

The background of the slide is a photograph of a town street. On the left, there are brick buildings with gabled roofs and a brick chimney. A dark blue Audi SUV is parked in the foreground on the left. The street has a double yellow line down the center and white parking lines on the sides. On the right, there are more cars parked along the curb, including a silver SUV. The street is lined with trees and leads into the distance under a clear blue sky.

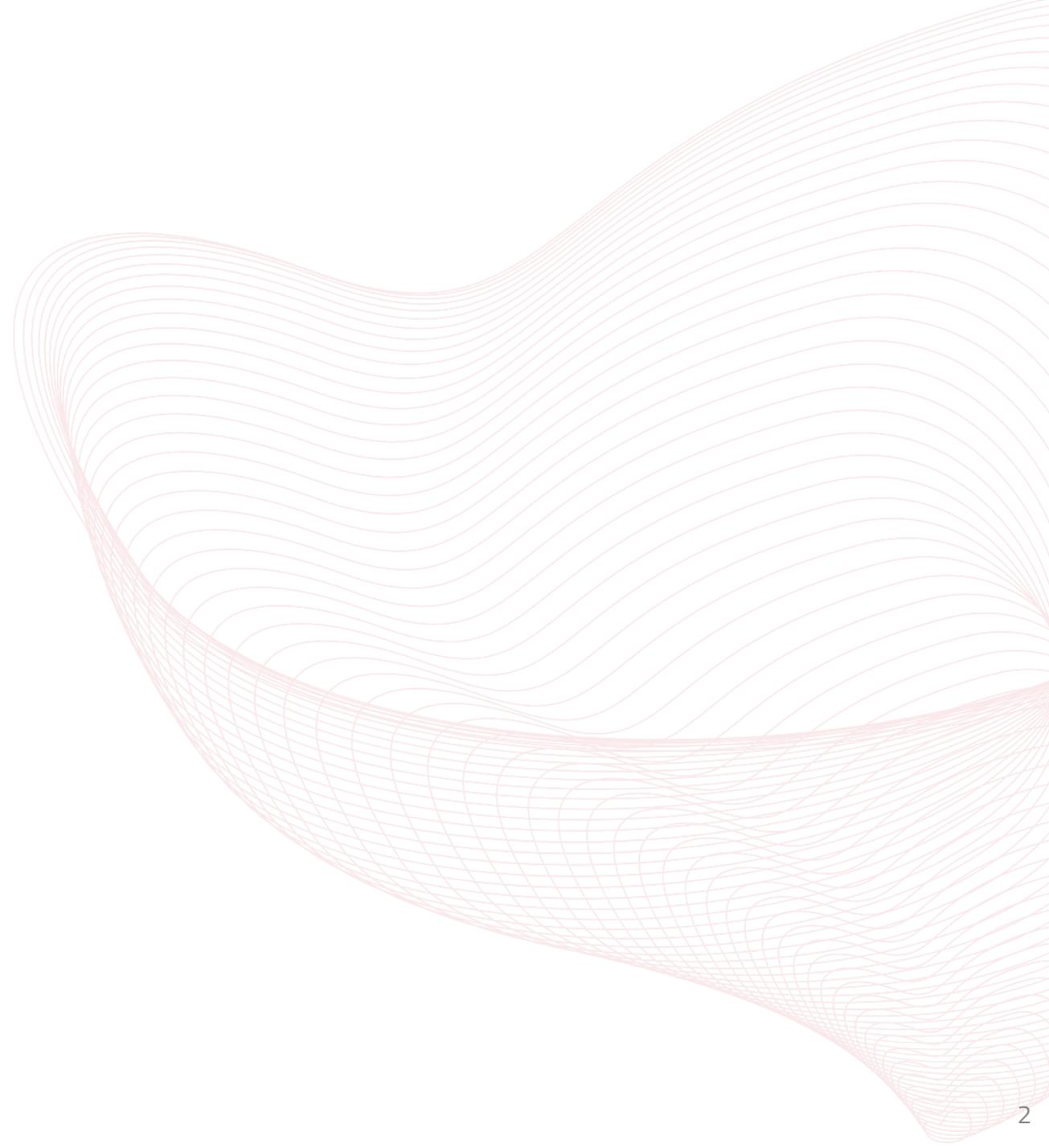
Town of Belmont Market Analysis

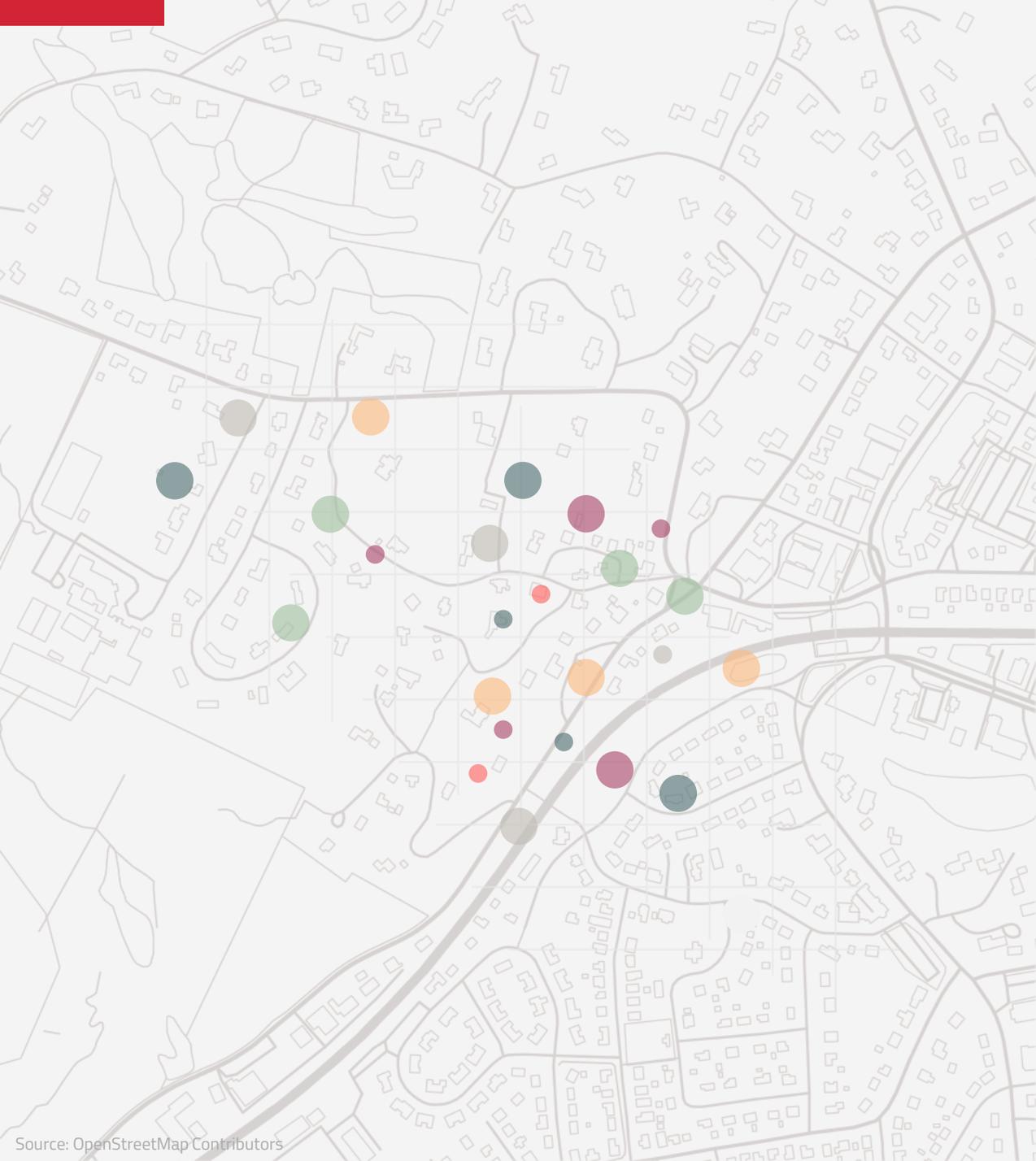
Initial Findings Presentation

June 14, 2024

Agenda

- Demographics
- Workforce & Economics
- Housing Market
- Commercial Real Estate





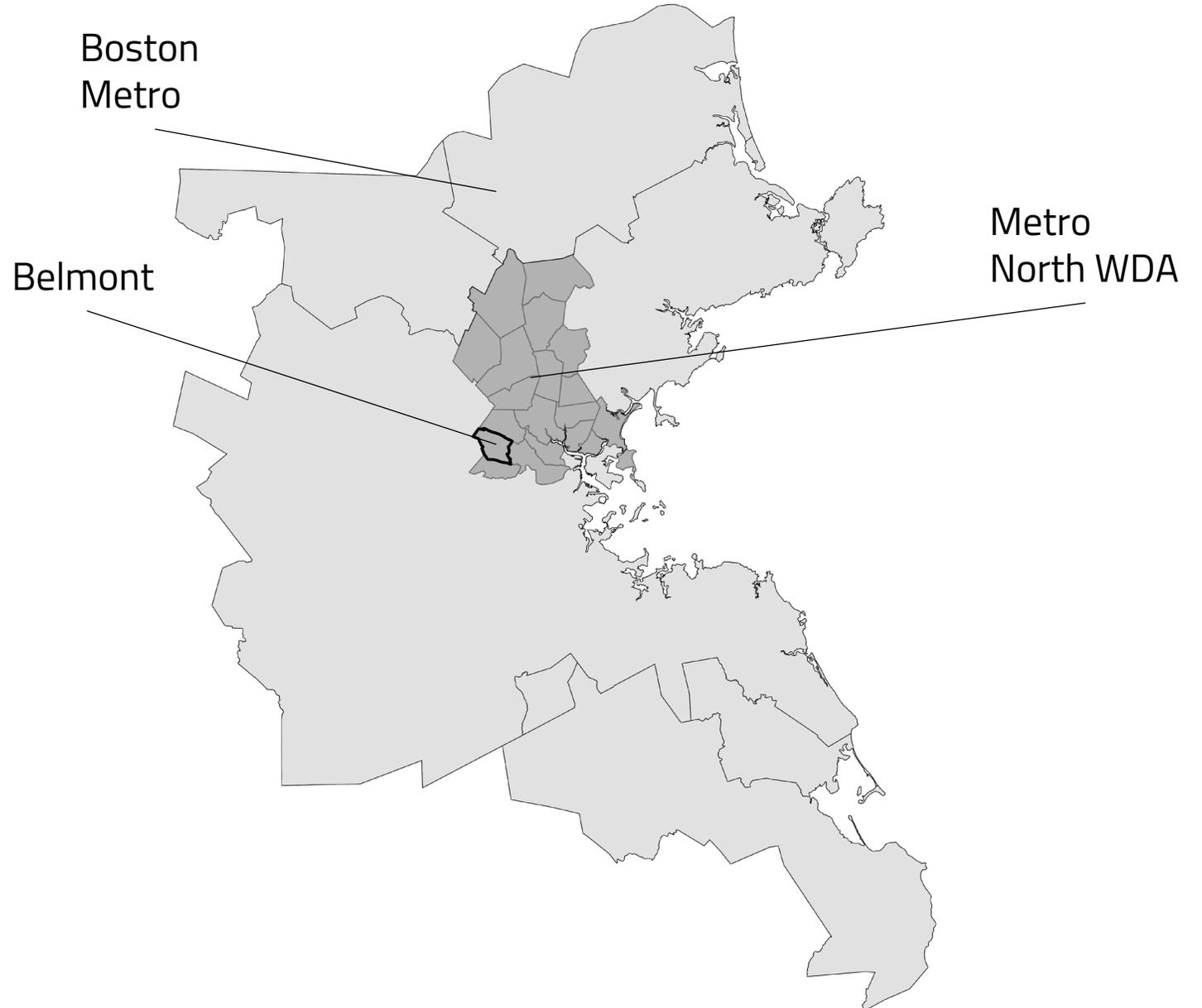
Belmont Overview

Demographics

Within the Boston Metro, Belmont lies within the Metro North WDA.

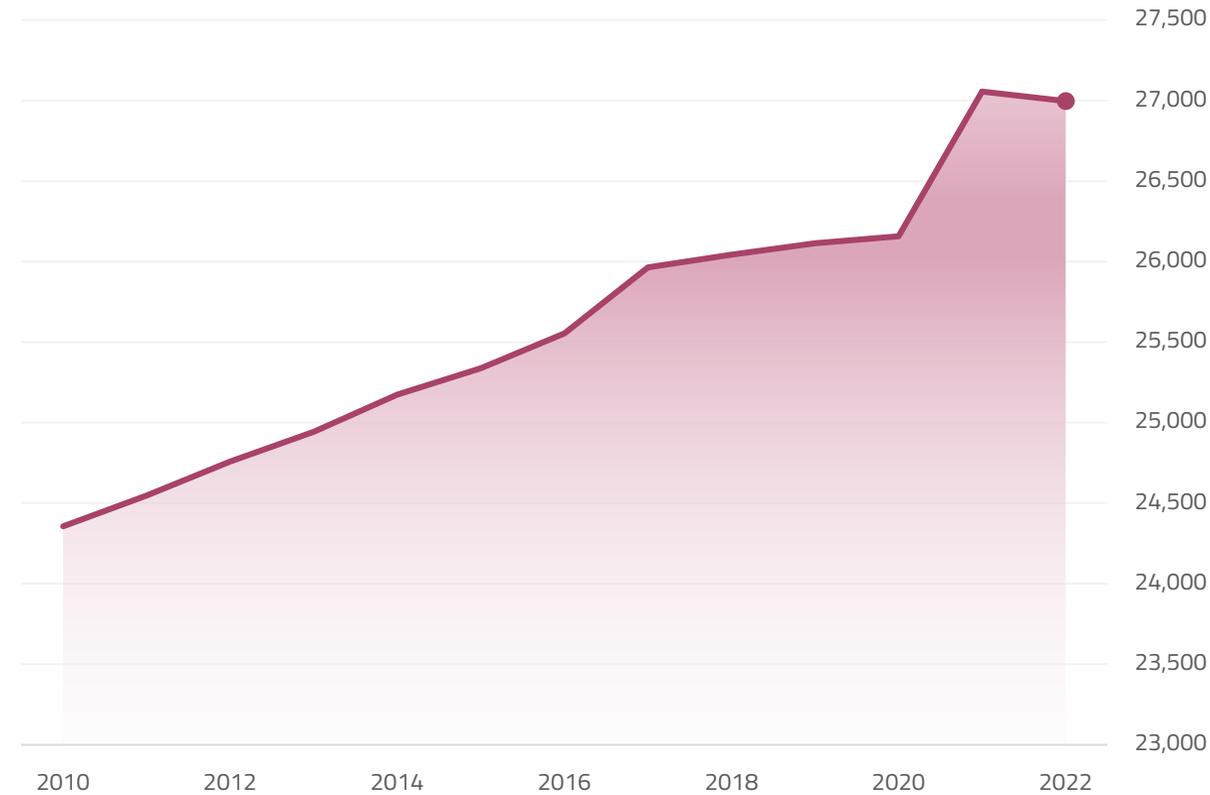
As defined by the Commonwealth's Department of Economic Research (DER), the Town of Belmont lies within the Metro North Workforce Development Area. For the purposes of this market study, socioeconomic trends in Belmont are compared to the Metro North WDA and the broader Boston Metro.

These geographies of study were chosen for their overall context as well as harmonization between US Census, BLS, and DER datasets. In addition, for the commercial real estate components of this study both the localized submarkets and primary markets can be aggregated within the geographical contexts providing a clear connection between socioeconomics and localized real estate fundamentals.



Belmont has experienced consistent population growth over the past decade.

Belmont's population has continued to increase.

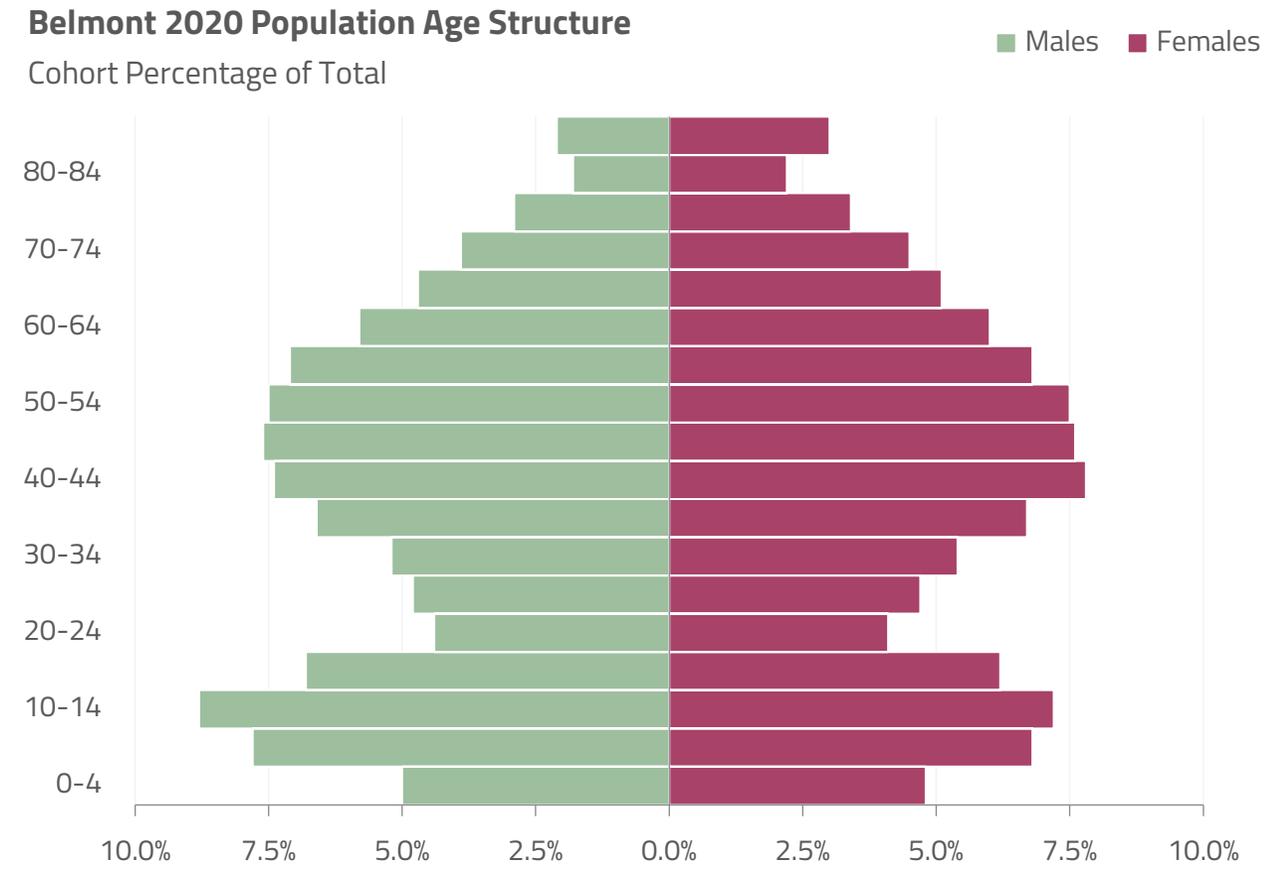
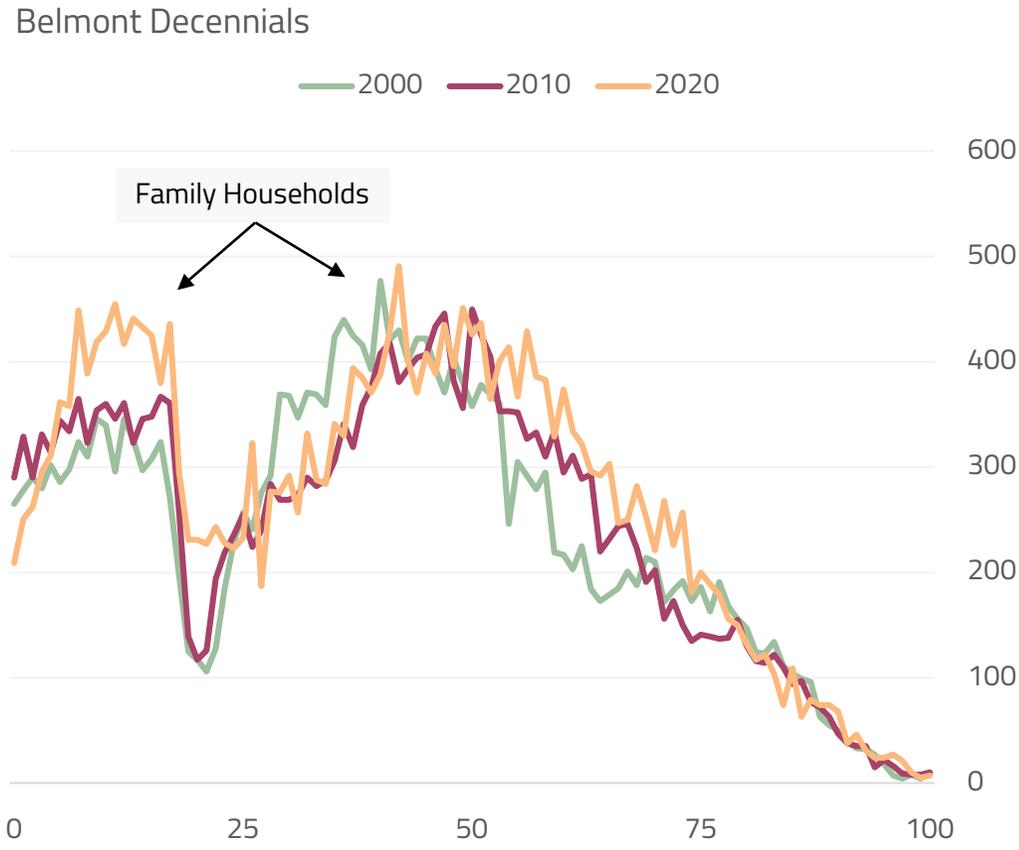


Town/City	2017	2022	Change (#)	Change (%)
Cambridge	110,893	117,962	7,069	6.37%
Revere	53,864	60,577	6,713	12.46%
Malden	61,212	65,463	4,251	6.94%
Medford	57,700	61,748	4,048	7.02%
Everett	45,212	48,685	3,473	7.68%
Woburn	39,500	40,992	1,492	3.78%
Melrose	28,132	29,477	1,345	4.78%
Belmont	25,965	26,997	1,032	3.97%
Stoneham	21,967	22,992	1,025	4.67%
Arlington	44,992	45,906	914	2.03%
Winthrop	18,391	19,031	640	3.48%
Watertown	34,553	35,181	628	1.82%
Chelsea	39,272	39,890	618	1.57%
Somerville	79,983	80,464	481	0.60%
Wakefield	26,823	27,054	231	0.86%
Winchester	22,579	22,809	230	1.02%
Burlington	26,103	26,169	66	0.25%
North Reading	15,598	15,529	-69	-0.44%
Wilmington	23,538	23,191	-347	-1.47%
Reading	25,769	25,415	-354	-1.37%

Source: ACS 5-Year Estimates

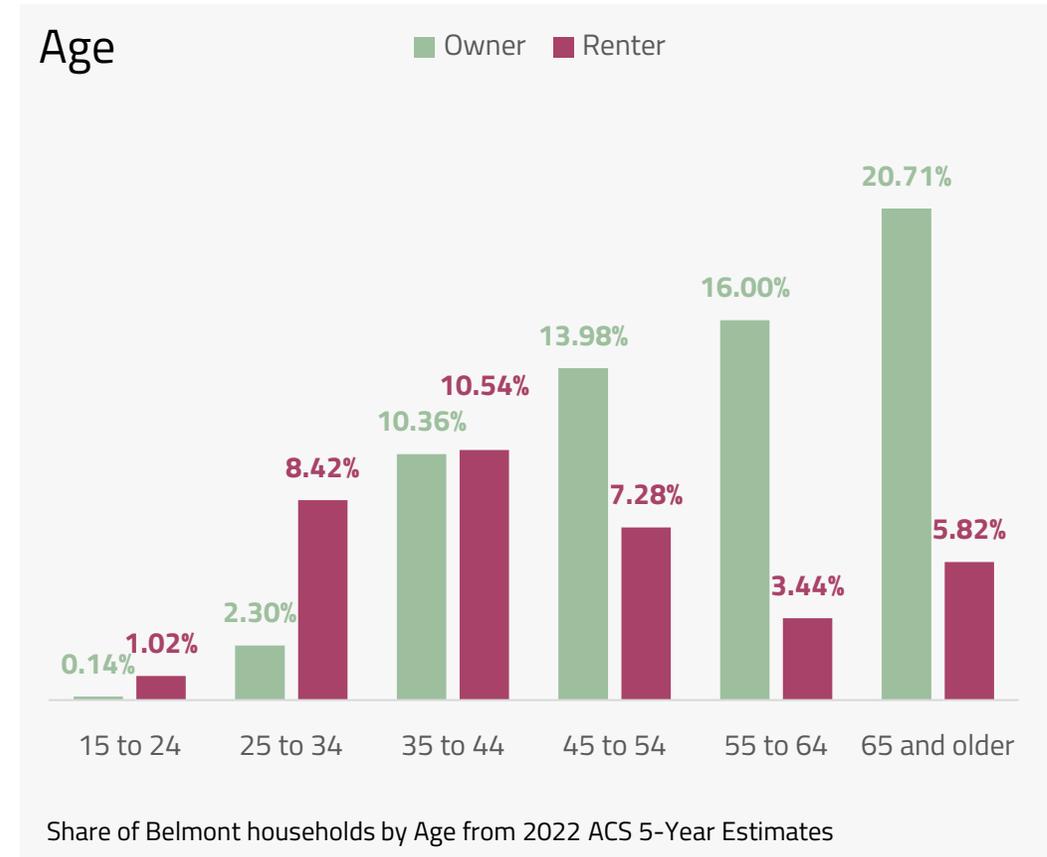
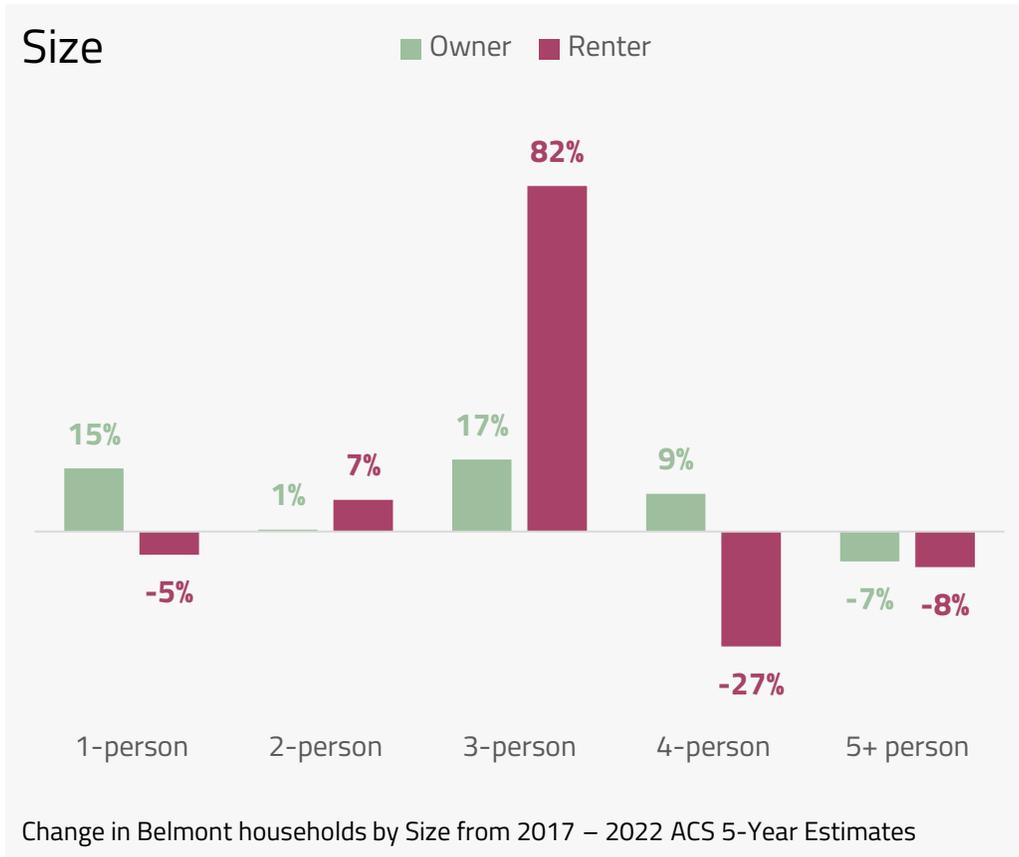
Over the past decade, Belmont has experienced consistent population growth with absolute change in the past five years, matching that of many of its neighboring towns. The most recent ACS estimates (2022), suggest that the population saw a very small decline which could suggest that population growth is becoming constrained by the available housing supply.

Most of Belmont's population growth has been driven by young adults and family households.



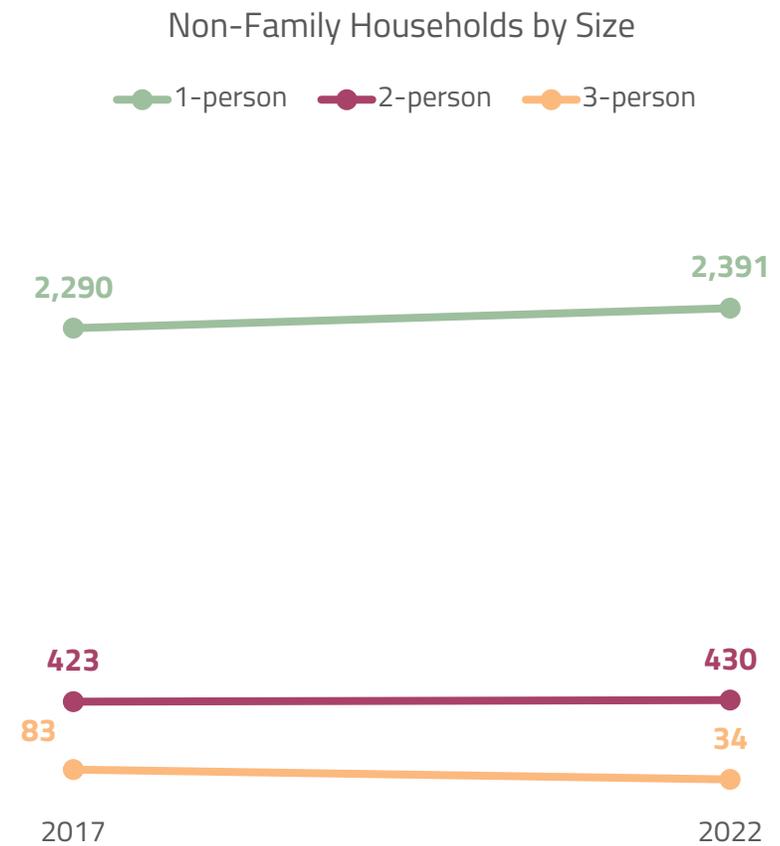
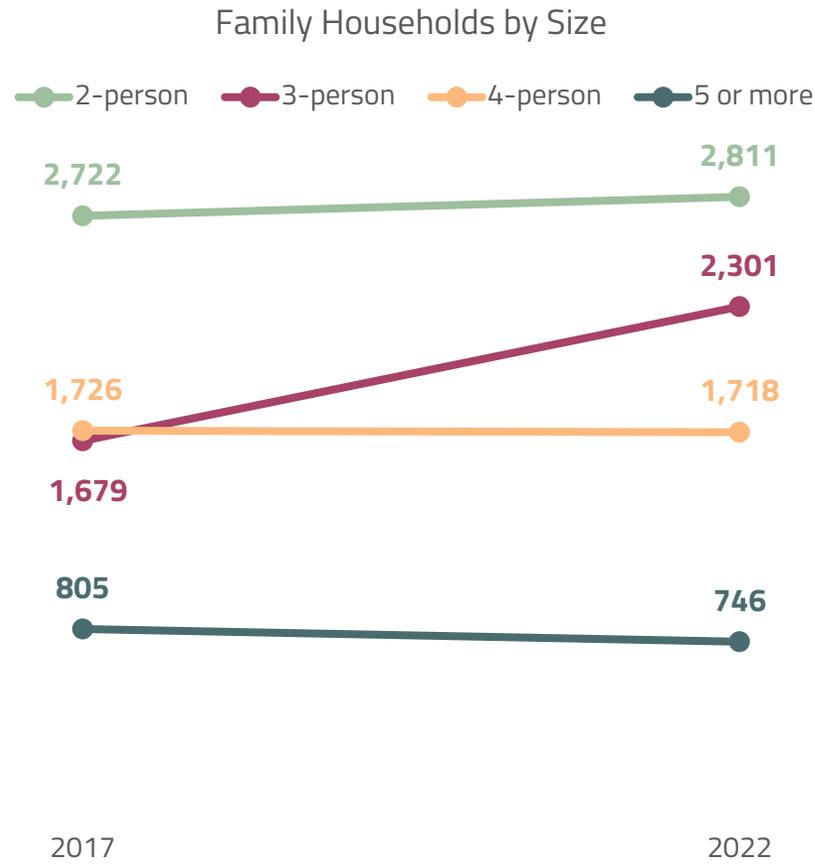
Like many Massachusetts towns, a notable portion of the population's existing residents fall within older age cohorts (55+), but the most recent decennial census shows evidence of growth in both children and younger adults. For many communities across New England, the figure on the left typically shows the peaks of the trend lines moving towards older age cohorts, indicating a growing older population. For Belmont, the peak population remains between 35 – 50 followed by recent growth in under 18, which underscores the considerable growth in family households in town.

Over the past decade, Belmont saw the largest growth in 3-person households.



Over the last decade Belmont has seen consistent population growth. In terms of household characteristics, the largest driver of that growth has been 3-person owner and renter households. Using the most recent ACS estimates, the current distribution of households by age and tenure shows that most renter households are under the age of 44 while most owner households are ages 45 and older.

3-person family households are the biggest driver of household growth.

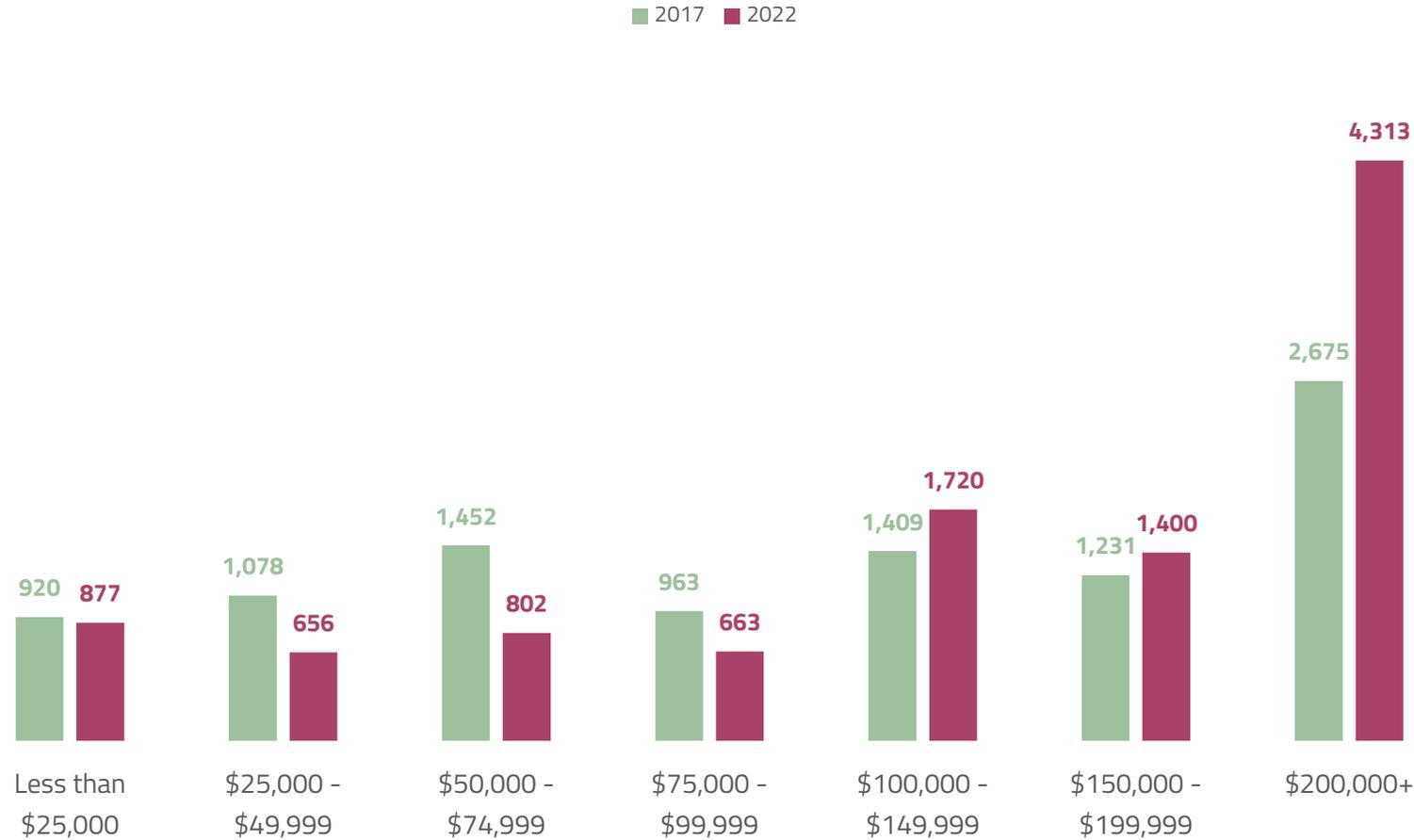


Tracking change by household composition of the last decade shows that the single largest driver of household growth is 3-person family households. Growth in larger family households (4+) has stabilized over the last decade and 2-person family households (typically couples) represent the largest portion of family households. Among non-family households, the largest share is 1-person households, which has also seen growth stabilize over the last decade.

Belmont largely consists of higher income households.

Belmont Household Income Distribution

Number of Households by Income Cohort

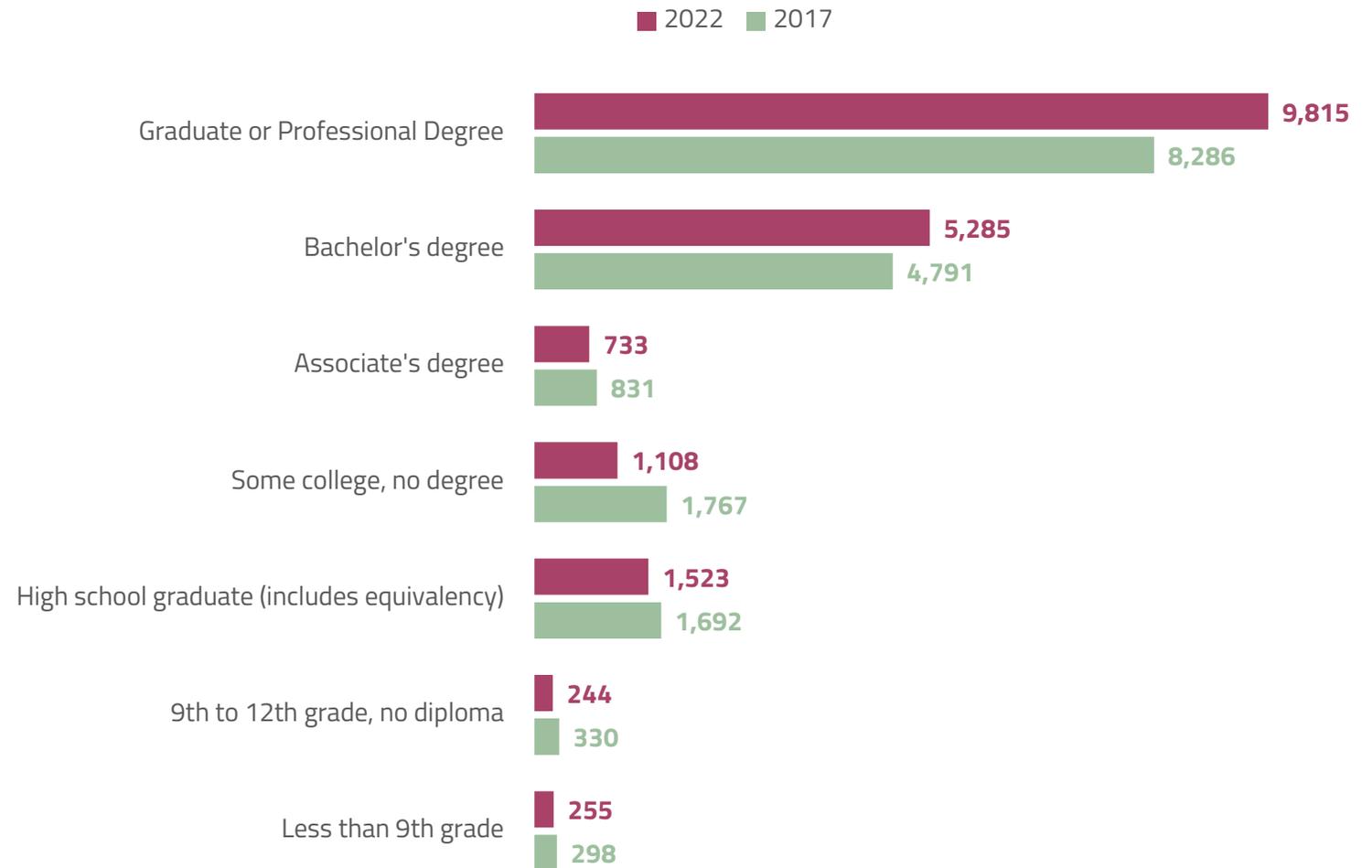


Comparing the household income distribution for Belmont over the last decade, the Town has seen the most growth in higher income households.

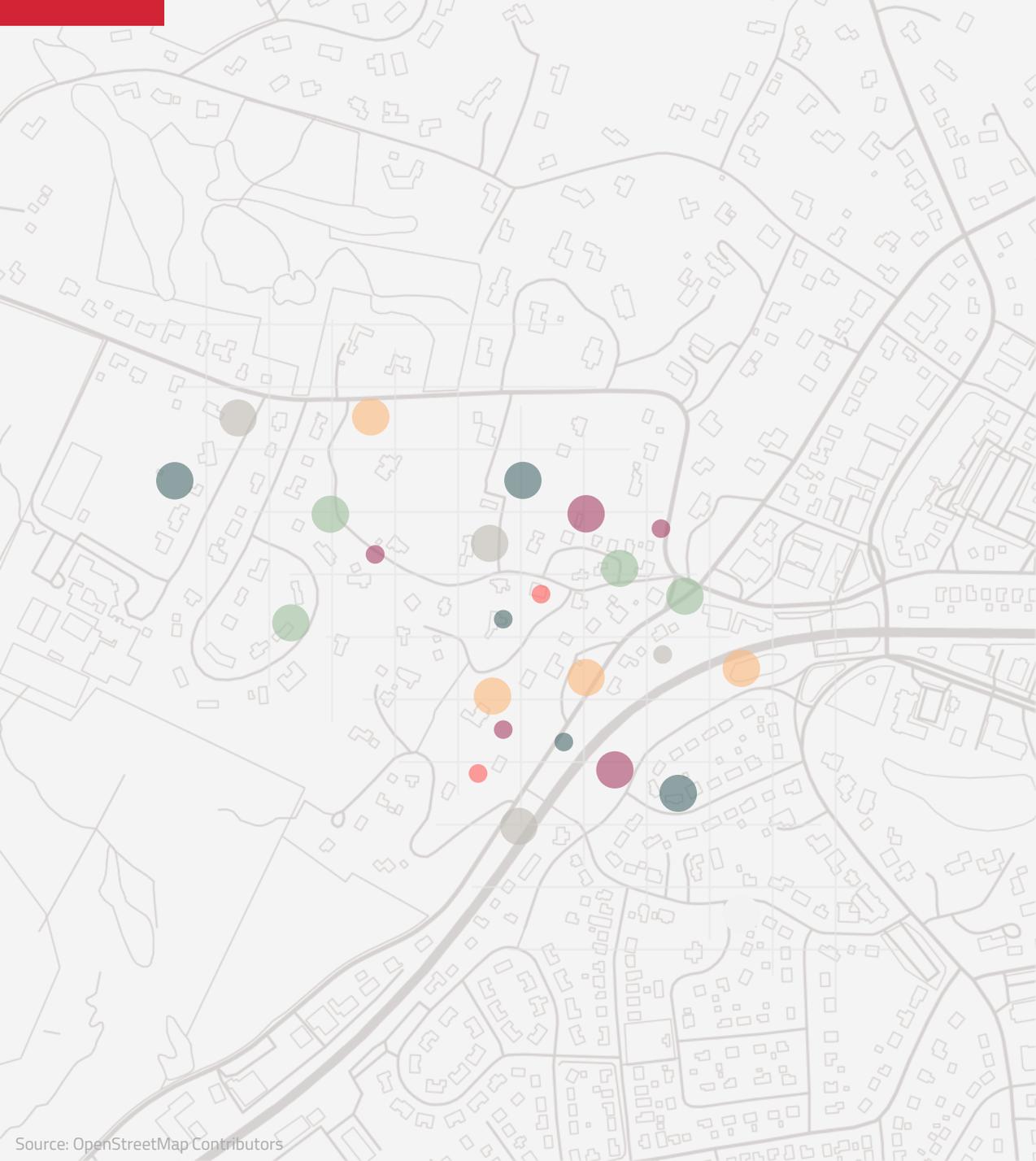
This trend is highly correlated with educational attainment and high home prices. This trend not only represents the movement of high-income households into the community but also illustrates the growth in income of existing residents.

Most residents over the age of 25 have a Bachelor's degree or higher.

Distribution of Educational Attainment
Belmont Residents 25 years and older



Among Belmont residents 25 years and older, most have attained a Bachelor's degree or higher. Over the past decade this share of the population has increased while residents with less than a Bachelor's degree have slowly declined.



Belmont Overview

Workforce

Boston, Cambridge, Waltham are Belmont's largest commuter flows.

The majority of Belmont residents commute outside of town for work. The most common destinations for these workers are Boston and Cambridge, given the high concentration of professional, technical and scientific services employers located in Boston and Cambridge.

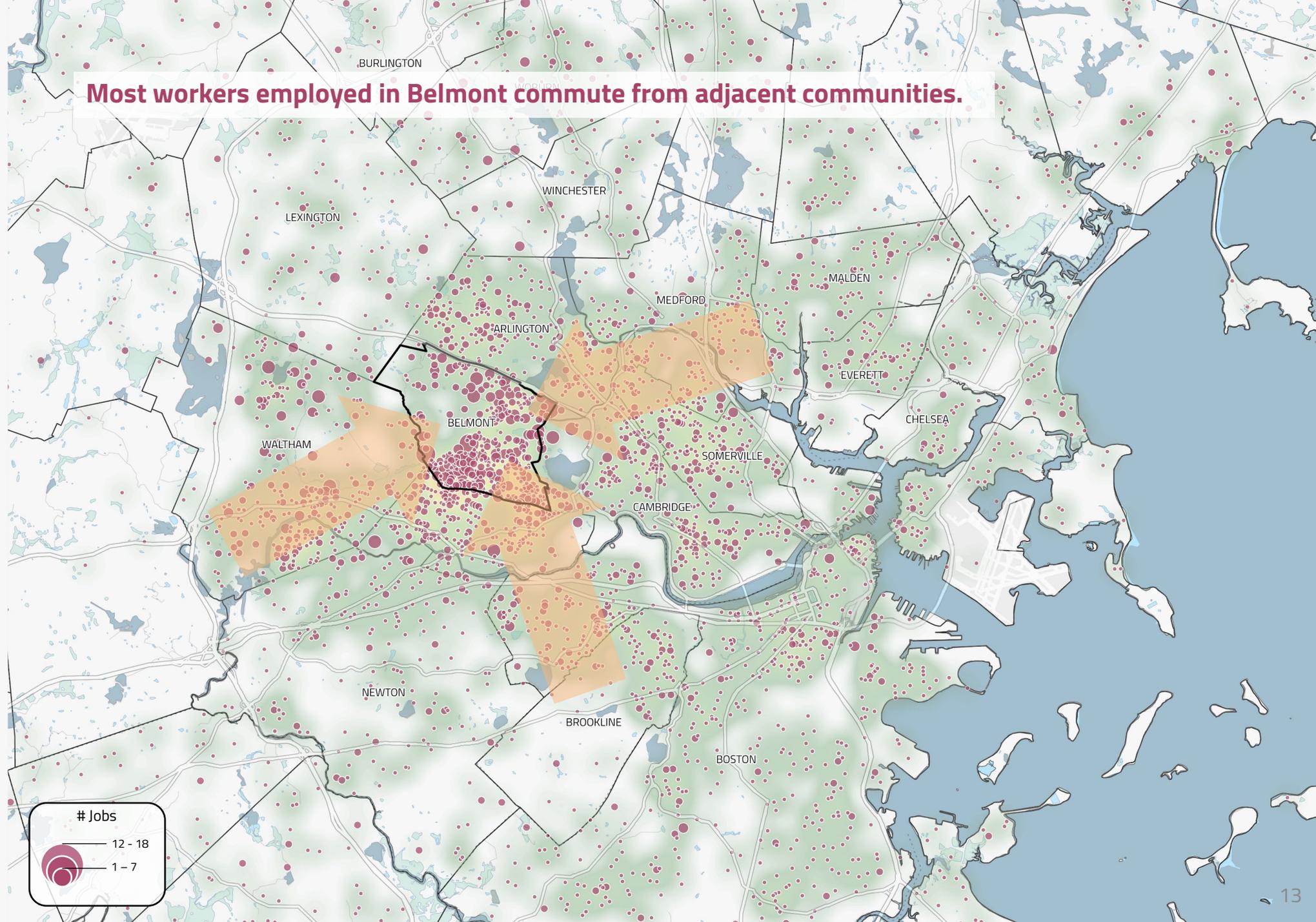
Among workers commuting into Belmont for work, many commute from Boston, Waltham, Cambridge, Watertown and Arlington. Given the similarities in economic base and employer concentrations by industry the flows of commuters across these communities demonstrates the agglomeration of health care, professional, technical and scientific service employers.



Home Area	Count of Workers		Share	Work Destination Area	Count of Workers		Share
	Count	Share			Count	Share	
Belmont	815	11.1%	Boston	3,945	28.5%		
Boston	777	10.6%	Cambridge	2,436	17.6%		
Waltham	438	6.0%	Belmont	815	5.9%		
Cambridge	325	4.4%	Waltham	715	5.2%		
Watertown	295	4.0%	Watertown	443	3.2%		
Arlington	245	3.3%	Newton	415	3.0%		
Newton	202	2.8%	Lexington	304	2.2%		
Somerville	202	2.8%	Burlington	280	2.0%		
Medford	186	2.5%	Somerville	210	1.5%		
Woburn	131	1.8%	Woburn	172	1.2%		

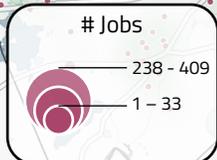
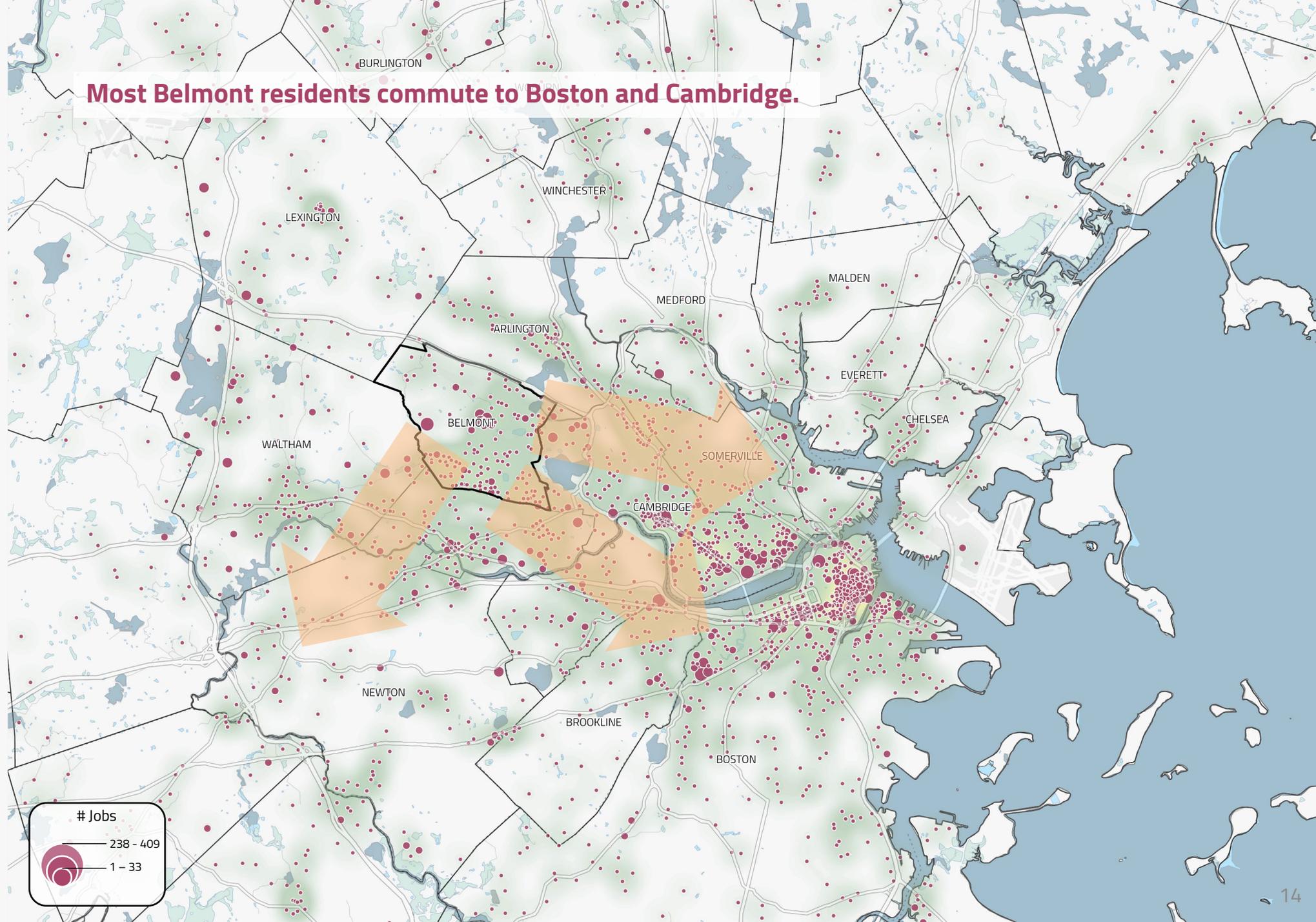
Most workers employed in Belmont commute from adjacent communities.

Belmont's labor market shed predominately consists of workers commuting from around the Metro North and Boston Workforce Development Areas.

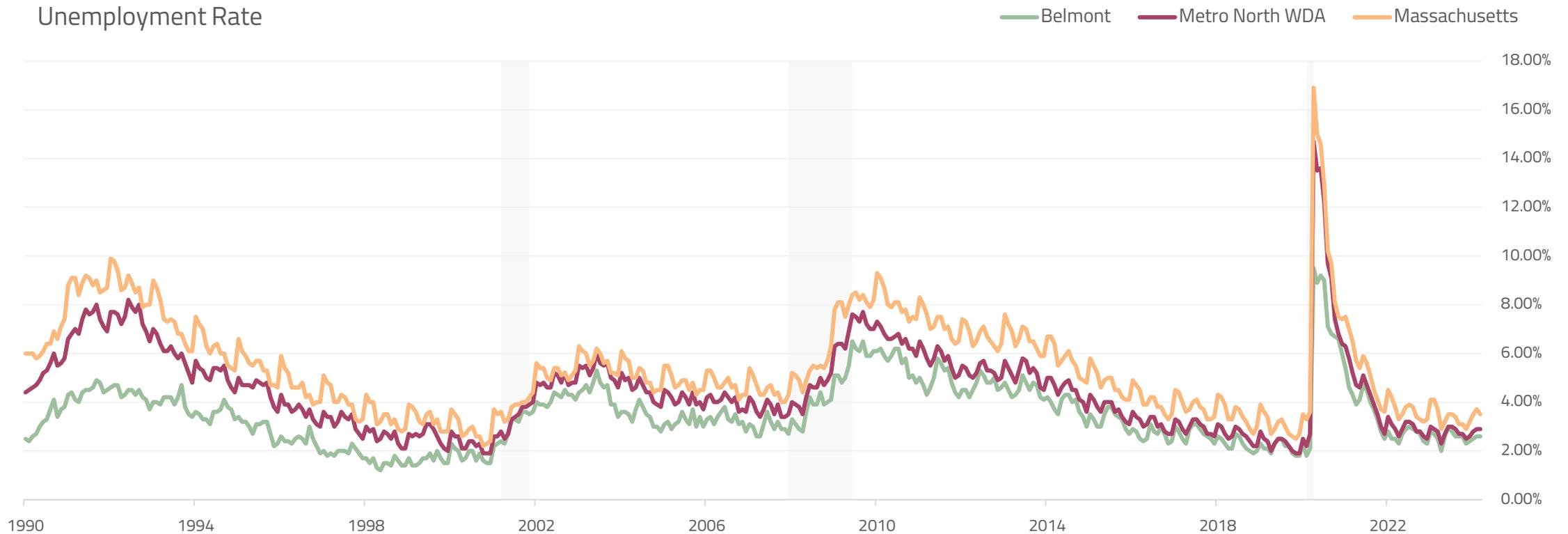


Most Belmont residents commute to Boston and Cambridge.

Belmont is a net exporter of workers to Boston and Cambridge due to its proximity and access to these major employment centers.



Unemployment rates in Belmont have consistently tracked lower than the state and WDA.



Over the past few decades, the unemployment rate in Belmont has consistently tracked lower than the broader Metro North WDA and the state. More recently during the unemployment spike linked to the COVID-19 pandemic, Belmont saw unemployment levels rise to a smaller degree than the state and WDA. This trend is in part due to the composition of Belmont's economic base. Many residents have a Bachelor's degree or higher and work in industries and occupations that had the ability to work remote during the peak of the COVID-19 pandemic. Growth in the demand for health care jobs, tech and professional services during the pandemic and post-pandemic period can also be attributed to the resiliency of the Town's employment base.

From pre-pandemic to post-pandemic Health Care, and Professional Services were the highest growth industries.

NAICS	Description	Belmont				Metro North WDA				Belmont Share of WDA
		2019 Jobs	2023 Jobs	% Change	Share	2019 Jobs	2023 Jobs	% Change	Share	
54	Professional and Technical Services	270	402	49%	5.6%	77,845	93,328	20%	21.9%	0.4%
62	Health Care and Social Assistance	3,193	3,384	6%	47.0%	58,846	57,852	-2%	13.6%	5.8%
61	Educational Services	526	538	2%	7.5%	36,208	36,722	1%	8.6%	1.5%
72	Accommodation and Food Services	593	479	-19%	6.7%	37,307	36,465	-2%	8.6%	1.3%
44-45	Retail Trade	614	713	16%	9.9%	36,906	34,144	-7%	8.0%	2.1%
56	Administrative and Waste Services	149	233	56%	3.2%	27,183	24,630	-9%	5.8%	0.9%
31-33	Manufacturing	132	119	-10%	1.7%	22,071	21,179	-4%	5.0%	0.6%
23	Construction	267	331	24%	4.6%	19,977	20,795	4%	4.9%	1.6%
51	Information	102	59	-42%	0.8%	16,845	20,616	22%	4.8%	0.3%
42	Wholesale Trade	37	63	70%	0.9%	18,062	17,037	-6%	4.0%	0.4%
55	Management of Companies and Enterprises		14		0.2%	13,689	13,955	2%	3.3%	0.1%
81	Other Services, Except Public Administration	472	406	-14%	5.6%	14,107	12,941	-8%	3.0%	3.1%
52	Finance and Insurance	244	206	-16%	2.9%	15,084	11,194	-26%	2.6%	1.8%
48-49	Transportation and Warehousing	54	12	-78%	0.2%	10,090	10,735	6%	2.5%	0.1%
53	Real Estate and Rental and Leasing	61	48	-21%	0.7%	6,060	5,918	-2%	1.4%	0.8%
71	Arts, Entertainment, and Recreation	183	186	2%	2.6%	5,831	5,052	-13%	1.2%	3.7%
		6,907	7,193			418,498	425,470			

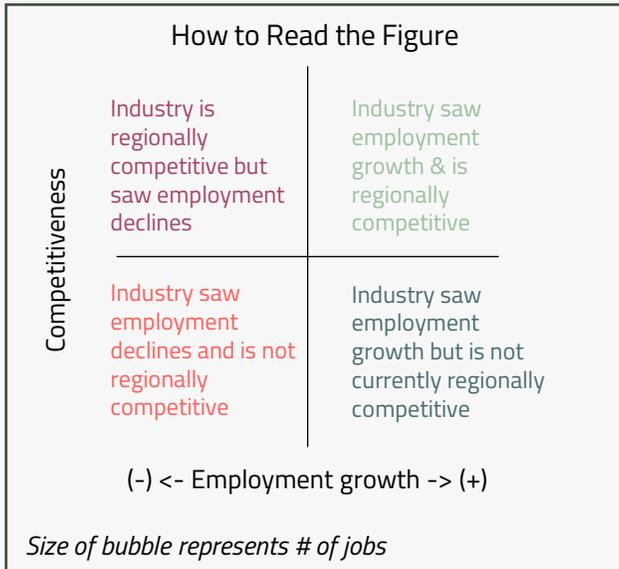
Over the last five years, Health Care and Professional and Technical Services saw the highest growth in Belmont. The rank among the most in-demand and highest competitive sectors for Belmont and the Metro North Workforce Development area.

Source: Total Private Industry Employment Massachusetts Department of Economic Research ES-202

Note: Years of Comparison are 2019 Q2 – 2023 Q2 Average Monthly Employment. Estimates represent total private sector industry employment for all sectors in Belmont. Utilities, Agriculture and Mining are not included because Belmont has none or a suppressed number of jobs in these industry sectors. All employment share values are based off of total employment for all private sector industries providing the estimated share of employment for industries represented in the table.

Belmont's most competitive industry sectors include Health Care, Other Services and Educational services. Among those emerging as key industry sectors, professional services and retail trade continue to grow and are forecasted to see further jobs growth and high demand for workers.

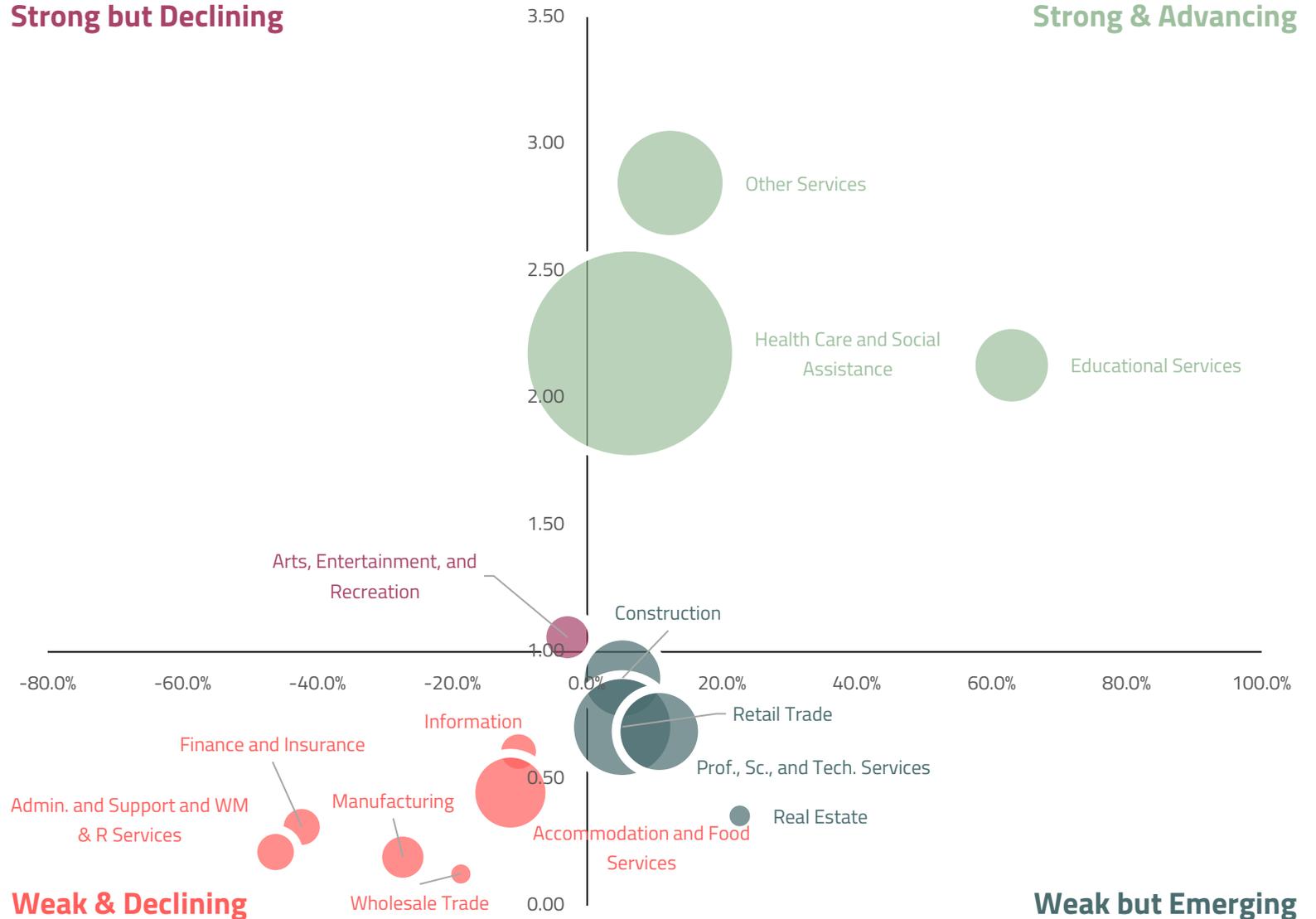
Among industry sectors still recovering from the impacts of the pandemic, arts, entertainment and recreation remains a competitive sector for Belmont, but has sustained jobs losses from the pandemic that have not returned to pre-pandemic levels.



Health Care and Social Assistance in Belmont's most competitive industry sector.

Strong but Declining

Strong & Advancing



Weak & Declining

Weak but Emerging

Majority of job growth continues in Health Care, Service-Related Industries and Government.

NAICS	Description	Belmont				Metro North WDA				Belmont Share of WDA
		2024 Jobs	2034 Jobs	% Change	Share	2024 Jobs	2034 Jobs	% Change	Share	
11	Agriculture, Forestry, Fishing and Hunting	<10	<10	0%	0.0%	1,795	2,343	32%	0.5%	0.0%
21	Mining, Quarrying, and Oil and Gas Extraction	0	0	0%	0.0%	46	32	(30%)	0.0%	0.0%
22	Utilities	76	42	44%	0.4%	821	1,059	14%	0.2%	4.0%
23	Construction	443	503	14%	4.8%	21,874	25,231	15%	4.9%	2.0%
31	Manufacturing	150	155	3%	1.5%	20,819	21,770	5%	4.2%	0.7%
42	Wholesale Trade	45	44	(4%)	0.4%	17,937	17,200	(3%)	3.3%	0.3%
44	Retail Trade	665	682	2%	6.5%	37,158	38,054	3%	7.4%	1.8%
48	Transportation and Warehousing	<10	<10	0%	0.0%	10,056	12,023	18%	2.3%	0.0%
51	Information	114	124	8%	1.2%	16,885	18,453	10%	3.6%	0.7%
52	Finance and Insurance	117	115	(2%)	1.1%	13,758	13,519	(1%)	2.6%	0.9%
53	Real Estate and Rental and Leasing	53	64	21%	0.6%	5,372	6,701	24%	1.3%	1.0%
54	Professional, Scientific, and Technical Services	460	535	16%	5.1%	90,548	106,006	18%	20.5%	0.0%
55	Management of Companies and Enterprises	13	16	26%	0.2%	11,546	14,811	25%	2.9%	0.1%
56	Administrative, Support and Waste Management	123	137	11%	1.3%	26,424	29,044	11%	5.6%	0.5%
61	Educational Services	412	465	13%	4.4%	38,337	43,896	13%	8.5%	1.1%
62	Health Care and Social Assistance	2,867	3,432	20%	32.5%	61,777	74,799	20%	14.5%	4.6%
71	Arts, Entertainment, and Recreation	164	196	20%	1.9%	4,185	5,311	24%	1.0%	3.7%
72	Accommodation and Food Services	388	449	16%	4.3%	35,131	41,625	17%	8.1%	1.1%
81	Other Services (except Public Administration)	771	791	3%	7.5%	8,340	9,214	12%	1.8%	8.6%
90	Government	2,605	2,797	7%	26.5%	30,437	34,770	15%	6.7%	8.0%
		9,474	10,556	11%	100.0%	453,242	515,864	14%	100.0%	2.0%

High employment sectors continue to strengthen over the next 10 years while sectors that had declined during COVID continue to recover. Emerging sectors like Professional and Technical Services continue to show growth.

Demand is expected to continue for office and medical office space, but existing space is likely to play a big role.

Projected Office Space Demand by Employment Sector 2024 - 2034

2-digit NAICS Industry Sector	Belmont Change In Employment	SF Demand Projection	Metro North WDA Change In Employment	SF Demand Projection
Information	10	1,667	1,636	286,325
Finance and Insurance	(2)	(532)	(90)	(24,641)
Real Estate and Rental and Leasing	11	2,197	1,300	260,068
Professional, Scientific, and Technical Services	75	14,600	15,858	3,092,283
Management of Companies and Enterprises	3	662	2,924	584,785
Administrative and Support and Waste Management and Remediation Services	13	2,647	2,872	574,346
Health Care and Social Assistance	565	84,751	12,483	1,872,446
Total 10-Year Space Demand Projection		105,994		6,645,612
Annualized Space Demand Projection		10,599		664,561

With 466,000 SF of vacant office space in the Lexington/Arlington submarket, it is unlikely there will be much demand for newly built office space.

Historically, this submarket has about 7.5% of its office inventory vacant (413,000 SF). This means vacancy today is about 53,000 SF above historic averages. Therefore, the current market could likely absorb about half of Belmont's future demand within the current market should those spaces align with the needs/desires of future businesses. Over the 12 months, this submarket had 160,000 SF of space become vacant with no new space deliveries.

Exceptions to this may be for preleased tenants or major anchor tenants, or purpose-built space to support medical tenants.

It is also possible Belmont could try to capture a larger share of regional demand from professional and technical services tenants and health care tenants.

Some space demands will continue for retail, restaurant, and hotel space.

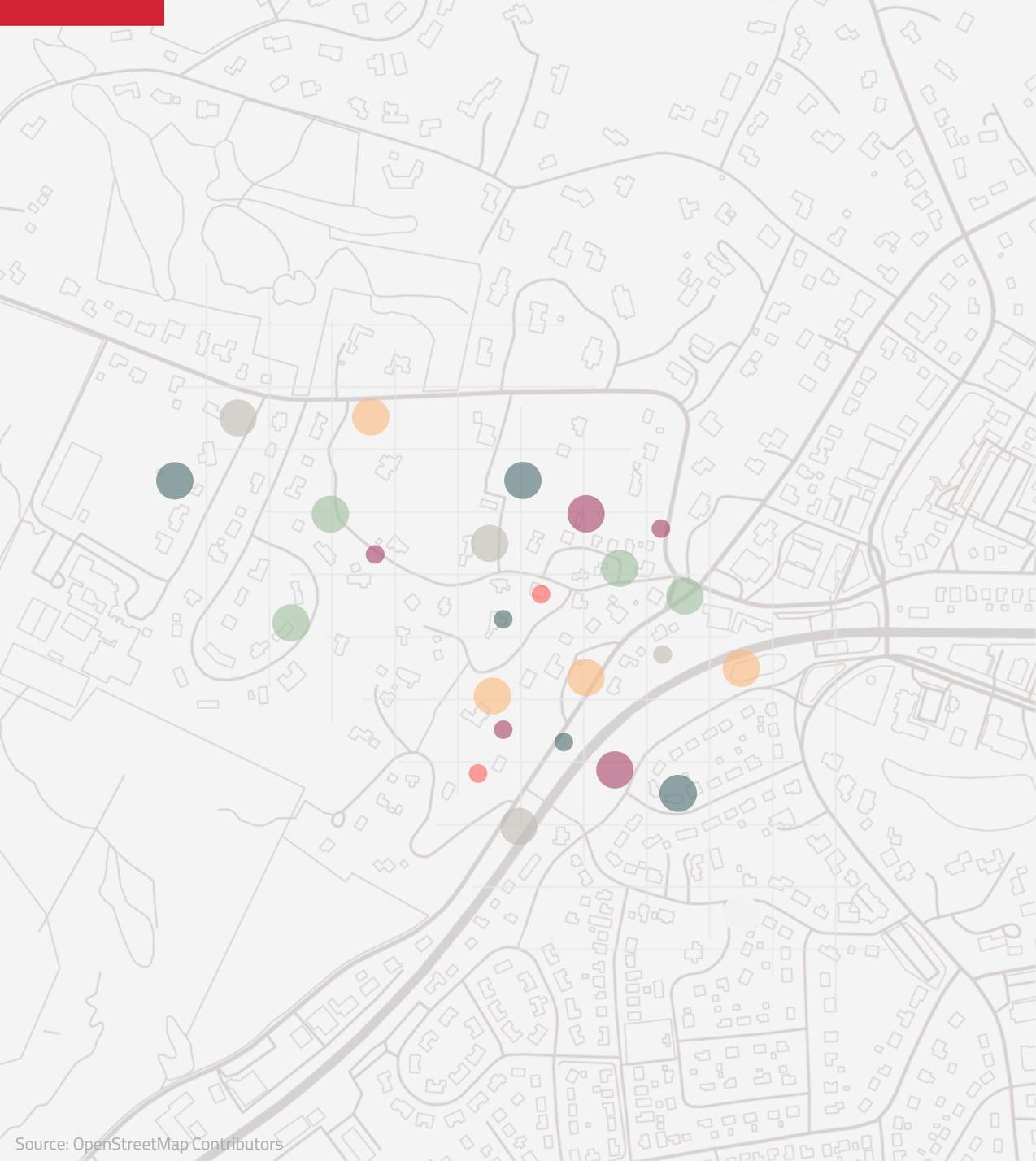
Projected Retail Space Demand by Employment Sector 2024 - 2034

2-digit NAICS Industry Sector	Belmont Change In Employment	SF Demand Projection	Metro North WDA Change In Employment	SF Demand Projection
Retail Trade	17	3,312	1,124	224,843
Arts, Entertainment, and Recreation	32	4,866	1,043	156,405
Accommodation and Food Services	61	24,532	6,146	2,458,216
Other Services	20	4,009	994	198,884
Total 10-Year Space Demand Projection		36,718		3,038,348
Annualized Space Demand Projection		3,672		303,835

There is 51,000 SF of retail space currently available within the Lexington/Arlington submarket compared to a space demand projection of 36,718 SF in Belmont over the next ten years.

Historically, this submarket has about 2.0% of its retail inventory vacant (52,000 SF). This means vacancy today mirrors ten-year historic trends. Therefore, the current market could likely support additional retail and restaurant space should those spaces align with the needs/desires of future businesses. Some of this demand could of course be absorbed through turnover in existing spaces and reduced overall vacancy in the submarket.

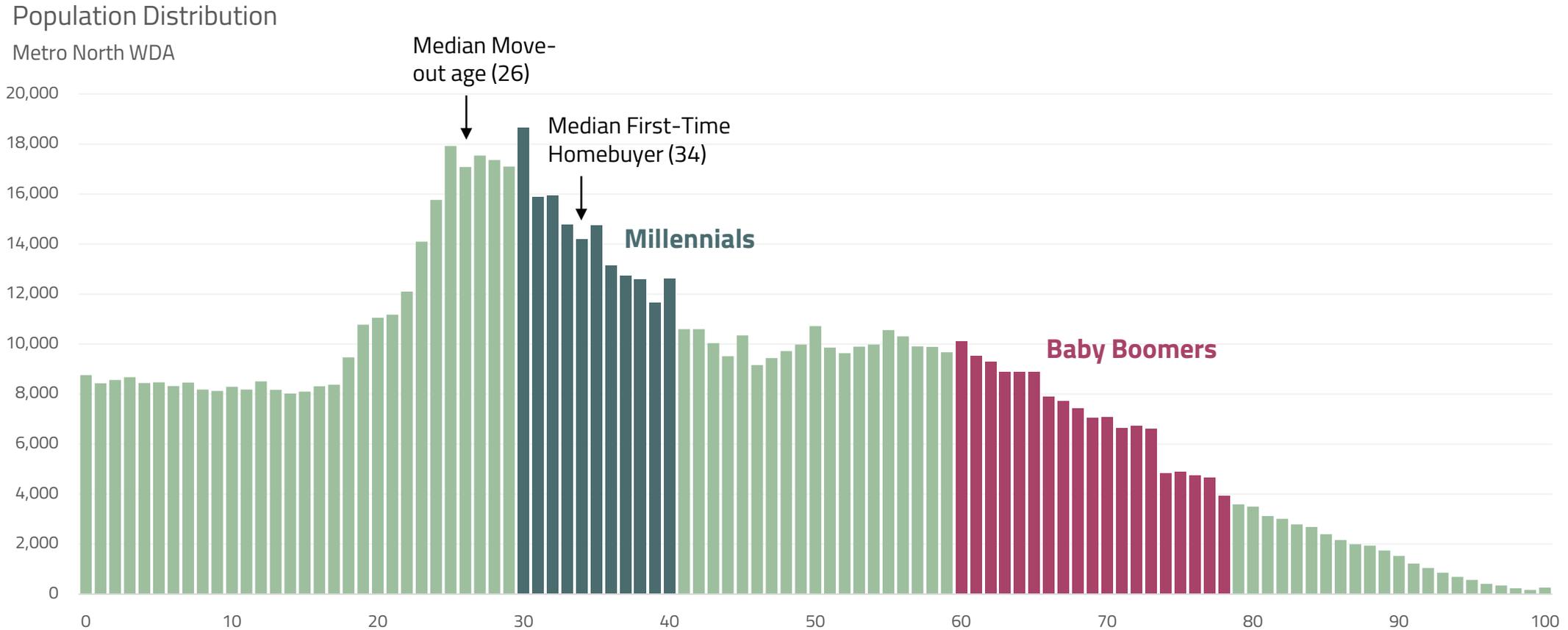
If retail and service-based businesses continue their recovery post-COVID, demand for new space is likely. Particularly because the fundamentals to support retail, restaurants, and accommodations in the submarket are well supported by high household incomes, higher paying jobs, and visitation from those outside the submarket.



Belmont Overview

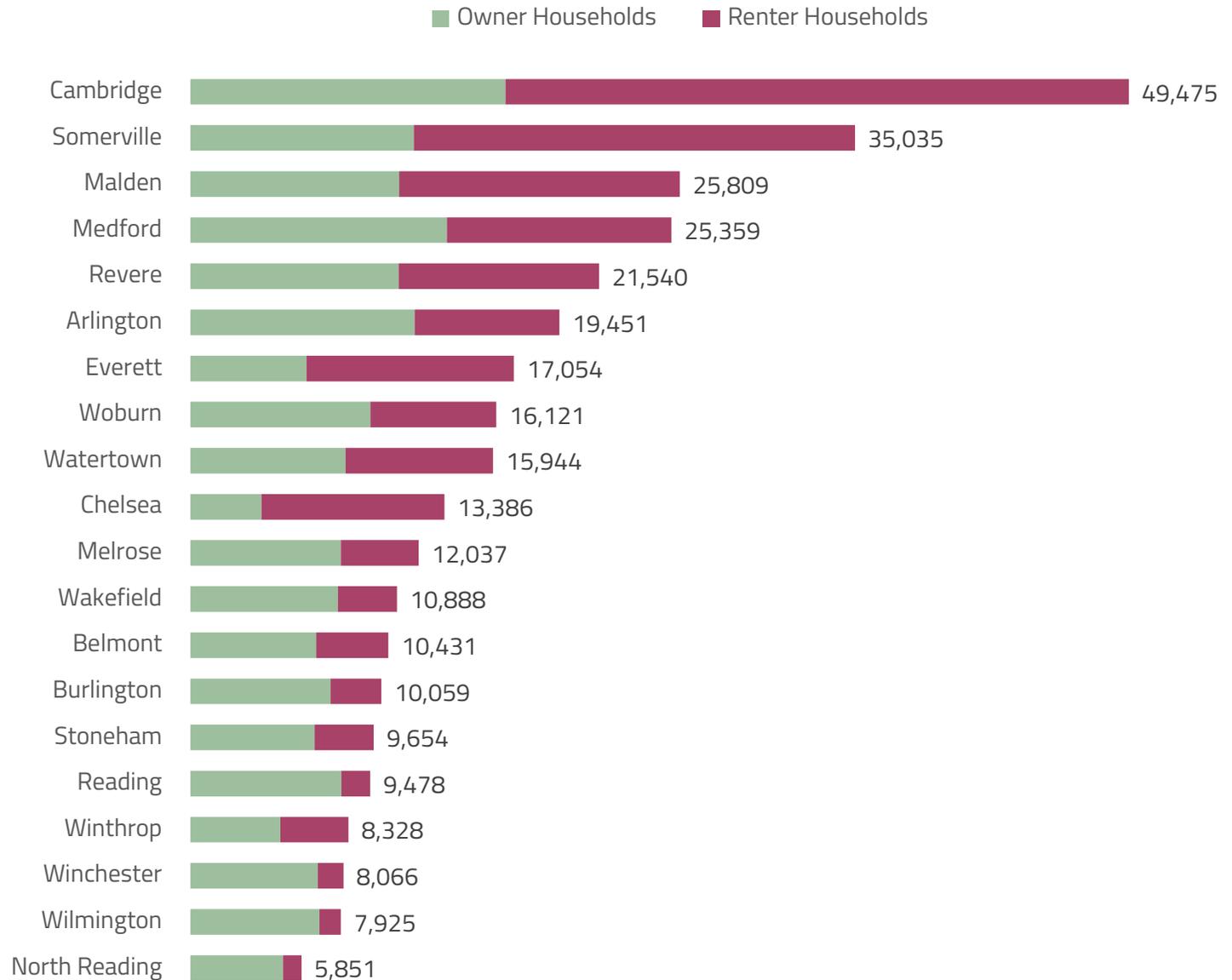
Housing

Younger Millennials and Older Gen Z are predominantly renters unable to transition into homebuying.



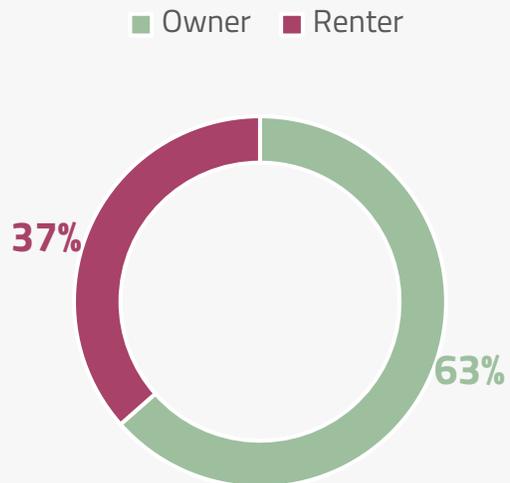
Despite the very strong housing demand, limited inventories continue to drive prices and high mortgage rates place homebuying out of reach for an increasing share of households. Broken down by age across the Metro North WDA, a rising share of the population are Millennials and Gen Z, many of which continue to drive rental demand given the current economic conditions and state of the Boston Metro housing market.

Most communities in the Metro North WDA have similar tenure rates.

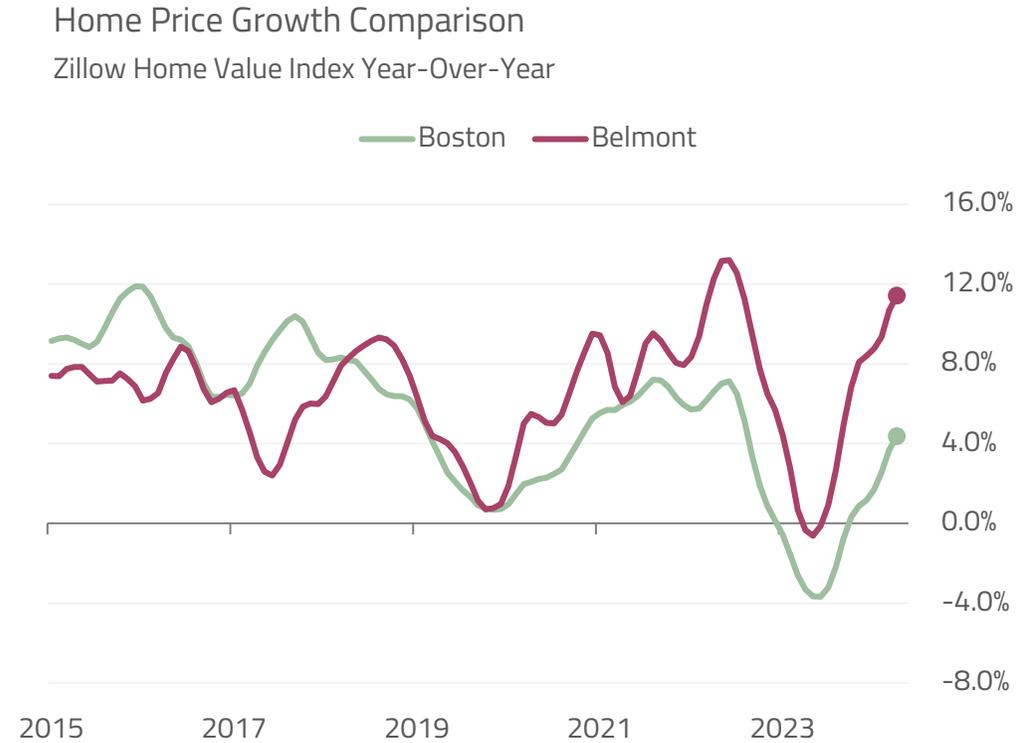
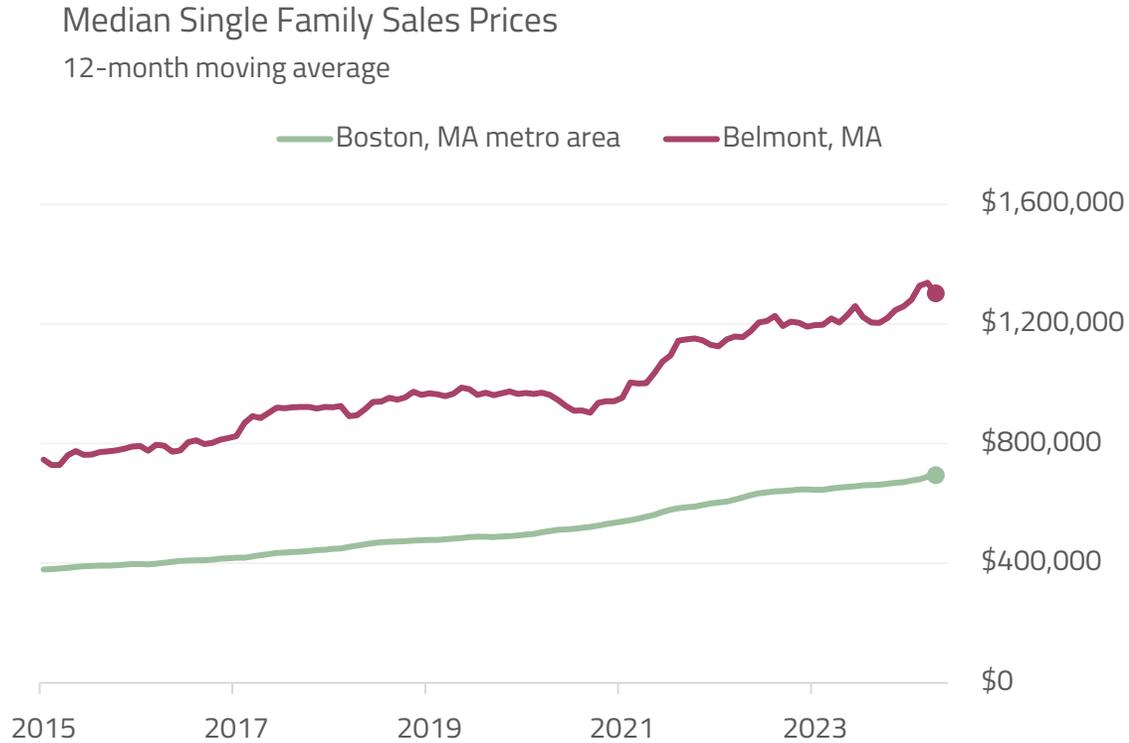


Over the past decade, Belmont's tenure rates have remained flat. Within the Metro North WDA, neighboring towns have experienced similar tenure trends, while larger communities such as Cambridge, Somerville, Malden, Medford and Everett have added larger numbers renters over the past decade.

Belmont Tenure Rates

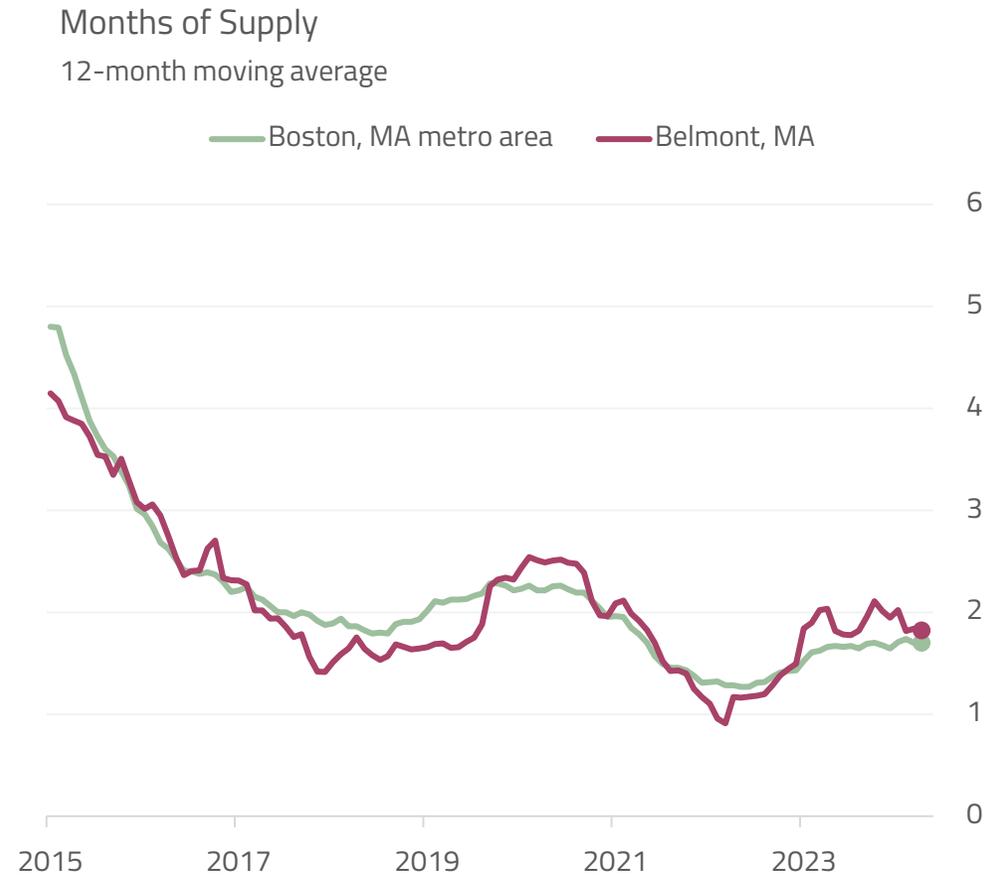
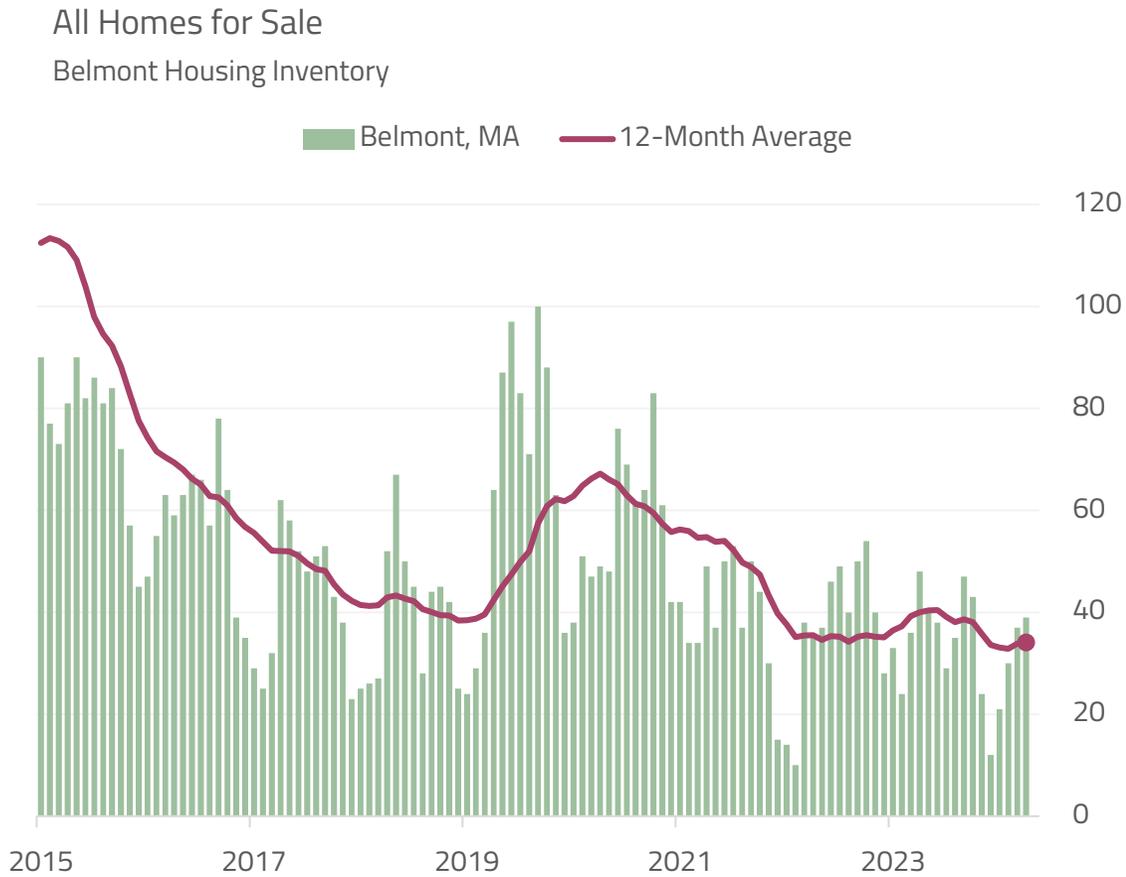


Belmont home prices have grown faster than metro average and far exceed median prices in the region.



Given Belmont's proximity to multiple major employment centers and access to amenities, demand for housing in town has persistently led to much higher sales prices and overall price growth compared to the Boston Metro average. Home prices in town also accelerated following the pandemic at a much higher rate than the metro average. Even in more recent months where home prices saw a brief ebb due to the changing interest rate environment, prices did not follow at the rate at which the metro average did, before rebounding at an even higher rate demonstrating the strong demand.

Like most of the Boston Metro, housing inventories in Belmont are at record lows.

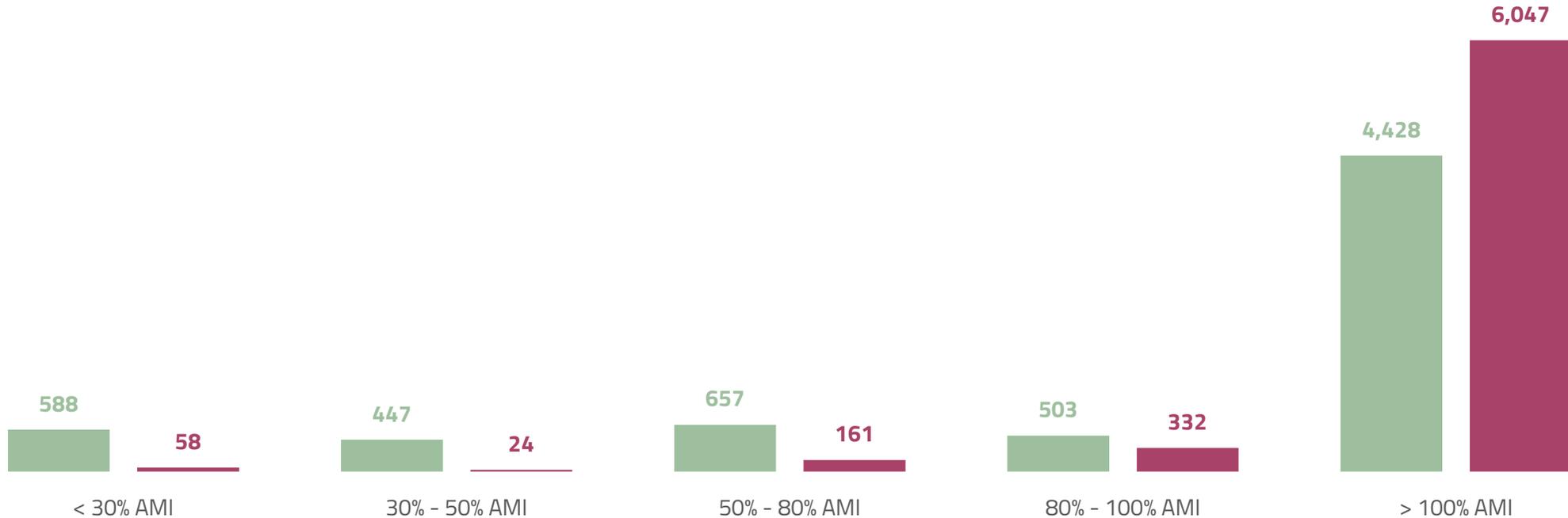


With the growing demand for housing across the region housing inventories have reached record lows. Like the region, Belmont's active inventory of homes for sale has reached historic lows and the months of supply continues to hover around two months.

The majority of Belmont's housing supply is priced to households earning above the area median income.

Owner Supply/Demand by Affordability Level

■ Demand ■ Supply



As a measure of housing affordability, the supply/demand analysis compares income levels to what those income levels can theoretically afford as defined by HUD. This income-based comparison gives an indication of the condition of affordability for owners and renters in town. Based on the analysis for owner households and home values, most homes in Belmont far exceed what is affordable for any households earning less than the median household income.

As mentioned previously, current economic conditions, limited inventories and high competition for housing has placed home buying in town out of reach for many households. The figure also illustrates that some households may be living in homes where the costs are becoming increasingly untenable.

Owner and renter households shrunk over the past 10 years.

2017 & 2022 Averages

2017 Avg. **Owner** Household Size **2.82 Persons**

2022 Avg. **Owner** Household Size **2.72 Persons**

2017 & 2022 Averages

2017 Avg. **Renter** Household Size **2.33 Persons**

2022 Avg. **Renter** Household Size **2.29 Persons**

As the average household size in Belmont continues to shrink, more housing units are needed to house the same population.

Some of what is driving this change can be attributed to:

- Individuals delaying marriage.
- Households not having as many children.
- Younger people moving out of parent's home or away from roommates.
- Older adults living longer and living alone for longer.
- The desire to downsize by some older adults into smaller units.

Belmont is projected to continue to grow in population driving housing demand.

Projected Population Change

2022 Population – **26,997**

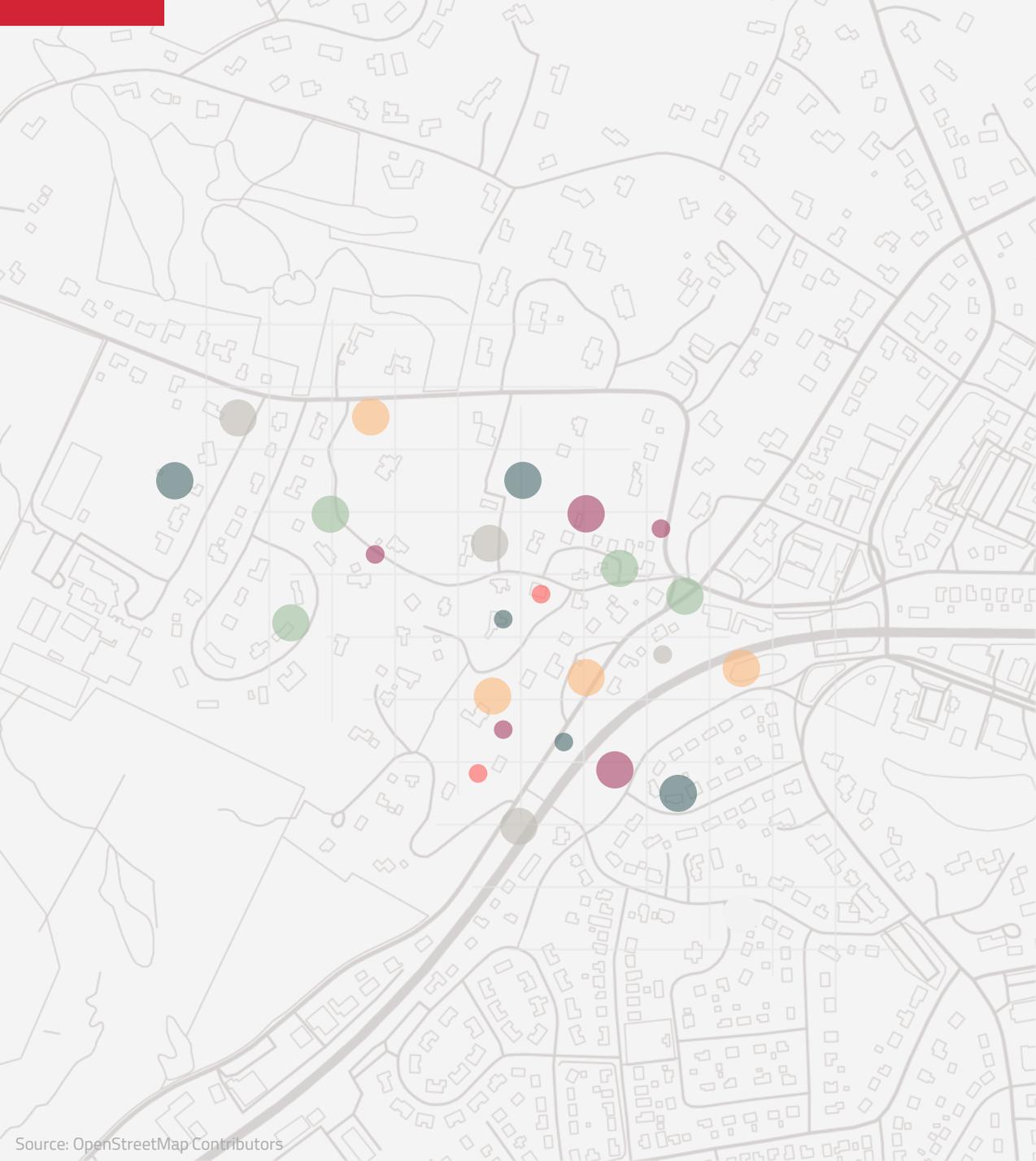
2042 Projected Population – **31,383**

Potential Additional Renter
Households by 2040 – **616**

RKG population projections estimate Belmont's total population could reach 31,383 by the year 2042.

Applying an average household size of 2.6 persons per household, this could mean an estimated future demand for another 1,687 housing units in the town.

Applying the current owner/renter split that could generate demand for an **additional 616 renter and 1,071 owner households** over that 20-year time frame.



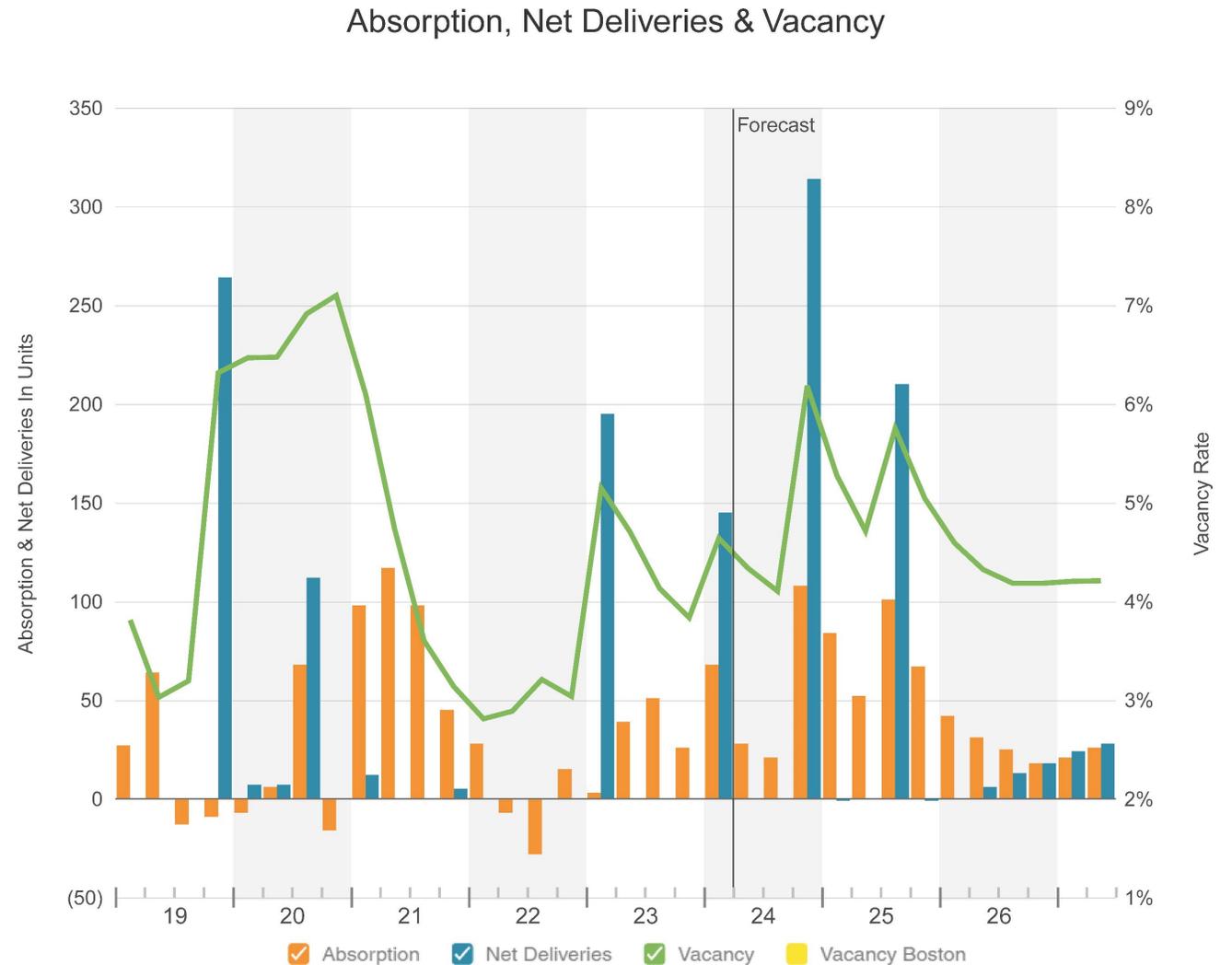
Belmont Market Overview

Commercial Real Estate

Even as new units are delivered, vacancy continues to hover at or below 4%.

The Belmont/Arlington/Waltham multifamily residential submarket has seen a fairly substantial number of new units since 2019 with those units being absorbed relatively quickly.

There are roughly 520 additional multifamily units currently under construction in the submarket where absorption was around 190 units in the past 12 months for newly built units. The current pipeline is likely to be absorbed very quickly.



Vacancy by multifamily class is not evenly distributed.

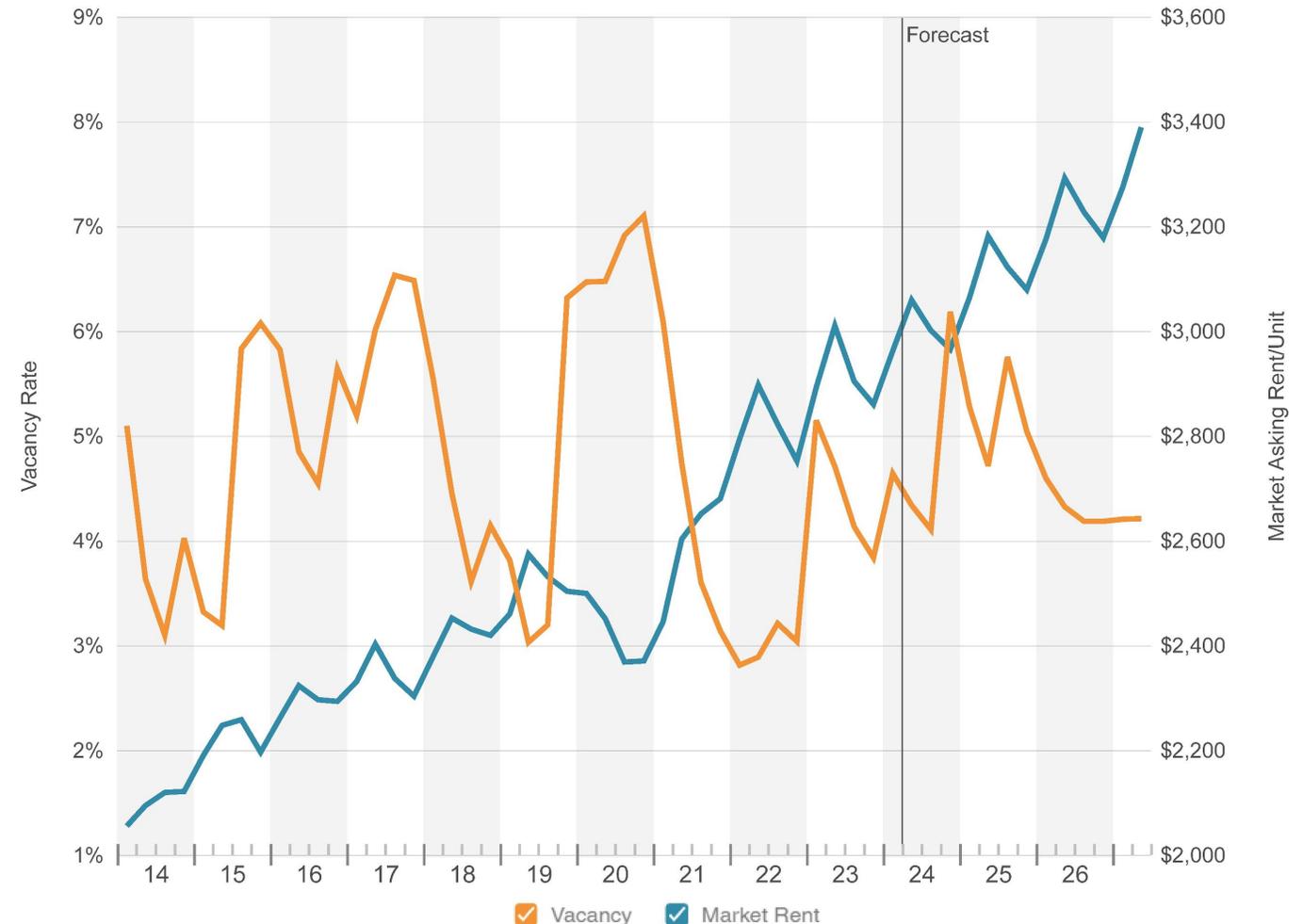
Rents have skyrocketed since 2014 from an average of \$2,000 per month to a high of \$3,060 in 10 years.

Even as more units have been delivered within the submarket, vacancy remained low. The sharp spikes in vacancy rates align with the delivery of larger multifamily developments, but shortly after the vacancy rate decreased.

Vacancy amongst asset classes is not evenly distributed showing huge demand and constrained supply for older more affordable units:

- 4 & 5 Star Properties: 7.0%
- 3 Star Properties: 3.5%
- 1 & 2 Star Properties: 2.2%

Vacancy & Market Asking Rent Per Unit

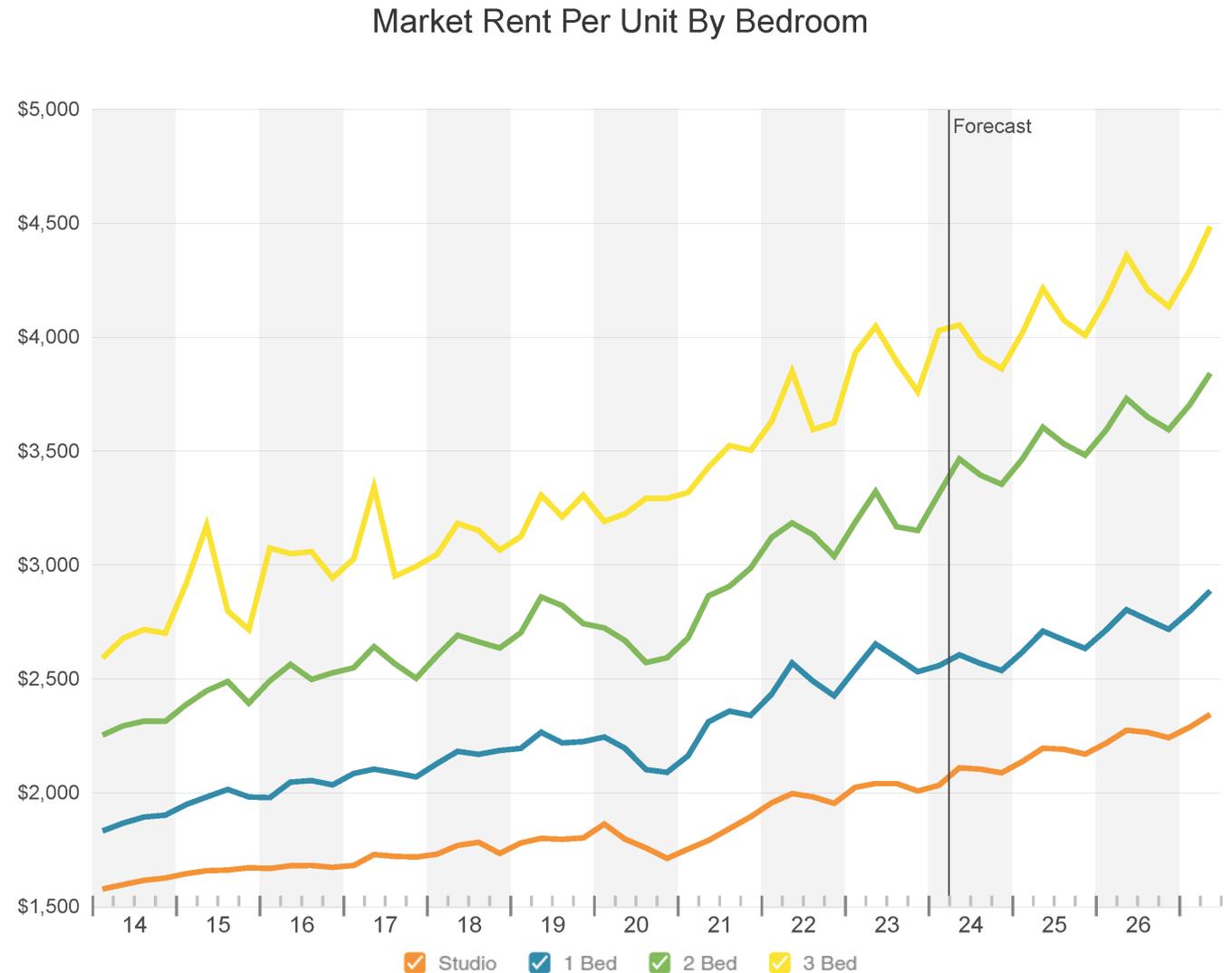


Prices continue to rise at all bedroom sizes.

Over the past 10 years rents have increased as supply has failed to keep up with demand and vacancy remains near and all-time low.

- Studio: \$2,107
- 1 Bedroom: \$2,603
- 2 Bedroom: \$3,463
- 3 Bedroom: \$4,051

From a market perspective, low vacancy, increasing rents, and a growing population indicate a strong demand for additional multifamily and/or mixed-use development in the study area.



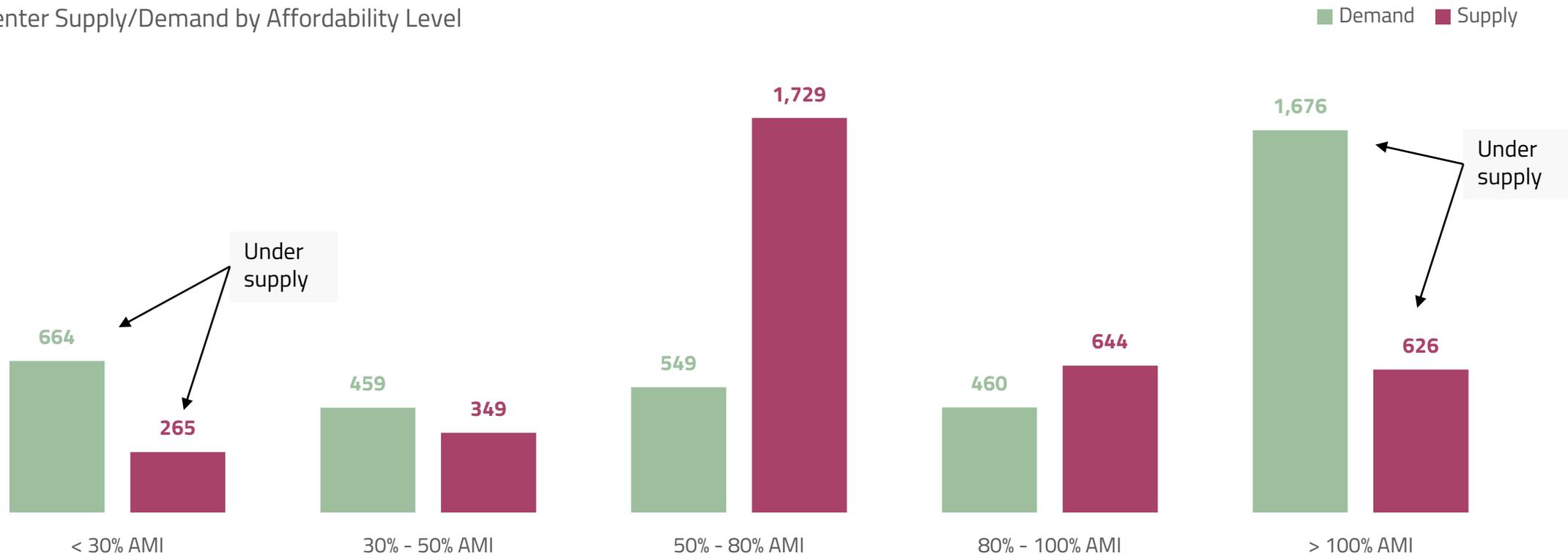
Multifamily metrics for the Belmont, Arlington, Waltham submarket – 2015-2023.

- 1,452 multifamily units have been added since 2015 within these three municipalities.
- Nearly 67% of those units were added in Waltham alone. Only 28% were added in Belmont.
- Buildings averaged 4 stories in height, 112 units, 150,000 square feet of total space.
- Average asking rent is \$3,220 per month.
- Bedroom mixes tend to skew heavily toward 1- and 2-bed units with some buildings including studios and 3-bed units.
- Current vacancy rates are about 3.8%.



Belmont has strong rental demand particularly in higher income segments.

Renter Supply/Demand by Affordability Level



Using the same supply-demand comparison for renters, based on what is affordable by income level, Belmont has a lack of supply of rental units priced for households earning above the area median income and households earning below 30% of the area median income. This means that most of the competition for rental units occurs in the middle of the market for households earning between 50% - 100% of area median income. This competition drives up rents, which leads to greater take up by higher income households.

Market Analytics: Life Science/Lab



Supply continues to outpace demand for life science space.

Market	Square Feet (SF) Supply	Direct SF Available	Sublease SF Available	Vacancy*	Current Absorption	YTD Absorption
Suburbs	22,446,123	2,134,333	837,979	13.2%	963,909	1,892,003
Inner Suburbs	3,922,884	1,051,614	219,623	32.4%	84,351	321,237
Route 128 Mass Pike	4,310,682	435,102	207,761	14.9%	130,857	64,964
Route 128 North	584,550	-	-	0.0%	-	-
Route 128 Northwest	5,743,864	247,942	339,531	10.2%	589,245	1,167,605
Route 128 South	1,067,831	74,008	49,264	11.5%	-	7,140
Route 2 West	887,000	-	-	0.0%	287,000	287,000
Route 495 / 93 North	1,859,728	147,426	6,800	8.3%	15,000	15,000
Route 495 South	531,830	-	-	0.0%	-	-
Route 495 West	2,595,539	178,241	15,000	7.4%	(142,544)	29,057
Worcester	942,215	-	-	0.0%	-	-

Boston area life science vacancy has not yet peaked, yet millions of square feet of uncommitted space is under construction and about to hit the market. Sublease space is also at a record high as companies downsize or fold and look to off load current space they don't need.

Nearly 3M square feet of life science space is available in Suburban market, with about one-third available in the market Belmont is part of. Somerville's market is driving supply and vacancy with about 50% of all lab space currently vacant and 2M square feet delivering in 2024 mostly uncommitted.

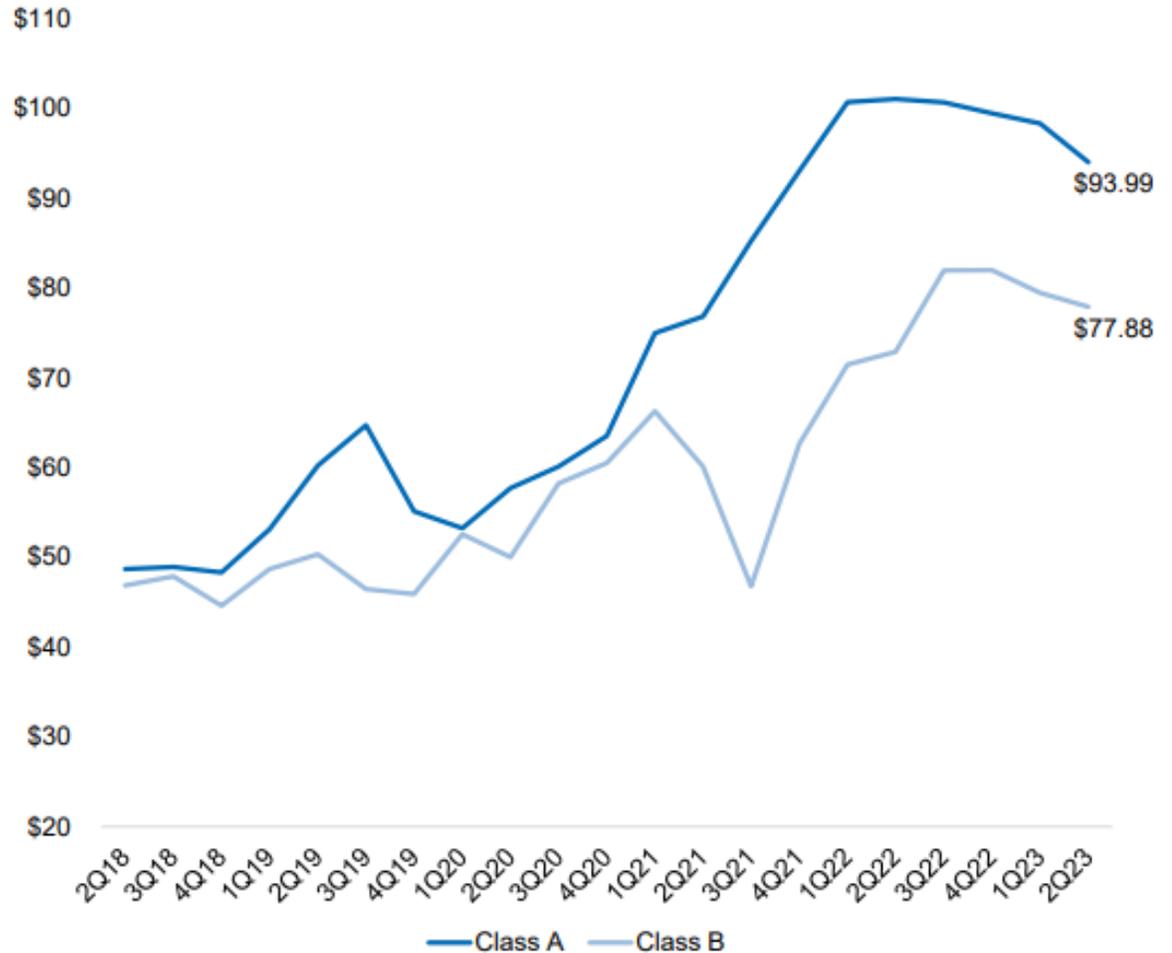
High vacancy, continued supply, are bringing rents down from 2022 highs.

Life Science/Lab rents across the Boston region have come down slightly from their highs in early 2022.

Newmark projects there is roughly 16M square feet of purpose-built and converted lab space still under construction and a number of proposed developments are being delayed or reevaluated.

If Belmont could attract lab development, it could generate high paying jobs and high tax revenue given the high lease rates typically achieved for lab space compared to other commercial options.

Class A and Class B Asking Rents



Newly built life science/lab space stats.

RKG reviewed 40 Class A life science properties constructed since 2019 in Boston, Cambridge, Somerville, Watertown, and Lexington to identify typical building and floor plate sizes.

500 Forge Road,
Watertown, MA



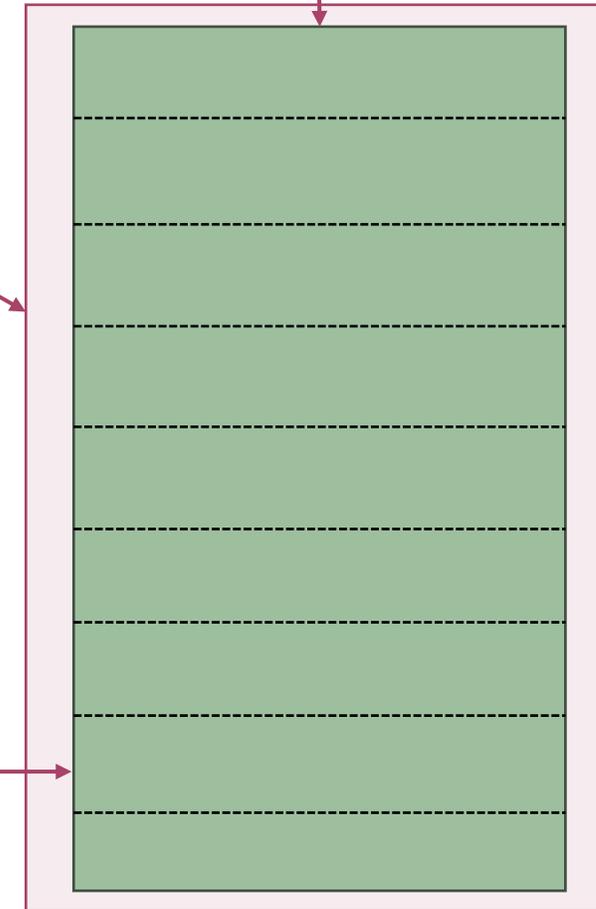
1050 Waltham Street
Lexington, MA



Average height is
9 stories.

Average building
volume is 300,000 SF.

Average floor plate is
40,000 SF.



Average Parking Ratio:
1.7 per 1,000 SF

Market Analytics: Office



Office market fundamentals continue to struggle.

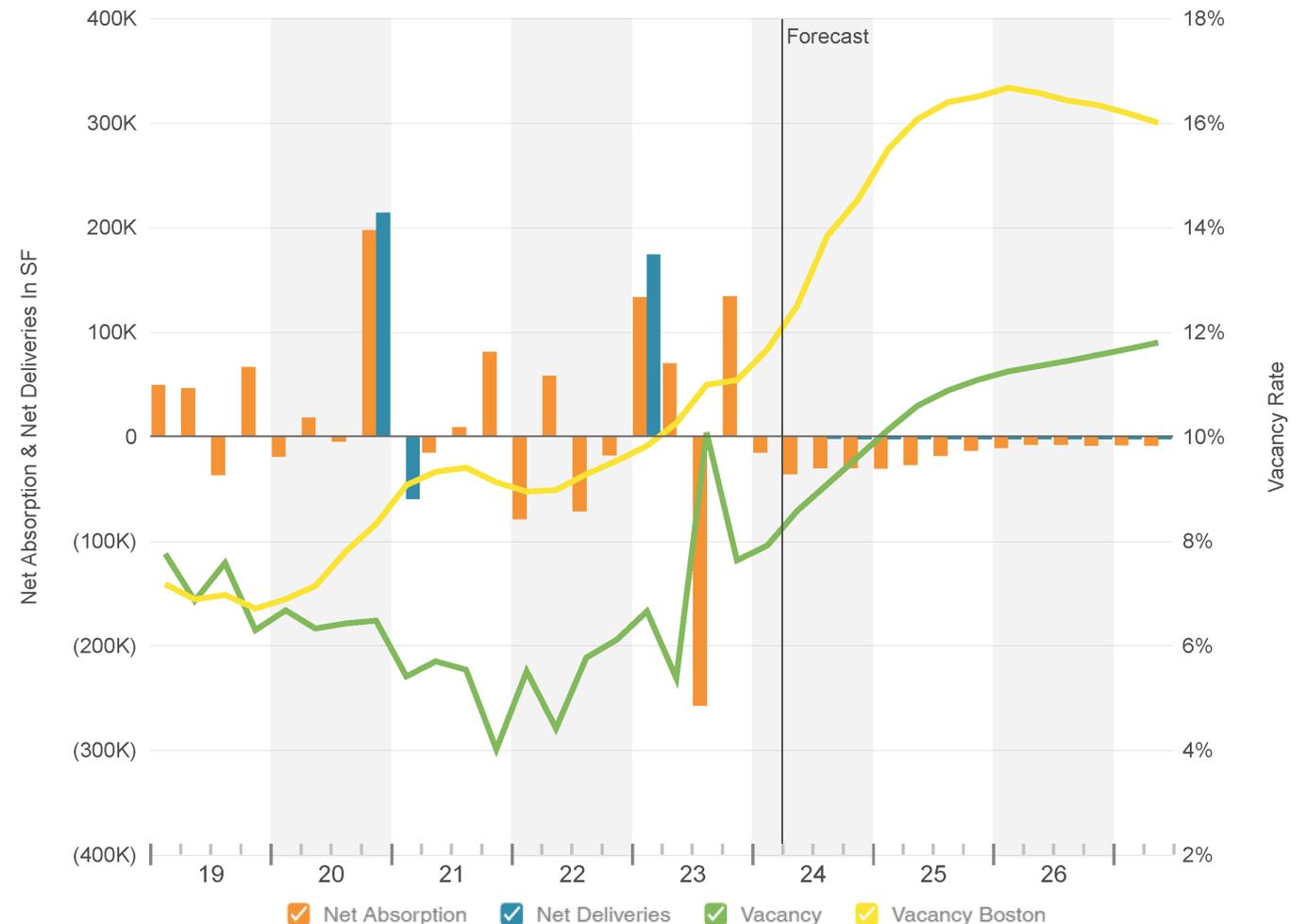
Office fundamentals are challenging in today's market with return-to-work policies still challenged by the workforce and companies looking to downsize or shed excess space.

Belmont is part of the Lexington/Arlington office submarket in CoStar. The submarket has an overall **vacancy rate of 8.6%**, which is 2.7% higher than the past 12 months. **Vacancy amongst higher end office properties is 12%.**

Rents continued to rise 3.6% over the past 12 months. This was faster than the overall Boston market at 1.1%.

Forecasts through 2027 show a consistent decline in office absorption leading to a rise in vacancy in both the submarket and the overall Boston market. Although the Lexington/Arlington submarket's vacancy rate is projected to rise much less sharply than the overall Boston market.

Net Absorption, Net Deliveries & Vacancy



Rising vacancy is leading to a plateau in rents.

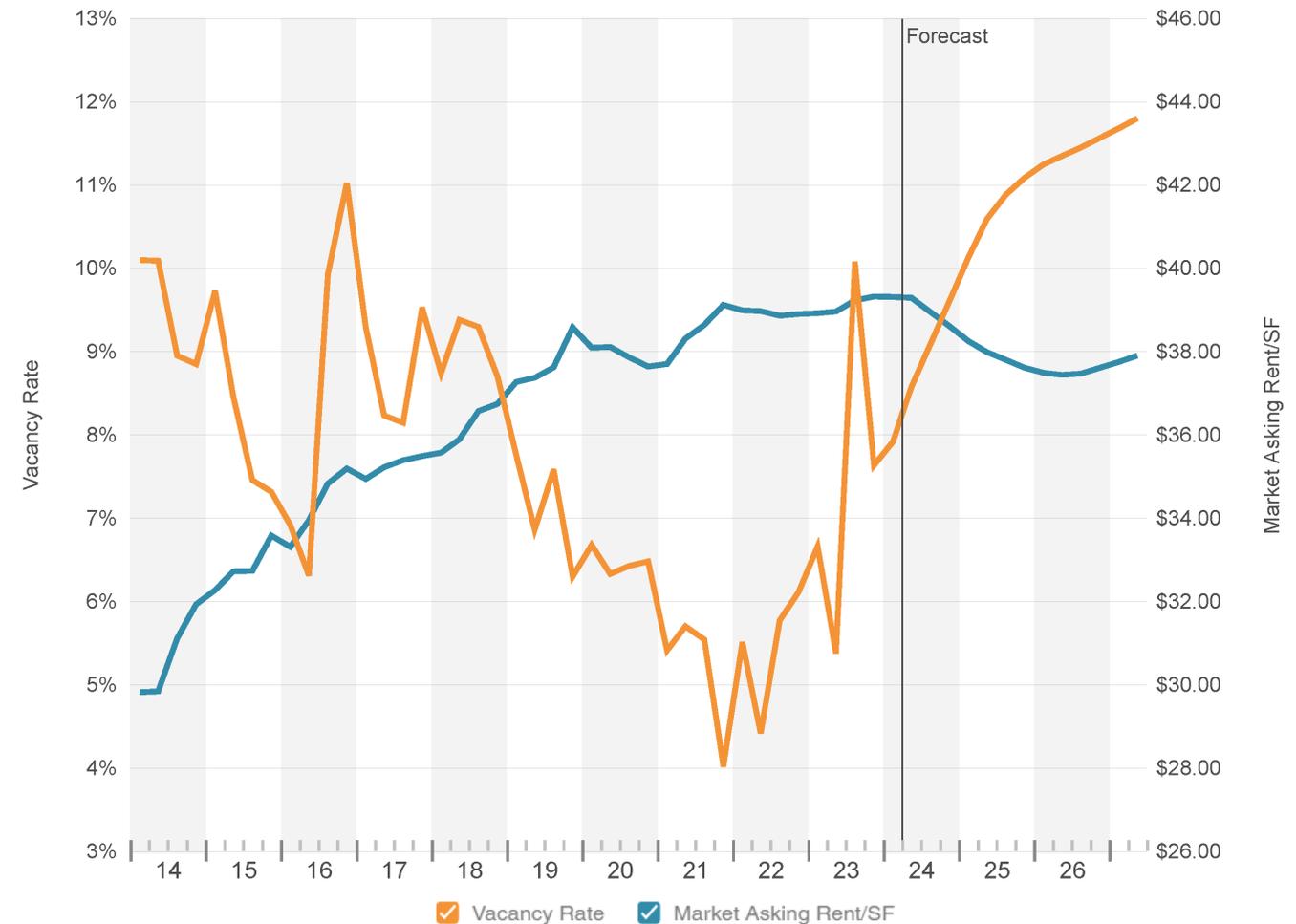
As the vacancy rate in the Lexington/Arlington office submarket has risen, asking rents have begun to plateau around \$39.00 per SF.

The forecast shows vacancy continuing to rise to 12% with rents falling to \$37.89 per SF.

Some of what is driving vacancy up and rents to plateau is the lack of space absorption in the submarket. Over the past 12 months the submarket saw 150,000 SF of negative absorption and no net deliveries, meaning that space already existed and is now vacant.

With rising vacancy, more tenants will have choice across the larger Boston office market for space. If rents continue to drop or even plateau, high construction costs and interest rates may make building office space more challenging without a pre-leased tenant.

Vacancy & Market Asking Rent Per SF



Newer office properties have higher rents, but also higher vacancy.

RKG reviewed 25 Class A & B office properties constructed since 2019 within 5 miles of the center of Belmont.

Market Metrics

Total Inventory	4.4M SF
Vacancy Rate	20% (882k SF)
Net Absorption (12 mo)	552,000 SF
Average Asking Rent	\$48.00/SF



Newly built office space stats.

RKG reviewed 25 Class A & B office properties constructed since 2019 within 5 miles of the center of Belmont to identify typical building and floor plate sizes.

582 Pleasant St
Watertown, MA



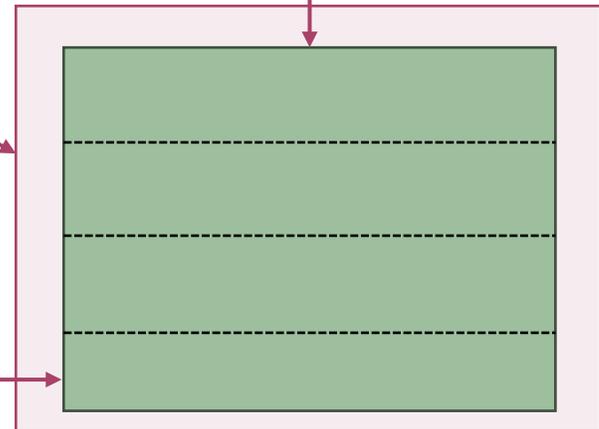
842-844 Main St.
Winchester, MA



Average building volume is 175,000 SF.

Average floor plate is 42,000 SF.

Average height is 4 stories.



Average Parking Ratio:
2.0 per 1,000 SF

Market Analytics: Retail

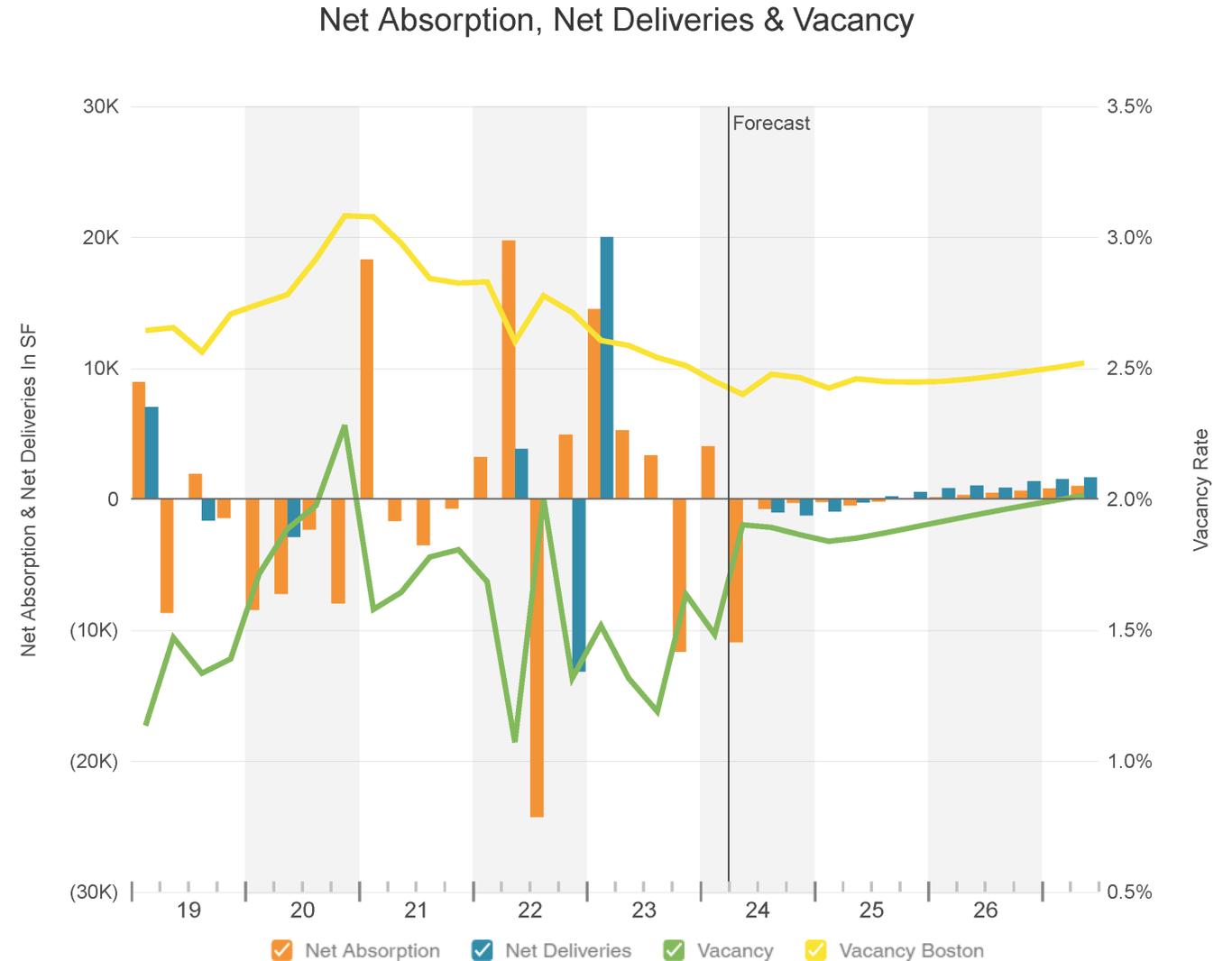


Retail vacancy remains below the Boston region, generally reflects deliveries and absorption.

Retail fundamentals continue to recover in the post-COVID market. Prior to 2020, vacancy was declining while rents were steadily rising. As the pandemic hit, the submarket experienced an uptick in vacancy in 2020 but by 2021 vacancy returned to below 2.0%.

Changes in overall vacancy tend to fluctuate with new retail space deliveries and subsequent absorption of space. This seems to indicate that as new space enters the market, it does not take long to lease up.

Historically, the vacancy rate in this submarket is closer to 1.5% across a total inventory of 2.6M SF of space.



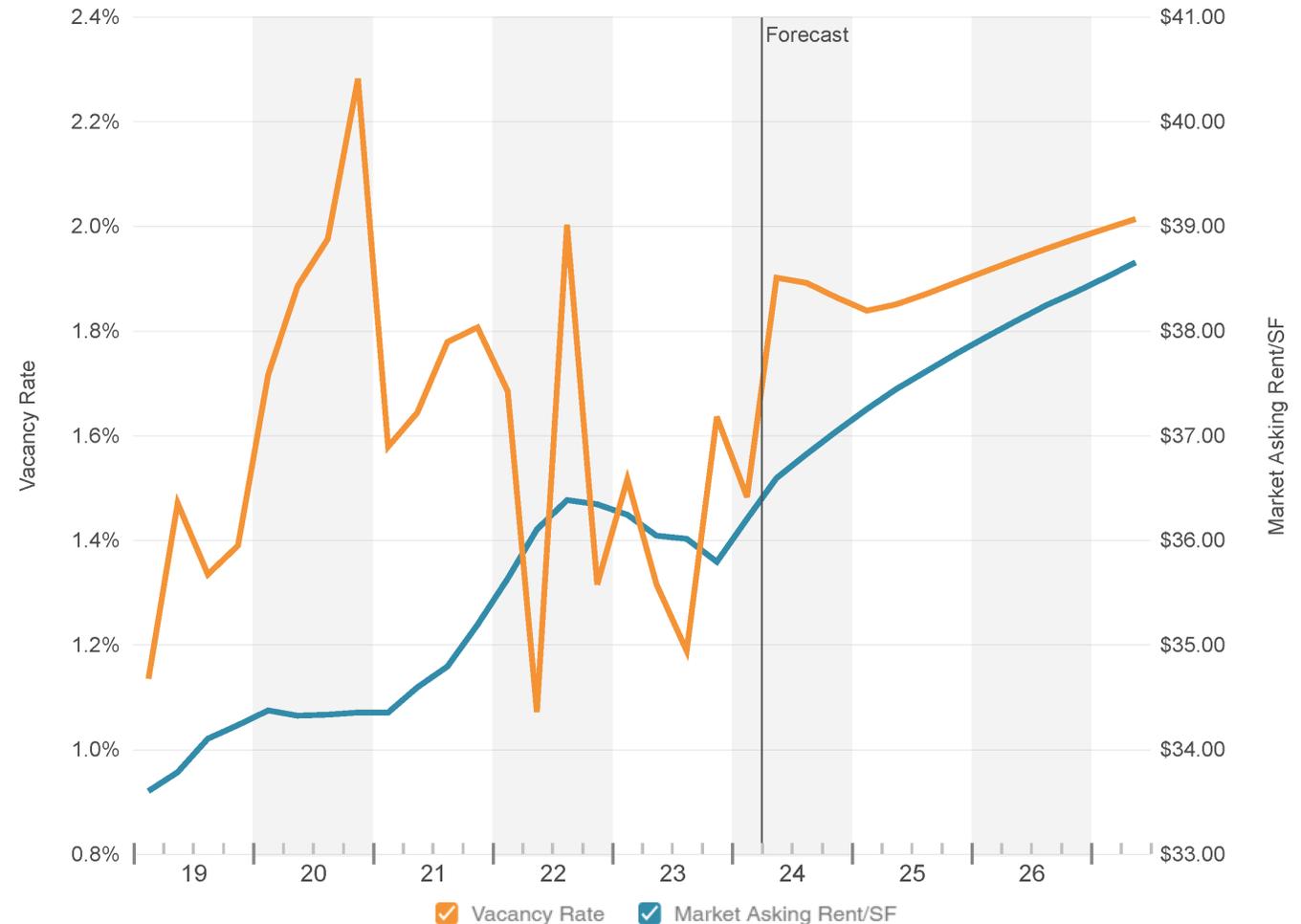
Rents have been steadily rising but hit a slight decline in the past year.

Rents in the Lexington/Arlington submarket are just over \$36/SF, which is about \$10/SF higher than the larger Boston market average. This is likely a reflection of the proximity of this market to the Boston core and the higher household incomes that can support more retail spending.

Higher rents in the submarket are driven by “Neighborhood Centers”, or retail centers with an average of 50,000 SF of space providing convenience goods and personal services to the immediate neighborhood. Rents are similar for “Strip Centers”, or an attached row of stores served by a single parking lot.

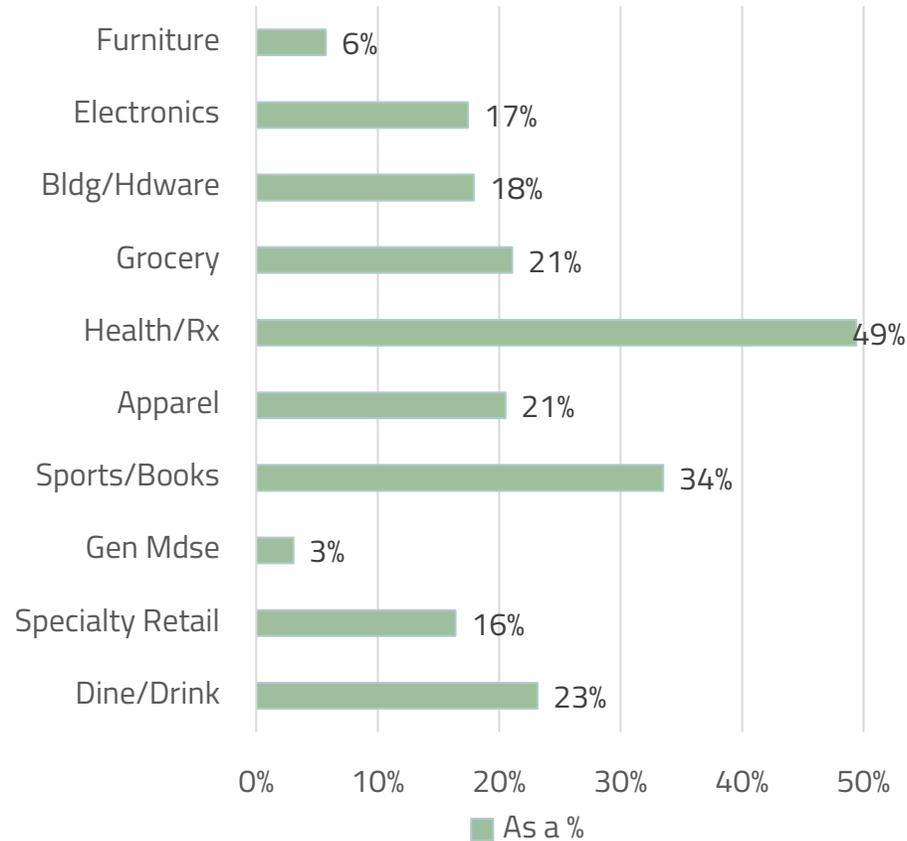
Although rents are projected to continue to climb, retail in the submarket has cooled a bit with rent growth falling below the larger Boston market average and some negative absorption of space over the past year.

Vacancy & Market Asking Rent Per SF

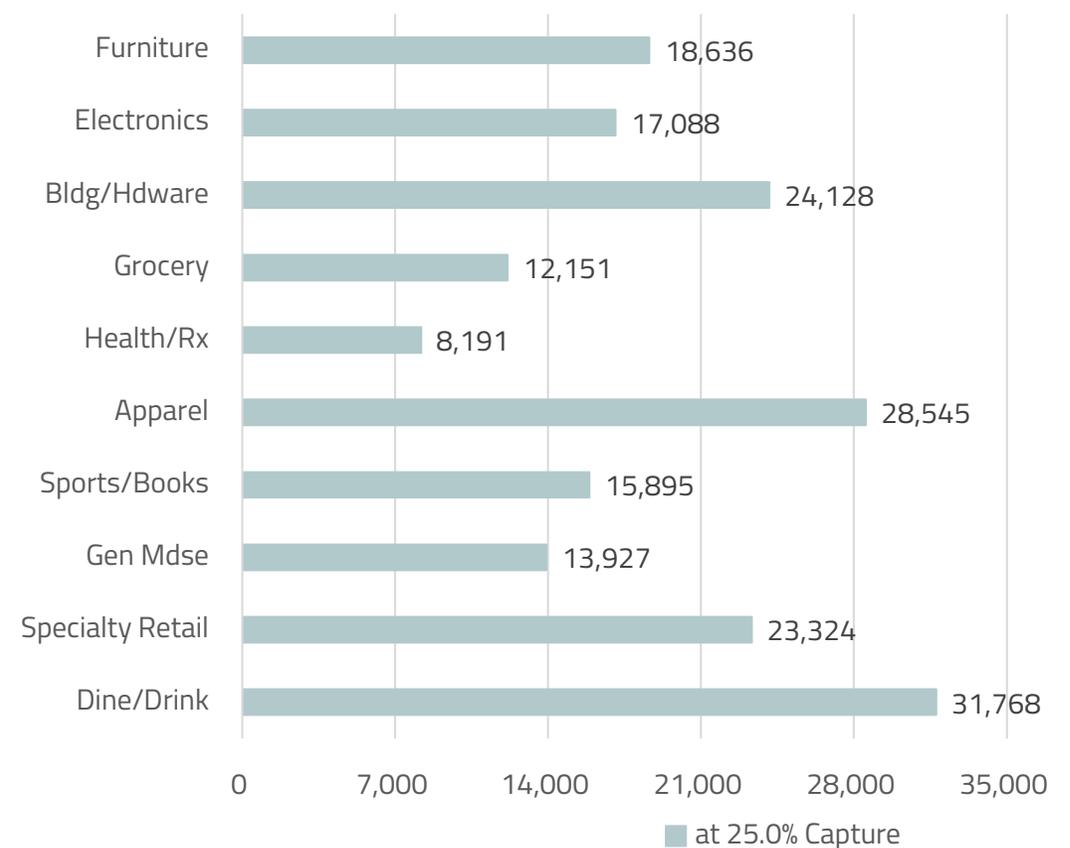


Belmont residents seek retail and restaurant options outside the town often.

Retail Sales as a % of Retail Demand



Estimated Supportable SF at 25%



Where retail sales are greater than 100%, patrons are coming into the market from outside the town to purchase goods and services.

If stores within Belmont captured 25% of household spending leaving the town, there could be support for an additional 193,000 SF of retail demand. Some of this demand could be filled in vacant stores, expanding existing stores, or diversifying merchandise lines.

Few spaces are for lease in Belmont.

Averages for Spaces in Belmont for Lease

Average Space Size **2,600 SF**

Typical Floor Size **3,800 SF**

Average Rent Range **\$34.60/SF**

Of the four spaces for lease in Belmont, all are Class C spaces. Two are in Belmont Center, two are on Trapelo Road around the Waverly Commuter Rail Station.



Market Analytics: Hotels



Hotel market fundamentals are recovering strong post-COVID.

Hotel Market Fundamentals Across Three Major Submarkets.

Submarket	Occupancy (Past 12 Mo.)	Avg. Daily Rate (Past 12 Mo.)	RevPAR Change (Past 12 Mo.)	Rooms Delivered (Past 12 Mo.)	Rooms Under Construction
Boston CBD/Airport	77.6% ↑	\$289.73 ↑	10.5% ↑	147	499
Cambridge/Waltham	74.2% ↑	\$227.92 ↑	11.7% ↑	0	35
Dedham/Marlboro*	67.0% ↑	\$161.30 ↑	12.4% ↑	271	0

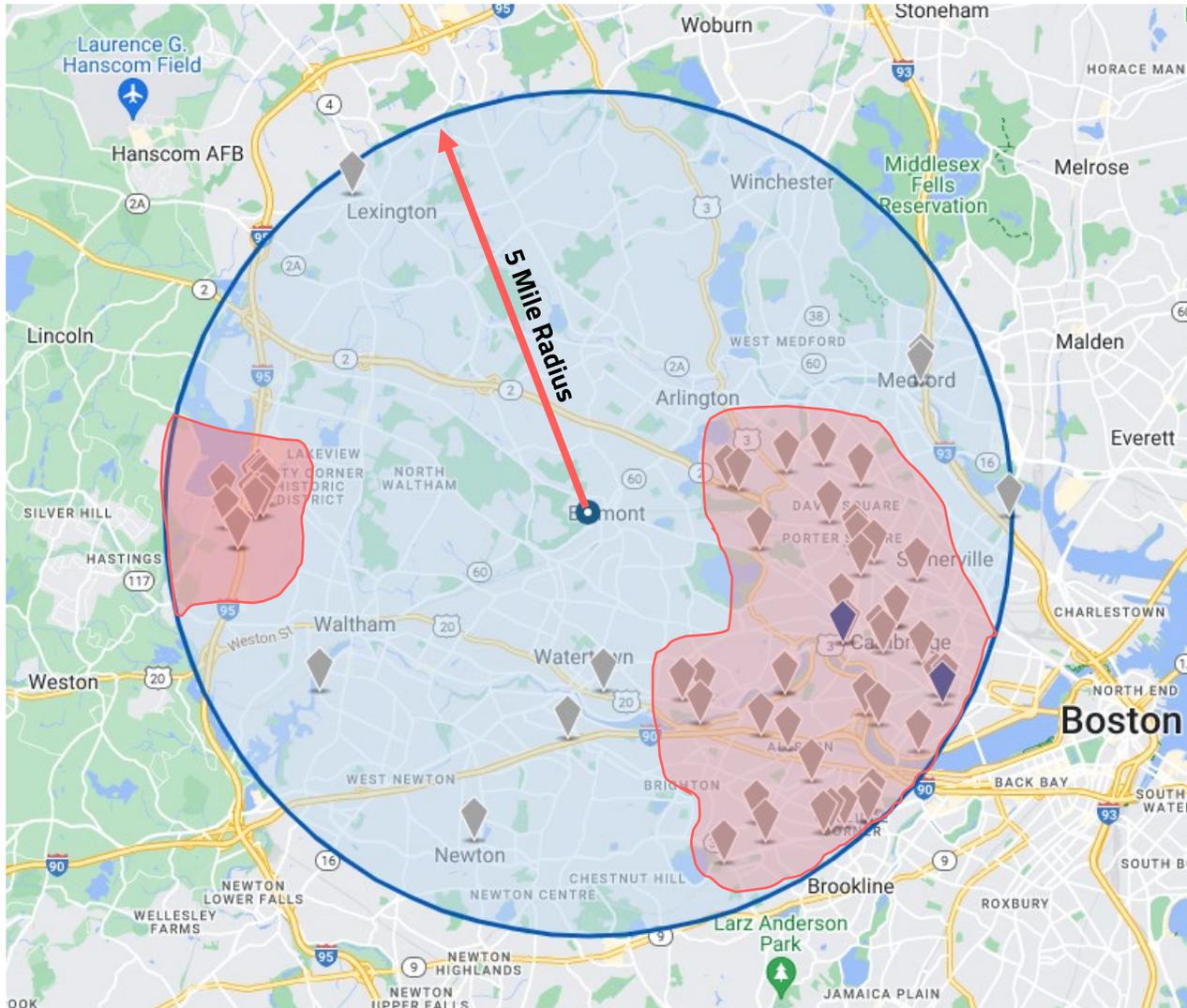
*Belmont falls within the Cambridge/Waltham submarket. Submarket includes Belmont, Cambridge, Waltham, Lexington, Winchester, Arlington, Watertown, Medford, Malden, Melrose, Stoneham, and Allston/Brighton.

The Cambridge/Waltham hotel submarket surrounds the immediate Boston and Logan Airport submarket and is performing nearly as well with a significant post-COVID recovery. Hotel demand in the submarket appears to be very strong with continually rising occupancy, high average daily rates, and a near 12% increase in RevPAR over the past 12 months.

Newer hotels in Brookline are performing more in line with hotels in the Cambridge/Waltham market with average occupancy rates at 73% and an average daily rate of \$196. These metrics still fall below the 10-year highs for hotel demand seen back in 2015.

RevPAR – revenue per available room. A measure of revenue coming from rooms that were occupied over a period. An increasing RevPAR can indicate increasing room rates, increasing occupancy, or both. All signs of a healthy hotel property and/or market.

Hotel properties are notably absent from the Route 2 corridor from Cambridge to Waltham.



According to data from CoStar/STR, Belmont does not have any hotel properties within its border. There is also a notable absence of hotel properties between the high concentration in Cambridge and Waltham along Route 128. Given the high occupancy rate and rising daily rates of hotel rooms in the submarket, there may be opportunities to explore the siting of a hotel in Belmont.

Examples of new hotels that have been added to the submarket.

Hotel Cambria
Somerville, MA



Data Point	Metrics
Year Built	2022
Rooms	163
Class	Upscale
Stories	6
Typical Floor Size	16,333 SF
Gross Building Size	98,000 SF

Hampton by Hilton
Watertown, MA



Data Point	Metrics
Year Built/Renov.	2020
Rooms	146
Class	Upper Midscale
Stories	6
Typical Floor Size	18,000 SF
Gross Building Size	113,000 SF

907 Main
Cambridge, MA



Data Point	Metrics
Year Built	2020
Rooms	67
Class	Upper Upscale
Stories	5
Typical Floor Size	8,250 SF
Gross Building Size	41,250 SF



RKG Belmont Market Analysis DRAFT
June 2024