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## **Chittenden County Vermont experiencing a flurry of growth and development - by Doug Nedde and Nikki Fitzcharles**

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Chittenden County has experienced a flurry of development in the last two years, with the majority of growth occurring in the retail and residential rental markets. One of the major projects is the development of 60 acres of waterfront property by Eric Farrell called Cambrian Rise, which will feature a 735-unit mix of condos, houses, apartments, restaurants, shops and a hotel. Full build-out

is estimated at 10 years. Vermont has also seen increased interest in technology-forward incubator spaces such as HULA (150,000 s/f), a mix of co-working and private office spaces on Lake Champlain and the soon-to-be-constructed Innovation Commons, which will feature co-living, co-working, a design lab and event space.

Despite demolition having been performed on the downtown Burlington City Place project, which in its current iteration features 272 apartments, 230,000 +/- s/f of office space, 126,000 +/- s/f of new retail space and a new parking garage, construction has been stalled due to hiccups with financing and the developer-builder relationship. Brookfield, who is redesigning and putting permitting in place, estimates that this development will add 300 temporary construction jobs and between 1,000-1,600 permanent jobs to the city – as soon as construction gets back on track. As of July 2018, Vermont had an unemployment rate of 2.8%, a rate that has seen little change in the past 2 years.

At present, the retail market has a vacancy rate of 4.4%, which is below the historical average of 6.3%. Rents are stable and the market is relatively well balanced despite the closing of some stores due to the uptick in online shopping. As an example, the formerly defunct University Mall in South Burlington is entering a process of revitalization and has welcomed Target as an anchor tenant in addition to H&M.

The office market in Chittenden County is historically weak with a current vacancy rate of 8.2%, higher than the reasonable standard of 7% but lower than the 9.5% figure recorded in December 2018. The oversupply is slowly being absorbed and we are seeing a market moving toward stabilization due to a decrease in new construction rates.

The industrial market has enjoyed relative stability with 191,500 s/f of new construction expected in 2019. The current vacancy rate is 2.9%, below the historical average of around 5.6% representing a current undersupply of 528,000 +/- s/f.

A historically very low vacancy rate has led to a vast expansion of apartment development in the past few years. The current vacancy rate is 1.8% and the average cap rate is 6.5%. Burlington alone accounts for 34% of the projected growth for the next 2 years followed by 24% in South Burlington.

People's United Bank announced the pending sale of its 95,000 s/f Two Burlington Square location in Burlington, Vermont to Nedde Real Estate. Doug Nedde's vision for this property provides an opportunity to retain a major employer in Burlington's downtown core, create much needed housing for the city and repurpose and renew a prominent building for many decades to com.

Chittenden County, and particularly Burlington, has become a hub for growth and has caught the eye of both small and larger investors. It will be interesting to see how the development described above will influence the landscape of this state known for its rural appeal.

\*Data provided by the June 2019 Allen, Brooks & Minor Report and Census data.

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