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Vermont's Chittenden County mid-year review reveals strength and growth

July 30, 2015 - Spotlights

Chittenden County has experienced a growing, changing commercial landscape. In October 2014, GlobalFoundries announced that it would be taking over IBM's microelectronics business to include the semiconductor production plant in Essex Junction. At the end of June it was announced that this deal was closed, ending years of uncertainty for thousands of plant employees and cementing our healthy state-wide unemployment rate, which was reported at 3.6% in May, decreasing from 4.2% in December 2014. The national rate in May was 5.5%. In a recent press release the Vermont Department of Labor Commissioner confirmed that the Vermont economy has been steadily improving since July 2013, taking us above pre-recessionary levels into a period of economic expansion.

Industrial

Chittenden County has a balanced industrial market. Current vacancy rate is 6.4%, down slightly from 6.8% in December 2014, which competes well with the historic rate of 7.4%. A project that will detract from the industrial supply, and thus decrease the vacancy rate over the next year, is the redevelopment of 747 Pine St. near downtown Burlington. This 53,000 s/f industrial building is being upgraded to a mix of retail, fitness and office space, redeveloped by Cresta Cooper Nedde, LLC and Nedde Real Estate. Market additions projected for 2015 and 2016 are 27,000 s/f of manufacturing and 18,000 s/f of industrial/warehouse in South Burlington and two buildings in the 10,000-12,000 s/f range in Colchester and Essex. It is not clear at this time if tenants have been selected for them, a factor that will affect vacancy rate. Overall rental rates remain stable and the market is only slightly undersupplied.

Retail

With a current vacancy rate of 5.1% (lower than the historic average of 6.5%), there is a consistent undersupply of retail space in Chittenden County. Some new vacant space is associated with the change of ownership of the Burlington Town Center in downtown Burlington, one of the most sought after retail locations in Chittenden County attracting an abundance of student, resident and tourist foot traffic. Tenant changes coupled with new supply has strongly affected the vacancy rate in Burlington's Central Business District, which is currently 10.9% but is expected to move closer to 3.9% by the end of 2015. The suburban market has leveled off at 3.9% after dropping to 3.1% in December 2014. It is now exhibiting stable occupancy trends, largely attributable to Chittenden County's resilient economy. A projected 39,000 s/f of new retail space is expected to hit the market in 2015 with 24,000 s/f expected in 2016, including the redevelopment of the former Burlington Food Service building in Burlington and a new mixed-use development at Five Corners in Essex Junction consisting of a four story building with 15,000 s/f of ground level retail/commercial space and 51 rental units on the upper floors. We will also see the redevelopment of the old Friendly's restaurant

building in South Burlington into a new CVS pharmacy.

Residential

The rental market is consistently strong in Chittenden County, resulting in significant new apartment construction over the past 2-3 years. This new construction has begun to affect the vacancy rate, which showed an increase from .9% in June 2014 to its current figure of 2.8%. Over the past six months about 200 apartments have been built, all of which have been absorbed by the market except for Great Cedars senior rentals in Winooski and Olympiad in South Burlington. Other recent additions are Finney Crossing in Williston and Riverrun Luxury Apartments, a partnership between Nedde Real Estate, Youkel Development and Redstone Commercial Group in downtown Winooski. Growth in employment opportunities have helped sustain the competitive vacancy rates with local business flourishing and larger companies, like Dealer.com, pursuing expansion.

Office

The office market in Chittenden County remains over supplied. With a vacancy rate of 9.1% (a 1.2% decline from six months ago), office vacancy is 1.3% higher than the historic average of 7.8%. Office vacancy is lowest, however, in Burlington's Central Business District where you will find mostly class A and class B spaces. Despite some modest improvement, we expect the office market in Chittenden County to be over supplied for the foreseeable future. The redevelopment of the Burlington Food Service building will add new office space that will be quickly absorbed. Other new construction for 2015 includes 4,800 s/f on Corporate Drive, 5,400 s/f on Market Place in Essex, the development of two buildings totaling 36,000 s/f in South Burlington and a 6,000 s/f mixed-use project on Hinesburg Rd. in South Burlington.

*Data provided by The Census Bureau, Homefacts and June 2015 Allen & Brooks Report.

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