

Demographic, Economic, & Real Estate Market Trends

The findings of our analyses of demographic and real estate market trends are presented in this chapter. We first explore changes in population, age groups, and housing units within Acton over the past decade. We then look at the implications of the changes on local prices and availability of real estate for residents and businesses in the Town of Acton.

Demographic trends and real estate prices in Acton are compared with a variety of areas, including, county, regional, and sub-regional level data, and metro-level data. No consistent comparison areas exist for the datasets presented, so it was necessary to present data for different comparison areas. The selection of comparison areas was based on availability of data as well as the analysts' judgment as to which of the comparison areas was the best fit for Acton. The selection of comparison areas has not been informed by bias or preconceptions.

Findings & Implications for Redevelopment at Kelley's Corner

At present, there are no major redevelopment sites available at Kelley's Corner. All major properties are encumbered by very long leases. There are a limited number of potential scattered site redevelopment opportunities that offer prospects for reuse as restaurants. Since Average Joe's opened about ten years ago, Starbuck's, Johnny Rockets, Bueno y Sano, and Orange Leaf have followed. We believe that there is potential for additional restaurant development of all formats, ranging from casual to white tablecloth.

Besides restaurants, multi-family housing offers good prospects for absorbing any redevelopment sites that may become available in and around Kelley's Corner over the next five to ten years. Based on the forecasts developed by MAPC, we estimate that, by 2020, there will be a demand for 250 new units of multi-family housing in Acton, roughly 50% apartments for renters and 50% condominiums for owners. Development of new housing within walking distance of Kelley's Corner will support walkability and new retail development in the Corner.

Due to the negative projections of absorption, it is not possible to project the demand for non-restaurant development in Kelley's Corner. However, based on the existing supply of retailing within the market area and, particularly in view of the large number of school children that frequent the Corner at lunchtime and after school, uses catering to teens like hobby, toy, games, pets, and sporting goods, electronics, and phone stores would be well-supported, in addition to new restaurants targeted to young people.

Entertainment, like a SuperLux Cinema, could also thrive in this location, assuming that a Cinema does not locate at The Point in Littleton (as is rumored). Most retail sectors are

saturated in Acton; there is little evidence of a shortage of retail outlets and ample vacant space to absorb new demand.

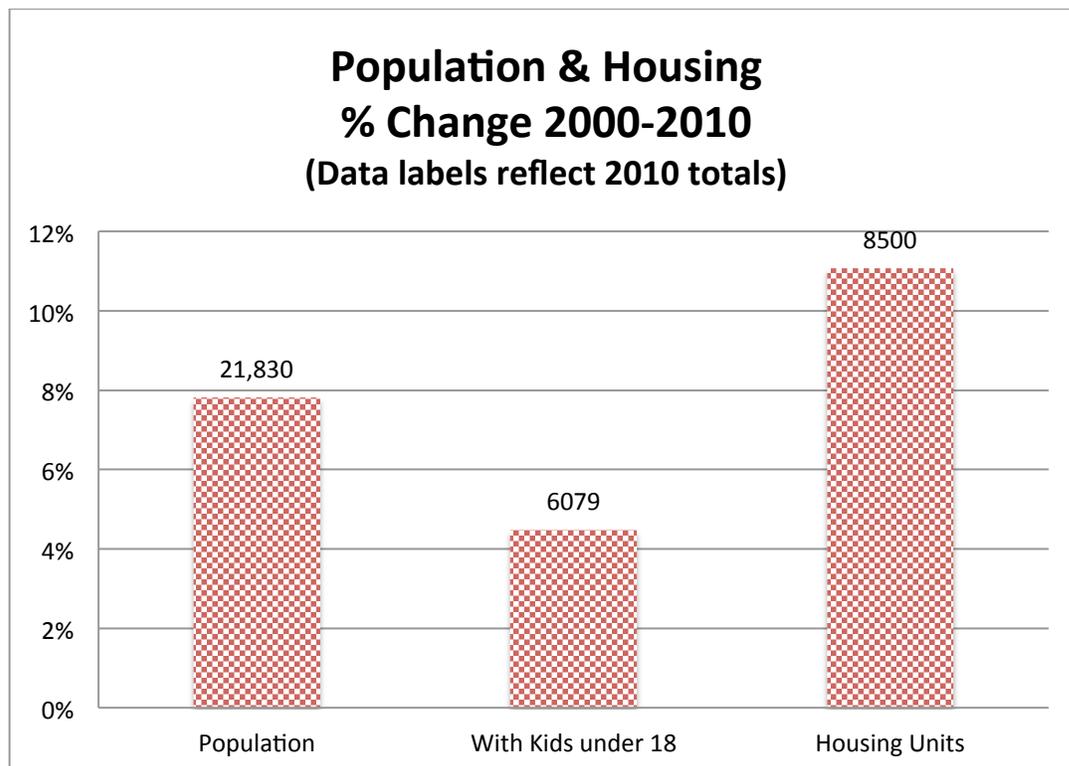
Particularly saturated are grocery stores and pharmacies. The new Market Basket at The Point is about 8 miles from Kelley's Corner. This is expected to present stiff competition for existing tenants in Kelley's Corner, including K-Mart, CVS, and Roche Bros. for both food and non-food items. Other existing grocery competitors include Donelan's at Gould's Plaza on Rt. 119, Stop & Shop in Powder Mill Plaza on Rt. 62, and Trader Joes at Brookside Shops on Rt. 119. The pharmacy sector is equally saturated, with 4 major pharmacies in the market area, including the new CVS planned at Kelley's Corner. Kmart has a pharmacy as well.

The demand for office space is also difficult to forecast, due to the negative absorption trend that is forecast to last for the foreseeable future. However, financial services and medical office have proliferated in Kelley's Corner in the past decade and offer prospects for a limited amount of additional development here. Other candidate sectors for absorption of a modest amount of office space include educational services, preschools, social services, and non-profit organizations.

Demographic Context

Ever since the mid-1800's, Acton's population has grown steadily. The biggest growth spurt was during the 1960's, when the population doubled to over 14,000. During the last decade, the number of Acton residents has grown to 21,360, an 8% increase over 2000. Population growth was enabled by an 11% increase in the Town's housing stock. Driven by the large number of baby boomers who live in Town, the median age has increased from 38 to 42 in the past decade.

Figure 1



Source: Census Bureau

The town's ethnic composition is becoming more diverse. Figure 2 shows that the proportion of Asian, Latino, and Black residents has increased by 50% to 130% since 2000. Asians now comprise nearly 30% of all students at Acton Boxborough Regional High School. The number of households with school children increased by 4% to 19,860.

The Town has more non-traditional families than in the past. The number of female-headed households has grown by 17% to 490 in the past decade, while the proportion of unmarried partners has increased by 25% but is still very low at 265 households. The proportion of Acton families below the poverty level was 5% or 110 households in 2010, just one-third of the state average poverty rate.

Figure 2

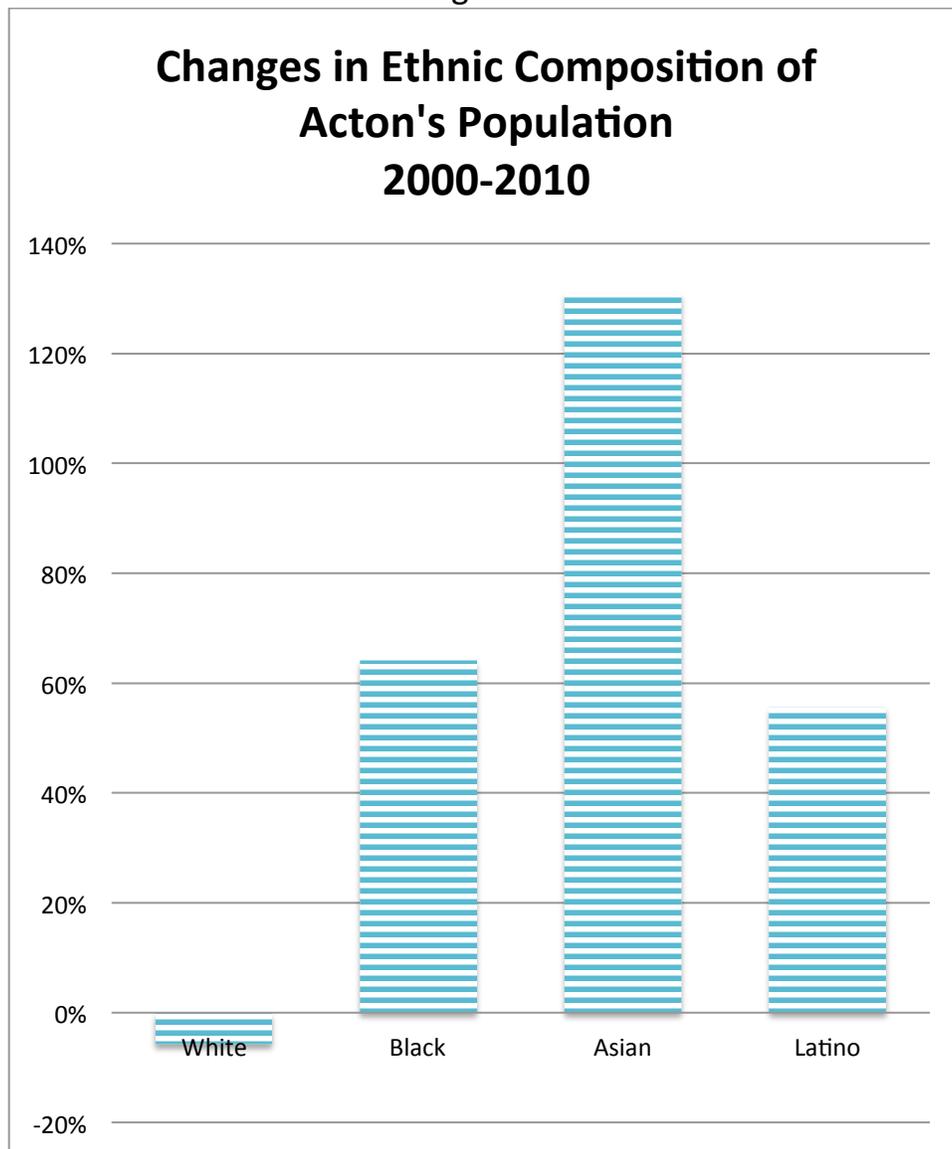
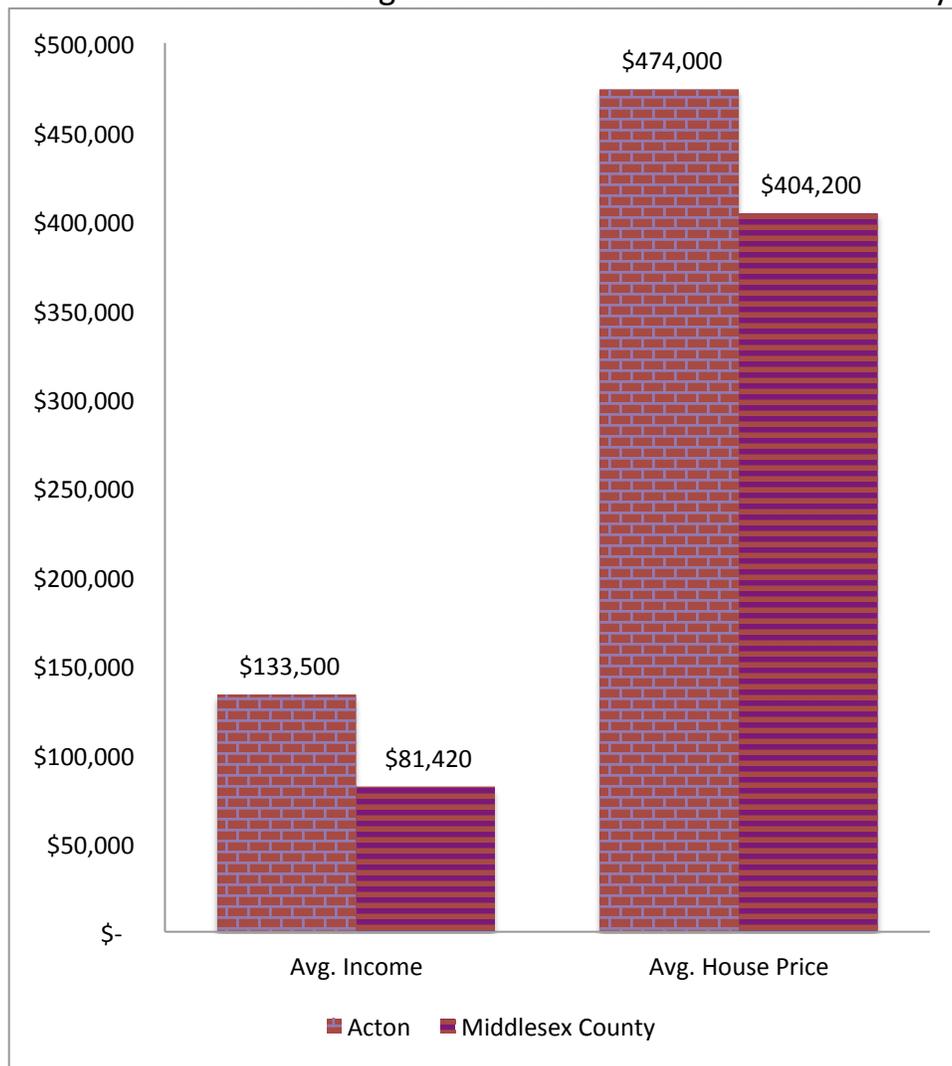


Figure 3 compares average income and house prices in Acton with Middlesex County averages. The median household income, at \$133,500 is two-thirds above the county average. The median house price, at \$474,000 is almost 20% above the County average. House prices in Acton have increased by 7% in the past year.

While they are high by county standards, Acton house prices are reasonable for the Boston metro area, averaging \$220 per sq. ft., compared with the \$213 per sq. ft. average for the Boston metro area. By contrast, house prices in Concord are averaging \$365 per sq. ft., while residential properties in Cambridge are selling for \$560 sq. ft.. The median rent is \$1,750. Rents in Acton average \$1.55 sq. ft., nearly 30% below the metro area average of \$2.00 psf.

Figure 3
Income & Housing Prices in Acton & Middlesex County

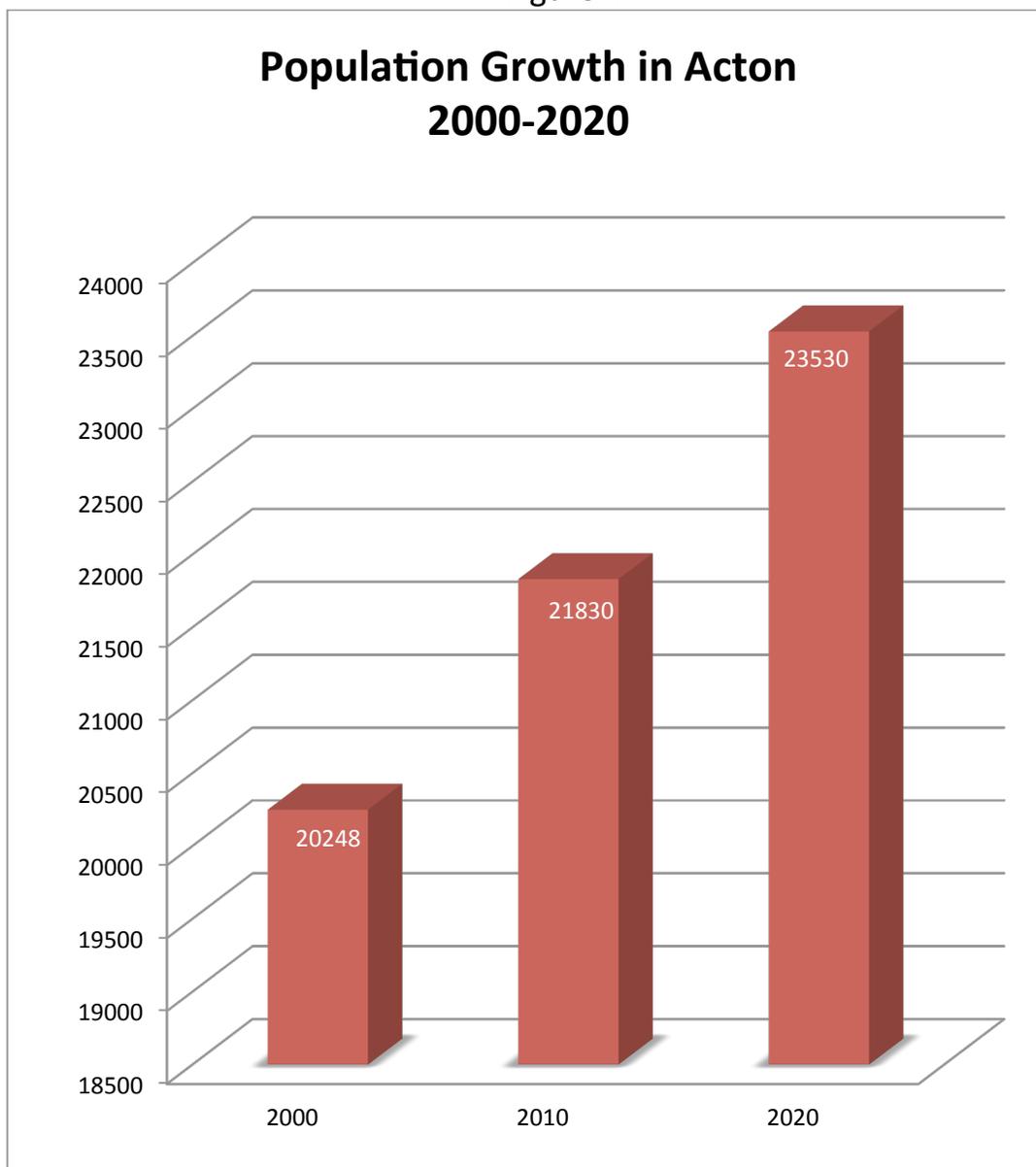


Source: Census.

Population Projections

During the past decade, population growth in Acton has slowed to about half of the rate achieved during the 1990's. By 2010, Acton's population grew to 21,830 – an average annual rate of about 0.75%. This modest but steady rate of growth is expected to continue for the next 5 years, as is shown in Figure 4, when the population is expected to total 23,530.

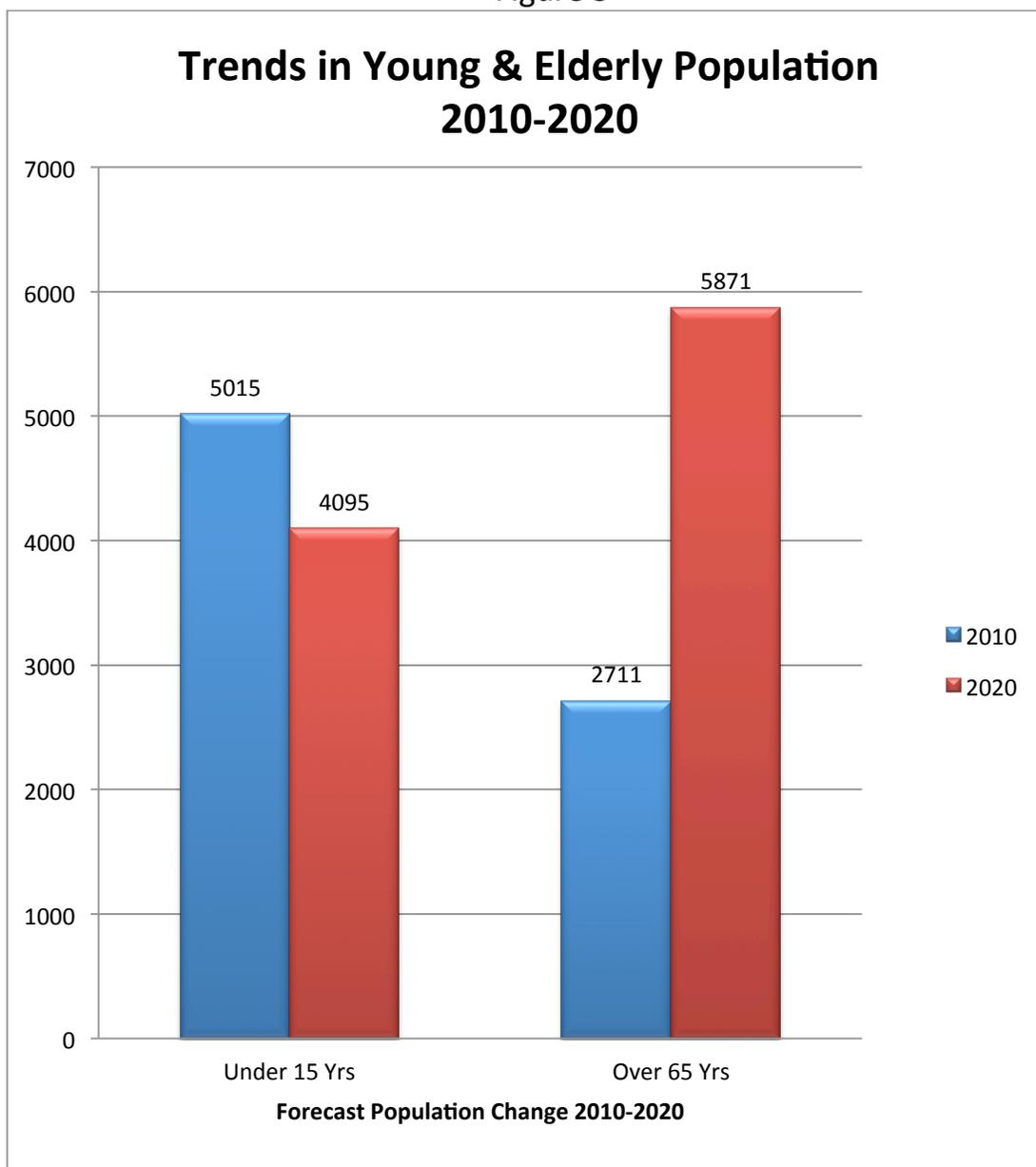
Figure 4



Source: MAPC, MetroBoston Projections, 2010-2040

The slowing population growth is reflected in forecasted declines in the young population along with growth in elderly residents. As is shown in Figure 5, the number of children under 15 is expected to drop by almost 20%, from 5,015 to 4,095. Meanwhile, by 2020 the number of Actonians over 65 is expected to more than double from its present level of 2,711 to 5,871.

Figure 5



Source: MAPC, MetroBoston Projections, 2010-2040

Economic Trends

Table 1 shows trends in employment by sector in Acton. It shows that, over the past decade, Acton has lost 880 jobs – 8% of its employment base. The heaviest losses were in manufacturing, where over 1,000 jobs were lost. The 6% average annual rate of loss in manufacturing exceeded the 3.7% rate of loss for Middlesex County as a whole.

Table 1
Employment by Industry in Acton Compared with Middlesex County

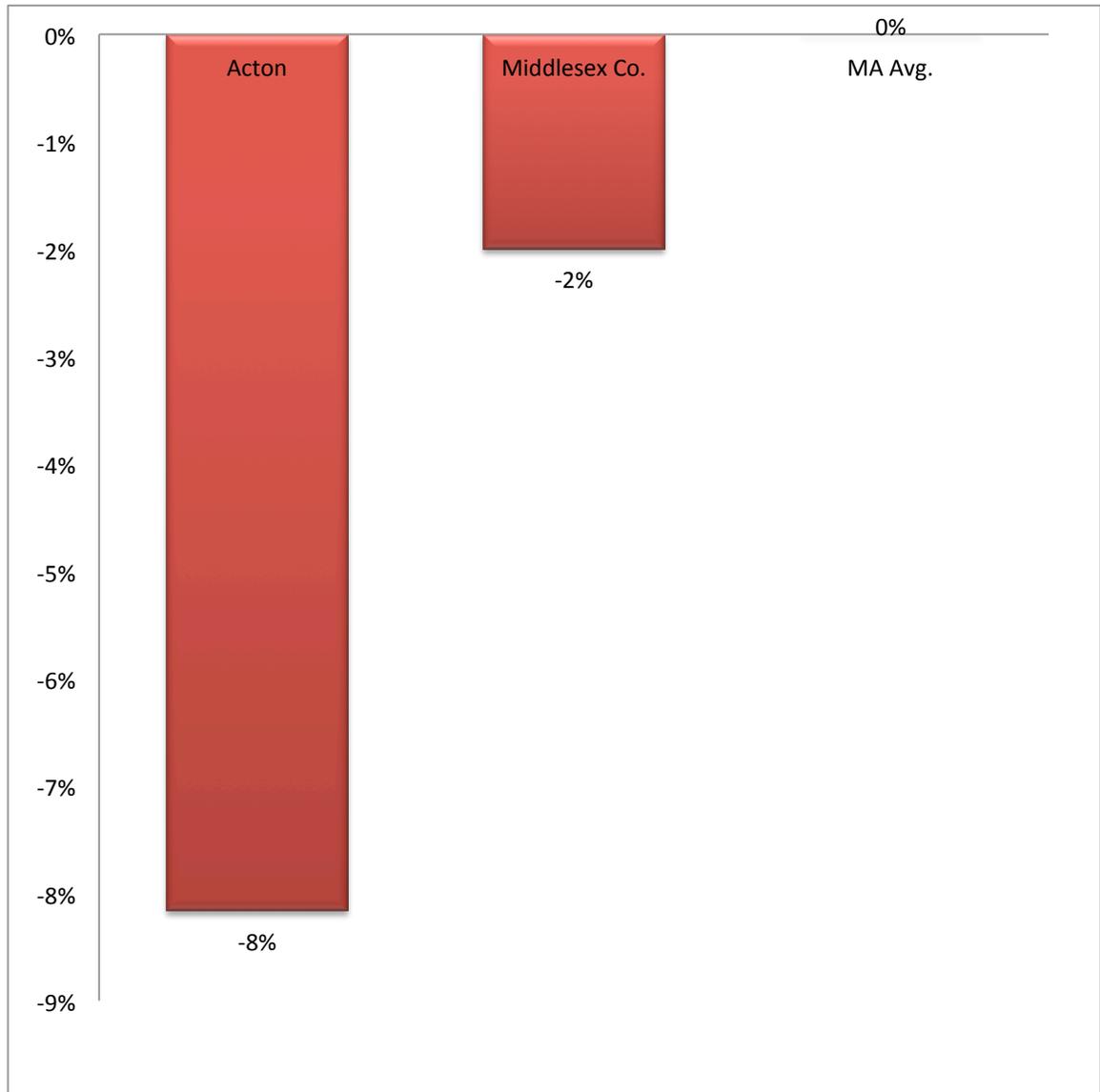
	Jobs		AA % Change	
	2001	2013	Acton	Middlesex Co
Construction	492	438	-1%	-1.6%
Manufacturing	1,908	885	-6%	-3.7%
Wholesale Trade	752	396	-5%	-2.4%
Retail Trade	1,720	1,767	0%	-0.6%
Transportation and Warehousing	111	153	3%	-0.6%
Information	624	269	-7%	-1.7%
Finance and Insurance	91	149	4%	-0.1%
Real Estate and Rental and Leasing	82	74	-1%	-0.1%
Professional and Technical Services	1,300	1,282	0%	0.8%
Management of Companies & Enterprises	-	55	100%	1.5%
Administrative and Waste Services	402	237	-4%	0.0%
Educational Services	1,179	1,245	0%	0.7%
Health Care and Social Assistance	595	1,498	8%	2.4%
Arts, Entertainment, and Recreation	166	241	3%	1.7%
Accommodation and Food Services	741	582	-2%	1.2%
Other Services, Ex. Public Admin	283	347	2%	-0.1%
Total, All Industries	10,766	9,887	-8%	0.0%

Source: Mass Department of Labor & Workforce Development, ES-202 data.

In line with countywide performance, information industries also shed several hundred positions. In addition, about 160 jobs in hotels and restaurants were lost, counter to the trend in Middlesex County as a whole. Partly offsetting these losses were gains of about 1000 jobs in healthcare industries. In line with countywide trends, jobs in arts and recreation in Acton grew significantly. Growth in financial services was also significant.

Figure 6 compares Acton's economic performance with county and statewide averages. It shows that, between 2001 and 2013, jobs in Acton decreased by 8%, from 20,775 in 2001 to 9,890 in 2013. In the whole of Middlesex County, jobs decreased by 2% while in the State, the number of jobs has been stable over the past 15 years.

Figure 6
Employment Change in Acton Compared with County & State Trends
2001-2013



Source: Mass Department of Labor & Workforce Development, ES-202 data.

Figure 7
Average Weekly Wages in Acton
(2001 \$'s)

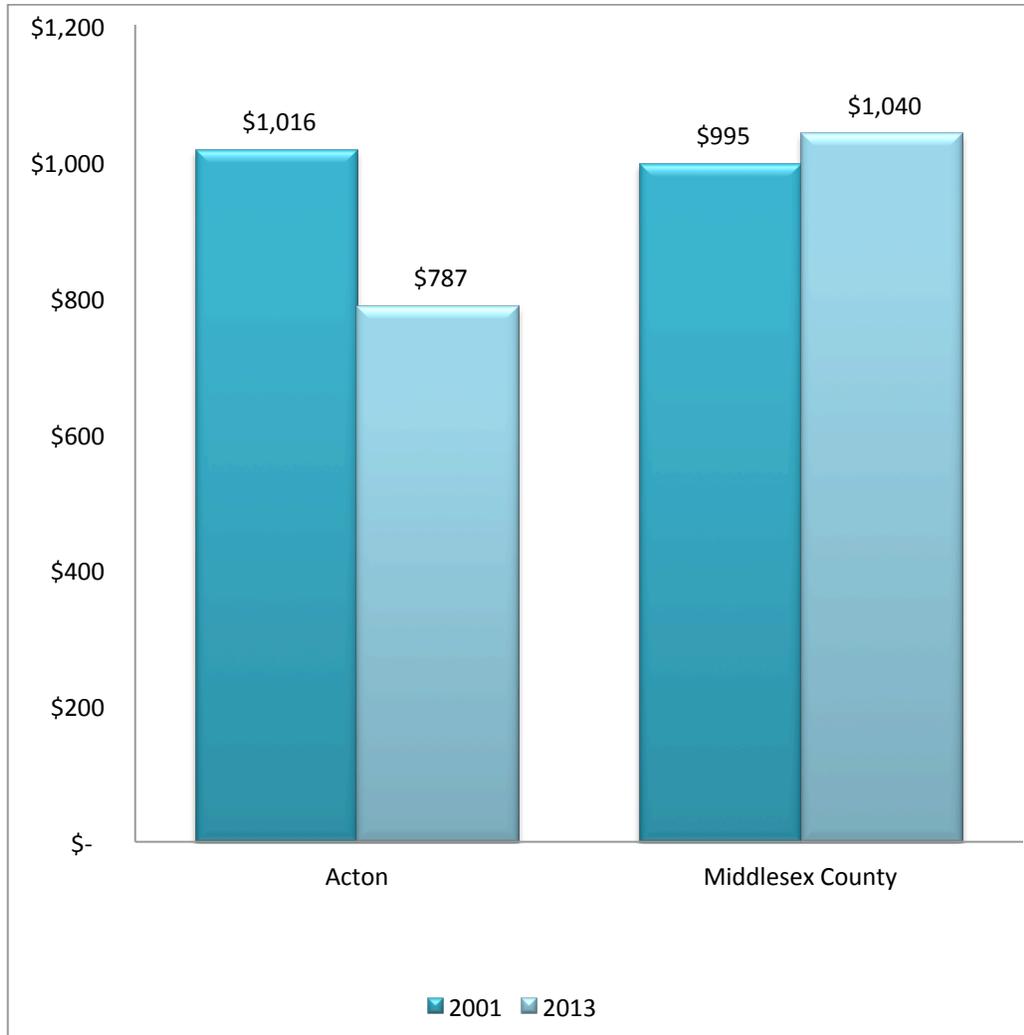


Figure 7 compares wages in companies based in Acton with countywide averages. In order to gauge real changes in wages, 2013 wages have been converted to 2001 dollars. As the figure shows, in real terms, wages in Acton have declined by nearly 25%. This is likely a reflection of the heavy job losses in well-paid manufacturing and information sectors. Wages in the new jobs in healthcare and entertainment are lower-paid and more of these positions are part-time. In Middlesex County, by contrast, wages have held relatively steady in real term over the past 12 years, having increased by just \$45 a week, or about \$1 an hour in real terms.

Real Estate Market Conditions

In this section of the report, we focus on regional, sub-regional, and local real estate market conditions within Acton and the surrounding region. We first discuss trends in the market at a variety of geographic levels. We begin with a discussion of trends within the Greater Boston regional commercial real estate market. We then discuss the retail market, considering leasing activity within the Central Suburban submarket and their implications for local market conditions in Acton.

We then look at trends in restaurants and hotel development within the 495/Metro West Area before turning to a detailed discussion of the Boston metro office market. Detailed office market data are drawn from a variety of independent sources. These sources slice the data into different subareas, so there is no consistency in the subareas that are provided for comparison. This is due solely to the availability of data and does not reflect bias or preconceptions on the part of the analysts.

Boston Metro Area Commercial Real Estate Market

In the past four years, the recovery of the Boston commercial real estate market from the Great Recession has gained momentum. Supported by growth in manufacturing, consumer spending, and business investment, the unemployment rate dropped from 9.3% in 2010 to 5.9% in December of 2013. The current low interest rate environment is expected to continue well into 2015, supporting both commercial and residential property markets.

The region's ability to attract venture capital, a key barometer of the local entrepreneurial economy's health, grew at a solid pace in 2013. Next to Silicon Valley, New England received the second-highest level of funding in the country. Venture capital funding of New England operations increased by 8% to \$870 million in 2013. Growth in the New England regional economy is expected to peak at 4.5% during the fourth quarter of 2014 and then to level off and remain at 4% for most of 2015.

Suburban Boston Retail Market Trends

The American Dream of a single family home in the suburbs where the nearby-enclosed mall is the center of social life is no longer the norm. Throughout the country's major markets, the trend toward urban living (New Urbanism) is creating vibrant "It" locations - walkable, mixed-use communities with a range of entertainment options --- Live, Work, Play environments.

2013 was an active year for retail in the suburbs of Boston Metropolitan Statistical Area (MSA). 2014 should prove to be just as strong. Retail development activity has returned, as

many projects that were once stalled due to the 2008 financial markets meltdown are under construction or have been recently completed. Most are opening in phases. Many areas in New England remain under-retailed when compared to the rest of the United States, which bodes well for retail developers fortunate enough to find a good site.

Retail Upcycling Trends

Upcycling of suburban retail sites involves redevelopment of older retail sites with outlets tailored to contemporary tastes. Large-scale dispositions in the big box category have provided new supply and creative upcycling opportunities. Former Sears/Kmart and Borders stores have attracted a diverse mix of uses ranging from auto, furniture, food, and clothing. Grocery stores have been particularly active in retail up cycling of older suburban retail properties, especially Whole Foods and Trader Joes.

Wegman's, with stores in Chestnut Hill and Northborough, will be opening several new locations in the next few years on upcycled sites in Chestnut Hill, Burlington, Westwood, and Fenway. Market Basket will open several new locations in 2014.

Retail development and leasing will remain strong through 2014 and for the foreseeable future. Healthy retailers will continue to grow strategically throughout the metro area. Developers will continue to seek redevelopment sites in both the suburban and urban locations, with a particular focus on locations served by public transit.

Food, health and wellness are the common retail themes in new suburban retail developments, with grocery stores, restaurants and fitness centers anchoring most pipeline retail developments. This collection of retail mix helps drive daily traffic and extends shopping hours from morning to late evening. The table below shows that restaurants are occupying a growing proportion of retail floor space. The percentage of retail space leased by restaurants has increased to nearly 13% from 10% in 2006. Restaurants have changed the leasing mix at many centers and can account for more than 20% of the GLA (gross leasable area), collectively acting as anchor. While there is tremendous demand from restaurants—from quick casual to white tablecloth—they require more parking than stores, adding to development costs.

Table S-1 shows that nine major retail-anchored developments are currently in the pipeline (or are under construction) in Boston's suburbs. They all involve redevelopment/upcycling of sites that were formerly in other commercial or industrial uses. Most are in the I-195 belt. However, the trend is extending outward to the I-495 belt with the development of sites like Highland Commons in Berlin near the junction of I-495 and I-290. This development has attracted Cabela's, a Nebraska-based retailer of outdoor recreational equipment who will occupy 90,000 sq. ft. and employ 200 workers. Highland Commons has the capacity to expand to 500,000 sq. ft. in subsequent phases.

Table S-1
Pipeline Suburban Retail Developments

<u>Project</u>	<u>Developer</u>	<u>Anchor(s)</u>
The Street, Chestnut Hill	WS Development	Showcase SuperLux , Sports Club/LA, Del Frisco's Steakhouse, Davio's, Legal Sea Foods, Pottery Barn, lululemon
Market Street, Lynnfield	WS/National Development	Whole Foods & Kings, Legal C Bar, Davio's, Eastern Mountain Sports, and Yard House
The Street, Chestnut Hill	WS Development	Showcase SuperLux , Del Frisco's Steakhouse, Davio's, Legal Sea Foods, Pottery Barn, , Sports Club/LA and lululemon
Chestnut Hill Square, Chestnut Hill	New England Development	Wegmans, Equinox Fitness Club, Anthropologie, Brio Tuscan Grille, Seasons 52 and The Capital Grille
Third Avenue, Burlington	Nordblom Company	Wegmans, Kings, Tony C's (sports bar), Redstone American Grille, The Bancroft Steakhouse and Carter's Fine Jewelry
Assembly Row, Somerville	Federal Realty Investment Trust	Saks 5th Avenue Off Fifth, LEGOLand Discovery Center, Nike, Brooks Brothers, Ann Taylor Loft, Legal C Bar, Earls, Paul Bakery and Tony C's
University Station, Westwood	New England Development, National Development and Eastern Retail J	Wegmans and Target (and several others about to be announced)
Highland Commons, Berlin	Benderson Development	BJ's Wholesale Club, Lowe's, Market Basket, Cabela's, TJ Maxx, PetSmart and Michael's
The Point, Littleton	Sam Park & Co.	Market Basket, Homewood Suites, Tavern in the Square

Source: CBRE

The 90-acre Point Development in Littleton, at I-495 and Route 119, is only a couple of miles from Acton's northern boundary. The site is 7-8 miles from Kelley's Corner. The 200,000 sq. ft. Phase 1 of this development will be anchored by a Market Basket, a 100-room Hilton Homewood Suites Hotel, and Tavern in the Square. The Littleton Market Basket will be the third store belonging to the Tewksbury-based Demoulas Supermarket within 3 linear miles along I-495. Market Basket plans to close one of these locations next year, upon lease expiration. The development also hopes to attract a movie theater. There is potential for construction of over 500,000 sq. ft. in phases here.

Table S-2 identifies the retailers that are the most active in establishing new outlets in Boston's Suburbs.

Table S-2
Retailers Active in Opening New Outlets in Suburban Boston

<u>Grocery Anchors</u>	<u>Retailers</u>	<u>Restaurants</u>	<u>Entertainment</u>
Market Basket	Michael's (Art Supplies)	Davios	Showcase Lux Cinema
Whole Foods	Pottery Barn	Tavern in the Square	Sports Club/LA
Wegman's	Anthropologie	Shake Shack	
	Lulu lemon (Yoga wear)	Legal Sea Foods	
	Eastern Mountain Sports	Panera	
	Ulta Salon & Cosmetics	Pret A Manger	

Source: CBRE. New England Market Outlook, 2014

Central Suburban Retail Submarket

For the purposes of retail analysis, Acton is within the I-495 West submarket area. This area spans the area between I-495 from Route 120 that stretches South of the MassPike and north of Route 2.

Table S-3
Non-Anchor Rents in the I-495 West Submarket
by Age of Unit

Year Built	Rent
Before 1970	\$17.06
1970-1979	\$16.79
1980-1989	\$15.17
1990-1999	\$33.32
After 2000	\$24.40
All	\$17.15
<i>Source: REIS, as of February 2014</i>	

Table S-3 shows average rents for retail non-anchor tenants vary for units of different ages. It shows that asking retail rents in the I-495 West Submarket area average \$17.15, generally

increasing for newer buildings, averaging \$24.40 sq.ft. for retail units built after 2000.

Table S-4 shows that, at the high end, rents for non-anchor retail tenants average just over \$30 sq. ft., 50% more than the \$19.00 rents paid by anchor tenants. All rents average around \$13.60 sq. ft. for anchors and \$17.15 sq. ft. for non-anchors.

Table S-4
I-495 West Submarket Asking Retail Rent Distribution

	<u>Low</u>	<u>Mean</u>	<u>Median</u>	<u>High</u>
Non-Anchor	\$9.92	\$17.15	\$16.92	\$30.27
Anchor	\$10.00	\$13.59	\$13.42	\$19.05

Source: REIS, as of Feb. 28, 2014

Most high-end retail space in the I-495 west Submarket area is clustered in regional malls near I-495 exits. Except for the small units in the West Acton development, Acton doesn't really have a supply of Class A retail space. Given Acton's access and quality constraints, the mean to median level retail rents in Table S-3 (\$13.42 to \$17.15 psf) appear to best correspond to local market conditions.

Acton Retail Market

A survey of major retailers in Kelley's Corner showed that most major retailers (defined as those occupying >6000 sq. ft.) in Kelley's Corner have been at their present locations for 10 years or more. Most retailers reported that their trade areas consist of Acton, Concord, and Maynard, the immediately surrounding towns.

According to realtors, the market for units in conventional strip mall properties in Acton is soft, with available spaces taking 6 to 12 months to fill. Most available retail space is in strip malls on Route 119. Asking rents in Acton Woods Plaza and Powder Mill Plaza, which is anchored by Stop & Shop, range from \$22 to \$24 psf. Those for Class B space in the Le Marche and Worker Credit Union Plazas are around \$18 psf. Class C retail spaces in and outside of strip malls rent for \$10 to \$15 psf. According to local agents, rents for retail space are about 20% negotiable.

Table S-5
Asking Rents for Retail Space - Route 2/I-495 Submarket

	<u>Rents</u>	<u>Availability</u>	<u>Avg. Unit size</u>	<u>No of Listings</u>
Littleton (1)	\$35.27	211,733	34,311	12
Concord	\$21.96	11,134	2,227	6
Bedford	\$20.25	24,000	2,400	10
Acton	\$17.12	90,164	4,100	22
Westford	\$16.62	97,318	6,082	16
Stow	\$13.48	10,880	1,813	6
Chelmsford	\$12.60	9,712	1,214	8
Maynard	\$9.17	12,870	2,145	6
AVG/TOTAL	\$18.31	467,811	7,765	86

(1) Includes Phase 1 of the 200,000 sf Point Development, which is currently under construction.

NB - No available retail space in Harvard, Boxborough, Carlisle, Bolton.

Sources: Compiled by Cambridge Economic Research from listings on Costar LoopNet, and Showcase.com

Asking rents for retail space currently listed in Acton average \$17.12 sq. ft. Asking rents for retail space are 10%-15% negotiable, translating to a typical transaction rent of about \$15 sq. ft. for existing space in the local market area. The supply of available space is good, with over 90,000 sq. ft. currently available. In line with the rest of the submarket, most available units in Acton are small—the average shop unit is just 4100 sq. ft.

The large amount of available retail space in Littleton reflects the Point development, which has potential for the phased development of 500,000 sq. ft. The 200,000 sq. ft. Phase 1, now under construction, is about 75% leased. Anchor tenants include a 65,000 sq. ft. Market Basket and a 100-room Hilton Homewood Suites. The Point has also signed a Tavern in the Square, Orange Leaf (yogurt) along with financial, personal, and healthcare services outlets. Negotiations with a movie theatre are currently underway. Stores at The Point will start opening in Fall of 2014.

The new Market Basket at The Point is about 8 miles from Kelley's Corner. This is expected to present stiff competition for existing tenants in Kelley's Corner, including K-Mart, CVS, and Roche Bros. for both food and non-food items. Other existing grocery competitors include Donelan's on Rt. 119, Stop & Shop in Powder Mill Plaza, and Trader Joes in Farm Hill Plaza on Rt. 119.

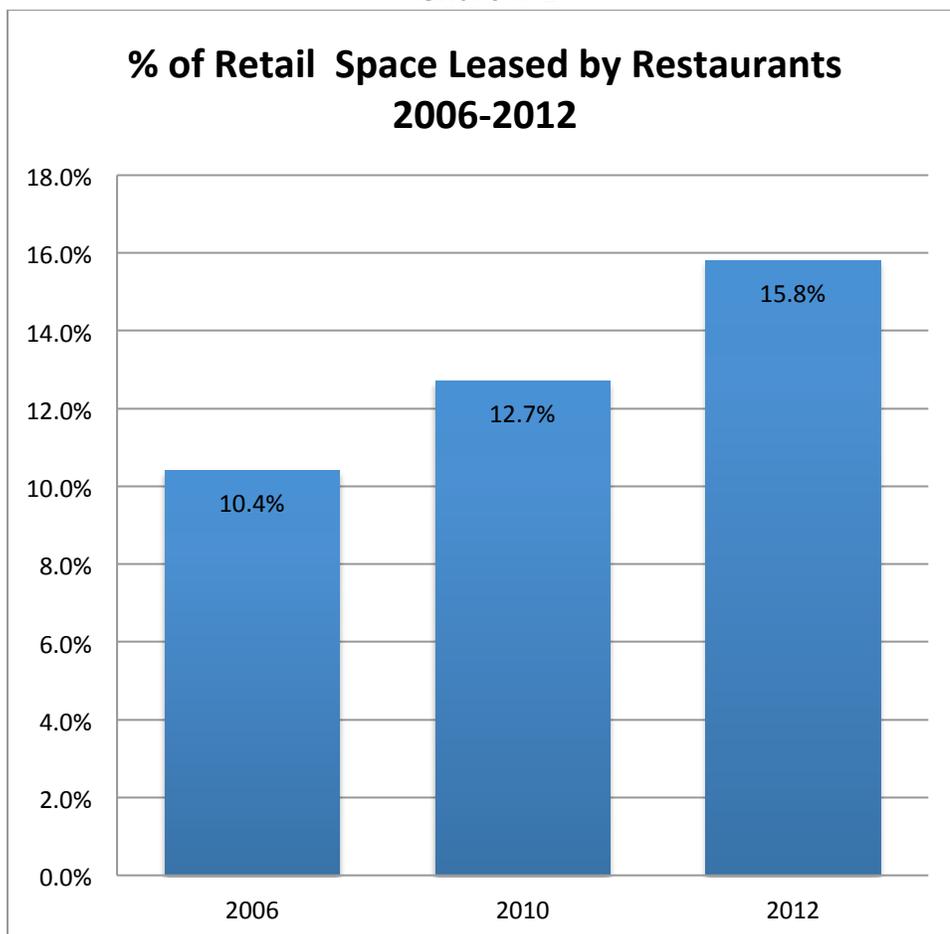
At present, there is just one 1200 sq. ft. unit available in Acton Plaza I. Rents of up to \$30 psf have been achieved for recent leases of small units on the Southeast corner of Mass Ave and Main Street to national restaurant chains.

Transaction rents for new and redeveloped space in West Acton Village are in the low to mid \$20's psf. High rents are partly due to the small size of available units, which range from 150 sq. ft. to 750 sq.ft. The development has attracted a number of popular restaurants as well as alternative medicine, gourmet food, massage, and yoga practitioners.

Restaurants

Food, health, and wellness are the common themes in new suburban retail developments, with grocery stores, restaurants and fitness centers anchoring most pipeline retail developments. This mix of uses helps to drive daily traffic and extends shopping hours from morning to late evening. The table below shows that restaurants are occupying a growing proportion of retail floor space. The percentage of retail space leased by restaurants has increased to nearly 13% from 10% in 2006 (Table S-6). Restaurants have changed the leasing mix at many centers and can account for more than 20% of the GLA (gross leasable area), collectively acting as anchor. While there is tremendous demand from restaurants—from quick casual to white tablecloth—they require more parking than stores, adding to development costs.

Chart R-1



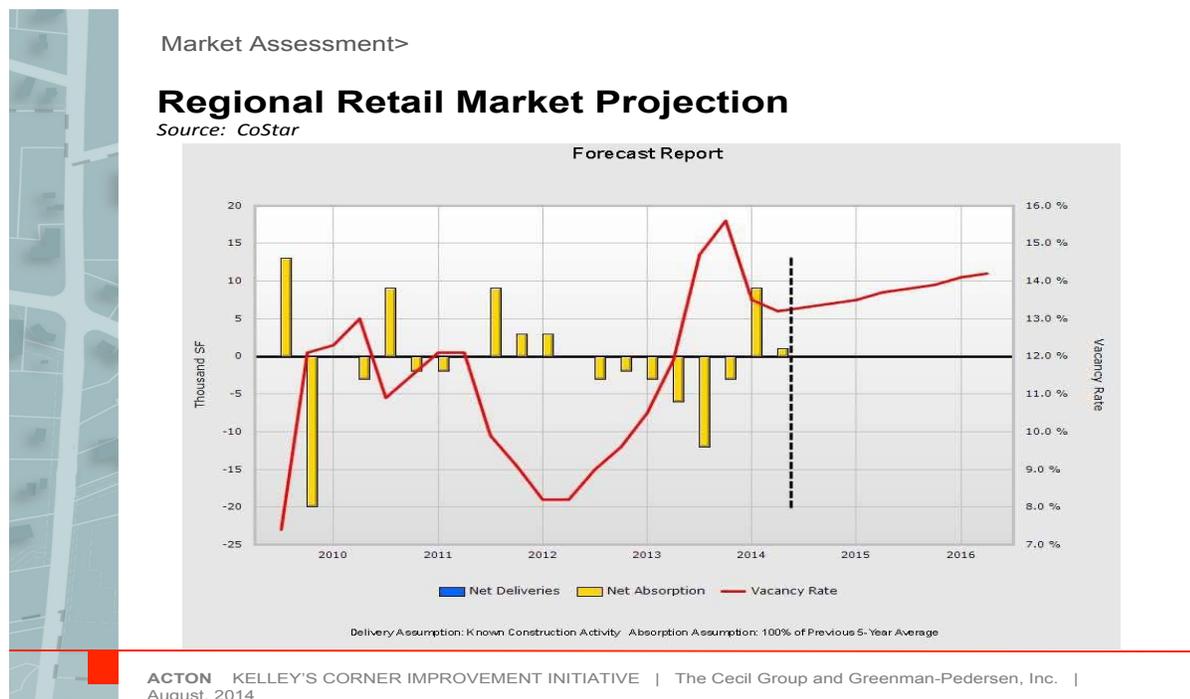
In line with national trends, restaurants have occupied an increasing proportion of floor space in Kelley's Corner over the past decade. Not Your Average Joes was the first to locate at Acton Plaza I about 9 years ago. Average Joes is rated by Trip Advisor reviews as #5 out of 54 restaurants in Acton. Competition among existing Gastropubs and sit-down restaurants within the Acton catchment area is limited; Not Your Average Joe's considers its main competitors to be Red Raven in Nagog Mall and Paparazzi in Concord. The new Tavern in the Square at The Point in Littleton will stiffen the competition for Gastropub spending in the area.

In the past few years, Starbucks has moved into the Acton Professional Building. Last year, Johnny Rockets (burgers) opened in Acton Plaza II. Recently, a number of national franchises have taken space at the Southeast Corner of Mass Ave and Main St., including Subway, Orange Leaf (yogurt), and Bueno y Sano (Mexican). Rents of up to \$30 sq. ft. have recently been achieved here. Smaller outlets in Kelley's Corner compete with national chain and independent restaurants in the strip malls on Route 119.

Retail Market Forecast

Chart R-2 shows that the absorption of retail space in the Concord-Maynard submarket, which contains Acton, has been negative for half of the quarters since 2010. This is expected to continue into the next several years as vacancy drifts upward from its present level of about 13% to over 14% by 2017. These forecasts do not engender optimism regarding the prospects for a major retail development or redevelopment at Kelley's Corner, unless a suitable site were to exist. This does not support any meaningful projections of future retail demand for Kelley's Corner, but it doesn't mean that a well-designed development catering to the contemporary tastes of the submarket's demographic could not work if a suitable site were to become available.

Chart R-2 Absorption of Retail Space in the Concord-Maynard Submarket



Hotels

The 495/Metro West continues to grow in importance as an employment center. The rebounding economy has sparked a boom in hotel construction in the suburbs, adding thousands of rooms that cater to business travelers on weekdays and tourists on the weekends.

Over the past four years, the total payroll of companies along the I-495 corridor expanded by nearly 10% to \$20 billion. Lenders consider hotels a good investment at present. The fundamentals are strong, -- rates & occupancy are high -- so they are willing to lend against these properties.

Most of the new hotels under construction or in the planning phases aren't on freestanding sites. They are part of larger mixed-use developments. In addition to the Homewood Suites Hotel that is programmed for The Point in Littleton, plans were recently unveiled for a new 153-room Hilton Garden Inn in Marlborough Hills, just off I-495. The hotel will be built on a site formerly occupied by Hewlett-Packard off I-495. The development includes Quest Diagnostics' plans for a 200,000 sq. ft. research center and a 350-apartment Avalon Bay.

In Hopkinton, a developer is proposing a new mixed-use complex near I-495 with a hotel,

apartments, offices, and shops. A new Marriott in Needham has been doing brisk business since opening last summer. More new hotels are planned for University Station in Westwood and at the former site of Northwest Park industrial site in Burlington.

Metro Boston Office Market

In this section, three secondary sources of current data on the Boston office market are synthesized:

- NAI/Hunneman's Metro Boston Real Estate Review
- CBRE, New England Market Outlook
- CRESA Tenant Report: Route 495.

Data from these sources are not directly comparable as they divide the metro area up into differently defined subareas and coverage varies. Nonetheless, they are instructive. Submarket areas are defined differently by each of these sources.. The relevant subareas for Acton are entirely based on the availability of data and do not reflect bias or prejudice on the part of the analysts.

Greater Boston Office Space

Table O-1 shows NAI/Hunneman's data on rents, occupancy, and availability within five major submarkets that comprise the Boston MSA. Rents for Class A&B office space range from a high of \$53 sq. ft. in Cambridge down to \$18 sq. ft. in the I-495 Loop. Vacancy in the Boston/Cambridge markets ranges around 9% compared with over 19% in the Route 128 Loop.

Table O-1
Greater Boston Office Market
NAI/Hunneman Data

	2013		
	<u>Space</u>		
	<u>Inventory</u>	<u>Avg.</u>	<u>%</u>
	<u>(M sf)</u>	<u>Rent</u>	<u>Vacant</u>
Downtown Boston	75.9	\$43	9.2%
Cambridge	20.6	\$53	8.8%
Route 128 Loop	74.8	\$23	14.7%
I-495 Loop	30.9	\$18	19.3%
Total Metro Boston	202.2	\$33	12.7%

Source: NAI Hunneman, Metro Boston Real Estate Review, Q4 2013.

There are an estimated 31 million sq. ft. of office space within the I-495 Loop. Acton is part of the I-495 Northwest Submarket, where rents average \$17 sq. ft., slightly below the \$18 sq. ft. average for the I-495 Loop as a whole (Table O-1-A). Vacancy in I-495 Northwest is estimated at 16%, less than the 19% average for the I-495 Loop as a whole.

Table O-1-A
I-495 Loop Office Submarket
NAI/Hunneman Data - 2013

	<u>Space Inventory</u> (M sf)	<u>Avg. Rent</u>	<u>% Vacant</u>
I-495 North	7.1	\$18	19.10%
I-495 Northwest	9.1	\$17	15.80%
i-495 West	11.3	\$18	23.50%
I-495 Southwest	1.8	\$20	15.30%
<u>I-495 South</u>	<u>1.6</u>	<u>\$19</u>	<u>14.80%</u>
Total I-495 Loop	30.9	\$18	19.30%

Source: NAI Hunneman, Metro Boston Real Estate Review, Q4 2013.

Table O-2 below shows CBRE's data on the Metro Boston office market. CBRE estimates that in 2013, the Metro West market absorbed 824,000 square feet, the highest level of absorption since 2007. As is apparent from these data, the I-495 Loop is highly bifurcated. The Route 495-Mass Pike submarket outpaced the Route 495-Route 2 West Submarket, with significantly higher rents. The Route 2 submarket includes Acton, Boxborough, Concord, Littleton, Carlisle, Stow, Maynard, Sudbury, and Bolton.

Within the Route 495-Route 2 West submarket area, rents are estimated at \$15.20 sq. ft. compared with average rents of \$19.60 in the Route 495/MassPike area. Vacancy in the Route 2 submarket approaches 25%. In 2013, net absorption within this submarket (which contains Acton) was estimated by CBRE at a negative -35,035, indicating that vacated office space exceeded new space leased in the area.

Table O-2
Supply of Office Space in Suburban Boston – CBRE Data

Submarket	Total SF	Availabili ty	YTD Absorption	Avg. Asking Rent
Route 128-West	27,087,546	12.3%	669,521	\$27.00
Route 128-Mass Pike	7,418,0007	16.4%	(93,326)	\$19.60
Route 495-Route 2 West	4,735,123	24.7%	(35,035)	\$15.20
Route 495-Mass Pike West	13,548,898	27.6%	282,479	\$17.24
Total Metro West	52,789,574	16.2%	823,639	\$21.00
Total Greater Boston	111,721,009	20.3%	1,3116,246	\$19.20

Source: CBRE , New England Market Outlook, 2014

CBRE notes four major growth trends in the Metro West Commercial Property market:

- User-buyers
- Organic growth of indigenous companies
- Build-to-suits,
- Diminishing large blocks of available space.

It is widely acknowledged that the I-495 belt has become the new Route 128 corridor as a locus for technology investment. Some of the leading firms in the Route 495 Northwest Submarket include IBM in Littleton, Cisco Systems in Boxborough, and Bose in Westborough. 2013 was a banner year for blockbuster office deals in this submarket. Red Hat Software more than doubled its footprint, adding 100,000 sq. ft. to its existing 75,000 sq. ft. campus in Westford along with 100 new jobs. Verizon moved into 90,000 sq. ft. in Lowell. Sentry Insurance expanded into 29,000 sq. ft. in Westford.

Table O-3 shows alternative estimates of supply, demand, and rents within the I-495 corridor that were prepared by CRESA Corporate Real Estate. The 495 Central Subarea, which contains Acton, is highlighted. Similar to the CBRE data, CRESA estimates vacancy in this subarea at about 25%. Rents for Class A office space in the I-495 Central submarket range from \$14.50 for Class B space to \$16.60 for Class A space. Most of the office space that is currently available in Acton is considered to be Class B.

Table O-3
CRESA Data on I-495 Office Market

Submarket	Inventory	Vacancy	Rents/PSF	
			Class A	Class B
495 North	19,500,000	24.10%	\$17.50	\$15.50
495 Central	4,500,000	24.70%	\$16.60	\$14.50
495 Metro West	13,010,000	24.80%	\$19.50	\$17.50

Source: CRESA, Tenant Report, Route 495, 2013 Year-End

Acton & Surrounding Towns

Table O-4 compares the Acton Office Market with the surrounding communities. Only communities, which, like Acton, have no I-495 exits, are listed as competitors. These data are based on current listings of office property on Costar, LoopNet, and Showcase.com.

Table O-4
Acton & Surrounding Towns without I-495 Exits

<u>Town</u>	<u>Asking Rents</u>	<u>Availability</u>	<u>Avg Unit Size</u>	<u>No. of Listings</u>
Concord	\$21.57	405,668	17,638	23
Harvard	\$19.04	14,398	1,800	8
Bedford	\$15.38	1,106,899	35,803	31
Acton	\$14.47	334,035	12,372	27
Maynard	\$12.59	253,627	14,919	17
Avg/Total	\$16.61	2,114,597	15,068	106

Sources: Compiled by Cambridge Economic Research from listings on CoStar Loopnet, and Showcase.com

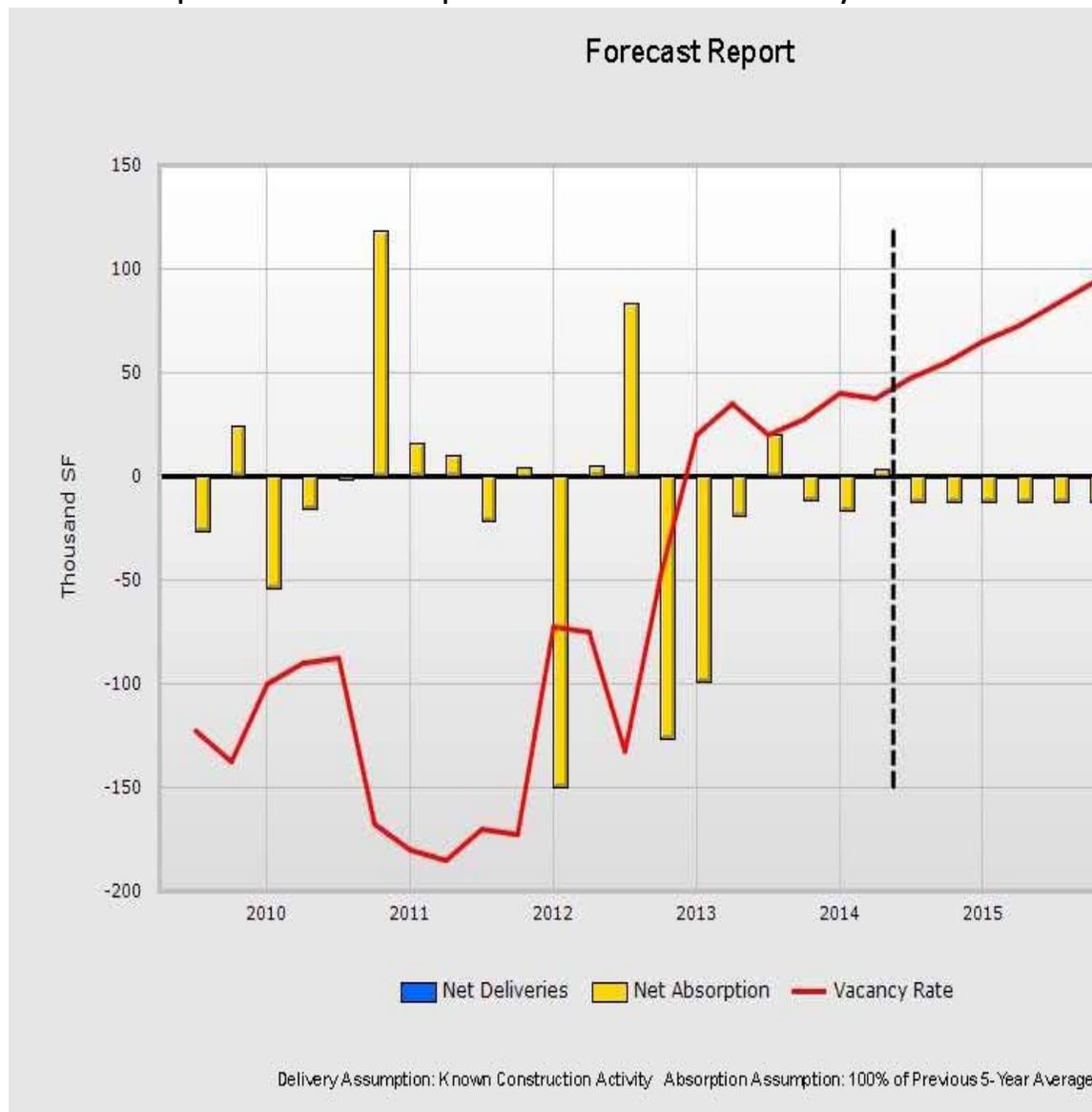
In line with the three secondary data sources presented in Tables O-1 through O-3, current listings show that asking rents for office space in Acton are averaging \$14 to \$16 for Class B space in Nagog Office Park. In the Acton Professional Building in Kelley's Corner, asking rents are \$15 psf, while transaction rents are closer to \$12.00 sq. ft. Rents for smaller, boutique style spaces in West Acton, where 5000 sq. ft. of new commercial space has recently been filled, are in the low to mid-\$20's range. Office spaces in the West Acton development range in size from 150 to 750 sq. ft.

As Table O-4 shows, Acton has the second-most competitive rents in the vicinity. At present, there are 27 listings of office space in Acton with over 334,000 sq.ft. of available space. In line with the market profile and lack of direct interstate links, most available units are targeted at small, indigenous businesses. There are just 3 listings of units with over 15,000 sq.ft., limiting Acton's ability to attract large employers. But due to its lack of direct interstate access, the supply of larger units is likely to be adequate to meet demand for the foreseeable future.

Office Market Forecast

Chart O-1 below shows that absorption of office space has been negative for nine of the past 20 quarters. This trend is expected to continue for the next several years during which absorption is forecast to be around a negative 10,000, meaning 10,000 sq. ft. more is expected to be vacated than is leased.

Chart O-1
Absorption of Office Space in the Concord-Maynard Corridor

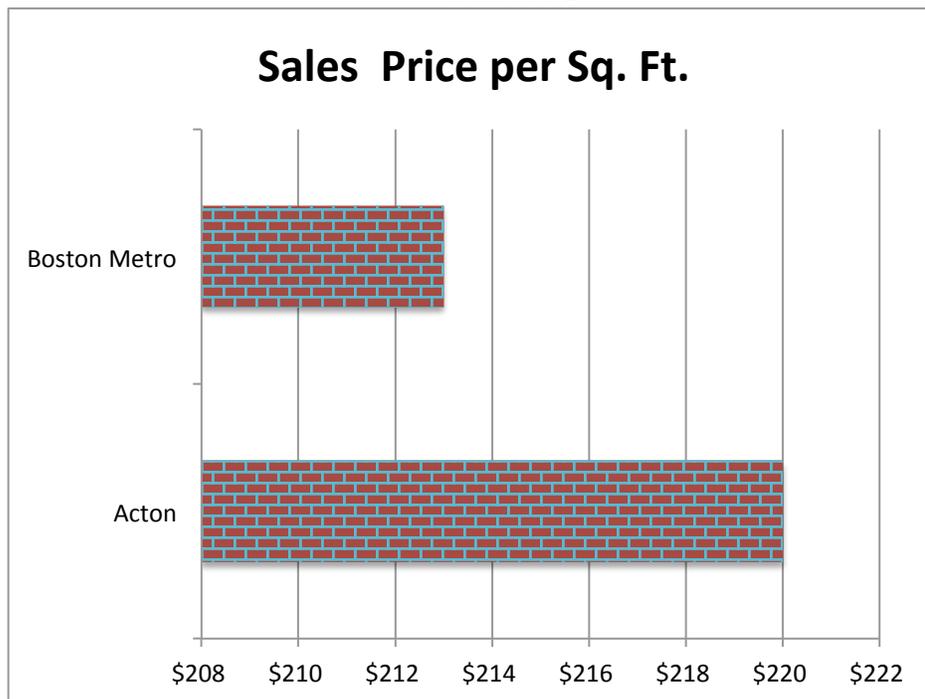


Source: CoStar

3.0 Residential Market

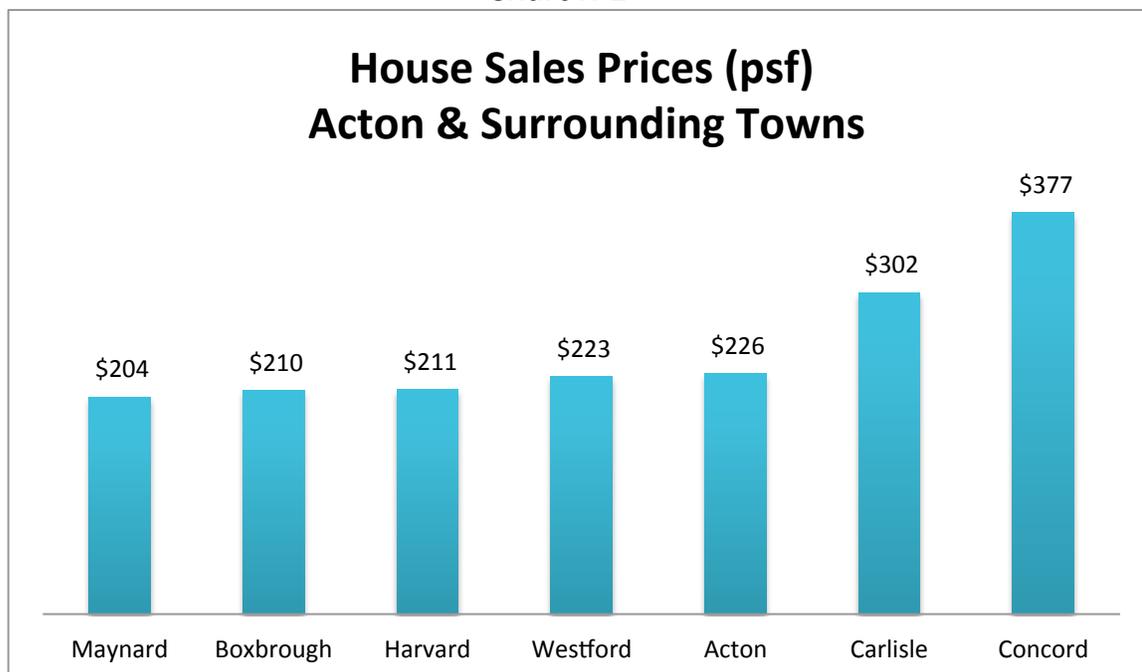
Acton home values have increased by 7% over the past year. They are expected to rise by another 1.5% in the next year. The median house value in Acton is now \$473,900 or \$220 psf, just above the Boston Metro average of \$213 psf.

Chart R-1



While they are high compared with metro area averages standards, Acton house prices are reasonable when compared with surrounding towns as is shown in the Chart R-2 above. Table R-3 compares average residential sales prices and rents in Acton with those of surrounding towns.

Chart R-2



Source: Zillow.com

Table R-3
Residential Sales & Rents in Acton Compared with Surrounding
Towns

	Sales Price (psf)	Median Monthly Rent	<u>Residential Market Climate</u>
Concord	\$377	\$2650	Neutral
Bedford	\$321	\$2500	Warm
Carlisle	\$302	\$2750	Warm
Chelmsford	\$240	\$1265	Very Hot
Acton	\$226	\$1850	Cool
Littleton	\$225	\$1425	Neutral
Westford	\$223	\$1580	Cold
Stow	\$211	\$2325	Cold
Harvard	\$211	\$1350	Cold
Boxborough	\$210	\$2400	Cool
Maynard	\$204	\$1250	Hot

Source: Zillow

Acton's average house prices are in the top half of the submarket, while rents are in the bottom half. Also shown is Zillow's appraisal of the strength of the residential market. This is based on price inflation and time on the market, and relationship between asking and transaction prices. Acton's residential sales climate is assessed as "cool", while Concord is "neutral", Harvard is regarded as "cold", Maynard's is "hot", and Chelmsford is considered to be "very hot".

Table R-4
Asking Prices for Condominiums in Acton

	<u>Size Range (Sq. Ft.)</u>		<u>Sales Price Range</u>		<u>Availability</u>	<u>Average Price (sf)</u>
1 Bedroom	650	1,125	\$110,000	\$300,000	1	\$231
2 Bedroom	800	2,400	\$150,000	\$450,000	2	\$188
3 Bedroom	1,675	2,600	\$231,000	\$575,000	1	\$189
Average						\$202

Source: Listings

Table R-4 shows that prices for condos in Acton are about 10% below those of single-family houses at an average of \$202 psf. One-bedroom condos sell for around \$230 sq.ft, while 2-3 bedroom condos are listed at about \$185 to \$190 sq. ft. Availability of 2-bedroom condos is considered to be adequate for demand, while 1 and 3-bedroom condos are in shorter

supply and offer opportunities for reuse and redevelopment of key sites in Kelley's Corner.
Residential Rental Market

Chart R-5 compares rents in Acton with those of the Boston Metro Area as a whole. Due to its relatively distant location from the CBD, residential rents in Acton at about \$1.50 sq. ft. are more reasonable than the metro area average, at about 75% of the metro area average of \$2.00.



Source: Current Listings

Our analysis of the rental market in Kelley's Corner is based on current listings, quotes from residential rental agents, and comparable benchmark complexes. Table R-6 shows the data collected for benchmark complexes. The most relevant, of course, is the Acton Avalon complex. Rents for one-bedroom units average \$1.67 sq. ft., while those for 2-bedroom units are somewhat lower at \$1.45 sq. ft.. Also considered is the luxury Concord Mews development in Concord, where rents are 50% above those at the Acton Avalon due to location, facilities, and amenities.

Table R-6
Class A Residential Rental Benchmarks for Kelley's Corner

<u>Acton Avalon Benchmark</u>		296 units - 20% Affordable			
	<u>Size Range (sf)</u>		<u>Market Rent Range</u>		<u>Avg. Rent (psf)</u>
1 BR Apt	700	1,200	\$1,440	\$1,725	\$1.67
	1,06				
2 BR Apt.	0	1,715	\$1,845	\$2,165	\$1.45
<u>Concord Mews Benchmark</u>		350 Units - 25% Affordable			
	<u>Size Range (sf)</u>		<u>Market Rent Range</u>		<u>Avg. Rent (psf)</u>
1 BR Apt.	700	925	\$1,756	\$2,109	\$2.38
2 BR Apt.	975	1,364	\$2,240	\$3,020	\$2.25
	1,22				
3 BR Apt.	7	1,491	\$2,440	\$3,300	\$2.11

Sources: Agents from Acton Avalon & Concord Mews & Current Listings.

Table R-7 shows our synthesis of benchmark data, current listings, and data provided by local residential rental agents. The average rent for a 1 bedroom apartment ranges from \$1000 to \$2000 a month, or about \$1.67 sq. ft. Rents for 2-bedroom units are nearly 25% lower at about \$1.35 sq. ft. At present, availability of both 1 and 2 bedroom units is low. Agents report that, due to the emerging shortage of rental units, tenants are remaining in-situ for better rent deals, limiting the available supply of both one and two bedroom units.

Table R-7
Rents for Class A & B Apartments in Acton

	Size Range		Rent Range		Availability (1)	Avg. Rent psf
			1,00	2,00		
1 Bedroom	600	1,200	0	0	1	\$1.67
			1,20	2,50		
2 Bedroom	800	1,950	0	0	1	\$1.35

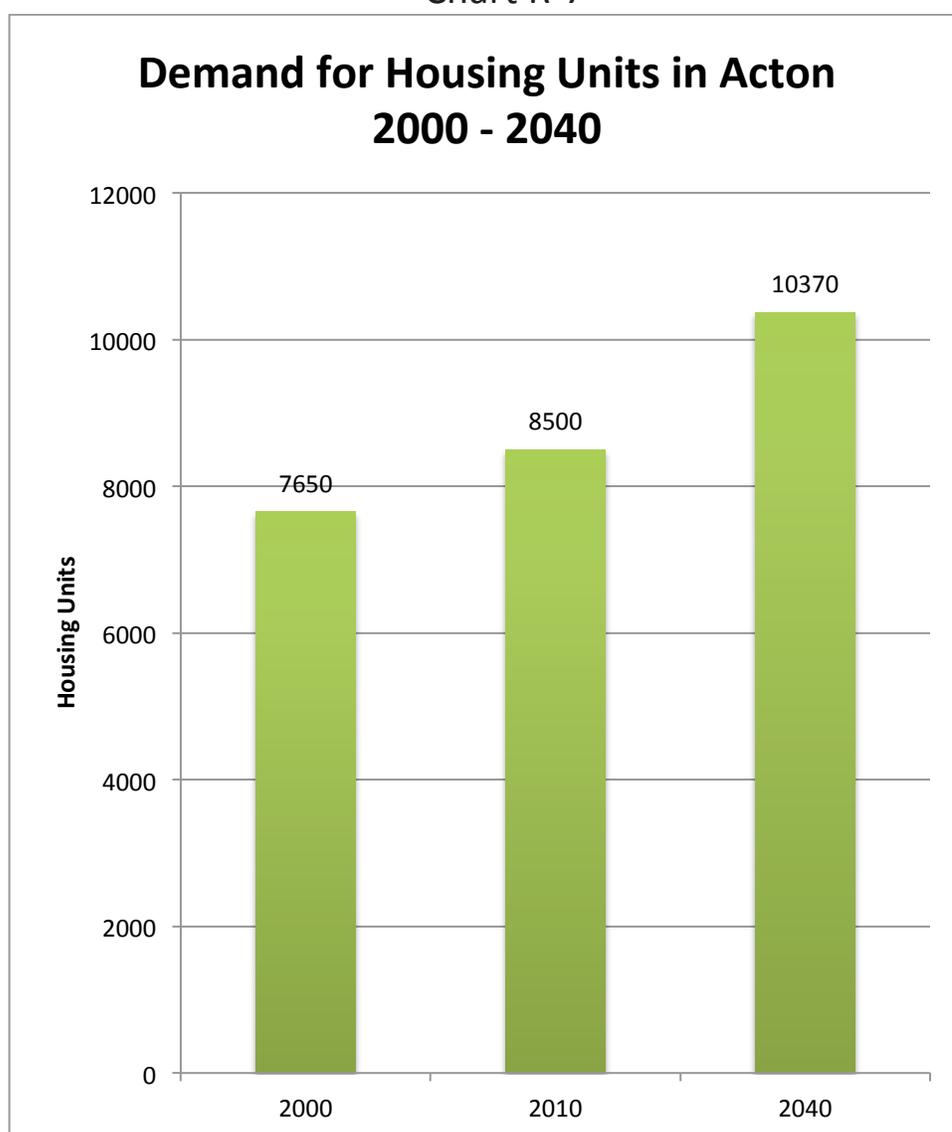
(1) Availability, 1=Low, 3=High

Sources: Interviews with Realtors, Analysis of Current Listings on Zillow & Craigslist, Benchmark Complexes.

Housing Demand Projections

Chart R-7 shows that demand for housing in Acton is expected to rise by 22% by 2040 in line with the steady population growth that is forecast for Boston. New housing demand is expected to outpace population growth due to declining household size. Demand for housing in Acton is expected to grow by 22% by 2040 to a total of 10,370 housing units in the Town. Acton is expected to absorb 1,870 new housing units within the next few decades – an average of 60-70 units a year. Due to depletion of development sites in the region, growth in housing units in Acton is expected to outpace that of most surrounding communities except for Littleton and Stow, where demand for housing is forecast to grow by over 30%.

Chart R-7

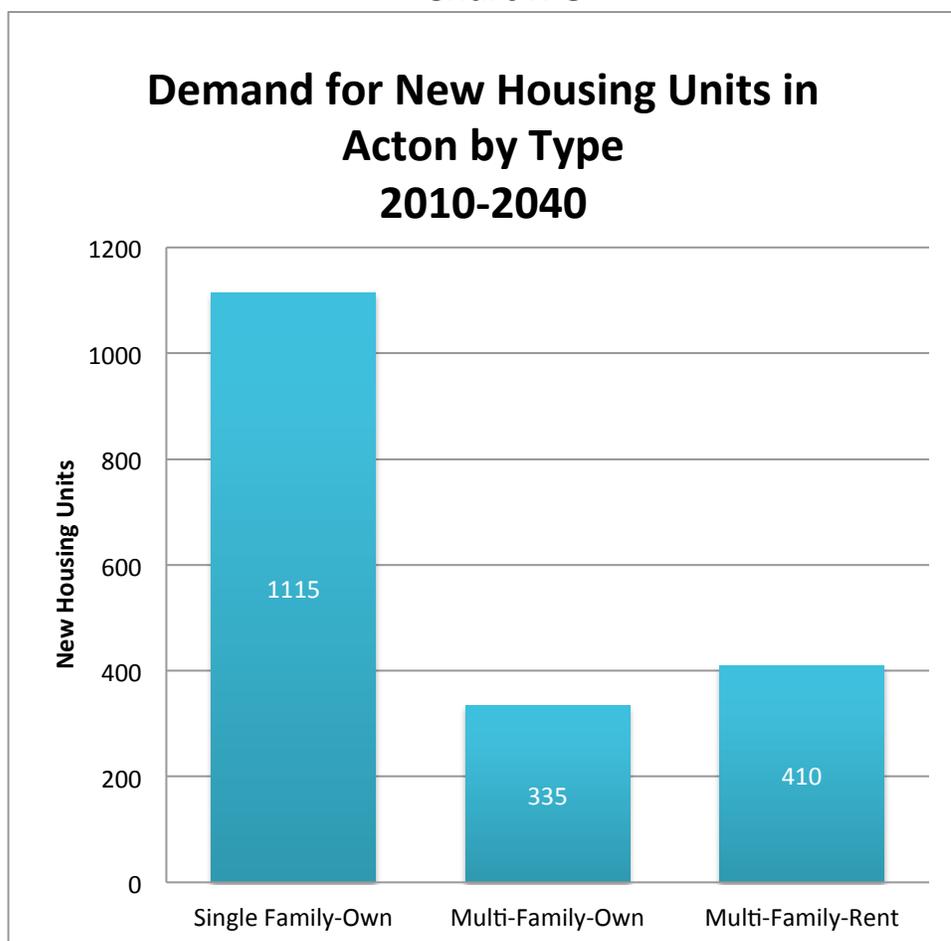


Source: MAPC MetroBoston Projections, 2014.

With more single-person households (particularly seniors), more divorced households, and fewer children per family, average household size is forecast to decline. A “senior selloff” is expected to provide many of the single-family homes needed for the next few decades. The under-40 households, so critical to the growth of Acton, prefer apartments and condominiums, but fewer of these units will be freed up by older cohorts. As a result, much of the new construction is expected to be multi-family units.

Chart R-8 estimates demand for single family, multi-family owner, and multi-family renter housing units in Acton through 2040. These projections are based on the pattern of demand that is forecast for maturing suburbs within the Boston metro area. Sixty percent of the housing demand – some 1115 units -- are expected to be single-family construction. Nearly 20% is forecast to be condominiums, with the remaining 22% of the construction expected to be for multi-family units. This translates to a forecast demand for about 25 multi-family units a year over the coming years. Multi-family construction, both single and multi-family, offer prospects for development at Kelley’s Corner.

Chart R-8



Source: MAPC, MetroBoston Projections, 2010-2040

Recommended Rent Levels for Kelley's Corner

Based on synthesis of the data analyzed in this section, the following levels of rents and sales prices are recommended for the proforma analysis of redevelopment potential of Kelley's Corner.

Recommended Market Rents & Sales Prices for Redeveloped Space in Kelley's Corner (per sq. ft.)

<u>Retail Rents</u>		<u>Office Rents</u>		<u>Apartment Rents</u>		<u>Condo Prices</u>	
<u>Anchor</u>	<u>Non-Anchor</u>	<u>Class A</u>	<u>Class B</u>	<u>1 BR</u>	<u>2 BR</u>	<u>1 BR</u>	<u>2 BR</u>
\$18	\$24	\$18	\$15	\$1.75	\$1.50	\$250	\$200

Source: Cambridge Economic Research

Findings & Implications for Redevelopment at Kelley's Corner

At present, there are no major redevelopment sites available at Kelley's Corner. All major properties are encumbered by very long leases. There are a limited number of potential scattered site redevelopment opportunities that offer prospects for reuse as restaurants. Since Average Joe's opened about ten years ago, Starbuck's, Johnny Rockets, Bueno y Sano, and Orange Leaf have followed. We believe that there is potential for additional restaurant development of all formats, ranging from casual to white tablecloth.

Besides restaurants, multi-family housing offers good prospects for absorbing any redevelopment sites that may become available in and around Kelley's Corner over the next five to ten years. Based on the forecasts presented in the last section, we estimate that, by 2020, there will be a demand for 250 new units of multi-family housing in Acton, roughly 50% apartments for renters and 50% condominiums for owners. Development of new housing within walking distance of Kelley's Corner will support walkability and new retail development in the Corner.

Due to the negative projections of absorption, it is not possible to project the demand for non-restaurant development in Kelley's Corner. However, based on the existing supply of retailing within the market area and, particularly in view of the large number of school children that frequent the Corner at lunchtime and after school, uses catering to teens like hobby, toy, games, pets, and sporting goods, electronics, and phone stores would be well-supported, in addition to new restaurants targeted to young people. Entertainment, like a SuperLux Cinema, could also thrive in this location, assuming that a Cinema does not locate at The Point in Littleton (as is rumored). Most retail sectors are saturated in Acton; there is

little evidence of a shortage of retail outlets and ample vacant space to absorb new demand.

Particularly saturated are grocery stores and pharmacies. The new Market Basket at The Point is about 8 miles from Kelley's Corner. This is expected to present stiff competition for existing tenants in Kelley's Corner, including K-Mart, CVS, and Roche Bros. for both food and non-food items. Other existing grocery competitors include Donelan's on Rt. 119, Stop & Shop in Powder Mill Plaza, and Trader Joes in Farm Hill Plaza on Rt. 119. The pharmacy sector is equally saturated, with 4 major pharmacies in the market area, including the new CVS planned at Kelley's Corner. Kmart has a pharmacy as well.

The demand for office space is also difficult to forecast, due to the negative absorption trend that is forecast to last for the foreseeable future. However, financial services and medical office have proliferated in Kelley's Corner in the past decade and offer prospects for a limited amount of additional development here. Other candidate sectors for absorption of a modest amount of office space include educational services, preschools, social services, and non-profit organizations.

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Property Owners

Guy Stutz, AholdUSA (Stop & Shop Real Estate Company) re. Kmart & McDonald's site

Keith Hague, Edens, re. Acton Plaza I & II

Vinnie Cuttone, TRB Development, re. Goodyear site

Josh Sundberg re Bowlodrome

Marvin Gould, owner, Acton Professional Building (Starbucks).

Retailers

Josh Sunderberg, Bowlodrome

Kmart, David Dunn, Manager

Roche Brothers, David Ordway, Manager

Meredith, Manager, Not Your Average Joes

Mary Jo, Manager, Quill & Press

CVS, Joe, Manager

Realtors

Joanie Meyers, Acton Realty

Deborah Meyers, Leasing Agent for The Point, Littleton

Bill Sullivan, Vice President, Office Leasing, Industrial Sales & Leasing

David Curley, O'Brien Commercial Properties.

Eric O'Brien, President, O'Brien Commercial Properties

George Robb, President, Omni Commercial Properties

Joel Aho, V.P., O'Brien Commercial Properties

Mark Shair, President, M&J Associates

Mathias Rosenfeld, Partner, New Habitat Properties, Leasing Agents for West Acton

Stan Burdick, Owner, New England Industrial Properties.

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