone.

Vacancy has seen a sharp increase in the last 9 months, up over a point to 6.8% in that time period but still below the 7.4% historical average. As we begin to move away from a pattern of severe supply and demand fluctuations, vacancy numbers are becoming more reflective of what the market is able to support in terms of inventory and growth. For instance, the dramatic ebbs and flows have created an environment where a single new piece of inventory that was introduced to the market in 2014 resulted in overall vacancy to reflect at a statically higher number, while the market in general was still undersupplied.

These still below-average vacancy numbers have stabilized lease rates across all classes of industrial space. With increasing developer confidence and vacancy ticking up as a whole, demand has of course limited the ability to increase rates in any dramatic fashion.

The sense here is that the industrial market, like many in Vermont, have begun to stabilize. Projected increases in demand will allow rents to strengthen and new development to be realized. Overall, we feel that the strength of the market will continue along this manner throughout the coming year.

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