

Boston's People and Economy

INTRODUCTION

Boston was first incorporated as a town in 1630 and then as a city in 1822, making it one of the oldest cities in the United States. The City has evolved into a center for innovation and entrepreneurship as well as for social and political change. Boston has become the economic engine and cultural hub of New England.

As the seat of Suffolk County, the capital city of Massachusetts, and the region's hub, Boston is home to approximately 650 thousand residents, many world-renowned institutions of higher education, some of the world's finest inpatient hospitals, numerous successful corporations, and many professional sports teams and cultural organizations. Tens of millions of people typically visit Boston each year to take in its historic sites, diverse neighborhoods, and attend cultural or sporting events, and functions in one of Boston's convention centers.

The outbreak of COVID-19 in early 2020 required restrictive public health interventions that caused severe economic disruptions in Boston and across the world. Caseloads have since diminished and the federal Public Health Emergency related to COVID-19 expired in May 2023. New challenges have since emerged with high price inflation, interest rates, and office space vacancy. Despite these challenges, the City is continuing to adapt to provide high quality accessible services to all residents.

Boston, Massachusetts Quick Facts

Government

| | |
|------------------------|----------------------|
| Founded | Sept. 17, 1630 |
| State (capital) | Massachusetts |
| County (seat) | Suffolk |
| Government Type | Strong Mayor-Council |
| Mayoral Term (years) | 4 |
| Councilor Term (years) | 2 |
| District Councilors | 9 |
| At-Large Councilors | 4 |
| U.S. House Reps. (MA) | 9 |
| Electoral Votes (MA) | 11 |

People

| | |
|----------------------|---------|
| Population (2021) | 649,768 |
| % of State | 9.3% |
| % Growth (from 2010) | 5.2% |
| % Non-white/Hispanic | 55.8% |
| % White/non-Hispanic | 44.2% |
| Median age (years) | 33.0 |

Geography

| | |
|-------------------------|--------|
| Neighborhoods | 23 |
| Land area (Sq. miles) | 48.4 |
| Water area (Sq. miles) | 41.2 |
| Density (Pop./Sq. mile) | 13,425 |
| Public road mileage | 936.1 |
| Ft. above sea-level | 141.0 |

Boston Firsts

| | |
|------------------------------|------|
| Public park (Bos. Common) | 1634 |
| Public school (Boston Latin) | 1635 |
| Public library | 1653 |
| Telephone | 1875 |
| Subway (in the U.S.) | 1897 |
| World Series | 1903 |
| Mutual Fund | 1924 |
| Community Health Center | 1965 |

Table 1

BOSTON'S GROWING AND CHANGING POPULATION

The City of Boston ranks as the 25th largest city by population in the United States. According to the 2022 U.S. Census Population Estimates, Boston's population is 649,768. This figure does not incorporate a successful challenge to a population undercount in the 2020 Census.

Boston is the center of the 11th largest Metropolitan Statistical Area (MSA) in the nation at 4.9 million people in 2022.

Over the thirty years between 1950 and 1980 Boston's population declined 30% from 801,444 to 562,994. This decline is attributed to a national trend of suburbanization following World War II. Since 1980, however, Boston's population has stabilized and grown. The 2010 U.S. Census recorded the city's population at 617,594, representing a nearly 5% increase over its 2000 population and a nearly 10% increase over 1980. The 2020 U.S. Census recorded Boston's population at 675,647, a 9.4% increase over 2010. Following the COVID-19 pandemic, cities around the world experienced population shifts away from dense urban cores. Boston was no exception, losing Boston lost 25,879 residents, a 3.8% decrease from 2020.

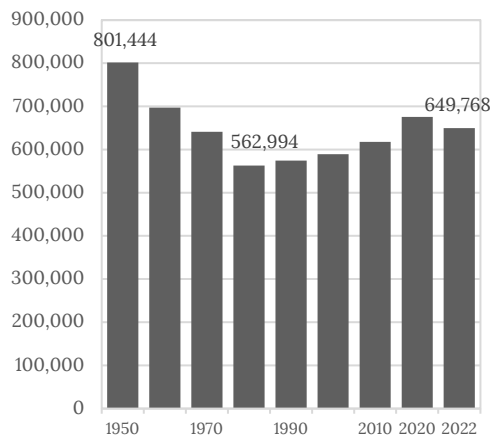


Figure 1 - Boston's Population 1950-2020 Census, 2022 ACS Estimate

The demographic makeup of the city has also changed. In 1950, the share of white residents was 95%, while non-White residents accounted for 5% of the City's population. Boston became a majority-minority city in 2000. As of 2022, 56.3% of Boston's residents are Hispanic/Latino and/or non-White.

Data from the Census Bureau's American Community Survey (ACS) shows that Boston is a relatively young city. The median age in Boston is 33, due to the large number of students and young professionals living and working in the City. More than one out of every three persons in Boston is between the ages of 18 and 34 years old (37%). People ages 35 to 54 years old comprise 24% of the population and people ages 55 to 64 years old comprise 10%. Senior citizens ages 65 and above make up 13% of the City's population, an age group that has been growing in line with national trends relating to the aging of the baby boomer generation.

Household trends have also followed population changes over the past twenty years. From 2000 to 2022 households increased by 18.6% to 284,061. Of these households, 34.7% are owner-occupied, an increase from 32.2% in 2000.

BOSTON'S JOBS, LABOR FORCE, AND INCOME

Boston ranks among the highest concentrations of employment in the U.S. and supplies an estimated 95% of the jobs in Suffolk County. In 2021, there were approximately 883 thousand payroll and non-payroll jobs in Boston.

Prior to the COVID-19 pandemic, the unemployment rate had been decreasing for both Massachusetts and Boston, with both hovering around 3% in 2019. However, the prolonged shutdown in Massachusetts due to the spread of the virus in the state caused the state unemployment rate to reach 17.1% in April 2020, or 594 thousand

unemployed residents, the highest rate in the country. In May, the rate began dropping, reaching 5.9% in June 2021, and 3.8% in June 2022. Boston's unemployment rate peaked at 16.1% in June 2020; fell to 6.2% in June 2021 and 3.5% in June 2022. Citywide 14,110 residents were counted as unemployed. Even as unemployment rates have fallen across the city and state they remain stubbornly high for communities of color; for instance, in 2022 the average estimated unemployment rate for Black/African-American Massachusetts residents (7.2%) and Hispanic/Latino residents (5.4%) was significantly higher than the rate for White residents (3.7%).

Figure 2 shows the average annual National, Massachusetts and Boston Metro Area Unemployment rates since 2003. During and following recessions, unemployment rates increase dramatically. Nationally, the highest annual rate occurred in 2010, averaging 9.6%, following the Great Recession. In Massachusetts and Boston, the 2020 COVID recession caused the highest annual average, with 9.4% and 9.0%, respectively.

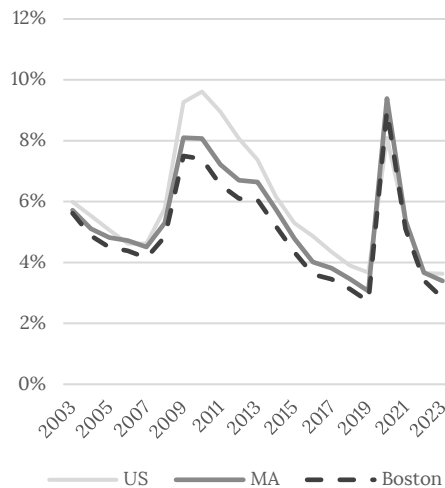


Figure 2 - National, Massachusetts, and Boston Metro Unemployment Rates, 2003-2023, Federal Reserve Economic Data

Higher education, health care, and financial services play a major role in Boston's economy. Since the Great Recession,

Boston's job growth was positive across most industries but the majority of job gains were concentrated in health care and social assistance, professional and technical services, and education. As of 2022, the health care and social assistance industry employs the largest number of people in Boston, 17.5% of total jobs. Educational services is also an area of specialization for Boston (7.7% of total jobs). Combined, the concentration of education and health services jobs in Boston is 1.16 times the national average.

Boston hosts dozens of universities, colleges, and community colleges, with a combined enrollment of over 150,000 students annually. Included among the city's colleges and universities are some of the most prestigious educational institutions in the country, namely, Boston College, Boston University, Northeastern University and Harvard University.

These institutions of higher education have a major effect on the Boston's economy. Because many of these students remain in Boston after graduation, the city's educational institutions are a major source of highly-skilled professionals for Boston's workforce.

As the COVID-19 pandemic surged throughout the country higher education institutions faced uncertain futures as most campus activities, including in-person learning were suspended. The National Center for Education Statistics estimates that total enrollment at Boston higher education institutions fell by 2.7% from Fall 2019 to Fall 2020 before rebounding 4.4% in Fall 2022. In that time, the percentage of students receiving fulltime or part-time remote learning increased 54%. More than one-third of students in Fall 2022 had at least one virtual course.

Despite the rise of remote coursework and distance education, real estate development by Boston's medical and higher education institutions has continued

to grow. Since 2021, the Boston Planning and Development Agency (BPDA) approved over 2 million new square feet of institutional development across the city. Most recently the BDPA approved a 400,000 development featuring a performing arts center and housing dedicated to Harvard University affiliates.

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, Tufts Medical Center, and Boston Children’s Hospital. In total, there are 22 inpatient hospitals in the city with a combined 6,110 beds. Furthermore, Boston is home to the medical and dental schools of Harvard University, Tufts University, and Boston University.

According to the commercial real estate firm CBRE, the Boston-Cambridge area hosts the largest Life Sciences cluster in the nation, as defined by size, growth and concentration of employment, laboratory inventory, National Institute of Health (NIH) awards, and venture capital funding. Boston’s life science industry benefits from skilled labor force availability, leading universities in basic academic science fields, innovative research and development districts, proximity to major research hospitals, and strategic presence of venture capital resources.

Several of the country’s leading financial services firms are located in Boston, including Fidelity Investments, John Hancock/Manulife Financial, State Street Corporation, and Wellington Management.

Table 2 provides a summary of total estimate jobs in the City of Boston for the year 2021 broken down by industry.

Boston Employment by Industry – 2022

| Industry | 2022 | Percent |
|--|----------------|----------------|
| Health Care and Social Assistance | 154,535 | 17.5% |
| Professional, Scientific, and Technical Services | 126,251 | 14.3% |
| Finance and Insurance | 110,179 | 12.5% |
| Government | 74,084 | 8.4% |
| Educational Services | 67,716 | 7.7% |
| Accommodation and Food Services | 56,309 | 6.4% |
| Real Estate and Rental and Leasing | 46,158 | 5.2% |
| Transportation and Warehousing | 39,612 | 4.5% |
| Administrative and Waste Services | 39,598 | 4.5% |
| Retail Trade | 37,178 | 4.5% |
| Other Services, excluding Public Admin. | 31,790 | 3.6% |
| Information | 29,148 | 3.3% |
| Construction | 21,680 | 2.5% |
| Arts, Entertainment, and Recreation | 17,641 | 2.0% |
| Wholesale Trade | 11,531 | 1.3% |
| Manufacturing | 8,805 | 1.0% |
| Management of Companies and Enterprises | 8,793 | 1.0% |
| Utilities | 1,982 | 0.2% |
| Natural Resources and Mining | 267 | 0.0% |
| Total Jobs | 883,257 | 100% |

Table 2

Source: U.S. Bureau of Economic Analysis, Massachusetts Executive Office of Labor and Workforce Development (EOLWD), BPDA Research Division Analysis.

The BPDA estimates that the total number of jobs located in Boston increased from 826,967 in 2021 to 883,257 in 2022, or a gain of approximately 56,000 payroll jobs (7.0%). This sharp gain meant that total payroll jobs surpassed 2019 levels, 851,325 jobs. During the COVID-19 pandemic, Boston shed nearly 50,000 payroll jobs. This decrease is

much greater than the 15,000 average annual jobs lost in Boston between 2001 and 2004 or the 17,500 jobs lost in 2009.

Industries that rely on the physical proximity of workers and customers suffered disproportionate job losses. Figure 3 illustrates the most impacted industries from the COVID-19 pandemic based on the percentage of jobs lost. *Accommodation and Food Services* suffered the highest number of jobs lost as well as the highest percentage, dropping from 65,645 jobs in 2019 to 38,061 in 2020 – more than 27,000 jobs lost, or 42%. *Arts, Entertainment and Recreation* lost 5,258 jobs, or 28%. Of these industries, all but *Retail Trade* have experienced job growth that places total jobs near or above 2019 levels. Most notably, *Transportation and Warehousing* and *Manufacturing* have more jobs in 2022 than before the COVID-19 pandemic.

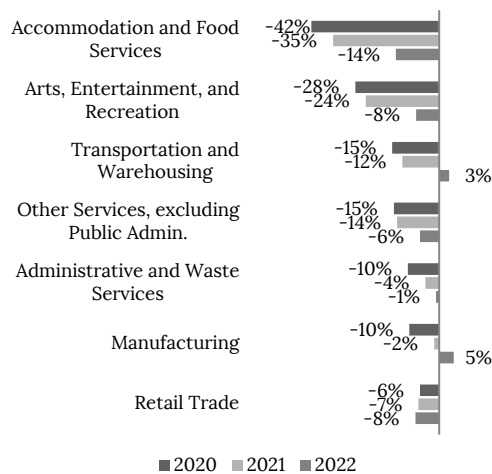


Figure 3 Percentage Job Loss by Industry since 2019, 2020 - 2022 BPDA Research Division Analysis

When examining the types of jobs held by Boston residents, it is clear the city’s resident labor force has undergone a significant transformation. Of the 266,505 Boston residents working in 1970, 45% held blue-collar jobs and 55% held white-collar jobs. By 2021, the share of blue-collar jobs fell to 27% and those employed in white-collar occupations rose to 73%.

The changing needs of a service-based economy have resulted in a better-educated and more highly skilled workforce. In 2022, 89% of the adults in Boston had finished high school, compared to 53% in 1970. In 2022, 54% of adults in Boston had completed a bachelor’s degree or higher compared to only 10% in 1970 and 36% in 2000.

Boston’s well-educated workforce also translates to comparatively high household incomes and wages. Per capita personal income in Metro Boston was \$101,072 in 2020, up 24% from 2010 and 26% from 2000 in real terms. The average annual wage and salary disbursement per job in Suffolk County was \$127,319 in 2020. Beginning in 1990, wages in Suffolk County began to grow faster than the state and the nation. In 2020, the average annual wage per job in Suffolk County was 38% higher than the average Massachusetts wage and 75% higher than the national average wage.

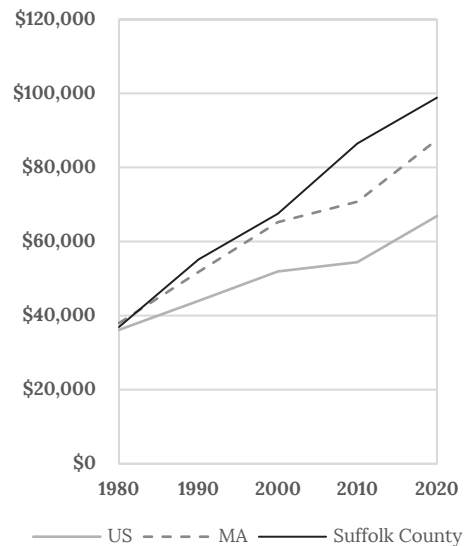


Figure 4 –Average Annual Wages in the U.S., Massachusetts, and Suffolk County, 1980-2020, 2022 dollars, BPDA Research Division Analysis

ECONOMIC ACTIVITY IN THE CITY OF BOSTON

Transportation

A key to any city's economic health is its ability to transport residents, workers, visitors, and goods efficiently and safely to their intended destinations, whether in the city, throughout the region, or beyond.

Local Transportation

According to 2022 American Community Survey data, 35% of households in Boston did not have a vehicle and 38% of Boston resident workers commuted to work without a car. Roughly 1 in 5 residents commute via public transportation. Another fifth of residents work from home.

Boston's public transportation system reaches into every neighborhood of the city whether by trolley, subway, bus, or commuter train. The MBTA provides commuter rail, subway, local and express bus services, and water ferry service to 176 cities and towns in eastern Massachusetts, offering public transit to a population of roughly 4.89 million people over 3,200 square miles. Prior to the COVID-19 pandemic, the passengers on the MBTA completed about 1.2 million weekday rides every month. Average weekday rides dropped to 140,000 in April 2020 before beginning to rebound slowly. Average weekday rides increased from 510,000 in 2021, 690,000 in 2022, and 750,000 in 2023. Despite this recovery, average weekday ridership is still 38% below 2019 levels. Figure 5 illustrates the average weekday rides by month for 2019, 2020 and 2023.

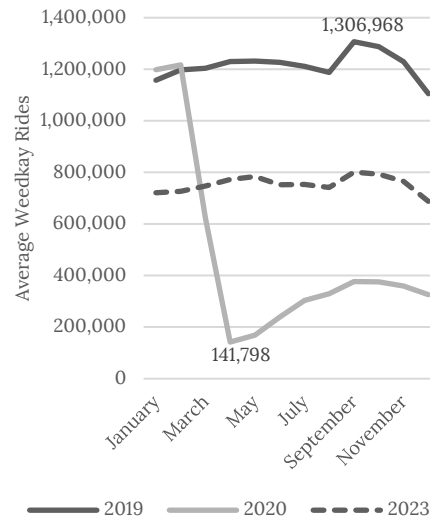


Figure 5 MBTA Average Weekday Rides by Month, 2019, 2020, 2023

Mass transit ridership is an important indicator of progress towards economic recovery and social revitalization in Boston and as such its performance is monitored closely.

National and International Travel

Boston's Logan International Airport is the most active airport in New England. Due to the COVID-19 pandemic and the travel restrictions which followed, the total number of passengers dropped from over 42.5 million in 2019 to about 12.6 million in 2020, a 70% decrease. Flight operations and total passengers have increased steadily since 2020, increasing to 22.7 million in 2021, 36.1 million in 2022, and 40.8 million in 2023. Despite this recovery, total passengers transiting to and from Logan are still 4% below 2019 levels. Total number of flights, domestic and international, followed a similar trajectory, decreasing 52% between 2019 and 2020. Flights were still off 2019 levels by 8% in 2023.

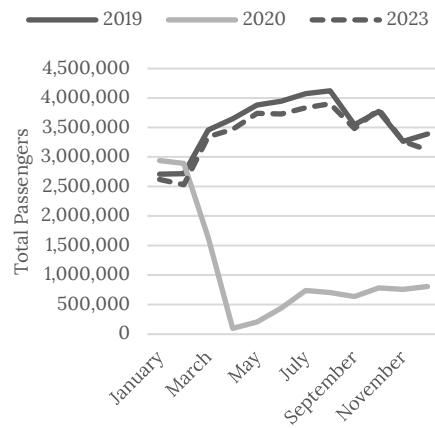


Figure 6 Total Air Passengers at Logan Airport by Month, 2019, 2020, 2023, Massport Airport Statistics

Tourism and Culture

Boston entertains many types of visitors each year: those seeking historical sites, museums, sporting events, restaurants, theatre, and/or business conventions. According to the Greater Boston Convention and Visitors Bureau, an estimated 22.7 million people visited Boston in 2019. Of those, an estimated 2.9 million were international visitors to Greater Boston. Travel to Boston declined dramatically in the spring of 2020 and has since picked up gradually and returned to near pre-pandemic levels. By December 2023, visits to Boston were 94% of December 2019 totals.

For business and leisure travelers alike, Boston is an attractive destination for conventions, meetings, and trade shows. The Boston Convention and Exhibition Center (BCEC), located on a 60-acre site in South Boston, contains 516,000 square feet of contiguous exhibition space 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 2019, the Boston Convention and Exhibition Center, along with the John B. Hynes Memorial Convention Center, hosted 336 events, totaling 832,243 attendees. Both convention

centers adapted to fit other purposes during the pandemic; the BCEC was converted to the Boston Hope field hospital in April and May of 2020 and Hynes became a vaccination site in Spring 2021. Convention center attendance was approximately 760,000 in 2023, 9% lower than pre-pandemic levels.

The Boston area is home to five major professional sports teams: The Boston Red Sox baseball team plays at historic Fenway Park, and the Boston Bruins hockey team and the Boston Celtics basketball team play at the TD Garden. The New England Patriots football and Revolution soccer teams play at Gillette Stadium in nearby Foxborough, MA.

The New England Aquarium, Museum of Fine Arts, Isabella Stewart Gardner Museum, Institute of Contemporary Art, and many other cultural attractions bring in thousands of tourists each year. The city is also home to venues for concerts, ice shows, circuses and other entertainment performances as well as street festivals and parades in its neighborhoods and parks.

Hotels

Tourism is a large Boston industry that supported approximately 56,000 *Accommodation and Food Services* jobs in 2022, 6.4% of Boston’s total jobs. The hotel industry provided 9,255 direct jobs in Boston in 2022, down from 11,609 in 2018.

As of January 2024, Boston had 94 hotels with a total of 23,771 rooms in establishments with fifty or more rooms. This is a substantial increase in supply from 18,363 rooms a decade ago. The average daily rate in 2023 was \$294, \$104 more than in 2020.

According to the Pinnacle Perspective Monthly Report, the average occupancy rate of hotels in Boston was 79.5% from 2009 through 2019. Due to COVID-19 and the state’s stay-at-home advisory, the occupancy rate dropped from 72.7% in

February 2020 to 5.3% in April 2020. Similarly, revenue per available room fell by more than 80% percent. Occupancy has since rebounded gradually, up to 47% in 2021 and 70% in 2022. Likewise, revenue per available room has increased from \$50 in 2020 to \$227 in 2023.

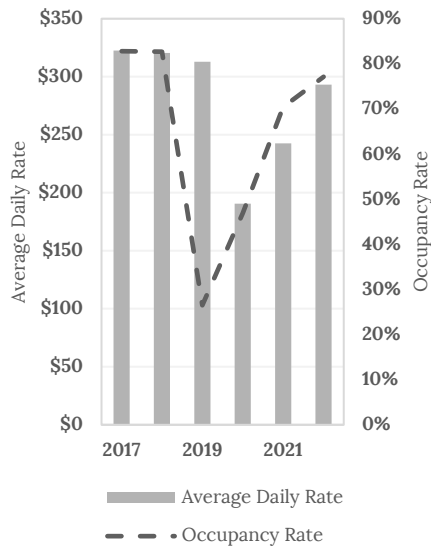


Figure 7 Boston Average Daily Rate and Room Occupancy, 2017-2023, Pinnacle Advisory Group and BPDA Research Division

Consumer Spending

Consumer spending has experienced dramatic shifts over the past five years. From a baseline in January 2020, overall consumer spending by Boston residents, which includes both online and in-person transactions, fell by 17% in March and by April was down 41% in the midst of the COVID-19 pandemic (See Figure 8). The pandemic triggered a shutdown of local businesses and Bostonians who maintained their jobs saved or shifted their spending patterns to other sectors of the economy.

As the pandemic eased and regular business operations returned, so has consumer spending. In January 2024, aggregate spending, as well as spending in pandemic affected categories: groceries, transportation, accommodation & food

services, and transportation, were all above January 2020 levels.

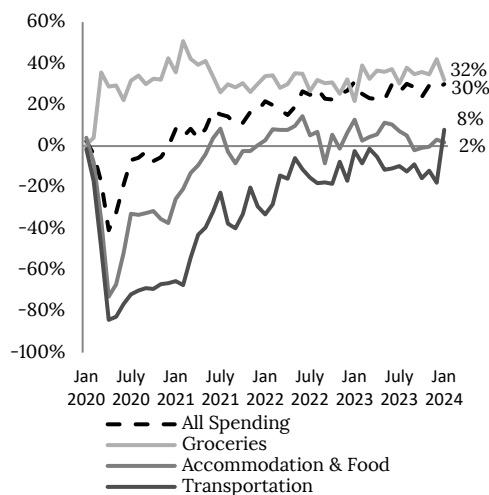


Figure 8 Indexed Consumer Spending to January 2020, January 2020-December 2023, Opportunity Insights Economic Tracker

The most dramatic increases in spending from mid-2020 to 2022 are likely linked to the reopening of businesses, return to work of employees, and the return of visitors to Boston’s downtown and neighborhoods. Since 2022, historically high national price inflation trends have pushed the cost of goods higher and has contributed to elevated spending levels. For additional detail on inflation, see the *Boston’s People & Economy* section.

REAL ESTATE

The COVID-19 pandemic, supply chain disruptions, price inflation, and high interest rates have all affected the construction industry in the past four years. Despite these disruptions and headwinds, the pipeline of real estate development has remained strong. In 2023, the BPDA board approved 16.6 million square feet of new development (see Figure 9).

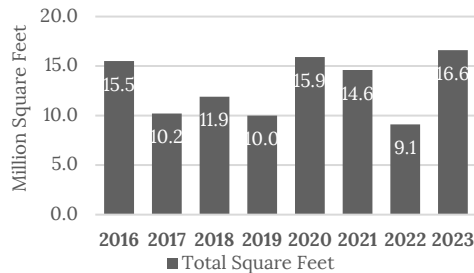


Figure 9 Total Square Feet Approved, 2016-2023, in millions, BPDA Research Division

Housing

The housing market is a spur for many industries and serves as a barometer of economic health overall.

Across Boston's housing stock nearly two thirds of occupied units in Boston are classified as rentals. Rental rates were significantly impacted by the COVID-19 pandemic. In 2021, rental rates decreased in half of city neighborhoods. Overall rates only increased 1.5% citywide. In 2022 rates subsequently rebounded 14.2% as COVID-19 case waned and optimism in the local economy renewed. This rate of growth slowed in 2023 as the average monthly rent in Boston increased from \$2,895 to \$3,053, or 5.5%. In 2023, Hyde Park was Boston's most affordable neighborhood with an average monthly rent of \$2,357 and the South Boston Waterfront was the most expensive at \$5,095 per month.

Homeowners also experienced value increases, albeit at a difference pace. Between 2020 and 2021 Banker &

Tradesman data indicated that single family home prices increased by 8.4%. This pace slowed from 2021 to 2022 to 4.0%. In 2023, the median value of a single-family home in Boston reached \$765,000, a 0.5% increase from 2022. Turnover in single family homes continued to slow from 2022 – down 26% year-on-year and 40% below 2021 levels. Despite slower turnover and higher interest rates, single family home prices remained high.

In 2023 the BPDA board approved 7,389 residential units, which was the third highest level residential units approved in the past decade. Since 2019, over 32,000 units have been approved, 20% of which are income restricted.

Office Market

As of the fourth quarter of 2023, Boston contained 69.6 million square feet of office space. Downtown, which includes the Financial District, remains Boston's largest commercial office market with nearly 40 million square feet of office space, followed by Back Bay with over 12 million square feet, and the South Boston Waterfront with almost 10 million square feet.

Prior to the COVID-19 pandemic, Boston experienced job growth in industries such as professional and scientific services, and finance and insurance, which require commercial office space. This employment growth drove an increase in demand for office space in Boston. During the pandemic, many office workers began working from home, with most continuing a hybrid schedule as the pandemic abated. Census estimates in 2022 suggest that 20% of Bostonians work from home, a fivefold increase from 2019.

As existing leases have expired and new office developments hit the market, reduced demand has led to increasing vacancy rates in the commercial office market, reaching 10.9% in the South Boston Waterfront and over 20% in Downtown as

of the fourth quarter of 2023. Average commercial vacancy stood at 16.2% citywide, a 5-percentage point increase from 2022. Average asking rents in the fourth quarter of 2023 stood at \$65 per square foot, only \$5 below pre-pandemic levels.

To partially address lagging commercial demand and robust residential demand, the BPDA and Mayor's Office of Housing announced a conversion incentive program to transform underutilized commercial space into residential space. Applications for this program are open through June 2024 with conversion work anticipated to begin in 2025.

Life Science and Technology Industry

The Greater Boston lab and life science market has continued to rank first across the nation in JLL annual reports since 2012. After record low vacancy rates in life science facilities during the pandemic, vacancy rates have increased since the second quarter of 2022. At the end of 2023, vacancy rates stood at 7.6% in 2023, however asking rates remained steady at \$103 per square foot, well above the average commercial asking rate.

While leasing activity has slowed, investment in lab space continues to be an area of strength. In 2023, the BPDA board approved 13 projects for a net increase of 4.5 million square feet. These developments stretch across several neighborhoods including: Allston, Brighton, Charlestown, Downtown, Fenway South Boston, South End, and the South Boston Waterfront