

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 695,000 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 visit Boston each year to take in its historic sites, diverse neighborhoods, cultural or sporting events, and functions in one of Boston's convention centers.

Under the leadership of Mayor Martin J. Walsh, the City is vigorously pursuing economic opportunities, to ensure Boston will continue to be a global leader in the twenty-first century. The City will continue to monitor the unfolding impacts of the COVID-19 pandemic and respond accordingly to ensure residents at all income levels are able to live and work safely in the City.

BOSTON'S GROWING AND CHANGING POPULATION

The City of Boston ranks as the 21st largest city by population in the United States. According to the U.S. Census Bureau's American Community Survey (ACS)

Boston's population for 2018 was 694,583. The average annual growth for Boston from 2010 through 2018 is 1.6%. Recent trends suggest Boston's population is growing at faster rates than in prior decades.

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)	10
Electoral Votes (MA)	11

People

Population (2018)	694,583
% of State	10.0%
% Growth (from 2000)	1.6%
% Non-white/Hispanic	55.5%
% White/non-Hispanic	44.5%
Median age (years)	32.1

Geography

Neighborhoods	23
Land area (Sq. miles)	48.4
Water area (Sq. miles)	41.2
Density (Pop./Sq. mile)	14,155
Public road mileage	917.1
Ft. above sea-level	141.0

Boston Firsts

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

Table 1

Boston is the center of the 6th largest Combined Statistical Area (CSA) in the nation. Metropolitan Boston had 4.9 million people and 3.7 million jobs in 2018.

Over the thirty years between 1950 and 1980 Boston's population declined 30% from 801,444 to 562,994. This decline can largely be attributed to a post-war national trend of suburbanization. Since 1980, however, the Boston's population has stabilized and grown. The 2010 U.S. Census records the city's population at 617,594, representing a nearly 5% increase over its 2000 population and a nearly 10% increase over 1980. The ACS estimates Boston population in 2018 at 694,583.

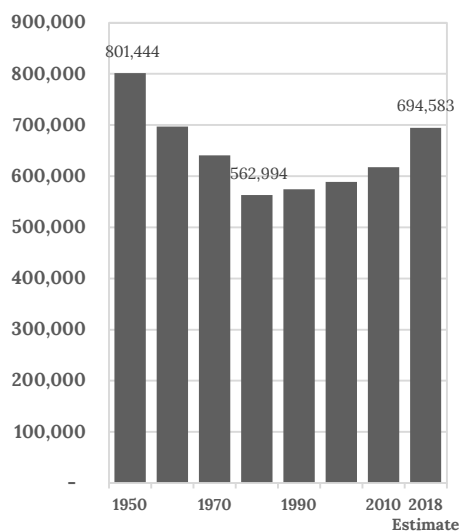


Figure 1 - Boston's Population
1950-2010 Census, 2018 ACS Estimate

With this growth in population has come a change in demographics. A wide range of ethnic backgrounds and countries of origin can be found in Boston's population. The 2010 census results show that non-white/Hispanic peoples continue to make up the majority of Boston's population, as they have for the past 10 years.

The 2018 ACS data also shows that Boston is a relatively young city. The median age in

Boston is 32.1, 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 20 and 34 years old (39%).

People ages 35 to 54 years old comprise 23% of the population and people ages 55 to 64 years old comprise 10%. Senior citizens ages 65 and above make up 12% of the City's population.

Along with population growth, the number of households in Boston has also grown, to 274,674. The share of these households that are families (related or married people living together) remains stable at 46.9% of all households in 2018. The group quarters population, primarily students in dormitories, increased from 2010, up to 47,062 in 2018. Household size increased from 2.3 persons in 2010 to 2.4 persons in 2018.

BOSTON'S JOBS, LABOR FORCE, AND INCOME

Boston ranks among the highest in concentrations of employment in the U.S. In 2010, Boston supplied an estimated 657,669 jobs, 96% of jobs in Suffolk County, approximately one out of every six jobs in Massachusetts, and one out of every fourteen jobs in New England.

The unemployment rate had been decreasing for both Massachusetts and Boston. As of October 2019, both rates dropped below 3%. However, the prolonged shutdown in Massachusetts due to the spread of the virus in the state caused the state unemployment rate to reach 17.7% in June 2020, the highest rate in the country. It then dropped in July to 16.1%, or approximately 591 thousand individuals. Boston's unemployment rate was 18.1% in July, falling only modestly from 19.3% in June.

With the number of Boston based jobs exceeding the resident labor force by more than double, the city is the recipient of many daily commuters. Between 1970 and 2010, the number of non-Suffolk County residents commuting to jobs in Suffolk County increased over 50% to nearly 350,000. As Boston has continually become a better place to live, more residents are choosing to live in the city and commute out for their jobs. From Boston's population low point in 1980 to 2010, the number of Suffolk County residents commuting to jobs outside the county grew over 60%.

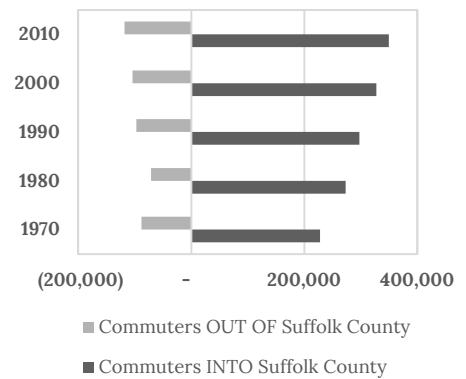


Figure 2 – Commuting Patterns of Workers Suffolk County, MA, 1970-2010

Boston's People

Population	1970	1980	1990	2000	2010
Total Population	641,071	562,994	574,283	589,141	617,594
% White Alone	NA	NA	59%	49%	47%
% Non-White/Hispanic	18%	30%	37%	51%	53%
Black or African-American	NA	NA	24%	25%	22%
Asian	NA	NA	5%	8%	9%
Hispanic or Latino	NA	NA	11%	15%	18%
Other	NA	NA	1%	3%	4%
Income					
Median Household Income	\$7,935	\$12,530	\$29,180	\$39,329	\$49,893
Average Annual Wage (Suffolk County)	NA	\$15,472	\$31,272	\$55,522	\$74,881
Education					
% High School Graduate	34%	35%	27%	24%	24%
% Some College Completed	9%	13%	19%	19%	18%
% College Graduate	10%	20%	30%	36%	44%
Employment					
Labor Force	266,505	NA	304,507	304,224	327,561
Unemployment Rate (resident)	12.8% ('75)	7.8% ('83)	8.6% ('91)	2.7%	7.9%
Number of Jobs	576,125	572,078	622,433	688,077	657,669
% Blue Collar Jobs	45%	40%	33%	31%	32%
% White Collar Jobs	55%	60%	67%	69%	68%
% Manufacturing Jobs	11%	9%	5%	4%	1%
% Trade Jobs	22%	16%	13%	12%	11%
% Finance Jobs	13%	13%	15%	15%	15%
% Service Jobs	25%	36%	42%	46%	58%

Boston Redevelopment Authority, U.S. Census Bureau, Massachusetts Division of Employment and Training, Massachusetts Department of Labor and Workforce Development

Table 2

The city's resident labor force has undergone another transformation. Of the 266,505 Boston residents working in 1970, 45% held blue-collar jobs and 55% held white-collar jobs. In 2018, of the 382,784 Boston residents working, those holding blue-collar jobs fell to 29% and those employed in white-collar occupations rose to 71%. The changing needs of a service-based economy have resulted in a better-educated and more highly skilled workforce. In 2018, 87% of the adults in Boston had finished high school, compared to 53% in 1970. 51% of adults in Boston had completed college education in 2018, compared to only 10% in 1970 and 36% in 2000.

Along with Boston's well-educated workforce comes comparatively high household incomes and wages. In 2010, median household income in the City was \$49,893, up 27% from 2000 (see Table 2). Since 1990, median household income in Suffolk County was consistently more than 30% greater than the median household income in the United States, 59% greater in 2010. Per capita Personal Income in Suffolk County was \$82,632 in 2018, 9% increase since 2010. The average annual wage and salary disbursement per job in Suffolk County was \$102,336 in 2018. Beginning in 1990, wages in Suffolk County began to grow faster than the state and the nation. In 2018, the average annual wage per job in Suffolk County was 38% higher than the average Massachusetts wage and 76% higher than the national average wage.

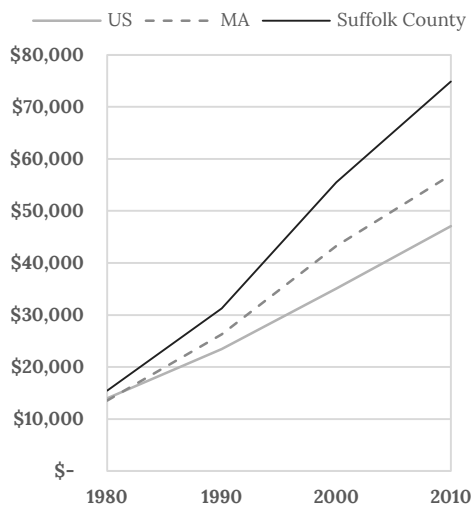


Figure 3 –Average Annual Wages in the U.S., Massachusetts and Suffolk County 1980-2010 Census

KEY SECTORS IN THE BOSTON ECONOMY

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 or throughout the region.

Local Transportation

According to the 2010 census, 36% of households in Boston did not have a vehicle, which makes public and alternative transportation particularly important to city residents.

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 175 cities and towns in eastern Massachusetts, offering public transit to a population of almost 4.8 million people in an area of 3,244 square miles. The MBTA currently serves about 1.2 million passengers every weekday.

The City of Boston will make an annual payment of \$93.3 million to support the operations of the MBTA in FY21. This is in addition to what the City spends on transportation through the Streets Cabinet.

In 2017, for the first time, the MBTA and the Massachusetts Department of Transportation (MassDOT) jointly produced a Capital Investment Plan (“CIP”), integrating the decision-making process around funding allocation and aligning the agencies’ goals and program evaluation procedures. The CIP allocates a total of \$18.3 billion in capital investments for Fiscal 2020–2024 across programs by level of priority: (1) improving reliability through maintenance and repair of existing assets (44% of total funding), (2) modernizing assets to meet updated safety or accessibility requirements (28%), and (3) expanding capacity to accommodate increased ridership (16%). The remaining funds are allocated to planning and enterprise services and Chapter 90 funding for reimbursement of municipal road-construction (11%).

Pre-COVID-19, the MBTA was scheduled to spend \$8.2 billion between 2020 and 2024. Major investments include the Red Line/Orange Line improvements program and the Commuter Rail safety and resiliency program (PTC).

In addition to MBTA-specific programs, the CIP designates funding for several other Boston area transportation projects. MassDOT will continue the planning and environmental review phase of the I-90 Allston Interchange Project. This project will replace the I-90 viaduct carrying the Mass Turnpike into Boston through Allston, construct a new commuter rail station, and improve pedestrian and bicycle pathways along Cambridge Street and to the Charles River. Additionally, the CIP designates funding for MassDOT, in cooperation with the Federal Railroad Administration, Amtrak, and the MBTA, to study potential

expansions and improvements to South Station.

South Station, one of three major high speed rail terminals on Amtrak’s Northeast Corridor (“NEC”), currently hosts high speed intercity passenger rail (“HSIPR”), including Amtrak Acela Express and Northeast Regional services. It is the terminus for Amtrak’s Lake Shore Limited service between Boston and Chicago, as well as for MBTA commuter rail, subway and guideway bus services. Potential changes to the Station include improvements to the tracks, platforms, signals and passenger facilities.

Given the needs and preferences of residents, the City has made investments into “greener” transportation for its residents, visitors and employees. In 2019, approximately 2.5 million trips were taken on the City’s public bike share, Bluebikes. The Boston Transportation Department also regularly counts bike volumes on streets across the City. In multiple locations, bike traffic accounts for more than 15% of vehicles during peak commute times. This statistic will likely increase due to COVID-19.

The City itself has moved to limit emissions and increase the fuel economy of its fleet by purchasing hybrid vehicles and requiring new taxi cabs to be hybrids as well. With the national and international rise of car-sharing companies, the City is also running an internal fleet-sharing program. FleetHub is a municipal vehicle-sharing program allowing approved City employees to reserve cars, vans, and pick-up trucks for work-related use through an online reservation portal. This innovative system reduces the total number of vehicles needed by the City through cross-departmental vehicle-sharing and helps maximize vehicle utilization. There are 40 FleetHub vehicles available for use at five different locations. The majority of the vehicles in the program are alt-fuel vehicles – including 21 Gas & Electric Hybrids, 12

Electric Vehicles, and 4 Bi-Fuel Gas & Propane vehicles - shared among approximately 600 active drivers.

National and International Travel

Boston's Logan International Airport is the most active airport in New England. In 2019, Logan served over 42.5 million international and domestic passengers, a 3.9% increase from 2018. Logan Airport is also very important to the economy as a center for processing air cargo. 2020 projections are estimated to be significantly lower compared to previous years due to the effects of COVID-19 and travel bans domestically and around the world.

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. In 2019, the Conley Container Terminal (in the Port of Boston) saw more than 300,000 TEUs (twenty-foot equivalent units) shipped through the terminal. The Port of Boston has also become a major cruise ship port, hosting 402,346 cruise ship passengers in 2019, an increase of 3.3% from the year before. COVID-19 will likely negatively affect this industry as well.

Higher Education, Healthcare, Life Sciences, and Financial Services

Higher education, health care, and financial services play a major role in Boston's economy. Boston's job growth was positive across most industries since the recession, but was mostly concentrated in health care and social assistance, professional and technical services, and education. The health care and social assistance industry employs the largest number of people in Boston, 17.5% of total jobs. Educational services is an area of specialization for Boston (7.2% of total jobs), with an employment share three times the national average.

Boston hosts 35 universities, colleges, and community colleges, with a combined enrollment of approximately 150,000 students annually. Included among the city's colleges and universities are some of the finest educational institutions in the country, including 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. Boston's colleges and universities contribute to the economy in ways beyond providing a work force to city businesses and maintaining a stable workforce of approximately 50,000 jobs.

In 2019, the Boston Planning and Development Agency (BPDA) approved 672,000 new square feet of institutional development across the city. These new projects were primarily educational and medical developments. They include a new Data Science Center, approximately 305,000 square feet, as well as a new eight-story Northeastern University building, containing additional classrooms, laboratories, and a dynamic new makerspace hub.

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, as well as 25 community-based health centers. In total, there are 21 inpatient hospitals in the city. Furthermore, Boston is home to the medical and dental schools of Harvard University, Tufts University, and Boston University.

The Boston metropolitan area remains the nation's foremost region for the life

sciences industry. 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. The realty group Jones Lang LaSalle ranks the Greater Boston area as the largest concentration of life science researchers (pharmaceuticals, biotechnology, and medical devices) in the U.S., with currently over 3.5 million square feet of tenant requirements and over 95,000 employees.

Many 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. In 2018, there were over 131,000 people employed in the finance, insurance and real estate industries in Boston.

Table 3 provides a summary of the number of payroll and non-payroll jobs by industry for the year 2018. Total number of jobs grew by 1.7%, compared to 2017, as jobs have been increasing in Boston for the past decade. This trend will likely stop or weaken, due to the COVID-19 pandemic and the global recession.

Boston's Total Payroll and Non-payroll Jobs by Industry - 2018

Industry	2018	Percent
Health Care and Social Assistance	145,150	17.5%
Professional and Technical Services	105,985	12.8%
Finance and Insurance	93,042	11.2%
Government	75,116	9.1%
Accommodation and Food Services	65,927	8.0%
Educational Services	59,486	7.2%
Transportation and Warehousing	41,515	5.0%
Administrative and Waste Services	40,475	4.9%
Retail Trade	38,487	4.6%
Real Estate and Rental	38,178	4.6%

and Leasing		
Other Services, Ex. Public Admin	33,360	4.0%
Construction	21,714	2.6%
Information	20,952	2.5%
Arts, Entertainment, and Recreation	19,495	2.4%
Wholesale Trade	10,192	1.2%
Management of Companies and Enterprises	9,735	1.2%
Manufacturing	8,098	1.0%
Utilities	1,661	0.2%
Natural Resources and Mining	355	0.0%
Total Jobs	828,923	100%

Table 3

Source: Bureau of Economic Analysis (BEA), Massachusetts Executive Office of Labor and Workforce Development (EOLWD), Employment and Wage (ES-202), BPDA Research Division

Travel, Tourism and Culture

Boston entertains many types of visitors each year. For those seeking historical sites, museums, sporting events, restaurants, theatre or business conventions, Boston is a great place to visit. According to the Greater Boston Convention and Visitors Bureau, an estimated 21.7 million people visited Boston in 2018. Of those, an estimated 1.7 million were international visitors to Greater Boston.

Boston is an attractive destination for conventions, meetings, and gate 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, with an aggregate of 832,243 attendees, generating 800,000 hotel room nights and \$870 million in economic impact. Boston also has several other sites for small and

medium size conventions and conferences such as the World Trade Center.

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 attractions bring in thousands of tourists each year. The city also provides venues for concerts, ice shows, circuses and other entertainment performances as well as street festivals and parades in its neighborhoods and parks.

As a response to the spread of COVID-19, all large events were cancelled or postponed starting in March 2020 and likely to last through the end of 2020. Tourism and hotel stays will most likely be significantly affected in 2020 and beyond.

ECONOMIC HISTORY & OUTLOOK

During the 1960's, the national economy thrived and unemployment was consistently below 6% in the city. In the 1970's, Boston experienced the same pain felt across the country as the term "stagflation" was coined. The 1980's produced a period of great economic growth. The 1990's gave way to recession again with unemployment over 8% and a collapsing real estate market which transitioned into a long expansion with lower unemployment, more commercial development and increased home values. In the early 2000's, Boston experienced a mild recession along with the rest of the nation but continued to grow afterward. In 2008, the city was swept up with the nation in the great recession. While Boston and

Massachusetts did not fare as badly as others did, especially in the real estate market, the job loss and foreclosures were tough on Boston.

The nation and Boston's economic recovery since then has lasted for over 10 years, though it has likely ended with the spread of COVID-19.

Housing

The housing market is a source of growth for many industries and is a barometer of economic health overall. Since the end of the Great Recession, the housing market has come back unevenly across the country.

Residential markets were continue to show strong growth with increasing prices, despite a decrease in sales volumes. Lower vacancies and population growth coincide with higher price levels and rents. The median sales price, adjusted for inflation, for a single-family home in Boston increased by 7.7% per year between the first quarter 2010 (\$389,250) and the fourth quarter of 2019 (\$690,000).

The citywide median single-family home price was \$608,000 in 2019. The inflation adjusted median sales price fell by 0.5%, while the sales volume fell 8.2% between 2018 and 2019. The citywide weighted average advertised rents fell 0.4% in real terms between 2018 and 2019.

Office Market

The market for office space is a strong indicator of the local economy. Boston had approximately 67.8 million square feet of office space in the third quarter of 2019. The City's direct vacancy rate was 6.5%, according to realty firm Jones Lang LaSalle (JLL). Boston's YTD net absorption of office space was 1.2 million square feet. Compared to this time last year, YTD net absorption has increased by 34% and the vacancy rate has decreased by 4%. For certain areas within Boston, leasing activity has become

more robust, most notably the Downtown and North Station. The Fenway neighborhood has absorbed all leasable space from last year Q3, and had a 0% vacancy rate. The average asking rent citywide in 2019 Q3 was \$71.31, which is slightly competitive at \$8.50 less per square foot on average than the Cambridge office market. In 2019, the BPDA approved about 1.8 million square feet of office space.

However, as most employees continue to work from home when possible, Boston's office market will likely suffer a hard hit, with vacancy rate expected to increase starting in the second quarter of 2020.

Hotels

Tourism is a large Boston industry, supporting approximately 66,000 Accommodation and Food Services jobs in 2018, 8.0% of Boston's total payroll jobs. The hotel industry provided 11,609 direct jobs in 2018, 1.8% of Boston's total payroll jobs. These significant shares expose the City to high rates of unemployment, as a result of the direct hit the industry is suffering and will continue to suffer due to COVID-19.

The number of hotel rooms built, as well as occupancy and room rate statistics are an indicator of the health of that industry. The number of hotel rooms available in the city has grown over the last 10 years, increasing from about 14,000 rooms to just above 22,500 rooms. Much of this was in response to demand resulting from the construction of the Boston Convention and Exhibition Center (BCEC). The BCEC and the smaller Hynes Convention Center produce considerable demand for hotel nights.

As of January 2020, Boston had 93 hotels, with an average daily room rate of \$269 per night. According to the Pinnacle Perspective Monthly Report, the average occupancy rate of hotels in Boston was 79.8% over the past 10 years. Due to COVID-19 and the state's stay-at-home

advisory, the occupancy rate dropped from 72.7% in February to 5.3% in April. It has since modestly increased, as stay-at-home orders were loosened, though still considerably lower than past summers.

At the end of 2019, nearly one million square feet of hotel space was under construction and 800,000 square feet was completed in Boston, notably in the Back Bay, Downtown, Roxbury, and South Boston neighborhoods.

Development

There are many long-term economic development projects proceeding in Boston. These include plans to develop the East Boston and South Boston waterfronts, further enhancements to Boston's neighborhoods through the Empowerment Zone and Main Streets initiatives, and continuing development of retail and business districts citywide.

The Boston/Suffolk County sub-market had approximately 19 million square feet of industrial space and 5 million square feet of flex space in the fourth quarter of 2019, according to CoStar. The vacancy rates in 2019 Q4 were approximately 2.9% for industrial and 18.5% for flex.

The Raymond L. Flynn Marine Park (RLFMP), formerly the Boston Marine Industrial Park, consists of over three million square feet of developed real estate. RLFMP continues to sustain robust industrial uses such as ship repair, seafood processing, and design wholesale business clusters, along with small scale manufacturing and life science research and technology companies. The BPDA submitted a proposed update to the RLFMP Master Plan to the Commonwealth of Massachusetts for approval in 2018. The proposed Master Plan update will increase the existing zoned Floor to Area Ratio (FAR) from 2 to 4, allowing for additional density and development potential.

Construction was completed on Innovation Square Phase One of a new 125,000 square foot research and 660 development (R&D) industrial building in spring 2019. In June 2019, the developer of Innovation Square Phase Two submitted a notice of project change to change the proposed office space to approximately 228,000 square feet of industrial space, with the intention of it too to be R&D and manufacturing space.

Revitalization of Boston's neighborhoods occurs through organizations such as Boston Main Streets Program. Main Streets is a partnership between the City and the National Trust for Historic Preservation to improve the local business climate in neighborhoods. The program provides businesses with resources for storefront improvements, programs and training, and local events and promotions to support local businesses.

There are currently twenty Boston business districts participating in the Main Streets program. In FY19, 86 new and expanded businesses opened in Main Streets districts, creating 393 new jobs. Business assistance was provided to 2,601 small businesses. 280 special district promotional events generated over 18,779 volunteer hours and the local Main Streets Districts storefront occupancy rates averaged at 95%.

Twenty six new or expanded supermarkets have opened in Boston neighborhoods since 1992, bringing the total to 56, with several more projects underway. In 2019, Trader Joe's opened its third location in the Fort Point/South Boston Waterfront neighborhood and a Star Market opened at The Hub on Causeway at TD Garden. A 1.9 million square foot redevelopment of the 11-acre Stop & Shop supermarket in Allston was approved in 2019.