

# Housing pressure wags the economy

by Bruce Edwards

Jeffrey Feussner makes his living putting up apartment buildings and business this year has been good for the Essex Junction developer.

"There's still a lot of construction going on, a lot of construction going on, in that multi-family, for rent category," said Feussner, managing partner of Homestead Design Investments.

Homestead Design currently has two mixed-use buildings under construction in Essex. One with commercial retail on the first floor and 20 apartments on the upper floor. The other has a restaurant on the first floor with three apartments on the second floor.

With so many units being built in Chittenden County, Feussner said he's unsure what the future holds.

"This year is strong," he said. "It remains to be seen about next year."

Feussner's experience reflects what's going on around the state where there's a healthy amount of multi-family construction going on especially in the state's most populous county.

Another developer in the business of apartment house construction is S.D. Ireland Companies. Better known perhaps as the state's largest manufacturer of concrete, the company is building several apartment complexes in Chittenden County.

Company spokesman Patrick O'Brien

said there's no question a housing shortage in Chittenden County is driving the multi-family construction boom.

SD Ireland is completing the first phase of Bayberry Commons Apartments in Burlington's East End. Once completed, the multi-phase development will include 232 units in 19 buildings.

According to O'Brien, it is the largest housing project in Burlington in more than 20 years.

Monthly rent for a one-bedroom apartment at Bayberry Commons is \$1,450 a month; two-bedrooms, \$1,900; duplex, \$2,400. Rent includes heat and hot water.

O'Brien said there are also affordable units available. For someone who meets the income guidelines, rent for a one-bedroom apartment would be slightly less than \$1,000 a month.

Bayberry Commons is being built on the sight of the company's former concrete plant on Grove Street.

But it's not the only apartment project S.D. Ireland is undertaking.

"We have three very large real estate projects going on, one being Severance Corners in Colchester," O'Brien said.

The mixed-use development includes some 200 apartments, condominiums, retail and office space.

In addition, the company is building South Village, a 300 unit complex on Spear Street in South Burlington. South

Village is a mix of apartments, single-family homes and triplexes.

The surge in apartment construction hasn't hit other areas of the state nearly as much as what's been going on in Chittenden County, long considered the economic engine of Vermont.

"Whatever (economic) growth rate we have in the state, it's probably double that in Chittenden County," Feussner said. "I'm not looking at the numbers but I know that's pretty much the case."

One cloud that hangs over construction for next year is permitting.

"The people who defend the permitting process always say, well 90 percent of projects get permits," Feussner said. "Well that's probably true but the amount of money and time spent to get those permits, those permits, they don't reflect on that, which is extraordinary."

In addition, he said the permit conditions may be substantially altered from when the project was first proposed.

## Mixed bag

In South Burlington, Dousevicz Inc. is in the midst of building a 52-lot subdivision off Hinesburg Road.

"It's pretty strong," said Brad Dousevicz, one of the owners of the family-owned business, referring to the home building market.

In the last four or five months alone,

Dousevicz said the company has sold seven homes ranging from a cottage-style house for \$320,000 to \$450,000 single-family homes.

"The market for new construction is pretty strong at various specific price points," he said. "If you get much higher than that, it's definitely slower."

For Swanton builder Denis Bourbeau, his business is humming along. "I would say on a scale of one to 10, I'd say about eight," said Bourbeau, who runs Bourbeau Custom Homes. "We've had a lot of new customers the beginning of the season ... and we're still getting a lot of inquiries."

Bourbeau builds homes from 1,100 to 3,000 square feet that are priced between \$250,000 and \$600,000.

He said the average price is about \$350,000 for a 1,700-to-1,800-square-foot home.

Bourbeau, who has 15 years experience building homes in Chittenden, Franklin and Grand Isle counties, said his customers are willing to spend more money this year.

"I would say that overall the customers coming to me are tending to have a little bit larger budget than in the past," he said.

He's noticed that clients today are in a financial position where they've either already sold their existing home or don't feel they have to sell their house right away before building a new one.

Bourbeau said five or six years ago that wasn't the case.

"Last year, we had probably one of our best years that we've had since the recession," he said. "And this year is actually proving to be almost equally as good"

Although finding skilled labor can be a problem, Bourbeau said he's been fortunate in that he's been able to rely on the same pool of subcontractors year in and year out. The problem, he said, is that as business picks up, his subcontractors are also in demand by other builders.

For Tim Frost, it's been a different story.

"We haven't built a new house in a year-and-a-half," said Frost, president of Peregrine Design in South Burlington.

To fill the void, Frost has turned his attention to remodeling. In the past, he said his work had been divided equally between new construction and remodeling, plus a bit of commercial work.

Frost said the upper end home building market in the \$500,000 to over \$1 million range is "stagnant."

Frost has built some homes in the \$2 million-plus range. But he said there are few home building opportunities given the current market.

"There's just a glut of those larger homes on the market," he said.

Frost said although he's been doing more remodeling jobs in the last couple of years homeowners remain price conscious.

"I think people are holding back as far as putting too much into the home, concerned about what they may get back out of it," he said.

Frost also said the state's aging demo-



Snyder Homes, based in Shelburne, is building its sprawling Finney Crossing development at Taft Corners in Williston, which includes town houses, apartments, single family homes and commons areas with pools.

graphics and slow business growth don't bode well for new home construction.

According to the National Association of Home Builders, there were 381 building permits issued through June for multi-family homes in Vermont, a 10 percent increase over the prior year.

Of that number, 295 building permits were issued for multi-family projects in

the Burlington - South Burlington area - a leap of 72 percent over the same period a year earlier.

When it comes to single-family home construction, however, that sector is hardly booming even in Chittenden County.

Statewide, the NAHB reported 527 building permits were issued for single-family homes through June, down 5 per-

cent from a year ago. In the Burlington-South Burlington area permits for single-family homes were down 4 percent.

Throughout New England, building permits for single-family homes were up 27 percent while permits for multi-family homes were down 27 percent.

Nationwide, permits for single-family home were up 10 percent; permits for multi-family homes were down 17 percent through June.

NAHB report is based on U.S. Census Bureau data.

#### Millennial dilemma

Sarah Carpenter of the Vermont Housing Finance Agency, which helps finance first-time homebuyers, said while the number of home buyers has remained relatively flat the number of renter households has increased.

Carpenter, the VHFA executive director, said with more people delaying the purchase of their first home, that in turn has put pressure on the rental market.

"We're seeing people going into the market later in life," she said. "We don't have as much data on student debt for Vermont per se but nationally about 40 percent of households under 39 have student debt."

Carpenter said in general the existing housing markets doing better in Chittenden and Franklin counties and in the southern counties of Windham and Windsor.

Because the cost of new home construction is prohibitive, VHFA funding is targeted to existing homes. The average VHFA loan is \$165,000. VHFA also has a

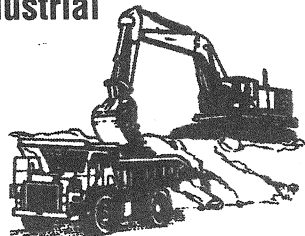
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*At left: The completed stage dome at the Mirror Theater*

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down payment assistance program.

Erhard Mahnke, executive director of the Vermont Affordable Housing Coalition, said homeownership has become more challenging since the mortgage melt-down eight years ago.

Although Vermont still has a very high homeownership rate, Mahnke said "a lot of younger folks, millennials in particular, are postponing home buying because they have a lot of student debt, more student debt than prior generations."

That's put added pressure on the rental market where there is not only a shortage of apartments but affordable apartments, Mahnke said.

Like other builders, Feussner of Homestead Design offered a simple reason for the apartment construction boon in northern Vermont: "I think it's because it's very difficult particularly for first-time homebuyers to come up with the capital that's necessary to come up with the down payment," he said. "It's a very significant issue."

### GDP

In economic terms, construction - both residential and commercial - accounts for 4 percent of Vermont's gross domestic product. That figure has remained steady between 2009 and 2015 but a significant decline from 1999 to 2001 when construction accounted for 6.4 percent of the state's GDP, according to the Bureau of Economic Analysis.

In 2015, the Vermont Department of Labor counted 15,300 workers employed in the construction industry, earning an average of \$768.38 a week, down slightly from the previous year.

### Remodeling Option

As the owner of Caleb Contracting in Cambridge, James Bradley's focus is on renovations and energy efficiency upgrades.

Bradley said he's seen little in the way of new construction come his way. Overall, he said prospective new home buyers may be waiting out the election before deciding whether to make the investment.

On the renovation side, Bradley has no complaints.

"We've been very busy on the renovation side because people are willing to put money into their homes to make them more efficient but also to put additions on," he said.

His company is also doing a fair amount of "deep energy retrofits," tearing walls down to the interior frame.

And what he's seen when it comes to new construction causes him some concern.

Today's homes are more energy efficient but Bradley said there's a downside when a builder doesn't take those efficiency systems into account.

He said while builders are making homes tighter they're not dealing with the indoor air quality and the buildup of moisture.

"What we're finding when we do some of these audits, they're already molding and rotting away because no one knew enough to deal with the indoor air quality," he said.

Bradley said the cost of an energy retrofit can range from \$5,000 all the way

up to \$160,000. (The latter includes tearing out the sheetrock, replacing windows, insulation, and buttoning up the attic and basement).

For a roughly 2,000-square-foot-home, the price ranges between \$10,000 and \$15,000, he said.

Laurie Goldsmith's experience is similar to other contractors in that many homeowners are remodeling rather than moving up.

But even when it comes to remodeling, homeowners remain cautious. Goldsmith said her business is down 50 percent from where it was a year ago.

"I've been doing this for over 35 years and it just feels different this year," said Goldsmith, of Laurie's Certified Construction. "I don't know if it's the election or what's going on but people are definitely acting a little bit apprehensive. They're not as quick to pull the trigger on a project."

This year, Goldsmith said her Colchester company is doing more bathroom and kitchen remodeling projects.

She said the cost for materials has gone up dramatically, whether it's cabinets, fixtures or anything else that goes into remodeling. Labor costs have gone up as well, she said.

Goldsmith said the kitchen projects she's working on this year range from \$24,000 up to \$70,000.

For Ward Smyth of Turtle Creek Builders in Waitsfield the remodeling business is also "a bit soft."

"That's been our experience," Smyth said.

Smyth does a fair amount of remodeling work on condominiums, including kitchen, bath, and bedroom renovations.

He's currently working on a major home renovation with the prospect of at least one other job in the spring. Smyth said if he can land another remodeling job or two it will be enough to keep his crew working through the winter. But he quickly added the outlook remains "very sketchy."

"That's why I don't stray from the renovation side of the business," said Smyth, a past president of the Home Builders and Remodelers Association of Northern Vermont. "My experience has been that if I were to count purely on new homes, we would have dramatic swings in our labor needs."

### Housing needs

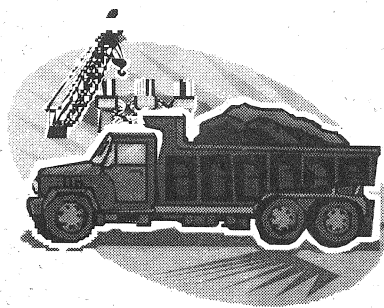
The state's five-year housing needs assessment calls for a combination of new apartment construction as well as renovating existing units.

"In Chittenden County, there does seem to be a fair amount of rental housing that's in the pipeline right now," said Mahnke of the Vermont Affordable Housing Coalition.

He said one initiative is spearheaded by Champlain Housing Trust, Housing Vermont, and Chittenden Regional Planning Commission to build 3,500 single-family homes and apartments over the next five years. He said 20 percent, or 700 units, would be set aside as affordable housing.

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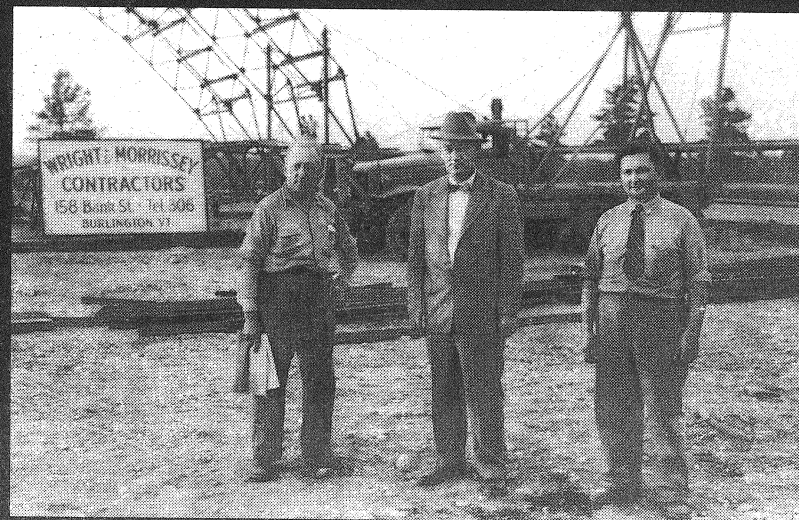
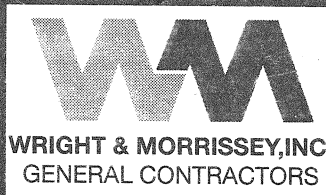


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(Left to right) Arthur Lawrence, Eugene F. Morrissey, Jr., and Ernest Gratton Vermont National Guard Hangars, 1947

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