

2007

# Worcester North Main Market Analysis

Office, Flex/R&D, Residential, Retail &  
Lodging Sectors

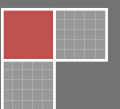
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## Executive Summary

The North Main Economic Development Strategy Area offers promise for revitalization and reuse of existing structures, with an existing cluster of institutional, historic, cultural, and religious assets, in conjunction with new infill development. With major redevelopment projects planned in Downtown Worcester (e.g. CitySquare, Gateway Park), the time is ripe for unlocking the market potential in the North Main area. A key first step in realizing this potential is establishing an understanding of current market conditions in Worcester as they relate to the office, flex/ R&D, residential, retail, and lodging markets.

### Key Findings

Observations and preliminary conclusions regarding the office, flex/ R&D, residential, retail, and lodging market analyses include the following:

#### Office Observations

- The existing inventory of office space in the Worcester market is 10 million square feet (3 percent of all space in Metropolitan Boston). The majority (74 percent) of this space is located in the Worcester Metro submarket.
- Vacancy rates have steadily decreased in the Worcester office market (from 12.2 percent in 2004 to 9.7 percent in 2006), and have historically been lower than vacancy rates in the Metropolitan Boston region (14.5 percent in 2004 and 11 percent in 2006).
- The Worcester office market has historically offered more affordable space (e.g. \$5 to \$6 lower per square foot per year) than rates in the Metropolitan Boston market. Average lease rates in the Worcester office market were \$18.36 as of year end 2006 compared to \$23.91 in Metropolitan Boston.
- Office tenants occupy small spaces in Metropolitan Boston (e.g. less than 4,999 square feet). The average employee occupies 316 square feet of space.
- Top employers in the Worcester region include those in the biotechnology, health care, medical research, information, and advanced manufacturing fields. The City and Downtown offers a medical/ bioscience niche, with employers like UMass Memorial Health Care, UMass Medical School, and Saint Vincent Healthcare System.
- The majority of office space is Class B (defined as space that is relatively utilitarian and located in older buildings – which may offer good to excellent design features).
- Characteristics of space recently delivered in both Metropolitan Boston and the Worcester office markets reveal market preferences for smaller spaces (e.g. buildings under 50,000 square feet).
- CitySquare will bring an additional 225,000 square feet of space to the Downtown office market.

*Office Preliminary Conclusions*

- The North Main Economic Development Strategy Area may harness the current demand for office space by providing smaller space (e.g. less than 4,999 square feet) attractive to smaller firms in the Metropolitan Boston region.
- Office recruitment in the North Main Economic Development Strategy Area should focus on those fields growing in the region, including biotechnology, health care, medical research, information, and advanced manufacturing.
- Historic buildings offer potential for rehabilitation and adaptive reuse into creative office spaces that will appeal to creative professionals in the technology and information fields. The relative affordability of the Worcester market compared to other areas in Metropolitan Boston is an attractive selling point for rehabilitated spaces.
- Recruitment of businesses engaged in biotechnology, health care, medical research, information, and advanced manufacturing will provide spin-off demand for additional office support businesses, retail stores, and restaurants in the North Main Economic Development Strategy Area.
- Mixed use projects that combine upper floor office space with ground floor retail or service space can provide the smaller, creative spaces attractive to technology-oriented businesses and accommodate spin-off retail and service businesses.
- Office development strategies in the North Main Economic Development Strategy Area should be coordinated with those occurring elsewhere Downtown, such as CitySquare, to ensure efforts support and enhance Downtown as a whole.

*Flex/R&D Observations*

- The existing inventory of flex industrial space in the Worcester market is 5.3 million square feet (4 percent of all space in Metropolitan Boston). Approximately 37 percent (nearly 2 million square feet) of this space is located in the Worcester Metro submarket.
- Vacancy rates have fluctuated in the Worcester industrial market (which includes flex and all other types of industrial space), from 14.4 percent in 2004 to 18.4 percent in 2006. Vacancy rates in Worcester have historically been higher than vacancy rates in the Metropolitan Boston region (13 percent in 2004 and 13.5 percent in 2006).
- The Worcester industrial market has historically offered more affordable space (e.g. \$1 to \$3 lower per square foot per year) than rates in the Metropolitan Boston market. Average lease rates in the Worcester industrial market were \$7.78 as of year end 2006 compared to \$9.81 in Metropolitan Boston.
- Industrial tenants occupy medium sized spaces in Metro Boston (e.g. 5,000 to 24,999 square feet).
- Top employers in the Worcester region include those in the biotechnology, health care, medical research, information, and advanced manufacturing fields. The City and Downtown offers a medical/bioscience niche, with employers like UMass Memorial Health Care, UMass Medical School, and Saint Vincent Healthcare System.
- Characteristics of space recently delivered in Metropolitan Boston reveal market preferences for smaller spaces (e.g. buildings under 50,000 square feet).
- Gateway Park will bring an additional 120,000 square feet of space to the Downtown flex market.

*Flex/R&D Preliminary Conclusions*

- The North Main Economic Development Strategy Area may orient new or rehabilitated research space to the majority of Metropolitan Boston flex industrial tenants by providing smaller spaces (e.g. between 5,000 to 24,999 square feet).
- Research and development recruitment in the North Main Economic Development Strategy Area should focus on those fields growing in the region, including biotechnology, health care, medical research, information, and advanced manufacturing. Recruitment of research and development tenants may be coordinated with efforts to recruit office tenants, given the substantial overlap of business types that occupy flex industrial and office space.
- Historic buildings offer potential for adaptive reuse into lab space that will appeal to creative professionals in the technology and information fields. New infill may also provide new lab space that appeals to creative professionals for its location in a historic downtown.
- As noted in the office market preliminary conclusions, the recruitment of new technology-oriented firms will provide demand for office support businesses, retail stores, and restaurants in the North Main Economic Development Strategy Area.
- Mixed use projects may combine upper floor lab and office space with ground floor retail. Projects may also offer historic elements combined with new construction to accommodate state-of-the-art new lab space.

Residential Observations

- Over 300,000 homes were located in the Worcester Metropolitan Statistical Area in 2006. Of these homes, over 70,000 (23 percent) were located in the City of Worcester and nearly 700 in Downtown (0.2 percent of all homes in the Metropolitan area and 1 percent of all homes in the City). Approximately 80 of the Downtown homes (11 percent) were located in the North Main Economic Development Strategy Area.
- According to 2000 Census records, the majority of City (63 percent), Downtown (95 percent), and North Main area (73 percent) residences were multi-family units. In comparison, the majority (56 percent) of homes in the Worcester MSA were single-family detached units.
- Though sales volumes in the for-sale market have recently decreased (1 percent in Worcester County from 2006 to 2007), historically, the volume of annual homes sold in the City of Worcester has increased. Sales volume increased 82 percent in the City from 1998 (2,499 homes sold) to 2006 (3,037 sold).
- The City of Worcester offers relatively affordable housing. In 2006, the median price of all homes sold in the City was \$225,000; in comparison, in Metropolitan Boston, the median price was \$402,200. Sales prices have historically increased in Worcester (from \$115,000 in 1998 to \$225,000 in 2006).
- Assuming conventional lending and affordability standards, a household would need to earn approximately \$66,000 per year to purchase the 2006 median priced home of \$225,000 in the City of Worcester, and \$56,000 to purchase the 2006 median priced condominium of \$175,000. The median household income in the City was \$44,000 in 2006 and \$60,000 in the Worcester MSA, suggesting homes are affordable to the median regional household but slightly above the reach of the median City household.
- Rental apartments in the City of Worcester were recently listed between \$450 to \$1,800 per month. The average listed rental rate for a 1-bedroom apartment was \$1,035 in 2007. Assuming conventional affordability standards, a household would need to earn \$41,000 to afford the average 1-bedroom apartment at \$1,035 per month. The median City household earning \$44,000 could comfortably afford this rental rate.
- The residential market is expanding in Worcester, with over 250 new residential units added to the Worcester residential market (through either new construction or rehabilitation). Projects under construction and planned in 2006 indicate growing interest in Worcester's residential market, with over 1,500 new units under construction or planned. CitySquare, a major mixed use project that will add 650 new units to Downtown Worcester through a phased development process, accounts for over 40 percent of these units. Affordable/ workforce housing projects are included in this residential pipeline.
- Two growing market segments are likely to provide the bulk of demand for Downtown residential space: young professionals/ those starting their careers and those nearing or entering retirement (e.g. empty nesters, retirees, and "junior seniors"). Throughout the country, these groups have been drivers of an urban residential renaissance. Both groups are projected to grow in Worcester over the next five years.

Residential Preliminary Conclusions

- The North Main Economic Development Strategy Area offers potential to attract young professionals and empty nesters/ retirees to both rehabilitated and newly developed residential spaces.

Young professionals likely to consider living in Downtown Worcester include recent graduates of the many colleges in Worcester as well as young professionals from other parts of Metropolitan Boston. Empty nesters/ retirees likely to consider Downtown include those households in the Worcester region interested in aging in place rather than relocating to other parts of the country.

A number of selling points should be highlighted in marketing units to these groups:

- The relative affordability of Worcester compared to other areas in Metropolitan Boston;
  - The creative and funky nature of historic urban living (attractive to young professionals);
  - The exciting revitalization efforts occurring throughout Downtown Worcester that will add to the existing restaurants, retail shops, cultural venues, sporting events, and entertainment options already located Downtown (attractive to both young and old);
  - The multi-modal transportation access Worcester enjoys both to regional destinations and Metropolitan Boston, particularly transit access to Downtown Boston; and
  - Worcester's growing employment options in cutting-edge fields (providing opportunities for young professionals to live near work, and for empty nesters to continue working part time until retirement).
- Preliminary strategies to attract these groups include:
    - Support for mixed-income/ workforce housing projects to maintain affordability;
    - Direct and indirect incentives for residential rehabilitation of historic buildings (e.g. tax abatements, historic tax credits, zoning/ regulatory provisions that support higher densities, etc.)
    - Marketing and promotion of existing and new retail/ cultural/ entertainment offerings;
    - Continued support for enhanced multi-modal transportation access (e.g. enhanced frequency of transit service); and
    - Continued business recruitment efforts to attract additional Downtown employers.

Retail Observations

- The existing inventory of retail space in the Worcester regional market is 10 million square feet (7 percent of all space in Metropolitan Boston). Approximately 47 percent (4.7 million square feet) of this space is located in the Worcester Metro submarket.
- Vacancy rates for all retail building types in the Worcester market were 5.7 percent at year-end 2006, comparable to the vacancy rate in Metropolitan Boston (5.5 percent). Vacancy rates were higher for general retail buildings (the type most likely to be found in downtown settings) – 19 percent in the Worcester region and 19 percent in the Worcester Metro submarket.

- The Worcester retail market offered more affordable space than the Metropolitan Boston market as of year end 2006 (\$15.09 per square foot per year compared to \$16.74) for all types of retail space. General retail space is relatively more affordable than other retail space in Worcester, with year end rates of \$13.14 found in the Worcester region and \$13.91 per square foot in the Worcester Metro submarket.
- Consumer expenditure analysis in Downtown Worcester indicates the majority of household spending is allocated to food and beverage and motor vehicle related purchases.
- Downtown Worcester retailers capture an estimated 2 percent of Primary Market Area resident expenditures (e.g. expenditures of residents living in the City of Worcester). All retail categories offer room for expansion (as evidenced by low capture rates); in particular, food services and drinking places, furniture and home furnishings, and food stores are store types highly compatible with downtown retail environments that offer room for expansion.
- Key sources of demand include existing and future City and Downtown residents, Downtown employees, and other Downtown visitors (e.g. visitors to the DCU Center, students, and other visitors).

#### Retail Preliminary Conclusions

- Demand for retail space in the North Main Economic Development Strategy Area is likely to derive from growth of Downtown residents, employees, and other visitors. As these market segments grow with the addition of new residences and office and flex/ R&D space, retail stores and restaurants should orient merchandising and marketing to these groups.
- Eating and drinking places and food stores are highly compatible store types given the interests and needs of new Downtown residents and employees. These store group categories, as well as furniture and home furnishings, exhibited low capture rates relative to area resident expenditure patterns, indicating potential for expansion.
- Niche retail businesses that offer unique, specialty products not available in other areas of the Worcester region are attractive additions that will draw regional visitors as well as Downtown residents and employees. These businesses should offer an alternative experience to that provided by the national retail tenants located in other areas of the Worcester region (such as those located at Lincoln Plaza).
- Given the concentration of recent immigrants in Worcester, the retail mix in the North Main Economic Development Strategy area may include ethnically-oriented retail stores and restaurants. To this end, strategies to encourage entrepreneurial/ small business activity should be pursued.
- Revitalization and reuse of existing historic buildings offers potential to rebuild a cohesive Main Street retail environment extending up to the North Main Economic Development Strategy Area. The use of these architecturally distinctive buildings will provide part of the unique experience that residents of both Downtown and the region will enjoy.

Lodging Observations

- The City of Worcester offers 9 hotels and 1,193 rooms (24 percent of the nearly 5,000 rooms located in 40 properties in the 15-mile region). Downtown Worcester offers three properties (the Crowne Plaza, Hampton Inn, and Hilton Garden Inn) that together provide 540 rooms (45 percent of all City and 11 percent of all regional rooms).
- Hotel occupancy rates in the City of Worcester have historically been higher than those in the region, with rates ranging from 64 to 69 percent from 2000 to 2005 in the City and 54 to 69 in the region over the same time period.
- Average room rates in the City have been higher than those in the region over the past several years, increasing 9 percent from \$98 in 2000 to \$107 in 2005. In the region over the same time period, rates decreased 8 percent from \$96 in 2000 to \$88 in 2005.
- Characteristics of hotel properties under construction in the Worcester region reveal market preferences for upscale properties. The City of Worcester is growing its hotel supply more quickly than other communities in the 15-mile region.
- Key hotel market demand segments for Downtown hotels include meetings/events travelers followed by commercial/business travelers. Conventions and area colleges provide seasonal demand for space, particularly from June to October. Leisure travels are not a major source of demand.

Lodging Preliminary Conclusions

- Existing demand segments for lodging in the North Main Economic Development Strategy Area (listed by order of importance, as indicated by Downtown lodging operators) include meetings/events travelers, commercial/ business travelers, and leisure travelers.
- Business recruitment efforts should target technology-oriented businesses will provide spin-off support for business travel (particularly if efforts are targeted at technology firms that hold training sessions for visiting professionals).
- Existing demand for meetings/events space may be enhanced through the creation of more lively and attractive environment in the North Main and Downtown areas. The revitalization of existing historic buildings, with new retail stores and restaurants, as well as mixed use infill can activate areas during the evening and weekends, providing a more attractive atmosphere for meetings, weddings, and other social events.
- The creation of a more lively and attractive environment, in conjunction with concerted efforts to weekend visitors, may increase leisure travel. Hotel operators may work in coordination with retail businesses, cultural and entertainment venues, and special events programmers to provide weekend packages for visitors. These packages may be strategically targeted to off-season weekends (e.g. October through June) when relatively less hotel demand is provided by the DCU Center, area colleges, and other demand sources. Suggested strategies include:
  - Discounted off-season/ weekend rates when no meetings/ events are in town;
  - Marketing of weekend getaway packages (targeted to couples and families in the region);
  - Joint marketing packages with area retailers and restaurants (e.g. free dessert offers, coupons and discounts with weekend stays); and
  - Coordination with downtown events programming (e.g. winter/ ice festivals).

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# 1 Introduction

## 1.1 Study Purpose

The North Main Economic Development Strategy Area offers promise for revitalization and reuse of existing structures, with an existing cluster of institutional, historic, cultural, and religious assets. With major redevelopment projects planned in Downtown Worcester (e.g. CitySquare, Gateway Park), the time is ripe for unlocking the market potential in the North Main area. A key first step in realizing this potential is establishing an understanding of current market conditions in Worcester.

## 1.2 Work Completed

The draft market analysis provides an overview of current conditions, trends, and sources of market demand for five development types in the Worcester market: office, flex/ R&D, residential, retail, and lodging.

## 1.3 Report Organization

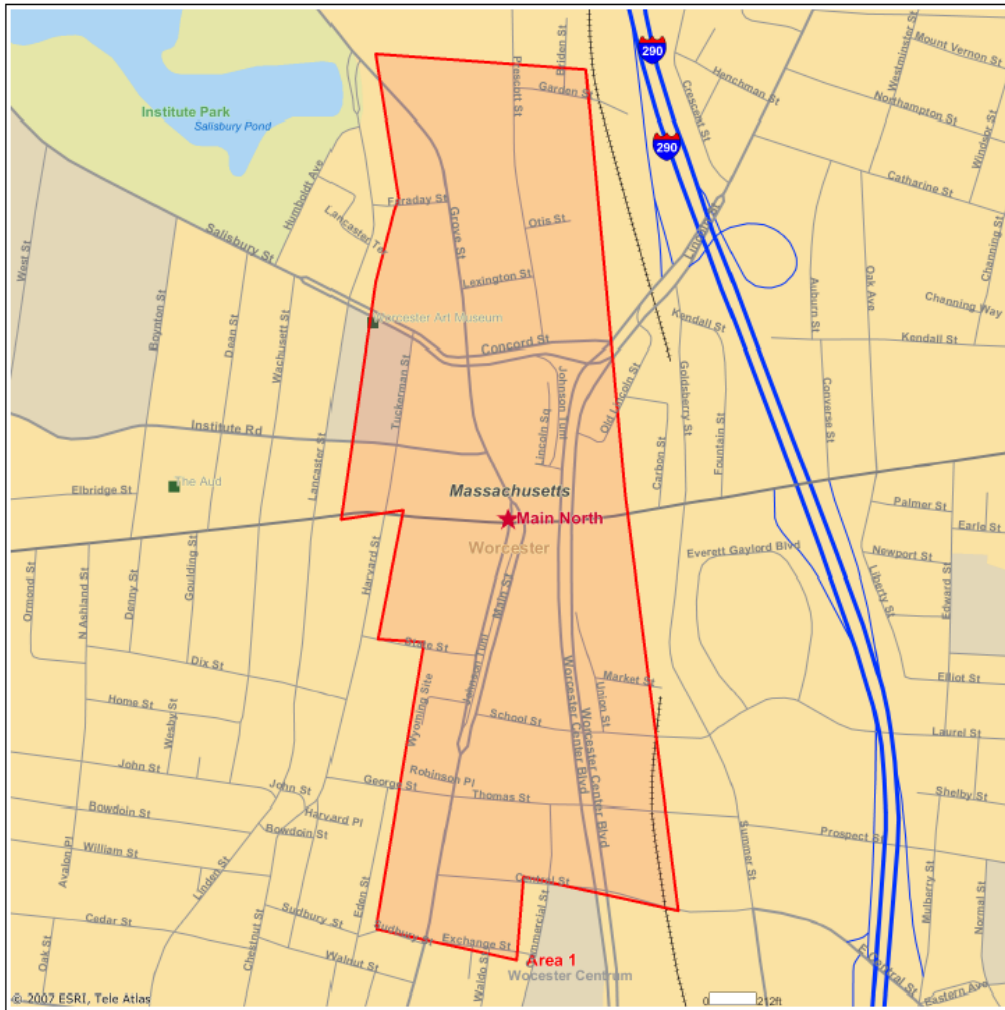
The report is organized into eight sections. These sections include:

- Section 1 Introduction
- Section 2 Study Area Overview
- Section 3 Demographic and Economic Profile
- Section 4 Office Market
- Section 5 Flex/ R&D Market
- Section 6 Residential Market
- Section 7 Retail Market
- Section 8 Lodging Market

## 2 Study Area Overview

### 2.1 Study Area Definition

The Main North Economic Strategy Area includes the land bound by Summer Street to the east, Exchange Street to the South, Lancaster Street to the west, and Garden Street to the north. This area is centered on Lincoln Square at the intersection of Belmont Street and Major Taylor Boulevard.



### 2.2 Physical Description & Development History

#### General Description

The North Main Economic Strategy Area includes a mix of diverse uses and features within and just beyond its boundaries. Existing uses include civic/institutional, medical, religious, hotels, offices, retail and services, entertainment, residential, and parking. These uses are primarily located in historic buildings, although several examples of modern architecture are present.

A number of mixed use commercial buildings are located in the North Main Economic Strategy Area, including The Armsby Building, the Day Building, and the Exchange Building. The 63 acre Gateway Park is the site of a planned major redevelopment that will house the WPI Life Sciences and Bioengineering Center.

Many of the buildings within the North Main Economic Strategy Area are historic, such as The Armsby Building, which dates to the late 1800s and is listed on the National Register of Historic Places.

### Unique Features and Landmarks

The North Main Economic Development Strategy Area includes a variety of unique features and landmarks, including:

- Civic/ Institutional – Salisbury Mansion, Worcester Municipal Auditorium, Boys Club, Worcester County Court House, Regional Justice Center, Visitor Center, Worcester Police Station, Worcester Vocational High School, Worcester Museum of Art, Massachusetts Military & Archive Museum
- Medical – Worcester Medical Center/ St. Vincent’s Hospital, Visiting Nurse Association, UMass Memorial – Anticoagulation Center
- Religious – First Unitarian Church, Wesley United Methodist Church, Our Lady of Fatima Church, Belmont Baptist Church, United Congregational Church
- Hotels – Crowne Plaza Hotel, Hilton Garden Hotel, Hampton Inn, Courtyard by Marriott
- Offices – AT&T, 100 Central Street, Morgan Construction
- Retail & Service – Parsons Printing & Furniture, Olympic Sporting Goods, Old Coghlin’s Furniture Building, Bank of America, various stores along Main Street, American Pie Pizzeria, Ninety Nine Restaurant, Eblens Clothing & Honey Farms
- Entertainment – VooDoo Night Club, DCU Center
- Residential – Plumley Village, Lennon Apartments,
- Parking – Crowne Plaza Hotel Garage, DCU Parking Center

### Adaptive Reuse Opportunities

There are a number of underutilized and/or soon-to-be vacant land and building parcels in the North Main Economic Development Strategy Area. Surface parking lots offer future redevelopment opportunities (e.g. parking lots at the corner of Eden and Exchange Streets and at the corner of Commercial and Exchange Streets), as do civic/institutional buildings likely to be vacated in the near or long term (e.g. Old Worcester County Courthouse and The Auditorium).

### 3 Demographic and Economic Profile

#### 3.1 Population/ Households

##### Growth Trends

The Main North study area had a population of 183 in 2006, representing approximately 14 percent of the total downtown population (1,322 in 2006) and 0.1 percent of the total City population (178,794 in 2006). An average annual growth rate of 7 percent is projected for Main North through 2011, comparable to the growth rates projected for downtown (9 percent), the City (8 percent) and the Worcester Metropolitan Statistical Area (1 percent).

Population and Growth Projections Main North, Downtown, City of Worcester, Worcester MSA 2000-2011				
Category	Main North	Downtown	City	MSA
Population, 2000	179	1,253	172,648	750,963
Population, 2006	183	1,322	178,794	799,746
Annual Growth Rate, 2000-2006	0.4%	1.1%	0.7%	1.3%
Population, 2011	189	1,379	185,558	838,674
Annual Projected Growth Rate, 2006-2011	0.7%	0.9%	0.8%	1.0%

Source: U.S. Census Bureau, ESRI Business Information Systems, BBP Associates

Through the year 2030, the City of Worcester is projected to grow at an annual rate of 0.2 percent; this growth translates to a net addition of nearly 8,500 residents between 2006 and 2030. Similar growth rates are projected for the Metropolitan Boston<sup>1</sup> region (0.2 to 0.3 percent growth projected per year) and Central Massachusetts Planning District (0.6 percent growth per year).

Long Term Projected Population Growth Metropolitan Boston, Central Massachusetts Planning District, City of Worcester 2000-2030								
Category	2000	2010	2020	2030	Average Annual Change			
					(2000-2010)	(2010-2020)	(2020-2030)	(2000-2030)
Metropolitan Boston	4,309,456	4,526,777	4,671,253	4,775,562	0.5%	0.3%	0.2%	0.4%
Central Mass. Planning District	518,480	559,600	595,000	628,000	0.8%	0.6%	0.6%	0.7%
City of Worcester	172,648	179,000	182,700	187,200	0.4%	0.2%	0.2%	0.3%

Source: Metropolitan Area Planning Council (MAPC - Boston), Central Massachusetts Planning Commission, BBP Associates

There were an estimated 75 households in the Main North study area in 2006, representing approximately 12 percent of the total downtown households (635 in 2006) and 0.1 percent of the total City households (69,524 in 2006). An average annual growth rate of 0.8 percent is projected for Main North through 2011, comparable to the growth rates projected for downtown (1 percent), the City (0.8 percent) and the Worcester Metropolitan Statistical Area (1 percent).

<sup>1</sup> Metropolitan Boston is defined as the 164 City/Town Region surrounding the City of Boston, which includes the Central Massachusetts Planning District and the City of Worcester.

Average household size in the Main North study area was approximately 2 persons per household in 2006, slightly higher than the 1.75 average found in downtown, but lower than the 2.4 average found in the City and 2.5 found in the Worcester Metropolitan Statistical Area. Average household size is expected to remain virtually constant in Main North and downtown through 2011.

<b>Household Composition Main North, Downtown, City of Worcester, Worcester MSA 2000-2011</b>					
Category		Main North	Downtown	City	MSA
Number of Households	2000	72	597	67,028	283,927
	2006	75	635	69,524	302,247
Annual Growth Rate, 2000-2006		0.8%	1.3%	0.7%	1.3%
Annual Growth Rate, 2006-2011	2011	78	667	72,464	317,799
		0.8%	1.0%	0.8%	1.0%
<b>Average Household Size</b>					
	2000	2.21	1.74	2.41	2.56
	2006	2.19	1.75	2.42	2.57
Annual % Change, 2000-2006		-0.2%	0.1%	0.1%	0.1%
Annual % Change, 2006-2011	2011	2.18	1.75	2.41	2.56
		-0.1%	0.0%	-0.1%	-0.1%

Source: ESRI Business Information Systems, BBP Associates

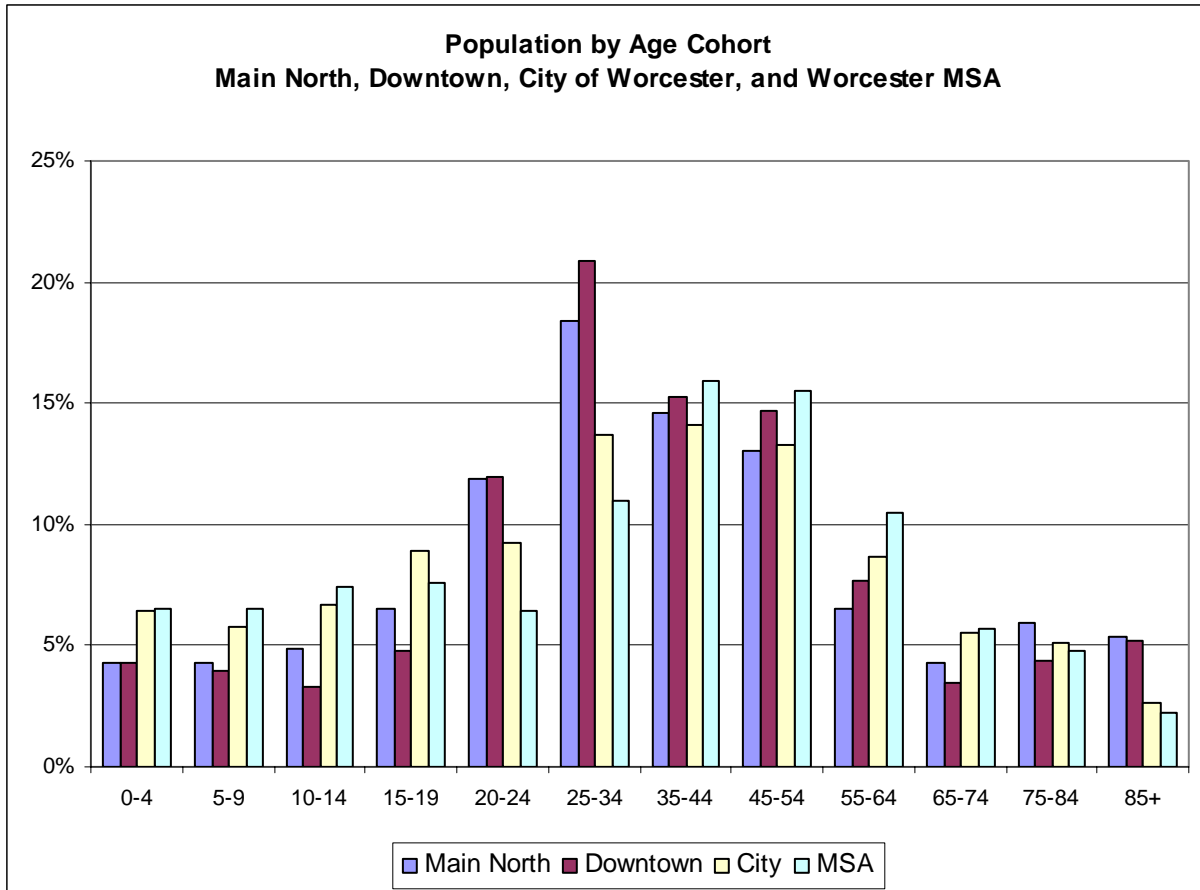
Households are expected to grow at an average annual rate of 0.3 percent through 2030 in the City of Worcester, representing the addition of over 1,500 households. Average annual growth rates are projected to be slightly higher in the Metropolitan Boston region (0.6 percent through 2030, representing the addition of over 200,000 households) and the Central Massachusetts Planning District (0.7 to 0.8 percent through 2030, representing the addition of nearly 35,000 households).

<b>Long Term Projected Household Growth Metropolitan Boston, Central Massachusetts Planning District, City of Worcester 2000-2030</b>								
Category	2000	2010	2020	2030	Average Annual Change			
					(2000-2010)	(2010-2020)	(2020-2030)	(2000-2030)
Metropolitan Boston	1,657,483	1,775,207	1,883,570	1,989,818	0.7%	0.6%	0.6%	0.7%
Central Mass. Planning District	196,274	216,600	233,600	249,000	1.0%	0.8%	0.7%	0.9%
City of Worcester	67,028	70,170	71,940	74,040	0.5%	0.3%	0.3%	0.3%

Source: Metropolitan Area Planning Council (MAPC - Boston), Central Massachusetts Planning Commission, BBP Associates

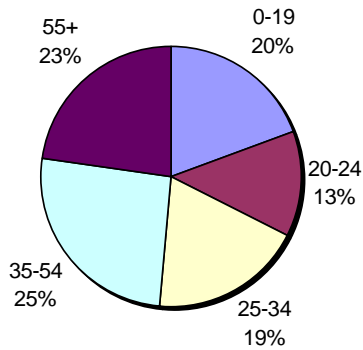
### Age Distribution

Residents within the Main North Economic Development Strategy Area exhibit a comparable age distribution to Downtown Worcester residents, with the majority of residents in the 25-34 age cohort. In contrast, residents in the City of Worcester and Worcester MSA are slightly older, with the majority of residents in the 35-44 age group.

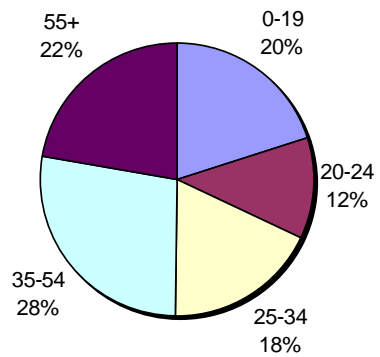


As illustrated by the following charts, the North Main Economic Development Strategy Area is projected to include a larger proportion of residents over the age of 55 in 2011 as well as a larger proportion of residents between the ages of 20 to 24. In contrast, the proportions of residents below the age of 19, between the ages of 25 to 34, and between the ages of 35 to 54 are projected to decrease.

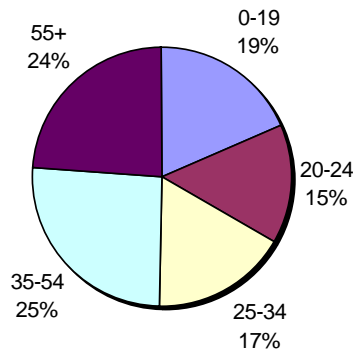
Population by Age Cohort, Main North, 2000



Population by Age Cohort, Main North, 2006



Population by Age Cohort, Main North, 2011



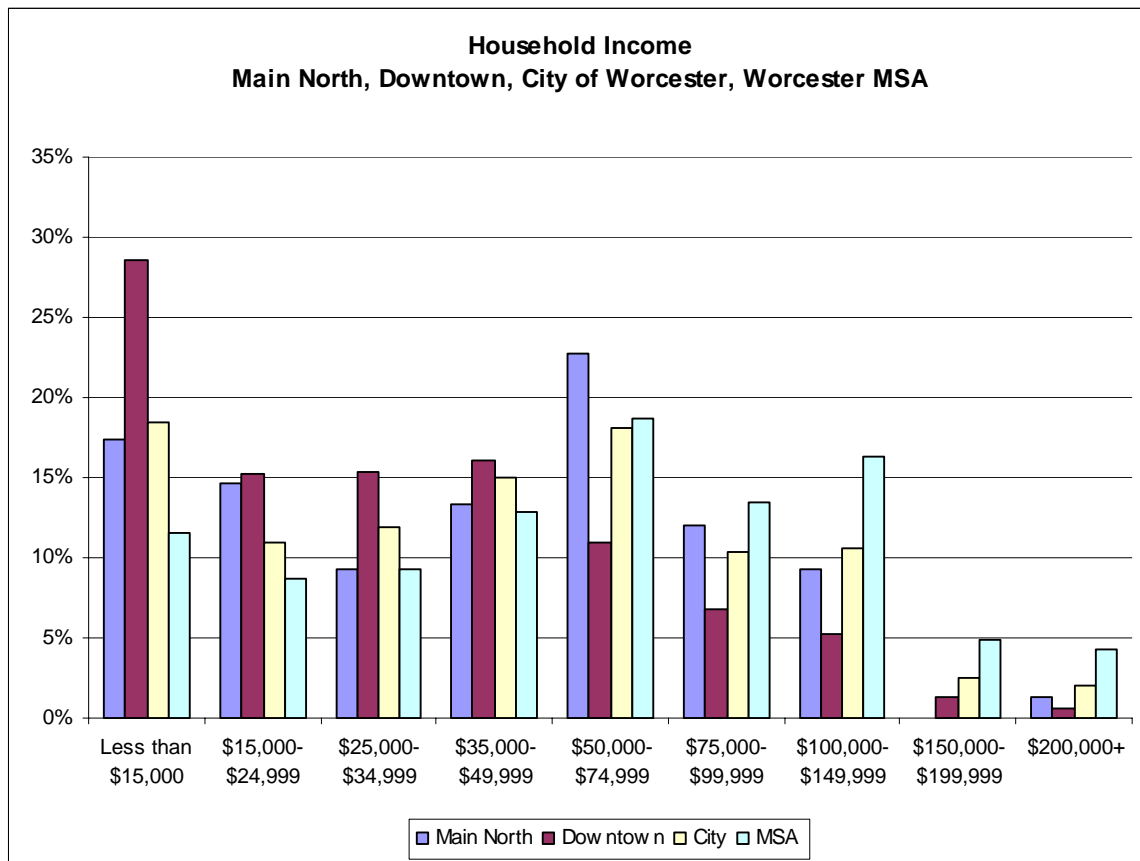
Household Income

In 2006, the median household income within the North Main Economic Development Strategy Area was \$44,312, comparable to the City median (\$42,986). The median household income in the North Main area was 1.5 times the Downtown median income (\$28,989) but lower than the Worcester MSA median income (\$59,870).

Median Household Income Main North, Downtown, City of Worcester, and Worcester MSA 2000-2011						
Category	Main North	Downtown	City	MSA		
	2000	\$39,436	\$25,235	\$35,645	\$47,875	
	2006	\$44,312	\$28,989	\$42,986	\$59,870	
Annual % Change, 2000-2006		2.5%	3.0%	4.1%	5.0%	
	2011	\$50,000	\$32,816	\$50,270	\$71,648	
Annual % Change, 2006-2011		2.6%	2.6%	3.4%	3.9%	

Source: ESRI Business Information Systems, BBP Associates

The distribution of household income in the North Main Economic Development Strategy area indicates that a range of socioeconomic groups are represented in this area. Most households fall within the \$50,000 to \$74,999 income range (most City and MSA households also fall within this earnings range). The next highest household income range in this area is less than \$15,000, likely attributable to the public housing that is located in this area. In comparison, Downtown Worcester household income is more heavily skewed to lower-income segments, with most households earning less than \$15,000.



## Tapestry Segments

ESRI Business Information Solutions uses demographic information such as labor force characteristics, median income, age, and spending habits, to categorize neighborhoods according to a trademarked Community Tapestry classification system.<sup>2</sup>

The tapestry segments represented in the North Main Economic Development Strategy Area are *Old & Newcomers*, *College Towns*, and *Inner City Tenants*. These tapestries are also present in Downtown Worcester (along with *City Dimensions*). In the City and Worcester MSA, these four tapestry segments (*Old & Newcomers*, *College Towns*, *Inner City Tenants*, and *City Dimensions*) represent 24 and 9 percent of the population, respectively. The sociodemographic traits of these groups provide useful insights into potential needs and desires for types of residential products and retail goods and services.

<b>Household Classification by Top Main North and Downtown Tapestry Segments Main North, Downtown, City of Worcester, Worcester MSA 2006</b>					
<b>Category</b>	<b>Main North</b>	<b>Downtown</b>	<b>City</b>	<b>MSA</b>	
Old & Newcomers	74%	9%	6%	3%	
College Towns	23%	19%	2%	1%	
Inner City Tenants	3%	34%	3%	1%	
City Dimensions	0%	38%	13%	5%	
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>24%</b>	<b>9%</b>	

Source: ESRI Business Information Systems, BBP Associates

The following profiles offer insight into the household configuration, characteristics, housing preferences, and consumption patterns of the four segments represented in the North Main area and Downtown. Common characteristics of these segments include:

- Dominance of single person and shared households;
- Two dominant age groups: young (20s to early 30s) and old (over 75);
- Diverse population – including Hispanic residents;
- Preference for rental housing; and
- Leisure time spent cooking, dining out, going to the movies, attending sporting events, and playing sports.

<sup>2</sup> ESRI is a subscription-based market research and analysis service.

<b>Old &amp; Newcomers (74 percent North Main Households, 9 percent Downtown)</b>	
<b>Configuration:</b>	Single-person and shared households. Dominant age range - split between 20s and 75+.
<b>Characteristics:</b>	Retirees and young persons beginning careers. One in four households receives Social Security. Median household income is \$40,400. Educational attainment above United States average. Service occupations comprise largest employment share.
<b>Housing Preferences:</b>	Rental housing is preferred by 62 percent of households. Half live in mid- or high-rise buildings. Over half of the population has moved in the past five years. Median home value of \$160,300. Average gross rent of \$649 per month.
<b>Consumption Patterns:</b>	Compact cars. Pets - especially cats. Reading fiction or nonfiction books. Going to the movies. Playing sports - racquetball, golf, jogging, walking. Attending college sporting events. Cooking.

<b>College Towns (23 percent North Main Households, 19 percent Downtown)</b>	
<b>Configuration:</b>	Single-person and shared households. Age range between 18 and 34 years. Married couples comprise 25 percent of households.
<b>Characteristics:</b>	Over 40 percent of residents attend college/graduate school. Segment includes professors and researchers. 40 percent of residents over age 25 have a college/graduate degree. Median household income is \$28,900. 52 percent of residents work part-time. Service occupations dominate employment (education, health care, food preparation).
<b>Housing Preferences:</b>	Over 10 percent of residents live on campus. Other students rent apartments off campus. 31 percent of households own homes (single-family dwellings). Median home value of \$132,900.
<b>Consumption Patterns:</b>	Fast-food restaurants. Ready-made meals at home (pizza, pasta, etc.). Books. Technology - laptops, Internet access, cellular phones. Kitchen, bed and bath products. Small appliances (microwaves, toaster ovens, vacuums). Sports and outdoor activities. Concerts, sporting events. Going to the movies. Going to bars. Branded apparel (Old Navy, the Gap, etc.).

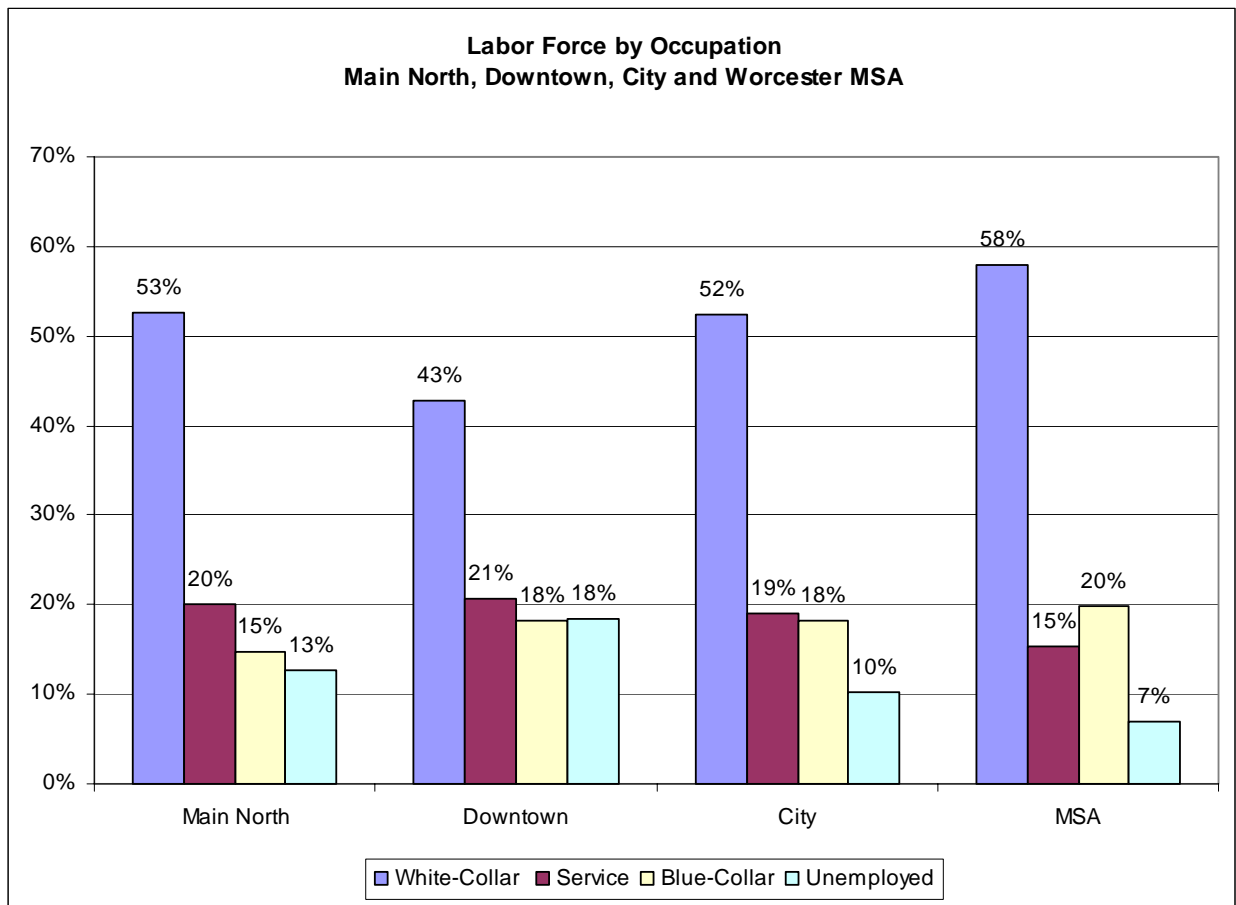
<b>Inner City Tenants (3 percent North Main Households, 34 percent Downtown)</b>	
<b>Configuration:</b>	Mix of household types: 34 percent single-person, 28 percent married-couple families, 21 percent single-parent families, and 10 percent shared housing. Median age of 28 years (younger than the national average). High ethnic diversity (white, black, and Hispanic). 28 percent of residents are Hispanic.
<b>Characteristics:</b>	Majority of residents rent apartments. 83 percent are employed; 17 percent unemployed. 7 percent of households receive public assistance. 30 percent aged 25 and older have college degrees. Median income is \$30,800. Half of employed residents work in white-collar occupations. Other residents work in the service industry (food preparation, accommodations).
<b>Housing Preferences:</b>	Most rent apartments in mid- or high-rise buildings. 20 percent own homes. Median home value is \$110,800. Average commute is 25 minutes. 17 percent of households do not own a vehicle.
<b>Consumption Patterns:</b>	Fast food restaurants. Easy-to-prepare frozen food at home. Discount stores (general merchandise). Video game systems. Baby products - food, furniture, equipment. Going to the movies. Playing sports (soccer, football, basketball). Going to bars and nightclubs.

<b>City Dimensions (0 percent North Main Households, 38 percent Downtown)</b>	
Configuration:	Mix of household types: 31 percent single-person, 30 percent married-couple families, and 23 percent single-parent families. Median age of 29 years. High ethnic diversity (white, black, and Hispanic). 28 percent of residents are Hispanic.
Characteristics:	63 percent of households rent apartments. 84 percent are employed; 16 percent unemployed. 11 percent of households receive public assistance. 7 percent of residents aged 25 and older have college degrees. Median income is \$26,800. Service, manufacturing, and retail trade industries dominate employment.
Housing Preferences:	Most rent apartments in small multi-unit structures (2-4 units). Average gross rent is \$477 per month. Median home value is \$78,600. Average commute is 22 minutes. Most households own vehicles.
Consumption Patterns:	Housewares/home furnishings. Discount stores (general merchandise). Used vehicles. Dining out. Going to bars and nightclubs. Attending concerts and sporting events. Going to the movies.

### 3.2 Labor Force

The respective civilian labor forces in the North Main, Downtown, City and Worcester MSA areas, which include employed and unemployed residents age 16 or older, totaled an estimated 95, 674, 84,618, and 399,955 in 2006. In the North Main Economic Development Strategy Area, 83, or 87% of residents were employed, while 12, or 13%, were unemployed. In comparison, the respective unemployment rates for Downtown, the City, and the Worcester MSA were 18, 10, and 7 percent in 2006.

Employed residents in the North Main area worked in a variety of positions. About half these residents were employed in white collar positions (53 percent), while less than a quarter each were employed in service (20 percent) and blue collar positions (15 percent). This employment distribution is similar to that of Downtown and the City; in each area nearly half worked in white collar positions, and less than a quarter each in service and blue collar positions. In the Worcester MSA, employment was more heavily skewed toward white collar positions (58 percent).



### 3.3 At-Place Employment

#### Growth Trends

Employment growth within the metropolitan Boston region, Central Massachusetts area, and City of Worcester is anticipated to remain steady through 2030, providing opportunities for new commercial development/ redevelopment within the Worcester Central Business District and North Main area.

The metropolitan Boston region<sup>3</sup> is expected to add 241,000 net new jobs over the period 2000 to 2030 (an average annual addition of 8,000 jobs). Jobs are expected to grow at a rate of between 2 to 4 percent per year.

The Central Massachusetts Planning District, which includes 40 municipalities surrounding the City of Worcester, is projected to add nearly 40,000 new jobs from 2000 to 2030 (approximately 1,300 per year), representing over 16 percent of new jobs created in the metro region. Jobs are projected to grow at a slightly faster rate than that of the metro region, at rates of between 4 to 6 percent.

Approximately 7 percent and 43 percent of the employment growth projected for the metro region and Central Massachusetts area, respectively, is projected to occur in the City of Worcester. Nearly 17,500 net new jobs will be created in the City from 2000 to 2030, representing an annual increase of nearly 600 new jobs. With growth rates ranging between 4 to 7 percent, the City of Worcester is anticipated to expand its job base at a slightly faster rate than the metro region and the Central Massachusetts Planning District.

Projected Employment Growth by Geographic Area 2000-2030 (All Jobs)								
Category	2000	2010	2020	2030	Average Annual Change			
					(2000-2010)	(2010-2020)	(2020-2030)	(2000-2030)
Metropolitan Boston	2,344,338	2,446,555	2,535,816	2,585,338	0.4%	0.4%	0.2%	0.3%
Central Mass. Planning District	244,668	258,300	271,900	281,700	0.6%	0.5%	0.4%	0.5%
Worcester	107,536	112,220	119,610	124,810	0.4%	0.7%	0.4%	0.5%

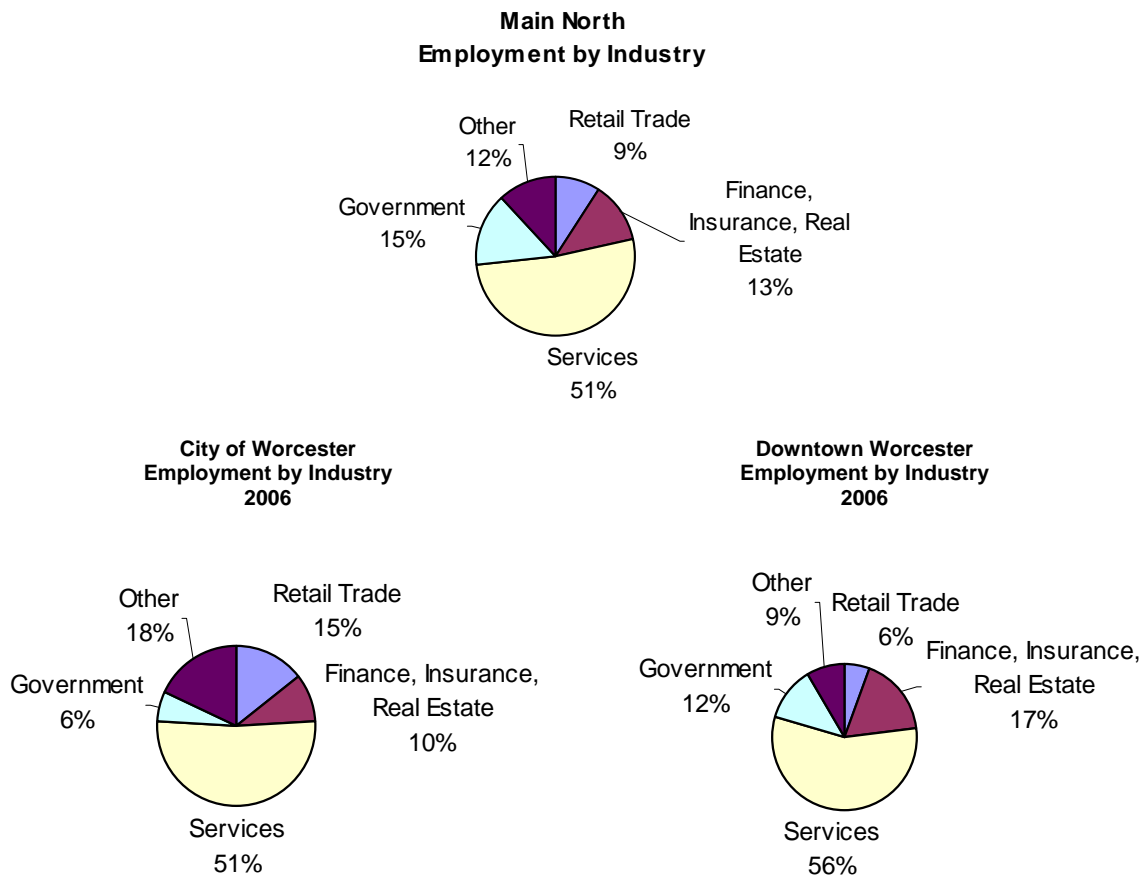
Source: Metropolitan Area Planning Council (MAPC - Boston), Central Massachusetts Planning Commission, BBP Associates

<sup>3</sup> Metropolitan Boston is defined as the 164 City/Town Region surrounding the City of Boston, which includes the Central Massachusetts Planning District and the City of Worcester.

### Employment by Industry

Within the City of Worcester, there were an estimated 7,291 businesses employing over 100,000 people in 2006. In Downtown Worcester, there were an estimated 1,013 businesses employing nearly 14,500 people in 2006. In the North Main Economic Development Strategy Area, there were an estimated 145 business employing 2,699 people in 2006.

Relative to the City, the Main North and Downtown Worcester businesses employed a larger share of workers in the finance, insurance, and real estate industries (13 and 17 percent, respectively, compared to 10 percent in the City) and government sector (15 and 12 percent, respectively, compared to 5 percent in the City). Service businesses employed the highest proportion of workers in each geographic area (e.g. Main North – 51 percent, Downtown – 56 percent, and the City – 51 percent). Main North and Downtown Worcester businesses employed relatively fewer retail trade workers (9 and 6 percent, respectively) than City businesses (15 percent).



Source: ESRI Business Information Systems, BBP Associates, 2007

## Top Employers

In the Worcester region, top employers include those in the biotechnology, health care, medical research, information technology, and advanced manufacturing fields. Of these fields, the City of Worcester and Downtown Worcester have a strong medical/ bioscience niche, with many of the large health care, medical research, and biotechnology firms located in Worcester. Several large educational institutions are also major employers in Worcester.

Selected major employers include:

- UMass Memorial Health Care, Inc.
- UMass Medical School
- Allmerica Financial/ Hanover Insurance Group
- Saint Vincent Healthcare System
- Fallon Community Health Plan
- Fallon Clinic, Inc.
- Saint-Gobain Abrasives, Inc.
- College of the Holy Cross
- Clark University
- WPI
- Community Healthlink
- Abbott Bioresearch Center
- Visiting Nurses Association
- Family Health Center
- Allegro MicroSystems, Inc.
- DCU Center

Many of Worcester's biotechnology and medical research firms are located at the Massachusetts Biotechnology Research Park, which features over 1 million square feet on over 100 acres. This park currently houses 20 companies employing 1,700 workers.

## Target Industry Opportunities

Given the existing distribution of employment in the North Main and Downtown areas, as well as the presence of major employers such as UMass Memorial/ St. Anthony's Hospital, the North Main Economic Development Strategy area offers potential to build a stronger agglomeration of office (e.g. finance, real estate, and insurance), government, and medical uses. Government and medical uses should continue to serve as employment anchors in this area, creating opportunities for spin-off business support and retail services.

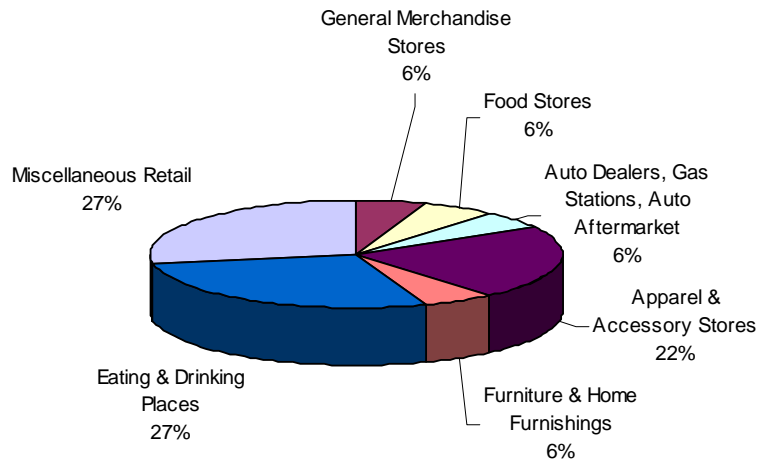
Additionally, the North Main area offers opportunity to build on planned biotechnology and research-related business development occurring at Gateway Park by creating a biotechnology/ research cluster in this area. Business recruitment efforts may target biotechnology and research employers that will together create spin-off demand for additional business support, retail, residential, and hospitality services.

### 3.4 Retail Business Mix

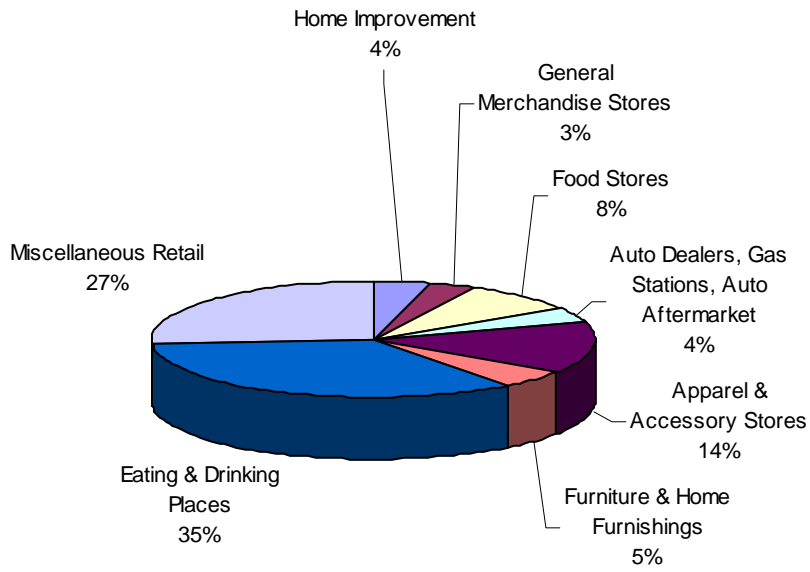
#### Retail Business Mix

The distribution of retail businesses in the North Main Economic Development Strategy area is weighted toward miscellaneous retail stores (27 percent), eating and drinking places (27 percent) and apparel and accessory stores (22 percent). This distribution is similar to that of Downtown (27 percent miscellaneous retail stores, 35 percent eating and drinking places, and 14 percent apparel and accessory stores). In the City, miscellaneous retail (23 percent) and eating and drinking places (28 percent) are also dominant retail types; however, in the City auto dealers/ auto related retail uses are a larger share of the retail business mix than in the North Main and Downtown areas.

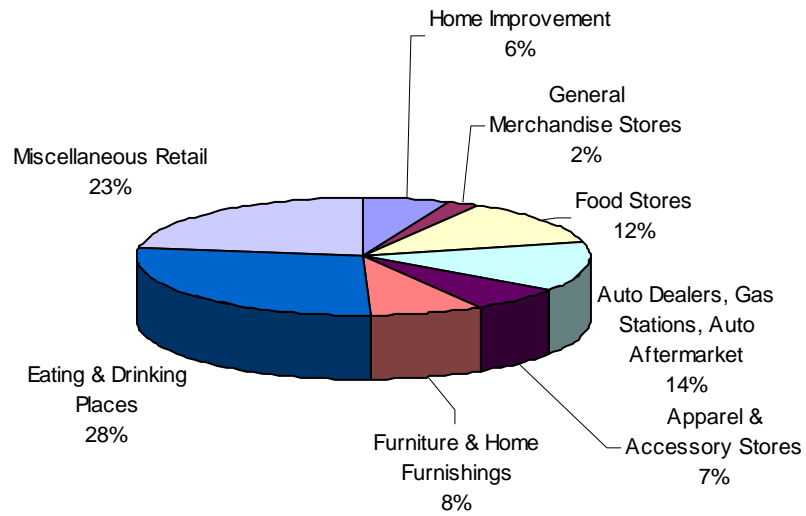
**Main North  
Retail Businesses by Category**



**Downtown  
Retail Businesses by Category**



**City of Worcester  
Retail Businesses by Category**



## 4 Office Market

### 4.1 Market Area Definition

The North Main Economic Development Strategy Area is located within the Worcester office market, which as defined by CoStar, includes the Worcester Metro and Outlying Worcester submarkets. The Worcester Metro submarket, as defined by CoStar, extends slightly beyond the City of Worcester jurisdictional boundaries and includes the land bound by Route 140 to the east, Route 90 to the south, Oxford Street to the west, and the City boundary to the north. The Outlying Worcester submarket includes the remaining land within Worcester County not included in the Worcester Metro submarket.

### 4.2 Trends – All Space Classes

#### Overview Snapshot

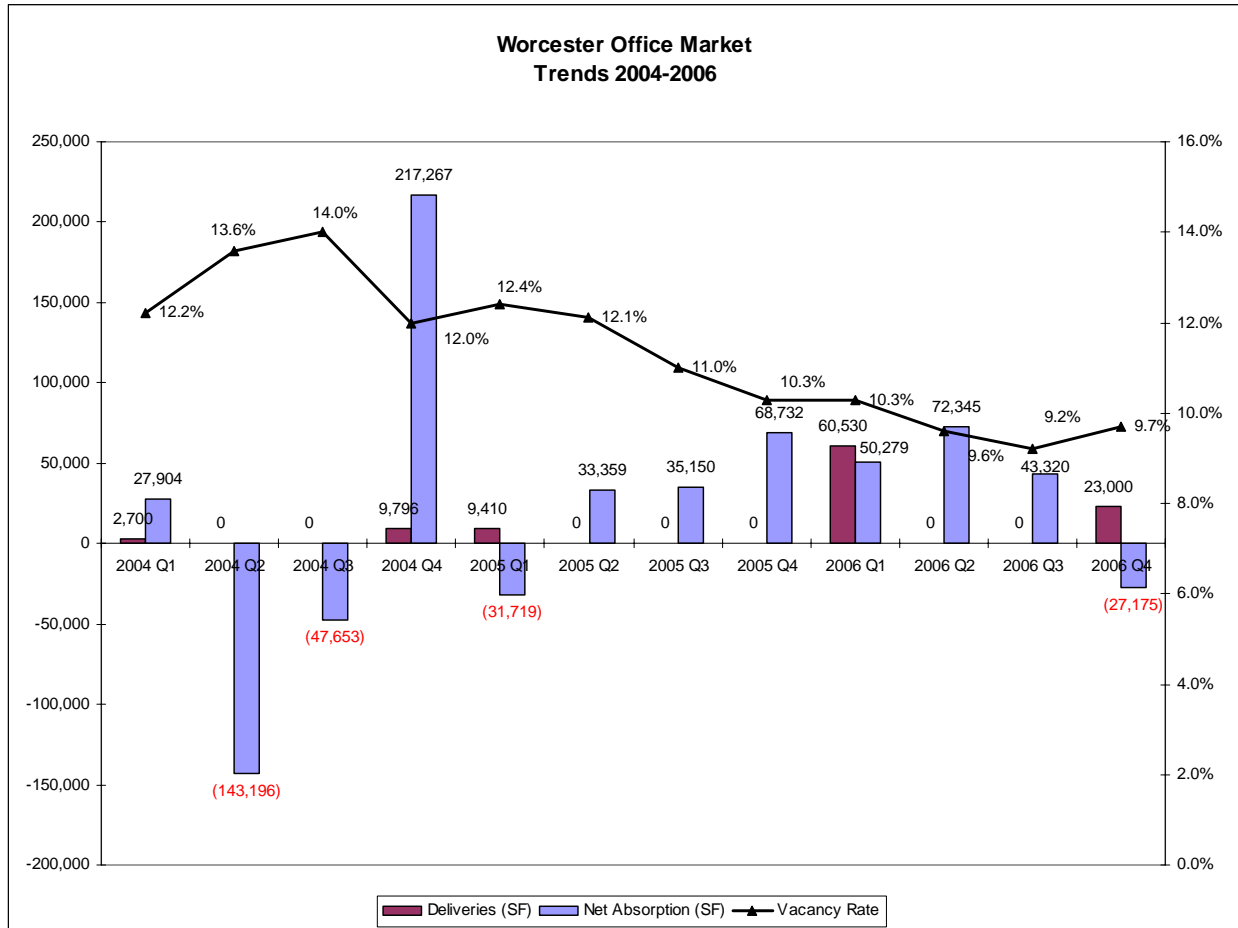
As of year end 2006, the Worcester office market (which includes the Worcester Metro and Outlying Worcester submarkets) offered over 10 million square feet of space (rentable area). This 10 million square feet represents 3 percent of the office space inventory located throughout Metropolitan Boston.

Metropolitan Boston Office Markets Year End 2006								Average Asking Lease Rate (SF/YR)
	Rentable Area (Buildings)	Rentable Area (SF)	Vacancy Rate	Net Absorption YTD (SF)	Deliveries YTD (SF)	Total Under Construction (SF)		
<i>Region</i>								
Metropolitan Boston	7,664	307,359,401	11.0%	5,420,889	1,122,166	3,317,726	\$23.91	
<i>Market</i>								
Boston/Suffolk County	1,193	92,560,594	8.0%	2,173,468	36,682	1,387,940	\$32.23	
Cambridge	368	22,705,611	9.7%	1,443,819	419,028	450,000	\$37.20	
Close-In Suburbs North	281	7,126,726	6.7%	117,043	0	0	\$19.20	
Route 128 North	854	27,030,154	14.8%	200,272	51,800	36,000	\$21.23	
Route 128 South	739	25,304,904	9.5%	(111,648)	58,000	115,363	\$20.56	
Route 128 West	836	32,133,588	11.3%	1,095,300	274,446	541,663	\$28.18	
Route 3 North	368	15,767,318	16.8%	200,205	5,500	40,175	\$17.47	
Route 495 North East	342	9,585,047	18.4%	24,626	0	102,535	\$19.30	
Route 495 South	597	13,031,807	8.0%	234,544	87,000	193,050	\$18.02	
Route 495/Mass Pike West	600	23,923,036	11.8%	(135,550)	0	124,800	\$20.06	
Route 495/Route 2 West	367	11,696,694	20.5%	(170,609)	34,000	0	\$17.52	
Southern New Hampshire	733	16,217,027	12.7%	210,650	72,180	188,200	\$18.96	
Worcester	386	10,276,625	9.7%	138,769	83,530	138,000	\$18.36	
<i>Submarket</i>								
Outlying Worcester	144	2,759,266	4.3%	55,477	43,480	88,000	\$15.42	
Worcester Metro	242	7,517,359	11.6%	83,292	40,050	50,000	\$18.88	

Source: CoStar Group, BBP Associates

All space classes include Class A, B and C space

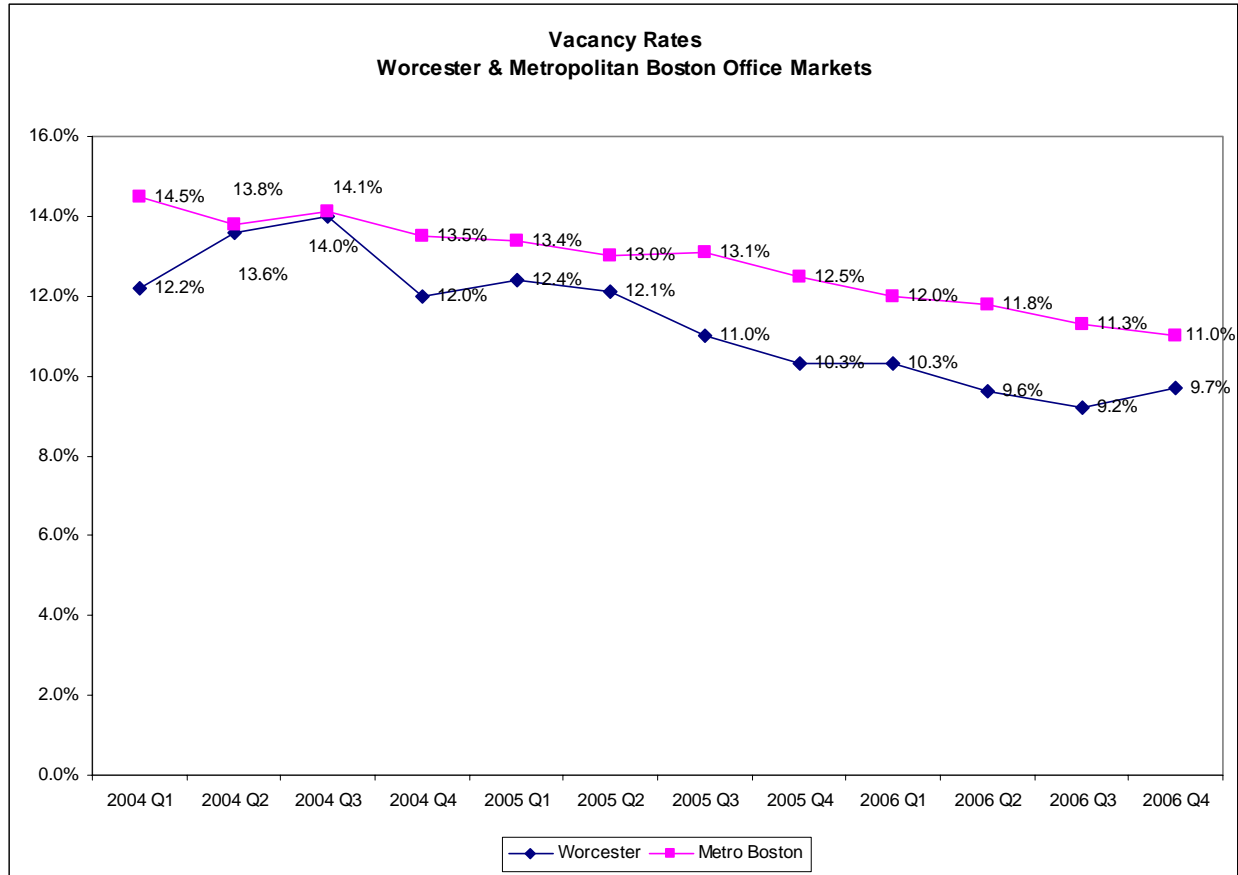
The Worcester Metro submarket provides the majority of office space (74 percent) in the Worcester office market, with 7.5 million square feet of space out of a total 10.3 million in the Worcester market. The Worcester Metro submarket represents 2 percent of the office space located throughout Metropolitan Boston.



### Vacancy Rates

The vacancy rate in the Worcester office market was 9.7 percent in 2006, lower than the 11 percent vacancy rate found in the entire Metropolitan Boston office market. Of the 13 office markets located in Metropolitan Boston, the Worcester office market had the fifth lowest vacancy rate.

The Worcester office market has exhibited consistently lower vacancy rates than Metropolitan Boston over the past several years. Since 2004, the vacancy rate in the Worcester office market has steadily declined from 12.2 to 9.7 percent. In Metropolitan Boston, the vacancy rate has also declined, albeit from 14.5 to 11 percent over this time period.



In the Worcester Metro submarket, the office vacancy rate (11.6 percent) was higher than in the Worcester office market in 2006. In contrast, the vacancy rate was significantly lower in the Outlying Worcester submarket (4.3 percent).

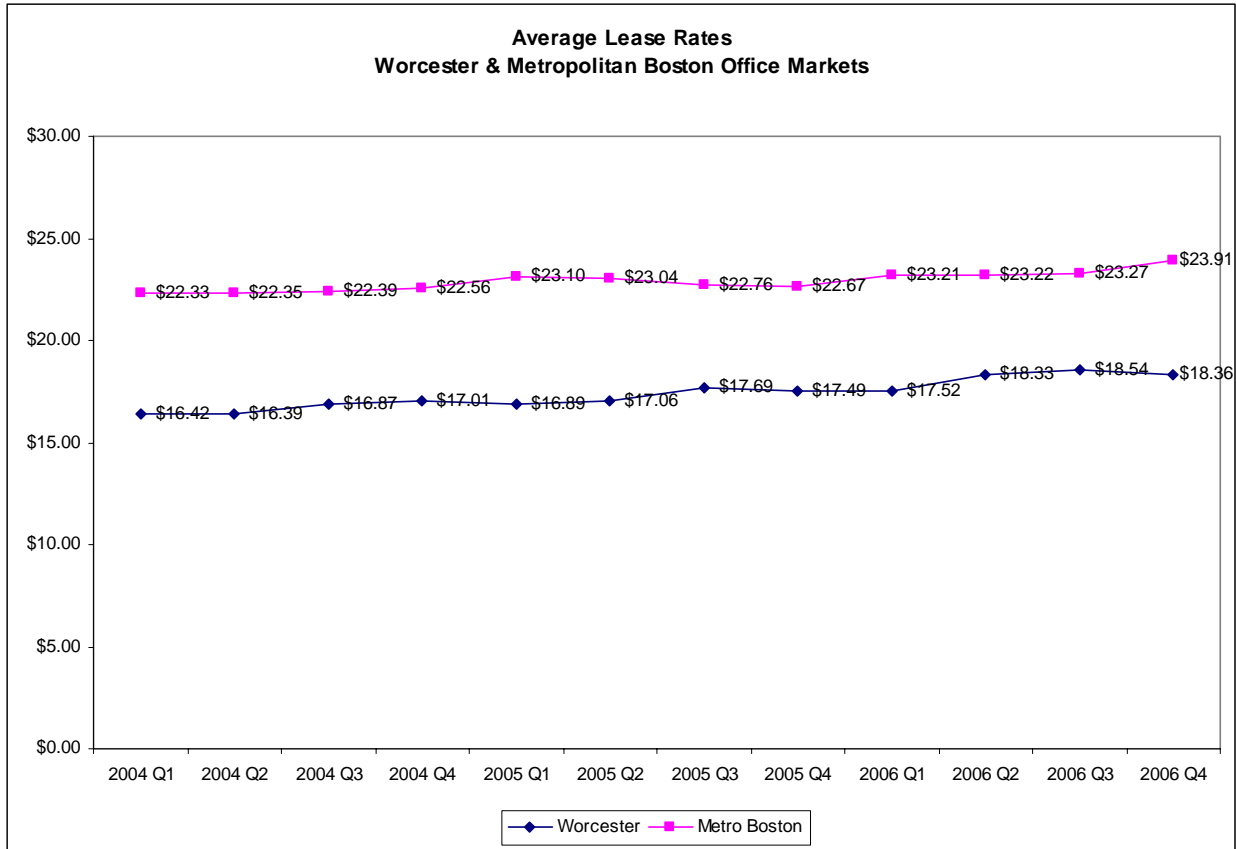
### Absorption, Deliveries, and Space Under Construction

In 2006, the Worcester office market absorbed nearly 140,000 square feet of office space, while over 80,000 square feet of space was delivered. Another 140,000 square feet of space was under construction as of year end 2006.

The majority of absorption occurred in the Worcester Metro submarket (over 80,000 square feet of space absorbed, or 60 percent of all space absorbed in the Worcester office market). In this submarket 40,000 square feet of space was delivered in 2006 and another 50,000 under construction as of year end 2006.

### Average Asking Lease Rates

Relatively affordable average lease rates are offered in the Worcester office market (\$18.36 per square foot per year) relative to the Metropolitan Boston market (\$23.91). Average lease rates were \$18.88 per square foot per year in the Worcester Metro submarket and \$15.42 in Outlying Worcester.



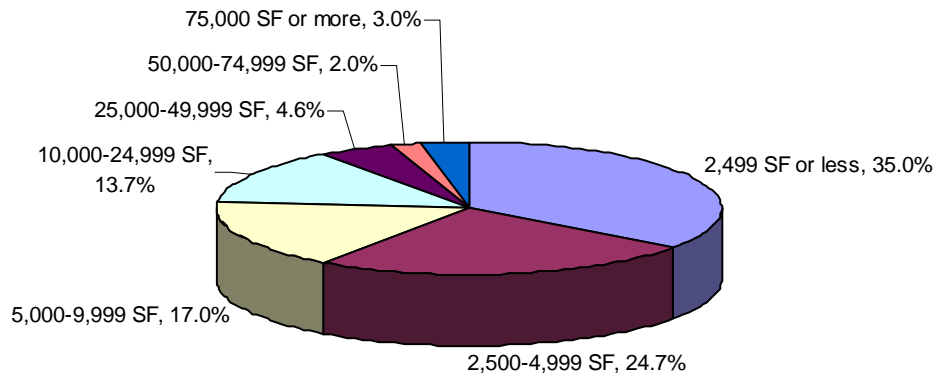
The Worcester office market has historically offered more affordable space relative to the Metropolitan Boston office market, with average lease rates approximately \$5 to \$6 per square foot per year below those in Metropolitan Boston from 2004 to 2006.

Lease rates have increased faster in the Worcester office market than the entire Metropolitan Boston market. Average asking lease rates have steadily increased in the Worcester office market, from \$16.42 in 2004 to \$18.36 as of year end 2006 (a 12 percent increase). In Metropolitan Boston, lease rates rose over this time period from \$22.33 to \$23.91 (a 7 percent increase).

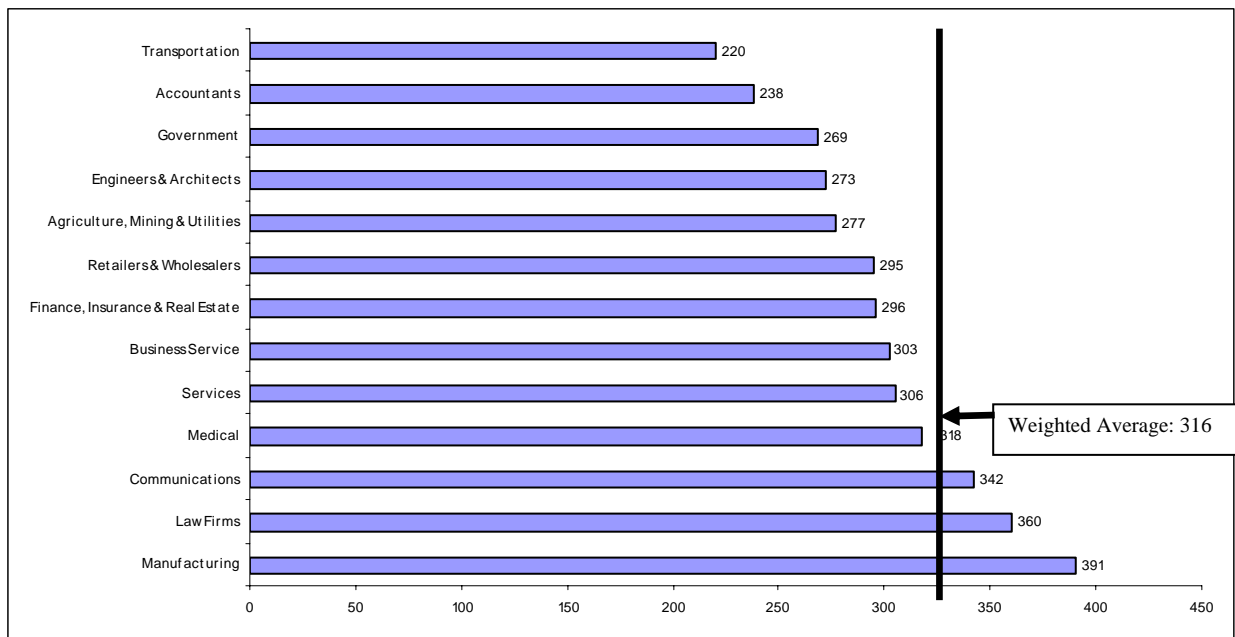
### Characteristics of Office Tenants

In Metropolitan Boston, most office tenants occupy small spaces. The majority of office tenants (35 percent) occupy less than 2,499 square feet of space; the next largest share of tenants (25 percent) occupies spaces between 2,500 to 4,999 square feet. The average office employee occupies 316 square feet of space, with employees of medical, communications, law, and manufacturing offices occupying the most square feet relative to employees in other industries.

**Office Tenants by Size of Space  
Metropolitan Boston Office Market, 2006**



**Office Tenants by Space/ Employee  
Metropolitan Boston Office Market, 2006**



### 4.3 Trends – By Space Class

#### Overview Snapshot

Analysis by office space class (e.g. Class A, Class B, and Class C) reveals that the majority of office space (50 percent) in the Worcester market is Class B space. In comparison, in Metropolitan Boston the majority of space (44 percent) is Class A space.

Metropolitan Boston Office Market by Space Class Year End 2006							
	Rentable Area (Buildings)	Rentable Area (SF)	Vacancy Rate	Net Absorption YTD (SF)	Deliveries YTD (SF)	Total Under Construction (SF)	Average Asking Lease Rate (SF/YR)
<i>Region</i>							
Metropolitan Boston							
Class A	735	136,328,921	11.7%	4,790,227	693,474	2,432,216	\$29.03
Class B	2,795	113,917,413	12.0%	600,232	359,192	877,310	\$20.79
Class C	4,134	57,113,067	7.5%	30,430	69,500	8,200	\$18.14
TOTAL/AVERAGE	7,664	307,359,401	11.0%	5,420,889	1,122,166	3,317,726	\$23.91
<i>Market</i>							
Worcester							
Class A	16	1,998,514	12.1%	7,768	0	0	\$20.94
Class B	152	5,198,814	9.9%	93,514	83,530	138,000	\$16.91
Class C	218	3,079,297	7.7%	37,487	0	0	\$18.69
TOTAL/AVERAGE	386	10,276,625	9.7%	138,769	83,530	138,000	\$18.36
<i>Submarket</i>							
Outlying Worcester							
Class A	3	474,200	0.0%	0	0	0	\$0.00
Class B	53	1,607,428	5.8%	37,796	43,480	88,000	\$15.11
Class C	88	677,638	3.8%	17,681	0	0	\$16.42
TOTAL/AVERAGE	144	2,759,266	4.3%	55,477	43,480	88,000	\$15.42
Worcester Metro							
Class A	13	1,524,314	15.8%	7,768	0	0	\$20.94
Class B	99	3,591,386	11.7%	55,718	40,050	50,000	\$17.42
Class C	130	2,401,659	8.8%	19,806	0	0	\$19.10
TOTAL/AVERAGE	242	7,517,359	11.6%	83,292	40,050	50,000	\$18.88

Source: CoStar Group, BBP Associates

Class A buildings generally command the highest rents or sales prices compared to other buildings in the same market. High quality materials, efficient layouts, above-average maintenance and management are hallmarks of this space class.

Class B buildings typically command lower rents or sales prices than their Class A counterparts in the same market. Space is utilitarian, and design is ordinary for newer buildings and may be good to excellent for older buildings. Maintenance, management and tenants are average.

Class C buildings usually command lower rents or sales prices than Class A and B counterparts in the same market. Space and design is basic/utilitarian, and maintenance and management are typically below-average.

The Worcester Metro submarket offers a more diverse mix of office space classes than Outlying Worcester. While the majority of space in the Worcester Metro (48 percent) and Outlying Worcester (58 percent) submarkets is Class B space, the Worcester Metro submarket offers relatively more Class A space (20 percent compared to 17 percent in Outlying Worcester) and Class C space (32 percent compared to 25 percent in Outlying Worcester).

### Vacancy Rates

Class A office buildings exhibited the highest vacancy rate (12.1 percent) of all space types in the Worcester office market (9.7 percent combined). In contrast, in Metropolitan Boston Class B space exhibited the highest vacancy rate (12 percent).

In the Worcester Metro office submarket, Class A office buildings exhibited a 16 percent vacancy rate (higher than the 11 percent vacancy rate for all space types). In contrast, in Outlying Worcester, Class A buildings exhibited a 0 percent vacancy rate.

### Absorption, Deliveries, and Space Under Construction

Class B office space exhibited the highest share of net absorption, deliveries, and square feet under construction in the Worcester office market in 2006. Approximately 70 percent of square feet absorbed in this market were Class B, and all of the square feet delivered and under construction in 2006 was Class B space. In comparison, in Metropolitan Boston, nearly 90 percent of office space absorbed was Class A space; 62 percent of deliveries and 73 percent of space under construction was Class A space.

As was the case in the Worcester office market, Class B space in the Worcester Metro and Outlying Worcester submarkets exhibited the highest shares of space absorbed, delivered, or under construction. In the Worcester Metro submarket, Class B space represented 67 percent of all space absorbed, and in Outlying Worcester, 68 percent. In both submarkets all of the space delivered or under construction in 2006 was Class B space.

### Average Asking Lease Rates

In the Worcester office market, average asking lease rates for Class A space were \$20.94, for Class B \$16.91, and for Class C \$18.69. In the Worcester Metro submarket, Class A lease rates were \$20.94, \$17.42, and \$19.10 (with B and C rates slightly higher than the Worcester market averages). In Outlying Worcester, rates were lower: \$15.11 for Class B and \$16.42 for Class C space. Class A rates were not available as of year end 2006 in the Outlying Worcester submarket due to a lack of space for lease.

#### 4.4 Development Activity

Recent deliveries in the Metropolitan Boston and Worcester office markets illustrate the recent dominance of small building deliveries (e.g. under 50,000 square feet). In Metropolitan Boston, 23 out of 28 office buildings delivered in 2006 (82 percent) were under 50,000 square feet.

Characteristics of Recent Office Deliveries Metropolitan Boston Region, 2006							
Building Size	# Buildings	Rentable Area	SF Leased	% Leased	Average Rate	Single-Tenant	Multi-Tenant
Less than 50,000 SF	23	318,692	228,939	72%	\$18.49	0	318,692
50,000-99,999 SF	2	110,000	110,000	100%	\$21.62	0	110,000
100,000-249,999 SF	2	419,028	373,000	89%	\$64.30	231,028	188,000
250,000-499,999 SF	1	274,446	205,835	75%	\$0.00	0	274,446
More than 500,000 SF	0	0	0	0%	\$0.00	0	0

Source: CoStar Group, BBP Associates

All of the buildings in the Worcester market that were delivered in 2006 were less than 25,000 square feet. These buildings were 100 percent occupied in 2006, indicating strong demand for this size of building.

Selected Recent Office Deliveries Worcester, 2006							
Property	Rentable Area	% Occupied	Class	# Floors	Quoted Rate	Ground Breaking Date	Delivery Date
The Eastern Medical Center	23,000	100%	B	3	-	2005 Q2	2006 Q4
1 Maple St	22,500	100%	B	3	\$16.52	2005 Q2	2006 Q1
1800 Century Dr	20,980	100%	B	1	-	2005 Q2	2006 Q1

Source: CoStar Group, BBP Associates

Buildings under construction in Worcester in 2006 were larger (50,000 – 88,000 square feet) than those recently delivered. As of year end 2006, these buildings were not preleased to tenants.

Selected Under Construction Office Properties Worcester, 2006							
Property	Rentable Area	% Preleased	Class	# Floors	Quoted Rate	Ground Breaking Date	Delivery Date
Gilmore Dr	88,000	0%	B	1	-	2006 Q4	2008 Q1
102 Shore Dr	50,000	0%	B	5	\$25.00	2006 Q2	2007 Q1

Source: CoStar Group, BBP Associates

The single largest office tenant in the Worcester office market is UMass Memorial Health Care.

Current Major Office Tenants Worcester, 2006		
Property	SF	Tenant
Guaranty Building	62,076	UMass Memorial Health Care

Source: CoStar Group, BBP Associates

CitySquare, a major redevelopment project in Downtown Worcester, will add 2.2 million square feet of mixed-use space when completed, including 225,000 square feet of new space (and 460,000 square feet of existing space). Floor plates of 35,000 square feet are planned.

## 4.5 Sources of Market Demand & Target Industries

Current office market conditions and trends indicate that smaller format spaces (e.g. less than 5,000 square feet) targeted to biotechnology, medical research, and information technology firms provide demand for the current office space inventory.

## 4.6 Conclusions

Key findings from the office market analysis include:

- The existing inventory of office space in the Worcester market is 10 million square feet (3 percent of all space in Metropolitan Boston). The majority (74 percent) of this space is located in the Worcester Metro submarket.
- Vacancy rates have steadily decreased in the Worcester office market (from 12.2 percent in 2004 to 9.7 percent in 2006), and have historically been lower than vacancy rates in the Metropolitan Boston region (14.5 percent in 2004 and 11 percent in 2006).
- The Worcester office market has historically offered more affordable space (e.g. \$5 to \$6 lower per square foot per year) than rates in the Metropolitan Boston market. Average lease rates in the Worcester office market were \$18.36 as of year end 2006 compared to \$23.91 in Metropolitan Boston.
- Office tenants occupy small spaces in Metropolitan Boston (e.g. less than 4,999 square feet). The average employee occupies 316 square feet of space.
- Top employers in the Worcester region include those in the biotechnology, health care, medical research, information, and advanced manufacturing fields. The City and Downtown offers a medical/bioscience niche, with employers like UMass Memorial Health Care, UMass Medical School, and Saint Vincent Healthcare System.
- The majority of office space is Class B (defined as space that is relatively utilitarian and located in older buildings – which may offer good to excellent design features).
- Characteristics of space recently delivered in both Metropolitan Boston and the Worcester office markets reveal market preferences for smaller spaces (e.g. buildings under 50,000 square feet).
- CitySquare will bring an additional 225,000 square feet of space to the Downtown office market.

## 5 Flex/ R&D Market

### 5.1 Market Area Definition

The North Main Economic Development Strategy Area is located within the Worcester flex industrial market, which as defined by CoStar, includes the Worcester Metro and Outlying Worcester submarkets (the same geographic areas identified as office submarkets in the office market section). The Worcester Metro submarket, as defined by CoStar, extends slightly beyond the City of Worcester jurisdictional boundaries and includes the land bound by Route 140 to the east, Route 90 to the south, Oxford Street to the west, and the City boundary to the north. The Outlying Worcester submarket includes the remaining land within Worcester County not included in the Worcester Metro submarket.

### 5.2 Trends

#### Overview Snapshot

As of year end 2006, the Worcester flex market (which includes the Worcester Metro and Outlying Worcester submarkets) offered over 5 million square feet of space (rentable area). The 5 million square feet represents 4 percent of the flex space inventory located throughout Metropolitan Boston.

Metropolitan Boston Flex-Industrial Markets Year End 2006							
	Rentable Area (Buildings)	Rentable Area (SF)	Vacancy Rate	Net Absorption YTD (SF)	Deliveries YTD (SF)	Total Under Construction (SF)	Average Asking Lease Rate (SF/YR)
<i>Region</i>							
Metropolitan Boston	2,225	116,858,735	16.6%	1,451,772	77,980	421,000	\$9.81
<i>Market</i>							
Boston/Suffolk County	121	7,681,635	14.2%	435,891	0	231,000	\$16.15
Cambridge	82	2,581,025	9.9%	197,150	0	0	\$24.97
Northern Suburbs	57	2,103,278	16.3%	15,355	0	0	\$12.09
Route 128 North	340	17,442,715	16.2%	361,326	0	0	\$10.52
Route 128 South	198	9,295,358	16.1%	(90,044)	0	0	\$10.80
Route 128 West	210	9,339,840	15.4%	(252,006)	0	0	\$12.34
Route 3 North	206	11,267,890	27.5%	(64,858)	0	27,000	\$8.08
Route 495 North East	115	10,308,986	10.9%	422,049	46,000	0	\$8.32
Route 495 South	216	11,316,614	11.3%	472,577	7,500	18,000	\$9.39
Route 495/Mass Pike West	224	10,033,017	12.3%	172,852	0	145,000	\$10.39
Route 495/Route 2 West	158	8,263,977	26.7%	(325,262)	0	0	\$8.45
Southern New Hampshire	194	11,906,433	13.3%	38,922	24,480	0	\$7.98
Worcester	104	5,317,967	27.0%	67,820	0	0	\$7.78
<i>Submarket</i>							
Outlying Worcester	53	3,347,473	29.1%	36,950	0	0	\$7.19
Worcester Metro	51	1,970,494	23.4%	30,870	0	0	\$8.58

Source: CoStar Group, BBP Associates

Data represents flex industrial market only (excludes warehouse industrial market).

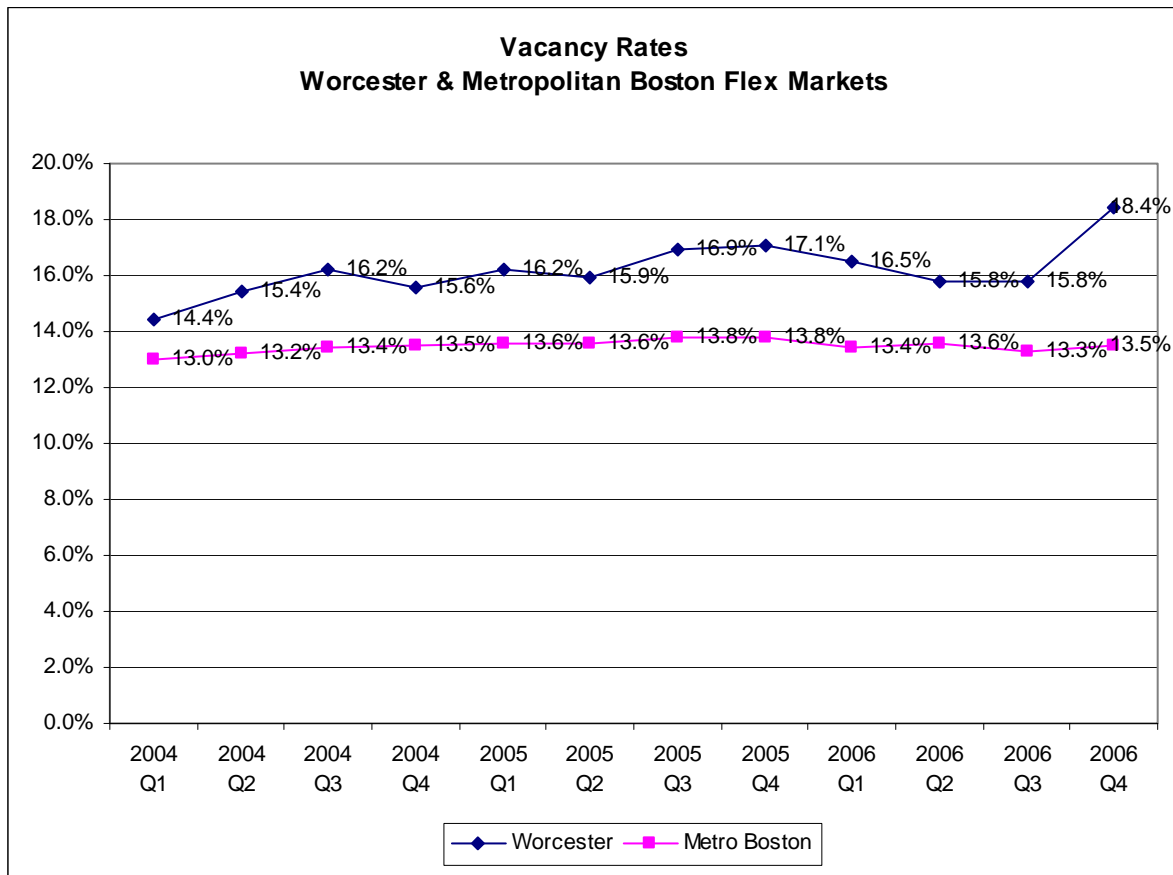
The Outlying Worcester submarket provides the majority of flex space (63 percent) in the Worcester flex industrial market, with 3.3 million square feet of space out of a total 5.3 million in the Worcester market. The Worcester Metro submarket represents 37 percent of the flex space located in the Worcester market (and 2 percent of the flex industrial space located in Metropolitan Boston).

### Vacancy Rates

The vacancy rate in the Worcester flex industrial market was 27 percent as of year end 2006, higher than the 16.6 percent vacancy rate found in the entire Metropolitan Boston office market.

Though historical trends in vacancies for flex industrial space was not available for the Worcester and Metropolitan Boston markets, this information was available for all industrial space. The vacancy trend from 2004 to 2006 for all industrial space provides a proxy for understanding the trend in vacancy for flex space in Worcester relative to the region.

The Worcester industrial market has exhibited consistently higher vacancy rates than Metropolitan Boston over the past several years. Since 2004, the vacancy rate in the Worcester industrial market has fluctuated between 14.4 and 18.4 percent. In Metropolitan Boston, the vacancy rate has remained more constant, between 13 to 13.5 percent.



In the Worcester Metro submarket, the flex industrial vacancy rate (23 percent) was lower than in the Worcester office market in 2006 (27 percent). In contrast, the vacancy rate was higher in the Outlying Worcester submarket (29 percent).

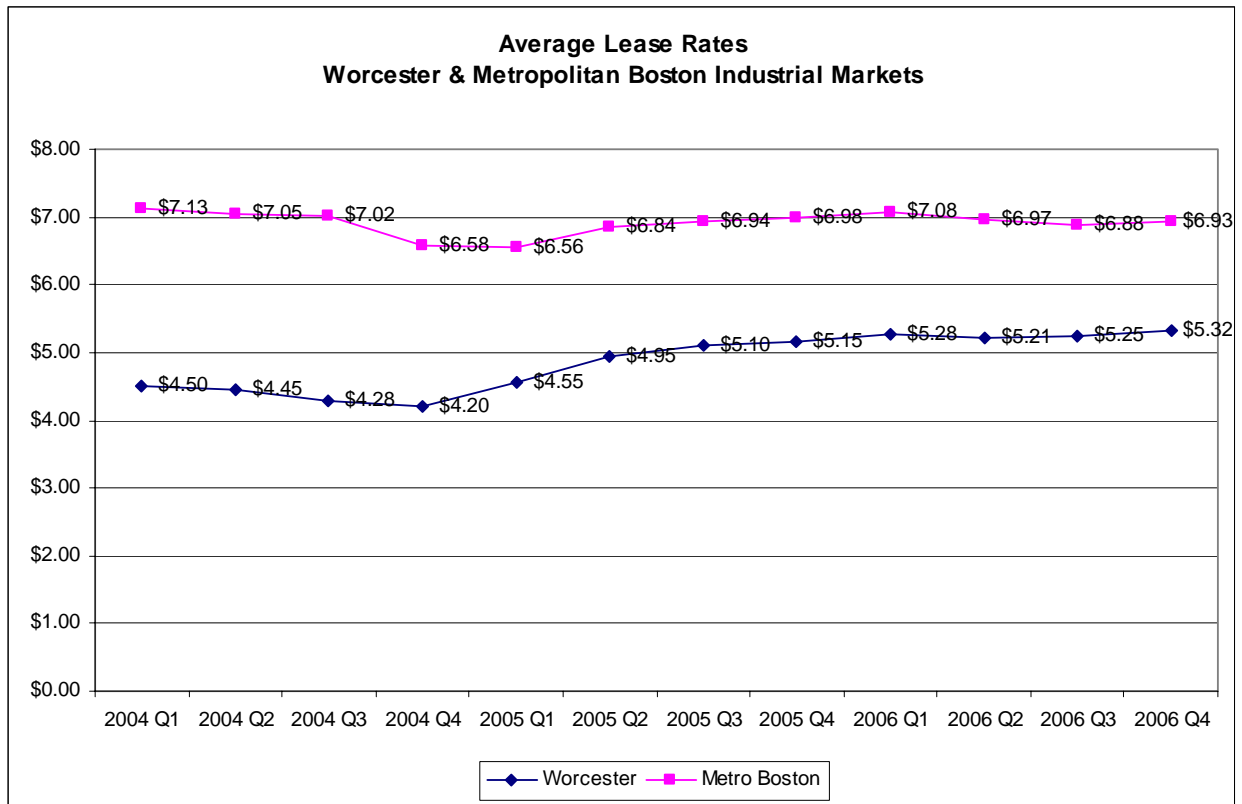
### Absorption, Deliveries, and Space Under Construction

In 2006, the Worcester flex market absorbed nearly 70,000 square feet of space; no space was delivered or under construction as of year end 2006. Absorption was roughly evenly split between the Worcester Metro submarket (30,000 square feet of space absorbed) and the Outlying Worcester submarket (40,000 square feet absorbed).

### Average Asking Lease Rates

Relatively affordable average lease rates are offered in the Worcester flex market (\$7.78 per square foot per year) relative to the Metropolitan Boston market (\$9.81). Average lease rates were \$8.58 per square foot per year in the Worcester Metro submarket and \$7.19 in Outlying Worcester.

Though historical trends in lease rates for flex industrial space was not available for the Worcester and Metropolitan Boston markets, this information was available for all industrial space. The average lease rate trend from 2004 to 2006 for all industrial space provides a proxy for understanding the trend in lease rates for flex space in Worcester relative to the region.



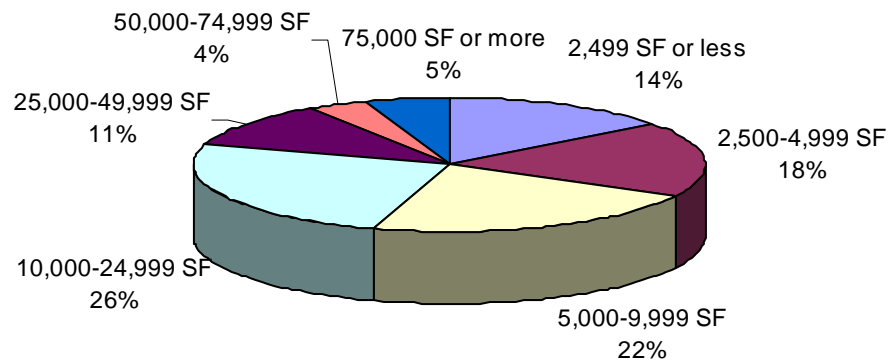
The Worcester industrial market has historically offered more affordable space relative to the Metropolitan Boston industrial market, with average lease rates approximately \$1 to \$3 per square foot per year below those in Metropolitan Boston from 2004 to 2006.

Lease rates have increased in the Worcester industrial market while they fell in the entire Metropolitan Boston market. Average asking lease rates have steadily increased in the Worcester industrial market, from \$4.50 in 2004 to \$5.32 as of year end 2006 (a 18 percent increase). In Metropolitan Boston, lease rates decreased over this time period from \$7.13 to \$6.93 (a 3 percent decrease).

### Characteristics of Industrial Tenants

In Metropolitan Boston, most industrial tenants occupy small spaces. The majority of industrial tenants (48 percent) occupy spaces between 5,000 and 24,999 square feet (with 26 percent of tenants occupying spaces between 10,000 to 24,999 square feet, and 22 percent occupying spaces between 5,000 to 9,999 square feet).

**Industrial Tenants by Size of Space  
Metropolitan Boston Industrial Market, 2006**



## 5.4 Development Activity

Data regarding recent flex industrial development activity was not available for the Metropolitan Boston and Worcester markets; however, this information was available for all industrial development types. Analysis of trends in industrial development activity serves as a proxy for understanding trends in the flex industrial market. Recent deliveries in the Metropolitan Boston industrial markets illustrate the recent dominance of small building deliveries (e.g. under 50,000 square feet). In Metropolitan Boston, 27 out of 31 industrial buildings delivered in 2006 (87 percent) were under 50,000 square feet. The majority of these buildings were built to house multiple tenants (493,000 out of 553,500 square feet, or 89 percent).

### Characteristics of Recent Industrial Deliveries Metropolitan Boston Region, 2006

Building Size	# Buildings	Rentable Area	SF Leased	% Leased	Average Rate	Single-Tenant	Multi-Tenant
Less than 50,000 SF	27	553,500	325,469	59%	\$8.97	60,500	493,000
50,000-99,999 SF	2	118,550	83,420	70%	\$6.95	60,000	58,550
100,000-249,999 SF	2	290,000	230,700	80%	\$0.00	150,000	140,000
250,000-499,999 SF	0	0	0	0%	\$0.00	0	0
More than 500,000 SF	0	0	0	0%	\$0.00	0	0

Source: CoStar Group, BBP Associates

Buildings under construction in Worcester in 2006 were larger (70,000 to over 600,000 square feet) than most recently delivered in Metropolitan Boston. As of year end 2006, only one of three buildings under construction was preleased.

### Selected Under Construction Industrial Properties Worcester, 2006

Property	Rentable Area	% Preleased	Quoted Rate	Ground Breaking Date	Delivery Date
BJ's Distribution Center	617,000	100%	-	2005 Q4	2007 Q1
BUILDING #1	109,000	0%	-	2006 Q3	2007 Q3
BUILDING #2	71,000	0%	-	2006 Q3	2007 Q3

Source: CoStar Group, BBP Associates

The largest industrial tenants in the Worcester industrial market (by square feet of space occupied) are Milford Manufacturing Services, LLC, the Woodmeister Corporation, and Rand Whitney Container.

### Current Major Industrial Tenants Worcester, 2006

Property	SF	Tenant
425 Fortune Boulevard	108,125	Milford Manufacturing Services, LLC
120 Industrial Drive	78,400	Woodmeister Corporation
1060 Millbury Street	73,450	Rand Whitney Container

Source: CoStar Group, BBP Associates

Gateway Park/ WPI Bio-Engineering Center is a major planned project in Downtown Worcester that will feature 120,000 square feet of research space when completed.

## 5.5 Sources of Market Demand & Target Industries

Current flex industrial market conditions and trends indicate that medium format spaces (e.g. between 5,000 – 24,999 square feet) targeted to biotechnology and medical research firms provide demand for the current flex space inventory.

## 5.6 Conclusions

Key findings from the flex/ R&D market analysis include:

- The existing inventory of flex industrial space in the Worcester market is 5.3 million square feet (4 percent of all space in Metropolitan Boston). Approximately 37 percent (nearly 2 million square feet) of this space is located in the Worcester Metro submarket.
- Vacancy rates have fluctuated in the Worcester industrial market (which includes flex and all other types of industrial space), from 14.4 percent in 2004 to 18.4 percent in 2006. Vacancy rates in Worcester have historically been higher than vacancy rates in the Metropolitan Boston region (13 percent in 2004 and 13.5 percent in 2006).
- The Worcester industrial market has historically offered more affordable space (e.g. \$1 to \$3 lower per square foot per year) than rates in the Metropolitan Boston market. Average lease rates in the Worcester industrial market were \$7.78 as of year end 2006 compared to \$9.81 in Metropolitan Boston.
- Industrial tenants occupy medium sized spaces in Metro Boston (e.g. 5,000 to 24,999 square feet).
- Top employers in the Worcester region include those in the biotechnology, health care, medical research, information, and advanced manufacturing fields. The City and Downtown offers a medical/ bioscience niche, with employers like UMass Memorial Health Care, UMass Medical School, and Saint Vincent Healthcare System.
- Characteristics of space recently delivered in Metropolitan Boston reveal market preferences for smaller spaces (e.g. buildings under 50,000 square feet).
- Gateway Park will bring an additional 120,000 square feet of space to the Downtown flex market.

## 6 Residential Market

### 6.1 Market Area Definition

The North Main Economic Development Strategy Area is situated within the broader Metropolitan Boston residential market. For the purposes of this analysis, the North Main Economic Development Strategy Area's residential market has been defined as the Worcester Metropolitan Statistical Area (MSA). This geographic region includes areas north to Winchendon, east to Marlborough, south to Southbridge, and west to Warren, and is centered around the City of Worcester. Many potential future residents of Downtown Worcester are likely to derive from this area.

### 6.2 Trends

#### Housing Supply Characteristics (For Sale and Rental)

The majority of homes in the North Main Economic Development Strategy Area, Downtown Worcester, and the City of Worcester (73, 95, and 63 percent, respectively) were multi-family dwellings in 2000. In comparison, the majority of homes in the Worcester MSA (56 percent) were single-family detached homes.

Housing Market by Unit Type 2000							
Geographic Area	Single Family Detached	% of Total	Single Family Attached	% of Total	Multi-family	% of Total	Total Housing Units
Main North	18	24%	2	3%	54	73%	74
Downtown Worcester	26	4%	6	1%	617	95%	649
City of Worcester	23,339	33%	2,829	4%	44,555	63%	70,723
Worcester MSA	167,565	56%	10,734	4%	119,860	40%	298,159

Source: BBP Associates, US Census, ESRI Business Information Systems.

Rental housing dominated the North Main and Downtown housing stock in 2006; approximately 63 percent and 85 percent of homes were occupied by renters in the North Main and Downtown areas, respectively.

<b>2006 Occupied Housing Units</b>				
	<b>Main North</b>	<b>Downtown Worcester</b>	<b>City of Worcester</b>	<b>Worcester MSA</b>
<b>Total Occupied Housing Units</b>	<b>79</b>	<b>684</b>	<b>73,350</b>	<b>317,336</b>
% Owner-Occupied Units	32%	8%	43%	63%
% Rental-Occupied Units	63%	85%	52%	32%
Owner/Rental Ratio	0.5	0.1	0.8	2.0
Source: BBP Associates; U.S. Census Bureau; ESRI Business Information Solutions				

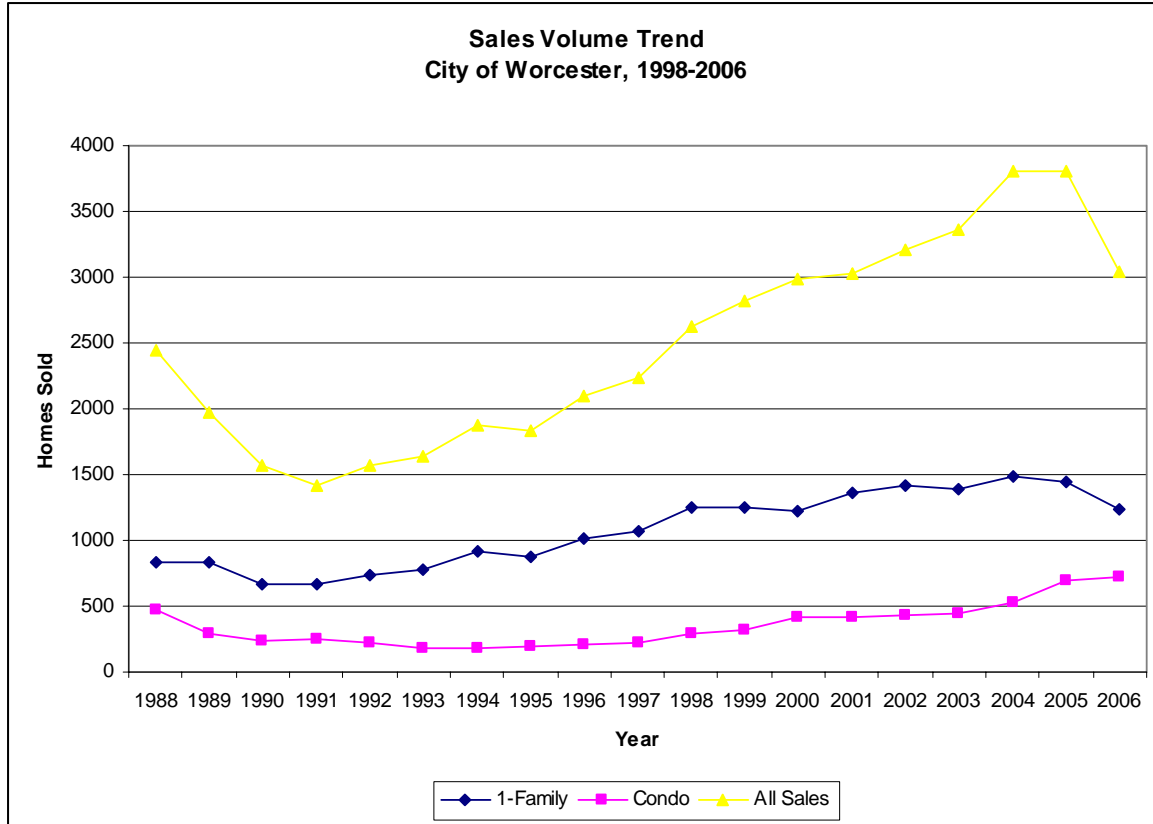
The vacancy rate for all housing units in the North Main area was comparable to that of the City and Worcester MSA (all of which had vacancy rates of 5 percent). The vacancy rate was slightly higher in Downtown Worcester (7 percent).

<b>2006 Vacant Housing Units</b>				
	<b>Main North</b>	<b>Downtown Worcester</b>	<b>City of Worcester</b>	<b>Worcester MSA</b>
<b>Total Housing Units</b>	<b>79</b>	<b>684</b>	<b>73,350</b>	<b>317,336</b>
% Occupied Units	95%	93%	95%	95%
% Vacant Units	5%	7%	5%	5%
Total Vacant Units	4	48	3,668	15,867
Source: BBP Associates; U.S. Census Bureau; ESRI Business Information Solutions				

### Sales Volumes (For-Sale Market)

The for-sale housing market has experienced stabilization throughout the state of Massachusetts and Worcester, as evidenced by sales volume changes over the past year. According to the Warren Group, the number of single-family homes sold in the first quarter of 2007 in Worcester County fell 1.11 percent over the first quarter in 2006. This decline is comparable to a decline of 0.64 percent observed in the state.

Historically, the volume of annual homes sold in the City has increased. Home sales increased 82 percent in the City from 1998 (2,499 homes sold) to 2006 (3,037 sold).



**Average Asking Rental Rates and Median Sale Prices**

In 2007, asking rental rates for 1, 2, and 3+ bedroom apartments and homes in the City of Worcester ranged from \$450 to \$1,800 per month. The average listed rental rate for a 1-bedroom unit was \$878, for a 2-bedroom unit, \$1,035, and for a 3+ bedroom unit, \$1,200.

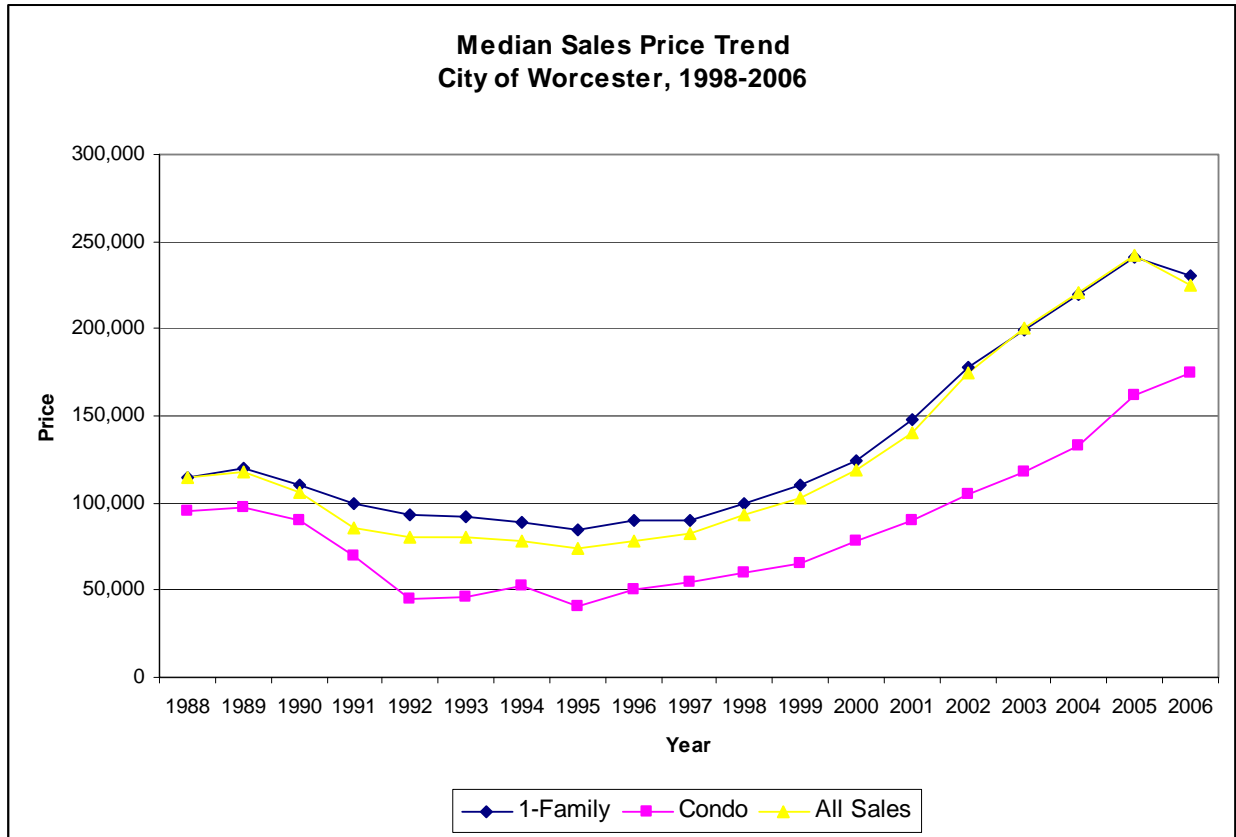
Selected Rental Listings Worcester Residential Market, 2007				
# Rooms	Asking Rent Range			
	Low	High	Average	
1	\$500	\$1,255	\$878	
2	\$450	\$1,620	\$1,035	
3+	\$600	\$1,800	\$1,200	

Source: Worcester Telegram & Gazette, 2007

The Worcester residential market offers relatively affordable homes compared to the Metropolitan Boston area. According to the National Association of Realtors, in 2006, the median price of all homes in Metropolitan Boston was \$402,200. In comparison, the median price of all homes sold in the City of Worcester was \$225,000 in 2006.

Sales prices in the Worcester for-sale residential market have historically increased, with median prices for all homes increasing from \$115,000 in 1998 to \$225,000 in 2006. While the median price of single-family homes fell from \$241,000 in 2005 to \$230,000 in 2006, the median price of condominiums

increased from \$161,000 to \$175,000, suggesting relatively stronger demand for condominiums in the Worcester market.



### Income Required to Afford Housing

Assuming conventional mortgage loan standards including a 20 percent down payment, a six percent interest rate, and 28 percent of gross income for housing costs, a household would need to earn \$66,133 in 2006 dollars to purchase the 2006 median priced home of \$225,000 in Worcester, and \$56,140 in 2006 dollars to purchase the 2006 median priced condominium of \$175,000.<sup>4</sup>

Assuming households allocate no more than 30 percent of gross income to monthly rent, a household would need to earn \$41,400 per year to afford the average 1-bedroom apartment at \$1,035 per month.

Given the median household income of \$44,000 in the City of Worcester and \$60,000 in the Worcester Metropolitan Statistical Area, median sales prices and rental rates appear affordable to median area households. However, with lower-income residents located in Downtown Worcester (where the median income is \$30,000), the Downtown and North Main Economic Development Strategy areas will likely require affordable housing alternatives to accommodate these residents.

<sup>4</sup> Incomes determined using the Income Required to Purchase calculator at [Dinkytown.net](http://Dinkytown.net).

### 6.3 Development Activity

The residential market in Worcester is expanding, as evidenced by samples of recently completed and under construction/planned projects. A number of rehabilitation and new construction projects have recently been completed in the City, including: Fremont Lofts (97 units), Biscuit Lofts (43 units), Blackstone Lofts (10 units), Oak Ridge Townhouses (84 units), Whittier Place (16 units), and Winter Place (11 units). Together these projects have added over 250 new residential units to the Worcester residential market.

<b>Selected Recently Completed Residential Projects Worcester Region</b>			
Project	Street	# Units	Affordable
Fremont Lofts	Fremont St	97	-
Biscuit Lofts	Envelope Terrace	43	-
Blackstone Lofts	Harding St	10	-
Oak Ridge Townhouses	W Boylston St	84	-
Whittier Place	Pleasant St	16	-
Winter Place	Winter St	11	-

Source: 2006 City Appraisal Report - Maria Hopkins Associates

Residential projects under construction or planned in Worcester as mid-year 2006 demonstrate growing market interest in Worcester. Over 1,500 new or rehabilitated residential units were under construction or planned at this time. Large projects (e.g. over 100 units) under construction or planned include: rehabilitation of the Hadley Burwick Building (to feature 45 affordable units out of 105 total), Kettle Brook Lofts on Main Street in Downtown Worcester (109 units), 64 Beacon Street (181 units), rehabilitation of Worcester Technical High School (140 units) and CitySquare (650 units, to be constructed in phases). The Gateway Park and Boys & Girls Club rehabilitation will add an undisclosed number of new units to the Downtown market.

<b>Selected Under Construction/ Planned Projects Worcester Region</b>			
Project	Street	# Units	Affordable
75 Grove St	Grove St	50	-
48 Water St	Water St	45	-
70 Winter St	Winter St	36	-
Hadley Burwick Building	-	105	45
University Park Lofts	Illinois St	96	-
92 Grand St	Grand St	88	-
Salisbury St	Salisbury St	59	-
Kettle Brook Lofts	1511 Main St	109	-
64 Beacon St	Beacon St	181	-
Worcester Technical School	-	140	-
CitySquare	-	650	-
Gateway Park	-	-	-
Boys & Girls Club	-	-	-

Source: 2006 City Appraisal Report - Maria Hopkins Associates

## 6.4 Sources of Market Demand & Target Market Segments

Regional growth in households will fuel demand for residential units in Worcester. In Downtown and the North Main Economic Development Strategy Area, two age cohorts are growing at a faster rate than other age groups and should provide demand for residential units: residents over age 55 and residents between the ages of 20 to 24.

These two age groups – young residents beginning careers and empty nesters – represent key market segments likely to appreciate the mix of uses and activity found in a downtown market. The relative affordability of Downtown Worcester provides a competitive advantage in attracting these market segments compared to other urban environments in the Metropolitan Boston region.

## 6.5 Conclusions

Key findings from the residential market analysis include:

- Over 300,000 homes were located in the Worcester Metropolitan Statistical Area in 2006. Of these homes, over 70,000 (23 percent) were located in the City of Worcester and nearly 700 in Downtown (0.2 percent of all homes in the Metropolitan area and 1 percent of all homes in the City). Approximately 80 of the Downtown homes (11 percent) were located in the North Main Economic Development Strategy Area.
- According to 2000 Census records, the majority of City (63 percent), Downtown (95 percent), and North Main area (73 percent) residences were multi-family units. In comparison, the majority (56 percent) of homes in the Worcester MSA were single-family detached units.
- Though sales volumes in the for-sale market have recently decreased (1 percent in Worcester County from 2006 to 2007), historically, the volume of annual homes sold in the City of Worcester has increased. Sales volume increased 82 percent in the City from 1998 (2,499 homes sold) to 2006 (3,037 sold).
- The City of Worcester offers relatively affordable housing. In 2006, the median price of all homes sold in the City was \$225,000; in comparison, in Metropolitan Boston, the median price was \$402,200. Sales prices have historically increased in Worcester (from \$115,000 in 1998 to \$225,000 in 2006).
- Assuming conventional lending and affordability standards, a household would need to earn approximately \$66,000 per year to purchase the 2006 median priced home of \$225,000 in the City of Worcester, and \$56,000 to purchase the 2006 median priced condominium of \$175,000. The median household income in the City was \$44,000 in 2006 and \$60,000 in the Worcester MSA, suggesting homes are affordable to the median regional household but slightly above the reach of the median City household.
- Rental apartments in the City of Worcester were recently listed between \$450 to \$1,800 per month. The average listed rental rate for a 1-bedroom apartment was \$1,035 in 2007. Assuming conventional affordability standards, a household would need to earn \$41,000 to afford the average 1-bedroom

apartment at \$1,035 per month. The median City household earning \$44,000 could comfortably afford this rental rate.

- The residential market is expanding in Worcester, with over 250 new residential units added to the Worcester residential market (through either new construction or rehabilitation). Projects under construction and planned in 2006 indicate growing interest in Worcester's residential market, with over 1,500 new units under construction or planned. CitySquare, a major mixed use project that will add 650 new units to Downtown Worcester through a phased development process, accounts for over 40 percent of these units.

## 7 Retail Market

### 7.1 Market Area Definition

The North Main Economic Development Strategy Area is located within the Worcester retail market, which as defined by CoStar, includes the Worcester Metro and Outlying Worcester submarkets (the same geographic areas identified as office and industrial submarkets in the office and flex/R&D market sections). The Worcester Metro submarket, as defined by CoStar, extends slightly beyond the City of Worcester jurisdictional boundaries and includes the land bound by Route 140 to the east, Route 90 to the south, Oxford Street to the west, and the City boundary to the north. The Outlying Worcester submarket includes the remaining land within Worcester County not included in the Worcester Metro submarket.

### 7.2 Trends

#### Overview Snapshot

As of year end 2006, the Worcester retail market (which includes the Worcester Metro and Outlying Worcester submarkets) offered nearly 10 million square feet of space (rentable area). The 10 million square feet represents 7 percent of the retail space inventory located throughout Metropolitan Boston.

Metropolitan Boston Retail Markets First Quarter 2006								
	Buildings	Gross Leasable Area (SF)	Vacancy Rate	Deliveries YTD (SF)	Total Under Construction (SF)	Average Asking Lease Rate (SF/YR)	Average GLA per Building	
<i>Region</i>								
	Metropolitan Boston	3,316	140,378,522	5.5%	765,535	3,154,399	\$16.74	42,334
<i>Market</i>								
	Boston/Suffolk County	238	9,140,216	3.3%	35,000	12,000	\$31.61	38,404
	Cambridge	58	2,481,804	2.9%	0	0	\$29.92	42,790
	Close-In Suburbs North	182	6,264,226	6.5%	0	78,800	\$20.15	34,419
	Route 128 North	441	17,480,117	3.0%	0	467,234	\$21.12	39,637
	Route 128 South	337	17,649,959	4.2%	0	610,489	\$15.78	52,374
	Route 128 West	196	5,052,611	4.2%	0	6,000	\$24.73	25,779
	Route 3 North	134	4,460,273	8.1%	0	18,000	\$13.57	33,286
	Route 495 North East	196	4,740,277	5.3%	0	0	\$19.45	24,185
	Route 495 South	544	30,304,998	7.8%	406,075	1,468,308	\$13.28	55,708
	Route 495/Mass Pike West	186	8,685,026	5.3%	0	25,000	\$17.30	46,694
	Route 495/Route 2 West	167	5,768,026	4.9%	324,460	15,000	\$17.45	34,539
	Southern New Hampshire	370	18,456,247	6.0%	0	436,068	\$13.77	49,882
	Worcester	267	9,893,801	5.7%	0	17,500	\$15.09	37,055
<i>Submarket</i>								
	Outlying Worcester	144	5,214,740	6.4%	0	4,500	\$13.28	36,213
	Worcester Metro	123	4,679,061	5.0%	0	13,000	\$17.01	38,041

Source: CoStar Group, BBP Associates

Includes all types of retail buildings.

The Worcester retail market is roughly evenly split between the Outlying Worcester and Worcester Metro submarkets. Approximately 53 percent of space (5.2 million square feet) was located in Outlying Worcester, while 47 percent (4.7 million square feet) was located in the Worcester Metro area.

### Overview by Building Type

Analysis of the Metropolitan Boston and Worcester retail markets by building type (e.g. community center, general retail, neighborhood center, etc.) reveals that general retail buildings account for the majority of retail buildings in Metropolitan Boston (64 percent) and Worcester (58 percent). General retail buildings are defined as single-tenant, freestanding buildings. Most downtown buildings fall within this retail category.

<b>Metropolitan Boston Retail Market by Building Type First Quarter 2006</b>								
	Buildings	Gross Leasable Area (SF)	Vacancy Rate	Deliveries YTD (SF)	Total Under Construction (SF)	Average Lease Rate (SF/YR)	Average GLA per Building	
<b>Region</b>								
<b>Metropolitan Boston</b>								
	Community Center	204	26,383,774	5.2%	0	860,608	\$14.15	129,332
	General Retail	2,098	23,144,363	10.3%	71,075	207,543	\$18.19	11,032
	Neighborhood Center	514	30,281,054	6.1%	0	839,568	\$14.27	58,913
	Outlet Center	16	2,555,657	4.8%	0	0	\$5.70	159,729
	Power Center	74	18,987,703	5.2%	694,460	1,200,000	\$19.78	256,591
	Regional Mall	37	18,123,159	0.9%	0	0	\$13.39	489,815
	Specialty/Festival/Entertainment Center	5	932,616	0.0%	0	0	\$0.00	186,523
	Sports & Entertainment	2	17,864	0.0%	0	0	\$0.00	8,932
	Strip Center	354	7,531,380	10.2%	0	46,680	\$17.71	21,275
	Super Regional Center	12	12,420,952	0.1%	0	0	\$0.00	1,035,079
	<b>Total Retail Market</b>	<b>3,316</b>	<b>140,378,522</b>	<b>5.5%</b>	<b>765,535</b>	<b>3,154,399</b>	<b>\$16.74</b>	<b>42,334</b>
<b>Market</b>								
<b>Worcester</b>								
	Community Center	13	1,670,958	3.3%	0	0	\$14.50	128,535
	General Retail	174	1,320,218	18.5%	0	17,500	\$13.14	7,587
	Neighborhood Center	39	2,408,230	4.3%	0	0	\$12.58	61,749
	Outlet Center	1	180,000	0.0%	0	0	\$0.00	180,000
	Power Center	12	2,873,566	5.5%	0	0	\$24.77	239,464
	Regional Mall	2	1,023,337	0.0%	0	0	\$0.00	511,669
	Specialty/Festival/Entertainment Center	0	0	0.0%	0	0	\$0.00	-
	Sports & Entertainment	0	0	0.0%	0	0	\$0.00	-
	Strip Center	26	417,492	1.8%	0	0	\$13.60	16,057
	Super Regional Center	0	0	0.0%	0	0	\$0.00	-
	<b>Total Retail Market</b>	<b>267</b>	<b>9,893,801</b>	<b>5.7%</b>	<b>0</b>	<b>17,500</b>	<b>\$15.09</b>	<b>37,055</b>

Source: CoStar Group, BBP Associates

Within the Worcester retail submarkets, general retail buildings also account for the majority of retail building types (58 percent in Outlying Worcester and 74 percent in the Worcester Metro submarket).

<b>Worcester Retail Submarkets by Building Type First Quarter 2006</b>							
	Buildings	Gross Leasable Area (SF)	Vacancy Rate	Deliveries YTD (SF)	Total Under Construction (SF)	Average Asking Lease Rate (\$/SF/YR)	Average GLA per Building
<b>Submarket Outlying Worcester</b>							
Community Center	10	1,139,119	2.7%	0	0	\$14.00	113,912
General Retail	83	544,891	18.1%	0	4,500	\$11.60	6,565
Neighborhood Center	28	1,639,265	5.0%	0	0	\$12.58	58,545
Outlet Center	0	0	0.0%	0	0	\$0.00	-
Power Center	7	1,627,515	7.0%	0	0	\$24.00	232,502
Regional Mall	0	0	0.0%	0	0	\$0.00	-
Specialty/Festival/Entertainment Center	0	0	0.0%	0	0	\$0.00	-
Sports & Entertainment	0	0	0.0%	0	0	\$0.00	-
Strip Center	16	263,950	2.9%	0	0	\$14.40	16,497
Super Regional Center	0	0	0.0%	0	0	\$0.00	-
<b>Total Retail Market</b>	<b>144</b>	<b>5,214,740</b>	<b>6.4%</b>	<b>0</b>	<b>4,500</b>	<b>\$13.28</b>	<b>36,213</b>
<b>Submarket Worcester Metro</b>							
Community Center	3	531,839	4.4%	0	0	\$15.00	177,280
General Retail	91	775,327	18.8%	0	13,000	\$13.91	8,520
Neighborhood Center	11	768,965	2.8%	0	0	\$0.00	69,906
Outlet Center	1	180,000	0.0%	0	0	\$0.00	180,000
Power Center	5	1,246,051	3.5%	0	0	\$25.00	249,210
Regional Mall	2	1,023,337	0.0%	0	0	\$0.00	511,669
Specialty/Festival/Entertainment Center	0	0	0.0%	0	0	\$0.00	-
Sports & Entertainment	0	0	0.0%	0	0	\$0.00	-
Strip Center	10	153,542	0.0%	0	0	\$12.00	15,354
Super Regional Center	0	0	0.0%	0	0	\$0.00	-
<b>Total Retail Market</b>	<b>123</b>	<b>4,679,061</b>	<b>5.0%</b>	<b>0</b>	<b>13,000</b>	<b>\$17.01</b>	<b>38,041</b>

Source: CoStar Group, BBP Associates

Community Centers - typically, total square footage is 100,000-350,000 SF with 2-3 anchor tenants (often grocery stores or large drugstores). Buildings are typically configured in strips. Community centers generally offer a wider selection of products than neighborhood centers.

General Retail - includes single-tenant freestanding retail buildings, often with parking. Most downtown retail buildings fall within this category.

Neighborhood Center - typically, total square footage is 30,000-150,000 SF with 1-2 anchor tenants (often grocery stores or large drugstores). Retailers provide everyday essentials for consumers in the neighborhood. Buildings are typically configured in strips.

Outlet Center - contains manufacturer's discount outlet stores, typically in 50,000-500,000 SF. Village clusters and strips are popular configurations. Outlet centers are often located in rural locations.

Power Center - generally comprised of large freestanding anchors (large format retail stores), with total square footage between 250,000-600,000 SF. Discount department stores are common tenants.

Regional Mall - Enclosed shopping center with total square footage above 300,000 SF, generally anchored by large department stores, and offering a higher proportion of apparel products than other retail building type.

Specialty/Festival/Entertainment Center - typically tourist destinations containing a mix of restaurant and entertainment uses. These centers are often located in rehabilitated historic buildings and may have a common theme.

Sports & Entertainment - buildings offering recreational uses, which may include bowling alleys, swimming pools, casinos, fitness centers, sports arenas, theaters, and performing arts centers.

Strip Center - usually a straight line, L, or U shaped building containing a row of stores fronted by parking.

Super Regional Center - a larger version of a regional mall that offers more anchors and a broader selection of stores, and caters to a regional market.

## Vacancy Rates

The vacancy rate in the Worcester retail market was 5.7 percent as of year-end 2006, comparable to the 5.5 percent vacancy rate found in the entire Metropolitan Boston retail market. The vacancy rate was slightly lower in the Worcester Metro market (5 percent) but higher in Outlying Worcester (6.4 percent).

Analysis by building type reveals higher vacancy rates for general retail buildings (the type most frequently found in downtown settings): 10 percent in Metropolitan Boston, 19 percent in the Worcester retail market, 18 percent in Outlying Worcester, and 19 percent in the Worcester Metro submarket.

## Deliveries and Space Under Construction

In 2006, nearly 18,000 square feet of retail space was under construction in the Worcester retail market; no space was delivered in 2006. The majority of this space (13,000 square feet, or 72 percent) was located in the Worcester Metro submarket. All of this space under construction was for general retail buildings.

## Average Asking Lease Rates

Relatively affordable average lease rates are offered in the Worcester retail market (\$15.09 per square foot per year) relative to the Metropolitan Boston market (\$16.74) for all building types. Average lease rates are lower in the Outlying Worcester submarket (\$13.28) than in the Worcester Metro submarket (\$17.01). The Worcester Metro submarket's average asking lease rate is skewed higher than the average for Metropolitan Boston due to the presence of a power center that charges \$25 per square foot.

General retail space is more affordable in Worcester (\$13.14 per square foot) than Metropolitan Boston (\$18.19). Outlying Worcester offers relatively more affordable general retail space at \$11.60 per square foot than the Worcester Metro submarket, in which general retail space is marketed at \$13.91 per square foot.

## Consumer Expenditures Analysis

Consumer expenditure analysis by household illustrates the spending pattern of an average household in Downtown Worcester. In 2006, the median household income of the 635 households residing in Downtown Worcester was nearly \$29,000; approximately \$16,000 of this annual income was spent on retail goods and services (including automobiles, auto services, and gasoline).

The median household spent 31 percent of expenditures (and 17 percent of gross income) on convenience goods, including food and beverage stores, building materials and garden stores, and general merchandise stores. Shopper's goods (e.g. furniture, electronics, appliances, clothing, sporting goods, restaurants and bars) accounted for 32 percent of expenditures and another 17 percent of gross income. Households allocated 3 percent of gross income on health and personal care goods and services (e.g. nail salons, hair salons, etc.); five percent of all expenditures were made in this retail category. Auto sales/ services and gasoline accounted for 33 percent of all household purchases (18 percent of gross income). The two top expenditure categories by store group were food and beverage stores (21 percent of all expenditures) and motor vehicles and parts dealers (23 percent of all expenditures).

### Consumer Retail Expenditure Analysis Downtown Worcester, 2006

#### Demographic Summary

<b>No. of Households (2006)</b>	635
<b>Median Household Income (2006)</b>	\$28,989

Retail Category	Annual Expenditures by Household	Percent of Household Income	Total Retail Expenditures	Percent of Total Expenditures
<b>Convenience Goods</b>				
Food & Beverage Stores	\$3,393.35	12%	\$2,154,777	21%
Building Materials & Garden Stores	\$396.19	1%	\$251,578	2%
General Merchandise Stores	\$1,108.12	4%	\$703,659	7%
<b>TOTAL</b>	<b>\$4,897.66</b>	<b>17%</b>	<b>\$3,110,014</b>	<b>31%</b>
<b>Shopper's Goods</b>				
Furniture & Home Furnishings Stores	\$593.04	2%	\$376,578	4%
Electronics & Appliance Stores	\$432.19	1%	\$274,438	3%
Clothing & Accessory Stores	\$1,097.40	4%	\$696,852	7%
Sporting Goods, Hobby, Book, and Music Stores	\$306.01	1%	\$194,316	2%
Miscellaneous Store Retailers	\$214.95	1%	\$136,496	1%
Food Services & Drinking Places	\$2,411.07	8%	\$1,531,030	15%
<b>TOTAL</b>	<b>\$5,054.66</b>	<b>17%</b>	<b>\$3,209,710</b>	<b>32%</b>
<b>Services</b>				
Health & Personal Care Stores	\$767.70	3%	\$487,487	5%
<b>TOTAL</b>	<b>\$767.70</b>	<b>3%</b>	<b>\$487,487</b>	<b>5%</b>
<b>Auto Sales and Services</b>				
Motor Vehicles & Parts Dealers	\$3,608.59	12%	\$2,291,453	23%
Gasoline Stations	\$1,655.13	6%	\$1,051,007	10%
<b>TOTAL</b>	<b>\$5,263.72</b>	<b>18%</b>	<b>\$3,342,460</b>	<b>33%</b>
<b>GRAND TOTAL</b>	<b>\$15,983.73</b>	<b>55%</b>	<b>\$10,149,671</b>	<b>100%</b>

Source: ESRI Business Information Systems, BBP Associates

## Leakage & Capture Rate Analysis

Retail sales in Downtown Worcester likely derive from three broad sources: residents of a primary market area (the area from which the majority of customers reside), downtown employees, and other visitors (e.g. regional visitors attending events at the DCU Center, leisure visitors to area cultural institutions, etc.).

Several factors impact the designation of a primary market area. These factors include:

- Types of retail and services offered/ retail niche
- Distance to and from each retail node
- Location of competitive facilities
- Merchants' input

In consideration of these factors, the City of Worcester, which roughly includes land within a five-mile radius of Downtown Worcester, is an appropriate primary market area for downtown retailers. Expenditures by residents in this area are estimated to account for 75 percent of downtown sales.<sup>5</sup> The calculation of the retail sales for Downtown retail businesses compared with estimates of retail expenditures of residents in the primary market area (PMA) allows for the estimation of capture rates (e.g. the proportion of sales to expenditures) and leakage (e.g. expenditures made outside the Downtown area) by store group.

### Consumer Retail Expenditure & Leakage Analysis Downtown Worcester

#### PMA Demographic Summary

No. of Households (2006)	69,524
Median Household Income (2006)	\$42,986

Retail Category	Total Sales	Sales to Primary Market Area	Total Retail Expenditures	Retail Leakage	Capture Rate
<b>Convenience Goods</b>					
Food & Beverage Stores	\$6,827,992	\$5,120,994	\$327,929,160	\$322,808,166	2%
Building Materials & Garden Stores	\$276,644	\$207,483	\$47,891,803	\$47,684,320	0.4%
General Merchandise Stores	\$1,930,307	\$1,447,730	\$108,948,864	\$107,501,134	1%
<b>TOTAL</b>	<b>\$9,034,943</b>	<b>\$6,776,207</b>	<b>\$484,769,827</b>	<b>\$477,993,620</b>	<b>1%</b>
<b>Shopper's Goods</b>					
Furniture & Home Furnishings Stores	\$230,073	\$172,555	\$62,676,423	\$62,503,868	0.3%
Electronics & Appliance Stores	\$399,238	\$299,429	\$42,517,591	\$42,218,163	1%
Clothing & Accessory Stores	\$7,400,689	\$5,550,517	\$107,111,880	\$101,561,363	5%
Sporting Goods, Hobby, Book, and Music Stores	\$548,872	\$411,654	\$27,946,520	\$27,534,866	1%
Miscellaneous Store Retailers	\$2,841,522	\$2,131,142	\$21,925,635	\$19,794,494	10%
Food Services & Drinking Places	\$2,855,090	\$2,141,318	\$235,332,792	\$233,191,475	1%
<b>TOTAL</b>	<b>\$14,275,484</b>	<b>\$10,706,613</b>	<b>\$497,510,841</b>	<b>\$486,804,228</b>	<b>2%</b>
<b>Services</b>					
Health & Personal Care Stores	\$3,595,483	\$2,696,612	\$76,485,990	\$73,789,378	4%
<b>TOTAL</b>	<b>\$3,595,483</b>	<b>\$2,696,612</b>	<b>\$76,485,990</b>	<b>\$73,789,378</b>	<b>4%</b>
<b>GRAND TOTAL</b>	<b>\$26,905,910</b>	<b>\$20,179,433</b>	<b>\$1,058,766,658</b>	<b>\$1,038,587,226</b>	<b>2%</b>

Source: ESRI Business Information Systems, BBP Associates

<sup>5</sup> The Urban Land Institute estimates that 70 to 80 percent of a retailers' sales derive from expenditures of residents of the primary market area.

The leakage and capture rate analysis indicates all retail categories in Downtown Worcester offer room for expansion, with Downtown retailers capturing just 2 percent of PMA resident expenditures. Several retail store group categories highly compatible with downtown environments offered room for expansion, including: food services and drinking places (1 percent capture rate), furniture and home furnishings stores (less than 1 percent capture rate), and food stores (2 percent capture rate).

### 7.3 Development Activity

Recently completed projects in the Worcester region illustrate a growing retail supply in the region's suburban areas. Lincoln Plaza is a 45 acre regional power center anchored by Lowe's Home Improvement, Dick's Sporting Goods, Target, Stop & Shop Supermarket, Staples, and Barnes & Noble Booksellers.

Several major mixed-use projects with retail components have been recently completed or are planned in Downtown Worcester. The recently constructed Hilton Garden Inn Hotel features a Pizzeria Uno restaurant; CitySquare will feature 407,300 square feet of retail space upon completion; and Gateway Park will include an undisclosed level of retail shop and restaurant space when completed. The Wyman-Gordon site, a 17 acre parcel currently for sale, is marketed as a future grocery-anchored retail center or power center.

### 7.4 Sources of Market Demand & Target Market Segments

Future demand for retail in Downtown Worcester and the North Main Economic Development Strategy area is likely to emerge from enhanced capture of Primary Market Area resident expenditures, growth of Primary Market Area residents (including Downtown residents), growth of downtown employees, and growth of visitors to Downtown Worcester.

### 7.5 Conclusions

Key findings from the retail market analysis include:

- The existing inventory of retail space in the Worcester regional market is 10 million square feet (7 percent of all space in Metropolitan Boston). Approximately 47 percent (4.7 million square feet) of this space is located in the Worcester Metro submarket.
- Vacancy rates for all retail building types in the Worcester market were 5.7 percent at year-end 2006, comparable to the vacancy rate in Metropolitan Boston (5.5 percent). Vacancy rates were higher for general retail buildings (the type most likely to be found in downtown settings) – 19 percent in the Worcester region and 19 percent in the Worcester Metro submarket.
- The Worcester retail market offered more affordable space than the Metropolitan Boston market as of year end 2006 (\$15.09 per square foot per year compared to \$16.74) for all types of retail space. General retail space is relatively more affordable than other retail space in Worcester, with year end rates of \$13.14 found in the Worcester region and \$13.91 per square foot in the Worcester Metro submarket.
- Consumer expenditure analysis in Downtown Worcester indicates the majority of household spending is allocated to food and beverage and motor vehicle related purchases.

- Downtown Worcester retailers capture an estimated 2 percent of Primary Market Area resident expenditures (e.g. expenditures of residents living in the City of Worcester). All retail categories offer room for expansion (as evidenced by low capture rates); in particular, food services and drinking places, furniture and home furnishings, and food stores are store types highly compatible with downtown retail environments that offer room for expansion.
- Key sources of demand include existing and future City and Downtown residents, Downtown employees, and other Downtown visitors (e.g. visitors to the DCU Center, students, and other visitors).

## 8 Lodging Market

### 8.1 Market Area Definition

The North Main Economic Development Strategy Area is located within the Worcester regional lodging market, which (as defined in the 2006 Washington Square Redevelopment Strategy report) includes the City of Worcester and other municipalities within a 15-mile radius of the City.

### 8.2 Trends

#### Overview Snapshot

As of 2006, the Worcester lodging market (which includes the City of Worcester and the municipalities within a 15 mile radius) featured a supply of 40 properties with nearly 5,000 rooms. Approximately 22 percent of properties (9 properties) were located in the City of Worcester, representing 24 percent of rooms (1,193 rooms). Of the City supply, three hotels were located Downtown (33 percent of the City and 8 percent of the regional supply) offering a combined 540 rooms (45 percent of all City and 11 percent of all regional rooms).

<b>Hotel Supply by Chain Scale Worcester Region, 2006</b>			
<b>Chain Scale</b>	<b>Name</b>	<b>Rooms</b>	<b>Location (1/)</b>
<b>Luxury</b>	-	-	-
<b>Upper Upscale</b>			
	Embassy Suites Marlborough	229	3
<b>Upscale</b>			
	Courtyard Boston Westborough	98	3
	Courtyard Worcester	130	2
	Crowne Plaza Worcester Downtown	243	1
	Radisson Hotel Marlborough	206	3
	Residence Inn Boston Westborough	109	3
	Wyndham Hotels Boston Westborough	223	3
	Hilton Garden Inn & Convention Center	199	1
	Residence Inn Boston Worcester	124	2
	Residence Inn	112	3
<b>Midscale with F&amp;B</b>			
	Best Western Executive Inn & Suites	116	2
	Best Western Royal Plaza Hotel & Trade Ctr	431	3
	Best Western Metro West Inn	69	3
	Holiday Inn & Suites Marlborough	173	3
	Holiday Inn Worcester	142	2
	Best Western Yankee Drummer Inn	159	3
<b>Midscale w/out F&amp;B</b>			
	Baymont Inn & Suites Auburn	98	3
	Comfort Inn Auburn	72	3
	Comfort Inn Marlborough	65	3

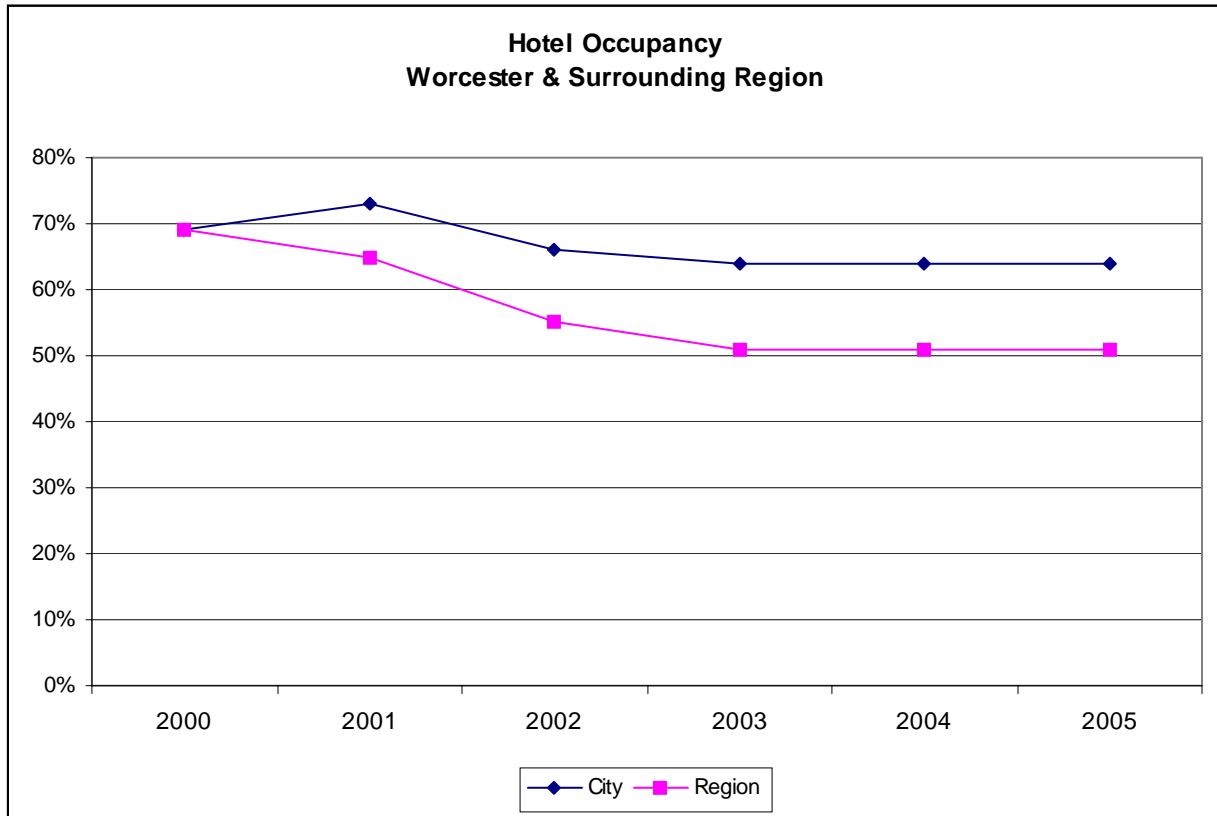
	Comfort Inn Westborough	98	3
	Extended Stay Deluxe Boston Westborough	112	3
	Fairfield Inn & Suites Worcester Auburn	82	3
	Hampton Inn Auburn	82	3
	Hampton Inn Marlborough	144	3
	Hampton Inn Worcester	98	1
	Holiday Inn Express	113	3
<b>Economy</b>			
	Days Inn Shrewsbury	96	3
	Econo Lodge Northborough Inn	79	3
	Econo Lodge Sutton	59	3
	Homestead Boston Marlborough	135	3
	Red Roof Inn Boston Southborough	108	3
	Extended Stay America Boston Westborough	92	3
	Studio Plus Boston Westborough	86	3
<b>Independents</b>			
	Beechwood Hotel	73	2
	Classic Suites & Inn	72	3
	Chocksett Inn	25	3
	Learning Center	226	3
	Westborough Inn	25	3
	Sona Motor Inn	32	3
	Worcester City Motel	68	2
	<b>TOTAL</b>	<b>4,903</b>	

1/ 1= Downtown Worcester, 2= City of Worcester, 3= Region

Source: Smith Travel Research, 2006, BBP Associates

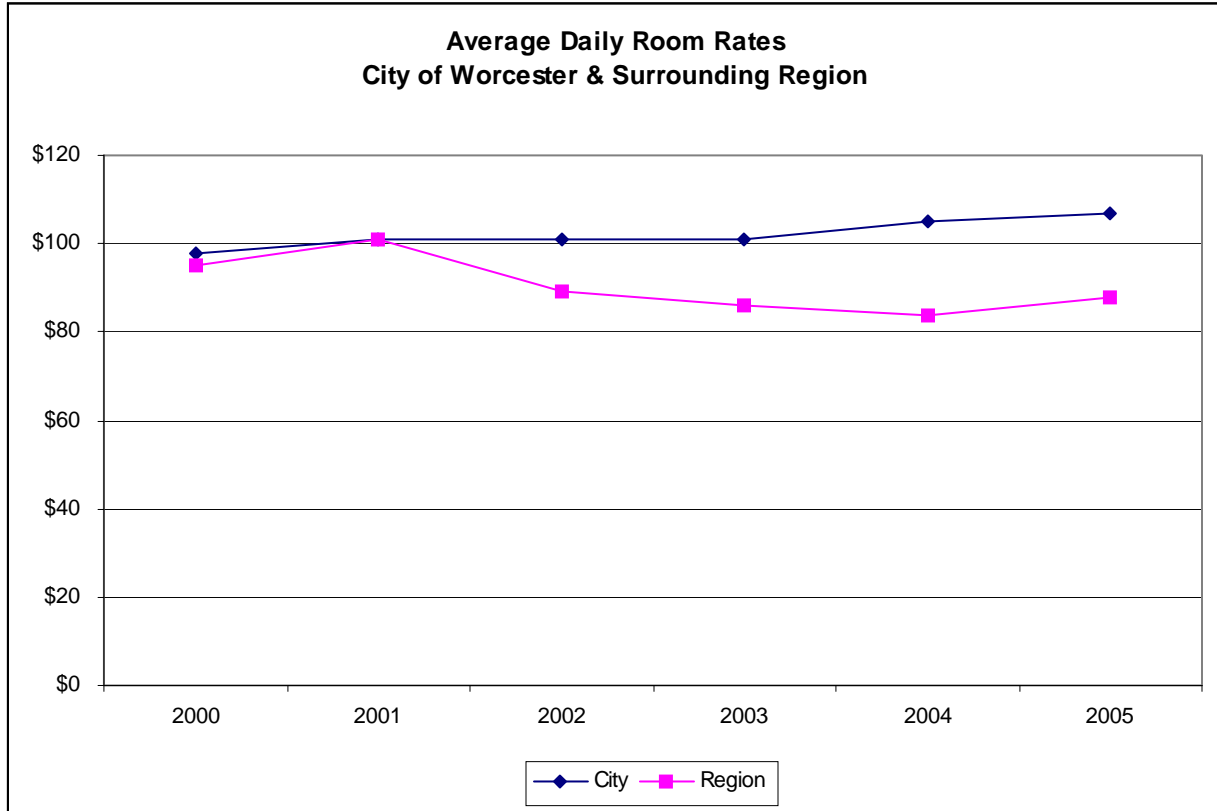
### Occupancy Rates

Hotel occupancy rates in the City of Worcester have historically been higher than those in the surrounding region; over the last several years, occupancy rates in the City have been up to 10 percentage points higher than rates in the region. From 2000 to 2005, hotel occupancy rates in the City of Worcester fell slightly, from 69 percent in 2000 to 64 percent in 2005. In the region, hotel occupancy rates fell from 69 percent in 2001 to 54 percent in 2005. Occupancy rates in Downtown Worcester are anecdotally reported near 60 percent, higher than those in the Worcester region but lower than the entire City.



### Average Daily Room Rates

Average room rates in the City of Worcester have surpassed rates in the surrounding region over the past several years. Rates in the City increased 9 percent from 2000 to 2005, from \$98 to \$107. In the region, rates decreased 8 percent over this time period, from \$96 in 2000 to \$88 in 2005.



### 8.3 Development Activity

Recent hotel deliveries in the Worcester region indicate the City of Worcester is adding hotel rooms faster than other municipalities in the region. A sample of hotels under construction in 2006 provides evidence of Worcester's growing share of the regional lodging supply; of 435 hotel rooms under construction in 2006, 323, or 74 percent, were located in Worcester. Of these rooms, 199 were located at the Hilton Garden Inn & Convention Center under construction in Downtown Worcester. All of the rooms under construction in 2006 were located in upscale properties.

<b>Characteristics of Hotels Under Construction in 2006 Worcester Region</b>			
<b>Property</b>	<b>Chain Scale</b>	<b>Rooms</b>	<b>Location</b>
Hilton Garden Inn & Convention Center	Upscale	199	Worcester
Residence Inn Boston Worcester	Upscale	124	Worcester
Residence Inn	Upscale	112	Marlborough
	<b>TOTAL</b>	<b>435</b>	

Source: Smith Travel Research, BBP Associates

In addition to rooms under construction in 2006, an estimated 300 hotel rooms are planned as part of the mixed-use Citysquare redevelopment project in Downtown Worcester. The Crowne Plaza is planning a \$12 million renovation to upgrade room fixtures.

### 8.4 Sources of Market Demand & Target Segments

In the Worcester region, demand for hotel rooms derives from three key sources:

- Commercial/business travelers;
- Meetings and events travelers; and
- Leisure travelers.

Conversations with downtown hoteliers indicate that meetings and events travelers (e.g. conventions, social events, weddings) provide a relatively stronger source of demand for hotel use than commercial/business travelers. Additional sources of demand include area colleges, which provide seasonal demand (e.g. parents weekend, graduation) and companies that bring people to the area for training. Hoteliers noted that Downtown attracts few leisure travelers, and that the conventions market is limited to the months of June through October. Hotel operators expressed desire for the recruitment of software and technology firms that would bring people to the area for training (in turn enhancing demand for rooms).

### 8.5 Conclusions

Key findings from the lodging market analysis include:

- The City of Worcester offers 9 hotels and 1,193 rooms (24 percent of the nearly 5,000 rooms located in 40 properties in the 15-mile region). Downtown Worcester offers three properties (the Crowne

Plaza, Hampton Inn, and Hilton Garden Inn) that together provide 540 rooms (45 percent of all City and 11 percent of all regional rooms).

- Hotel occupancy rates in the City of Worcester have historically been higher than those in the region, with rates ranging from 64 to 69 percent from 2000 to 2005 in the City and 54 to 69 in the region over the same time period.
- Average room rates in the City have been higher than those in the region over the past several years, increasing 9 percent from \$98 in 2000 to \$107 in 2005. In the region over the same time period, rates decreased 8 percent from \$96 in 2000 to \$88 in 2005.
- Characteristics of hotel properties under construction in the Worcester region reveal market preferences for upscale properties. The City of Worcester is growing its hotel supply more quickly than other communities in the 15-mile region.
- Key hotel market demand segments for Downtown hotels include meetings/events travelers followed by commercial/business travelers. Conventions and area colleges provide seasonal demand for space, particularly from June to October. Leisure travels are not a major source of demand.