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## The greater Burlington commercial real estate market enjoyed strong summer growth

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The summer was strong for the greater Burlington commercial real estate market. The industrial, office, and retail sectors have been seeing moderate and steady growth in both leasing and sales. New development in all categories continues as vacancy rates decline in most market sectors.

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. The Specialty Filaments building has been redeveloped into large commercial condos. Last year Champlain Chocolates purchased half of the 124,000 s/f building and recently Dealer.com purchased the remaining 62,000 s/f for \$2.5 million. Burton Corp. recently announced plans to purchase 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.

Burlington's office market has been experiencing stable growth over the past year and continues its growth in 2007. 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. Conversely, there seems to be a growing abundance of suburban office space in the greater Burlington area. 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. There are significant office developments planned for the suburban areas. Pizzagalli Properties is constructing a 54,000 s/f building on Tilley Dr. in South Burlington. A 73,000 s/f office building is almost complete at Technology Park, off Kimball Ave. in Williston.

The retail market is looking as strong as it has been in years. After a three-year permit battle, Lowe's is moving forward with its South Burlington location. Lowe's has also put the Essex Town Plaza on Susie Wilson Rd. under contract. 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 St. 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.

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. With the housing market in many parts of the country starting to see declines, is now the time for landlords to test the selling waters while the commercial market is still strong?

The greater Burlington commercial market remains strong and steady moving into the fall. Positive growth across all sectors is reflecting the continuing strength of the U.S. economy. Look for a high amount of leasing activity coming from the retail sector, especially as new projects come online. The industrial sector will see further re-development of larger spaces to accommodate demand for smaller units. Overall, 2007 continues to be a strong year in commercial real estate for the greater Burlington market.

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