

# 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 innovation and entrepreneurship, as well as social and political change. Boston has become the economic and cultural hub of New England.

As the region's hub, Boston is home to over 600,000 residents, many institutions of higher education, some of the world's finest inpatient 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 680,000 in 2008. 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 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 vigorously pursuing economic opportunities, to ensure Boston will emerge as a global leader well into the twenty-first century.

## ***Boston's Growing and 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 a national trend of suburbanization. Since 1980, however, the city's population has stabilized and grown. 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 to be 608,352 residents.

With this growth in population has come a change in demographics. A wide range of ethnic backgrounds and countries of origin can now 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.

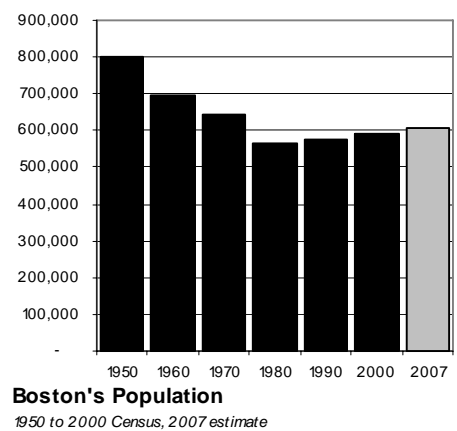


Figure 1

The City of Boston is ranked as the 23rd largest populated city in the United States by the US Census Bureau. The City 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 2008.

## ***Boston's Growing and 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.

### Employment and Income

Boston ranks among the highest in concentrations of employment and income in the U.S. In 2008, Boston supplied an estimated 682,375 jobs, or approximately one out of every six jobs in Massachusetts or one out of every thirteen jobs in New England. Boston provides employment opportunities for many people who live outside of the City. The City had 9.7% of the state's population in 2007, but 16% of Massachusetts jobs.

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 5.21% from 2006, on an inflation-adjusted basis.

### 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 key 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 21 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 2008, there were an estimated 118,000 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 154,777 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

#### Key Indicators of Boston's Economy

		1970	1980	1990	2000	Recent
<b>Population</b>	Total Population	641,071	562,994	574,283	589,141	608,352
	% 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)	7.4%(2/09)
	Number of Jobs	576,125	572,078	622,433	688,077	682,375 ('08)
	% 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%	7.3% (4Q'08)
<b>Housing</b>	Median Single Family House Price	na	\$71,700	\$174,100	\$329,500	\$335,700 (4Q'08)
	Housing Units	232,400	241,300	249,791	250,863	
	% Vacant	6%	10%	9%	1%	
	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%	6.40%

#### Sources:

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

Table 1

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. From 2003 to 2008, three new higher education building projects were completed, and, as of February 2009, there were another nine office or academic building projects underway or approved.

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 2008, there were an estimated 103,000 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 completed. This large downtown series of parks and gardens 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. 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 Downtown with the Seaport district and with Chinatown and Roxbury. Phase 3, now in planning and design, will include connections between the first two phases.

In 2008, Boston's Logan International Airport was the most active airport in New England and the 19<sup>th</sup> most active airport in the United States. It served over 26.1 million international and domestic passengers, a 7.1% decrease from 2007. Logan Airport is also very important to the economy as a center for processing air cargo. In 2008, Logan Airport's total air cargo and mail volume totaled more than 544.6 million pounds, a 5.2% decrease from the 680.1 million pounds handled in FY2007.

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. The Port of Boston ranked as the 11<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 236,922 cruise ship passengers in FY08.

### *Travel and Tourism*

The attributes that make Boston such a great city in which to work and live also make it a great destination for tourists. According to the Greater Boston Convention and Visitors Bureau, an estimated 18.3 million people visited Boston in 2008, up 4.0% from 17.6 million in 2005. In 2006,

an estimated 1 million international visitors came to Boston.

Boston is an attractive destination for conventions, meetings, and trade 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 year 2008, the Boston Convention and Exhibition Center, along with the John B. Hynes Memorial Convention Center, hosted 239 events, with 915,616 attendees. Boston also has several other sites for small and medium size conventions and conferences including the World Trade Center.

This year's line-up for events at Boston's convention centers is packed. The BCEC will host 20,000 attendees from the American Association of orthodontists in May, 41,000 attendees for the New England Boat Show, and 40,000 attendees at the New England International Auto Show.

**Economic Outlook**

Currently, the City is in an economic downturn that is affecting the world, nation, and state. As with any economic entity, the City of Boston has experienced good times and bad. During the 1960's, the economy thrived and unemployment was consistently below 6%. In the 1970's, Boston

experienced the same pain felt across the country as a national recession took hold. The 1980's produced the "Massachusetts Miracle" and launched a Massachusetts Governor's bid for the presidency. The early 1990's 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. More recently the City experienced the mild recession of 2000 with increasing property values, car sales and hotel occupancy.

**Housing**

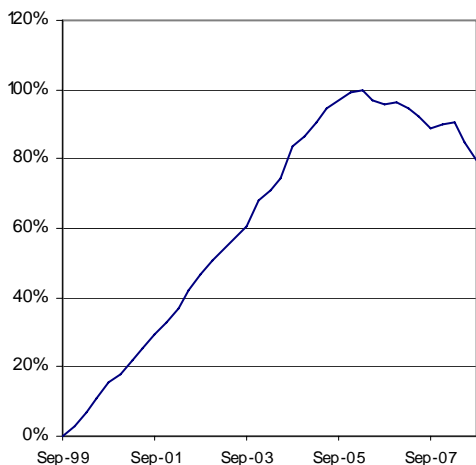
Across the nation the housing market experienced a price correction throughout 2008, as prices softened to reflect a deepening national recession.

In Boston, data from the Federal Reserve Bank of Boston (FRBB) show that, in the fourth quarter of 2008, the median sale price of an existing home in the Boston metropolitan area decreased 11.8% from the same quarter of the prior year to \$335,700.

The FRBB Conventional Mortgage Home Price Index shows a decrease of 4.5% in the Boston metropolitan area for the third quarter 2008 over the same quarter 2007. Third quarter 2008 was the seventh quarter since June 2006 with negative growth in this index (Figure 2).

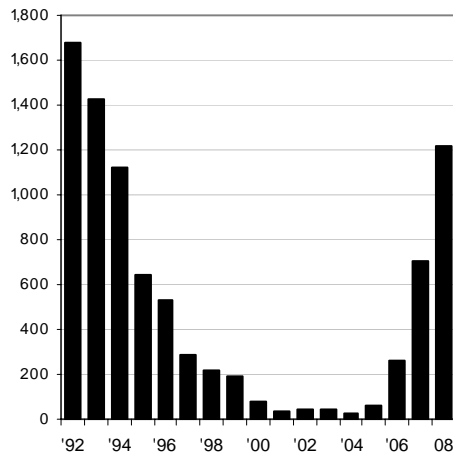
Economic conditions, combined with the correction in the market for real estate, has put the number of foreclosures closer to the levels experienced in the early and mid-90's (Figure 3). In 2006, 261 foreclosure deeds were finalized in Boston. That number jumped to 703 in 2007 and jumped again to 1,215 in 2008. While deeds to foreclose (the first step in the foreclosure process) went up by 73% from 703 to 1,215, petitions to foreclose (the final step in the foreclosure process) went down by 22% from 2,432 to 1,900. 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



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

Figure 2



**Boston's Foreclosures**  
1992-2008

Figure 3

Development, 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 multi-million dollar consortium of lending products and funding aimed at assisting homeowners in financial trouble. Partnering with lenders and nonprofit agencies, the Boston Home Center rolled out a 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.

Apartment rents have risen as vacancy rates have decreased. This is a byproduct of renters choosing to continue renting in a difficult housing market. The City of Boston's rental market is one of the tightest in the nation with median monthly advertised asking rents of about \$1,850 in 2008, up 8.8% from \$1,700 in 2007.

### Office Space

Boston remains one of the top office markets in the country with over 70.9 million square feet of office space. The City's office vacancy rates ticked up slightly in the fourth quarter of 2008 to 7.3% from 6.0% in 2007. Boston still compares favorably to other downtown office markets around the nation. CB Richard Ellis ranked Boston as having

the best vacancy rate of the 20 largest downtown office markets around the nation. The increase in vacancy rates have led to slightly lower office space rents. As of the fourth quarter of 2008, the average asking rent in Boston's central business district was \$ 56.05 per square foot, slightly lower than the \$60.99 level in the same period of 2007.

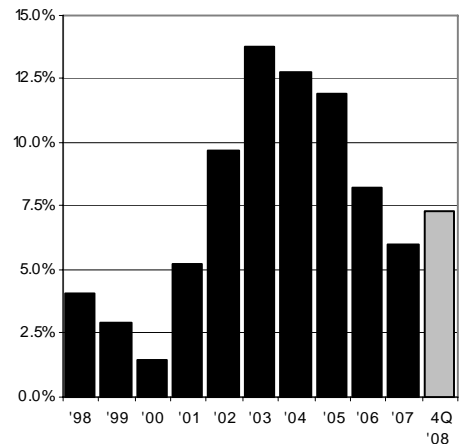
As of February 2009, two new office buildings are under construction with several more approved or seeking approval to begin construction. The two new buildings will contain another 700,000 square feet of space.

### 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.

The decision to build the BCEC stimulated considerable new hotel development. Between July 1997 and December 2008, thirty-one new hotels and five expansion projects were completed. The Boston hotel market remained resilient in 2008 with an occupancy rate of 75.1% and ADR of \$210.39. These levels are slightly below the record levels achieved in 2007.

Three more hotels, with a total of 610 rooms, are



**Boston Office Space Vacancy Rates (all classes)**  
1998 - 2008

Figure 4

now under construction. Seven more hotels have Boston Redevelopment Authority approval but are not yet 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. 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.

Partnerships have and will continue to play an important role in revitalizing Boston's neighborhoods. In January 1999, part of the City of Boston was designated an Empowerment Zone community by the U.S. Department of Housing and Urban Development. 2009 is the final year of the ten-year Empowerment Zone designation that brings with it limited tax-exempt bonding authority and grants to finance 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 FY08, this program has created 676 net new businesses and more than 4,382 net new jobs, improved the marketability and business strategy of business districts, and preserved the character of surrounding residential areas. Through FY08, the Main Streets Program has leveraged more than \$10.5 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.