



## EXECUTIVE SUMMARY

**COMMERCIAL REAL ESTATE (CRE)** is a key economic engine for municipalities. It provides space for jobs for the community, provides own economic value through its use and outputs, and serves as an important source of revenue for City governments. This report on commercial real estate answers a few questions about it and other economic indicators in Worcester.

This report explains the importance of commercial real estate for cities and their residents, explains some of the basic terminology needed to understand commercial real

estate listings, and looks at a number of economic indicators related or adjacent to commercial real estate. Some of these economic indicators include: property tax rates and levy percentages in Worcester and comparison cities, incidence of remote work and where remote workers reside, and major occupations and industries for employed residents. Finally, the report briefly looks at assessed values and commercial building permits, and includes a [dashboard of FY21-FY23 commercial assessed parcels](#).

### PAGES 3-6 | DISCUSSES THE OVERALL IMPORTANCE OF COMMERCIAL REAL ESTATE

- **Property taxes make up the bulk of city revenues**, in many cities nationwide.
- In Worcester, which like 121 other communities in Massachusetts has a split tax rate, the commercial, industrial, and personal property tax levy constitutes about 36.5% of the total tax levy in 2023, but assessed values of these properties are only 21% of the citywide total.
- Office space drives people downtowns and into retail; the existence of retail encourages others to travel and spend their money in a community; interactions between workers leads to knowledge spillover; and **CRE drives long-term economic growth**.
- Explains common office space terminology: absorption, A, B, C space, and rents.

### PAGES 7-9 | ECONOMIC INDICATORS USING AMERICAN COMMUNITY SURVEY DATA

- Because of the difficulty of finding data about occupancy and rents in smaller metro markets like Worcester, this section uses proxy economic indicators.
- According to the American Community Survey (ACS), total employment in Worcester and its Metropolitan Statistical Area has grown steadily since 2013.
- The most common occupations for City of Worcester working residents (more than 42%) are in "Management, Business, Science, and Arts."
- **The most common industry for Worcester working residents (more than 35%) is in "Educational Services, and Health Care and Social Assistance."**
- 11% of Worcester working residents reported working from home in the 2022 ACS; while this is up from 5.7% in 2019, it is below the national number of 15.2%, and lower than both Boston (20.9%) and Lowell (11.8%). 52.9% of Worcester workers live and work in the city.

### PAGES 9-12 | ASSESSING DATA AND COMMERCIAL BUILDING PERMITS

- **According to FY23 assessing data, there are 312 parcels in Worcester that are used primarily for office space**, of which 221 are general office use.
- Included on page 10 are two maps of downtown Worcester: Map 4 shows downtown assessed office parcels, and Map 5 shows assessed retail and mixed-use parcels.
- Building permits can show us the amount of new construction, renovations, alterations, additions, and the like occurring on and around commercial property. In 2023, building permits for commercial properties made up slightly less than 20% of all building permits issued, but accounted for nearly 75% of the costs of projects.
- In 2023, **there was a nearly 75% increase in the number of commercial building permits issued compared to the year before; all other permits only saw a 17% increase** from the prior year.