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## **Vacancy rates have remained low in Burlington despite growing concerns of a recession**

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Vacancy rates have remained low in the greater Burlington commercial real estate market despite growing concerns of a recession. An economic recession, defined as two consecutive quarters of negative GDP growth, has yet to hit the U.S. Rising oil and food prices have fueled news about a national recession but the numbers aren't there yet. According to the Bureau of Economic Analysis, in the first quarter of 2008 real GDP increased by 0.6%. In the fourth quarter of 2007 real GDP also grew by 0.6%. These numbers, while not indicative of a booming economy, don't spell recession at this point.

Locally we are still seeing growth in commercial real estate. Many new buildings are currently under construction, including; Vermont Eye Laser, DEW Construction's new headquarters, Technology Park's 53,000 s/f office building, a new 11,500 s/f Kinney Drugs on Shelburne Rd. in Burlington and the new Ace Hardware at the Essex Outlets.

### Retail

The retail market is very steady. After a three-year permit battle, Lowe's South Burlington location opened on January 17th. Lowe's is also moving forward on a second 153,000 s/f store at the former Essex Town Plaza on Susie Wilson Rd. This will increase the size of the current center by 53,000 s/f. The Post Office Sq. shopping center in Essex has just undergone 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 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.

### Industrial

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.

## Office

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. REM Development is in the process of adding 10,000 s/f to the Resolution building off Shunpike Rd. in South Burlington. Just around the corner from Resolution, Technology Park is adding a 53,000 s/f office building that is currently under construction.

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.

Despite media grumblings about a recession the greater Burlington real estate market is displaying a lot of positive signs. At this point 2008 should be a good year for the Vermont commercial real estate market.

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