

# Boston's People and Economy

## **INTRODUCTION**

Boston, first incorporated as a town in 1630, and as a city in 1822, is one of America's oldest cities, with a rich economic and social history. What began as a homesteading community eventually evolved into a center for social and political change. Boston has since become the economic and cultural hub of New England.

As the region's hub, Boston is home to over 599,000 residents, many institutions of higher education, some of the world's finest in-patient hospitals, and numerous professional sports and cultural organizations. Boston-based jobs, primarily within the finance, health care, educational, and service areas, are estimated at more than 670,000 in 2007. Millions of people visit Boston each year to take in its historic neighborhoods, attend cultural or sporting events, conduct business, and attend conventions in one of Boston's four convention centers.

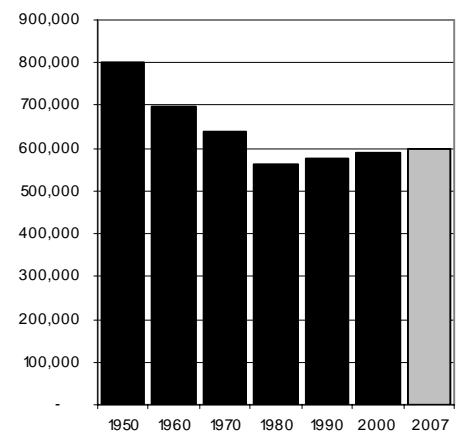
The City provides a wide range of programs and services to meet the diverse needs of its many residents and visitors. Under the direction of Mayor Thomas M. Menino, the City is also aggressively pursuing new economic opportunities to ensure Boston will emerge as a global leader in the twenty-first century economy.

## ***Boston's Changing Population***

Over the thirty years between 1950 and 1980 Boston's population declined from 801,444 to 562,994. This decline can largely be attributed to families with children fleeing to the suburbs based on a perception of better schools and less crime. Since 1980, however, the City's population has stabilized and grown slightly. The 2000 U.S. Census records the City's population at 589,141, representing a 2.6% increase over the 1990 population and a 4.6% increase over 1980. In 2007, the U.S. Census Bureau estimated the City's population exceeded 599,000 residents.

A wide range of ethnic backgrounds and countries of origin can be found in Boston's population. The most recent census results confirm that people of color now make up the majority of Boston's population for the first time in its history. Boston's rich cultural heritage is also reflected in the diversity of its neighborhoods.

In recognition of the fact that many of the people who move to Boston each year come from different cultural backgrounds and have a first language other than English, the Mayor has created the Office of New Bostonians. The mission of this office is to strengthen the ability of residents from diverse cultural and linguistic communities to play an active role in the economic, civic, social, and cultural life of the City of Boston.



**Boston's Population**  
1950 to 2000 Census, 2007 estimate

Figure 1

## ***Boston's Role in the Regional Economy***

The City of Boston is the 20th largest city in the United States by population, based on a revised estimate of 599,351 in 2007. Boston is the center of the 5th largest Combined Statistical Area (CSA) in the nation. The Boston CSA had a total population of 7.4 million in 2007.

In addition to having one of the largest population concentrations, Boston also ranks among the highest in concentrations of employment and income in the U.S. In 2007, Boston supplied an estimated 672,678 jobs, or approximately one out of every six jobs in Massachusetts or one out of every fourteen jobs in New England. Boston provides employment opportunities for many people who live outside of the City. In 2006, total Boston-based jobs out-numbered the employed resident population by more than two times. The City had 9.3% of the state's population in 2000, but measured in terms of jobs, Boston's economy accounted for approximately 18% of the Massachusetts economy in 2007.

In terms of income, the City of Boston ranks 13<sup>th</sup> among U.S. cities in median household income. Boston's median household income in 2007 was \$50,476, up 5.2% from 2006.

The attributes that make Boston such a great city in which to conduct business also make it a great destination for tourists. According to the Greater Boston Convention and Visitors Bureau, an estimated 17.8 million domestic visitors visited Boston in 2006, up from 17.6 million in 2005. Also in 2006, an estimated 1 million international visitors came to Boston. Tourism officials in Massachusetts are optimistic that the current exchange rate, favorable to European tourists in the U.S., will increase international tourism to

Boston.

Boston is an attractive destination for conventions, meetings, and gate shows. The Boston Convention and Exhibition Center (BCEC) is located on a 60-acre site in South Boston and contains 516,000 square feet of contiguous exhibition space and is designed to accommodate larger conventions. This facility, along with new hotel projects in the City, has given a significant boost to the local economy. In fiscal 2007, the Boston Convention and Exhibition Center, along with the John B. Hynes Memorial Convention Center, hosted 265 events, with 772,557 attendees, a 33% increase over fiscal 2006.

Boston also has two other sites for small and medium size conventions: the World Trade Center and the Bayside Exposition Center.

This year's line-up for events at Boston's convention centers is packed. In April, the Hynes Convention Center hosted 60,000 attendees from the John Hancock Sports and Fitness Expo and the BCEC hosted 24,000 attendees from the American Institute of Architecture in May. BCEC will host 22,000 attendees from the U.S. Green Building Council in November and will finish the year with 97,500 attendees at the New England International Auto Show.

**Key Indicators of Boston's Economy**

		1970	1980	1990	2000	Recent
<b>Population</b>	Total Population	641,071	562,994	574,283	589,141	599,351 (6/08)
	% Minority Population	18%	30%	37%	51%	
<b>Income</b>	Median Household Income	\$7,935	\$12,530	\$29,180	\$39,629	\$50,476 (12/07)
<b>Education</b>	% High School Graduate	34%	35%	27%	24%	
	% Some College Completed	9%	13%	19%	19%	
	% College Graduate	10%	20%	30%	36%	
<b>Employment</b>	Unemployment Rate (resident)	12.8%('75)	7.8%('83)	8.6%('91)	2.7% ('00)	4.0%('07)
	Number of Jobs	576,125	572,078	622,433	688,077	672,678 ('07)
	% Blue Collar Jobs	45%	40%	33%	31%	
	% White Collar Jobs	55%	60%	67%	69%	
	% Manufacturing Jobs	11%	9%	5%	4%	
	% Trade Jobs	22%	16%	13%	12%	
	% Finance Jobs	13%	13%	15%	15%	
	% Service Jobs	25%	36%	42%	46%	
<b>Real Estate</b>	Office Market Vacancy Rate	2%	1%	15%	2%	6% (4Q'07)
<b>Housing</b>	Median Single Family House Price	na	\$71,700	\$174,100	\$329,500	\$380,700 (4Q'07)
	Housing Units	232,400	241,300	249,791	250,863	254,563 ('06)
	% Vacant	6%	10%	9%	1%	9.1% ('06)
	Condominium Units	na	4,500	33,029	36,254	41,208 ('04)
	% Condominium Units	na	2%	13%	14%	
	% Units Owner Occupied	27%	27%	31%	32%	
	Rental Vacancy (Boston Metro Area)	na	na	8%	3%	6.4%

**Sources:**

Boston Redevelopment Authority, U.S. Census Bureau, Massachusetts Division of Employment and Training.

Table 1

With occupancy rates and room rates increasing since 2003, and with the new BCEC's long-term schedule nearing capacity, Boston continues to attract new hotel construction. Five additional hotels are under construction. When completed, they will add another 1,130 rooms to Boston's hotel inventory. The 235 room "W" Hotel is scheduled to open in 2009 in the City's Theatre District. A mixed-use project in the Back Bay that includes retail space and condominium residences will add 149 rooms in 2009. The Marriott Renaissance on South Boston's Waterfront opened in early 2008 and added more than 400 rooms to Boston's booming hotel market.

### ***Boston's Changing Economy***

The nature of Boston's economic base has changed dramatically over the past three decades. In 1970, manufacturing and trade jobs accounted for 33% of the total economy, while financial and service sector jobs totaled 38%. In 2000, manufacturing and trade jobs accounted for only 16% of the total economy while financial and service sector jobs reached 62%. These trends mirror a national movement from an industrial-based economy to a service-based one.

The City's resident workforce is undergoing a transformation as well. Of the 266,505 Boston residents working in 1970, 45% held blue-collar jobs and 55% held white-collar jobs. In 2000, of the 285,859 Boston residents working, those holding blue-collar jobs fell to 31%, and those employed in white-collar occupations rose to 69% (Table 1). The majority of these white-collar jobs are within finance, health care, education, and other broad-based service industries.

The changing needs of a service and information-based economy have increased the demand for a better educated and more highly skilled workforce. In 2000, 79% of the adults in Boston had completed high school, compared to 53% in 1970. A full 36% of adults in Boston had completed college in 2000, compared to only 10% in 1970.

### ***The Role of Higher Education, Health Care, and Financial Services***

Higher education, health care, and financial services play a major role in Boston's economy. An examination of Boston's 50 largest private

employers in 2006 shows that 36 are involved in these growing sectors.

Many of the nation's finest research and teaching hospitals are located in Boston, including Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel/Deaconess Hospital, Boston Medical Center, New England Medical Center and Children's Hospital, as well as numerous community-based health centers. In total there are 20 inpatient hospitals in the City. The City is also home to the medical and dental schools of Harvard University, Tufts University and Boston University. In 2007, there were an estimated 115,000 people, or one in six of all Boston jobs, employed in health services in the City.

Boston also hosts 34 universities, colleges, and community colleges, with a combined enrollment of 145,274 students in the fall of 2006. Included among the City's colleges and universities are some of the finest educational institutions in the country, including Boston College, Boston University, and Northeastern University.

These institutions of higher education have a major impact on the City's economy. Because many of these students remain in Boston after graduation, Boston's educational institutions are a major source of new highly skilled professionals for the City's workforce. Boston's colleges and universities contribute to the economy in other ways as well. Since 2000, over 7,300 new dormitory beds were added to Boston-based campuses, and from 2003 to 2007, three new higher education building projects were completed.

Many of the country's leading financial services firms are located in Boston, including Fidelity Investments, Manulife Financial/John Hancock, and State Street Bank & Trust Company. The City also has the distinction of being the birthplace of the mutual fund industry. In 2007, there were an estimated 104,000 people employed in the financial services, insurance, and real estate industries in the City.

### ***Transportation***

A key to Boston's economic health is the City's ability to transport residents, workers, and visitors efficiently and safely to their intended

destinations, whether in the City or throughout the region.

The “Big Dig”, or Central Artery Tunnel, connects the Massachusetts Turnpike to Logan Airport and relocated the previously elevated Interstate 93 under the City, reopening views of Boston Harbor not seen for half a century. The Mayor’s “Crossroads” project is reconnecting long disconnected city neighborhoods by rebuilding the roads that once ran between them. In addition, the Rose Kennedy Greenway is nearing completion. This large downtown swath of land will be an enormous benefit to residents, workers and visitors to the City of Boston for years to come.

The metropolitan Boston roadway system provides commuters access to the City through surface arteries and three limited access interstate highways that connect Boston to the national highway system. Interstate 90, the Massachusetts Turnpike, just extended as part of the Central Artery Project, leads westward from Logan Airport through downtown Boston to the New York State border. Interstate 95, the East Coast’s principal north-south highway, connects Boston to New Hampshire and Maine to the north and New York City and Washington D.C. to the south. Interstate 93, another north-south highway, extends from just south of the City to New Hampshire. Major industrial parks and high-technology companies line these transportation arteries.

Boston’s public transportation system reaches into all of the City’s neighborhoods and is linked to the commuter rail and Amtrak systems, connecting millions of people to the central city. Several major rail initiatives are increasing access and reducing travel time. Recent improvements to the MBTA’s Fairmount Line have had a significant impact on Boston’s Dorchester neighborhood. The station at Uphams Corner was completely renovated early in 2007, and long-term plans call for the construction of new stations at Four Corners, Talbot Avenue, Blue Hill Avenue, and the Newmarket area. The Massachusetts Bay Transportation Authority (MBTA) is also constructing the Silver Line in three phases to operate as part of its core downtown transit system. Phase 1 & 2 provides rapid transit bus services connecting the Seaport district to Downtown and the Chinatown and Roxbury neighborhoods. Phase 3, now in planning and

design, will include connections between the first two phases, Logan Airport and South Station. Also, since 1991, Amtrak has spent \$1.8 billion on a high-speed Boston to New York rail line called Acela. It is now possible to travel between these two cities in just over three hours. In addition, Amtrak added passenger service between Boston and Portland, Maine in 2001.

In 2007, Boston’s Logan International Airport was the most active airport in New England, the 19<sup>th</sup> most active airport in the United States, serving over 28 million international and domestic passengers, a 1.8% increase over 2006. Logan Airport is also very important to the economy as a center for processing air cargo. In 2006, Logan ranked 19<sup>th</sup> in the nation in total air cargo volume, accommodating more than 680 million pounds of total cargo.

The Port of Boston provides New England businesses with excellent deep-water port facilities and access to world ports, as well as feeder service to Halifax, Nova Scotia, and New York. Since 1998, the Port of Boston has ranked as the 12<sup>th</sup> largest Atlantic coast seaport by container volume shipped. The Port of Boston has also become a major cruise ship port, hosting more than 200,000 cruise ship passengers in FY07.

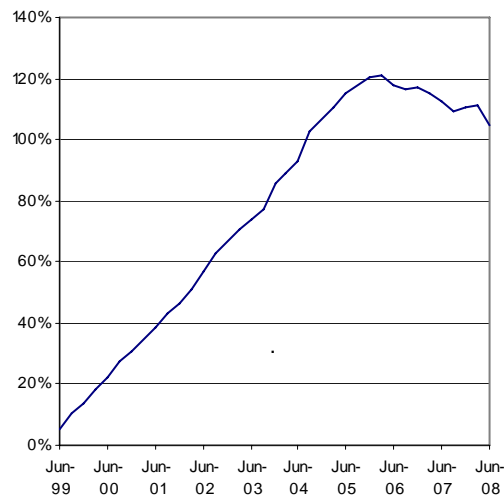
### ***Economic Outlook***

The City of Boston has shared in the nation’s economic turns. During the 1960s, the economy thrived and unemployment was consistently below 6%. In the 1970s, Boston experienced the same pain felt across the country as a national recession took hold. The 1980s produced the “Massachusetts Miracle” and launched a Massachusetts Governor’s bid for the presidency. The early 1990s gave way to recession again with unemployment over 8% and a collapsing real estate market. The late nineties expansion led to low unemployment, commercial development and increased home values throughout the City and the region. Currently, the City is heading into an economic downturn that is affecting the nation, region, and state.

## Housing

Across the nation the housing market experienced a price correction throughout 2007, as prices softened to reflect higher interest rates and remain in line with incomes. In Boston, the data from each quarter of 2007 indicate prices are continuing to soften. According to the Federal Reserve Bank of Boston (FRBB), the fourth quarter 2007 median sales price of an existing home in the Boston metropolitan area decreased 1.9% from the same quarter of the prior year to \$380,700. Since the fourth quarter of 1997, however, the median sales price has increased an astounding 98% in the Boston metropolitan area.

The FRBB Conventional Mortgage Home Price Index shows a decrease of -3.6% in the Boston metropolitan area for the second quarter 2008 over the same quarter 2007 (Figure 2). The quarter ending June 2008 had the largest quarterly negative growth since the fourth quarter of 1990. This trend is largely in line with the housing price corrections state- and nationwide.



**Cumulative Change in Conventional Mortgage Home Price Index**  
Quarterly, June 1999 to June 2008

Figure 2

The general trend in 2007 has been a continuing correction to the soaring increases in home prices of the past five years. Fears of a speculative bubble, however, have been assuaged by the gradual nature of the correction. Income growth continues to outpace home price appreciation, and

federal monetary policy seems to indicate steady interest rates in the near future.

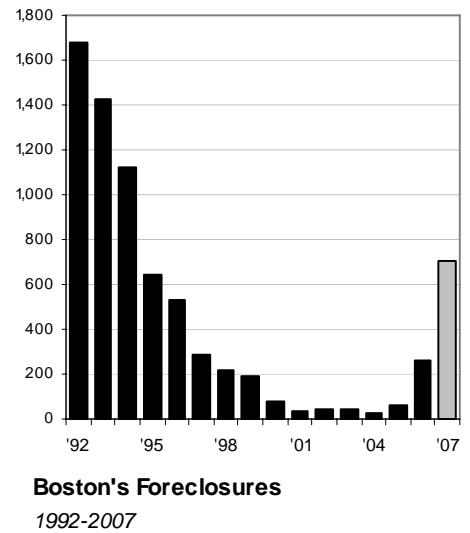


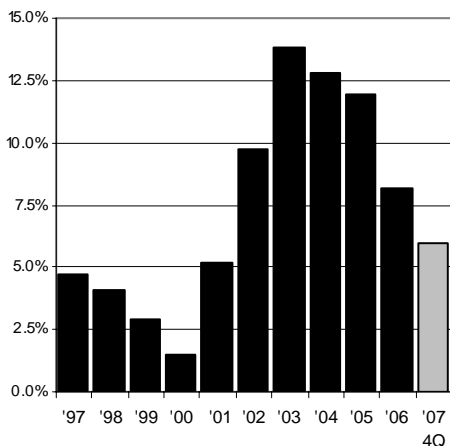
Figure 3

Nationwide, homeowners and lending institutions have been adversely affected by an unfortunate side effect of the recent trends in the housing and lending markets – rising foreclosure rates. In 2005, 60 foreclosure deeds were finalized in Boston. That number jumped to 261 in 2006, and skyrocketed to 703 in 2007. Based on data from the first three months of the year, Boston is on pace to top 1,000 in 2008. Economic conditions, combined with the correction in the real estate market, has put the number of foreclosures closer to the levels experienced in the early and mid-90's (Figure 3). The current problem, and the likelihood of continued problems, has garnered the attention of policymakers at the federal, state and local levels.

Mayor Thomas M. Menino, along with the City of Boston's Department of Neighborhood Development (DND), is working closely with several Boston banks to confront this serious problem. Mayor Menino called on lenders to join him in his effort to combat foreclosures by forming a \$25 million consortium of lending products and funding aimed at assisting homeowners in financial trouble. Partnering with lenders and nonprofit agencies, the Boston Home Center has rolled out a new foreclosure prevention campaign

that focuses on raising awareness of predatory lending practices, preventing foreclosures through credit education, providing foreclosure intervention and counseling services, and urging legislative reform to hold mortgage companies to the same standards as banks.

This coming year, DND is expanding the foreclosure prevention program by adding providers of counseling services and concentrating on the hardest-hit neighborhoods of Dorchester, Roxbury, Mattapan and Hyde Park. DND is actively reaching out to residents and lending institutions, seeking to bring together individuals and their banks to find alternatives to the foreclosure process. Finally, as a component of a new 'Leading the Way' initiative, DND, in conjunction with the City's Inspectional Services Department, will also begin piloting a receivership initiative. Through this initiative, problem properties will be renovated and returned to productive use, in an effort to contain 'snowball effects' in neighborhoods.



**Boston Office Space  
Vacancy Rates (all classes)**  
1997-2007

Figure 4

Apartment rents had softened as vacancy rates rose with higher home ownership rates and lower unemployment. However, the market was still one of the tightest in the nation. The median monthly advertised asking rent of about \$1,575 in 2006 is up 7.9% to \$1,700 in 2007.

### Office Space

Boston remains one of the top office markets in the country with over 68 million square feet of office space. Demand for office space in Boston improved in 2007 with an overall office vacancy rate of 6% through the fourth quarter compared to an annual vacancy rate of 8% in 2006. The vacancy rate is approaching the 5.2% level of 2001 (Figure 4).

As a result of the improved vacancy rates, rents for office space have dramatically risen. As of the fourth quarter of 2007, the average asking rent in Boston's central business district was \$60.99 per square foot, a 76.8% increase from the low point in 2005.

### Hotels

With travel to Boston so popular in recent years, Boston's hotel market was one of the strongest in the nation. During 2000, Boston hotels had an average occupancy rate of nearly 80%, up from 70% in 1991. With high occupancy levels, prices for rooms rose steadily. During 2000, the average daily room rate (ADR) at Boston hotels was around \$200, compared to \$118 in 1991.

September 11<sup>th</sup> and the national recession brought challenges to the hotel market with occupancy rates falling to about 70% and ADR falling to around \$181 in 2001. By 2003, the hotel market was improving, but increased supply out-paced demand, keeping occupancy at a low 71.1% and forcing ADR down to \$155.52. From 2004 through 2006, room occupancy and ADR have steadily improved, peaking at 76.6% occupancy and \$208.89 ADR in 2007.

The decision to build the BCEC stimulated considerable new hotel development. Between July 1997 and December 2007, twenty-seven new hotels and five expansion projects were completed. Five more hotels, with a total of 1,130 rooms, are now under construction.

## *Economic Development*

There are many economic development projects proceeding in Boston. These include plans to develop the East Boston and South Boston waterfront districts; further enhancements to Boston's neighborhoods through the Empowerment Zone and Main Streets initiatives; and continuing development of retail and business districts citywide. As mentioned earlier, improvements are planned to parks and neighborhoods to connect residents to the waterfront areas. In place of the old elevated central artery roadway, the new Rose Kennedy Greenway will reunite neighborhoods separated long ago with new open spaces and the restoration of original streets. In South Boston, in addition to the new convention center, there are also plans for hotel, retail, and residential housing development to attract new workers and visitors to the area. In late 2006, Mayor Menino announced his plan to build a new City Hall on South Boston's Waterfront. The new and improved City Hall will include a cultural center that will provide a much-needed civic center and the waterfront location will help to spur development in Boston's newest frontier. As a complement to the new building, the Mayor outlined plans for a new City services center in Roxbury's Dudley Square.

Partnerships have and will continue to play an important role in revitalizing Boston's neighborhoods. In January 1999, the City of Boston was designated an Empowerment Zone community by the U.S. Department of Housing and Urban Development. The ten-year Empowerment Zone designation brings with it \$130 million in tax-exempt bonding authority and \$100 million in grants to finance sweeping revitalization and job creation programs.

There are currently nineteen Boston business districts participating in the Main Streets Program, a partnership between the City and the National Trust for Historic Preservation to improve the local business climate in neighborhoods. As of the end of FY07, this program has created 629 net new businesses and more than 4,100 net new jobs, improved the marketability and business strategy of business districts, and preserved the character of

surrounding residential areas. Through FY07, the Main Streets Program has leveraged more than \$10 million in private investment.

With a diverse economic base, support for local businesses, an educated work force, and strong tourism lure, Boston is a world-class city building for the future.

