



TOWN OF BELMONT, MA
MARKET ANALYSIS SUMMARY REPORT

October 2024

RKG

Prepared by
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PURPOSE THE STUDY AND ANALYSIS SCOPE

In April 2024, the Town of Belmont, Massachusetts contracted with RKG Associates, Inc. (RKG) to conduct a market and fiscal impact analysis to understand local and regional market conditions, identify economic development opportunities and opportunities working towards increasing its share of non-residential taxable property. This market analysis served as the first phase of this project, which examined market trends across a range of commercial real estate types, economic trends from both an employment and demographic perspective and contextualized the findings within the broader region.

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 RKG utilized local submarket and the larger primary market to provide a clear connection between the socioeconomic conditions in Belmont and local real estate fundamentals. Figure 1 shows the map of the different geographies of analysis.

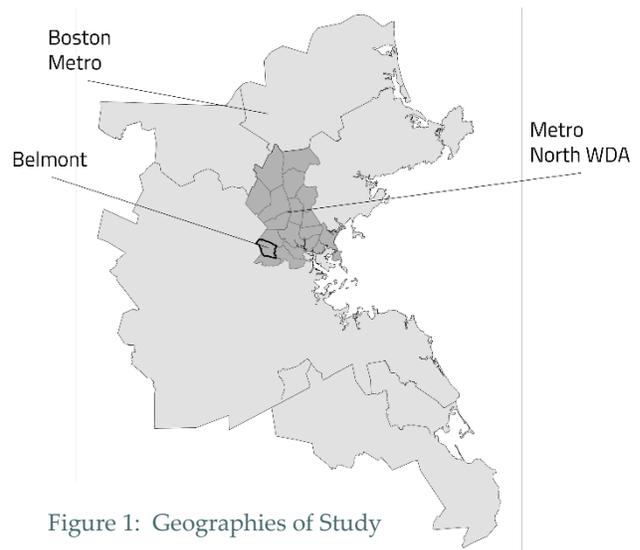


Figure 1: Geographies of Study

BELMONT DEMOGRAPHIC TRENDS

Over the past decade, Belmont has experienced consistent population growth like many of its neighboring towns. However, according to the most recent 2022 American Community Survey (ACS) estimates, the town saw a slight decline in population, which could indicate that growth is becoming constrained by the availability and cost of housing. This aligns with broader trends in many Massachusetts communities, where limited housing options, particularly affordable ones, are beginning to cap growth potential.

Demographically, Belmont's population includes a significant portion of older adults, with many residents aged 55 and over. However, the most recent decennial census highlights a distinctive pattern: while many New England towns are seeing population growth concentrated among older age cohorts, Belmont's peak population remains between the ages of 35 and 50, with noticeable growth in the under-18 demographic. This underscores the rise in family households, suggesting Belmont continues to be an increasingly attractive location for families with children (See Figure 2).

In terms of household composition, the largest driver of Belmont's population growth over the last decade has been 3-person households, both among owner and renter households. Estimates from the ACS further reveal that most renter households are under 44 years old, while owner households tend to be 45 years and older. This split suggests a younger rental market, with homeownership becoming more prevalent among middle-aged and older residents.

The past decade has also seen stabilization in the growth of larger family households (those with 4 or more members), while 2-person family households, often couples, now represent the largest share of family households in Belmont. Among non-family households, 1-person households make up the largest portion, and like larger family households, their growth has also stabilized in recent years.

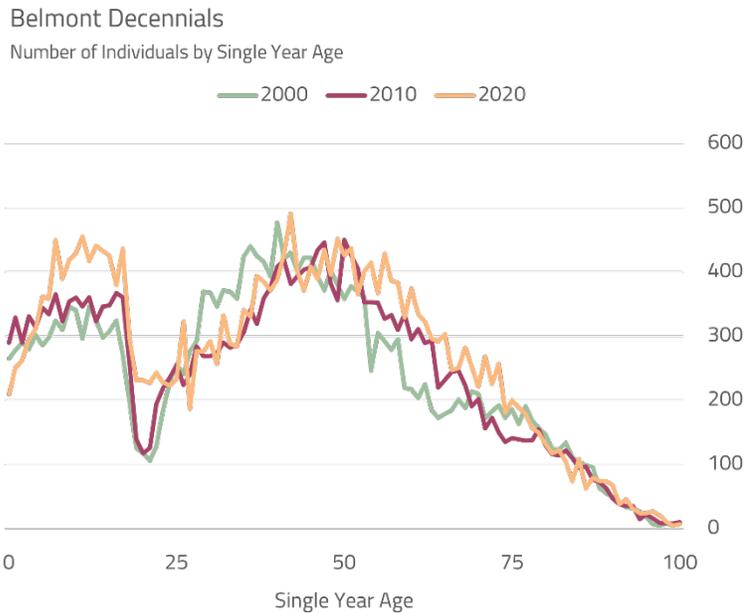


Figure 2: Belmont Decennial Census (2000 – 2020)

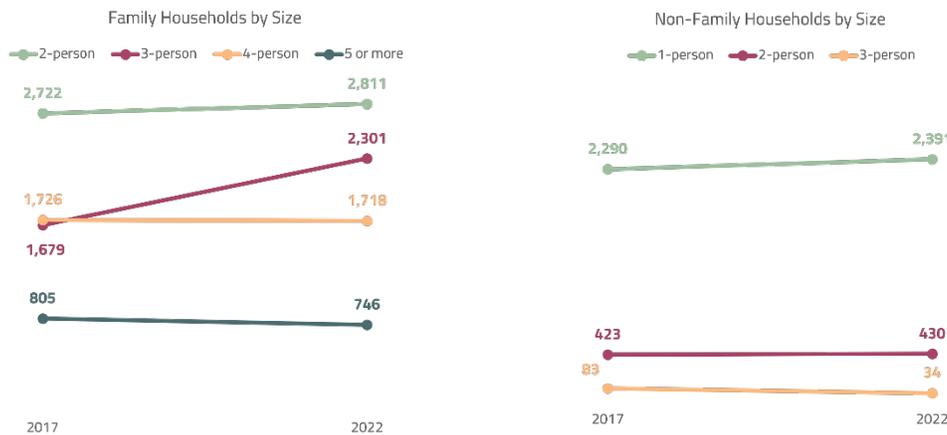


Figure 2: Belmont Household Sizes (ACS Estimates 2017 – 2022)

Belmont has seen a significant shift in its household income distribution, with the largest growth occurring in higher-income households. This trend is closely linked to rising home prices and high levels of educational attainment. Belmont has attracted affluent newcomers while the incomes of existing households have also increased. Most notably, the share of residents aged 25 and older with a bachelor's degree or higher has grown over the last decade, while the number of residents with lower educational qualifications has declined.

These demographic and economic trends reflect the continued high demand for housing in Belmont, which has continued to drive development largely towards housing and mixed-use buildings as opposed to other land use types.

REGIONAL AND LOCAL LABOR MARKET TRENDS

Belmont functions largely as a commuter town with many of its residents traveling outside the community for work (See Figure 3). The most common destinations are Boston and Cambridge, two cities with a high concentration of employers in professional, technical, and scientific industry sectors. In addition to residents commuting out, Belmont also attracts a workforce from surrounding communities such as Boston, Waltham, Cambridge, Watertown, and Arlington. The commuting patterns between these towns demonstrate the interconnectedness of the local economy, particularly in sectors like healthcare, professional services, and technical industries, which dominate the labor market across these regions.

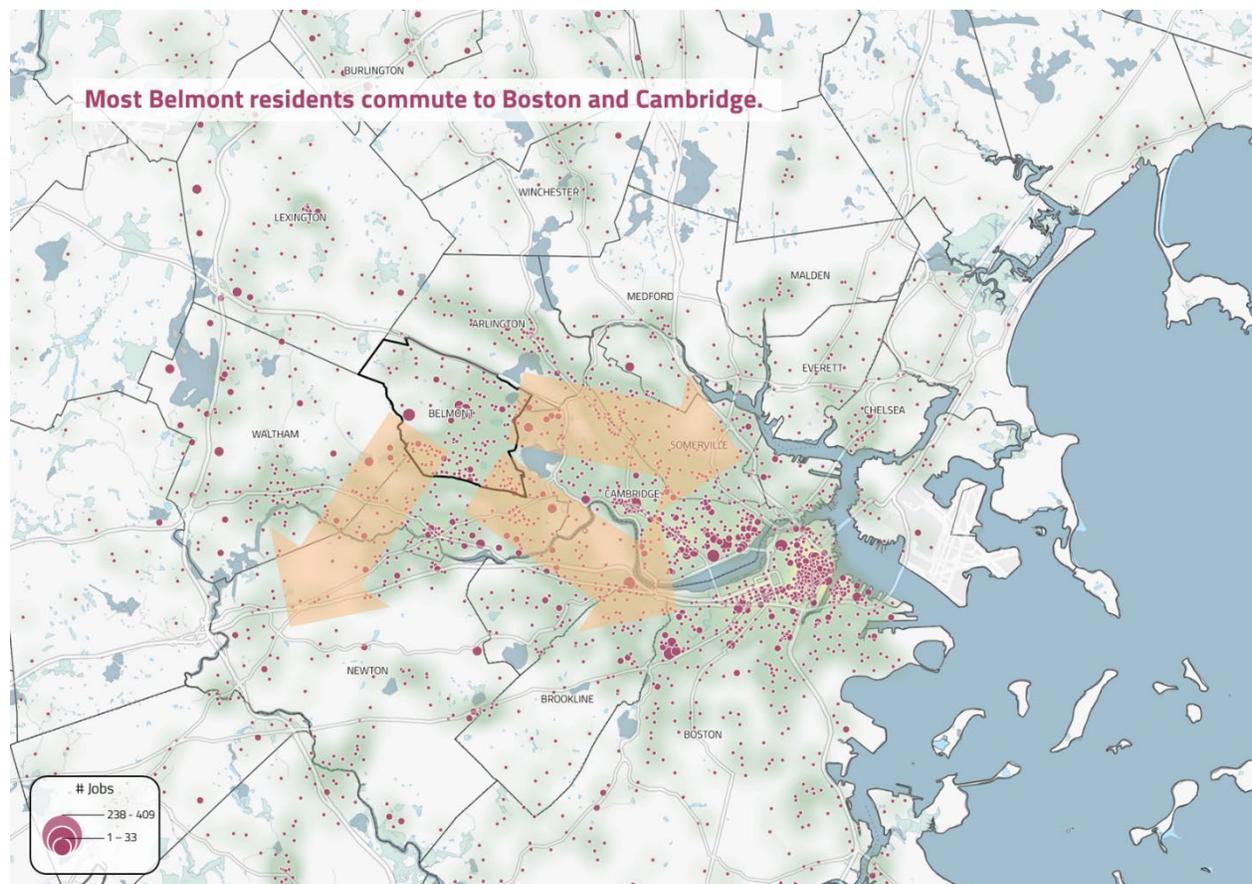


Figure 3: Workers Living in Belmont Commuting Elsewhere, US Census LODES 2021

Belmont's labor market is closely tied to the Metro North and Boston Workforce Development Areas (WDA). The town is a net exporter of workers to Boston and Cambridge due to its proximity and access to these major employment hubs. Despite this outward commuting, Belmont has maintained a relatively low unemployment rate over the years, consistently tracking below the averages for the broader Metro

North WDA and the state of Massachusetts. Even during the COVID-19 pandemic when unemployment spiked nationwide, Belmont experienced a smaller increase in its unemployment rate compared to other areas (See Figure 4). This resilience can be attributed to the town's highly educated workforce, many of whom hold a bachelor's degree or higher and work in industries that were able to transition to remote work during the pandemic.

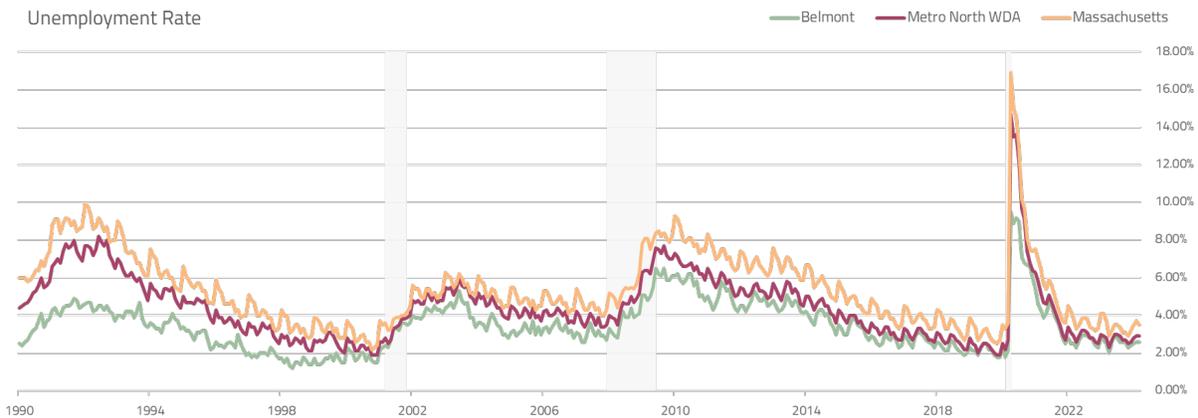


Figure 4: Unemployment Rate; Massachusetts Department of Economic Research; Data not seasonally adjusted

Over the past five years, the strongest employment growth in Belmont has been in Health Care and Professional and Technical Services, two sectors that have remained competitive both within the town and the broader Metro North WDA (Table 1). These industries are expected to continue growing, with high demand for workers forecasted over the next decade. Belmont's other competitive sectors include Educational Services and Other Services, while retail trade, although smaller, continues to grow (Table 2).

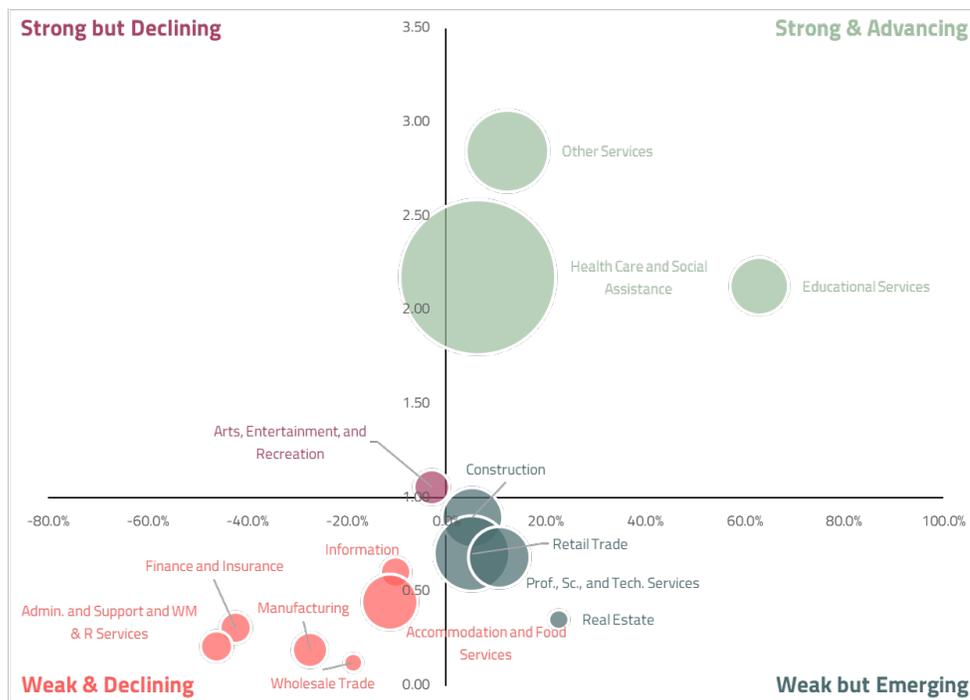


Figure 5: Belmont Competitive Industry by Employment Growth (x) Location Quotient (y); Lightcast QCEW Estimates

However, the Arts, Entertainment, and Recreation sector, which was hit hard by the pandemic, has not fully recovered and remains a weaker point in Belmont’s employment landscape (Figure 5).

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			

Table 1: Belmont and Metro North WDA Employment Trends by 2-Digit NAICS 2019 - 2023

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%

Table 2: Projected Belmont and Metro North WDA Employment Trends by 2-Digit NAICS 2024 - 2034

One way of looking at the potential need for additional commercial space in a market is to look at how industry sector employment is projected to change. If certain industry sectors that utilize office space or medical office space are projected to increase and the vacancy rate in the market is tight, additional built space may need to be added to accommodate the new employees. Conversely, if employment is projected to decline across certain industry sectors, that may signify an increasing vacancy rate and less built space for those sectors. RKG conducted a space demand analysis across several sectors using employment projections for the Town of Belmont. Using this approach, future employment growth is translated into

space demand using an average square footage required per full time employee. (In later sections demand for space will be evaluated by market fundamentals and other measures).

Looking at office and retail space, the Lexington/Arlington submarket, of which Belmont is part, currently has about 466,000 square feet (SF) of vacant office space, which exceeds historic averages by roughly 53,000 SF. This surplus means that the market could absorb much of Belmont's future demand without the need for new office construction (Table 3), except in cases where preleased tenants or purpose-built medical facilities are required. Belmont has the potential to capture a larger share of the regional demand, especially in Professional and Technical Services and Health Care, as these sectors continue to grow.

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

Table 3: Projected Office Space Demand by Employment Sector 2024 - 2034

Over the next decade, projections show employment trends in Belmont could support an additional 36,718 SF of retail space. Given that current vacancies in the submarket align with historic trends, the market could accommodate this new demand, especially if it is driven by turnover and reduced vacancies in existing spaces. The recovery of retail and service-based businesses post-COVID suggests that the fundamentals for supporting new retail, restaurant, and accommodation businesses are strong. Belmont, with its high household incomes, well-paying jobs, and influx of visitors from outside the town, is well-positioned to support new retail and service spaces in the coming years (See Table 4).

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

Table 4: Projected Retail Space Demand by Employment Sector 2024 -

REAL ESTATE MARKET ANALYSIS BY TYPE

The following sections cover the analysis of Belmont’s single family, multifamily, office, hotel, life science/lab, and retail markets. This analysis considers factors such as: (1) existing building vacancies, (2) annual land and building absorption trends, and (3) local and regional pricing. RKG analyzed development and absorption trends over the last five years as well as looking at each real estate sector to determine which opportunities may fit well within Belmont. This research was supplemented by qualitative stakeholder interviews local experts and real estate professionals.

SINGLE FAMILY HOUSING

Despite strong housing demand, Belmont, like much of the Metro North Workforce Development Area (WDA), faces significant challenges in terms of affordability and availability. Limited inventories of homes for sale have driven up prices, and higher mortgage rates have placed homeownership out of reach for an increasing number of households. Supported by the recent lowering of mortgage rates, housing demand will continue to remain strong and refinance originations may start to see a boost. Despite these recent developments in the broader economy, sales remain constrained by a limited supply which consequently sees home prices continue to remain out of reach for many. This trend is particularly evident among Millennials and Gen Z, who are more likely to rent due to current economic conditions and the broader state of the Boston Metro housing market. The growing share of younger generations in the Metro North WDA continues to fuel demand for rental housing (Figure 6).

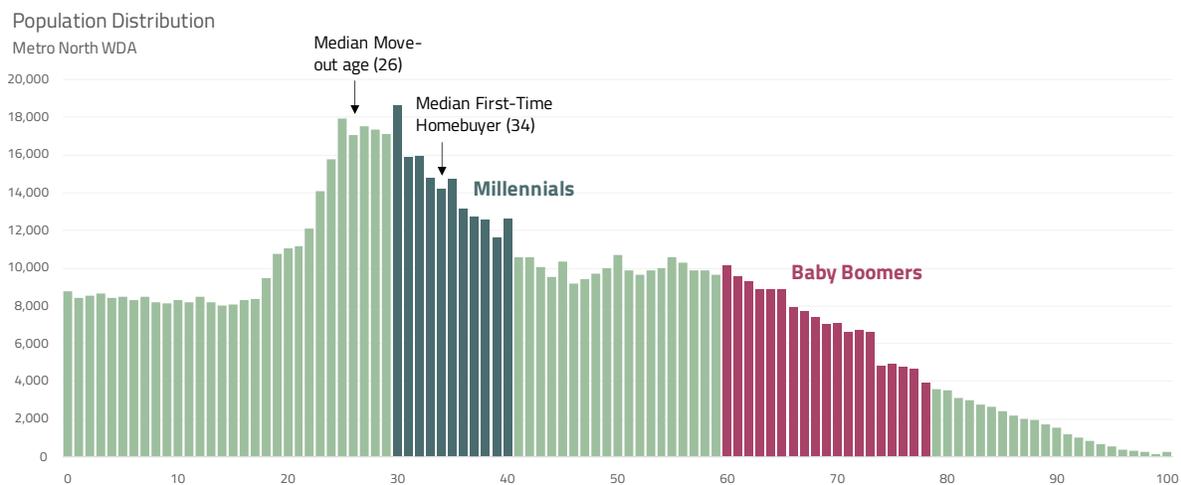


Figure 6: Metro North WDA Population Distribution by Single Age; 2020 Decennial Census

Over the past decade, Belmont's homeownership and rental rates have remained largely stable, with tenure rate trends remaining flat. Similar trends have been observed in neighboring towns, though larger cities like Cambridge, Somerville, Malden, Medford, and Everett have experienced a notable increase in renters. Belmont's proximity to major employment centers, excellent school system, and quality of life has resulted in persistently high demand for housing, leading to much higher home prices than the Boston

Metro average. Following the pandemic, home prices in Belmont accelerated faster than in the broader region, and even brief downturns in prices have been less pronounced compared to metro trends.

Belmont's housing inventory is at historic lows, with the months of supply hovering around just two months (Figure 7), a reflection of the broader regional trend. This low inventory, combined with high demand, has made housing increasingly unaffordable for many. Based on RKG's supply and demand analysis, which compares income levels with housing prices, most homes in Belmont are far beyond what households earning less than the median household income can afford (Figure 8). As competition for homes remains strong, many households are finding homeownership unattainable, while others are burdened with housing costs that are becoming increasingly unsustainable.

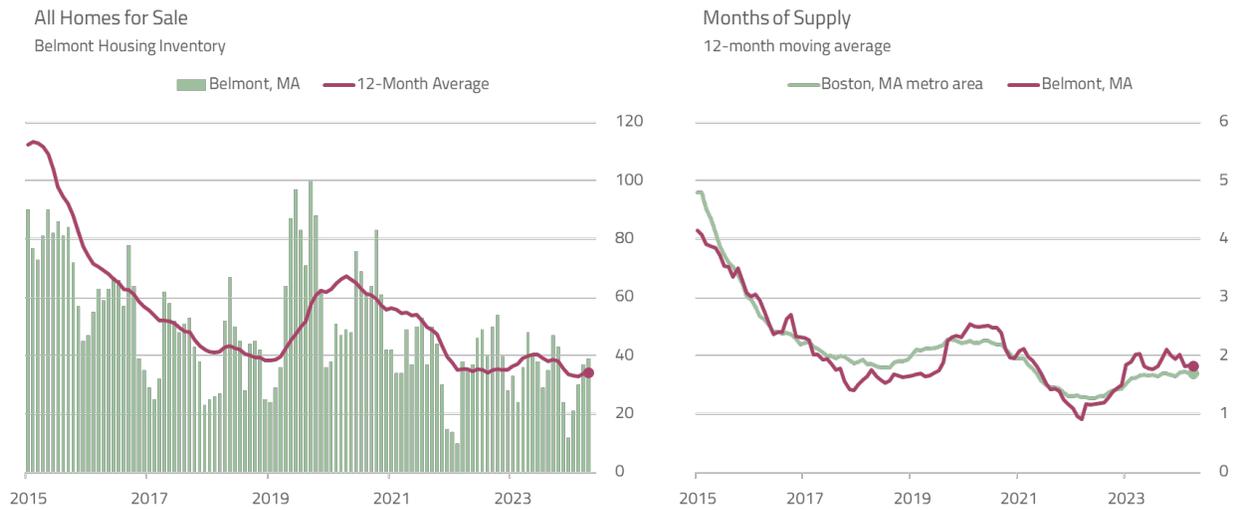


Figure 7: Belmont Housing Inventory and Months of Supply; Redfin Market Data

Belmont, like many communities, is also experiencing a shift in household composition. As the average household size continues to shrink, the same population now requires more housing units. Several factors are contributing to this change, including individuals delaying marriage, households having fewer children, younger people moving out of their parents' homes or away from roommates, and older adults living longer and living alone for extended periods. Additionally, some older adults are seeking to downsize into smaller units, further influencing housing demand.

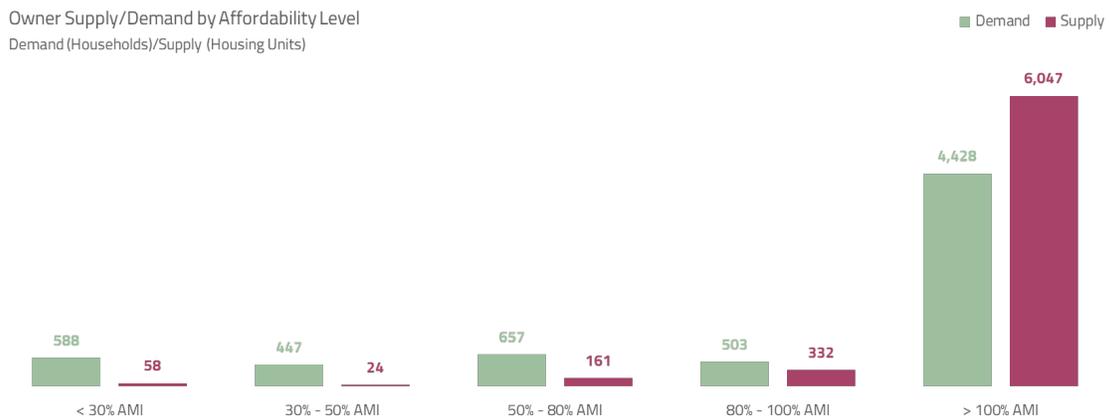


Figure 8: Affordability Gap Analysis; Income based comparison of households relative to home prices.

Looking ahead, UMASS Donahue projections estimate that Belmont's population could reach 31,383 by 2042. With an average household size of 2.6 people, this would translate into a future demand for an estimated 1,687 additional housing units over the next two decades. If current trends hold, this could generate demand for approximately 616 renter households and 1,071 owner households, highlighting the need for significant housing development to accommodate future growth.

MULTIFAMILY

The multifamily residential market in Belmont, Massachusetts, as part of the broader Belmont/Arlington/Waltham submarket, has seen significant development since 2019, driven by high demand for housing. Over the past few years, new multifamily units have been rapidly absorbed despite rising rents. The submarket’s vacancy rate currently stands at 3.9%, slightly below the previous year, signaling ongoing demand (See Figure 9). Belmont alone has added a smaller share of the new multifamily inventory, with only 28% of the units introduced since 2015, as compared to neighboring Waltham, which has seen the bulk of new development. Nonetheless, the demand for housing in Belmont remains high.

As of the latest data, rents in Belmont and its neighboring communities have increased by 2.1% over the past 12 months, reaching an average of \$3,030 per month. Vacancy rates remain relatively low, even with the delivery of new units. Older and more affordable buildings, such as 1 & 2 Star properties, show the lowest vacancy rates at 2.2%, reflecting constrained supply in this market segment. In contrast, higher-end properties, like 4 & 5 Star buildings, have a vacancy rate of 7.0%, indicating that demand for more affordable options is outpacing the higher-end market.

The rental market in Belmont is particularly tight for middle-income households. A supply-demand analysis based on income levels shows that Belmont lacks rental units for households earning below 30% of the area median income as well as those earning above the median. This leaves the majority of rental competition occurring among households in the middle of the income spectrum, driving up prices as demand outstrips supply (Figure 10). As a result, even modest increases in inventory have not alleviated the upward pressure on rents.

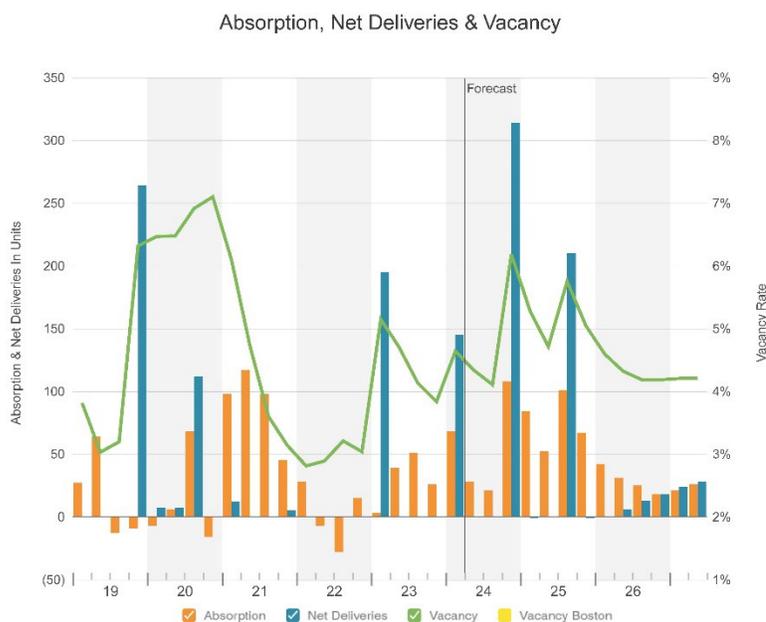


Figure 9: Submarket Development Activity; Costar 2024

Renter Supply/Demand by Affordability Level

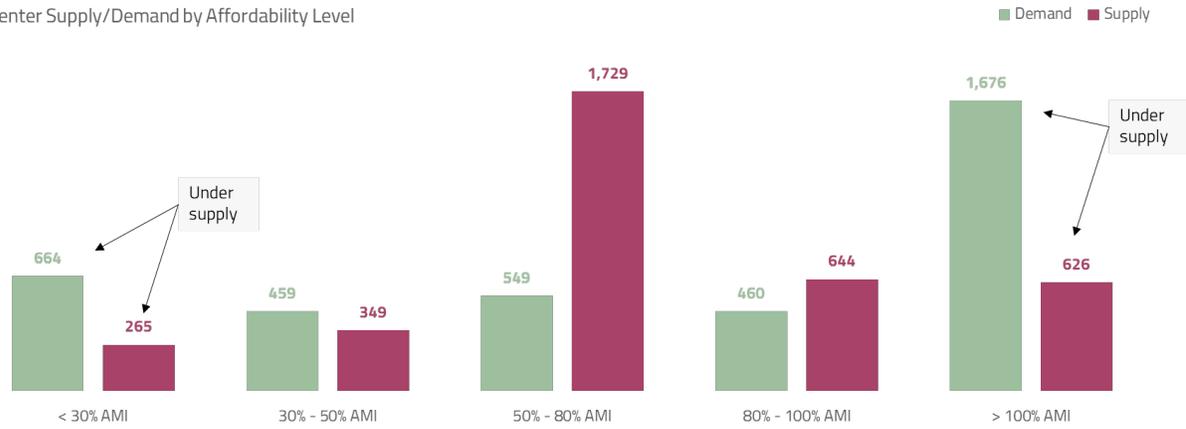


Figure 10: Supply/Demand Analysis Rental Market

Since 2015, approximately 1,452 new multifamily units have been introduced across Belmont, Arlington, and Waltham. However, rents in Belmont have skyrocketed over the past decade, climbing from an average of \$2,000 per month in 2014 to over \$3,000 per month today (Figure 11). Despite the influx of new developments, Belmont’s rental inventory is still insufficient to meet the growing demand. This has kept vacancy rates low, with the market absorbing new units quickly. Over the past year, 190 newly built units were absorbed, a trend that is expected to continue with the roughly 520 additional units currently under construction.

Rents in Belmont vary depending on the property type, with higher-end 4 & 5 Star buildings commanding an average rent of \$3,280 per month, while more affordable 1 & 2 Star buildings rent for about \$2,230 per month. Demand for rental housing in Belmont is likely to persist due to the town’s appeal as a suburban community with access to Boston’s job market and its amenities. This is evident in the nearly full absorption of new units and continued rental growth, even as more inventory is delivered.

Market Rent Per Unit By Bedroom

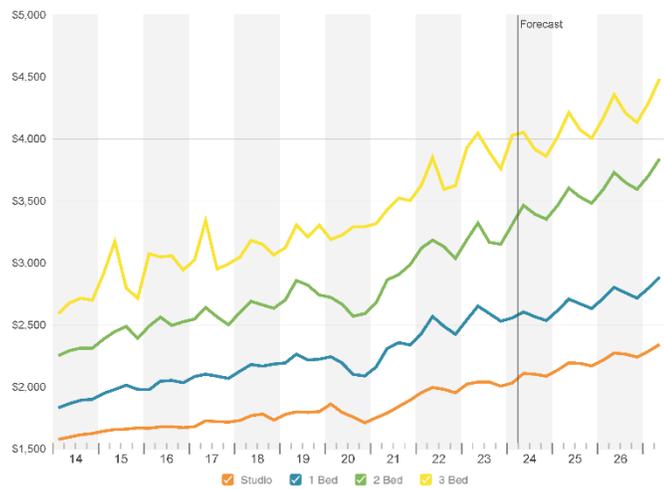


Figure 11: Submarket Asking Rents; Costar 2024

Belmont's multifamily rental market

demonstrates strong potential for future development, with low vacancy rates, rising rents, and increasing population pressures all pointing to a continued need for additional housing, particularly for middle-income renters. However, without new construction, especially of more affordable units, Belmont may continue to face challenges in balancing demand with supply, potentially exacerbating affordability issues for many households.

LIFE SCIENCES AND LAB

The life science market in Greater Boston showed steady growth in 2023, but in recent quarters has seen leasing activity trend downwards. In the second quarter of 2024, the market recorded 192,000 square feet of positive absorption, bringing total growth for the first half of the year to 9,000 square feet, according to estimates by CBRE. However, the influx of new supply continues to outpace demand, as nearly 1.5 million square feet of new life science space was delivered across five projects during this period. Much of this newly delivered space remains unleased, directly contributing to an increase in vacancy rates. In fact, 81% of the vacancy increase in the second quarter was tied to these unleased spaces.

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%	-	-

Table 2: Colliers 2023 Q3 Life Sciences Market Report

The pipeline for new construction has contracted significantly since mid-2023, when it peaked at over 17 million square feet. By mid-2023, 8.1 million square feet remained under construction, with 31.5% of that space already preleased. However, vacancy rates have not yet reached their highest point, as millions of square feet of uncommitted life science space are still under construction and are set to hit the market. The sublease market is also at a record high, driven by companies downsizing or folding, leaving behind additional space for lease.

In the suburban life science market (Table 2), which includes Belmont, nearly 3 million square feet of space is available, with one-third located in Belmont’s submarket. Somerville, which is driving much of the market’s supply and vacancy, has approximately 50% of its lab space currently vacant, and another 2 million square feet of space is set to be delivered in 2024, most of which is uncommitted.

Rents for life science and lab space across the Boston region have slightly decreased from their early 2022 highs (Figure 12). Meanwhile, Newmark projects that

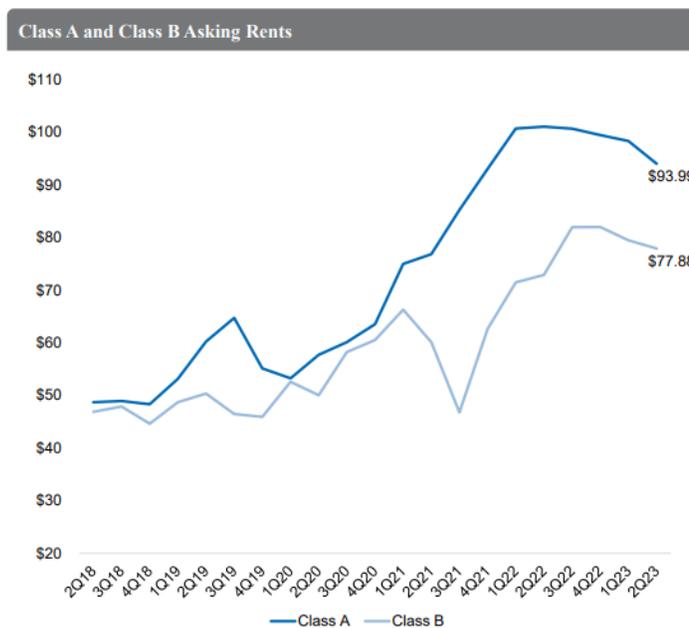


Figure 12: Newmark Research, 2023 Q2 Life Sciences

approximately 16 million square feet of purpose-built and converted lab space is still under construction, though many proposed developments are being delayed or reevaluated due to changing market conditions.

Belmont could benefit from attracting life science development. Lab spaces, typically commanding high lease rates compared to other commercial properties, have the potential to generate substantial tax revenue and provide high-paying jobs. However, there are challenges. An analysis by RKG of 40 Class A life science properties built since 2019 in Boston, Cambridge, Somerville, Watertown, and Lexington shows that new lab developments generally require large parcels of land, which are in limited supply in Belmont. The town would need to address land availability issues in order to position itself as an attractive location for life science development and capitalize on the growing demand in the Greater Boston area.

As the life science market continues to evolve, the balance between supply and demand will play a key role in shaping future opportunities for Belmont and other suburban markets. The town's ability to secure its place in this competitive landscape will depend on its capacity to provide suitable space for development and offer attractive conditions for life sciences companies.

OFFICE MARKET

The office market in Belmont, as part of the Lexington/Arlington submarket, faces several challenges in the current economic climate. With return-to-work policies still in flux and many companies downsizing or shedding excess space, office fundamentals are under pressure. The overall vacancy rate in the Lexington/Arlington submarket has risen to 8.6%, an increase of 2.7% over the past 12 months, driven by companies reassessing their space needs (Figure 13). Higher-end office properties are particularly affected, with vacancy rates reaching 12%, reflecting the difficulties in finding tenants for premium office space.

Despite rising vacancies, rents in the Lexington/Arlington submarket increased by 3.6% over the past year, outpacing the Boston market's modest 1.1% growth. This rental growth indicates some resilience in demand for office space, though the market is beginning to show signs of plateauing. Current asking rents are hovering around \$39.00 per square foot, and forecasts suggest that as vacancies continue to rise, rents may decline slightly to \$37.89 per square foot by 2027.

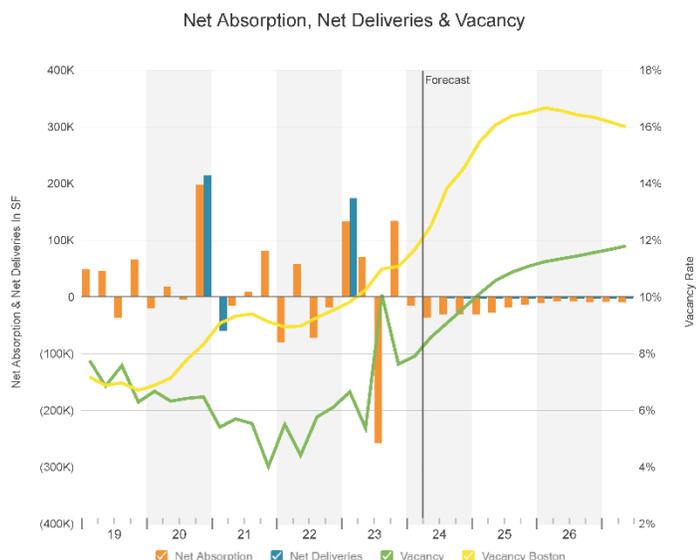


Figure 13: Submarket Development Activity; Costar

One of the factors driving up vacancies and keeping rent growth limited is the lack of space absorption. Over the past 12 months, the Lexington/Arlington submarket saw 150,000 square feet of negative absorption, with no net new deliveries. This means that previously occupied space is now sitting vacant, giving tenants more choices in the market. With more vacancies available, the office market in Belmont and its surrounding areas faces increased competition as companies have a wider selection of spaces to choose from, including across the larger Boston market.

CoStar data shows that the overall vacancy rate for the Lexington/Arlington submarket is 8.0%, slightly lower than last year, with 81,000 square feet of positive absorption recorded. However, higher vacancy rates remain a concern in 3 Star buildings, where vacancy is at 10.1%, compared to 6.8% in 4 & 5 Star buildings, which absorbed 150,000 square feet of space over the past year. Negative absorption was most prominent in older, more affordable 1 & 2 Star properties, where 11,000 square feet of space was vacated.

With no new office construction underway and rising vacancy rates (Figure 14), Belmont’s office market, like the rest of the Lexington/Arlington submarket, is unlikely to see significant new development without pre-leased tenants. High construction costs and rising interest rates make speculative office construction less attractive, especially as the forecasted rise in vacancy could push rents down further.

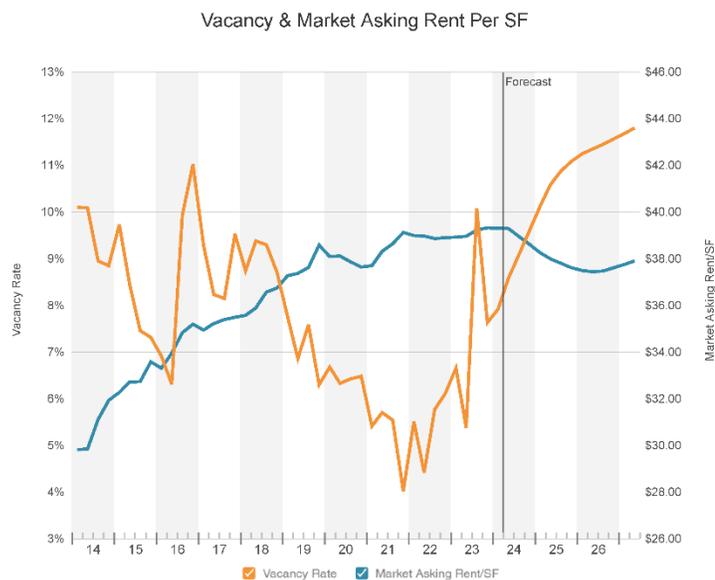


Figure 14: Office Submarket Rent & Vacancy; Costar

Belmont’s position within this submarket offers both opportunities and challenges. The Lexington/Arlington office submarket is roughly 170,000 square feet larger than it was three years ago, with total inventory now at 5.7 million square feet. However, the rising vacancy rate—although still below the Boston market’s three-year average of 10.3%—could lead to increasing competition for tenants. In the past year, five office properties traded for \$3.8 million in volume, signaling that there is still interest in the market, albeit cautious.

Over the past three years, the submarket has seen 26 sales totaling \$574 million and 980,000 square feet of inventory. Rents have increased by 1.0% over the same period, outperforming the Boston market’s slight decline of -0.2%. While the overall trend points to a slowing market, Belmont’s proximity to key employment hubs and its inclusion in the larger Lexington/Arlington office market could help cushion some of the downturn.

Looking forward, the forecast for the submarket through 2027 suggests that vacancy rates will continue to rise, potentially reaching 12%, with office rents softening. For Belmont, this could mean increased opportunities for tenants seeking lower rents and more space options, but it also presents challenges for landlords and developers in an increasingly competitive market. The town’s future in the office sector will depend on how well it can adapt to these evolving conditions and position itself as an attractive destination for tenants looking for space in the Greater Boston area.

RETAIL MARKET

The retail market in Belmont, as part of the Lexington/Arlington submarket has shown resilience as it continues to recover from the effects of the COVID-19 pandemic. Prior to 2020, vacancy rates were steadily declining, and rents were on the rise. The pandemic briefly disrupted this trend, leading to a temporary spike in vacancy in 2020. However, by 2021, the vacancy rate had dropped back below 2.0%, signaling a quick recovery and strong demand for retail space in the submarket. It should be noted that costar submarkets are defined geographically based on local market activity that is competitive with are submarkets in a region. In other words, Belmont falls within a submarket that also includes Lexington and Arlington, all of which are similar in fundamentals and competitive with other submarkets in the Boston metro suburbs. Based on visitation data by Placer.ai, some of the highest competitors to Belmont are the Burlington Mall and Arsenal yards in Watertown.

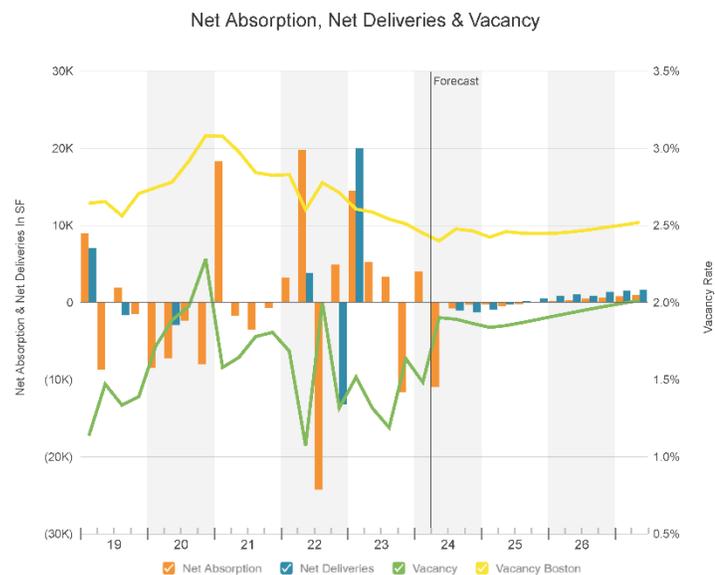


Figure 15: Retail Submarket Rent & Vacancy; Costar

Retail vacancy in the Lexington/Arlington submarket historically hovers around 1.5%, across a total inventory of 2.6 million square feet. While vacancy tends to fluctuate with new space deliveries, these vacancies are typically absorbed quickly, indicating a healthy demand for retail space. Currently, the submarket has a vacancy rate of 2.3% (Figure 15), which is 1.2% higher than it was this time last year. This increase is due to 30,000 square feet of negative absorption despite the removal of 4,200 square feet from inventory due to demolition.

Despite this slight uptick in vacancy, retail rents in the submarket remain relatively high at \$36 per square foot, which is about \$10 higher than the average for the larger Boston market. These higher rents are supported by the submarket’s proximity to Boston and the surrounding high-income households, which can sustain higher retail spending. Neighborhood centers, which typically offer convenience goods and services, are a key driver of high rents in the area, as are strip centers, which have seen no vacancies over the past year.

While retail rents have decreased by 1.5% over the past 12 months, they have increased by 3.3% over the past three years, slightly trailing the 5.8% rent growth seen across the broader Boston market. The current retail market in the Lexington/Arlington submarket reflects a cooling trend, with rent growth falling below the Boston market average and some negative absorption over the past year. However, with no new retail space currently under construction, the market may stabilize as the existing supply is absorbed.

Belmont itself presents an opportunity to capture more of the retail spending that currently leaves the town. If local stores were able to capture 25% of this household spending, it could generate demand for 193,000 square feet of retail space (Figure 16). Part of this demand may be in newly built or converted retail spaces in town, but some could also be met by filling vacancies, expanding existing stores, or diversifying merchandise offerings to attract a broader customer base.

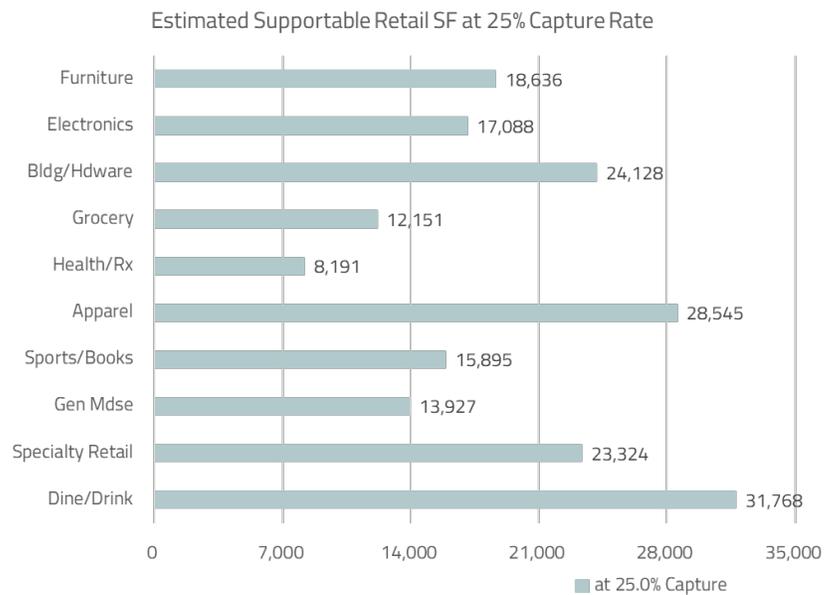


Figure 16: Belmont Retail Gap Analysis; ESRI, ULI, RKG

CoStar data indicates that vacancy in general retail buildings stands at 2.5%, with 30,000 square feet of negative absorption over the past year. Neighborhood and strip centers have remained stable, with no reported vacancies or absorption changes. The current vacancy rate of 2.3% is slightly higher than the trailing three-year average of 1.6%, though it remains below the Boston market average of 2.6%. Over the past three years, the submarket has seen 22 sales, totaling \$36 million in volume and 110,000 square feet of inventory.

Overall, the Lexington/Arlington retail submarket, including Belmont, has proven resilient, with steady demand for space despite a slight increase in vacancy and cooling rent growth. As retail fundamentals continue to recover post-COVID, Belmont’s potential to capture more local spending and support additional retail development remains strong, particularly in neighborhood and convenience-oriented retail sectors.

HOTEL MARKET

The hotel market in the broader Cambridge/Waltham submarket, which includes Belmont, has experienced a strong post-COVID recovery, characterized by rising occupancy rates, higher average daily rates (ADR), and significant growth in revenue per available room (RevPAR). This submarket, which sits

just outside the Boston and Logan Airport area, has performed exceptionally well over the past year, with a 12% increase in RevPAR, signaling strong demand for hotel accommodations.

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

Table 3: Hotel Market Fundamentals Across Boston Submarkets; Costar

Hotels in nearby areas like Brookline are performing similarly to those in the Cambridge/Waltham submarket, with an average occupancy rate of 73% and an ADR of \$196. While these numbers reflect robust performance, they still fall short of the 10-year peak in hotel demand seen in 2015. Despite this, the hotel market in the Cambridge/Waltham area continues to be a vital part of the region’s hospitality landscape, serving both business and leisure travelers.

Belmont itself does not have a hotel within its boundaries, a gap that is notable given its proximity to high-demand areas like Cambridge and Waltham. The strong performance of hotels in the submarket, particularly the rising occupancy and daily rates, suggests that there may be untapped potential for a hotel development in Belmont. With no hotels within the town's borders, Belmont could potentially capitalize on the broader demand for lodging in the region, especially as the Cambridge/Waltham market sees limited new construction.

According to CoStar data, the Cambridge/Waltham hotel submarket comprises 9,300 rooms spread across 65 properties, with an average of 142 rooms per hotel. This figure aligns with the market average and is well above the national average of about 90 rooms per property, indicating the presence of larger hotels in this submarket. Over the trailing 12 months, occupancy rates in the submarket have rebounded to 75.2%, slightly higher than the market-wide average of 74.2%. RevPAR in the Cambridge/Waltham area has increased by 9.4% over the past year, reflecting strong demand recovery following the pandemic.

Interestingly, the submarket has seen a contraction in hotel inventory over the past three years, with demolition activity outpacing new construction. Currently, the active construction pipeline is limited to a single 35-room hotel project, which contrasts with the previous trend of larger-scale developments. This limited construction activity suggests that there may be room for new hotel projects, particularly in underserved areas like Belmont.

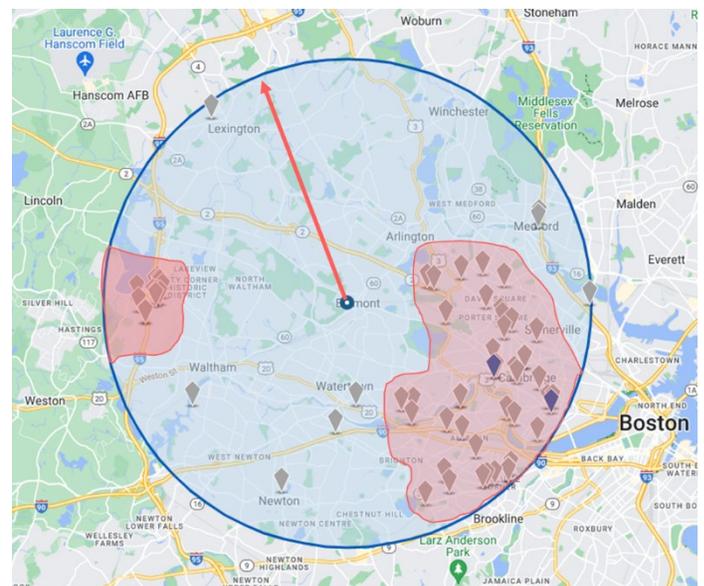


Figure 17: Hotel Inventory Proximate to Belmont; Costar

While the Cambridge/Waltham submarket did not record any hotel sales over the past 12 months, it typically sees at least a handful of transactions each year. The absence of recent trades could be an indicator of stability in the market, as owners hold onto their properties in anticipation of further recovery and growth.

Within a 3-mile radius (15-minute drive) of Belmont Center there are nine (9) active hotel locations of varying size and quality. Figure 18 shows the location of those hotels, all of which are to the east and southeast in Cambridge, Watertown, Arlington, and Newton. These hotels tend to be located along major travel corridors such as Route 2, Route 20, and I-90 or are close to MBTA rapid transit service in locations like Alewife, Porter Square, and Davis Square in Cambridge. Table 4 describes the nine active hotel locations within the 3-mile radius of Belmont Center with more information about each hotel’s room count, class, location, year built, and building height.

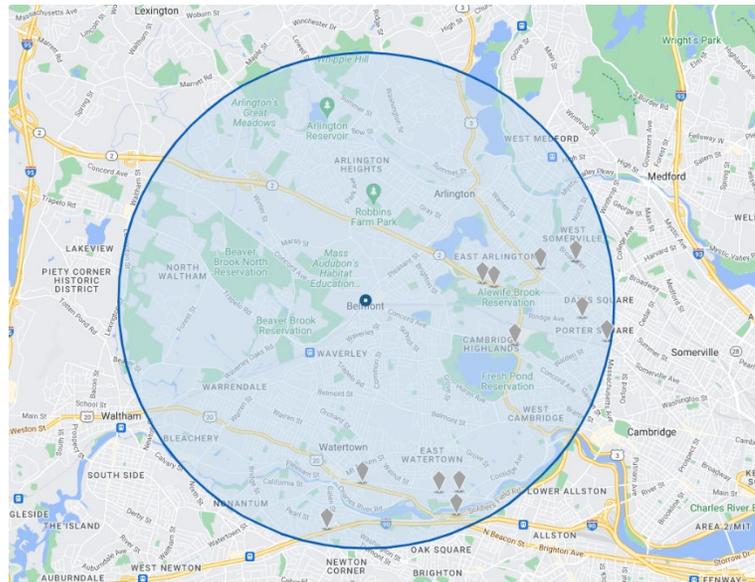


Figure 18: Hotels within 3 miles of Belmont Center; CoStar

Property Name	Rooms	Hotel Class	Location	Year Built	Mtg Space (SF)	Height in Stories
AC Hotels by Marriott Boston Cambridge	150	Upscale	Cambridge	2016	2,579	4
Freepoint Hotel Cambridge, Tapestry Collection by Hilton	121	Upper Upscale	Cambridge	1963	440	4
Residence Inn Boston Watertown	150	Upscale	Watertown	2016	845	6
Hampton by Hilton Inn & Suites Watertown Boston	146	Upper Midscale	Watertown	2020	2,086	6
Inn On Arsenal	44	Upper Midscale	Watertown	1959		2
Homewood Suites by Hilton Boston Cambridge Arlington	121	Upscale	Arlington	2002		3
Porter Square Hotel	65	Upper Upscale	Cambridge	2016	0	5
A Cambridge House B & B	15	Upscale	Cambridge	1975		3
Four Points by Sheraton Boston Newton	270	Upscale	Newton	1968	5,800	12

Table 4: Hotel Information; Costar

Given Belmont’s strategic location between high-demand areas and its lack of existing hotel infrastructure, the town could explore opportunities for hotel development (Figure 17). A new hotel could cater to spillover demand from nearby Cambridge, Waltham, and Boston, offering a convenient option for visitors looking to stay just outside of the busier city centers. The hotel would likely be on the

smaller side, 80-100 rooms, and could target the longer term stay clients offering hotel suite rooms. According to interviews with hotel brokers, these types of hotels tend to perform better in more affluent communities that are within proximity to anchor institutions. A hotel in Belmont could benefit from proximity to Bentley College, Tufts University, private schools in the area, and McLean Hospital.

CONCLUDING THOUGHTS

Based on the demographic, economic, and market trends in Belmont and the surrounding submarket, there are several opportunities for development that can support the town's future growth.

- Belmont's continued population growth, particularly among family-sized households, suggests continued demand for housing, both single-family and multifamily, and new development should focus on meeting demand across a range of housing types and price points.
- Smaller scale for-sale products such as townhomes or small multi-unit buildings sell quickly and at relatively high prices speaking to the demand from entry level homebuyers and downsizing older adults seeking a smaller "more affordable" product. This could be an opportunity to add different ownership housing products in Belmont at a density between a single-family home and a larger multifamily building.
- Multifamily and mixed-use development are market segments that are likely to do well in Belmont given the high housing demand in the town and surrounding region, desirability of the community, and access to nearby employment centers. The town's proposed MBTA Communities zoning would help encourage more multifamily housing development by allowing uses as-of-right and reducing the long approval process noted during the interviews conducted by RKG. Bringing more residents to specific locations in town could also help encourage more commercial development by increasing household spending and support for local retail and restaurants.
- Belmont has the potential to capture more retail demand by targeting local spending that currently leaves the town, which could support additional retail and/or mixed-use developments. This could be done by sharing information with landlords in the community that have vacant spaces and help create marketing material or incentives to fill the space. The town should also consider the best locations for new retail and restaurant space to ensure there are nodes of activity within walking distance of residential populations and not demanding mixed use be applied in all multifamily residential locations.
- The town may also want to review the table of uses in the Zoning Bylaw to look for opportunities to expand allowable uses for entertainment or experiential business models that may not be explicitly called out today. Finding ways to diversify uses in commercial or mixed-use districts

could provide added benefits of having visitors stay longer in the district, encourage family activities that would cater to a large segment of Belmont households, and bring more spending power to retail nodes in town. This could also entail a review of which uses are allowed by-right, site plan review, and Special Permit and considering easing restrictions to make it easier for people to open new businesses in town.

- The office market presents challenges with rising vacancy, and while Belmont has the workforce and transportation access for specialized sectors such as life sciences, the current market conditions and existing developable space/land could pose challenges across these sectors.
- Belmont could capitalize on the strong performance of the surrounding Cambridge/Waltham submarket by considering hotel development to capture spillover demand. This would likely target a smaller hotel at 80-100 rooms and could benefit from a longer-term stay suite style hotel brand like Homewood Suites, Home 2 Suites, or a Residence Inn.
- One of the major hurdles mentioned by several interviewees was the length of time it takes to obtain permits for new businesses with some mentioning it can take up to 3 months just to get on a board agenda. The town should review its permitting process, internal capacity to coordinate on permitting and help businesses work through the process and find ways to streamline the overall process. For small businesses, time is money and many retail and restaurant businesses are operating on thin margins especially in the initial stages.

RECOMMENDATIONS & FUTURE DEVELOPMENT SCENARIOS

Based on the market analysis and concluding thoughts, the recommendations and baseline scenarios section provides a look at key areas throughout Belmont that could be positioned to encourage greater levels of development, expansion of the commercial base and therefore work towards shifting the tax base percentages. Each of the following maps identifies opportunity areas and a set of recommendations or priorities based on the market analysis and existing build out. These recommendations will be further explored and tested in the fiscal impact analysis which provides a set of development scenarios that test varying levels of buildout from those real estate segments identified in the market study as well as incorporating unit capacity estimates from the town's proposed MBTA Communities districts.

BELMONT CENTER

Belmont Center is poised to continue supporting its established pattern of retail, office, and mixed-use development while enhancing space utilization. Targeted redevelopment for housing and mixed-use projects with light structured parking could improve the center's capacity for new development and commercial expansion while keeping good foot and vehicle access. There is also potential to encourage greater residential density in neighboring areas that fall within the proposed MBTA district. Additionally, there may be opportunities to support a hotel in this location to leverage proximity to the commuter rail and a variety of local shops and amenities, thereby expanding local tourism and business opportunities.

The areas identified in Belmont Center for future opportunities are currently zoned General Residence and Local Business I. If MBTA Communities passes in Belmont, the highlighted area of General Residence and a portion of Local Business I will have more regulatory incentives for standalone multifamily housing. For the remainder of Local Business I, the town may want to consider revisiting the zoning to look specifically at the 2-story/28' height restriction which is actually lower than what's allowed in single-family residential districts in town (2.5 stories, 30'-36'). There are exceptions that can be made to dimensional requirements in the LB I district but those must go through a Special Permit process from the Board of Appeals. The Special Permit is discretionary leading to a more unpredictable process for the developer/property owner.

From a use perspective, LB I does allow a range of uses either as-of-right or by Special Permit. The town may wish to consider adding or amending the use table to consider the following suggestions:

- Creating a size threshold (SPS approval) for mixed-use development in the LB I district. This could encourage smaller infill/redevelopment projects to move forward without having to go through a Special Permit process. Site plan approval could still be applied to ensure building and parking placement, landscape treatment, public realm treatment, etc.
- It does not appear that a hotel use is allowed in any base zoning district in Belmont. The town may want to revisit the use table to create this as an allowable use in the LB I or any other district where it may be appropriate. In the LB I, a hotel would likely require an increased height requirement above two-stories/28'.
- Expanding the definition of manufacturing (or creating a new definition) to include spaces that allow the manufacturing of a product and the sale of the product. For example, a main street storefront could have a small production space in the back for paper goods or small scale food production with a retail area for sales in the front facing the sidewalk/street. This would allow a business owner to make and sell product in the same space.

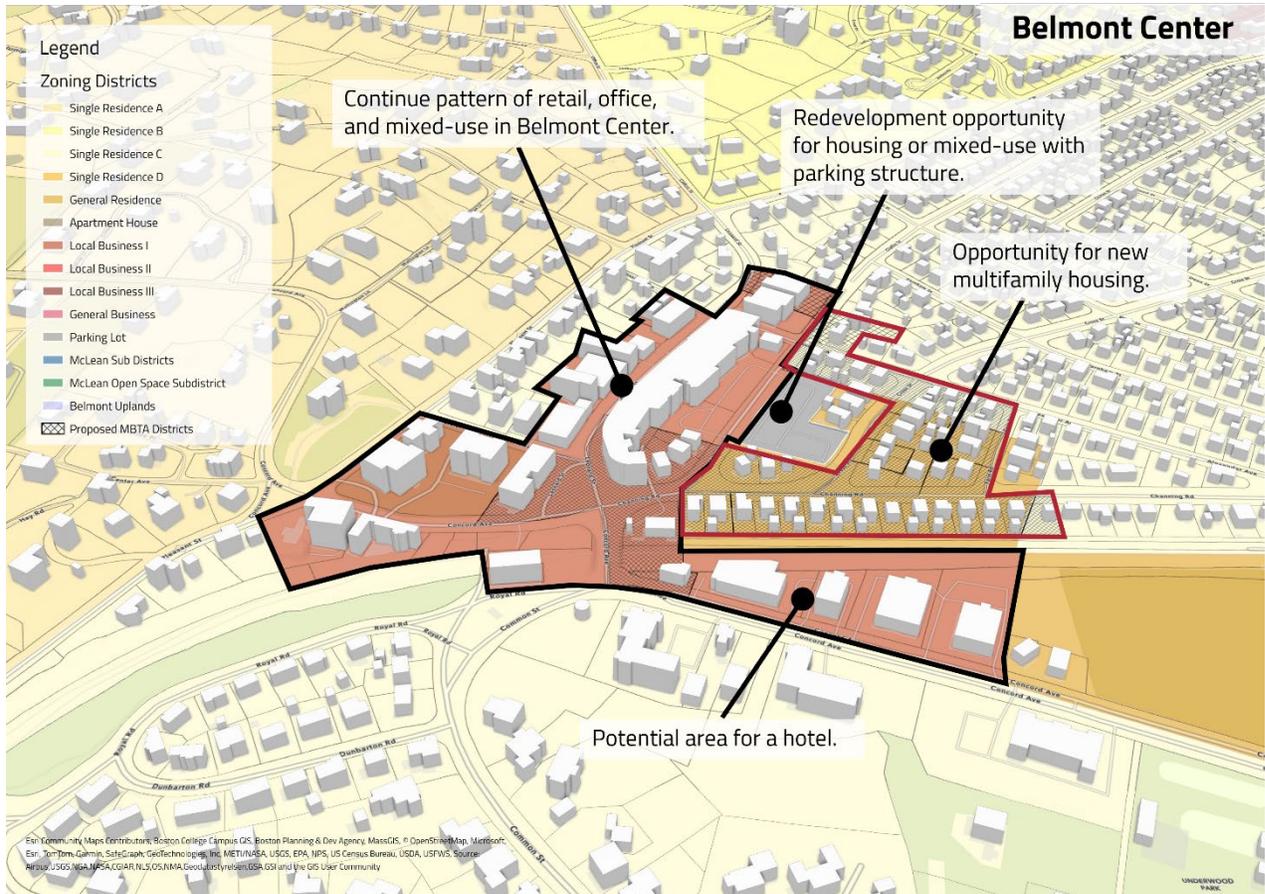


Figure 19: Belmont Center Opportunity Map

BRIGHTON STREET

As evidenced by recent redevelopment and occupancy in the Brighton Street corridor, this part of town is one of the few areas that could support greater levels of commercial development from the perspective of available developable space. The areas identified in Brighton Center for future opportunities are currently zoned General Business and Local Business III. This area does not include any MBTA Communities overlay districts at this time. This corner of Belmont already has a range of uses from multifamily residential to commercial to industrial and sits on the Cambridge line. The sizes of parcels in the highlighted areas of General Business could lend themselves to a larger scale redevelopment creating more compatibility with surrounding lower scale residential neighborhoods. This could include mixed-use, residential, retail/restaurants, small offices, or even a hotel (although not an ideal location). This area also has a direct walking/biking path connection to the Alewife MBTA station which could be appealing to new residents commuting to Cambridge or Boston.

In order to encourage redevelopment on these parcels, the town should consider changes to dimensional requirements including building height (currently 36’ in GB, 28’ in LB III), lot coverage (35% in LB III), and possibly floor area ratio (1.05 in LB III).

If redevelopment is desired in this location, the General Business district’s uses are limited to commercial and industrial uses mostly by Special Permit. Mixed use is not currently allowed at all in this district, nor is any residential use.

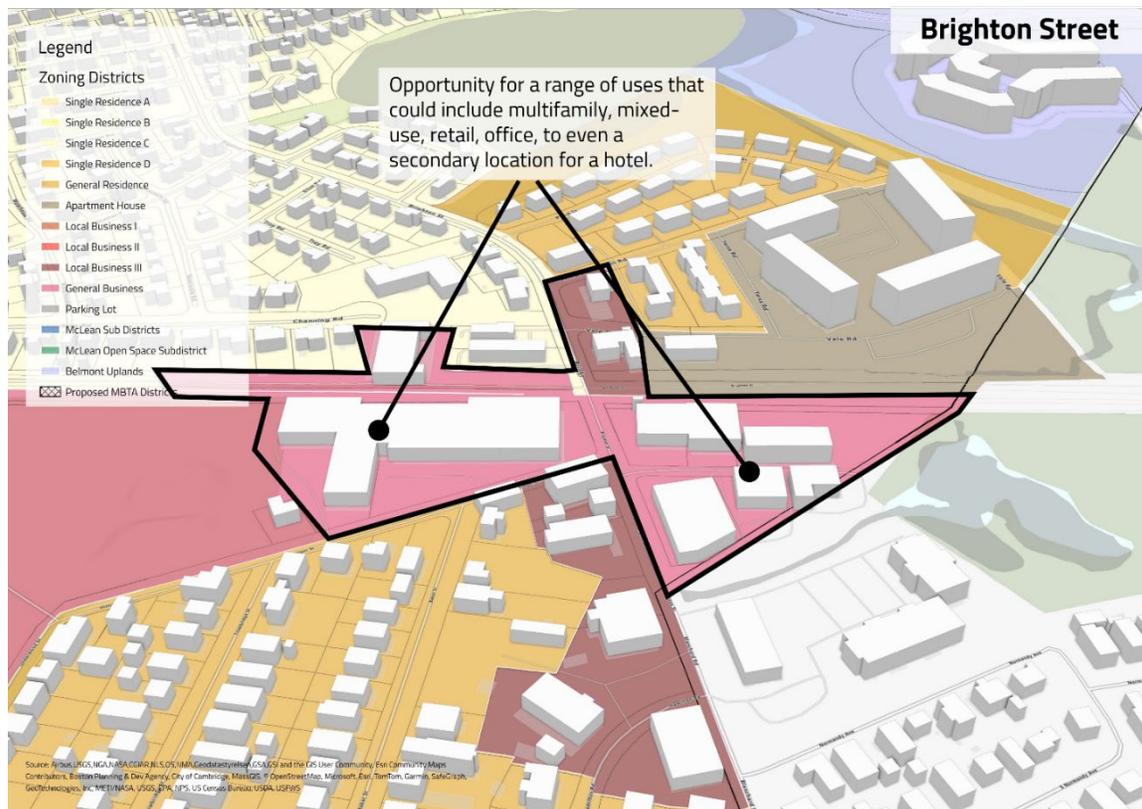


Figure 20: Brighton Street Opportunity Map

CUSHING SQUARE

In Cushing Square there is opportunity to encourage increased heights for commercial structures, which could expand retail and office space in a compact footprint. Encouraging higher residential density in appropriate areas could continue to support a local customer based and increased foot traffic to local businesses. Additionally, prioritizing a pedestrian-friendly streetscape and more mixed-use development could foster greater levels of foot traffic to local businesses. Any increased local spending and expansion of space would directly support town tax revenues.

The areas identified in Cushing Square for future opportunities are currently zoned LB I and LB III. There is also a Cushing Square overlay district which has been placed over the parcels zoned LB I. The Cushing Square overlay district provides opportunities to continue to pattern of redevelopment that has already occurred with buildings like The Bradford. The zoning allows for a substantial increase in height and FAR with lower parking requirements compared to the base LB I zone.

The LB III district regulating the parcels along Trapelo Road may need to be reviewed for changes in height and FAR. These parcels are smaller in size with existing structures. The cost to purchase the land and buildings, demolish existing structures, and build back something new may be prohibitive when compared to the revenue from the new developmet. This may hold the town back from seeing redevelopment along this portion of the corridor.

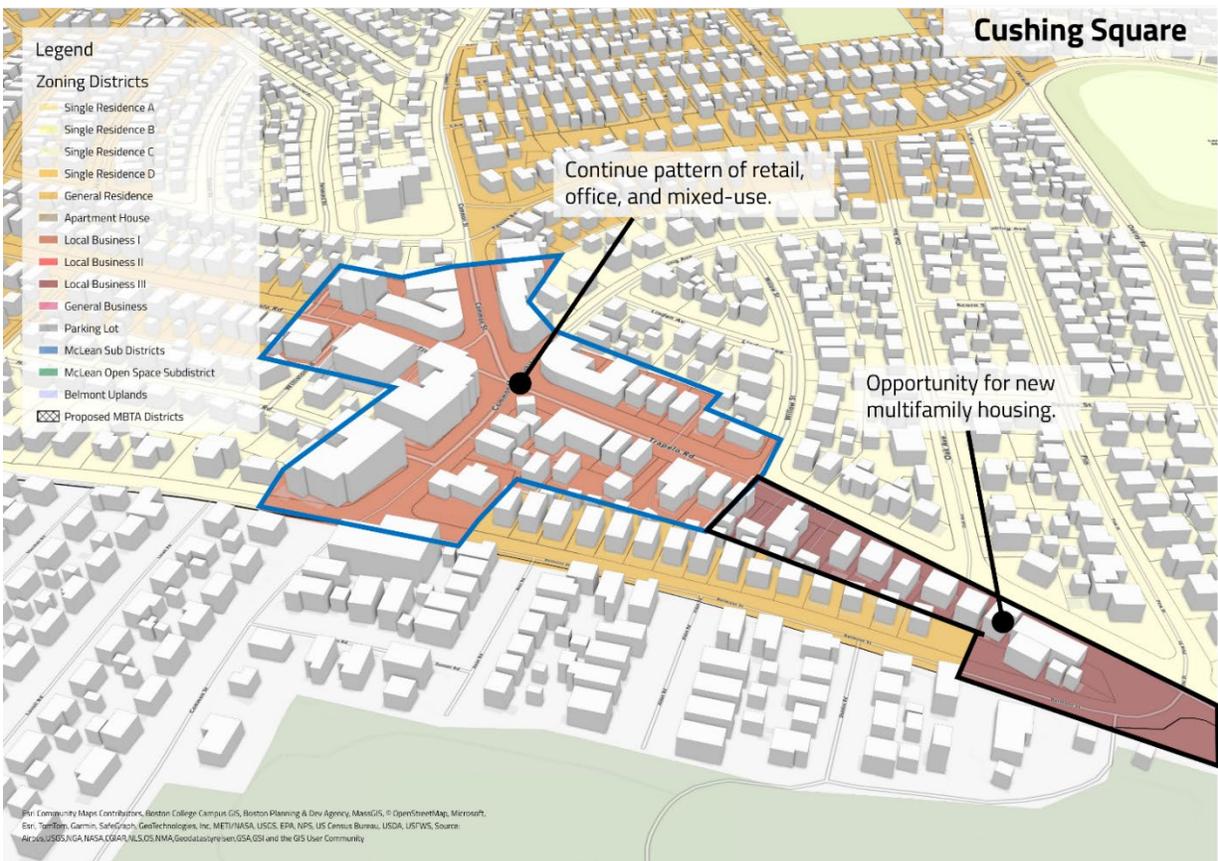


Figure 21: Cushing Square Opportunity Map

TRAPELO ROAD

The portion of Trapelo Road from Maple Street to the east and Bartlett Avenue to the west provides opportunities for a mix of uses including the potential for two mixed use/commercial nodes at either end of this stretch. The area highlighted in Figure 22 is zoned LB III. As discussed for other areas in Belmont already, the LB III does have limited maximum building heights of 28’ and a limited lot coverage percentage of 35%. The LB III district also limits floor area ratio to 1.05. There are residential structures on Beech Street and Hull Street for example that already exceed a 28’ building height and about the commercial structures along Trapelo Road which are mostly single story structures. Given the surrounding context of residential development in the General Residence district, there may be an opportunity to revisit heights, lot coverage, and FAR in the LB III providing more incentives through zoning for redevelopment. Absent additional zoning allowances it may be financially difficult for a developer or property owner to redevelop properties in this area.

If zoning is changed this could be another area to encourage mixed use, neighborhood-scale commercial spaces, and smaller multifamily infill development. The primary intersections of Trapelo and Maple Street and Trapelo and Bartlett Avenue could be anchored by new mixed-use buildings as there are already commercial buildings on each corner of these intersections.

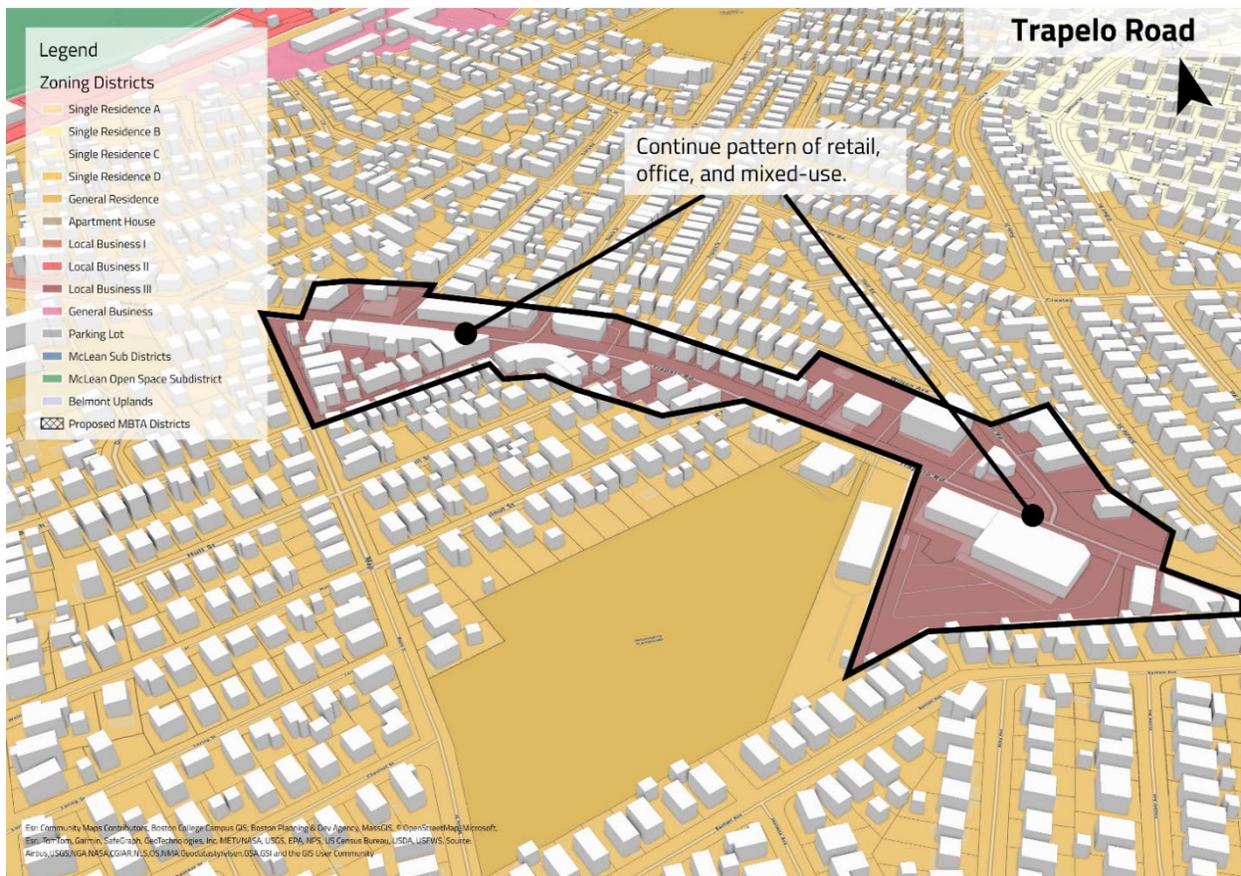


Figure 22: Trapelo Road Opportunity Map

WAVERLEY & PLEASANT

The area around the Waverley Square MBTA station and the Pleasant Street corridor offers a number of opportunities for increased development across a variety of use types. The potential introduction of an MBTA Communities district to this area would create opportunities for by right multifamily development adding needed housing and a built-in customer case for commercial businesses. In the immediate vicinity of the MBTA station there may be opportunities to create a mixed-use node in the longer-term in the area around the Shaw’s grocery store site and up the Pleasant Street corridor.

One challenge for the Pleasant Street corridor is the narrow parcel sizes. Parcels in this corridor are not very deep but they are wide paralleling the street. The town has established an overlay district for the Pleasant Street corridor called the South Pleasant Street Overlay District. This district allows for a maximum by right height of two stories with a three story height allowed by Special Permit. It also allows for an FAR of 1.25 by right with a 1.5 FAR by Special Permit. The town may want to revisit these dimensional standards depending on the types of uses desired. Mixed use or multifamily housing may need additional height and FAR along with parking reductions to make a future development financially viable and be able to fit on the narrow parcels.

A potential case study for the town to consider is the Essex/Tremont Street corridor in Melrose, Massachusetts which has very similar land and parcel constraints and backs up to an active MBTA rail corridor. The city has approved taller, more narrow multifamily buildings to revitalize the area and bring more housing in walking distance to their MBTA commuter rail stations.

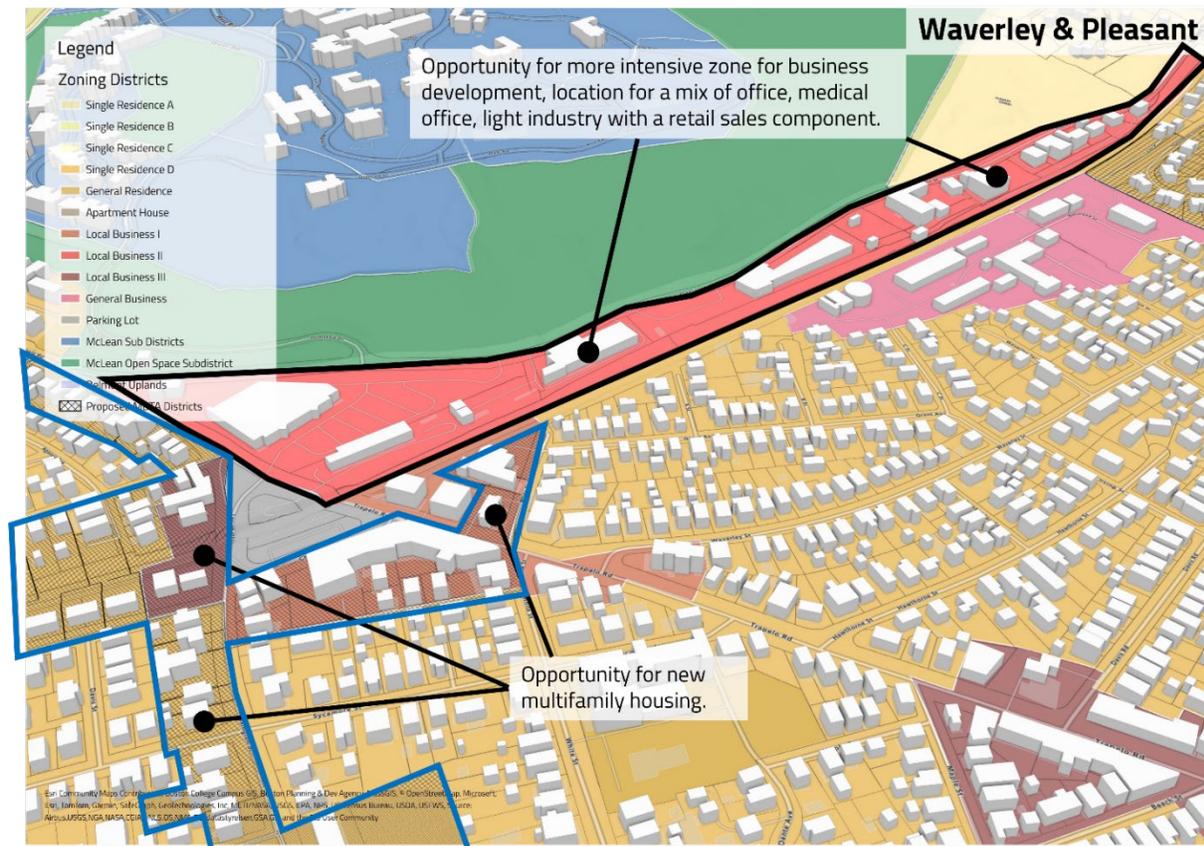


Figure 23: Waverley & Pleasant Opportunity Map

OTHER CONSIDERATIONS

In addition to potential zoning changes, the town may also want to consider added support and incentives that could make development/redevelopment more attractive and more competitive in Belmont. These considerations could include:

- **Aligning staff capacity with development activity.**
 - Ensuring the town has enough planning and building staff to handle any influx in development applications and construction activity. Delays in the approval process and building inspection process add time to the process and added expense on the part of the developer. Providing clear timelines for both approvals and inspections could also make Belmont more competitive and “business-friendly” compared to neighboring communities.

- **Incentivizing Change**
 - The town may want to consider offering a tax incentive package to attract specific types of uses such as a hotel. This may help attract a hotel developer to Belmont beyond what zoning and regulatory changes could do.

 - The town may want to consider creating permitting process guides and moving applications to an online platform if one does not already exist. This can help streamline the application process and create digital copies of forms and submittal materials.

 - The town may also want to consider creating a formalized internal review process for development proposals that includes a team of Belmont staff members from planning, police, fire, public works, and building and codes to conduct pre-reviews of early concepts or of actual development applications. A pre-review team could help shape a project and flag potential issues before the project even reaches the Planning Board for their review. This could help speed up the timetable for approvals and could be incorporated into the town’s permitting process and structure.

 - Lastly, the town could inventory and analyze publicly owned land for opportunities to leverage land assets for development. For example, the town may have older buildings such as a school or excess property not in immediate need for town purposes that could be offered for lease to a developer at a nominal cost. Reducing or removing land costs from the development proforma could help move a project forward that may otherwise be too costly to undertake. Leveraging land for private development could also give the town some leverage to negotiate for public benefits such as affordable housing, affordable commercial space, or publicly available open space as part of a project.

FUTURE DEVELOPMENT SCENARIOS

Building off the market analysis, RKG worked with town staff to develop four potential future development scenarios that combine the town's MBTA Communities unit capacity estimates with non-residential market opportunities as identified by RKG Associates. The reason for creating these scenarios is to evaluate the amount of new tax revenue that could be captured by new development in Belmont over time compared to costs of providing municipal and education services to new residents and businesses.

This exercise resulted in the following four scenarios organized by level of development intensity.

1. Full Build Scenario

The full build scenario represents a much more proactive approach to attracting and permitting new development in Belmont. This scenario envisions the most favorable economic conditions for commercial real estate, lowered interest rates, and an environment where potential returns on investment meet or exceed market expectations. To enable this new growth, Belmont will have developed an innovative and developer-friendly Zoning Bylaw with largely as-of-right uses and instituted reforms to expedite the internal permitting process and decision-making timeframes for regulatory boards. The town will have in place a set of economic development programs to match zoning reforms with financial incentives for commercial development. Lastly, the town will have adopted the full MBTA Communities and experienced development of 1,152 new multifamily housing units representing the net gain above units that already exist in each district today.

The following scenario represents a hypothetical build out of each land use component to understand the potential fiscal impact a build out of this magnitude could have on the town's finances.

- a. 1,152 Multifamily Residential Units (Net Gain from MBTA Full Build Out)
- b. 220 Additional Multifamily Residential Units (10 Year Residential Build Out Based on the Past 20 Years of Multifamily Permitting in Belmont)
- c. 193,000 SF of Retail Development (Potential Retail Demand from RKG's Market Analysis)
- d. 212,000 SF of Office Development (Potential Office/Medical Office Demand if Belmont was able to capture twice as much office demand as it has in the past)
- e. 2 Hotels Totaling 200 Rooms/Keys (Potential Demand from RKG's Market Analysis)

2. Mid-Range Scenario

The mid-range scenario tests the financial impacts of development at half the level of the full build scenario above. There are still some favorable zoning changes that occur and some economic incentives for commercial development, but not to the level of the full build scenario. The town passes the MBTA Communities zoning, but only half the units from the full build scenario are built as well as half of the residential units from the town's typical 10-year build out. Only one hotel is constructed under this scenario as well.

The following scenario represents a hypothetical build out of each land use component to understand the potential fiscal impact a build out of this magnitude could have on the town's finances.

- a. 576 Multifamily Rental Residential Units (Half of Belmont's Net Gain from MBTA Full Build Out)
 - b. 110 Additional Multifamily Residential Units (Half of Belmont's 10 Year Projected Trend)
 - c. 96,500 SF of Retail Development (Half of the Potential Retail Demand from the Full Build Scenario)
 - d. 106,000 SF of Office Development (Half of the Potential Office/Medical Office Demand from Full Build Scenario)
 - e. 1 Hotel Totaling 100 Rooms/Keys (Half of the Potential Demand from Full Build Scenario)
- 3. Low Range Scenario (Baseline Trends)**

Under the low range scenario, the town and region experience slower economic growth and financial metrics such as interest rates, construction costs, and rent and lease rates remain flat. Belmont does not make any zoning changes and continues with a use table that primarily utilizes Special Permits with a slow and inefficient permitting system. Staff capacity in the planning and building departments are not expanded so there it takes more time to move projects through the permitting process. Lastly, the town does not pass MBTA Communities zoning and only experiences their typical 10-year trends in housing production.

The following scenario represents a hypothetical build out of each land use component to understand the potential fiscal impact a build out of this magnitude could have on the town's finances.

- a. 220 Multifamily Rental Residential Units (10 Year Residential Build Out Based on the Past 20 Years of Multifamily Permitting in Belmont)
 - b. 32,348 SF of Retail Development (10 Year Retail Build Out Based on the Past 20 Years of New Retail Space Built in Belmont)
 - c. No New Office Development (No New Office Space Constructed in Past 20 Years in Belmont)
 - d. No Hotel Development
- 4. Low Range Scenario with MBTA Communities Full Build Out**

This final scenario takes the low range scenario from above and adds the full build out under the proposed MBTA Communities zoning.

The following scenario represents a hypothetical build out of each land use component to understand the potential fiscal impact a build out of this magnitude could have on the town's finances.

- a. 1,152 Multifamily Rental Residential Units (Belmont’s MBTA Full Build Out)
- b. 220 Multifamily Rental Residential Units (10 Year Residential Build Out Based on the Past 20 Years of Multifamily Permitting in Belmont)
- c. 32,348 SF of Retail Development (10 Year Retail Build Out Based on the Past 20 Years of New Retail Space Built in Belmont)
- d. No New Office Development (No New Office Space Constructed in Past 20 Years in Belmont)
- e. No Hotel Development

The companion piece to this market analysis is a fiscal impact analysis prepared by RKG Associates for the Town of Belmont. The fiscal impact analysis provides a projection of the potential impact of each scenario on the town.

APPENDIX 1: MARKET ANALYSIS PRESENTATION DECK

The background of the slide is a photograph of a town street. The street is paved with asphalt and has a double yellow line down the center. On the left side, there are several cars parked along the curb, including a dark blue Audi SUV. On the right side, there are more cars parked, including a white SUV. The street is lined with buildings and trees. The sky is clear and blue. A semi-transparent white box is overlaid on the top half of the image, containing the title and subtitle text.

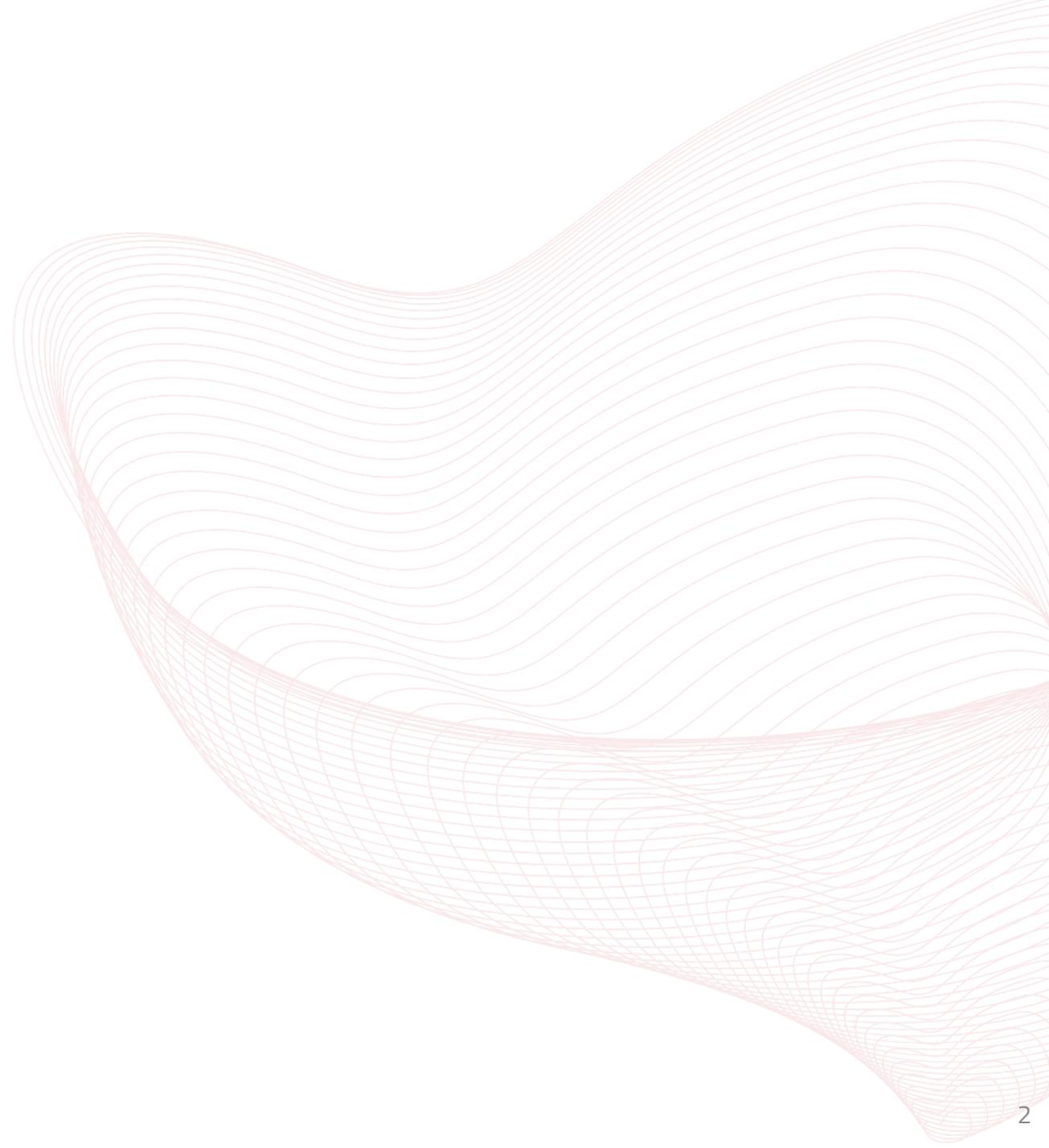
Town of Belmont Market Analysis

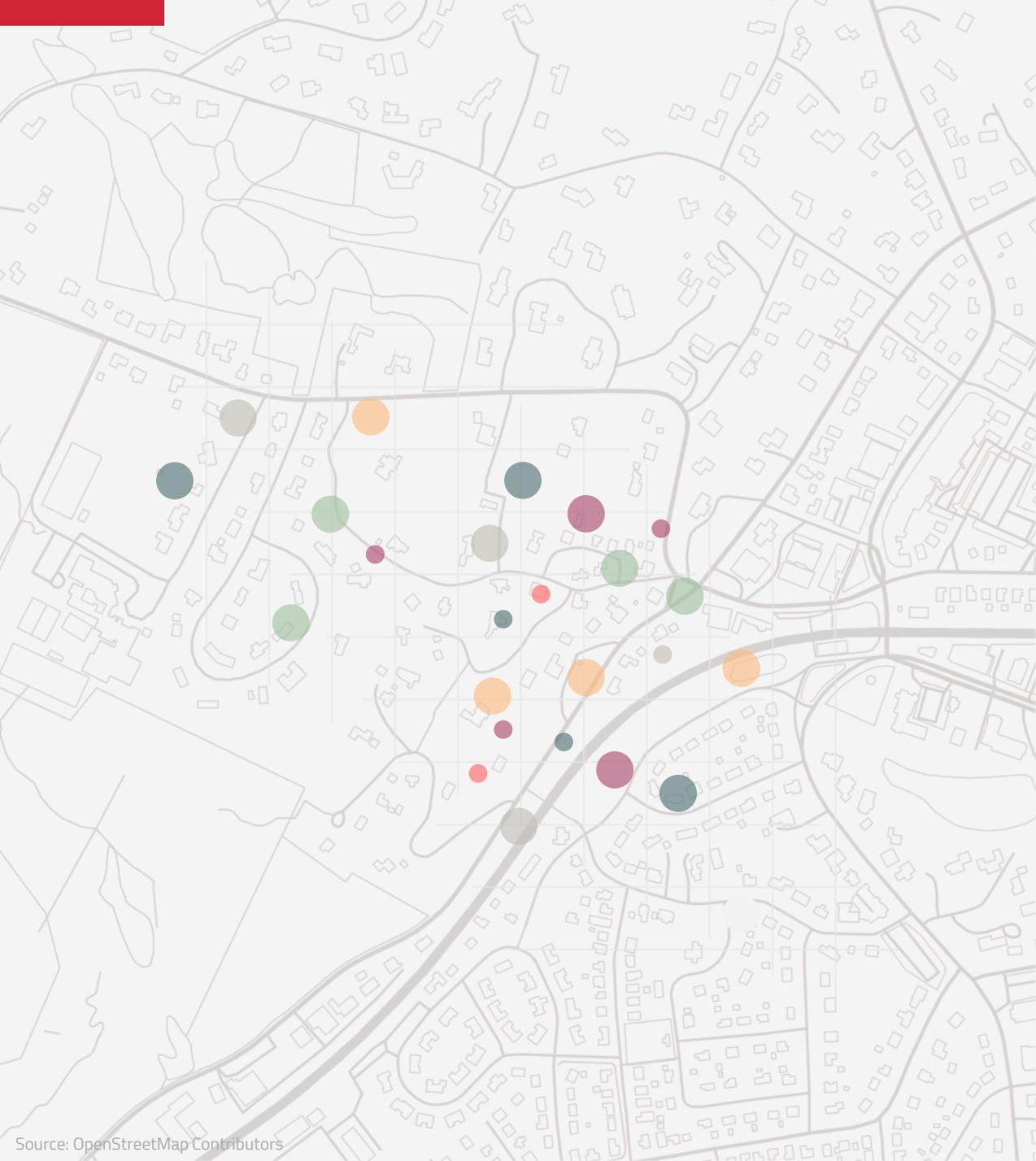
Initial Findings Presentation

June 14, 2024

Agenda

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





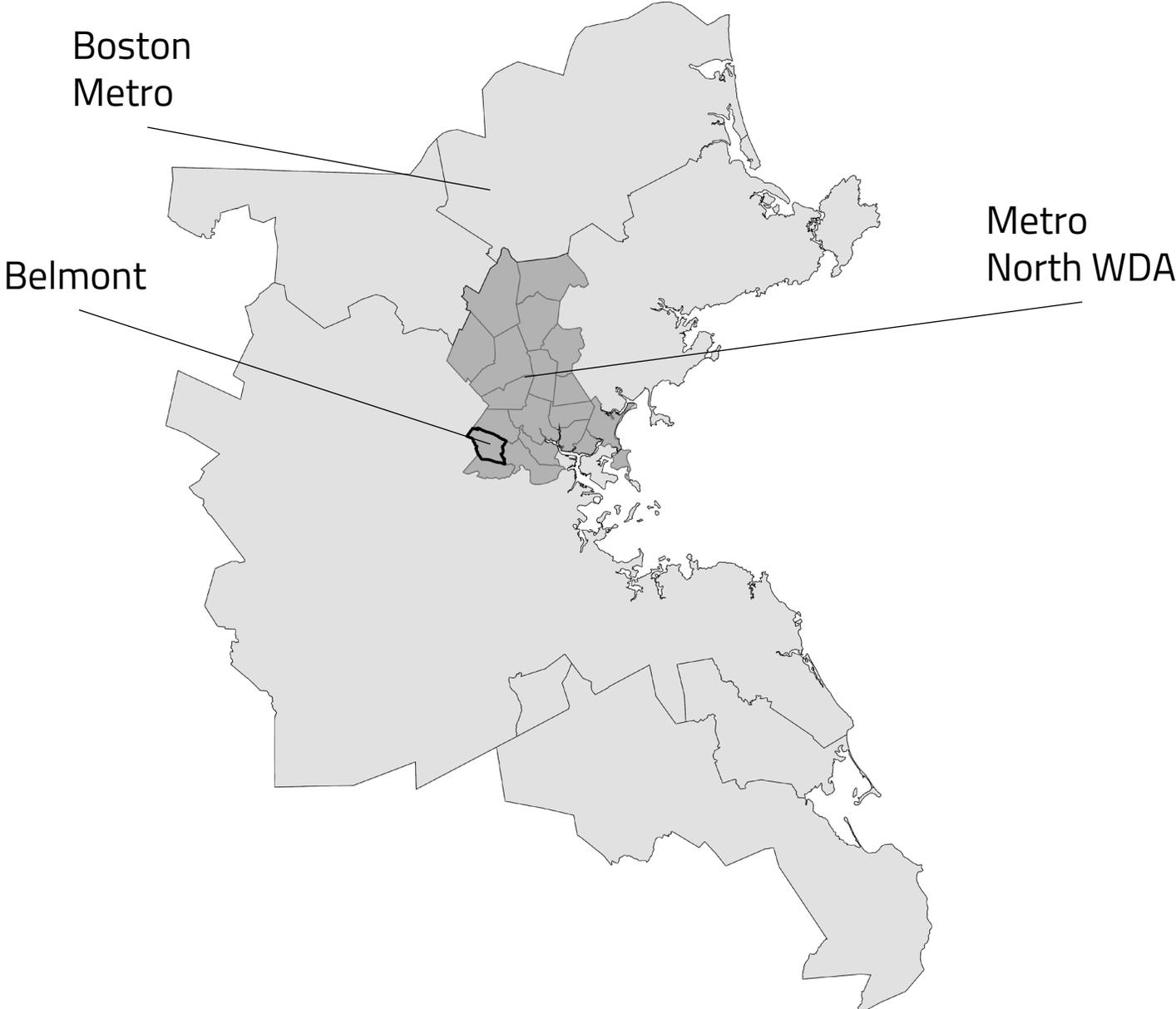
Belmont Overview

Demographics

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

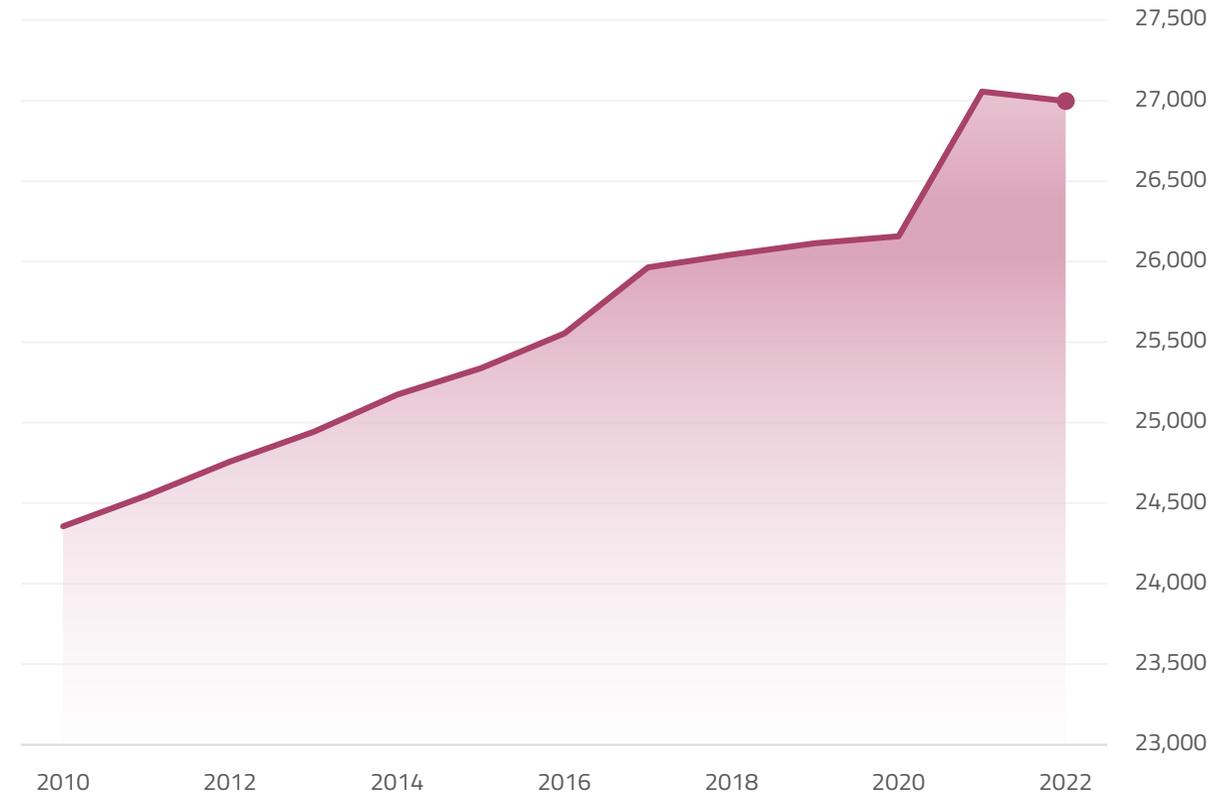
As defined by the Commonwealth's Department of Economic Research (DER), the Town of Belmont lies within the Metro North Workforce Development Area. For the purposes of this market study, socioeconomic trends in Belmont are compared to the Metro North WDA and the broader Boston Metro.

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.

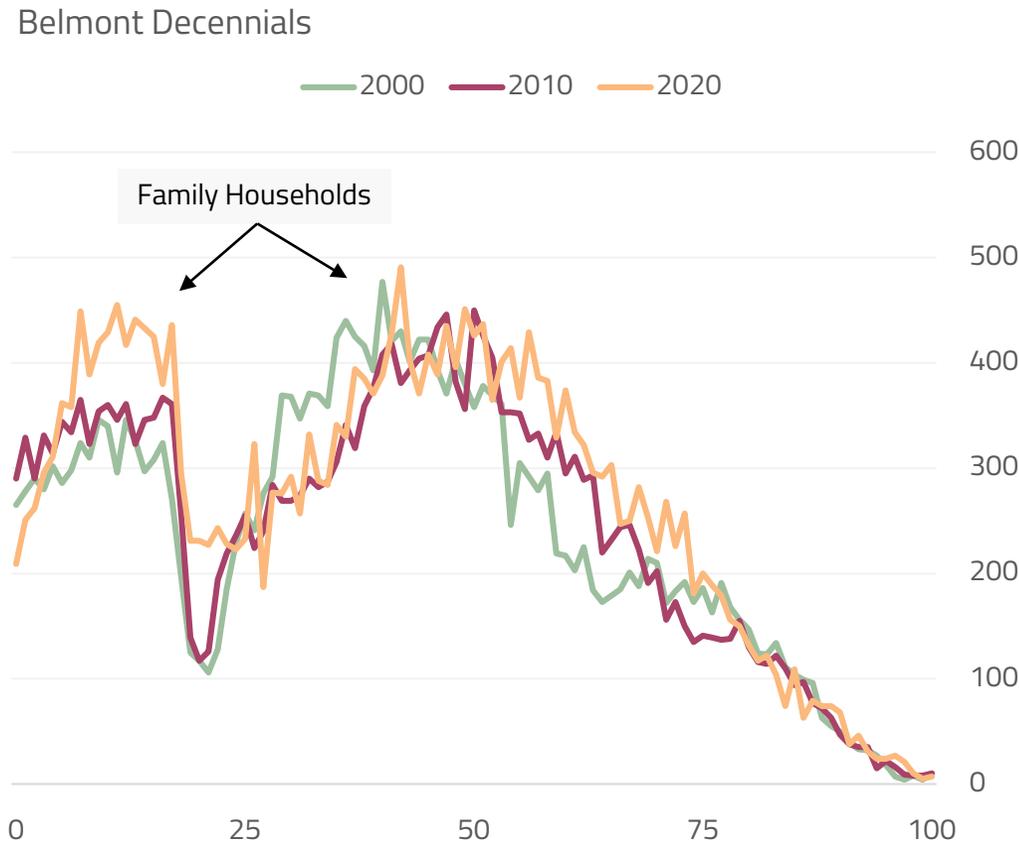


Town/City	2017	2022	Change (#)	Change (%)
Cambridge	110,893	117,962	7,069	6.37%
Revere	53,864	60,577	6,713	12.46%
Malden	61,212	65,463	4,251	6.94%
Medford	57,700	61,748	4,048	7.02%
Everett	45,212	48,685	3,473	7.68%
Woburn	39,500	40,992	1,492	3.78%
Melrose	28,132	29,477	1,345	4.78%
Belmont	25,965	26,997	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.

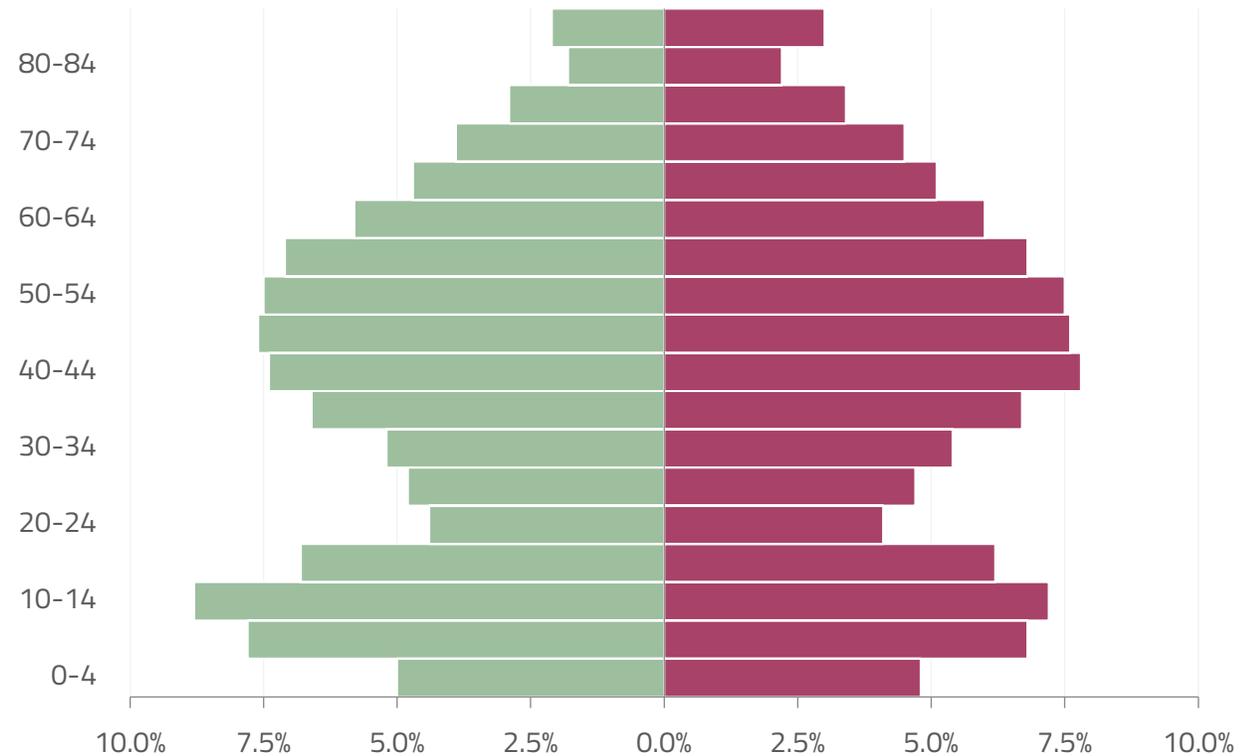
Most of Belmont's population growth has been driven by young adults and family households.



Belmont 2020 Population Age Structure

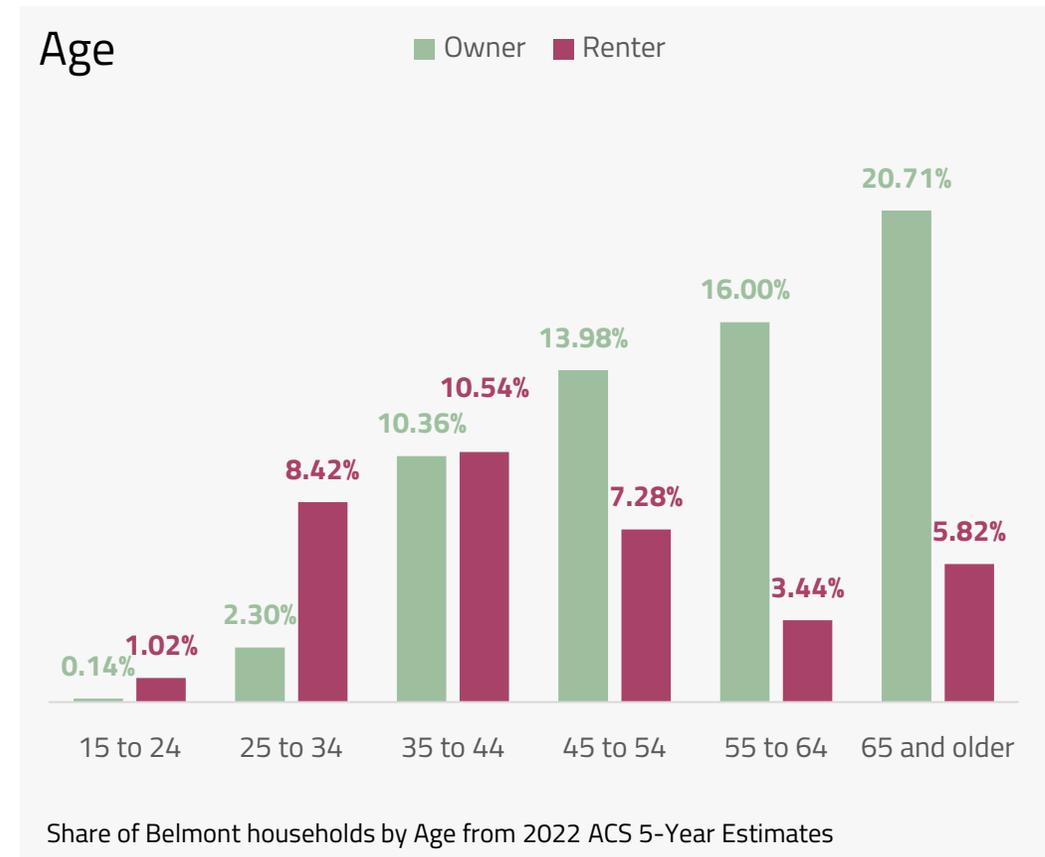
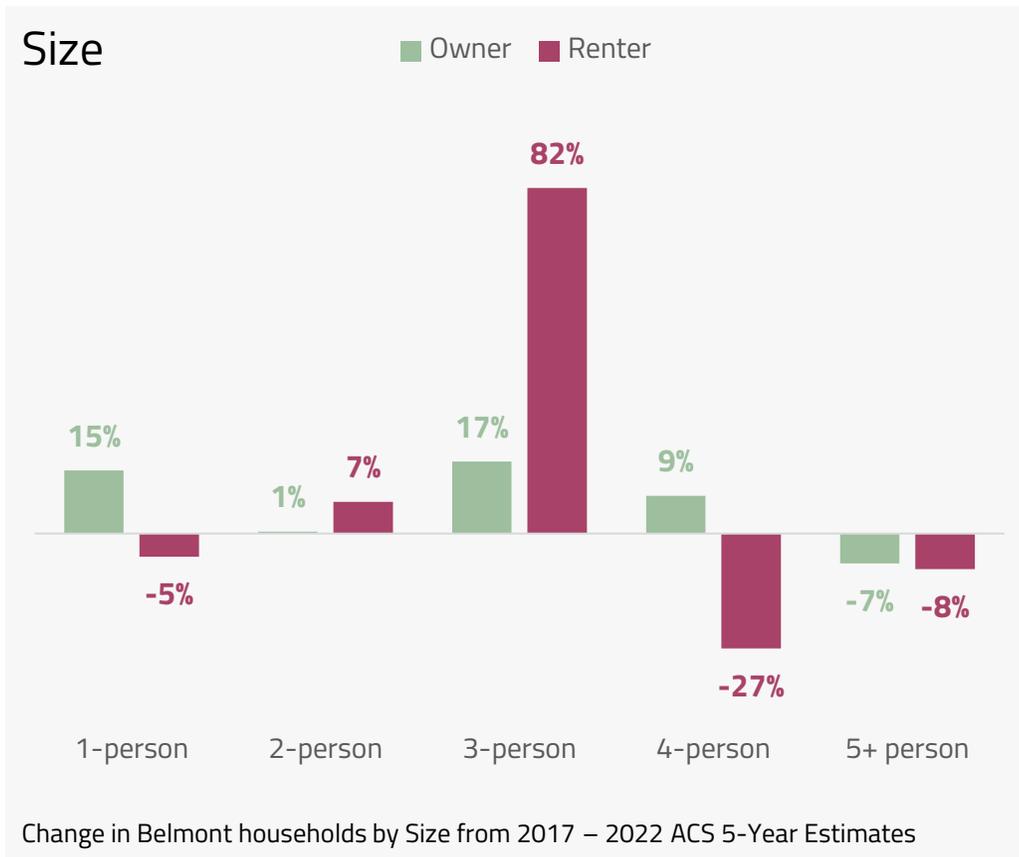
Cohort Percentage of Total

■ Males ■ Females



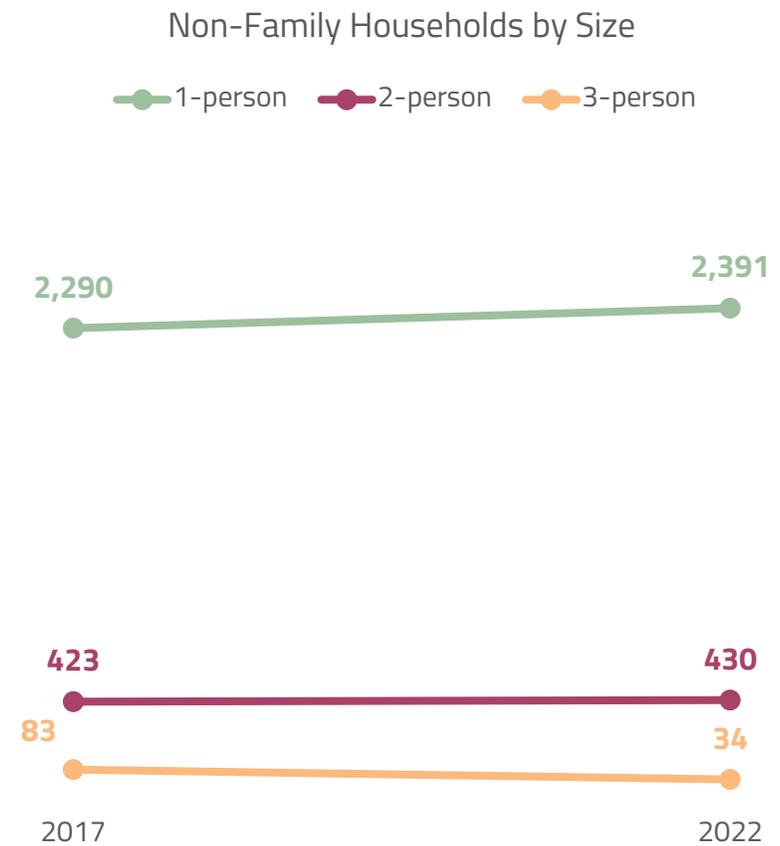
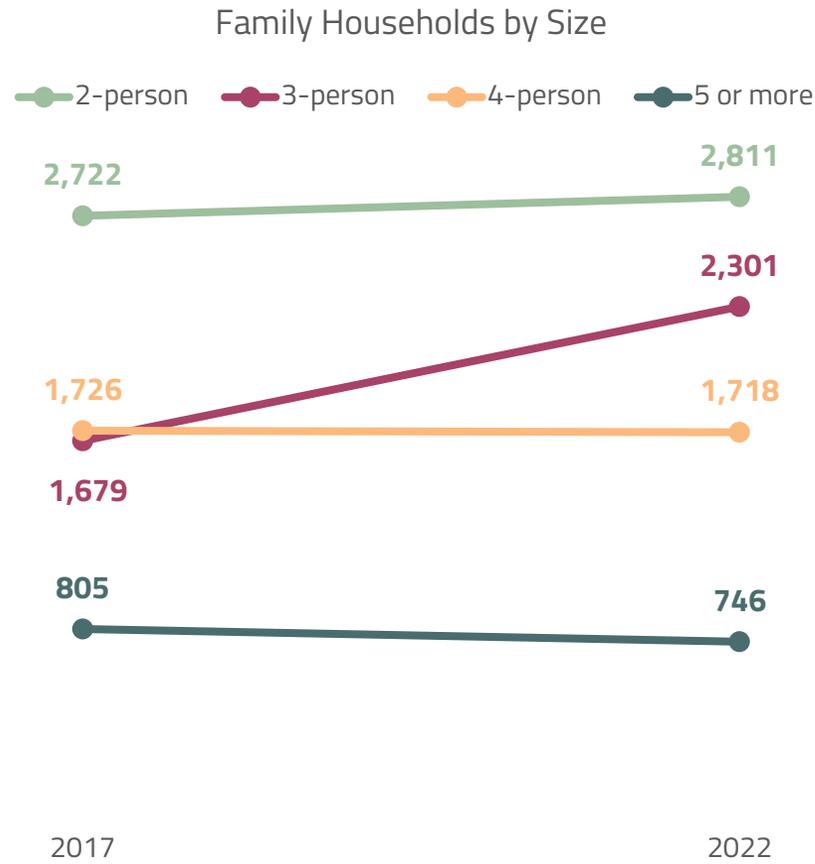
Like many Massachusetts towns, a notable portion of the population's existing residents fall within older age cohorts (55+), but the most recent decennial census shows evidence of growth in both children and younger adults. For many communities across New England, the figure on the left typically shows 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.

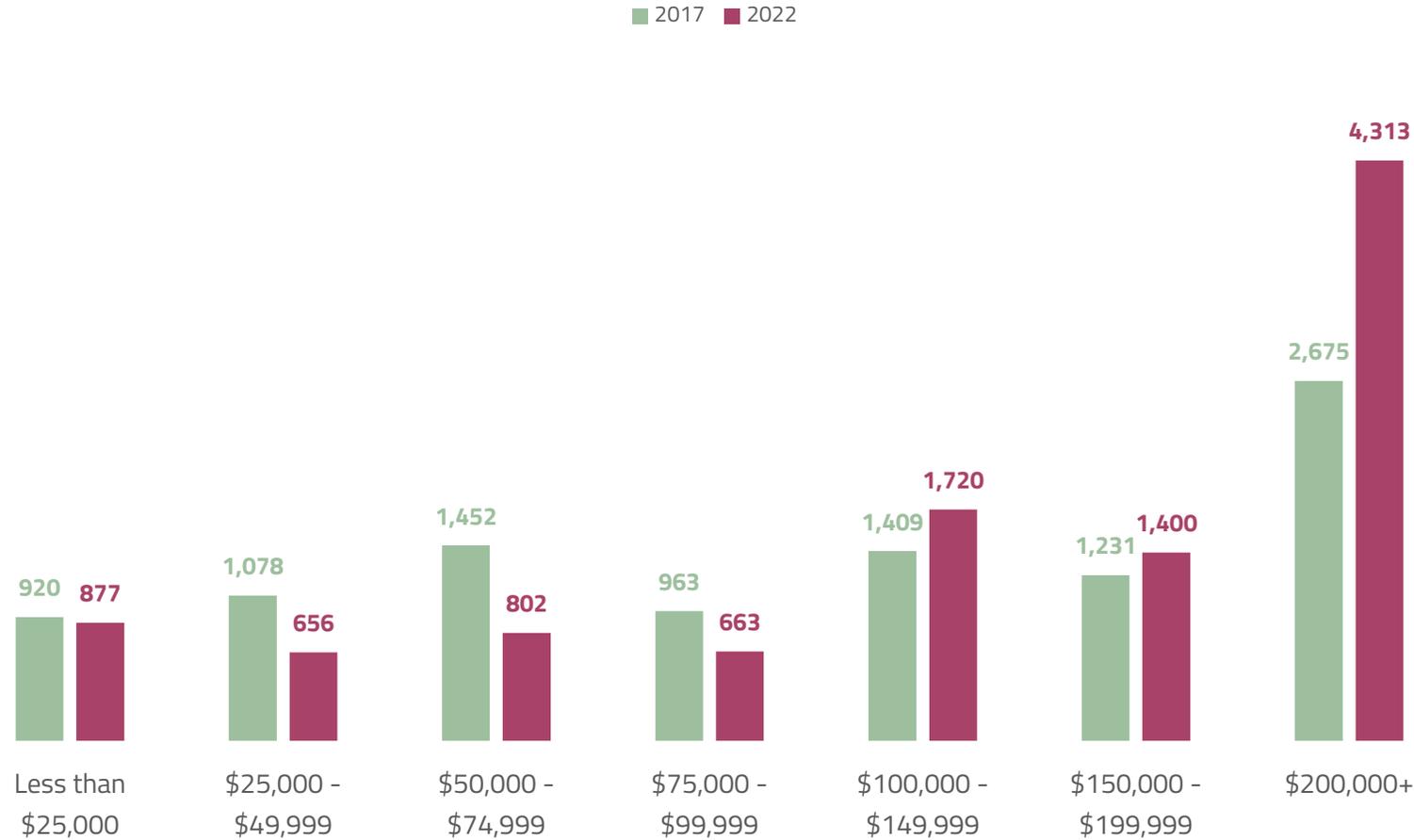


Tracking change by household composition of the last decade shows that the single largest driver of household growth is 3-person family households. Growth in larger family households (4+) has stabilized over the last decade and 2-person family households (typically couples) represent the largest portion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

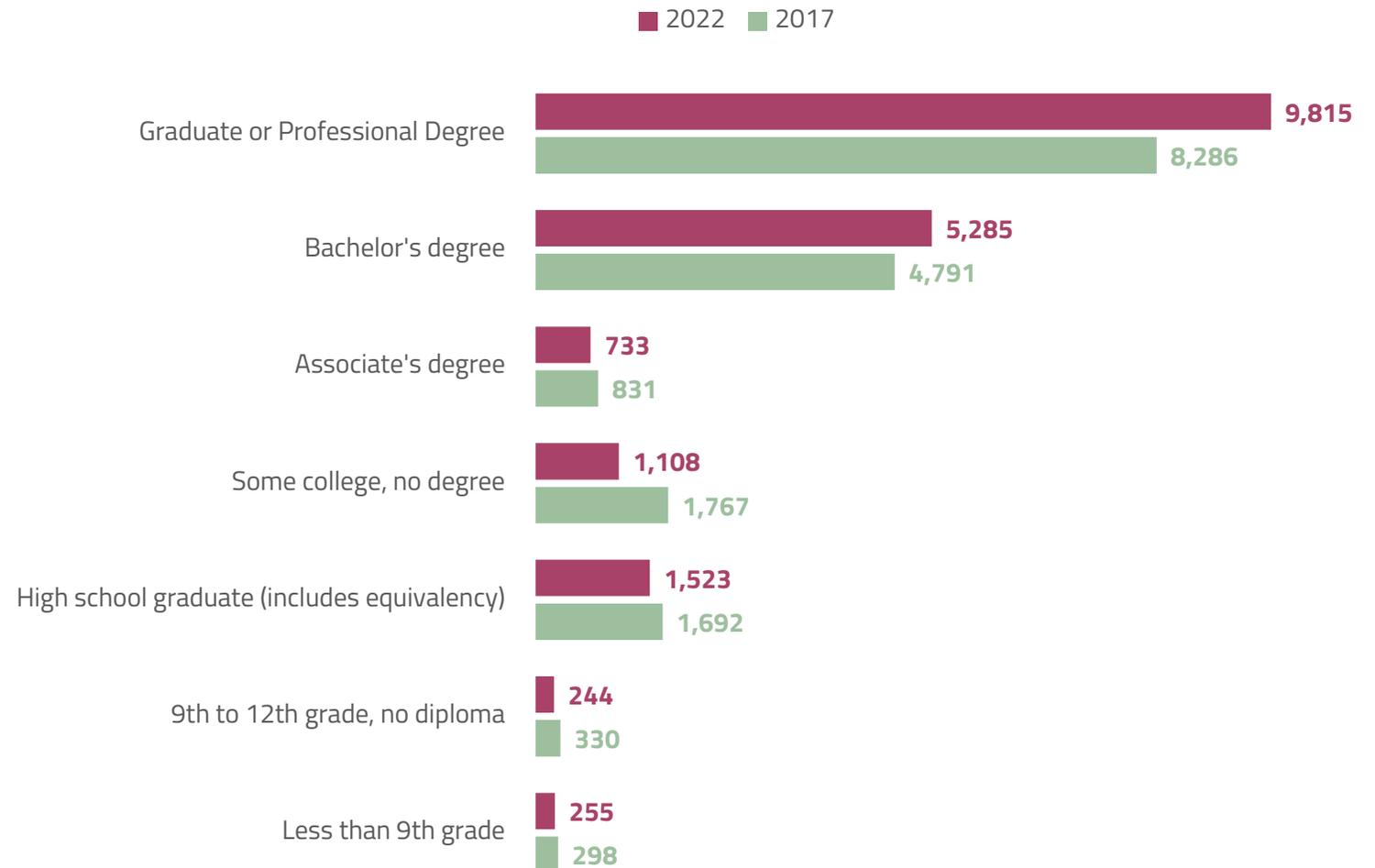


Comparing the household income distribution for Belmont over the last decade, the Town has seen the most growth in higher income households.

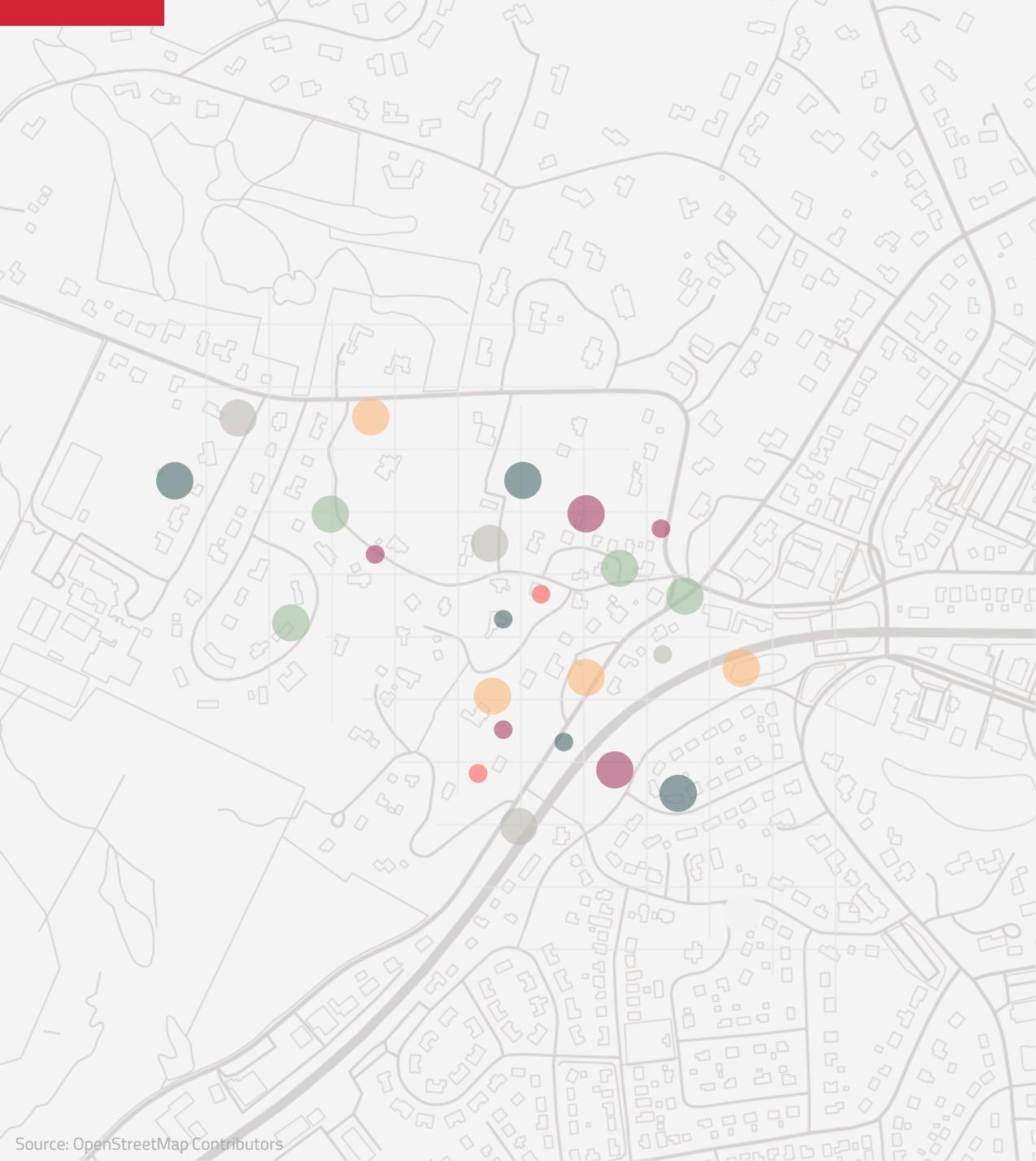
This trend is highly correlated with educational attainment and high home prices. This trend not only represents the movement of high-income households into the community but also illustrates the growth in income of existing residents.

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.

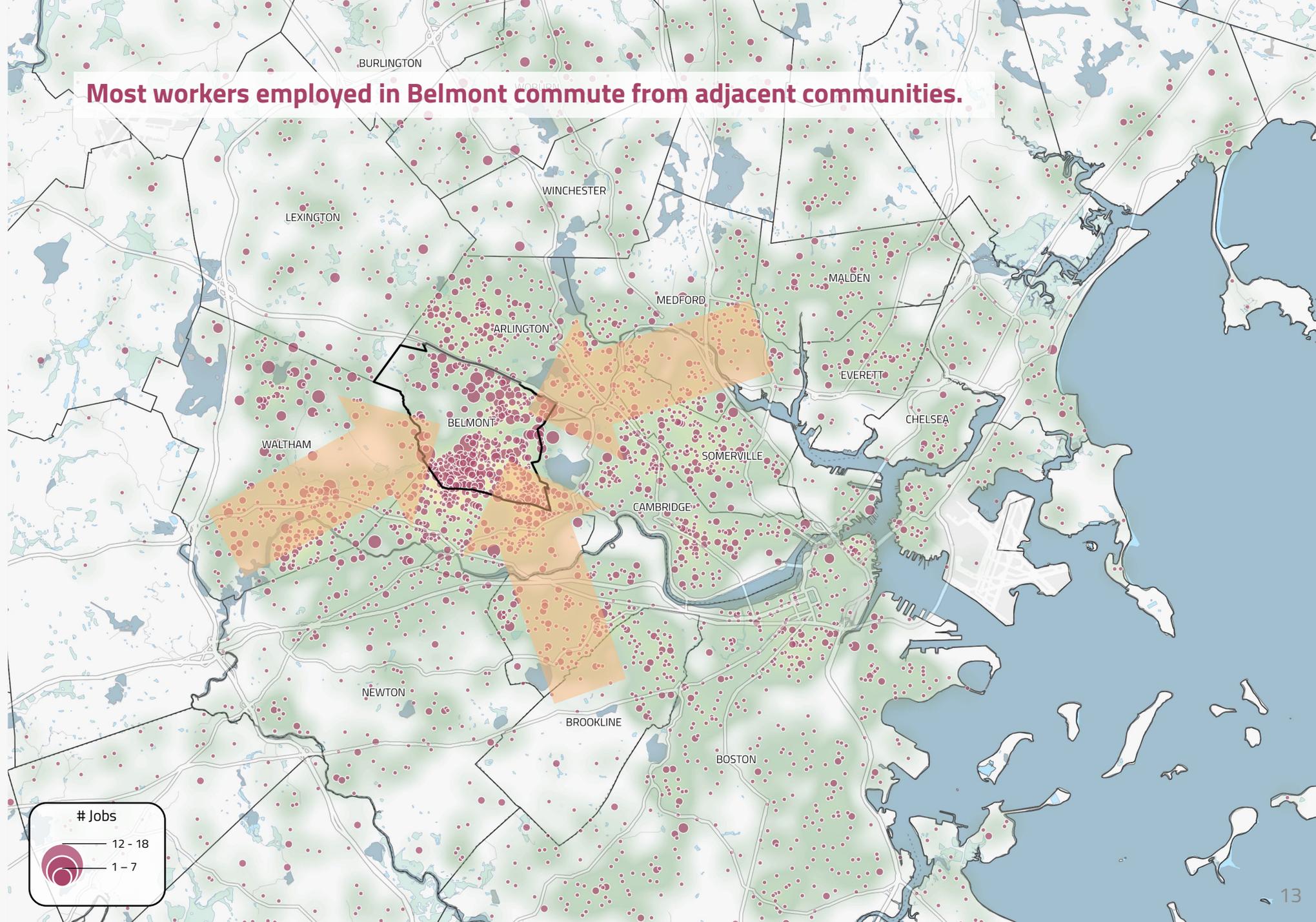
Among workers commuting into Belmont for work, many commute from Boston, Waltham, Cambridge, Watertown and Arlington. Given the similarities in economic base and employer concentrations by industry the flows of commuters across these communities demonstrates the agglomeration of health care, professional,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

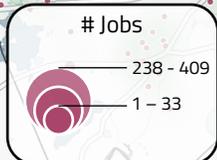
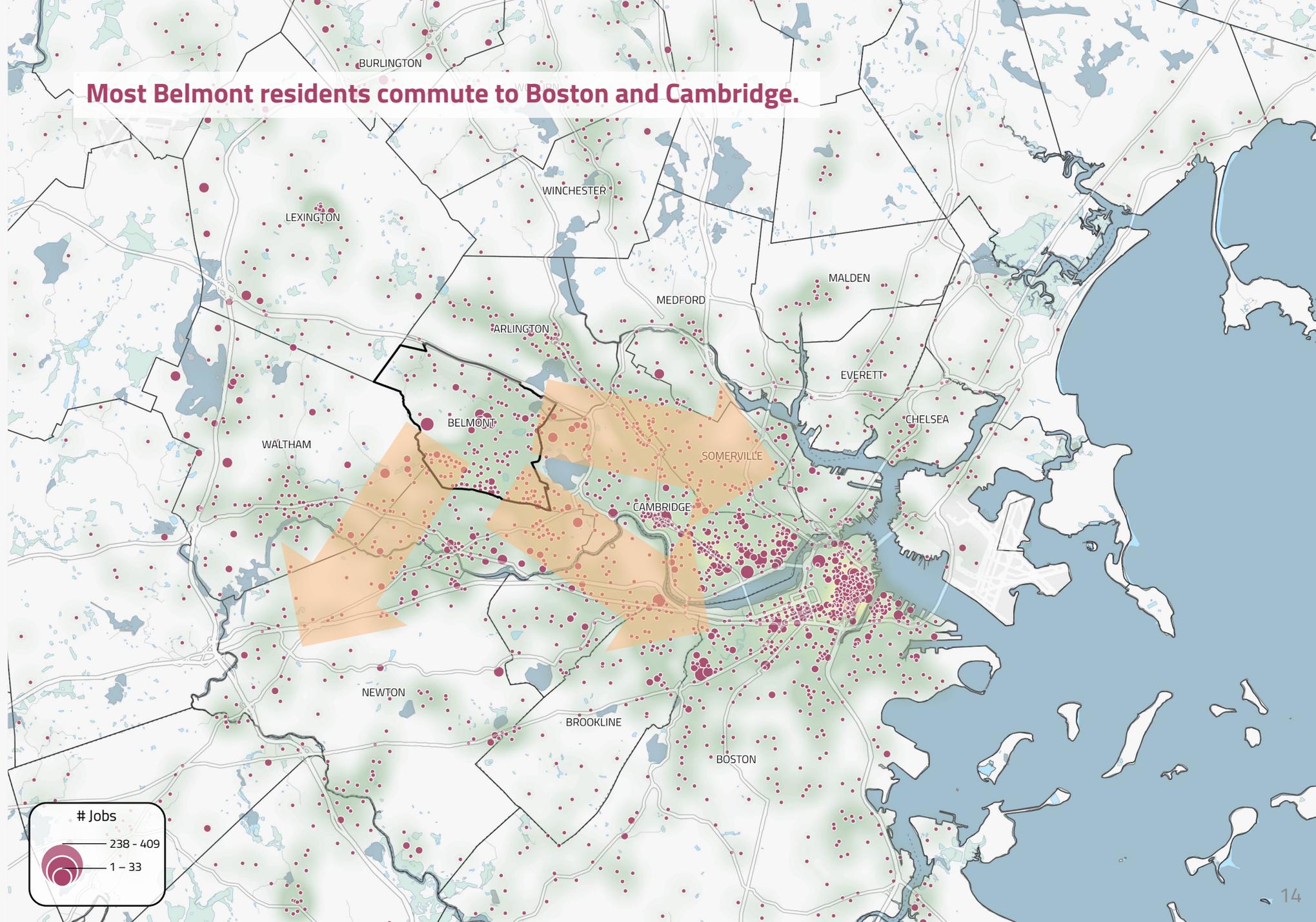
Most workers employed in Belmont commute from adjacent communities.

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

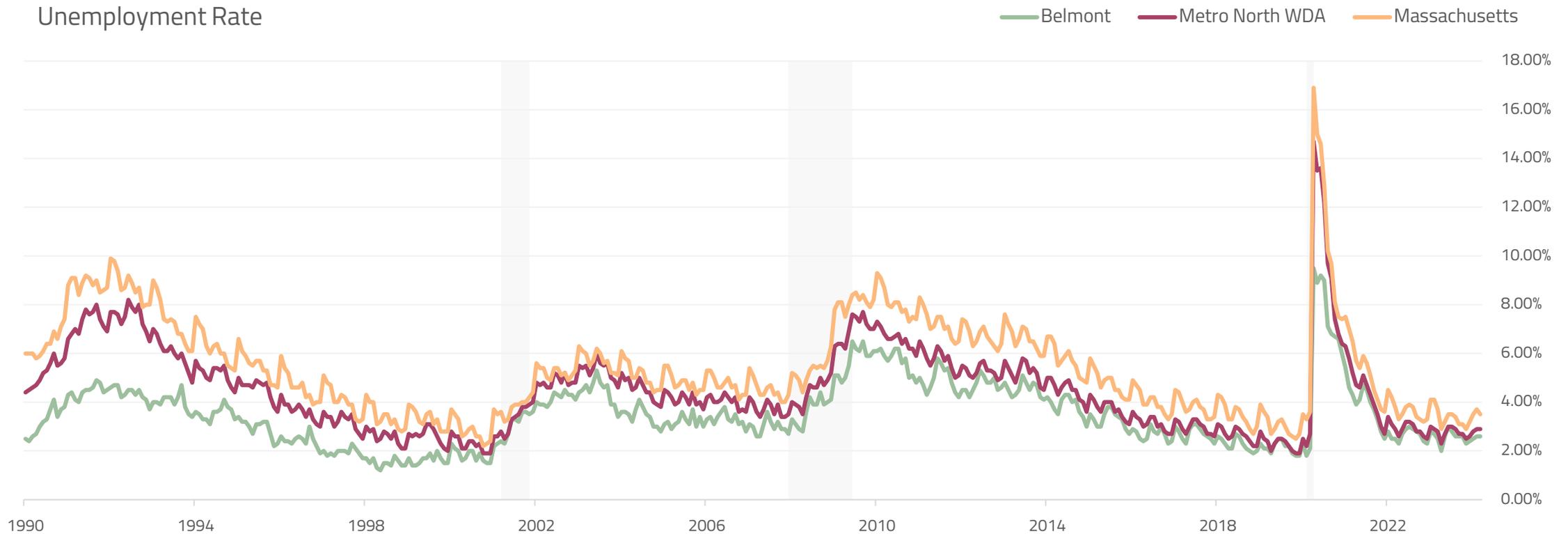


Most Belmont residents commute to Boston and Cambridge.

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			

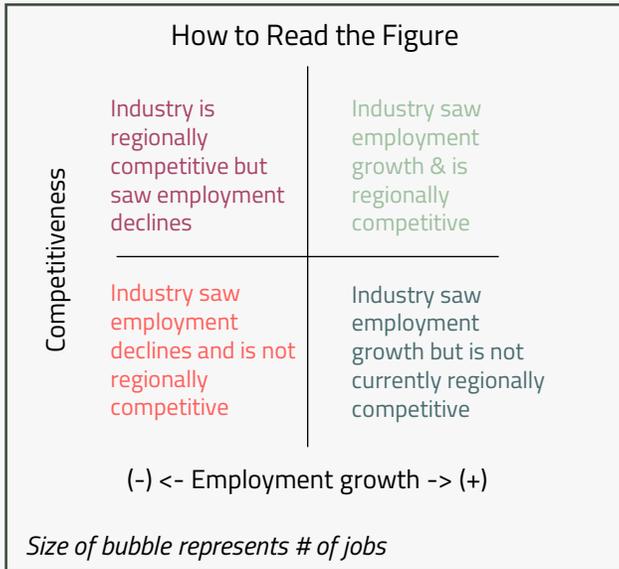
Over the last five years, Health Care and Professional and Technical Services saw the highest growth in Belmont. The rank among the most in-demand and highest competitive sectors for Belmont and the Metro North Workforce Development area.

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.

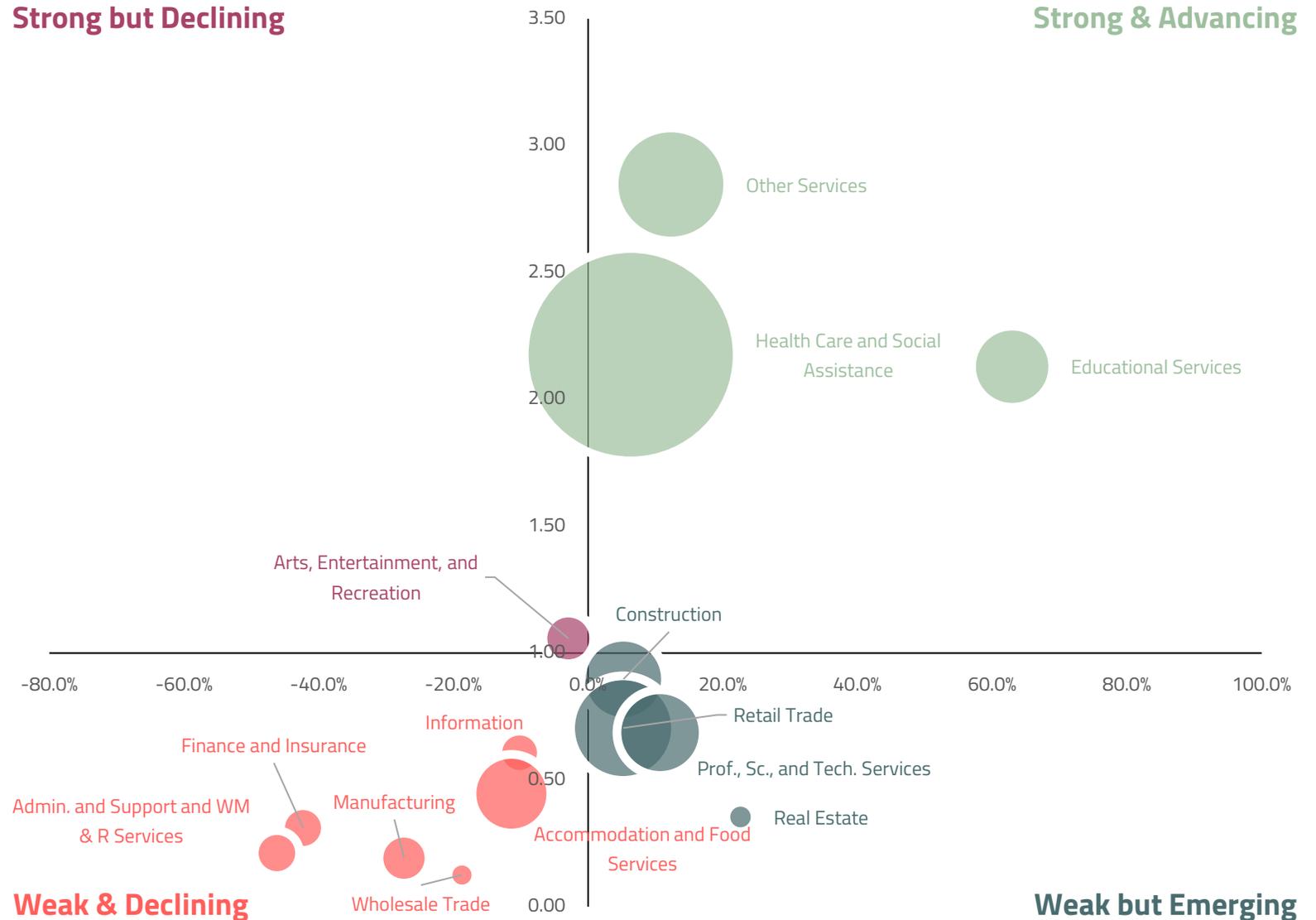
Among industry sectors still recovering from the impacts of the pandemic, arts, entertainment and recreation remains a competitive sector for Belmont, but has sustained jobs losses from the pandemic that have not returned to pre-pandemic levels.



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.

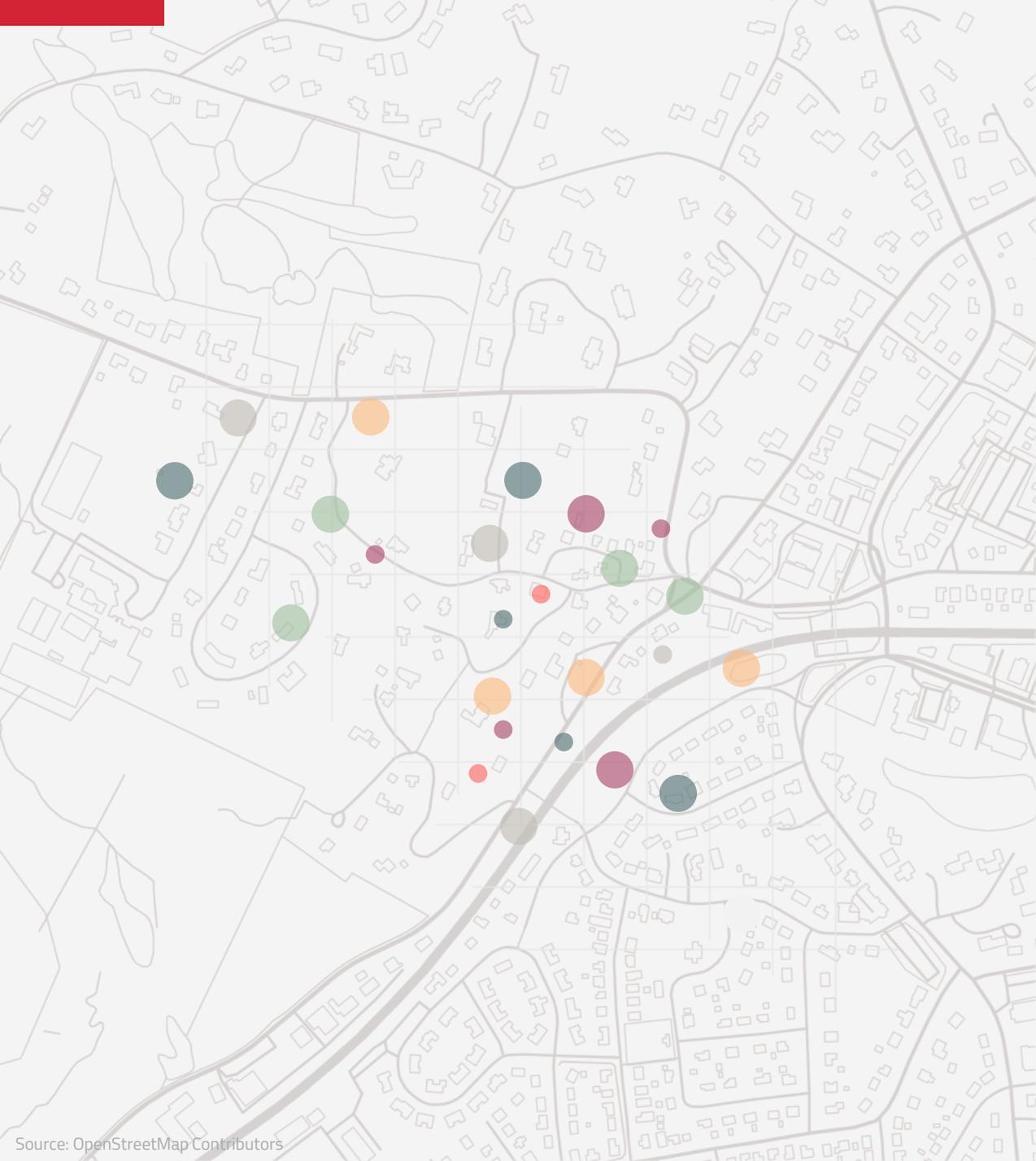
Projected Retail Space Demand by Employment Sector 2024 - 2034

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.

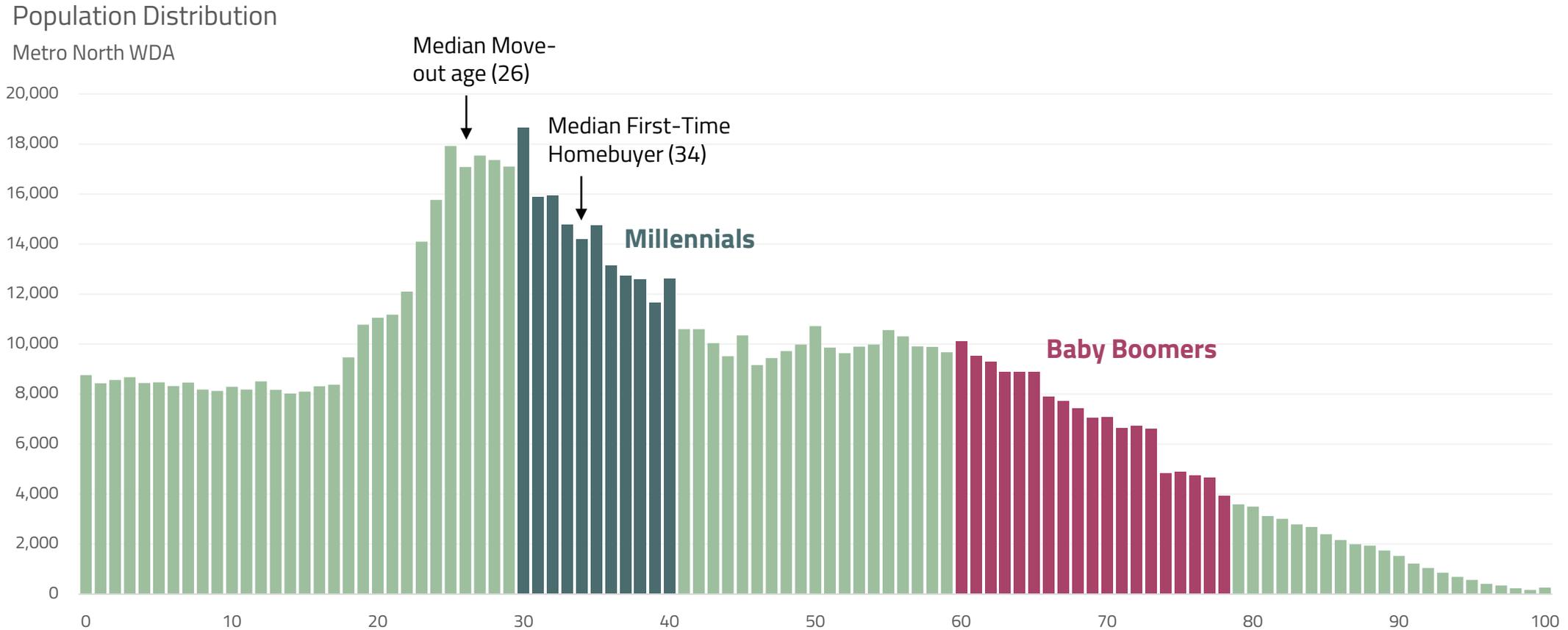
If retail and service-based businesses continue their recovery post-COVID, demand for new space is likely. Particularly because the fundamentals to support retail, restaurants, and accommodations in the submarket are well supported by high household incomes, higher paying jobs, and visitation from those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



Belmont Overview

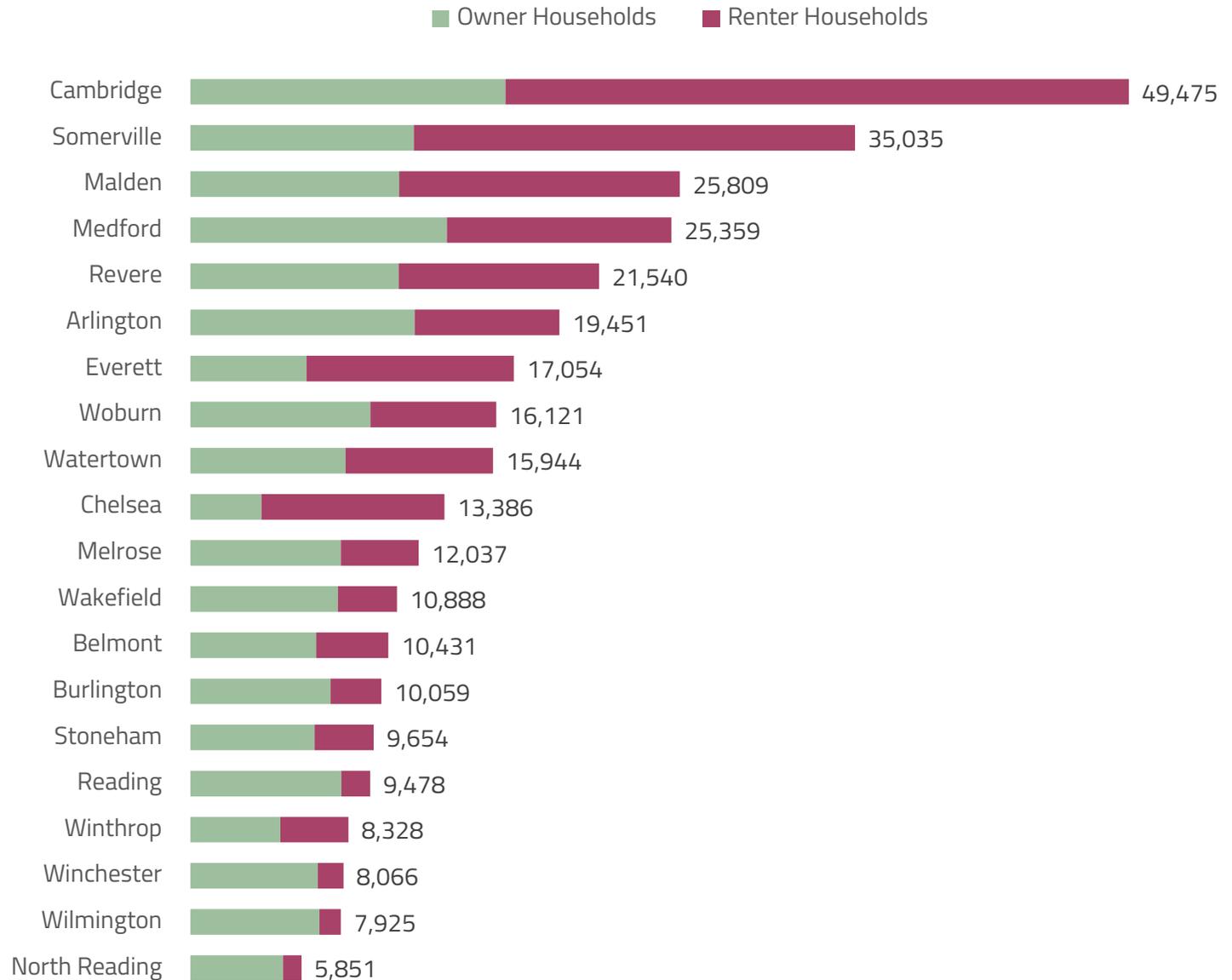
Housing

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



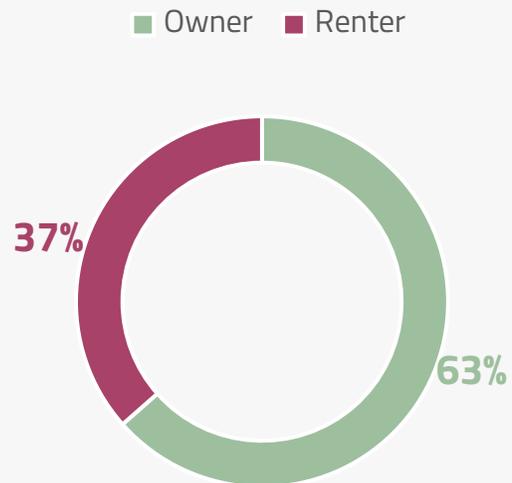
Despite the very strong housing demand, limited inventories continue to drive prices and high mortgage rates place homebuying out of reach for an increasing share of households. Broken down by age across the Metro North WDA, a rising share of the population are Millennials and Gen Z, many of which continue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

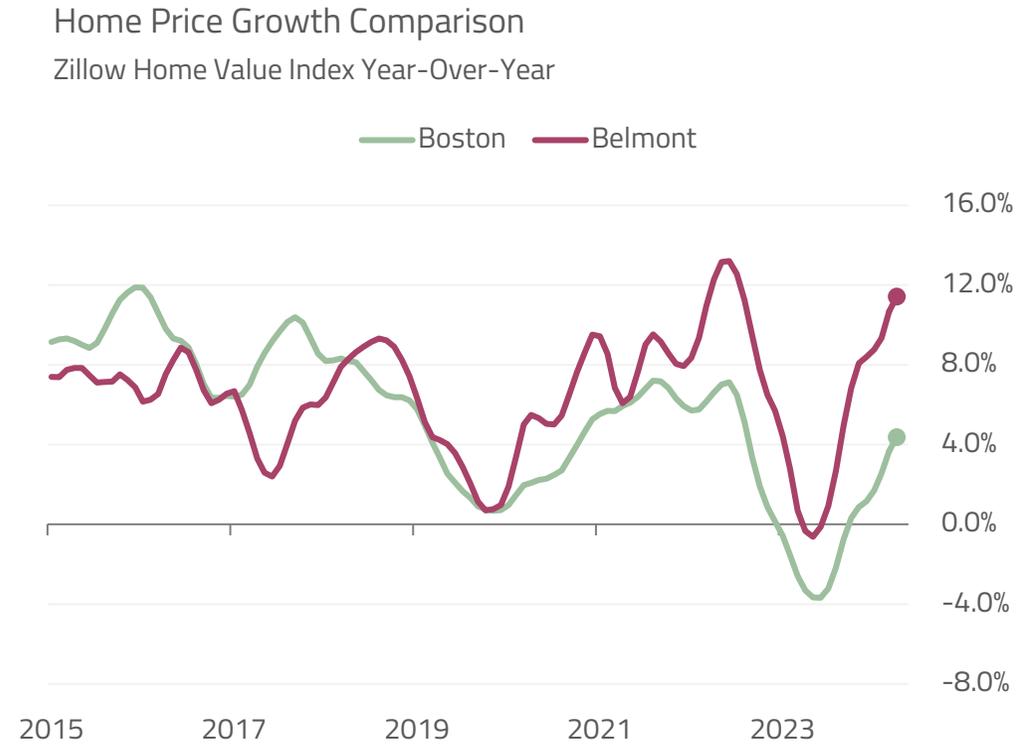
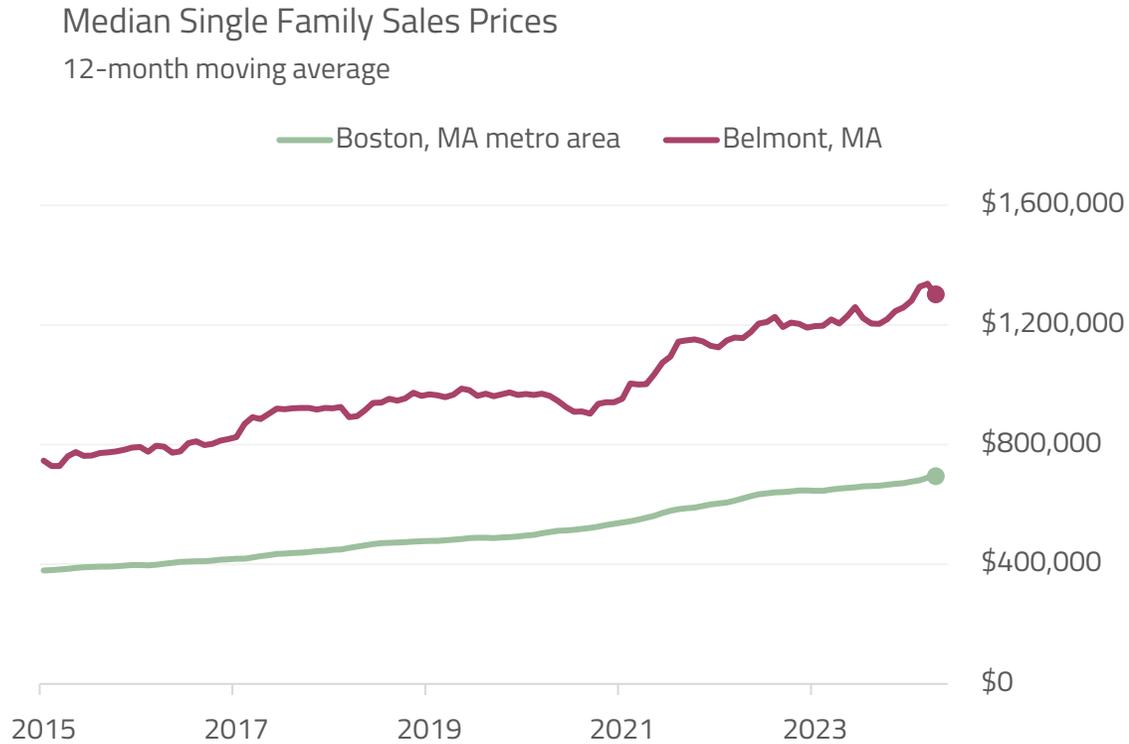


Over the past decade, Belmont's tenure rates have remained flat. Within the Metro North WDA, neighboring towns have experienced similar tenure trends, while larger communities such as Cambridge, Somerville, Malden, Medford and Everett have added larger numbers renters over the past decade.

Belmont Tenure Rates

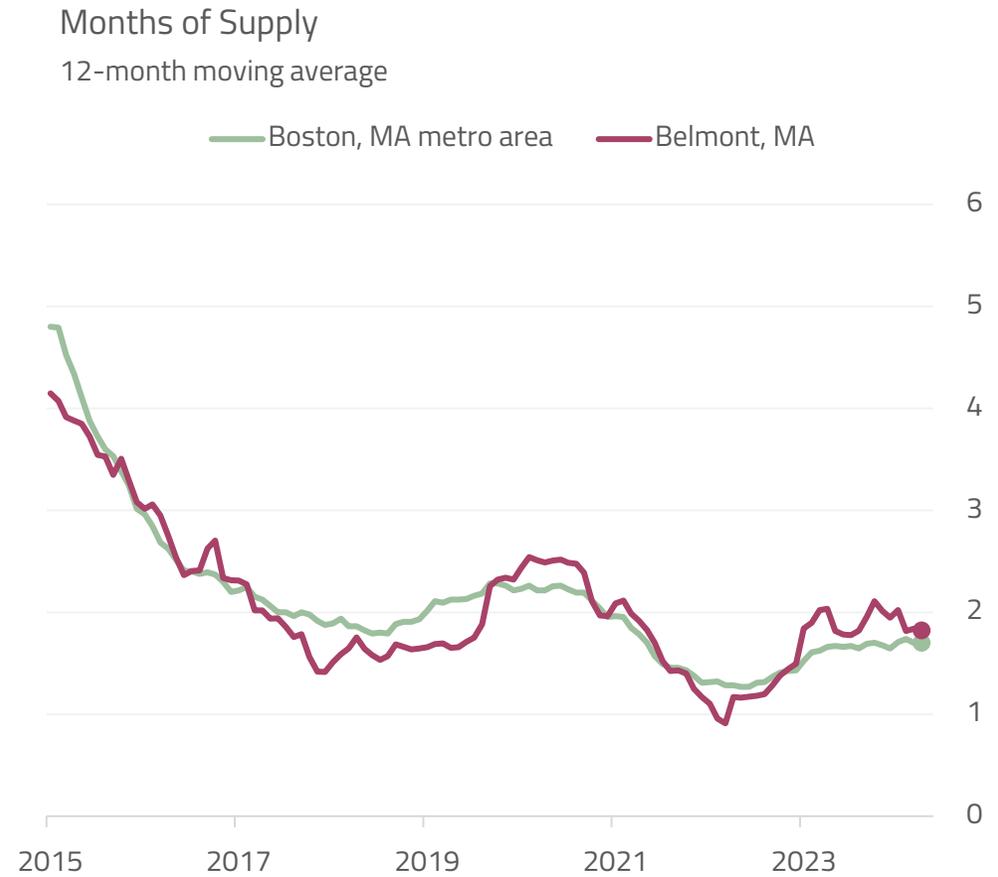
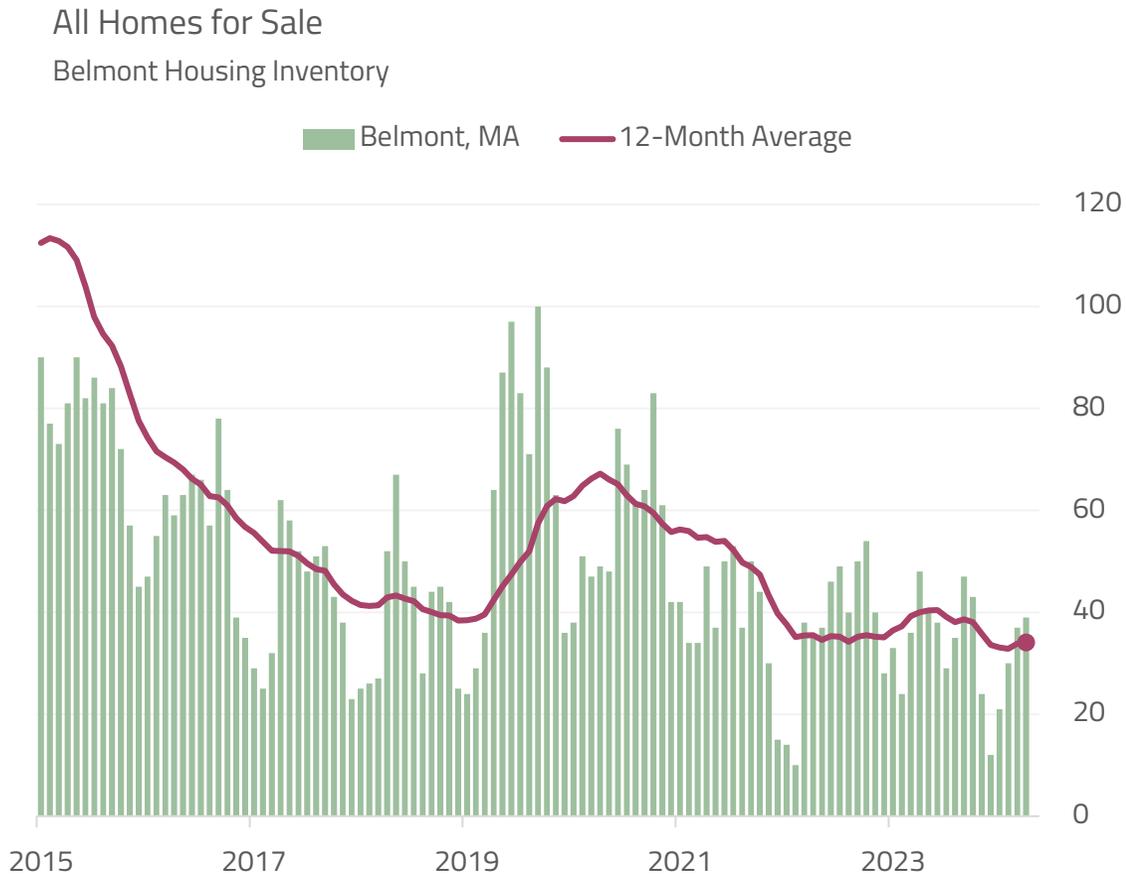


Belmont home prices have grown faster than metro average and far exceed median prices in the region.



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.

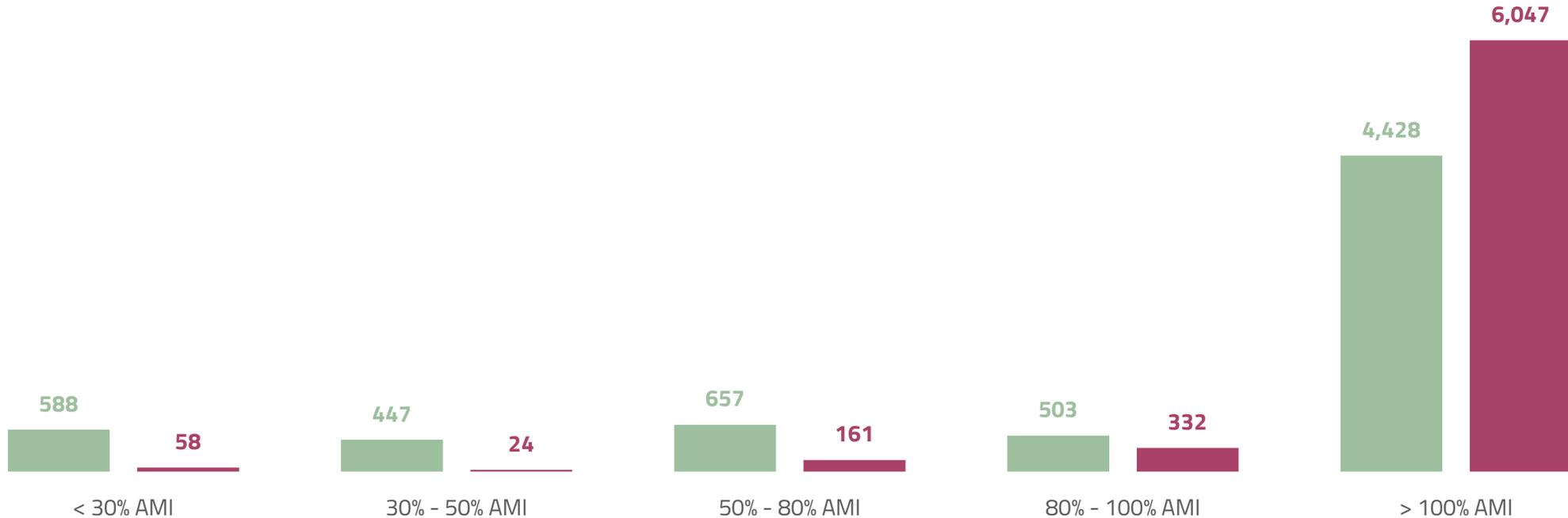


With the growing demand for housing across the region housing inventories have reached record lows. Like the region, Belmont's active inventory of homes for sale has reached historic lows and the months of supply continues to hover around two months.

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**

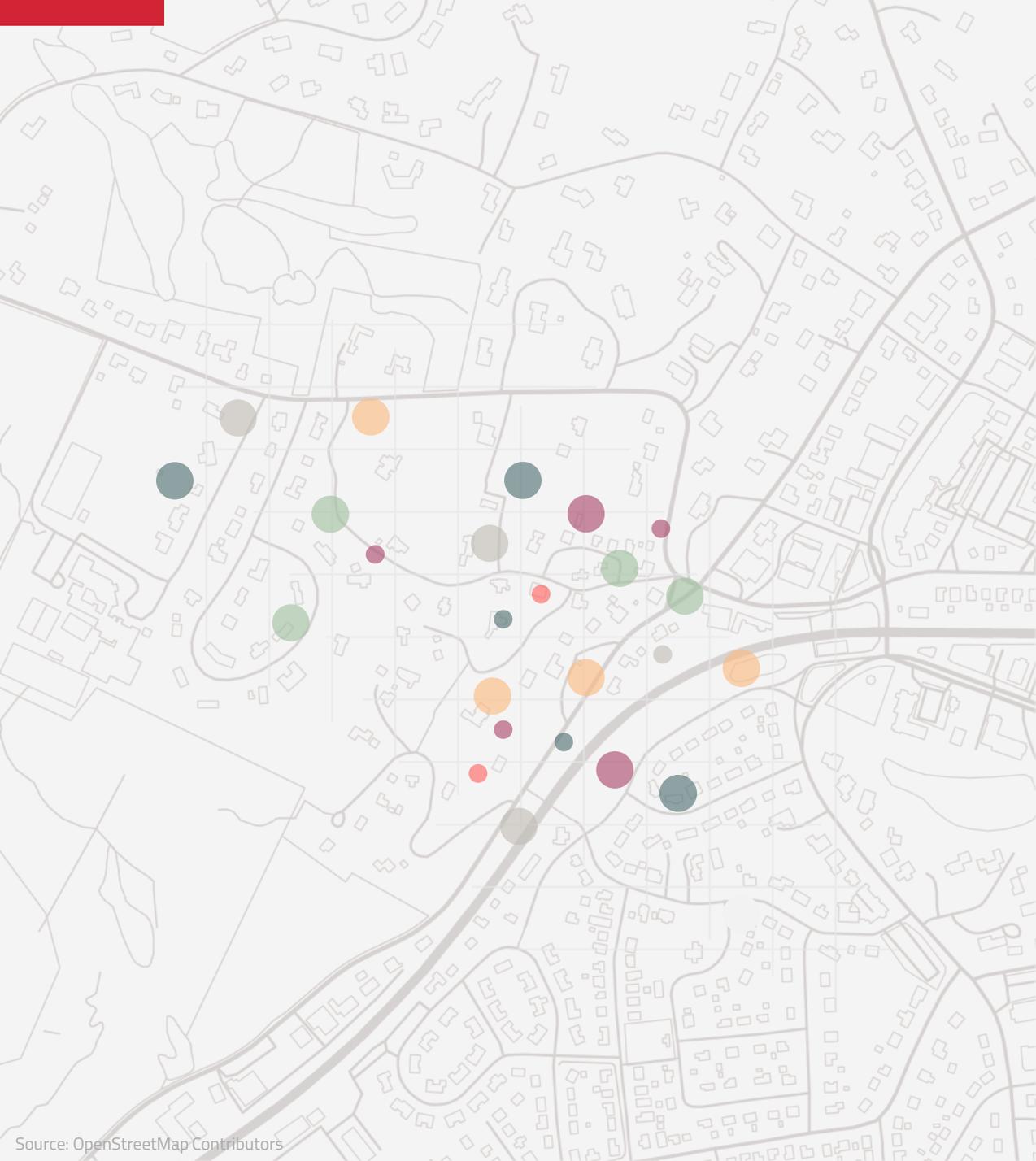
2042 Projected Population – **31,383**

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.



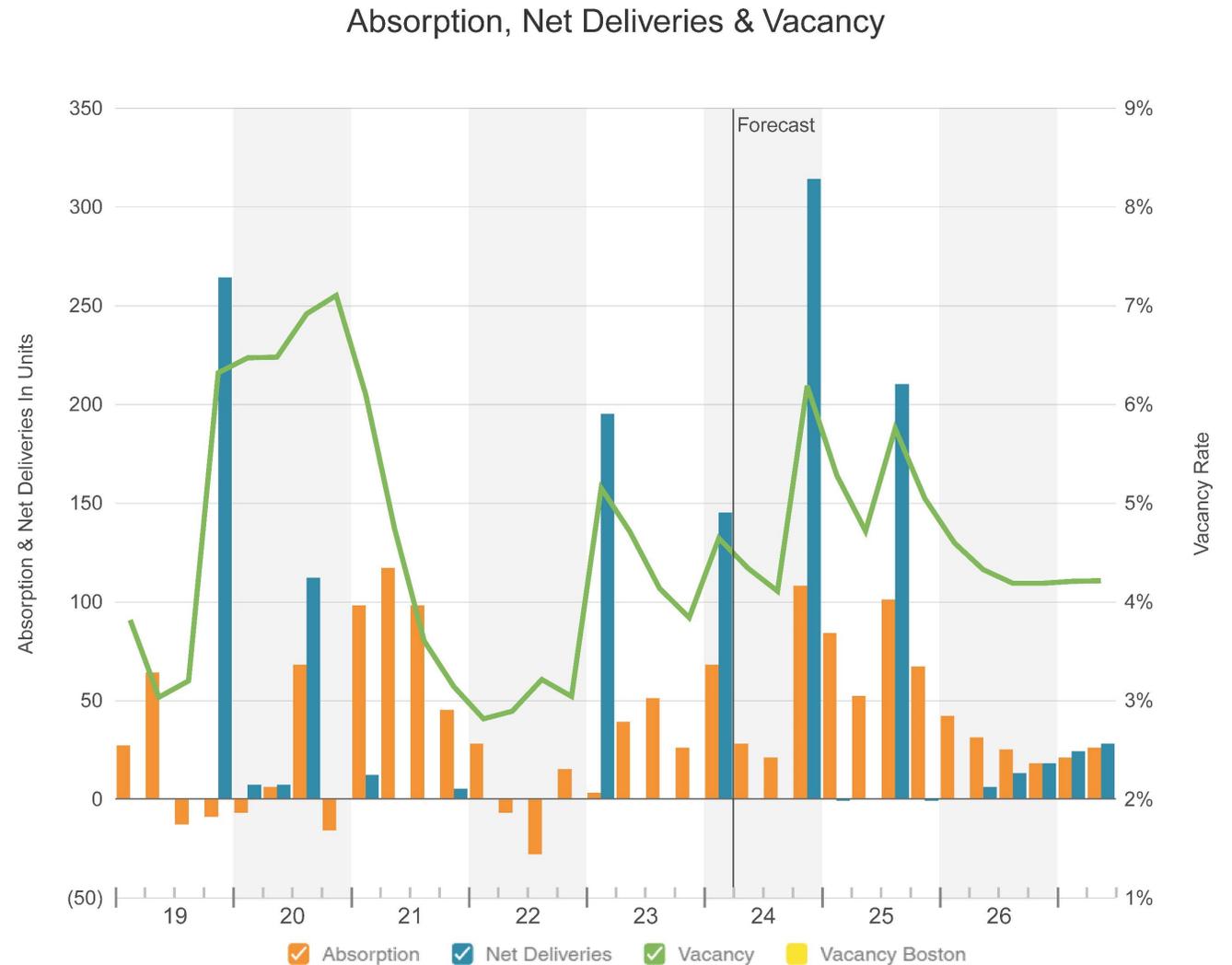
Belmont Market Overview

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.

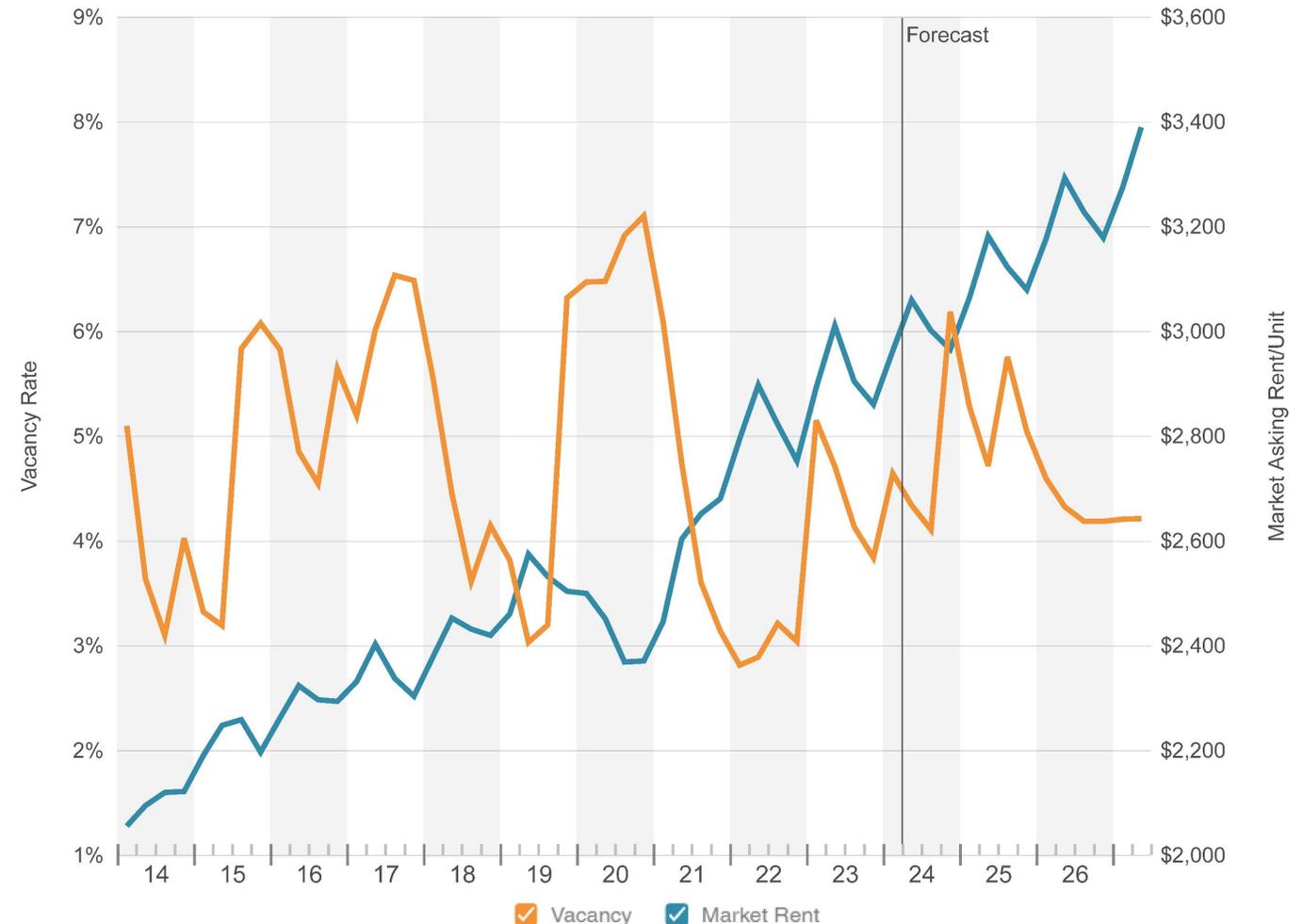
Rents have skyrocketed since 2014 from an average of \$2,000 per month to a high of \$3,060 in 10 years.

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

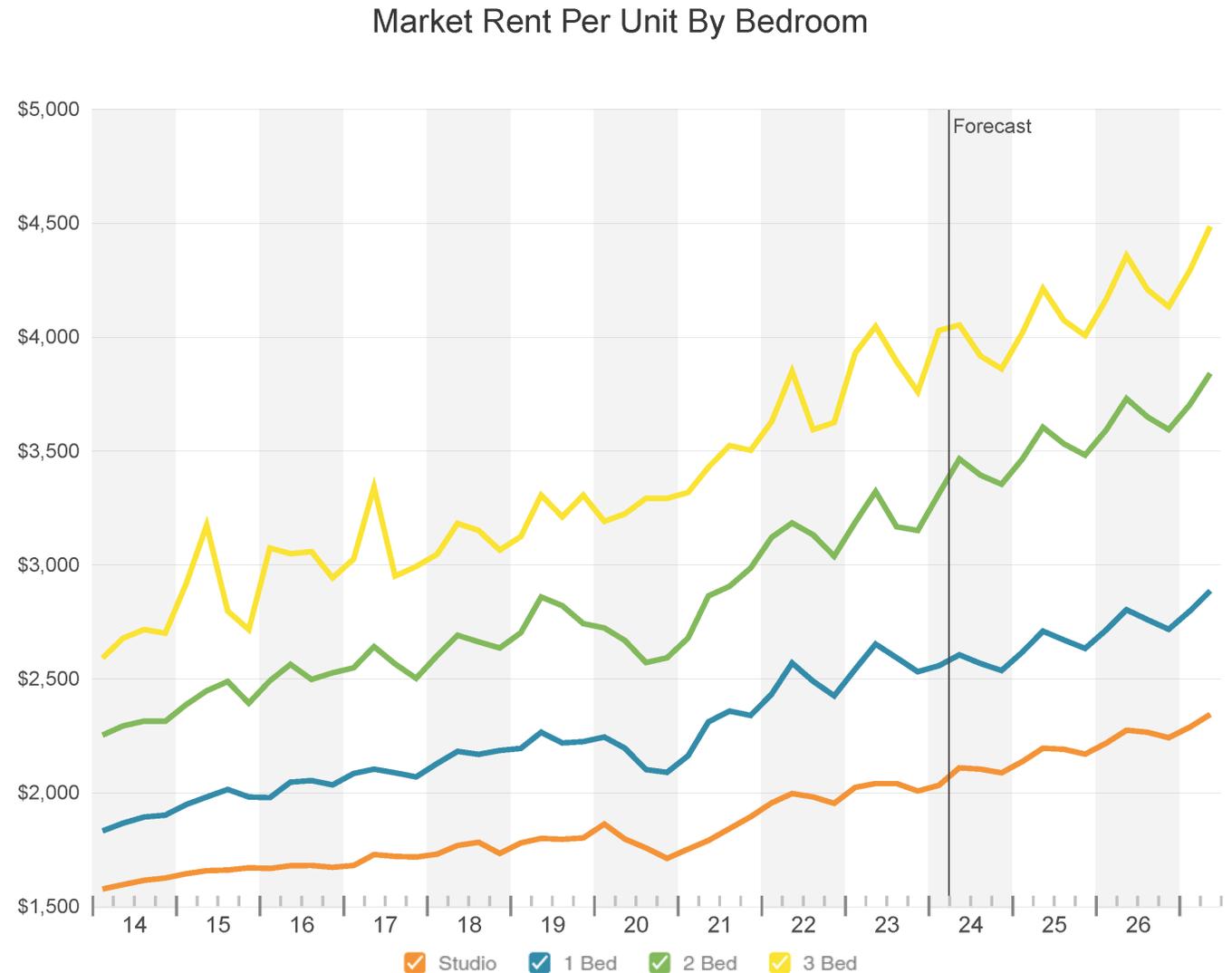


Prices continue to rise at all bedroom sizes.

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.



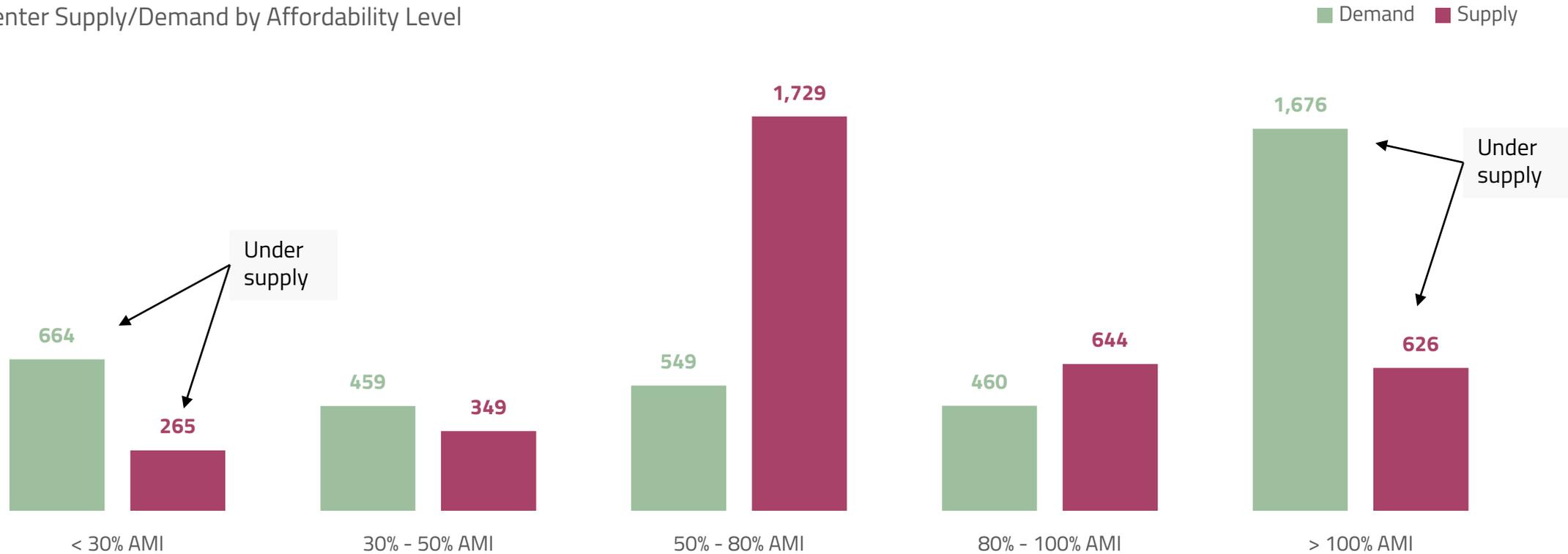
Multifamily metrics for the Belmont, Arlington, Waltham submarket – 2015-2023.

- 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.

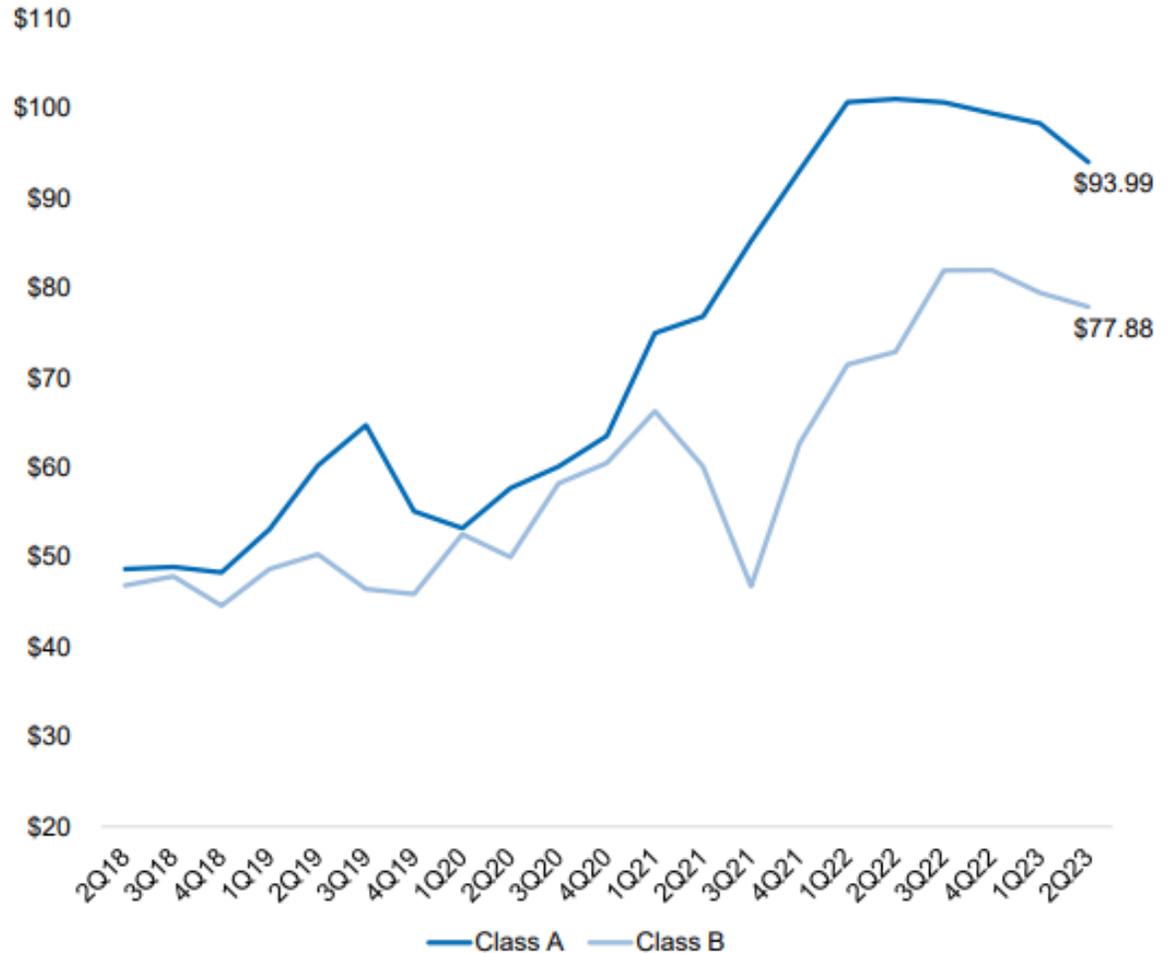
High vacancy, continued supply, are bringing rents down from 2022 highs.

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



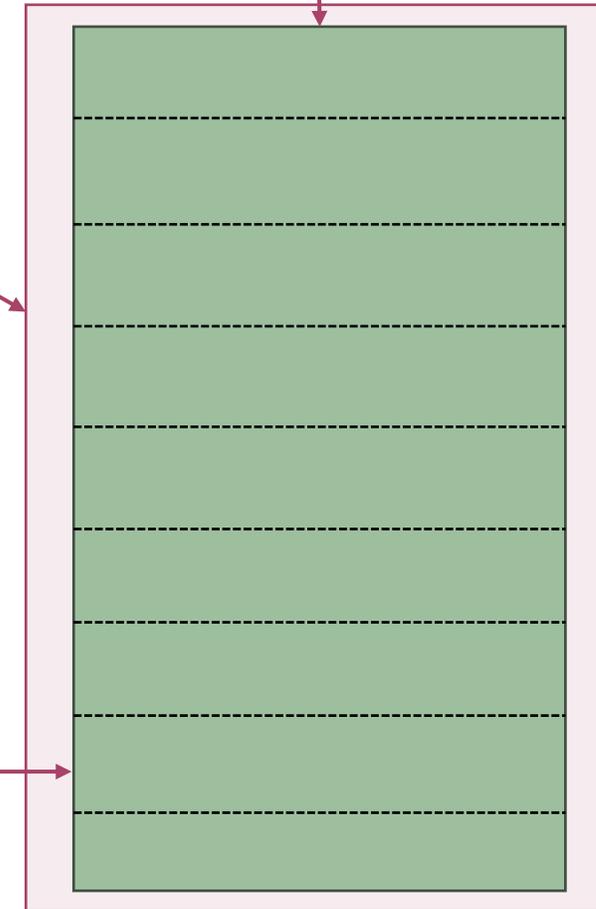
1050 Waltham Street
Lexington, MA



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.

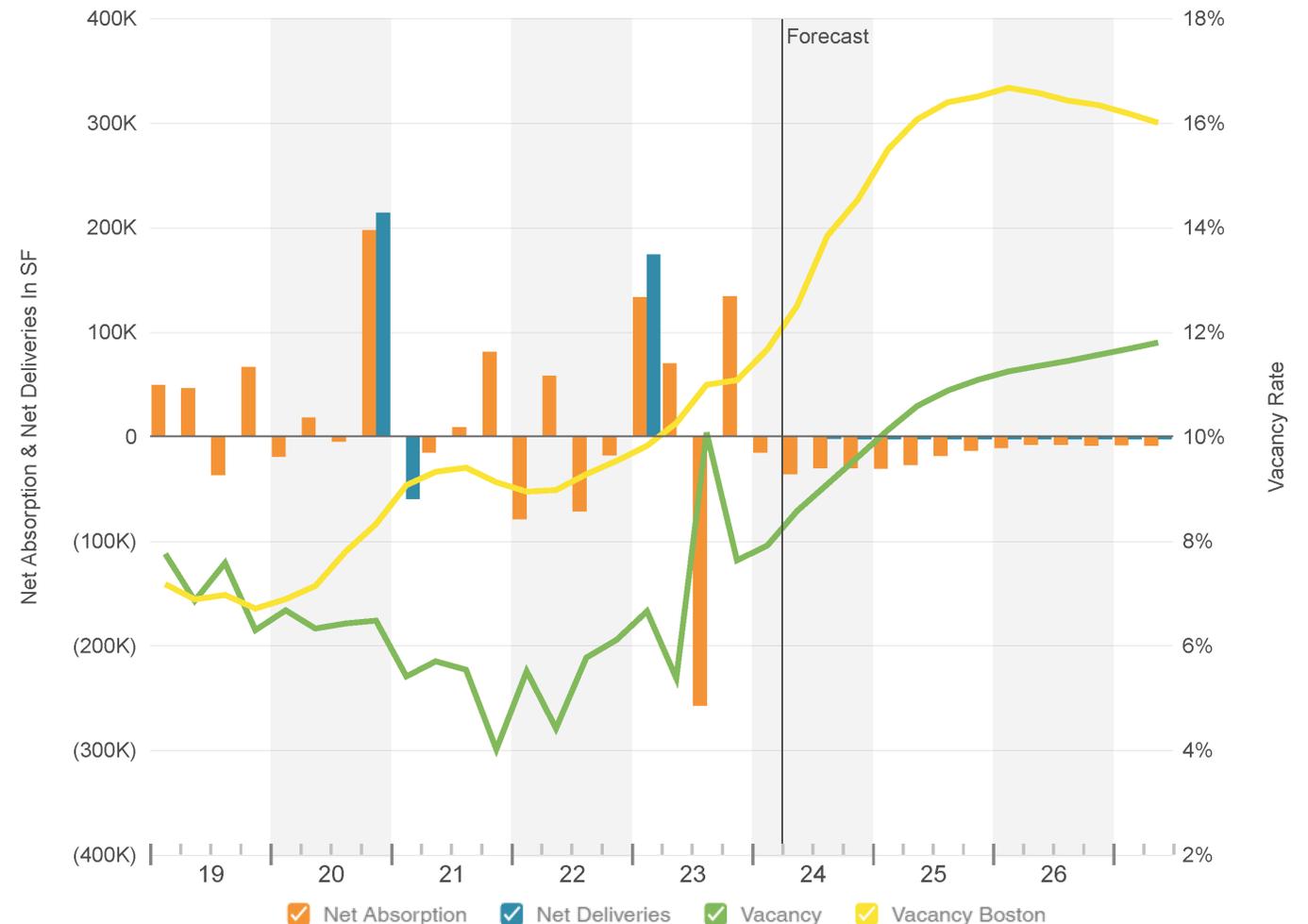
Office fundamentals are challenging in today's market with return-to-work policies still challenged by the workforce and companies looking to downsize or shed excess space.

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.

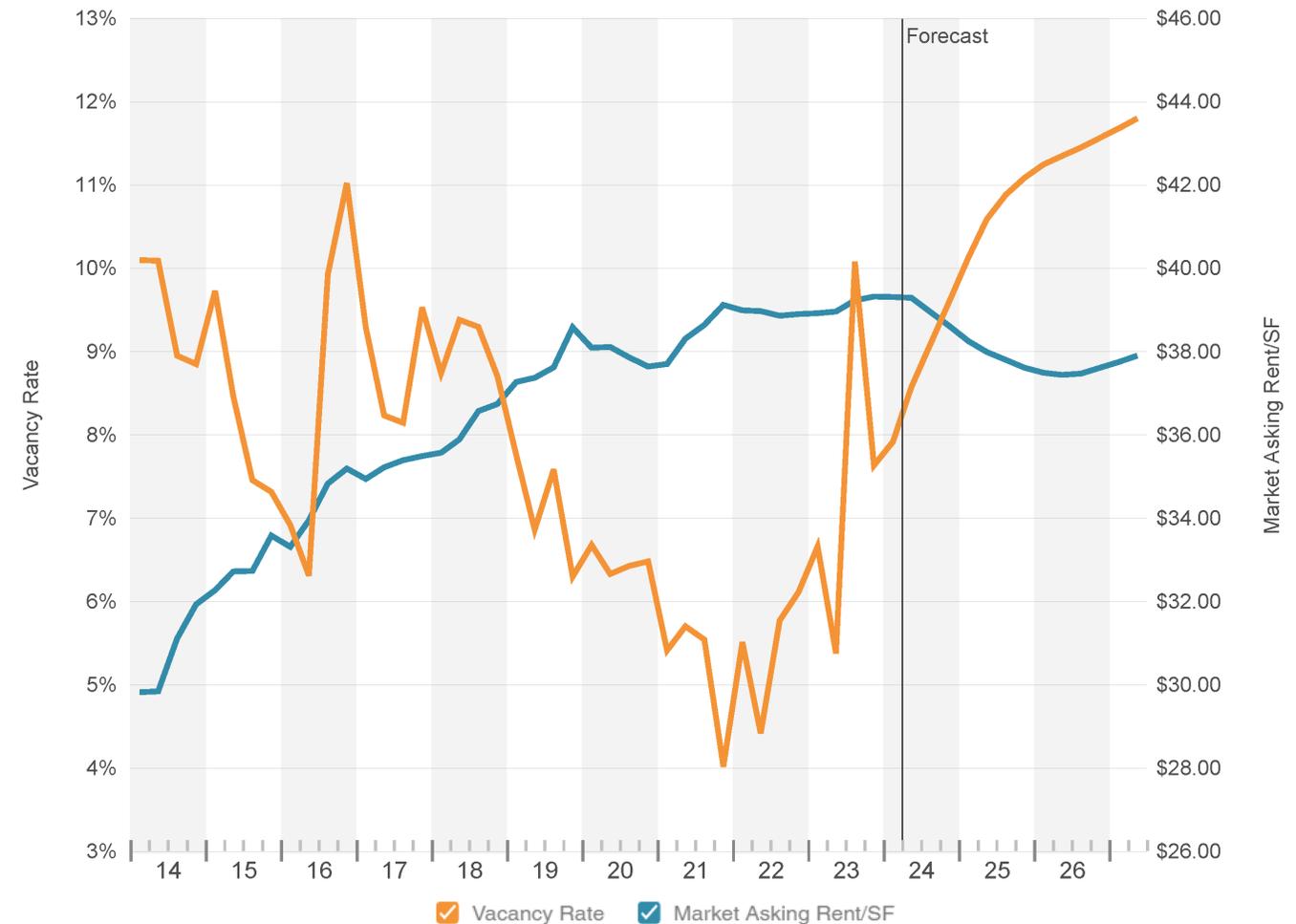
As the vacancy rate in the Lexington/Arlington office submarket has risen, asking rents have begun to plateau around \$39.00 per SF.

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



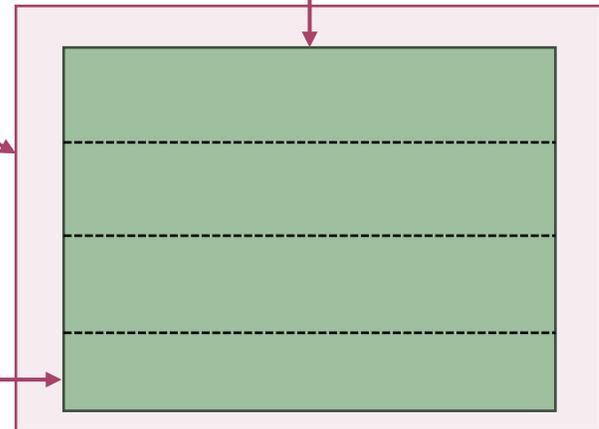
842-844 Main St.
Winchester, MA



Average height is 4 stories.

Average building volume is 175,000 SF.

Average floor plate is 42,000 SF.



Average Parking Ratio:
2.0 per 1,000 SF

Market Analytics: Retail



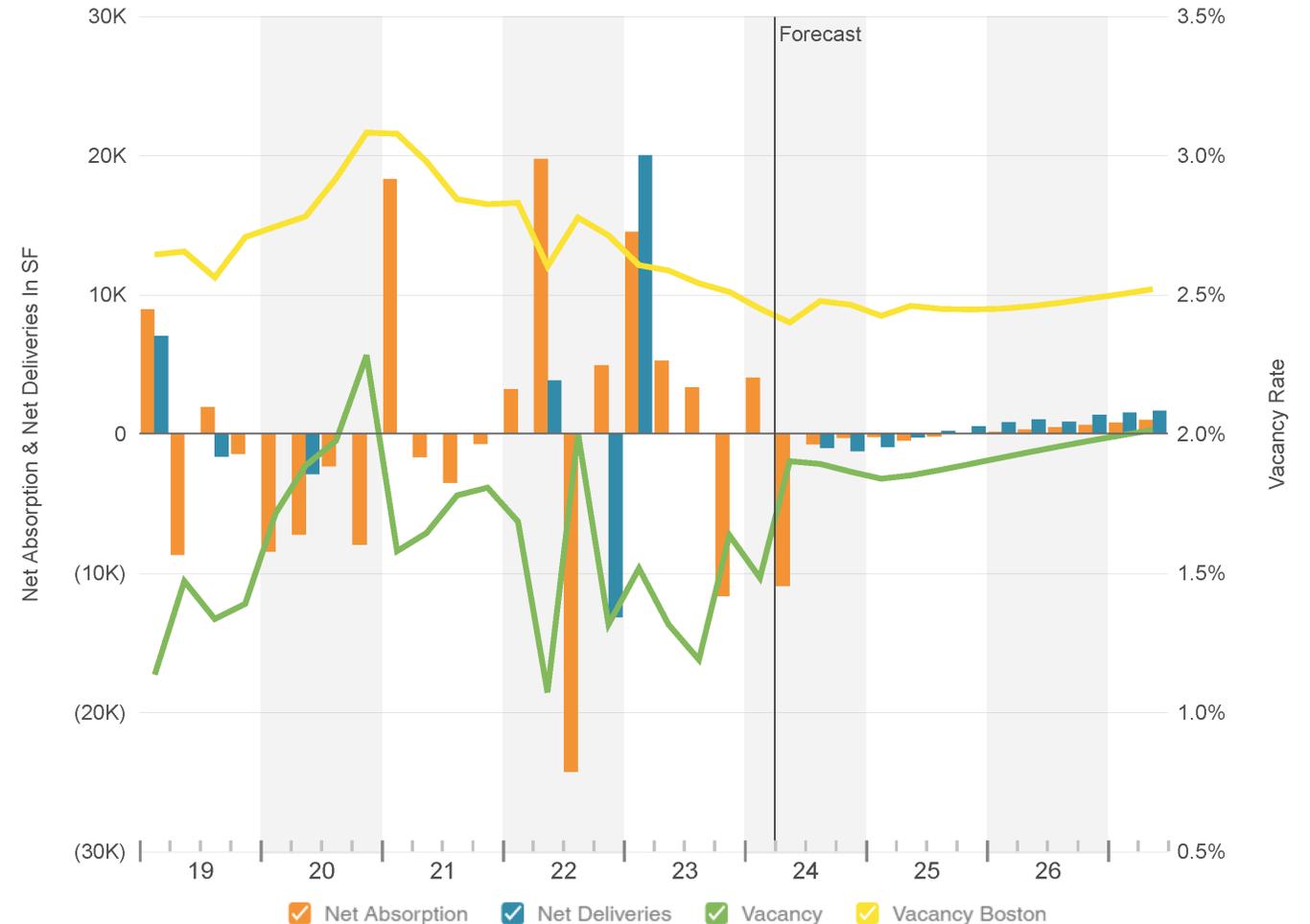
Retail vacancy remains below the Boston region, generally reflects deliveries and absorption.

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.

Net Absorption, Net Deliveries & Vacancy



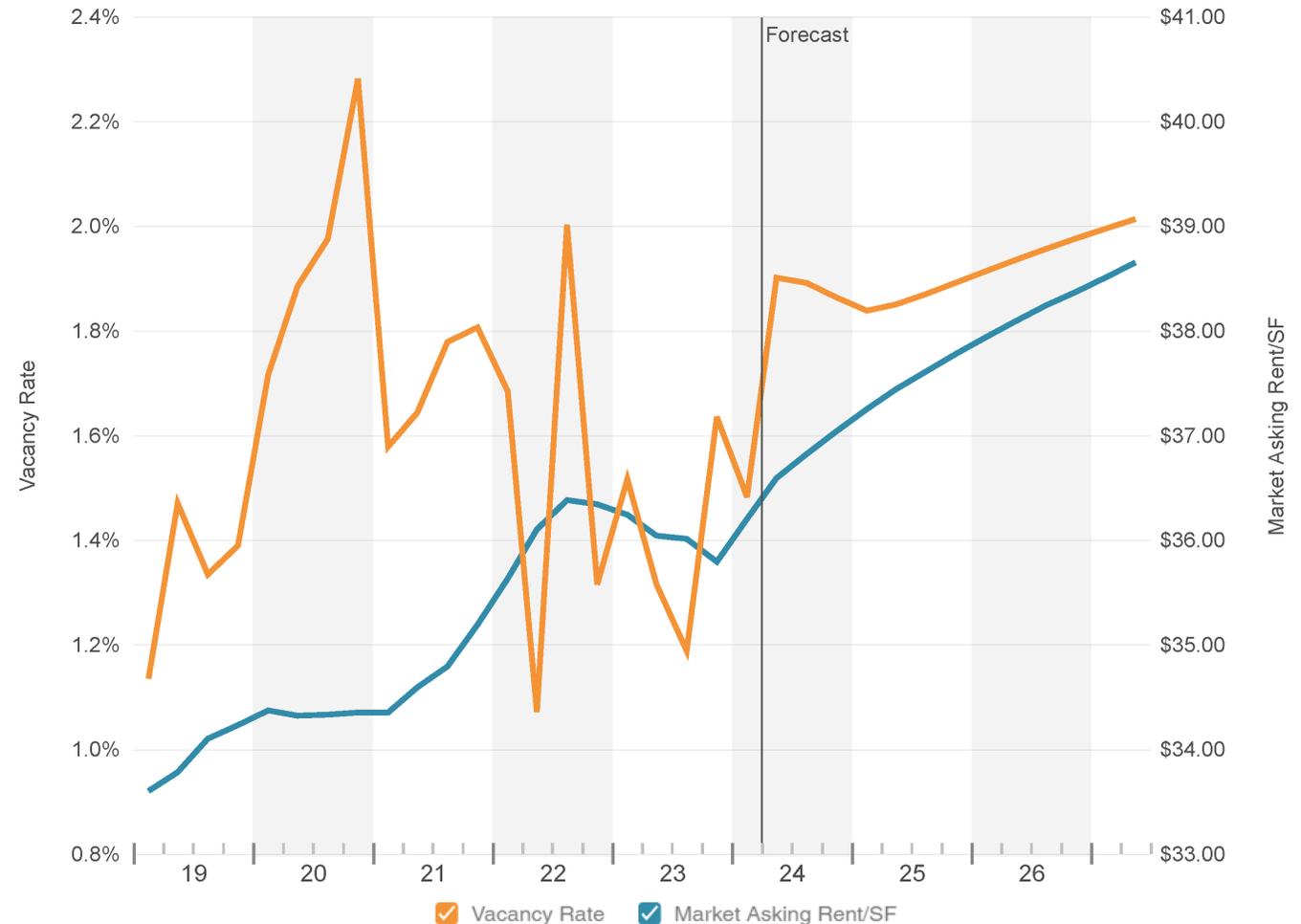
Rents have been steadily rising but hit a slight decline in the past year.

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.

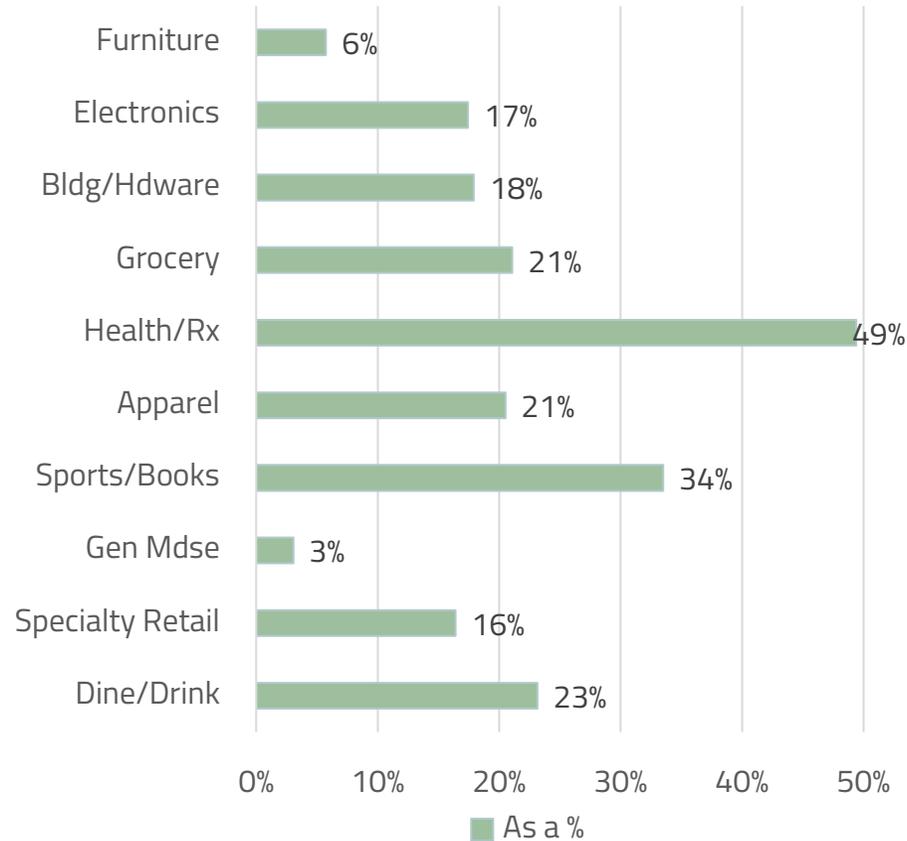
Although rents are projected to continue to climb, retail in the submarket has cooled a bit with rent growth falling below the larger Boston market average and some negative absorption of space over the past year.

Vacancy & Market Asking Rent Per SF

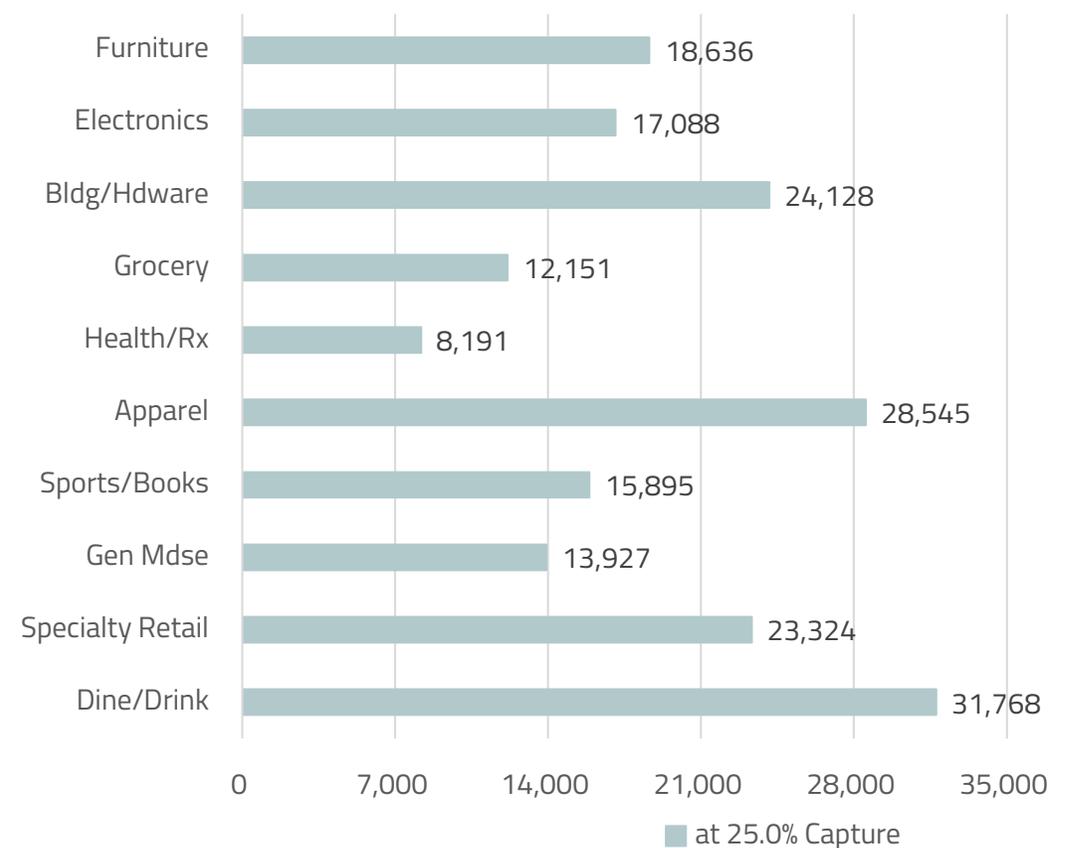


Belmont residents seek retail and restaurant options outside the town often.

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

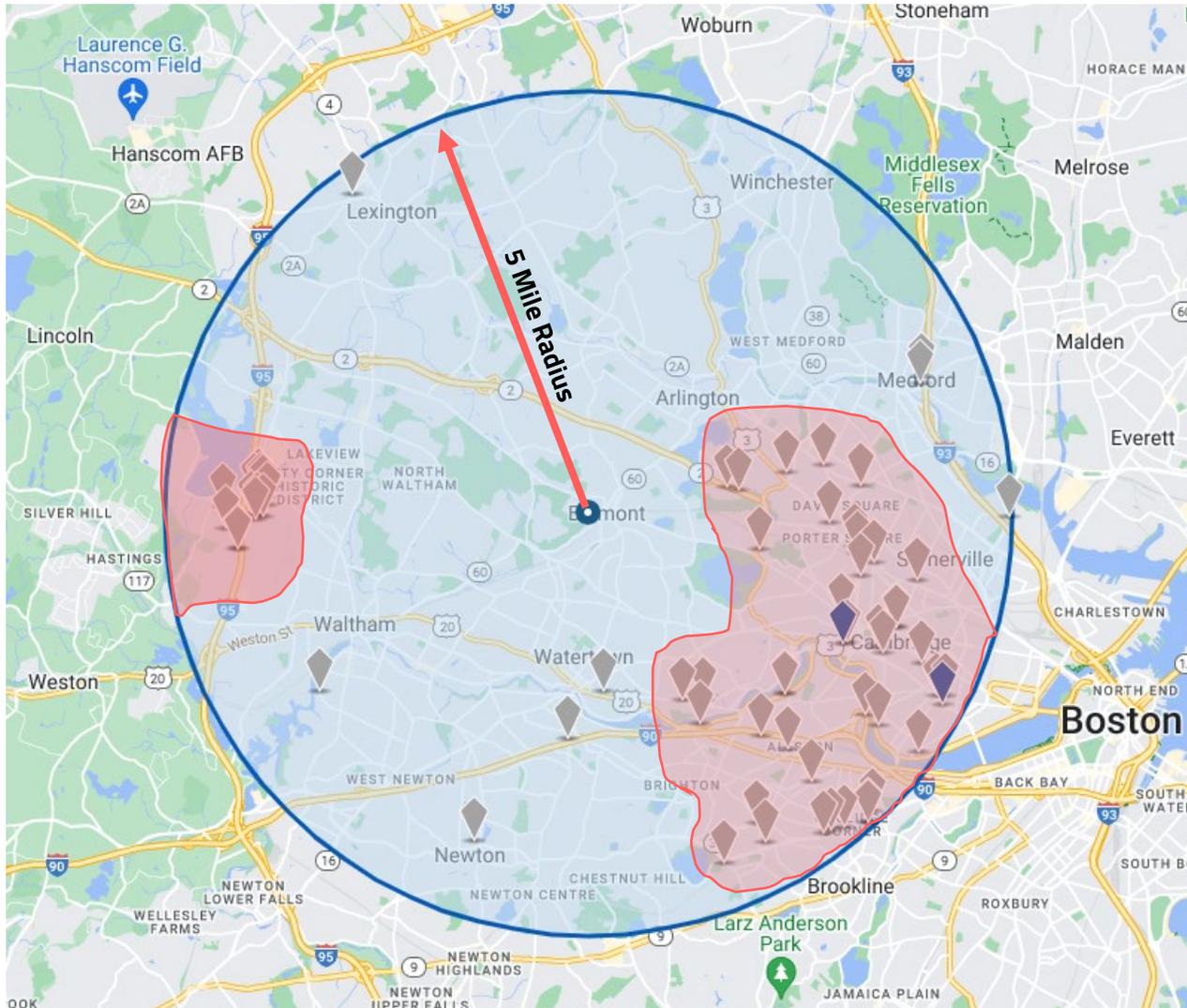
*Belmont falls within the Cambridge/Waltham submarket. Submarket includes Belmont, Cambridge, Waltham, Lexington, Winchester, Arlington, Watertown, Medford, Malden, Melrose, Stoneham, and Allston/Brighton.

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