

MEMORANDUM

TO: Amanda Loomis, AICP, Planning Board Administrator
FROM: Judi Barrett
Eric Halvorsen, AICP
Jahangir Akbar
RE: Market Assessment and CMU Zoning Review
DATE: June 29, 2016
CC: Arthur Robert, Erika Jerram

1. INTRODUCTION

RKG Associates has completed the market assessment and zoning review for the area around the 9/90 Corporate Center and Tech Park, which includes an overview of the current office, retail, and residential supply and demand. RKG also reviewed the table of uses and dimensional requirements proposed under the CMU-I and CMU-II zoning districts to help the Town determine if there are any barriers to future development that may be desired and appropriate for these areas.

To help inform the market and zoning assessment, RKG met with Town staff and completed a site visit at the 9/90 Corporate Center to better understand the physical space, connectivity, and topographic challenges. RKG also interviewed key property owners and managers in the 9/90 Corporate Center to supplement local and regional data sources and to better understand the current building, leasing, and vacancy conditions. The interviews also included a discussion about desired uses and improvements that could help attract new tenants and additional development to the area. Below are the key findings from our analysis which are expanded upon in Sections 3 and 4 of this memorandum.

2. KEY FINDINGS

- The office space vacancy rate in the 9/90 Corporate Center has been increasing, and is projected to increase significantly if more large tenants vacate. National Development, a large property manager at 9/90, has reported a vacancy rate of 35 percent. This could rise to nearly 59 percent at the end of 2016 as Cumberland Farms is planning to vacate.
- Rent for office space in the Framingham-Natick market has increased, and now nearly matches rents for the MetroWest¹ region; average asking rent in the Framingham-Natick

¹ CBRE identifies the MetroWest region as containing the Route 128-West, Framingham-Natick, Route 495-Route 2 West, and Route 495-MassPike West submarkets. A map of these submarkets can be found in the Appendix Figure A.2.

market in the first quarter of 2016 was \$23.19 while rent in the MetroWest region was \$23.26 per square foot.

- Absorption rates for office space in the Framingham-Natick market have lagged significantly behind the MetroWest region.
- Property managers and business owners in the office parks have noted that attracting talent and new tenants has been challenging due to the lack of amenities and housing in the area.
- There is potential for new retail in the CMU districts, but would require capturing a portion of the current sales leakage that is leaving the area to shop at nearby regional commercial centers.
- Within a one-mile radius of the 9/90 Corporate Center there is the potential to support an additional 30,000 square feet of retail space. Within a three-mile radius there is the potential to support an additional 200,000 square feet of additional space.
- The market for multi-family rental housing is strong in Framingham and in the surrounding region. It is likely if new housing were introduced in the CMU districts it would be marketable, particularly to employees of local companies.
- The proposed use table for the CMU I and II districts includes many of the uses supported by RKG's market assessment. The primary uses that are likely to locate in either district include office, retail, restaurants, housing, mixed-use, and hotels. These uses are all provided for in the proposed use table either by-right or through a Special Permit.

3. MARKET ASSESSMENT

As currently defined, the CMU-I district covers all of the 9/90 Corporate Center, a small portion of the Business district along the south side of Route 9, a very small portion of General Manufacturing along the north side of Route 9, and a small portion of the southwest corner of Tech Park. The CMU-II district covers a small portion of the Business district along the south side of Route 9, and a large portion of the General Manufacturing district along the north side of Route 9. The primary purpose of re-aligning these areas is to incorporate a mix of uses (commercial, office, retail, education, residential, and open space) into a master-planned campus providing a location where people could live, work, shop, and have access to nearby recreation opportunities. To help inform the zoning decisions placed before the Town, RKG performed a high-level market assessment to determine if the area encompassing the proposed CMU-I and CMU-II zoning districts² could support uses in addition to the office, light manufacturing, and auto-oriented retail that exist today. The following subsections provide an overview of the current office, retail, and residential markets. RKG used local, regional, and national data sources to compile the market assessment for Framingham and the larger region.

² See Figure A.1 showing the proposed boundaries of the two zoning districts.

3.1. Office

Local Conditions: 9/90 Corporate Center

The possible expansion of the 9/90 Corporate Center in Framingham offers an opportunity to engage the market with a new and innovative approach. At present, National Development (a primary property manager for buildings in the Corporate Center), manages four buildings which total to 395,000 square feet.³ The current tenant mix is made up by a mix of corporate offices, sales and support divisions, legal services, and lab and research facilities. Given the strategic location of the Corporate Center, prevailing commercial office space rents are \$27 per square foot, and have yearly escalations of \$.75 per square foot.⁴ The current vacancy rate for the holdings of National Development at 9/90 is 35 percent, but is likely to rise to nearly 59 percent at the end of 2016 as Cumberland Farms is planning to vacate.⁵

In close proximity to 9/90, are both Staples and Bose world headquarters. These corporate campuses are large in size and provide employment to many people. They are a significant employment cluster in Framingham and offer many well-paying jobs. Within the Tech Park, that houses both Bose and Genzyme, nearly 4,000 people work on site; with Bose utilizing 900,000 square feet of office space across six buildings.⁶ Staples presently occupies 660,000 square feet of space in the 9/90 Corporate Center.⁷ One of the biggest challenges that Staples faces by having their offices in the Corporate Center is the recruitment of talent. The lack of amenities, including access to both for-sale and rental multi-family housing and restaurants, makes it difficult to compete in a paradigm where the ethos of “live, work, shop, and play” are important to top talent.⁸ Without built-in amenities to entice workers to the Corporate Center, it will become increasingly difficult to compete with other commercial spaces that have differentiated themselves. In other locations, the mixed-use office park paradigm is beginning to take hold in places that are in direct competition with Framingham for businesses, employees, retail shops, and residents. For example, the former Kodak campus in Waltham is being redeveloped to include office, retail, and restaurants to provide employees with places to eat and shop before, during, or after work. Other examples where multi-family housing is, or has been, integrated into office and industrial parks include:

- Lowell – 42 Wellman Street and Boott Mills developments
- Marlborough – Avalon Marlborough (*component of Marlborough Hills redevelopment*)
- Waltham – Cronin’s Landing
- Needham – Charles River Landing
- Dedham – Station 250 and Jefferson at Dedham Station developments
- Wakefield – Everly Apartments at 14 Audubon Road
- Burlington – 20 Corporate Drive (*proposed housing development*)

³ Interview, Jack O’Neil, Managing Partner, National Development, June 2016

⁴ Ibid

⁵ Ibid

⁶ Interview, John Strickland, Director of Operations, Bose, June 2016

⁷ Interview, John Lynch, Vice President of Construction, Engineering, and Support Services, Staples, June 2016

⁸ Ibid

Regional Conditions: Overview of Suburban Office Market in Framingham-Natick

Framingham's strategic location along the Massachusetts Turnpike makes its commercial office space attractive; however, there is an existing highly competitive commercial office market in towns within the larger MetroWest submarket. This is particularly true for the adjoining Route 128 West area which is home to many technology and life science companies. Taking a step out to a larger geography, RKG compared the Framingham-Natick office market to the MetroWest regional office market using data provided by CBRE to assess what is happening with office development in the larger context. A map provided by CBRE showing the different office markets can be found in the Appendix under Figure A.2.

As of the first quarter in 2016, the Framingham-Natick market made up about 13 percent of the total office space square footage in the MetroWest market. There are 84 large commercial office buildings in the Framingham-Natick area, while there are 620 commercial buildings in the MetroWest area.⁹ Much of the new office space development has been taking place in the 128 West submarket and in the 495 Mass Pike/West submarket, with the exception of larger projects related to the growth of existing companies like the expansion at Genzyme and the planned MathWorks project in Natick.

Vacancy

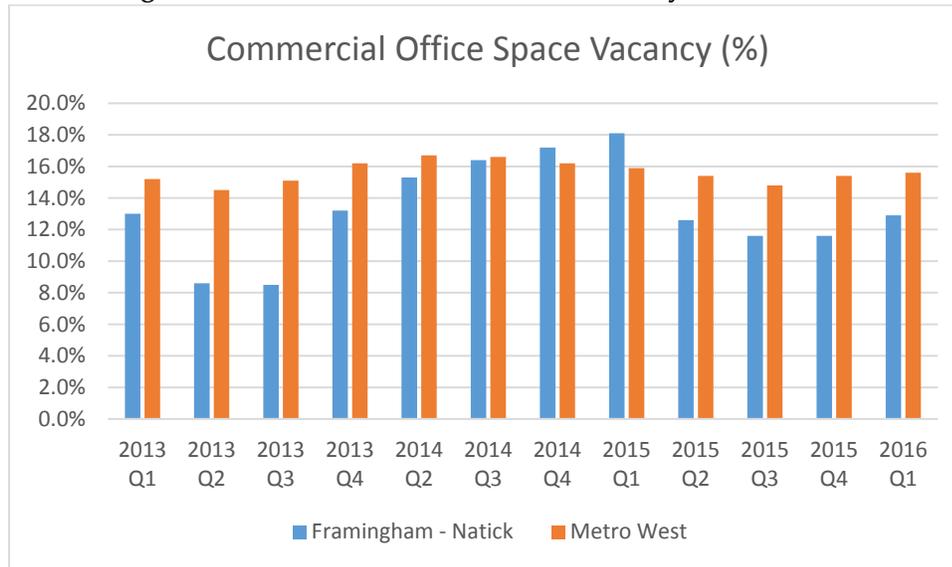
As of the first quarter of 2016, the vacancy rate for the Framingham-Natick area was 12.9 percent, as compared to the MetroWest region which had a vacancy rate of 15.6 percent.¹⁰ Between 2013 and 2016 the commercial office vacancy rate in the Framingham-Natick area fluctuated from a low of 8.5 percent in the third quarter of 2013 to a high of 18.1 percent in the first quarter of 2015; whereas the MetroWest region vacancy mostly held steady.¹¹ It is worth noting that the current vacancy rate of the office space managed for National Development in the 9/90 Corporate Center is 35 percent. This is far higher than the Framingham-Natick submarket and the MetroWest submarket.

⁹ CBRE New England, Market View Boston Suburban Office, Q1-Q4 2013-2015, Q1 2016

¹⁰ Ibid

¹¹ Ibid

Figure 3.1: Framingham-Natick and MetroWest Office Vacancy Rates (2013-2016)



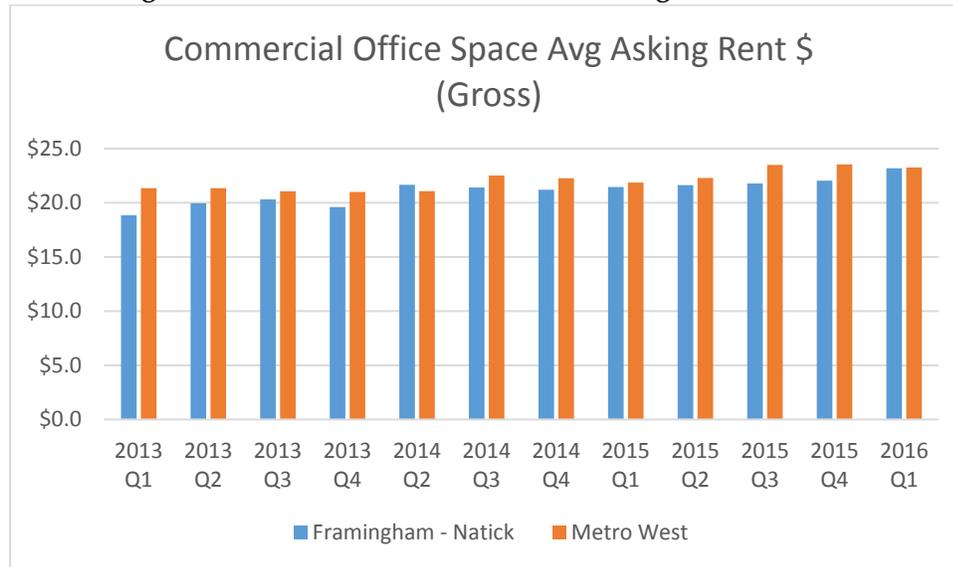
Asking Rent

Over the past three years, the average asking rent for commercial office space in the Framingham-Natick submarket increased by 23 percent. In the first quarter of 2013, rent was \$18.84 per square foot, by the first quarter of 2016 the rent had reached \$23.19 per square foot.¹² The rate of increase outpaced the Metro West submarket, as it experienced an increase of 8.9 percent over the same time period.¹³ Interestingly, rents in the Framingham-Natick market have usually been below the average for the MetroWest market as a whole. For the first time since 2014, asking rents in Framingham-Natick are on par with MetroWest. This may show that rents across the whole MetroWest market have plateaued, at least for now.

¹² Ibid

¹³ Ibid

Figure 3.2: Framingham-Natick and MetroWest Office Asking Rents (2013-2016)



New Tenants

Based on information from CBRE there have not been a large number of new tenants occupying commercial office space in the Framingham-Natick area over the past year. The most notable tenant in 2015 was the company Advocates, who expanded into an additional 39,000 square feet of office space in Framingham.¹⁴ Outside of this, most of the larger commercial office leasing has been done in the Route 128 corridor.

The Framingham-Natick region has not experienced any increase in the net absorption of commercial office space since 2013. In fact, between 2013-2015 the net absorption was negative meaning there were more vacancies than new tenanted space. For the year 2015, the Framingham-Natick area had a negative net absorption of 20,896 commercial office square feet, while the MetroWest area had net absorption of 995,254 square feet.¹⁵ The Framingham-Natick market is lagging behind its counterpart along Routes 128 and 495.

Table 3.1: Framingham-Natick and MetroWest Office Net Absorption (2015)

Geography	2015 Q1	2015 Q2	2015 Q3	2015 Q4	Total
Framingham – Natick	(20,531)	(11,508)	29,511	(18,368)	(20,896)
MetroWest	312,678	259,799	167,786	254,991	995,254

¹⁴ Ibid

¹⁵ Ibid

Retail

A major component to creating a vibrant mixed-use area is the inclusion of retail amenities. To determine the viability and market for retail space in the CMU districts, RKG conducted a retail-gap analysis which looked at the supply of, and demand for, different types of retail stores within a one-, three-, and five-mile radius of the 9/90 Corporate Center¹⁶. RKG used data from ESRI Business Analyst to determine the amount of retail sales demand at each radii, and compared that to the amount of retail space that currently operates within each radii. The difference between the demand and current spending is the “leakage”, or the amount of local consumer spending demand that is not being captured by local retailers. Recapture of this leakage represents an opportunity for increased retail development. For this analysis, RKG assumed that new retail in the CMU districts would capture 25 percent of the current sales leakage coming from households within each radius. This analysis does not quantify the spending power of employees in the Corporate Center and Tech Park. Those employees are an added bonus for retailers, but are only in the area during work hours.

After reviewing the three radii (1, 3, and 5 mile), RKG determined that retailers are most likely to capture household spending in the one- and three-mile radii. The five-mile radius extends out to retail centers such as Downtown Framingham, Shopper’s World, Marlborough Commons, and stops just short of the Natick Mall. There is a tremendous amount of retail already constructed that is located between the three- and five-mile radii. It is most likely that any new retail constructed in the CMU districts would need to be supported by the residents and employee base in the one- and three-mile radii. That’s not to say that a destination restaurant, retailer, or entertainment venue couldn’t attract patrons from a wider area, but it would have strong competition from other established retail centers. The location along Route 9 also provides visibility, signage opportunities, and a higher traffic volume attractive to retail businesses, although access could be a challenge off the busy roadway.

Within a one-mile radius of the 9/90 Corporate Center, there are a few opportunities presented in the retail-gap analysis. Food and beverage stores, particularly a small niche grocer does not seem to be well-represented in the local area. The analysis shows a total potential demand for up to 6,500 square feet of grocery space. Clothing stores are also underrepresented in the one-mile area and shows potential demand for an additional 4,000 square feet. This would likely equate to a few small boutique clothing stores. Finally, within the one-mile radius there is also demand for general merchandise stores. The area could support an additional 6,700 square feet of general merchandise¹⁷, but would likely be located in a single store front given the space requirements and variety of products these types of stores generally stock.

The three-mile radius provides even more opportunity for new retailers if they be able to capture household spending leakage. There is substantial demand for additional full service restaurants, limited-service eating places, a larger grocery store, clothing stores, shoe store, sporting goods and hobby stores, stationary and office supplies, home furnishing stores, and other miscellaneous

¹⁶ Figure A.3 shows the radii and coverage map for the retail-gap analysis from ESRI Business Analyst.

¹⁷ General merchandise refers to a wide array of products commonly sold in a retail store, but typically excludes food and grocery products. This can refer to discount and department stores.

retailers. Attracting household spending from a further distance creates demand for additional retail, although it would still be in competition with the larger commercial centers along Route 9 at Shopper’s World and the Natick Mall where a customer can make a single trip to purchase a number of different items. Any new retail locating in the CMU district should focus on catering to the employees in both office parks, as well as capturing household spending from nearby residents. As the parks continue to build out over time, and fill existing vacancies and possibly expand to include residential components, local spending power will increase providing a viable consumer base for local retailers. The retail gap analysis presents a breakdown of retail space by category. Table 3.2 below shows the amount of additional retail that could be supported by the existing households in the one- and three-mile radii organized by retail category.

Table 3.2: Retail Gap-Analysis, Potential Retail Capture to Support New Stores

Retail Category	1-Mile Leakage Recapture (sqft)	3-Mile Leakage Recapture (sqft)
Total Supportable Space if Leakage is Recaptured	29,831	202,839
Furniture & Home Furnishings Stores	3,513	19,257
Furniture Stores	1,678	9,506
Home Furnishings Stores	1,835	9,751
Bldg Materials, Garden Equip. & Supply Stores	2,421	18,984
Bldg Material & Supplies Dealers	2,327	17,800
Lawn & Garden Equip & Supply Stores	94	1,184
Food & Beverage Stores	3,555	21,844
Grocery Stores	6,535	23,547
Specialty Food Stores	(3,303)	(2,969)
Beer, Wine & Liquor Stores	323	1,266
Clothing & Clothing Accessories Stores	5,344	35,614
Clothing Stores	4,260	28,524
Shoe Stores	716	4,772
Jewelry, Luggage & Leather Goods Stores	368	2,319
Sporting Goods, Hobby, Book & Music Stores	3,433	18,778
Sporting Goods/Hobby/Musical Instr Stores	3,176	21,098
Book, Periodical & Music Stores	257	(2,320)
General Merchandise Stores	6,766	48,545
Department Stores Excluding Leased Depts.	4,571	32,920
Other General Merchandise Stores	2,195	15,626
Miscellaneous Store Retailers	2,414	14,990
Florists	187	1,493
Office Supplies, Stationery & Gift Stores	1,545	9,041
Used Merchandise Stores	(177)	(1,580)
Other Miscellaneous Store Retailers	859	6,036
Food Services & Drinking Places	2,385	24,825
Full-Service Restaurants	1,323	15,042
Limited-Service Eating Places	656	7,336
Special Food Services	213	1,383
Drinking Places - Alcoholic Beverages	193	1,064

Source: ESRI Business Analyst, RKG Analysis

Residential

The final component of the market assessment was reviewing the supply and demand of multi-family housing in Framingham. To this end, RKG utilized market data that was developed in 2014 as part of the Downtown Framingham Planning Study. RKG undertook a full residential market analysis as part of that project and in reviewing the data with Town staff, and consider the supply and demand numbers are still accurate in 2016.

The conclusions of the residential market study in 2014 were that Framingham, like many towns in Eastern Massachusetts, had a housing supply shortage for almost all housing types and at a variety of price points. The Downtown area was attractive to the growing demographic of residents ages 25-40 who were seeking a location that is accessible to transportation choices, restaurants, shops, is walkable, and entertaining. Residents in this age group are growing in Framingham, and are more often than not looking for smaller units in multi-family buildings before making the jump into ownership. The other growing demographic are those age 65 and older, who more often than not, are looking to live in similar locations with similar amenities. In 2014, vacancy in multi-family rental buildings across much of the Town averaged about 2 percent which is very low and indicative of a stabilized occupancy. The success of projects such as 1 Kendall and Dennison Triangle in Downtown speak to the market potential of multi-family residential in Framingham.

While the proposed CMU districts do not currently have the amenities of Downtown Framingham, they do encompass a number of major employers and are close to key transportation corridors which would be attractive for employees of the companies in the office parks and those looking to commute out on Route 9 and the Mass Pike. The general supply of multi-family housing in the Town would likely attract both a younger and older demographic looking for smaller, multi-family rental units at a reasonable price point. Over time, the CMU districts could build out to include amenities that would create a walkable, amenity-rich planned development area serving employees of the businesses and residents in the housing. During interviews with property owners and managers in the office parks, it was noted that bringing workforce housing and retail to the area would help greatly with employee retention and attraction, as well as attracting new tenants to existing office space and encouraging current tenants to possibly expand.

4. CMU I AND II - ZONING REVIEW

In addition to the market assessment, RKG also reviewed the proposed zoning for the CMU I and II districts as provided by the Town. The purpose of the zoning review was to reflect on the proposed table of uses and dimensions to ensure that the uses were consistent with what would be considered marketable based on the supply and demand assessment above. Overall, it is RKG's opinion that the proposed use and dimension regulations for the CMU districts would provide additional flexibility for property owners and allow the area to transform into more of a mixed-use center where people could live, work, and shop. RKG offers the following comments on the proposed CMU zoning:

- The uses found in the proposed table of uses for the CMU I and II districts appear consistent with the purpose of the districts. The Town is proposing to allow residential and mixed-use development by Special Permit from the Planning Board, and most office,

retail, and restaurant uses by-right. The use table also permits educational facilities and conference centers, health clubs, cultural and arts facilities, hotels, and recreational facilities either by-right or through Special Permit. Based on the market assessment conducted as part of this project, RKG considers the current list of permitted uses to be marketable in the CMU I and II districts.

- RKG recommends the Town consider reducing the maximum height listed in the dimension table to 8 stories, or **70 feet**. The current building code requires high rise construction standards to be triggered at 70 feet. It is unlikely that a developer would switch to high rise construction if the maximum allowable height is only 80 feet under the standard zoning provisions.
- The current shared parking provision in the proposed bylaw will allow the sharing of parking spaces between daytime and evening users. This is an important provision as office users and residential tenants will likely be using existing parking at different times of the day Monday through Friday. This will help reduce the cost for new residential development by lowering the amount of parking the developer has to construct.

5. CONCLUSION

Based on the information collected during the market assessment, it is RKG's opinion that the current uses proposed in the CMU I and II zoning districts are viable and marketable to the development community. The increasing percentage of vacant office space in the 9/90 Corporate Center speaks to the need for adopting a new development program for the area that includes the introduction of additional uses to create new amenities that will help attract tenants and expand the commercial base. The demand for residential units in Framingham, and the Greater Boston region as a whole, is high and is likely to be successful if the new development is coupled with or followed by retail and restaurant amenities for employees and residents.

APPENDIX

Figure A.1: Zoning Map of the 9/90 and Tech Park Areas

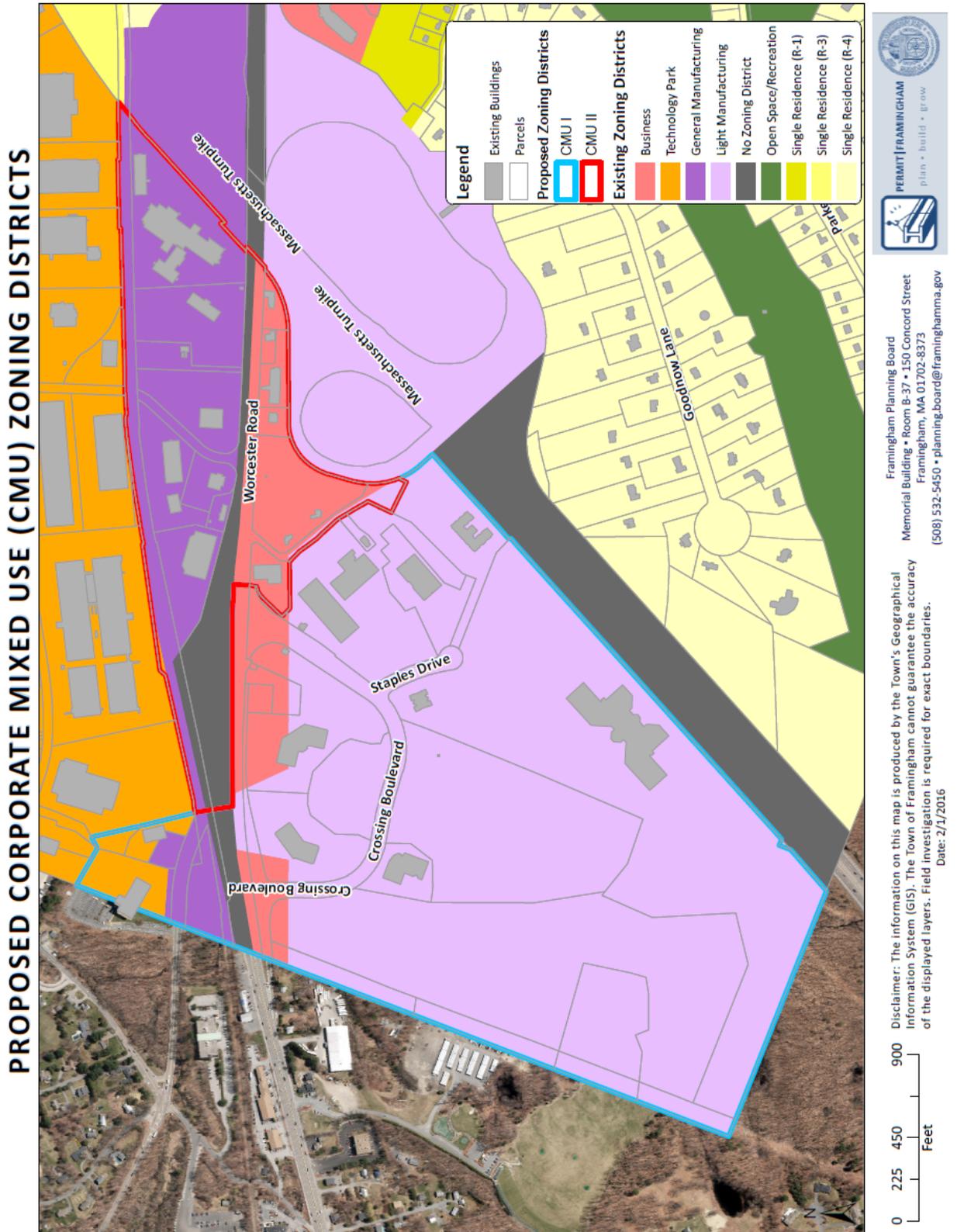


Figure A.3: 1, 3, and 5 Mile Radii Map for Retail-Gap Analysis

