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## **Church Street Marketplace continues to draw both local and tourist crowds to downtown Burlington**

July 28, 2009 - Spotlights

Commercial real estate activity in Chittenden County has been slow, but deals are getting done. The local market in the greater Burlington area has been affected by the national recession. Two significant retailers have closed their doors: Circuit City and Linens & Things. IBM, the state's largest employer, has laid off a large portion of its work force in Essex, and many local business are having to tighten their belts. However, there is positive activity taking place in the market with some exciting deals being completed.

CVS Pharmacy recently purchased a property at the corner of Rte. 15 and Essex Way in Essex. Construction is underway and the new drive-thru pharmacy should open in early 2010. The USCIS will be leasing a 75,000 s/f office building at Taft Corners. That building, well on its way to completion, is located next to the New England Federal Credit Union on Harvest Lane in Williston. Construction has begun on a new Moe's Southwest Grill, which will be located on a stand-alone pad in front of PetsMart at Taft Corners in Williston. This will be the second Chittenden County location for the national chain.

In South Burlington, J.P. Morgan Chase Bank has leased 11,000 s/f of Class A office space at 55 Community Dr. The building, located in Technology Park, will house a data entry center for the bank. These are just a few examples of the deals that are being done in Chittenden County. The wheels of commerce are turning slowly, but they are not moving in reverse.

### RETAIL

Consumer spending is down and retailers are feeling the effects. 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, and it was the first of the large retailers at Taft Corners to pull up stakes. Shortly after the closing of Linens & Things, Circuit City closed the doors on its 26,000 s/f store at the Taft Corners Park. However, Lowe's has opened 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 Goodwill on Harvest Lane.

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 in recent months but spaces are slowly being filled. 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. Demand for new industrial space in 2008 was well below historical averages. Demand in 2009 is expected 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 4,800 in 2009.

#### OFFICE

Approximately 300,000 s/f of new office space was added to the market place over the last two years. Rents in the CBD are stable but expected to weaken, with rents for Class A space between \$14-\$17 per s/f, and Class B space renting between \$9-\$13 per s/. Spaces less than 5,000 s/f are producing the most activity in this sector. Vacancy rates in the CBD have risen above 4%. On the other hand, suburban office vacancy rates are nearly 12%. 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 \$13-\$16 per s/f for Class A space and \$8-\$12 per s/f for Class B space.

Despite the recession, there remains opportunity for those who seek it. Rising vacancy rates and lower rents should allow good businesses to retrench and weather the 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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