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2009 economic forecast for Vermont: Opportunities remain for those who seek them

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This recession has brought with it tighter lending requirements, reduced consumer spending and layoffs. But a weak economy can also bring opportunity. The greater Burlington commercial real estate market is showing the signs of a slowing economy that is likely to impact more area businesses across the retail, office and industrial markets. We are already seeing businesses looking for ways to downsize operations and cut back on expenses. Most sectors will see rents weaken and vacancy rates start to creep up, which will be bad news for landlords but good news for businesses that remain strong and are able to weather the storm. The economic downturn may present those investors with good cash positions the opportunity to buy properties at below current market rates. Businesses currently leasing space will have an opportunity to relocate at rates substantially lower than those of previous years. This could mean a great savings for businesses in a time when every penny counts. It has yet to be seen if the economy has reached bottom, but it is important to note that despite the tightening economy there are still some businesses growing and projects still being completed.

Retail: Consumer spending is down and retailers are feeling the effects of a dismal holiday shopping season. Linens & Things, the 35,000 s/f retailer, formerly located at Maple Tree Place in Williston, closed its doors right after the holidays. Linens & Things was among the first retailers to occupy space at the 500,000 s/f shopping center. It is the first of the large retailers at Taft Corners to pull up stakes. However, Lowe's has nearly completed 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 discount-flooring store, Lumber Liquidators, recently opened its doors in Williston behind Good Will on Harvest Ln.

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 have increased slightly but 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 has been stable but is showing some signs of weakening. 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 have leased a portion of the facility to the State of Vermont and the INS. Demand for new industrial space in 2008 was projected to be well below historical averages. Demand for 2009 is expect to be less than originally anticipated. Vermont's largest employer, IBM, has seen its work force decline over

the last seven years from 8,500 in 2001 to 5,600 in 2008. IBM has recently announced more layoffs in 2009. It is yet to be determined how many workers will be let go in this next round of layoffs.

Office: Greater Burlington's office market has been experiencing stable growth over the past year. Approximately 300,000 s/f of new office space was added to the market place over the last 18 months. 2009 will most likely see the amount of new office space added to the market cut in half. Rents in the CBD are stable but expected to weaken with rents for class A space between \$16-\$24 per sq/f, and class B space renting for 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%. Several buildings in the suburban market have been constructed in the last year and some are still under construction. A few of these buildings have yet to fill more than 60% of the space. 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.

The USCIS will be leasing a 75,000 s/f office building at Taft Corners. The building, currently under construction, is located next to the New England Federal Credit Union on Harvest Ln. in Williston.

Vermont Association of the Blind is currently constructing a new building on Kimball Ave. in South Burlington. The 12,000 s/f building will replace its current facility, which is located in downtown Burlington.

Despite signs of a slowing economy, opportunities remain for those who seek them. Rising vacancy rates and lower rents should allow good businesses the chance to retrench and weather the financial storm. Investors should keep an eye out for properties they can purchase below the high asking prices we have seen over the last several years.

Regardless of the economic upheaval, Vermont remains a wonderful place to live and do business. The state continues to provide incentives for local businesses and still provide the quality of life to which its residents have grown accustomed.

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