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Act 250 is a strict permitting process that has had a beneficial effect on the Vermont commercial real estate - by Duncan Harris

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As a commercial real estate broker in Vermont it is often a challenge to find suitable options for clients to evaluate when they are searching for new office, industrial or retail space. Due to many factors, including a strict and often nebulous permitting process known as Act 250, inventory of commercial space is low. Now don't get me wrong, Act 250 isn't all bad. In fact, it is greatly responsible for making Vermont the bucolic place that it is. And it's Vermont's beauty that draws many of us here. It has also had a beneficial effect on the Vermont commercial real estate market by indirectly helping to stem vacancy spikes and prop-up rental rates for landlords and developers over the last few years.

According to Allen & Brooks, a leading appraisal firm in South Burlington, VT, the vacancy rates in the retail and industrial markets are near historically low levels. The retail market currently is only 4.8% vacancy compared to the historical average of 6.5% while the industrial numbers are 5.6% and 6.3% respectively. This is due in part to lower than average growth over the last few years as developers weigh the cost of permitting new projects against the risk of taking on speculative ventures. The annual average growth in the retail market over the last 20 years has been approximately 100,000 s/f. Since 2009, however, only 45,000 s/f per year has been brought to the market. The industrial market reflects the same pattern with an annual 20-year average of 230,000 s/f annually with less than that being delivered over the last few years and only 113,000 s/f planned for 2017. As a result, market rental rates have held steady since the economic downturn eight years ago. Retail market rates span between \$8 per s/f NNN for below average suburban space to north of \$40 per s/f NNN for above average locations. Industrial rates vary between \$4-8 per s/f NNN depending upon the quality and location of the space.

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