

THE BOSTON ECONOMY 2007

STEADY GROWTH



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A NOTE ABOUT THIS REPORT

The following report was prepared by the Boston Redevelopment Authority (the BRA) Research Division in the Spring of 2007. The report describes the principal components of the economy of the City of Boston (the City) and presents major economic, demographic and market indicators, and historical, statistical and other information. The information contained herein has been furnished by the City and certain information has been obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness.

The statistical data contained in this report do not necessarily reflect current activity because of delays resulting from the time required to collect, tabulate and publish such data. While the City believes that it has used the most recent data readily available to it in this report, the data contained herein may not reflect current conditions or trends because of such delays. Moreover, statistical data are approximations and generalizations subject to various sources of error inherent in the statistical process, and may be revised on the basis of additional data. The statistical data contained herein describes past activity and are not presented in order to suggest the continuation of any trend, or to predict future economic activity either in particular categories or in general.

Executive Summary

Introduction

Boston is the twentieth largest city in the United States and the economic hub of The Commonwealth of Massachusetts and the New England region. It is a center for professional, business, financial, governmental, higher educational and medical services, and a center for transportation, communications, export, cultural and entertainment activities, as well as local, state and federal government. High technology, research and development, financial services, manufacturing, and wholesale distribution also contribute to the economy of the Boston and its suburbs.

In 2000 the city had a population of 589,141, while generating 680,174 jobs – a ratio of jobs to population that indicates that the city provides employment and income for an area well beyond its borders. Boston's economy comprises approximately 18% of the Massachusetts economy and 10% of that of the six New England states.

Overview of Recent Economic Conditions

Following an economic slowdown in the national and state economies that began in 2001, the Boston economy – and that of the nation, region and state – began to turn around in late 2003. Since that time, the Boston economy has experienced a period of steady growth. The latest data shows an improved labor market, falling unemployment, and greatly improved office and hotel markets.

The unemployment rate, which had risen to 6.5% in Boston in 2003, dropped to 5.3% in 2006. Like major office markets across the country, Boston's office market weakened during the economic downturn, but has continued to strengthen since 2005. Boston's hotel occupancy fell to 69.6% in 2001, but has increased steadily, rising to 76.4% in 2006. Residential home sales had been strong through 2005, although housing data since then have shown slower sales volume and a slight fall in median sales prices.

Population

According to the Bureau of the Census, Boston's population was 589,141 in 2000, a 2.6% increase over 1990, following the 2.0% increase since 1980. The number of households in the city similarly increased, rising from 218,457 in 1980, to 228,464 in 1990, and to 239,528 in 2000, while household size fell from 2.4 to 2.3 persons per household from 1980 to 2000.

Boston's racial composition was: White, Non-Hispanic 49.5%; Black, Non-Hispanic 23.8%; Hispanic 14.4%; Asian/Pacific Islander 7.5%; Multi-racial 3.1%; other single race 1.4%; and Native American 0.3%. Boston continues to be a city of young adults due to the large number of students and young adults living and working in the city.

Boston is the center of the Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area, which includes Essex, Middlesex, Norfolk, Plymouth, and Suffolk counties in Massachusetts, and Rockingham and Strafford counties in New Hampshire, and had 4.4 million people and 3.0 million jobs in 2004. Total personal income from 2000 through 2005 grew at an annual average rate of 3.1%, slightly below the national mark of 4.0%.

Employment

The economy of Metropolitan Boston rests primarily on high technology, finance, professional and business services, defense, and educational and medical institutions.

There were 654,361 jobs in Boston (Suffolk County) in 2006, an increased of 18,738 (2.9%) from two years before. The finance, services, education and health sectors showed the largest employment gains. As of 2000, 69% of Boston residents were White-Collar workers and 31% were Blue-Collar and Service workers, compared to 1960 when 44% were White-Collar workers and 46% were Blue-Collar and Service workers.

In 2006 the annual average unemployment rate for Boston was 5.3%, slightly higher than the 4.6% national rate, and the rates for Metropolitan Boston (4.6%), Massachusetts (4.9%) and New England (4.6%), respectively. All of these rates were still above the historically low rates reached in the year 2000.

Medical and Higher Educational Institutions

Boston’s medical and educational institutions are an important component of its economy, providing employment opportunities for residents and non-residents alike. Expenditures by the institutions’ patients, students and visitors are also important to the city’s economy.

Twenty inpatient hospitals are located within Boston. They include Massachusetts General Hospital, Brigham and Women’s Hospital, Beth Israel/Deaconess Hospital, Children’s Hospital, the New England Medical Center and Boston Medical Center. In 2004, these hospitals had a combined total of 5,909 beds, admitted 238,711 in-patients, and had nearly 5.1 million outpatient visits. The city is also the home of the medical and dental schools, 25 public neighborhood health clinics, and various health maintenance organizations and membership clinics. In 2006, there were 110,884 health services jobs in the city.

For the 13th straight year, Boston emerged as the highest-ranking city in the United States for National Institutes of Health (NIH) grant awards, receiving more than \$1.619 billion in fiscal 2006.

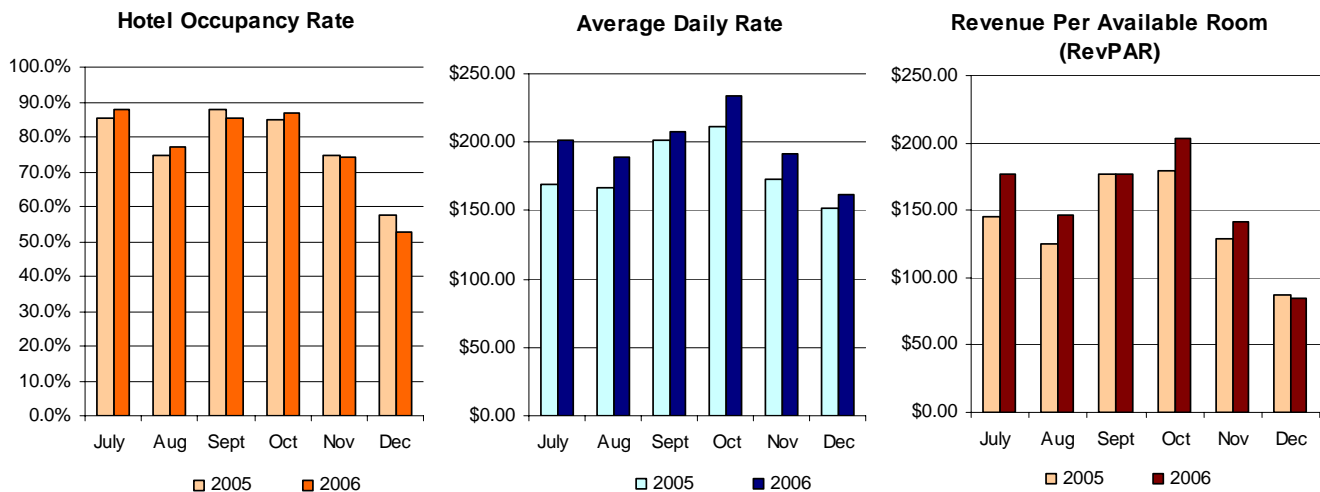
As of academic year 2004-2005, Boston was home to 32 universities, colleges, professional and graduate schools and community colleges that had a combined enrollment in fall 2004 of 139,784. Based on total graduate and undergraduate enrollment, Boston University was the largest university in Boston in the fall of 2004, with 30,101 students. Boston, with only 10% of the state’s population, has 31% of the statewide college student enrollment.

Tourism and Culture

An estimated 17.6 million people visited the Boston metropolitan area in 2005. These visitors included tourists, business travelers and convention and meeting delegates, and they spent an estimated \$9.8 billion for hotel accommodations, meals, entertainment, shopping, transportation and other services. The latest data for Suffolk County indicates that in the county alone the total domestic direct traveler impact in 2002 was \$4.4 billion, supporting 41,050 jobs and a payroll of \$1.1 billion, while generating \$123 million in state tax receipts and \$78 million of local tax receipts.

Hotel Market

The number of hotel rooms in Boston increased to 17,127 in 2006, when the annual average occupancy rate was 76.4%, and the revenue per available room was \$150.23. Since July 1997 Boston has built 5,577 rooms in 25 new hotels and 5 expansions. Much of this construction was stimulated by the decision to build the new Boston Convention and Exposition Center.



Transportation

Boston is a major national and international air terminus, a seaport, and the center of New England's rail, truck and bus service. The city is served by three limited-access interstate highways which connect it to the national highway system: U.S. 90 (the Massachusetts Turnpike), U.S. 95, and U.S. 93. The city is also served by two national railroads, Amtrak and Conrail, a regional rail carrier, Boston and Maine, and Bay Colony, a local carrier.

The Massachusetts Bay Transportation Authority (MBTA) provides commuter rail, subway, local bus and express bus services to 175 cities and towns in eastern Massachusetts, offering public transit alternatives to a population of almost 4.7 million people in an area of 3,200 square miles. The MBTA, the fifth largest mass transit system in the nation as determined by ridership, currently serves about 1.1 million persons per day.

Seaport and Airport

The Massachusetts Port Authority operates the Port of Boston and Logan International Airport.

The city's port activity includes handling containerized bulk and general cargo, providing ship repair supply services, offering customs and international trading services, providing storage facilities and other commercial maritime services. The Port of Boston is also a major cruise port, serving 246,385 in Fiscal 2006. Since 1998 the Port of Boston has ranked as the 12th largest container port on the U.S. Atlantic Coast by container volume, and in fiscal 2006 handled 202,681 tons (in bulk tonnage).

In calendar 2006, Logan Airport served a total of 27.7 million passengers. A report on calendar year 2005 found that Logan was the most active airport in New England, the 19th most active in the United States and the 37th most active in the world.

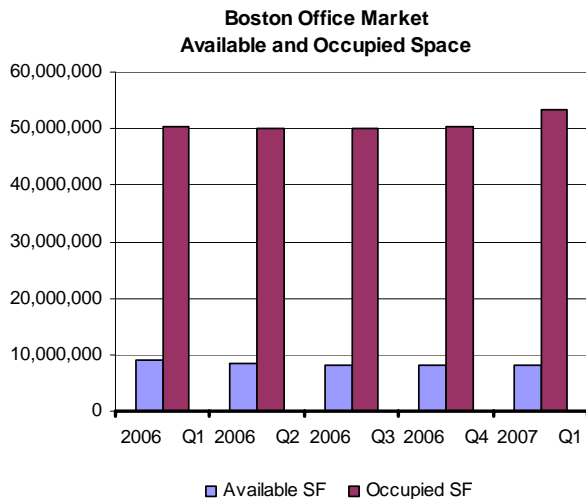
Construction Activity

Revenue from building permit fees during fiscal 2006 indicated that total construction activity was an estimated \$3.09 billion. Between fiscal years 2005 and 2006, building permit revenue increased from \$23.21 million to \$26.25 million.

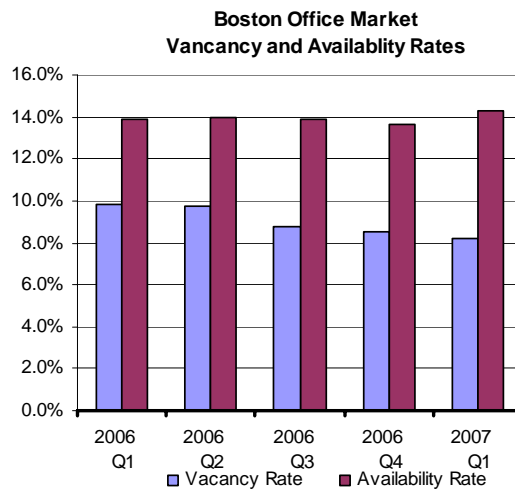
Office Market and New Development

The city and its neighborhoods currently have approximately 66.8 million square feet of office space. By the first quarter of 2007, Boston's overall vacancy rate was 7.7%, according to one source, and 8.2%, according to another. Boston's available office space has steadily decreased, its occupied space has increased, its vacancy rate has decreased significantly, and its availability rate has remained virtually unchanged.

As of the first quarter of 2007, one source ranked Boston's downtown office market as having the second lowest vacancy rate (7.7%) among the twenty largest downtown office markets in the U.S., tied with the Downtown Manhattan market and trailing only Midtown Manhattan. In 2004 and 2005, four major downtown office projects with 1.5 million square feet of new office space were completed in Boston.



Source: Jones Lang LaSalle



Source: Jones Lang LaSalle

Retail Market

For 2006 it is estimated that there are about 66,091 employees in retail stores and food service and eating and drinking establishments in Boston, consisting of about 31,493 in retail and 34,598 in food service and eating and drinking. In 2002, about 2,228 retail establishments were located in the city with an estimated total sales of \$5.4 billion. The food service and eating and drinking establishment industry in Boston (restaurants and bars) consists of an additional 1,858 establishments with \$1.7 billion in sales. The sector is rounded out by some 14,000 employees in the personal service businesses: ranging from repair and maintenance, hair and nail care, and laundry and dry cleaning service.

Industrial Market

Boston has 25.2 million square feet of industrial space. As of December 2006, there were 3.1 million square feet of industrial space vacant, a vacancy rate of 12.2%, with 120,234 square feet of absorption over the year. The average rent for quality industrial space was estimated to range from \$7.40 per square foot for warehouse space and \$16.15 for flex space.

Housing Stock

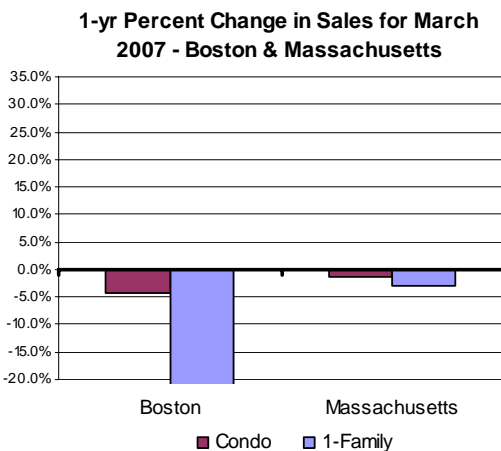
As of April 2000, there were a total 250,863 units in Boston. The number of occupied rental apartments increased to 162,302 and the number of owner-occupied units also increased to 77,226. Condominium units have increased to over 38,000.

Public and publicly assisted housing presently total 49,868 units constituting over 19% of the city's housing stock. The percentage of owner to renter occupied units was 32.2% to 67.8%. The number of vacant units dropped to 12,407 while the vacancy rate for owner and renter housing fell to 1.0% and 3.0%, respectively.

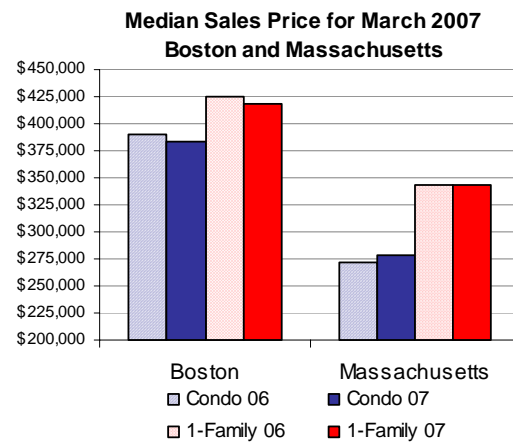
A Fall 2006 study showed that the median rent for an apartment in Boston in Fiscal year 2006 as advertised in the newspapers was \$1,800 per month for a two-bedroom apartment.

The Boston Housing Authority is a public agency that provides subsidized housing to low- and moderate-income individuals and families. The Authority manages 64 developments as well as scattered site properties, consisting of 14,744 units of housing, inhabited by about 27,000 residents. In addition, the Authority administers approximately 11,000 rental assistance vouchers that allow families to rent in the private market.

The city has counted 10,516 housing units completed from 2000 through 2006, including more than 4,998 new "affordable rate" units. Almost 8,000 households were protected from displacement through city efforts to prevent their subsidized apartments from becoming market-rate. Currently in construction are 4,639 total units while 3,352 more units are in developments which are designated "pre-construction".



Source: The Warren Group and the Massachusetts Association of Realtors



Source: The Warren Group, Massachusetts Association of Realtors. BRA Research Department

THE BOSTON ECONOMY

Boston is the twentieth largest city in the United States and the economic hub of The Commonwealth of Massachusetts (the “Commonwealth”) and the New England region. It is a center for professional, business, financial, governmental, higher educational and medical services, as well as for transportation, communications, export, cultural and entertainment activities. As a government center, the City is the capital of the Commonwealth and is host to several federal regional offices. High technology, research and development, financial services, manufacturing, and wholesale distribution also contribute to the economy of the City and its suburbs.

In 2000 the City had a population of 589,141, as reported by the U.S. Department of Commerce Bureau of the Census (the “Bureau of the Census”), and had 680,174 jobs as reported by the U.S. Department of Commerce, Bureau of Economic Analysis (the “Bureau of Economic Analysis”). The ratio of jobs to population indicates that the City provides a direct source of employment and income for an area that extends well beyond its borders. Measured in terms of jobs, the City’s economy comprises approximately 18% of the Massachusetts economy and 10% of that of the six New England states.

Overview of Recent Economic Conditions

For the most part, economic, demographic, and market data indicate that the City’s economy was very strong through the 1990s and into 2000. By early 2001, however, the national economy was moving toward a recession. The events of September 11th compounded matters. Economic data available through December 2006, however, indicate an improving, and in most cases, growing economy.

The Boston economy peaked most recently during 1999-2000. By mid-year 2000 and into early 2001 the City’s office, hotel, and housing markets were among the strongest in the nation. Signs of an economic slowdown in the national and state economies first became notable commencing in January 2001. The City’s slowing economic growth in 2001 was evidenced by an increasing unemployment rate, a growing number of initial unemployment claims, a higher level of continuing unemployment claims, a falling hotel occupancy rate, a lower average daily hotel room rate, a growing office vacancy rate, and a reduction in the number of residential real estate sales.

Evidence of a turnaround in the U.S. and Massachusetts economies first became apparent in late 2003 and persisted through 2004, 2005 and into 2006. In Boston, in early 2007, signs of an improving economy in Massachusetts, Metropolitan Boston (defined under “Population” below) and the City remained evident. The latest data shows an improved labor market, with falling initial and continuing unemployment claims and a stabilized to slowly falling unemployment rate, as shown by data for the Commonwealth, the Boston metropolitan area, and City. In addition, the City’s office and hotel markets are greatly improved.

Unemployment rates, which had declined to a low of 2.7%, 2.5%, and 3.0% in the Commonwealth, Metropolitan Boston (defined under “Population” below), and in the City, respectively, by the end of 2000, rose to peak levels in 2003 and were 4.9%, 4.6% and 5.3%, respectively, in 2006. As had been the case for most major office markets in the country, Boston’s office market weakened with rising vacancy rates rising availability rates, and negative absorption for three consecutive years, before strengthening in 2005 and 2006 and continuing into 2007. Hotel occupancy fell to 69.6% in 2001 from 78.4% the previous year, but has increased to 74.5%, 75.4% and 76.4% in 2004, 2005, and 2006, respectively. The total number of residential home sales had been strong through 2005, with steady volume due to low interest rates, and sales prices in most cases holding firm or even increasing. Housing data through 2006, however, shows slower sales volume and a slight fall in median sales prices in the housing market.

Statistical Data

Statistical data relating to population, employment and income are derived primarily from five separate sources: the Bureau of the Census, the Bureau of Economic Analysis, the U.S. Department of

Labor Bureau of Labor Statistics (the “Bureau of Labor Statistics”), and the City and the Boston Redevelopment Authority (the “BRA”), each of which is described below.

The Bureau of the Census publishes information about population, housing and the economy. All data from the 2000 Decennial Census of Population and Housing are now available. In addition, some monthly and quarterly data are available through 2006 on certain topics for the region, the Commonwealth, and the metropolitan area. The Bureau of the Census does not publish such interim data for the City.

The Bureau of Economic Analysis publishes quarterly and annual statistics on income and employment. The most recent annual figures for the nation, New England, Massachusetts, Suffolk County and the metropolitan area are for 2004. The most recent quarterly statistics are for the second quarter of 2006. The City accounts for approximately 87% of Suffolk County’s population and approximately 96% of its employment.

The Bureau of Labor Statistics publishes data and reports about the workforce and related subjects including unemployment rates, area wages, and cost-of-living adjustments. Final data for 2005 are the most recent annual data available. The most recent monthly data are for December 2006.

The City and the BRA prepare reports and compile data on the population and economy of the City and its neighborhoods. The BRA also provides data and trends obtained from various local, regional, state and national sources from both the public and private sectors on such topics as employment and occupation, large employers, City schools, universities and colleges, medical institutions, tourism and lodging, transportation, office and industrial markets, housing, building activity and urban redevelopment and infrastructure projects.

Population

The six-state New England region had a combined population of 14.2 million people and 9.0 million jobs in 2005 according to Bureau of Economic Analysis annual data. Total personal income in New England grew at an annual average compound rate of 3.4% from 2000 through 2005, below the 4.0% national rate for the same period. Employment in New England grew by 200,561 jobs from 2000 through 2005, an annual average of 0.5%.

Massachusetts had a population of 6.4 million people and 4.1 million jobs in 2005, according to Bureau of Economic Analysis annual data. Total personal income in Massachusetts grew at a 3.1% annual average rate from 2000 through 2005, slightly less than the 3.4% rate of increase for New England, and below the national rate of 4.0%. Massachusetts gained 17,222 jobs between 2000 and 2005, an annual average of 0.1%.

The Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area, defined by the Bureau of Economic Analysis to include Essex, Middlesex, Norfolk, Plymouth, and Suffolk counties in Massachusetts, and Rockingham and Strafford counties in New Hampshire (“Metropolitan Boston”), had 4.4 million people and 3.0 million jobs in 2004. Total personal income from 2000 through 2005 grew at an annual average rate of 3.1%, below the national mark of 4.0%. The most recent employment data show a loss of 61,307 jobs for the 2000-2004 period, an annual rate of -0.4%. Although 2005 data from the BEA is not available yet for Metropolitan Boston, data on payroll jobs (see below) from state sources has shown that it has grown from 2004 at rates slightly higher than the state as a whole.

The Bureau of the Census reported the City’s population as 589,141 in 2000, a 2.6% increase over 1990 and building on the 2.0% increase in the 1980s. The number of households in the City increased from 218,457 in 1980, to 228,464 in 1990, and to 239,528 in 2000, while household size fell from 2.4 to 2.3 persons per household from 1980 to 2000. The Bureau of the Census population for Massachusetts in 2000 was 6,349,097, or an increase of 332,672 persons (5.5%) from the 1990 census. The population of Metropolitan Boston rose to 4,391,344 in 2000, a rise of 257,449 persons or 6.2% over the decade. The Bureau of the Census has released 2005 population data for cities and 2006 data for States. The population estimate for Boston as of July 1, 2005 was 596,638, a 1.3% rise from the population total in April 2000. The population estimate for Massachusetts as of July 1, 2006 is estimated to have been 6,437,193, a gain of 1.4% over that for April 2000.

**Population of Massachusetts, Metropolitan Boston
and the City of Boston 1980, 1990, 2000 and 2005**

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2005</u>	<u>1980-90</u>		<u>1990-2000</u>		<u>2000-05</u>	
					<u>Population Change</u>	<u>Percent Change</u>	<u>Population Change</u>	<u>Percent Change</u>	<u>Population Change</u>	<u>Percent Change</u>
Massachusetts	5,737,037	6,016,425	6,349,097	6,433,367	279,388	4.9%	332,672	5.5%	84,270	1.3%
Metropolitan Boston ⁽¹⁾	NA	4,133,895	4,391,344	4,411,835	NA	NA	257,449	6.2	20,849	0.4
City of Boston	562,994	574,283	589,141	596,638	11,289	2.0%	14,858	2.6	7,497	1.3

(1) Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford), which together comprise the Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area. The 1980 Boston Metropolitan Region was smaller in area, so data were not comparable.

Source: Bureau of the Census.

Changes in racial patterns from the 2000 Census showed that Boston’s racial composition was: White, Non-Hispanic 49.5%; Black, Non-Hispanic 23.8%; Hispanic 14.4%; Asian/Pacific Islander 7.5%; Multi-racial 3.1%; other single race 1.4%; and Native American 0.3%. Within the Asian/Pacific Islander classification, the largest growing groups were the Vietnamese, Chinese, Asian Indian, and Korean groups. Within the Hispanic classification the fastest growing groups were the Central and South Americans with a small but fast-growing Mexican community. Boston continues to be a city of young adults due to the large number of students and young adults living and working in the City. One out of every three persons in Boston is between 20 and 34 years old. The baby boom population (aged 35 to 54 years) increased significantly, to 20%, as that cohort aged and continued to show a preference for city living. The City saw a decline in the elderly population (aged 65 and over) between 1990 and 2000 as that segment declined by nearly 5,000 people to 10% of the population. Boston showed a general rise in the number of children as that population (aged 18 and under) increased by over 6,700 persons to 20% of the population. The trend toward fewer families of related people living together to more non-family households comprised of single persons and roommates, continued in Boston in the 1990s. There was also a trend toward more “non-traditional” families as the data showed more relatives and non-relatives other than the householder and spouse living in families. Overall, the total number of households rose. Single-person households continued to grow. Families with children under 18 also grew, although married couples with young children fell because of the continued trend toward single-parent families with children. Children over 18 living with their families showed an upward trend as college students commuted in increasing numbers, and the cost of housing kept older children at home longer. Group quarters population continued to increase both for the institutionalized and non-institutionalized populations, the vast majority of which is the student dormitory population. Household size has only fallen by 2.5%, going from 2.37 persons to 2.31 despite the large growth in single person households. Average family size edged only marginally lower from 3.19 to 3.17 persons.

Employment Structure, Employment Trends and Occupational Changes

The economy of Metropolitan Boston rests primarily on high technology, finance, professional and business services, defense, and educational and medical institutions. The City’s economy is more specialized in the financial, governmental, business and professional services, and educational and medical sectors, than the suburban economy, which is more specialized in high technology and the defense industry. As used in this section, “professional services” includes business and professional services such as data processing, bookkeeping, news syndicates, law, accounting, engineering, advertising, and architecture. “Non-professional business services” includes building maintenance, security guards, duplicating services, etc.

The following table shows the 2000-2005 population, income and employment trends for the U.S., New England, Massachusetts, and Metropolitan Boston.

Population, Income and Employment 2000-2005

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
United States						
Total Personal Income (\$000)	\$8,422,074,000	\$8,716,992,000	\$8,872,871,000	\$9,150,908,000	\$9,717,173,000	\$10,224,761,000
Per Capita Income	\$29,845	\$30,574	\$30,810	\$31,463	\$33,090	\$34,494
Population	282,193,477	285,107,923	287,984,799	290,850,005	293,656,842	296,410,404
Employment	166,758,800	167,014,700	166,633,100	167,546,500	170,482,700	174,219,000
New England						
Total Personal Income (\$000)	\$503,960,765	\$524,401,681	\$528,029,789	\$539,129,649	\$569,707,851	\$595,013,214
Per Capita Income	\$36,118	\$37,342	\$37,379	\$37,983	\$40,059	\$41,785
Population	13,953,025	14,043,298	14,126,418	14,194,106	14,221,651	14,239,724
Employment	8,775,891	8,835,470	8,781,497	8,754,477	8,853,243	8,976,452
Massachusetts						
Total Personal Income (\$000)	\$240,208,628	\$249,094,962	\$249,954,238	\$254,206,105	\$267,820,574	\$279,635,404
Per Capita Income	\$37,756	\$38,953	\$38,985	\$39,611	\$41,799	\$43,702
Population	6,362,132	6,394,750	6,411,568	6,417,565	6,407,382	6,398,743
Employment	4,096,551	4,125,438	4,064,943	4,031,056	4,056,984	4,113,773
Metropolitan Boston ⁽¹⁾						
Total Personal Income (\$000)	\$182,380,414	\$188,442,089	\$188,434,021	\$191,957,545	\$203,527,013	\$212,464,000(p)
Per Capita Income	\$41,436	\$42,552	\$42,512	\$43,345	\$46,060	\$48,158(p)
Population	4,401,523	4,428,474	4,432,439	4,428,581	4,418,758	NA
Employment	3,046,389	3,070,248	3,012,650	2,974,614	2,985,082	NA

(1) Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford), which together comprise the Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area.

(p) Preliminary data

Note: Income in current year dollars

Source: Bureau of Economic Analysis, January 2007. 2000 population figures for all of the above are from the Bureau of the Census, except for Metropolitan Boston, which is from the Bureau of Economic Analysis.

The following table shows Boston's employment growth by industry category for 2004, 2005, and 2006. The industry categories are in the new North American Industrial Classification System (NAICS) format, which the Bureau of Economic Analysis began using in 2001. Employment data from the U.S. Bureau of Economic Analysis is through 2004. Suffolk County data is mathematically reduced to the Boston geography using unemployment insurance coverage data (ES-202) from the Massachusetts Division of Unemployment Assistance for 2004. Data for 2005 and 2006 is a derived series consistent with the previous years BEA series for Boston using ES-202 data with 2005 full-year data and 2006 based on the first three quarters of data.

Employment trends for 2004 through 2006 for Boston show that 18,738 jobs have been added in two years, a 2.9% rate of change. Finance, services, education and health show the largest gains.

City of Boston Employment 2004 – 2006

<u>Industry</u>	<u>2004</u>	<u>2005</u>	<u>2006⁽¹⁾</u>	<u>Absolute Change</u>	<u>Percent Change</u>
Fishing/Mining/Agriculture.....	211	117	104	-108	-51.0%
Utilities	2,151	2,159	2,092	-59	-2.7
Construction	16,475	16,623	16,860	385	2.3
Manufacturing.....	14,074	13,314	11,999	-2,074	-14.7
Wholesale Trade.....	9,470	9,552	9,473	3	0.0
Retail Trade (excludes food service)	31,609	31,329	31,217	-391	-1.2
Transportation and Warehousing.....	19,770	18,897	17,335	-2,435	-12.3
Transportation.....	18,114	17,368	16,625	-1,489	-8.2
Information	16,623	16,376	17,568	945	5.7
Finance and Insurance	75,545	77,689	79,017	3,471	4.6
Banking.....	15,195	15,211	14,681	-514	-3.4
Securities and other Financial Investment Activities... ..	45,329	46,258	47,713	2,384	5.3
Insurance Carriers and Related Activities.....	15,123	16,374	16,796	1,673	11.1
Real Estate and Rental and Leasing	18,900	20,224	20,605	1,705	9.0
Professional, Scientific, and Technical Services.....	70,727	71,428	73,963	3,236	4.6
Legal Services	20,099	20,585	20,701	-248	-1.2
Accounting, Tax Preparation, Bookkeeping.....	8,957	9,773	9,633	676	7.5
Architectural, Engineering, Design, and Related.....	10,158	9,979	10,147	-11	-0.1
Computer Systems Design and Related Services.....	5,327	5,336	6,174	847	15.9
Management, Scientific, and Technical.....	11,773	11,982	13,152	1,378	11.7
Scientific Research and Development Services.....	7,164	7,397	7,658	493	6.9
Other Professional, Scientific and Technical Serv.....	6,397	6,375	6,512	116	1.8
Management of Companies and Enterprises.....	7,665	7,649	7,408	-257	-3.4
Admin. & Support and Waste Mgmt. and Remediation Service... ..	40,417	41,193	42,664	2,247	5.6
Educational Service.....	46,542	48,826	50,416	3,874	8.3
Colleges and Universities.....	39,830	41,715	42,919	3,089	7.8
Health Care and Social Assistance.....	106,486	108,129	110,773	4,287	4.0
Hospitals.....	72,038	73,525	75,829	3,791	5.3
Arts, Entertainment, and Recreation.....	12,948	12,982	12,814	-134	-1.0
Accommodation and Food Services.....	43,314	44,379	45,442	2,128	4.9
Accommodation.....	10,170	10,533	10,920	750	7.4
Food Service and Drinking Places.....	33,149	33,643	35,235	2,086	6.3
Other Services (except public administration) ⁽²⁾	26,535	26,772	27,608	1,073	4.0
Government.....	76,160	76,739	77,001	841	1.1
Total	635,623	644,378	654,361	18,738	2.9

- Notes: (1) 2006 is an estimate based upon first, second, and third quarter of data from DUA and an estimate for the Bureau of Economic Analysis.
(2) Other Services includes repair and maintenance, personal and laundry services, and religious, grant-making, civic, professional, and similar organizations.
(3) Industry sectors are part of the North American Industry Classification System (NAICS)

Source: 2004-2006 figures are mathematically derived from the Bureau of Economic Analysis Series for Suffolk County, pro-rated to the City's geographical boundary. Due to use of pro-rating factors, minor discrepancies of 1 to 3 units between totals and employment categories may result.

A more recent picture of employment trends for the Commonwealth and Metropolitan Boston is available from the Bureau of Labor Statistics (Current Employment Series or CES 790 series) non-agricultural employment data. As of late April 2007 these data were available through the month of March 2007, and are presented in the following tables.

Data from the two following tables shows that employment has grown every month relative to the same month from the previous year since January 2005. In fact the historical data shows this to be the case since June 2004. In March 2007 an increase of 39,300 jobs in Metropolitan Boston was evident over March of the previous year. Since January 2004, the month when employment reached its low point, there has been an increase of 93,400 jobs.

Metropolitan Boston⁽¹⁾ - Total Non-Agricultural Monthly Employment 2005-2007

<u>Month</u>	2005		2006		2007	
	<u>Employment</u>	<u>Change from Same month of Previous Year</u>	<u>Employment</u>	<u>Change from Same month of Previous Year</u>	<u>Employment</u>	<u>Change from Same month of Previous Year</u>
January	2,366.9	+0.7%	2,390.9	+1.0%	2,428.0	+1.6
February	2,374.8	+0.9	2,399.5	+1.0	2,433.8	+1.4
March	2,380.7	+0.5	2,408.0	+1.1	2,447.3	+1.6
April	2,416.7	+0.8	2,440.4	+1.0	NA	NA
May	2,426.5	+0.8	2,451.2	+1.0	NA	NA
June	2,440.6	+0.8	2,464.1	+1.0	NA	NA
July	2,416.9	+0.6	2,439.9	+1.0	NA	NA
August	2,409.3	+0.7	2,431.0	+0.9	NA	NA
September	2,432.5	+0.8	2,450.6	+0.7	NA	NA
October	2,446.7	+0.9	2,464.5	+0.8	NA	NA
November	2,454.2	+0.9	2,471.4	+0.7	NA	NA
December	2,456.2	+0.7	2,473.2	+0.6	NA	NA
ANNUAL	2,418.5	+0.8	2,450.2	+1.3	NA	NA

(1) Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford), which together comprise the Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area.

Note: Data is not seasonally adjusted. Employment is in 000's

Source: Bureau of Labor Statistics, (790 Series of Non-Agricultural Employment, April 2007).

The industry composition of employment comparing March 2006 to March 2007 shows that most job losses over the previous year occurred in Construction, Manufacturing, Retail Trade, and Other Services. Gains were evident in Natural Economic Resources, Wholesale Trade, Transport, Warehousing, and Utilities, Information Services, Financial Activities, Professional & Business Services, Education & Health Services, Leisure & Hospitality Services, and Government.

**Metropolitan Boston⁽¹⁾ Non-Agricultural Wage and Salary Employment by Industry
March 2006 and March 2007**

<u>Industry</u>	<u>March 2006</u>	<u>March 2007</u>	<u>Change</u>	<u>Percent</u>
Non-Agricultural Total	2,417.9	2,447.3	+29.4	+1.2%
Natural Economic Resources	1.0	1.1	0.1	+10.0
Construction	94.0	92.5	-1.5	-1.6
Manufacturing	222.8	221.9	-0.9	-0.4
Durable Goods	157.8	157.4	-0.4	-0.3
Non-Durable Goods	65.0	64.5	-0.5	-0.8
Trade, Transportation & Utilities	413.1	413.1	0.0	0.0
Wholesale Trade	102.8	104.1	+1.3	+1.3
Retail Trade	250.2	248.7	-1.5	-0.6
Transport, Warehousing & Utilities ..	60.1	60.3	+0.2	+0.3
Information Services	74.1	75.2	+1.1	+1.5
Financial Activities	185.9	187.3	+1.4	+1.2
Professional & Business Services	386.3	395.7	+9.4	+2.4
Education & Health Services	453.0	466.7	+13.7	+3.0
Leisure & Hospitality Services	199.1	203.1	+4.0	+2.0
Other Services	86.3	84.8	-1.5	-1.7
Government	302.3	305.9	+3.6	+1.2

(1) Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford), which together comprise the Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area.

Notes: 1. Some of the sub-categories do not add to totals because in some cases these are not the full list of sub-categories.

2. Data is not seasonally adjusted. Employment is in 000's

Source: Bureau of Labor Statistics, (790 Series of Non-Agricultural Employment, April 2007.)

The following table indicates that, as of 2000, 69% of City residents were White-Collar workers and 31% were Blue-Collar and Service workers, as compared to 1960 when 44% were White-Collar workers and 46% were Blue-Collar and Service workers. The trend among City residents away from Blue-Collar

and Service occupations and toward White-Collar occupations was evident between 1960 and 1990. During the decade of the 1990s this trend showed some change. White-Collar occupations continued to grow but at a slower pace, with Managerial, Professional, & Related jobs gaining but Sales & Office jobs declining. At the same time, Blue-Collar & Service occupations continued to decline, with the exception of Production, Transportation & Related workers who showed a modest increase between 1990 & 2000.

Occupational Change in the City's Resident Labor Force

	1960		1970		1980		1990		2000	
	Number	%	Number	%	Number	%	Number	%	Number	%
White-Collar	126,471	44	146,657	55	154,456	60	191,251	67	197,049	69
Manag'l., Profess'l & Related.....	49,080	17	59,929	23	77,217	30	107,206	38	123,850	43
Sales & Office.....	77,391	27	86,728	33	77,239	30	84,045	29	73,199	26
Blue-Collar & Service.....	134,610	46	119,848	45	101,561	40	97,453	33	88,810	31
Constr'n, Extract'n, Maint.	32,398	11	27,157	10	19,772	8	18,453	6	14,118	5
Product'n., Transp'n., & Related..	52,175	18	36,695	14	24,825	10	19,971	7	23,630	8
Service and Farm & Fishing	50,037	17	55,996	21	56,964	22	59,029	20	51,062	18
Not Reported.....	<u>27,115</u>	<u>9</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total.....	288,196	100	266,505	100	256,017	100	288,704	100	285,859	100

Source: Bureau of the Census.

Percentages may not add due to rounding.

Unemployment

In 2006 the annual average unemployment rate for the City was 5.3%, a bit worse than the 4.6% national rate. Metropolitan Boston, Massachusetts and New England had slightly better rates at 4.6%, 4.9%, and 4.6%, respectively. All of these rates were still above the historically low rates reached in the year 2000. Bureau of the Census data for Metropolitan Boston for 2000, which differ from the Bureau of Labor Statistics rates shown below due to sample size, accuracy of defining persons in the labor force, and over-counting the officially unemployed, showed that when the City's total unemployment rate equaled 7.2% the unemployment rate for whites equaled 5.1%, and the unemployment rate for all minority groups combined equaled 10.2%. This pattern is typical of many of the nation's urban centers.

Annual Unemployment Rates, 2000-2006

	2000	2001	2002	2003	2004	2005	2006
City of Boston	3.0%	4.1%	5.9%	6.5%	5.7%	5.2%	5.3%
Metropolitan Boston ⁽¹⁾	2.5	3.6	5.3	5.7	5.0	4.5	4.6
Massachusetts	2.7	3.7	5.3	5.8	5.2	4.8	4.9
New England	2.8	3.6	4.8	5.4	4.9	4.7	4.6
United States	4.0	4.7	5.8	6.0	5.5	5.1	4.6

(1) Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford), which together comprise the Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area.

Sources: Bureau of Labor Statistics for United States, New England, and Massachusetts and Massachusetts Department of Workforce Development for the City and Metropolitan Boston.

As the following table illustrates, monthly data for all areas for 2006 show a relatively stable unemployment rate over 2005, except for the United States as a whole, where the rate is down considerably. In March 2007, Boston's unemployment rate registered 4.4% compared with the 5.4% mark one year earlier in March 2006, and the 5.1% rate two years earlier in March 2005.

**Monthly Unemployment Rates for City of Boston, Metropolitan Boston⁽¹⁾, Massachusetts,
New England and the United States for 2005, 2006 and 2007⁽²⁾**

	<u>City of Boston</u>			<u>Metropolitan Boston⁽¹⁾</u>			<u>Massachusetts</u>			<u>New England</u>			<u>United States</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Jan.	5.4%	5.3%	5.7%	5.0%	4.7%	5.2%	4.9%	4.6%	6.0%	5.3%	5.1%	5.4%	5.2	4.7%	5.0%
Feb.	5.3	5.4	5.4	5.0	5.0	5.2	4.9	5.0	5.8	5.3	5.2	5.2	5.4	4.8	4.9
Mar.	5.1	5.4	4.4	4.8	4.9	4.3	4.9	4.9	4.8	5.0	5.0	4.6	5.1	4.7	4.5
Apr.	4.9	5.1	NA	4.3	4.4	NA	4.8	4.9	NA	4.6	4.4	NA	5.1	4.7	NA
May.....	5.1	5.3	NA	4.4	4.5	NA	4.8	5.0	NA	4.5	4.3	NA	5.1	4.6	NA
Jun.	5.7	5.9	NA	4.7	4.8	NA	4.8	5.0	NA	4.7	4.6	NA	5.0	4.6	NA
Jul.	5.7	5.6	NA	4.7	4.6	NA	4.7	4.7	NA	4.7	4.6	NA	5.0	4.8	NA
Aug.	5.3	5.5	NA	4.4	4.5	NA	4.7	4.9	NA	4.4	4.4	NA	4.9	4.7	NA
Sep.	5.5	5.7	NA	4.6	4.7	NA	4.8	5.1	NA	4.5	4.5	NA	5.1	4.6	NA
Oct.	5.0	4.7	NA	4.2	4.0	NA	4.8	4.6	NA	4.2	3.9	NA	4.9	4.4	NA
Nov.	5.1	5.0	NA	4.3	4.3	NA	4.8	5.0	NA	4.4	4.3	NA	5.0	4.5	NA
Dec.....	4.7	5.0	NA	4.1	4.4	NA	4.8	4.9	NA	4.3	4.3	NA	5.4	4.3	NA

(1) Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford), which together comprise the Boston-Cambridge-Quincy MA-NH MSA.

(2) Unemployment rates are not seasonally adjusted. Most recent data are preliminary and subject to revision.

Sources: Bureau of Labor Statistics for United States, New England, and Massachusetts, and Massachusetts Department of Workforce Development for the City and Metropolitan Boston May 2007.

Largest Employers

The following table lists the fifty largest private employers in Boston, the total list of organizations with more than 1,000 employees, which had an aggregate of approximately 21% of private sector employment in 2006.

**Largest Private Employers in Boston, April, 2006
(With 1,000+ employees, listed alphabetically)**

ABM Janitorial Services	Investors Bank & Trust Co.
American Cleaning Company, Inc.	KPMG, LLP
Bank of America	Liberty Mutual
Beth Israel Deaconess Medical Center	Manulife Financial/John Hancock
Blue Cross Blue Shield of Massachusetts	Massachusetts Eye and Ear Infirmary
Boston College	Massachusetts Financial Services Co.
Boston Globe Newspaper	Massachusetts General Hospital
Boston Herald	New England Baptist Hospital
Boston Medical Center	New England Financial
Boston University	New England Medical Center
Brigham and Women's Hospital	Northeastern University
Carney Hospital	PricewaterhouseCoopers, LLP
Children's Hospital	Pioneer Investments
CVS Pharmacies	Shaws Supermarkets
Christian Science Monitor	Spaulding Rehabilitation Hospital
Dana-Farber Cancer Institute	St. Elizabeth's Medical Center
Deloitte & Touche, LLP	State Street Corporation
Ernst & Young	Stop and Shop Supermarkets
Faulkner Hospital	Suffolk University
Federal Reserve Bank of Boston	Teradyne, Inc
Fidelity Investments (FMR Corp.)	Thomson Corporation
Gillette Company	Verizon Communications
Harvard University (graduate schools)	Wellington Management
Hebrew Rehabilitation Center for the Aged	WGBH
Houghton Mifflin Co.	YMCA

Source: Dun and Bradstreet, InfoUSA, and BRA Research Division.

In addition, the public sector has large numbers of employees in the City. According to the BRA, using a series consistent with the Bureau of Economic Analysis, there were an estimated 77,649 federal state and local government workers in the City in 2006. Certain state government offices, federal regional offices, U.S. Postal Service facilities, state-chartered authorities and commissions (such as the Massachusetts Port Authority and the Massachusetts Bay Transportation Authority), and the City's local government are all located within the City.

Labor Force and Education

According to the Bureau of the Census, the City's resident labor force declined during the 1970s but increased during the 1980s. In contrast to the 12% decline in population between 1970 and 1980, the City's labor force (those residents aged 16 and over, available to work) declined by only 4%. The difference in these rates of decline was attributable to the fact that the decline in population was concentrated in the under-16 age group. Since 1980, the increase in the number and age of the population have combined with the rising labor force participation of women, minorities, youth and the elderly to produce a larger labor force overall. Bureau of the Census data show that by 1990, the City's population had increased by 2% over 1980 levels, while the City's labor force increased by 12.8%. During the 1990's Boston's population continued to rise, posting a 2.6% increase between 1990 and 2000. During the same time period, the City's labor force decreased by 4%, according to the Massachusetts Department of Employment and Training.

General improvement in educational attainment of residents aged 25 and over continued throughout the 1970-2000 period. The percentage of this population that had completed four or more years of college almost quadrupled during this period from 10% to 36%. This change, in part, reflected the trend for an increasing percentage of Boston public school system graduates to seek higher education. This percentage increased from 25% in 1960 to 78% in 2002, based upon Boston School Department figures. Improving educational attainment levels and shifting occupational patterns suggest a concurrent transformation of the City's work force as the City's economy has moved to a service-dominated employment base.

The City supports entry-level and advanced job training programs, including the following: English-as-a-Second Language training, pre-vocational and vocational training, adult literacy training, and support counseling. In addition, linkage contributions paid into the Neighborhood Jobs Trust provide a supplemental source of funding for job training programs. For a full discussion of the City's housing and jobs linkage program see "The Linkage Program," below.

Years of School Completed for Boston Residents Age 25 and Over, 1970-2000

	1970		1980		1990		2000	
	<u>Persons</u>	<u>Percent</u>	<u>Persons</u>	<u>Percent</u>	<u>Persons</u>	<u>Percent</u>	<u>Persons</u>	<u>Percent</u>
Fewer than nine years.....	91,582	26.1%	54,932	16.6%	37,824	10.3%	34,321	9.1%
9 to 12 years, no diploma	71,511	20.4	49,407	14.9	51,051	14.0	45,308	12.0
High school grad. (or GED) ..	120,350	34.3	115,787	35.0	97,233	26.6	90,568	24.0
Some college or Associates ..	30,876	8.8	43,451	13.2	69,889	19.1	73,125	19.4
Bachelors, Masters, or Prof. .	<u>36,245</u>	<u>10.4</u>	<u>67,073</u>	<u>20.3</u>	<u>109,711</u>	<u>30.0</u>	<u>134,252</u>	<u>35.5</u>
Total.....	350,564	100.0	330,650	100.0	365,708	100.0	377,574	100.0

Note: GED stands for General Equivalency Diploma, which is equivalent to regular high school diploma and is earned by someone for completing work for graduation after having left high school.

Source: Bureau of the Census.

Income, Wages, and Cost of Living

Per capita personal income for Suffolk County was \$45,830 in 2004, 39% above the national per capita personal income of \$33,090, according to the Bureau of Economic Analysis. City residents constitute approximately 87% of the County's population. An historical summary of per capita income shows that from 1980 to 1990 Suffolk County's per capita income grew at a rate greater than that for the nation, in contrast to the 1970-1980 period when it rose at a slower rate. Suffolk County's per capita income grew at a faster rate than the per capita income growth rates for the United States, New England, and Massachusetts

and just barely below the rate of growth for Metropolitan Boston between 1990 and 2000. The City's median household income (in current year dollars), based on Census data, rose from \$7,835 in 1970, to \$12,530 in 1980, \$29,180 in 1990 and \$39,629 in 2000. The figures in this paragraph and the chart directly below reflect earned income of persons residing in the named areas plus rents, interest and other unearned income and transfer payments from governmental entities. As such, these figures take into account certain income sources not included in the survey of average annual wages in the following paragraph, which reflects earned income of persons who work (but do not necessarily reside) in the named areas.

Per Capita Personal Income Comparison, 1970, 1980, 1990 and 2000-2005

	<u>United States</u>	<u>New England</u>	<u>Massachusetts</u>	<u>Metropolitan Boston</u> ⁽¹⁾	<u>Suffolk County</u> ⁽²⁾
1970	\$ 4,095	\$ 4,453	\$ 4,486	\$ 4,515	\$ 4,652
1980	10,183	10,701	10,673	10,806	10,477
1990	19,447	22,712	23,043	24,702	24,641
2000	29,845	36,118	37,756	41,436	38,139
2001	30,574	37,342	38,953	42,552	40,659
2002	30,810	37,379	39,985	42,512	40,631
2003	31,463	37,983	39,611	43,345	42,405
2004	33,090	40,059	41,799	46,060	45,830
2005	34,495	41,785	43,702	48,158(p)	NA

(1) Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford), which together comprise the Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area.

(2) City residents constitute approximately 87% of Suffolk County's population.

(p) Preliminary

Note: Data in current year dollars nor adjusted for inflation

Source: Bureau of Economic Analysis, January 2007.

Data from the Bureau of Economic Analysis indicate that the average annual earnings per job for 1970 through 2004 by place of work, have been consistently higher over time in Suffolk County than in Metropolitan Boston and the Commonwealth. In 2004, Suffolk County's average wage per job (\$78,516) was 33% greater than that in the Boston metropolitan area (\$59,057) and 45% greater than the average state earnings level (\$53,458). The average annual earnings per job reflects the combined income earned by individuals at their place of work for all industries combined.

**Average Earnings per Job Comparison, 1970, 1980, 1990, 2000-2005
(In current year dollars not adjusted for inflation)**

	<u>United States</u>	<u>New England</u>	<u>Massachusetts</u>	<u>Metropolitan Boston</u> ⁽¹⁾	<u>Suffolk County</u> ⁽²⁾
1970	\$ 6,922	\$ 6,897	\$ 7,038	\$ 7,051	\$ 7,789
1980	13,997	13,356	13,524	13,643	15,468
1990	23,322	25,403	26,289	26,681	31,266
2000	39,007	44,300	47,806	52,305	65,884
2001	40,164	45,590	48,654	53,282	68,765
2002	41,116	46,324	49,407	53,889	68,487
2003	42,433	47,537	50,538	55,373	70,897
2004	44,360	50,045	53,458	59,057	78,516
2005	45,847	51,435	54,658	NA	NA

(1) Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford), which together comprise the Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area.

(2) City residents constitute approximately 87% of Suffolk County's population.

Note: Data in current year dollars nor adjusted for inflation

Source: Bureau of Economic Analysis, January 2007.

During the years 2000-2006, based on the Bureau of Labor Statistics Consumer Price Index, the cost of living index rose at an annual average rate of 3.4% in Metropolitan Boston, while the national index increased at a 2.8% annual rate. From March 2006 to March 2007, the cost of living in Metropolitan Boston increased 2.3%, equal to that of the U.S. as a whole.

Consumer Price Index for All Urban Consumers (CPI-U) for 2000 through 2007

	United States	Percent	Metropolitan Boston ⁽¹⁾	Percent
	<u>Index</u>	<u>Change</u>	<u>Index</u>	<u>Change</u>
2000.....	172.2	3.4	183.6	4.3
2001.....	177.1	2.8	191.5	4.3
2002.....	179.9	1.6	196.5	2.6
2003.....	184.0	2.3	203.9	3.8
2004.....	188.9	2.7	209.5	2.7
2005.....	195.3	3.4	216.4	3.3
2006.....	201.6	3.2	223.1	3.1
2006 (Mar.).....	199.8	-	221.3	-
2007 (Mar.).....	204.4	2.3	226.4	2.3

(1) Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford), which together comprise the Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area.

Note: Index based upon 1982-1984=100.0. Monthly data not seasonally adjusted. Change for monthly data is based on the index from the same month as the previous year.

Source: Bureau of Labor Statistics

Medical and Higher Educational Institutions

Boston’s medical and educational institutions are an important component of its economy, providing employment opportunities for residents of the City and Metropolitan Boston. Expenditures by the institutions’ patients, students and visitors are important to the City’s trade and service sectors.

Twenty inpatient hospitals are located within the City, including Massachusetts General Hospital, Brigham and Women’s Hospital, Beth Israel/Deaconess Hospital, Children’s Hospital, the New England Medical Center and Boston Medical Center. These hospitals had a combined total of 5,909 beds in 2004. In 2004, the hospitals admitted 238,711 in-patients, and had nearly 5.1 million outpatient visits, according to data from the American Hospital Association. The City is also home to the medical and dental schools of Harvard, Tufts and Boston Universities, and of twenty-five public neighborhood health clinics, not including health maintenance organizations and membership clinics.

In 2006, there were 110,884 health services jobs in the City, based on a series consistent with the U.S. Bureau of Economic Analysis data. Health services represent over one out of every six jobs within the City. Growth in the health services sector has been stable, despite varying economic conditions. Data from this employment series showed that the number of hospital employees in Boston between 2004 and 2006 grew from 72,038 to 76,023.

Between 2003 and 2006 several large medical buildings were completed. In 2003, the Harvard Institutes of Medicine completed the redevelopment of the former English High School into a 435,000 square-foot medical research building. Also in 2003, Children’s Hospital finished the 295,000 square-foot Karp Research Laboratory and a 294,000 square foot Clinical building. Also in 2003, Tufts University completed its 146,800 biomedical research and nutrition complex. In 2004 Emmanuel College finished a 300,000 square foot medical research building for Merck pharmaceutical company. In October 2004, Massachusetts General Hospital opened a new \$125 million 440,000 square feet Yawkey Center for Outpatient Care. In 2006, at Harvard Dental School in the Longwood Medical and Academic area of Boston, a new building with 24,000 square-feet of educational space and 16,000 square-feet of medical research space was completed. And in 2006, the 105,000 square-foot Boston Medical Center Moakley Cancer Care Center garage was completed.

As of February 2006, there were three hospital or medical research building projects in construction for completion between 2007 and 2008: the new \$80 million sciences building with 160,000 square-feet of medical research space at Boston University Medical Center's BioSquare (Parcel D in the South End); the Lyme Properties' 575,000 square-foot Blackfan Research Center in the Longwood Medical and Academic Area; and Brigham and Women's Hospital's 350,000 square foot Center for Advanced Medicine. The BRA has also approved several other hospital or medical projects; among them are the Massachusetts General Hospital's 526,000 square foot Building for the Third Century; Boston University Medical Center's BioSafety Level 4 (BSL4) research facility (phase 2, Parcel F in the South End); Joslin Diabetes Center's proposed 490,000 square-foot expansion project, and the 440,000 square foot Longwood North medical research building in the Longwood Medical and Academic Area recently acquired by Children's Hospital.

For the thirteenth straight year, Boston emerged as the highest-ranking city in the United States for National Institutes of Health (NIH) grant awards, more than doubling receipts over the decade. Boston received awards totaling more than \$1.619 billion in fiscal 2006. Boston's hospitals continue to attract funding, comprising the top five independent hospitals in the nation in terms of receiving NIH awards, and seven out of the top fourteen. In addition to public monies for medical research the Boston institutions also have private funding sources through agreements with private sector firms.

Greater Boston has one of the nation's largest cluster of life sciences industries. According to a January 2007 report by the consulting firm Battelle entitled "Growing the Nation's Bioscience Sector: A Regional Perspective," Boston ranks fifth among the 25 metropolitan regions with over 10,000 employees in the bio-sciences specialties with 42,323 jobs (20,051 in research, testing, and medical laboratories; 15,874 in medical devices and equipment; 5,984 in drugs and pharmaceuticals; and 417 in chemicals). On a per-capita basis, Boston also ranked fifth among the 25 metropolitan areas with biosciences employing at least 10,000, and 9.58 biosciences employees per 1,000 population. While Cambridge is the center for those industries in Greater Boston, the City itself is seeing significant industry growth in these fields with real estate development such as the Bio-Square project and the BioSafety Level 4 Research Facility both in the South End.

As of academic year 2004-2005, the New England Board of Higher Education reported that the City's 32 universities, colleges, and community colleges had a combined enrollment in fall 2004 of 139,784, a 9.7% gain from the fall of 1990. These numbers include some of the professional and graduate schools of Harvard and Tufts Universities, whose principal campuses are in Cambridge and Medford, respectively. Based on total graduate and undergraduate enrollment, Boston University was the largest university in Boston in the fall of 2004, with 30,101 students. Boston, with only 10% of the state's population, has 31% of the statewide college student enrollment.

From 2003 through 2006, three higher education building projects were completed: Boston College added a Faculty Administration building with 156,000 square feet of space, Harvard University's Baker Library at Harvard Business School was expanded; and Simmon's College expanded their library. Boston College High School completed a 60,000 square-foot addition. Among the other planned expansions, Harvard University continues to plan for future academic uses in the Allston neighborhood on land it owns near its business school campus and athletic fields.

Between 2000 and 2006, 6,777 dormitory beds (6,197 undergraduate and 580 graduate) have opened to Boston's college students: Boston College opened one dorm with 322 beds; Boston University opened three dorms with 1,238 beds; Emerson College added the Piano Row residences in September of 2006 with 596 beds; Emmanuel College added one dorm with 225 beds; Harvard University with 360 graduate beds; Mass College of Art finished one dorm with 310 beds; Mass. College of Pharmacy completed one dorm with 270 beds; Northeastern opened five dorms with 2,022 beds; Suffolk University built one dormitory with 368 beds; and Wentworth Institute added two dorms with 923 beds. The recent addition means that Boston's colleges and universities now accommodate 31,184 students with on-campus housing (29,971 in dorms and 1,213 in apartments). The two dormitories under construction as of February 2007 are the 170 bed dormitory as part of the Trilogy building on 180 Brookline Avenue for Harvard University graduate students and a new 1,200-bed Northeastern University dormitory (Residence Hall I). While college enrollment remains stable, new student housing is pulling students out of the neighborhood housing stock, easing housing prices and ameliorating tight vacancies. Several future dorms have been approved and several more are under review.

Tourism and Culture

According to the Greater Boston Convention and Visitors Bureau (“CVB”), an estimated 17.6 million people visited the Boston metropolitan area in 2005, up by 5.5% from the 16.6 million visitors in 2004. These data represent visitors, measured as tourists, business travelers and convention and meeting delegates who traveled at least 100 miles to get to the City. The latest data on the economic impact of tourism from the CVB show that, for greater Boston, visitors spent an estimated \$9.8 billion for hotel accommodations, meals, entertainment, shopping, transportation and other services during 2005. The latest data for Suffolk County indicates that in the county alone the total domestic direct traveler impact in 2002 was \$4.4 billion, supporting 41,050 jobs and a payroll of \$1.1 billion, while generating \$123 million in state tax receipts and \$78 million of local tax receipts.

Boston continues to be the venue for large tourist events. In 2000, the City held a large celebration, Millennium 2000, lasting several days, and Sail Boston 2000, which attracted over four million people to the waterfront for a parade of Tall Ships. In January 2001, Boston’s Fleet Center hosted the US Figure Skating Championships and attracted 108,000 visitors. During 2004 Boston’s 107th Marathon drew an estimated one million visitors and the Head of the Charles Regatta drew an estimated half-million attendees. Also, in the summer of 2004, Boston hosted two successful national events: the annual MacWorld convention (after a five year hiatus in New York City) and the 2004 Democratic Party’s political nominating convention (for the first time ever). In addition to such special events, there are a wide variety of regular events in Boston every year including food, cultural, and musical events, ethnic celebrations, harbor, seaport and river festivals, parades, and collegiate and professional sporting contests that attract many visitors.

The City of Boston is home to three major professional sports teams: the Boston Red Sox baseball team, the Boston Bruins hockey team, and the Boston Celtics basketball team. The New England Patriots football team play in Gillette Stadium in nearby Foxboro, Massachusetts. The City also provides venues for concerts, ice shows, circuses, theater, and other entertainment performances and amateur sports events. The TD Banknorth Garden, a privately-financed, multi-purpose arena in Boston’s North Station District constructed by the New Boston Garden Corporation, a subsidiary of Delaware North, opened on September 30, 1995. The new ownership of the Boston Red Sox baseball franchise have undertaken renovations of the existing Fenway Park, including the addition of new seating and modernizing facilities, and have also proposed additional changes to the existing structure and also in the surrounding neighborhood.

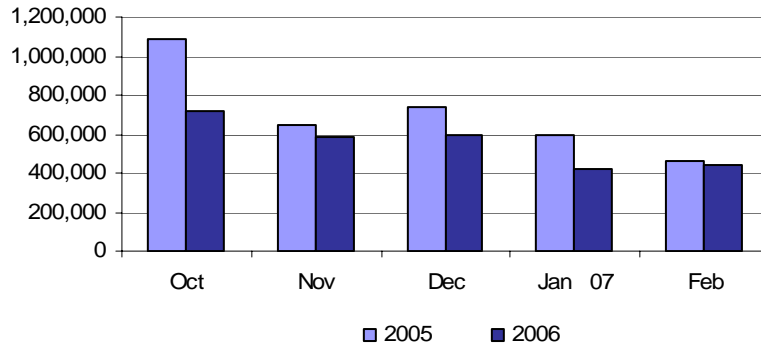
Boston is an attractive destination for conventions, meetings, and trade-and-gate shows. Currently Boston has three small and medium convention sites, the John B. Hynes Veterans Memorial Convention Center (“Hynes”), the World Trade Center and the Bayside Exposition Center, with a combined capacity of over one million people per year, and the new 1.6 million square-foot Boston Convention and Exhibition Center (“BCEC”) that can host large national conventions. In Fiscal Year 2006 the Hynes and the BCEC hosted 276 events with 579,370 attendees.

Since 2000 several new cultural facilities have opened. The New England Aquarium completed an expansion plan including opening the new Simons IMAX Theater. The Boston Center for the Arts and the Huntington Theatre combined to complete joint development of two new theaters next to the Boston Center for the Arts in the South End in the fall of 2004 – the first new live stage theaters in Boston in 75 years. Downtown, Clear Channel, Inc. completed its \$37 million renovation of The Boston Opera House on Washington Street in the summer of 2004.

Several cultural institutions are pursuing development plans that are either currently proposed, approved, or under construction. The Museum of Fine Arts has planned a 462,400 square-foot multi-phase expansion, currently under construction. As part of the Rose Kennedy Greenway, which is the largely parks-related project on top of the Central Artery project in downtown Boston, a Boston Cultural Museum and possibly a Boston History Museum are planned. A newly constructed Institute of Contemporary Art museum opened on the South Boston waterfront in 2006. The 65,000 square foot building features galleries, a “mediatheque” with computer stations for accessing digital media, a 325-seat theater, and workshop and classroom spaces.

The Table below shows the Boston-Cambridge area Museum Attendance for October through February of 2005 and 2006. Although there was a moderate decline in October 2006 over October 2005, by February the decline was reduced to a negligible amount.

Boston/Cambridge Region Museum Attendance



Source: Greater Boston Museums & Attractions

In May, 2005 the Mayor launched Create Boston, an economic development program at the Boston Redevelopment Authority (BRA) that is designed to help creative businesses and individuals achieve their full potential for success. The program focuses on film, media, design, visual arts/crafts and performance, and provides resources in financial and site location assistance, workforce development and business advocacy; and is geared specifically toward business development and job creation. The program is supported by a 20-member advisory committee that represents a cross-section of creative industry experts. One of Create Boston’s first projects was to conduct a comprehensive analysis of the impact of the creative economy. This landmark research makes Boston one of the only cities nationally to clearly define the creative economy and to present its findings in a concise and comprehensive analysis. The “Boston’s Creative Economy” report is available on the Create Boston website at www.createboston.com. For a description of Boston’s artists’ housing program see the section below on “Housing Stock, Housing Values, and Development”

Hotel Market

The number of hotel rooms in the City increased from 6,907 in 1980 to 12,136 as of July 1, 1997—an increase of 5,229 rooms or 76%. Most of this growth took place between 1982 and 1985 when 3,981 rooms came on line with the opening of eight new hotels. Since July 1997 Boston has built 5,577 rooms in 25 new hotels and 5 expansions. Boston’s favorable hotel market and the decision to build the new Boston Convention and Exposition Center stimulated considerable new development over this period. Since 1992 Boston annual occupancy rates have exceeded 72% in all but two of these 15 years.

From the beginning of 2004 through 2006 the following hotels were completed: an 81-room Courtyard by Marriott at 88 Exeter Street in the Back Bay; the Hotel Onyx, a 112-room Kimpton hotel near North Station; the Hampton Inn at Crosstown, a 175-room new hotel that is part of a mixed-use development of office, hotel, and retail space in Roxbury; Jurys Boston, a 220-room Jurys Doyle establishment in the Back Bay created through the adaptive re-use of a former police headquarters building; the Bulfinch Clarion Hotel, an 80-room adaptive reuse development near North Station; a 164-room Courtyard by Marriott in the South Bay/Roxbury district; the 40 room Hotel 140 in the Back Bay; the 793 room Westin BCEC Headquarters Hotel, attached to the new Boston Convention and Exhibition Center in South Boston; and the 424 room Intercontinental Hotel on the downtown waterfront. As of January 2007 there were a total of 17,020 hotel rooms in establishments of 50 or more rooms in Boston as a net result of the development detailed above, and the closing of two older hotels.

Four other hotels with 1,078 rooms are now under construction in Boston. The 308 room Liberty Hotel is an adaptive reuse of the old Charles Street Jail with a new construction element, opening planned

for mid-2007. The 471 room Marriott Renaissance on the South Boston waterfront and the 150 room Battery Wharf Regent on the downtown waterfront are also scheduled to open in 2007. The 149 room Mandarin Oriental, a mixed-use project including condominium residences and retail space, is currently under construction in the Back Bay and is expected to open in early 2008. Six more hotels have BRA Board approvals but have not yet started.

Between 1991 and 2000, average annual occupancy rates grew from 70.1% to 78.4% and average daily room rates rose steadily from \$118.17 to \$198.00 according to Pinnacle Advisory Group, an independent hospitality industry consultant. The year 2001 brought a more challenging environment for the hospitality industry as a slowing economy combined with the events of September 11th dampened hotel market performance in Boston. In 2001 the occupancy rate fell to 69.6% and the room rate to \$180.58. By 2003 hotel room demand was growing again, but room supply continued its steady growth too, resulting in a 71.1% occupancy rate and \$155.52 average daily rate in that year. Since 2003 and through 2006 Boston room demand grew by 15.5% over these three years and 2006 occupancy rose to 76.4% with average daily rates (ADR) averaging \$196.61 according to Pinnacle. Revenue per available room (RevPar) was \$150.23 in 2006, the highest since the \$155.33 recorded for 2000.

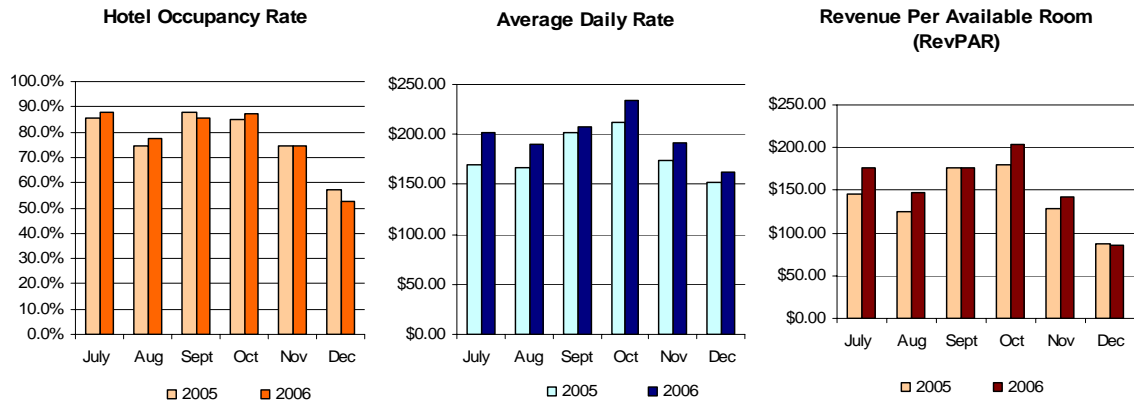
Boston Hotel Room Supply, Occupancy, Room Rates and Revenues per Available Room

Year	Room Supply	Occupancy Rate %	Average Daily Rate	Percent Change	Revenue Per Available Room	Percent Change
1990	12,070	74.3	\$118.72		\$88.21	–
1991	12,070	70.1	\$118.17	-0.5%	\$82.84	-6.1%
1992	12,070	72.3	\$117.40	-0.7%	\$84.88	2.5%
1993	12,070	75.8	\$120.28	2.5%	\$91.17	7.4%
1994	12,070	78.4	\$128.34	6.7%	\$100.62	10.4%
1995	12,136	78.6	\$135.66	5.7%	\$106.63	6.0%
1996	12,136	79.0	\$147.95	9.1%	\$116.88	9.6%
1997	12,446	79.0	\$161.63	9.2%	\$127.69	9.2%
1998	12,974	79.0	\$176.59	9.3%	\$139.51	9.3%
1999	13,673	75.0	\$188.82	6.9%	\$141.62	1.5%
2000	14,150	78.4	\$198.00	4.9%	\$155.33	9.7%
2001	14,298	69.6	\$180.58	-8.8%	\$126.48	-18.6%
2002	14,488	72.2	\$164.39	-9.0%	\$118.71	-6.1%
2003	15,078	71.1	\$155.52	-5.4%	\$110.52	-6.9%
2004	15,746	74.5	\$169.04	8.7%	\$125.99	14.0%
2005	15,910	75.4	\$176.73	4.5%	\$133.24	5.8%
2006	17,127	76.4	\$196.61	11.2%	\$150.23	12.8%

Source: Occupancy, ADR, and RevPar reported by Pinnacle Advisory Group. Room supply calculated by BRA Research Division.

Note: Room supply only includes rooms in hotels of 50 rooms or more.

The tables below show the occupancy rate, average daily room rate, and revenue per available room for Boston hotels for July through December of 2005 and 2006. Hotel occupancy rates improved for every month during the period except for September and December where there were slight decreases. Occupancy rates in July, September, and October peaked at close to 90%, while December's rate averaged roughly 55%. The average daily room was higher for Boston hotels in every month from July through December of 2006 over the same months in 2005. Rates peaked in October at almost \$240 per night, while averaging roughly \$160 a night during December. Revenue Per Available Room also increased every month from July through December of 2006 over the same months in 2005, except for December. As with the occupancy rate and the average daily room rate, RevPar peaked in October and showed its lowest point of the time period in December.



Source: Pinnacle Advisory Group.

Note: RevPar factors the vacancy rate to the daily rate. In other words, rooms that are occupied may be paying the daily rate but rooms that are vacant contribute \$0. This indicator weighs the revenue generated based on the vacancy rate.

Transportation

The City is a major national and international air terminus, a seaport, and the center of New England’s rail, truck and bus service. The City is served by three limited-access interstate highways which connect it to the national highway system: U.S. 90 (the “Massachusetts Turnpike”), which leads westward from downtown Boston 138 miles to the New York State border; U.S. 95, the East Coast’s principal north-south highway, which connects Boston to Portland, Maine to the north and New York City and Washington, D.C. to the south; and U.S. 93, another north-south interstate highway, that extends from just south of the City north to New Hampshire. The City is also served by two national railroads, Amtrak and Conrail, a regional rail carrier, Boston and Maine (a subsidiary of Guilford Transportation Industries), and Bay Colony, a local carrier.

Transportation planning includes both major highway and mass transit programs. The Massachusetts Bay Transportation Authority (“MBTA”) provides commuter rail, subway, local bus and express bus services to 175 cities and towns in eastern Massachusetts, offering public transit alternatives to a population of almost 4.7 million people in an area of 3,200 square miles. The MBTA, the fifth largest mass transit system in the nation as determined by ridership, currently serves about 1.1 million persons per day.

The MBTA’s Capital Investment Program totals approximately \$2.7 billion over fiscal years 2007-2011, averaging about \$540 million per year. The Capital Investment Program consists of five major programmatic areas: (i) reinvestment in the infrastructure (\$2.11 billion); (ii) accessibility improvements (\$112 million); (iii) enhancement of existing service (\$195 million); (iv) system expansion efforts (\$254 million) and (v) statewide planning (\$34 million). Capital Investment Program spending by transportation mode is as follows: subway, \$1.295 billion; commuter rail, \$688 million; Silver Line, \$96 million; bus, \$341 million; and system wide, \$282 million; The major infrastructure projects include vehicles (\$964 million); station modernization (\$368 million); rail signaling systems (\$184 million); maintenance facilities, including rail car houses and bus garages (\$138 million); track/right-of-way (\$109 million); fare equipment (\$98 million), power (\$75 million), bridges (\$35 million); and communications (\$14 million).

Several specific system enhancement projects are underway. The most significant efforts in the City are devoted towards the \$260.3 million North Station Superstation project, the \$37.3 million Fairmount Corridor Improvements project to be completed in fiscal 2008, and new parking initiatives. The North Station project will reconstruct and reconfigure the Green and Orange Line stations at North Station with underground access to the commuter rail system that connects communities north of Boston with the city. The Fairmount Corridor Improvements project will improve and revitalize an underutilized route through the neighborhoods of Dorchester, Mattapan, and Hyde Park. Improvements include several bridges, the

signal system, and several stations, including Morton Street and Upham's Corner. The current plan has also expended \$94.6 million on parking facilities. The most significant efforts are the planned expansion of the North Quincy Garage with 1,200 spaces for park-and-ride passengers on the Red Line subway, the Lawrence Station multi-modal facility improvements, which would provide 900 parking spaces, and a new 500-space parking garage at Woodland Station.

Finally, the MBTA's 2007-2011 Capital Investment Program includes \$118.3 million for the Silver Line project in Boston, or 35% of the MBTA's system-wide expansion effort. The full Silver Line will provide new service within Boston's urban areas to Roxbury, South Boston, and Downtown. The MBTA is constructing the Silver Line in three phases to operate as part of its core downtown transit system. Phase I completed in July 2002 provides bus rapid transit services along Washington Street (through the Downtown, Chinatown, the South End, and Roxbury neighborhoods) with 14 new stations. Phase II mostly completed in 2004, provides bus rapid transit services along the South Boston Piers Transitway, which extends from South Station along the South Boston waterfront to the Federal Courthouse to World Trade Center and beyond to the tunnel to the airport. Phase III of the Silver Line project includes the planning, design and eventual construction that will lead to the connection of Washington Street to South Station and Logan Airport via a tunnel that will connect the Phase I and Phase II segments.

Since 1991, Amtrak has spent \$1.8 billion on a multi-year high-speed rail infrastructure project intended to provide better ride quality, permit faster train speeds, and increase capacity for passengers on the rail corridor between Boston and New York. A key component of infrastructure upgrades was electrification of the remaining segment of the Northeast Corridor rail line between New Haven and Boston, which became operational in 2000, and acquisition of 20 new Acela Express high-speed trains, and 15 high-horsepower electric locomotives to reduce rail travel time from downtown Boston to downtown New York City. Ridership between New York and Boston has grown significantly as a result of the new high-speed service, despite the general downturn in the economy and regional travel. In fiscal year 2006 Amtrak carried 801,561 passengers between New York and Boston—an increase of 16% over the pre-Acela year of 2001. The new Boston—Portland, Maine passenger rail service (the “Downeaster”) commenced December 15, 2001. The 200-passenger train runs four times a day in each direction between North Station and Portland. The trip takes 2 hours and 45 minutes, and makes intermediate stops in Woburn and Haverhill (Massachusetts), Exeter, Durham, and Dover (New Hampshire), and Wells, Saco, and Old Orchard Beach (Maine).

For a description of the depression of the Central Artery and the construction of a third tunnel under Boston Harbor, two other significant transportation projects in the City, see “Large Public Sector Projects,” below.

Seaport and Airport

The Massachusetts Port Authority (“Massport”) was created by the state legislature to develop and manage the City's major air and sea transportation centers, and the Tobin Memorial Bridge over the Mystic River. Massport is financially independent, and the City is not responsible for any debt or other obligations incurred by Massport. Heavy use of Boston Logan International Airport (“Logan Airport”) and the Port of Boston has compelled significant expansion of both facilities. Massport's net investment in its facilities through June 2006 exceeded \$3.45 billion, consisting of \$2.89 billion invested in airports and \$557 million invested in the Tobin Bridge, maritime development and other capital projects. In February 2005, Massport projected that it would spend about \$1.05 billion during fiscal years 2006-2010 for ongoing capital improvements to Hanscom Field, Logan Airport, the Tobin Memorial Bridge and the port facilities, and for improvements and major maintenance at various other Massport properties.

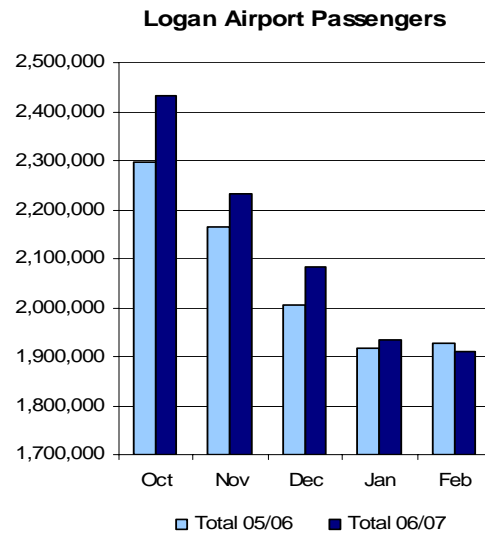
The Port of Boston serves the six-state New England region as a natural deep-water berth, and provides access to world ports as well as feeder service several times weekly to Halifax, Canada and the Port of New York. The City's port activity includes handling containerized bulk and general cargo, providing ship repair supply services, offering customs and international trading services, providing storage facilities and other commercial maritime services. The Port of Boston is also a major cruise port. The total number of cruise passengers in fiscal 2006 (246,385) increased by 27.7% compared to fiscal 2005

reflecting a trend of continued growth in cruise traffic. The cruise port mainly operates in the months of May through October.

Since 1998 the Port of Boston has ranked as the 12th largest container port on the U.S. Atlantic Coast by container volume and for the past 20 years, the Port has handled between 1.2% and 1.8% of all U.S. Atlantic Coast port volume. During fiscal 2006 the Port activity of 111,020 boxed containers increased 7.1% over fiscal 2005, primarily as a result of new far-east service provided by COSCO, while the 11,170 automobiles handled in fiscal 2006 decreased by 4.8% from fiscal 2005 and the 202,681 tons (in bulk tonnage) for fiscal 2006 decreased by 6.9% from fiscal 2005's bulk tonnage.

In calendar 2006, Logan Airport served a total of 27.7 million passengers, a 2.4% increase from the 27.1 million passengers served in 2005. A report on calendar year 2005 prepared by Airports Council International ("ACI") showed that Logan was the most active airport in New England, the 19th most active in the United States and the 37th most active in the world. A new runway at Logan airport was completed late in 2006. See "Large Public Sector Projects," below. Logan Airport also plays an important role as a center for processing domestic and international air cargo. According to ACI, Logan Airport ranked 18th in the nation in total air cargo volume in 2005. In fiscal 2006 total combined cargo and mail volume was 759.3 million pounds: a 4.6% decrease from the 796.3 million pounds in fiscal 2005.

The "Logan Airport Passenger" table shows the number of passengers that flew through Logan Airport in October through February of 2005 and 2006. From October through December Logan experienced a significant increase in passenger traffic in 2006 over 2005. Over 2.4 million passengers used Logan in October 2006 compared to just under 2.3 million in October 2005.



Source: Massport

Construction Activity

The following table sets forth construction activity in the City from fiscal years 1997-2006, estimated as indicated in the notes to the table. It should be noted that the issuance of a building permit and payment of a fee do not necessarily result in construction activity. Revenue from building permit fees during fiscal 2006 indicated that total construction activity was an estimated \$3.09 billion. Revenue from building permit fees increased in all but four of the fiscal years between 1996 and 2007. Between fiscal years 2005 and 2006, building permit revenue increased from \$23.21 million to \$26.25 million.

Boston Building Permit Revenues and Estimated Construction Activity Ten Fiscal Years, 1997-2006

	Building Permit Revenues⁽¹⁾	Estimated Potential Construction Activity⁽²⁾	Estimated Potential Construction Activity Adjusted For Inflation⁽³⁾
1997.....	\$ 9,199,877	\$ 1,082,338,471	\$ 1,436,887,000
1998.....	14,757,703	1,736,200,395	2,253,926,000
1999.....	11,404,006	1,341,647,713	1,699,166,000
2000.....	17,922,648	2,108,546,846	2,559,886,000
2001.....	27,191,839	3,199,039,882	3,723,582,000
2002.....	19,055,144	2,241,781,647	2,542,968,000
2003.....	20,145,888	2,370,104,471	2,590,957,000
2004.....	22,724,810	2,673,507,019	2,844,509,000
2005.....	23,213,600	2,731,011,765	2,813,043,000
2006.....	26,253,000	3,088,592,000	3,088,592,000
Total	<u>\$191,868,515</u>	<u>\$22,572,770,209</u>	<u>\$25,553,516,000</u>
Annual Average 1997-2006	<u>\$ 19,186,852</u>	<u>\$ 2,257,277,021</u>	<u>\$ 2,555,352,000</u>

- (1) Building permit revenues in current dollars. Columns may not add due to rounding.
- (2) Construction activity estimated by dividing permit revenues by 0.85%, which is the midpoint between permit fees calculated at 0.7% of the first \$100,000 estimated value of development cost, and 1% for the remainder of development cost.
- (3) Estimated construction activity adjusted to May, 2006 constant dollars (CPI-U Boston).

Source: City of Boston, Auditing Department and City of Boston Annual Reports. Compiled by Boston Redevelopment Authority's Policy Development and Research Department (August 2006).

Large Public Sector Projects

In addition to major construction projects of the MBTA and Massport, Boston has witnessed several other major public sector projects. The Boston Convention and Exposition Center ("BCEC") Project and the depression of the Central Artery, the elevated section of U.S. 93 that runs through downtown Boston and serves as the principle six-lane highway carrying traffic through the City; (which together with the completed Ted Williams tunnel under Boston Harbor, are called the "Central Artery/Tunnel Project" or "CA/T"). The CA/T Project, which is intended to improve traffic flow, is under the control of the Massachusetts Turnpike Authority.

The CA/T Project includes the Ted Williams Tunnel, connecting Logan Airport and the North Shore to Downtown Boston and the western suburbs, the Leverett Circle Connector Bridge, a four-lane bridge over the Charles River carrying traffic between Leverett Circle in downtown Boston and U.S. 93 in Charlestown, the extension of U.S. 90 under Fort Point Channel to South Boston connecting with the highway with the Ted Williams Tunnel and Logan Airport in East Boston, and the Central Artery and the Leonard P. Zakim Bunker Hill Bridge over the Charles River. The CA/T Project, with an estimated total cost of \$14.63 billion, has been nearly half funded by the federal government while the remainder is the responsibility of the Commonwealth of Massachusetts. Although portions of the Ted Williams Tunnel were closed in 2006 for ceiling repairs following an accident, the CA/T Project is substantially complete and all elements of the project are open and operational.

The BCEC Project was constructed on a 60-acre site in South Boston through the joint efforts of the City, the Commonwealth, the BRA, and the MCCA. The 1.6 million square foot facility, which is now complete, includes approximately 516,000 square feet of contiguous exhibition space on one level, approximately 160,000 square feet of meeting space and a 40,000 square foot ballroom, as well as banquet and lecture halls. The BRA was authorized by the Convention Center Act to acquire and prepare the site for the BCEC Project and the MCCA is the owner and operator of the BCEC. In Fiscal Year 2006 the BCEC hosted conventions with over 250,000 attendees.

In addition to the BCEC Project, a 793-room convention center hotel on the northeast corner of the BCEC Project site opened in June 2006.

The Massachusetts Water Resources Authority (“MWRA”), an independent state authority, has recently completed construction of the major components of its Integrated Water Supply Improvement Program including the MetroWest Water Supply Tunnel, Norumbega Covered Storage Reservoir and the John J. Carroll Water Treatment Plant. The Integrated Water Supply Improvement Program has cost approximately \$1.1 billion through June 30, 2006. In addition, MWRA continues to operate the Deer Island Treatment Plant. This project, which was undertaken pursuant to a federal district court order, was part of MWRA’s capital improvement program costing approximately \$3.8 billion and brought wastewater discharges into compliance with federal and state requirements.

The MWRA has also spent approximately \$943.3 million on improvements to its wastewater system improvements and approximately \$1.5 billion on waterworks system through June 30, 2006. The largest expenditures have been for the MetroWest Water Supply Tunnel, the John J. Carroll Water Treatment Plant, improved water storage facilities and reduction of combined sewer overflows.

The MWRA-approved FY07 Capital Improvement Program anticipates the spending of approximately \$1.1 billion on additional water and wastewater system improvements over the next ten years. The largest expenditures will be for the combined sewer overflow (CSO) control plan, interceptor and pumping improvements and water distribution system improvements. The largest component of the combined sewer overflow control plan is the North Dorchester Bay CSO Storage Tunnel and related facilities. Relatively small portions of the other improvements are located within the City, but they should nonetheless provide major improvements in the system infrastructure that serves the City.

The Boston Housing Authority (“BHA”) recently completed major revitalization initiatives at three public housing developments: Mission Main, in the Mission Hill neighborhood of Boston, Orchard Park, in Roxbury, and Maverick Gardens in East Boston. The BHA was able to initiate the revitalization of these developments when it was awarded three HOPE VI grants from the U.S. Department of Housing and Urban Development (“HUD”). The grants, totaling \$105 million, were used to implement a new approach to public housing financing, incorporating innovative partnerships with public and private entities that leveraged additional development funds. The initiatives not only revitalized the BHA sites, but the surrounding neighborhoods as well.

Empowerment Zone Designation

In January 1999, part of the City was designated an Empowerment Zone (“EZ”) by the U.S. Department of Housing and Urban Development (HUD). The EZ, wholly within Boston, encompasses 6.953 square miles, running north to south right through the center of the City, including parts of the neighborhoods of South Boston, Downtown, the Seaport District, Chinatown, the South End, Mission Hill, Roxbury, Jamaica Plain, and Dorchester. The Empowerment Zone also includes two development sites, the “Massachusetts Turnpike Air Rights” and Morton Plaza in Mattapan. The EZ contains 58,717 residents, roughly 10% of the City’s population and contains a variety of businesses from internationally known financial firms and retail stores to industrial uses to neighborhood businesses.

Boston Connects, Inc. (BCI) was established in November 1999 to oversee and implement the Empowerment Zone Strategic Plan. A 501(c) 3 organization, BCI has a Board of 24 members, 12 appointed by the Mayor and 12 elected from the Zone.

The EZ designation makes Boston eligible to share in proposed federal grants and tax-exempt bonding authority to finance revitalization and job creation programs for 10 years. The ten-year EZ

designation brings with it \$130 million in tax-exempt bonding authority for qualified projects. To date Pilot Seafood in the Seaport District, The Best Western Roundhouse Hotel in Newmarket, Katsiroubas Brothers also in Newmarket, and Crosstown Center in Crosstown have all utilized bonds to spearhead investment in the EZ. The bonds have been issued through the City of Boston's Industrial Development Financing Authority. In addition, Boston is eligible to receive \$10 million a year, subject to annual appropriation by Congress, to further the goals of Boston's Strategic Plan which include: economic opportunity and job creation; health and well-being, education and job readiness; community capacity building and technology.

One example of BCI's commitment to human and economic development has been its investment in Crosstown. BCI loaned \$7.0 million to Crosstown Associates, LLC to assist in the development of a mixed-use commercial development comprised of a 175-room hotel, 60,000 square feet of retail space, and a 650-space parking garage. This phase of the project opened in June 2004 at the corner of Massachusetts Avenue and Melnea Cass Boulevard. Phase II will include offices and additional parking and is currently under construction. When the Center is complete, there will be 1,500 permanent jobs ranging from hospitality to office work. The BCI board voted to support the use of \$5 million in HUD 108/EDI loans and grants and \$43.4 million in bonds to the Crosstown Center. The total development cost of the project is \$70.4 million.

Prior to its designation as an EZ in 1999, Boston received a HUD Enhanced Enterprise Community ("EEC") designation in December 1994. As an EEC, Boston could access a total of \$44.0 million in Economic Development Initiative ("EDI") grants and Section 108 loan guarantees. EDI grants are used to write down interest rates on Section 108 loans, project equity, and to establish a loan loss reserve. The EDI funding makes the City eligible for matching Section 108 funds. Section 108 funds can be used (i) as capital improvement loans for commercial or industrial projects that produce jobs, 60% of which are for low and moderate-income residents; or (ii) aid in the prevention or elimination of slums or blight, or meet urgent community needs.

EDI and 108 funds have been instrumental in helping to revitalize neighborhoods and create job opportunities for City residents. Dudley Square has seen the revitalization of Palladio Hall, Fairfield Center and the Warren-Palmer Building. Grove Hall Mecca and La Cocina/Merengue have enlivened Blue Hill Avenue. The South End Health Center provides services to both City and Zone residents. Laboure Center, which strengthens and enhances the stability of families, has recently expanded its services in South Boston. New Boston Seafood and Pilot Seafood and North Coast Seafood have expanded their operations in the Seaport District. The Roxbury/Crosstown Corridor has seen the construction of Harry Miller Company and the expansion of the Harrison Supply Company.

Office Market and New Development

The City and its neighborhoods currently have approximately 66.8 million square feet of office space. By the First Quarter of 2007 (through March) Boston's overall vacancy rate according to CB Richard Ellis was 7.7% (11.5% availability when including space to sublet). The economic slowdown caused office vacancies to rise substantially from early 2001 through late-2004, and then several mergers, acquisitions, and real estate space consolidations among financial services firms in Boston in 2004 and 2005 also caused the office market to stagnate, with office space coming to the market as primary or sublease use. However, by early 2006 many of these concerns had ended.

Net absorption for the First Quarter of 2007, according to CB Richard Ellis, increased by 227,706 square feet. The Back Bay contained the vast majority of the net absorption, adding 192,919 square feet of occupied space. The Central Business District (downtown), North Station/Waterfront, and Midtown areas represented a significant portion of the remaining positive absorption. The Average asking rents were also highest in the Back Bay at \$48.46 per square foot, slightly ahead of the Central Business District's rate of \$47.54. All other markets in the city had significantly lower average asking rents for office space, ranging between \$23 and \$34 per square foot.

Boston Office Market—First Quarter, 2007

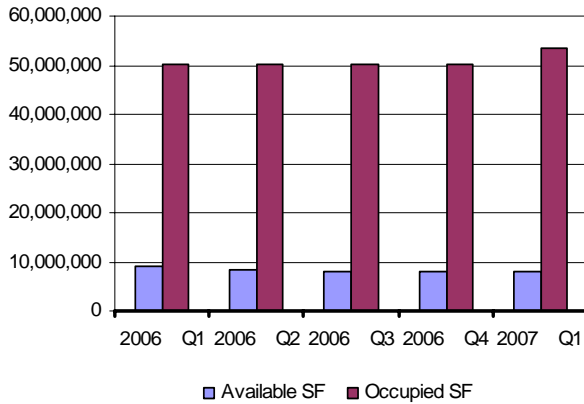
<u>Market</u>	<u>Total (SF)</u>	<u>Available (%)</u>	<u>Vacancy (%)</u>	<u>1st Quarter Net Absorption*</u>	<u>Average "Asking" Rent</u>
Central Business District.....	34,678,253	12.7%	7.5%	+21,492	\$47.54
Back Bay.....	13,097,853	10.6	8.5	+192,919	\$48.46
South Boston Seaport District.....	5,066,173	13.8	11.4	-21,212	\$29.22
Charlestown/East Boston.....	2,800,958	9.1	6.2	-31,349	\$27.08
North Station/Waterfront.....	2,801,572	10.7	9.9	+28,421	\$28.24
Midtown.....	2,575,456	3.8	2.7	+37,930	\$25.68
South Station.....	1,481,994	25.8	8.4	-12,426	\$33.84
Dorchester/South Boston.....	854,918	4.6	4.6	+7,332	\$23.72
Allston/Brighton/Longwood Medical.....	1,580,136	4.5	4.5	-3,500	\$23.22
Fenway/Kenmore Square.....	1,934,639	4.3	4.3	+8,099	\$22.52
Total Boston Office Market.....	66,871,952	11.5%	7.7%	+227,706	\$43.16

* Columns may not add due to rounding.

Source: CB Richard Ellis, First Quarter 2007.

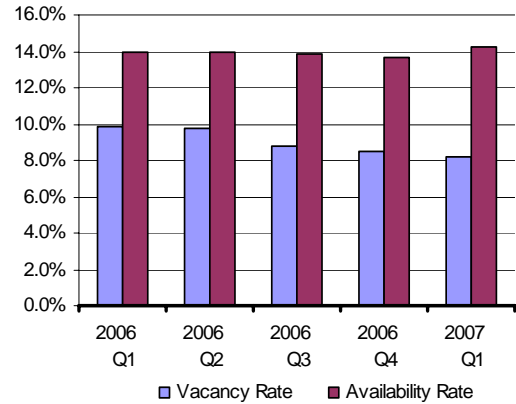
Another realty firm, Jones Lang LaSalle, places the City’s office vacancy rate at 8.2% and its availability rate at 14.3% (as the tables below show). There is no accepted standard accounting for office vacancy rates so private realty firm surveys vary based upon the amount of office space covered, geographical coverage, and inclusion of new or old office space. The two tables below also show that over the most recent five quarters (first quarter 2006 through the first quarter 2007) Boston’s available office space has steadily decreased, its occupied space has increased, its vacancy rate has decreased significantly, and its availability rate has remained virtually unchanged.

**Boston Office Market
Available and Occupied Space**



Source: Jones Lang LaSalle

**Boston Office Market
Vancancy and Availability Rates**



Source: Jones Lang LaSalle

As of the first quarter of 2007, CB Richard Ellis ranked Boston’s downtown office market as having the second lowest vacancy rate among the twenty largest downtown office markets in the U.S., with a rate of 7.7% (tied with the Downtown Manhattan market). Only Midtown Manhattan had a lower vacancy rate than Boston in the first quarter of 2007. Boston had a lower office vacancy rate then many other leading office markets in the US such as Washington DC, San Francisco, Seattle and Chicago.

**Comparative Office Vacancy Rates
20 Largest Downtown Office Markets – First Quarter, 2007**

<u>City</u>	<u>Vacancy Rate</u>	<u>City</u>	<u>Vacancy Rate</u>
Manhattan (Midtown).....	4.3%	Phoenix	12.3%
Boston.....	7.7	San Diego.....	12.7
Manhattan (Downtown).....	7.7	Los Angeles	13.9
Washington DC	8.1	Chicago	14.2
San Francisco	8.6	Houston.....	14.4
Sacramento	9.7	Minneapolis-St. Paul.....	17.3
Philadelphia	10.3	Atlanta	18.9
Denver	10.6	Kansas City.....	19.5
Seattle	10.8	Dallas	21.4
Oakland	11.3	Detroit	26.8
National Average ⁽¹⁾ 10.8%			

(1) National Average is based on 52 U.S. cities (44 downtowns) from the CB Richard Ellis Office Vacancy Index.

Source: CB Richard Ellis Office Vacancy Index, First Quarter 2007.

In 2003 construction was completed at four developments: 131 Dartmouth Street, a \$60 million, 11-story, 365,000 square foot building in the Back Bay district; One Lincoln Street, a \$350 million, 1,020,000 square foot office tower at the former Kingston-Bedford garage site in the Financial District which is 100% leased to State Street Financial; two buildings in the City Square section of Charlestown containing 156,000 square feet of office space; and One Brigham Circle (The Ledge Site) in the Mission Hill neighborhood with 177,000 square feet of space.

In 2004 and 2005, four major downtown office projects with 1.5 million square feet of new office space were completed: ManuLife Financial, a 14-story, 470,000 square foot building in the South Boston Waterfront area; 33 Arch Street a \$240 million, 936,000 square foot building (533,197 square feet of office space and a 880 car garage); 100 Cambridge Street (The former Saltonstall state office building), a 278,849 square foot renovation of an existing building (half of which will be occupied by state offices, with the other half rented to private sector tenants); and the 226 Causeway Street renovation with 171,610 square feet in the North Station district. In 2006 only one small downtown office project was completed: Lincoln Plaza, a renovation of an existing building to mixed uses with 119,000 square feet of office space.

As of February 15, 2007, there were no downtown office developments under construction but several had been approved by the BRA Board and/or had been proposed. Four approved projects likely to start soon and be completed in the next three to five years or so include: Two Financial Center, a 214,000 square foot building near South Station; Russia Wharf at 540 Atlantic Avenue on the downtown waterfront with 660,000 square feet of new office space; the South Station tower, a new building of 1.375 million square feet; and the Filene’s tower rebuild at One Franklin Street with 572,600 square feet of new space. In November 2006 Boston unveiled a proposal from developer Steve Belkin and architect Renzo Piano for a downtown skyscraper that would rise 1,000 feet on the city-owned Winthrop Square parcel located at 115 Federal Street. The BRA had formally requested development proposal in May. The proposed 75-story glass and steel tower with 1.3 million square feet of office space was given tentative designation by the BRA Board in January 2007. If built, the new tower would surpass the City’s tallest building, at present, the 60-story John Hancock Tower.

In the Roxbury and Charlestown neighborhoods two large office projects with about 1.1 million square feet of new and renovated office space are under construction. These are the Crosstown Center in Roxbury with 250,000 square feet of office space, and Hood Business Park in Charlestown, a 775,000 square foot renovation to be completed over a period of five years.

Retail Market

For 2006 it is estimated that there are about 66,091 employees in retail stores and food service and eating and drinking establishments in the City, consisting of about 31,493 in retail and 34,598 in food service and eating and drinking. In 2002, according to the Census of Retail Trade, about 2,228 retail establishments were located in the City with an estimated total sales of \$5.4 billion. The food service and eating and drinking establishment industry in Boston (restaurants and bars) consists of an additional 1,858 establishments with \$1.7 billion in sales. The sector is rounded out by some 14,000 employees in the personal service businesses: ranging from repair and maintenance, hair and nail care, and laundry and dry cleaning service.

Massachusetts, Metropolitan Boston, and Boston Retail Sales, 1992-2002⁽¹⁾
(In thousands, not adjusted for inflation)

	<u>Massachusetts</u>	<u>Metropolitan Boston⁽²⁾</u>	<u>City of Boston</u>
1992	\$47,663,248	\$33,798,207	\$4,180,888
1997	65,859,804	48,348,686	5,608,411
2002	83,220,180	59,918,502	7,163,717
<u>Annual rate</u>	6.88%	7.07%	6.64%

- (1) Total retail sales includes the census definition of retail sales (NAICS) from the series of Retail Trade plus the “foodservices and drinking places” category from the series of Accommodation and Food Services.
 - (2) Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford), which together comprise the Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area.
- Source: 1992 data from the 1992 Economic Census for Retail Trade. 1997 data from the 1997 Economic Census for Retail Trade (for retail) and for the 1997 Census for Accommodations and Foodservices (for foodservices and drinking places). 2002 data from the 2002 Economic Census for Retail Trade (for retail) and for the 2002 Census for Accommodations and Foodservices (for foodservices and drinking places).

Recent major retail projects in downtown Boston include: Roche Bobois moved from their North End location leasing up the remaining space at the Ritz Carlton Towers at Millennium Place. In 2007, the redevelopment of the former Filene’s site, called One Franklin Street, will commence and plans include roughly 200,000 square feet of retail space. In the Back Bay a major new retail development at the renovation of 501 Boylston Street was completed in 2006 with 97,464 square feet of store space adding H&M, Filene’s Basement, Boston Sports Club and Border’s Books among the major tenants. Barney’s New York opened their first flagship store in more than a decade in 45,000 square feet at the Copley Mall.

In the neighborhoods, the very successful South Bay Center Mall is undergoing a phased expansion. Stop and Shop moved out of their inline space making room for Circuit City and Bed Bath Beyond. A 76,000 square foot Super Stop and Shop, which includes its own gas station, was built on a pad site which also includes a Bank of America and Famous Footware. Additionally, Best Buy moved in to the former Toys R Us site and Olive Garden and Applebee’s are currently under construction. In the Fenway neighborhood, Trilogy, a mixed use development, made it’s debut with retail tenants including Boston’s first West Elm, Citibank, Starbucks, Emack and Bolio’s Ice Cream and Burton’s Grill. The Crosstown commercial complex in the South End is wrapping up phase II which will bring the square feet of retail space up to 48,000; current retail tenant include Dunkin Donuts, Ground Round, Quiznos and Enterprise Rental Cars. The 60,000 square feet of retail space at One Brigham Circle in the Mission Hill/Jamaica Plain neighborhoods is now fully leased with a newly opened TGI Fridays. Dudley Square’s Warren Palmer building was completed and fully leased with a tenant roster that includes Ashley Stewart’s first Massachusetts location and another branch for regional retailer Expressions.

There are now 19 neighborhood business districts operating within the City’s Main Streets Program. This program is a public-private initiative of the City established in 1995 to revitalize neighborhood commercial districts through locally established organizations. The program, from its inception through the end of fiscal year 2006, has generated 576 net new and expanded businesses, created 3,987 net new jobs, assisted in 555 storefront improvement projects, and given design assistance to 695 businesses. Through fiscal year 2006, the Main Streets Program had leveraged more than \$9.8 million in private investment.

Also of importance are the supermarket developments that have taken place throughout Boston's neighborhoods. Twenty-three new or expanded supermarkets have opened in Boston's neighborhoods since 1992. Eight of these have opened in the past five years.

Industrial Market and Recent Developments

According to "The Co-Star Industrial Report, Year-End 2006", Boston has 25.2 million square feet of industrial space within the City limits. As of December 2006, there were 3.1 million square feet of industrial space vacant, a vacancy rate of 12.2%, with 120,234 square feet of absorption over the year. The average rent for quality industrial space was estimated to range from \$7.40 per square foot (triple net) for warehouse space and \$16.15 for flex space.

In 2000 there were three major industrial projects completed on the waterfront in South Boston: the International Cargo Port, a 400,000 square foot warehouse, freight forwarding, and office facility on the South Boston waterfront; North Coast Seafood, a 60,000 square foot seafood processing facility in the Boston Marine Industrial Park; and the new Boston Seafood Center, a \$20 million, 150,000 square foot facility with seven companies as tenants.

In 2003 Pilot Sea Food completed a 65,999 square foot processing plant while Legal Sea Food completed a 75,000 square foot building, both near the South Boston waterfront. In Dorchester, the Dutch Maid Bakery expansion of 38,000 square feet, and a graphics services office at 65 Bay Street with 76,000 square feet of space, were completed in 2003. In Brighton, the New Balance (athletic shoe manufacturing) building was completed.

In 2004 and 2005 several significant industrial projects were completed in the neighborhoods. In East Boston Belle Steel, a self-storage facility was recently completed. Diamond Windows moved its facility from Allston to Dorchester and renovated a building. Food Pack Express finished a complete renovation of warehousing and refrigeration space on South Hampton Street. In Jamaica Plain a sound recording studio, Squid Hell, is underway. In the Newmarket district several projects were completed: R&R sales, a lumber company, expanded their Newmarket location; the Katsiroubas Brothers warehouse building (17,000 square feet); and The New Boston Foodmarket by B&B Trading completed a \$500,000 renovation of its facility on Food Mart Road. In Brighton, the Nolan Brothers self-storage facility was completed.

As of February 2006 Cargo Ventures was almost finished with a 212,000 square foot building at One Harbor Street in the Boston Marine Industrial Park. Boston Freight Terminals will occupy most of the 110,000 square feet first floor while the upper floors will be available for life sciences and other uses.

Mayor Menino announced the Back Streets Initiative in November 2002, a plan to support and strengthen neighborhood industrial uses. The goal of the Back Streets Initiative is to foster commercial and industrial business growth and thereby stimulate the economy, strengthen neighborhoods, and create jobs. Areas of the city designated as Back Streets areas, which combined have existing businesses with 4,000 companies and 100,000 jobs, are eligible for loan financing.

Housing Stock, Housing Values, and Development

The U.S. Bureau of the Census reported on some characteristics of the City's housing stock in April 2000. The total of 250,863 units grew by 1,072 from 1990, the date of the previous decennial census. The composition of occupied housing has been changing. The number of occupied rental apartments increased between 1990 and 2000, going from 157,920 to 162,302, a gain of 4,382 or 2.8%. The number of owner-occupied units also increased between 1990 and 2000, going from 70,544 to 77,226, a gain of 6,682 or 9.5%. Condominium units have increased from about 4,500 in 1980 to over 38,000 in 2000. Public and publicly assisted housing presently total 49,868 units constituting over 19% of the City's housing stock. The percentage of owner to renter occupied units between 1990 and 2000 went from 30.9%/69.1% to 32.2%/67.8%. With the small addition of new units and the large gain in occupied units the number of vacant units dropped from 22,399 in 1990 to 12,407 in 2000 while the vacancy rate for owner and renter

housing fell from 2.6% and 7.8%, respectively, in 1990 to 1.0% and 3.0%, respectively, in 2000. As of late 2001, the housing vacancy rate was rising slightly.

A Fall 2006 study done by the City’s Department of Neighborhood Development showed that the median rent for an apartment in Boston in fiscal year 2006 as advertised in the newspapers was \$1,800 per month for a two-bedroom apartment. Rents are up city-wide from Fiscal Year 2005, when the average was \$1,600. Median rents for a two-bedroom apartment ranged from a high of \$2,500 in the Back Bay to a low of \$1,150 in Roxbury. The rental market has also become much tighter in the city in terms of the availability, which is likely responsible for the increase in rents. Overall the number of two-bedroom apartments advertised for rent city-wide has declined from 2,245 in FY 2005 to 1,418 in FY 2006, a 37% drop.

**Median Advertised Asking Monthly Rent in Boston Neighborhoods
And the Volume of Advertised Two-Bedroom Apartments Fiscal Year 2005 and 2006**

<u>Neighborhood</u>	<u>Median Rent</u>			<u>Volume of Apartments</u>		
	<u>2005</u>	<u>2006</u>	<u>Percent</u>	<u>2005</u>	<u>2006</u>	<u>Percent</u>
Allston/Brighton	\$1,300	\$1,300	0%	328	134	-59%
Back Bay/Beacon Hill	2,250	2,500	11	522	364	-30
Central	2,200	2,400	9	591	459	-22
Charlestown	1,650	1,500	-9	124	75	-40
Dorchester	1,200	1,200	0	123	83	-33
East Boston	1,063	1,200	13	34	15	-56
Fenway/Kenmore	1,450	1,395	-4	58	10	-83
Hyde Park	1,150	1,175	2	21	12	-43
Jamaica Plain	1,350	1,400	4	132	61	-54
Mattapan	**	1,200		7	12	**
Roslindale	1,200	1,200	0	64	26	-59
Roxbury	1,250	1,150	-8	28	10	-64
South Boston	1,400	1,400	0	88	77	-13
South End	1,900	2,300	21	73	43	-41
West Roxbury	1,275	1,250	-2	52	37	-29
<u>Citywide</u>	<u>1,600</u>	<u>1,800</u>	<u>13</u>	<u>2,245</u>	<u>1,418</u>	<u>-37</u>

** Less than ten records so data are not deemed to be reliable.

Source: City of Boston, Department of Neighborhood Development, “Real Estate Trends, Fiscal Year 2006.” Uses the Boston Sunday Globe, from apartment listings for the first Sunday of the month. Apartments that include utilities or parking in the monthly rent are not represented in this survey (Fall 2006).

Between 2002 and 2006 home prices in the City rose at a moderate pace, however, the period between 2005 and 2006 has shown a leveling off of prices. The National Association of Realtors reported that the median sales price of existing homes in Metropolitan Boston (the MSA but excluding the New Hampshire segment) was \$402,200 for 2006, a 2.7% decrease over the 2005 median sales price. The median price, not adjusted for inflation has more than doubled over the last decade despite the small fall in prices since mid-2005.

**Greater Boston Annual Median Sales Prices for Existing Homes, 2002-2006
(Current Year Dollars)**

<u>Year</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Annual Median</u>	<u>Annual % Change</u>
2002	\$296,100	\$335,700	\$353,500	\$342,400	\$335,400	NA
2003	337,600	359,100	366,900	361,600	358,500	6.9%
2004	358,700	392,700	407,200	390,500	389,700	8.7%
2005	396,200	418,500	430,900	397,500	413,200	6.0%
2006	390,400	421,100	412,300	388,000	402,200	-2.7%

Note: The data series previously used in this table ended in the year 2000. The series beginning in 2002 uses different source data so medians from the two series are not comparable. A completely revised unified series that was first made available in 2005 replaces this table from previous years’ versions of the Boston Economy report.

Source: National Association of Realtors (January 2007).

Banker & Tradesman, a local trade journal, reported that during the full year 2006 there were 13% fewer total residential sales in the City than there were in the full year 2005 (10,238 versus 11,814). Sales of single-family homes fell 16% and sales of condominiums and multi-family non-condominiums fell by 10% and 21% respectively compared with 2005 sales.

Annual Residential and Condominium Sales in Boston 1996-2006

<u>Year</u>	<u>Single-Family Sales</u>	<u>Percent Change</u>	<u>Multi-Family Residential Sales⁽¹⁾</u>	<u>Percent Change</u>	<u>Total Condominium Sales</u>	<u>Percent Change</u>	<u>Residential and Condo Sales⁽²⁾</u>	<u>Percent Change</u>
1996.....	1,572	1	2,727	2	3,547	22	7,846	10
1997.....	1,626	2	2,806	4	4,063	13	8,495	8
1998.....	1,541	-7	2,947	6	4,478	10	8,966	6
1999.....	1,613	4	3,173	8	5,107	15	9,893	10
2000.....	1,361	-15	2,824	-10	4,722	-7	8,907	-9
2001.....	1,317	-4	2,301	-18	4,278	-10	7,896	-12
2002.....	1,433	7	2,295	0	5,091	20	8,819	12
2003.....	1,417	4	2,334	-6	5,242	3	9,003	1
2004.....	1,718	21	2,931	29	7,338	39	11,987	34
2005.....	1,570	-9	2,958	1	7,286	-1	11,814	-2
2006.....	1,317	-16	2,331	-21	6,590	-10	10,238	-13

(1) Does not include single-family homes or condominiums.

(2) Equals single-family, multiple-family residential sales plus total condominium sales.

Note: Data for previous years have been revised since the publication of last year's report.

Source: Banker and Tradesman (January 2007).

Prices and sales volumes for single-family homes and for condominiums show remarkable diversity across the neighborhoods of Boston. Areas of the City with the largest numbers of single-family home sales included West Roxbury, Hyde Park, Dorchester, and Roslindale. Single family prices in 2006 ranged from \$305,000 in Mattapan to \$2.2 million in the Back Bay with the city-wide median at \$370,000 and the typical house going for \$400,000 in West Roxbury, the most suburban-style single family neighborhood within the City limits. The median sales price city-wide was down about 4% and the sales volume was down by 17% between 2005 and 2006. There were no neighborhoods in the city that experienced very significant drops in price levels of single family homes. The largest drop in prices was in West Roxbury, where single family home prices fell 8% between 2005 and 2006. The closer to downtown neighborhoods of the South End, Charlestown, and Back Bay/Beacon Hill, where single family home are less common, actually experienced an increase in sales prices in 2006 ranging from 15% to 5%.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Single Family Homes
In Boston's Neighborhoods, 2005 and 2006
(Not inflation adjusted)

<u>Neighborhood</u>	<u>2005 Single-Family Price</u>	<u>2006 Single-Family Price</u>	<u>Percent Change</u>	<u>2005 Sales Volume</u>	<u>2006 Sales Volume</u>	<u>Percent Change</u>
Allston/Brighton	\$479,000	\$450,750	-6%	83	56	-32%
Back Bay/Beacon Hill ...	2,095,351	2,210,000	5	27	28	4
Central	**	**	***	4	4	***
Charlestown.....	560,000	629,000	12	65	37	-43
Dorchester	374,950	350,000	-7	204	185	-9
East Boston.....	329,500	324,000	-2	64	37	-42
Fenway/Kenmore	**	**	***	5	2	***
Hyde Park.....	350,500	337,000	-4	280	227	-19
Jamaica Plain.....	552,500	549,500	-1	80	68	-15
Mattapan.....	325,000	305,000	-6	112	75	-33
Roslindale.....	377,750	377,250	0	176	138	-21
Roxbury.....	335,000	317,000	-5	52	51	-2
South Boston	406,500	378,000	-7	72	72	0
South End	1,000,000	1,150,000	15	35	21	-40
West Roxbury.....	435,000	400,000	-8	287	284	-1
<u>Citywide</u>	<u>386,995</u>	<u>370,000</u>	<u>-4</u>	<u>1,546</u>	<u>1,285</u>	<u>-17</u>

** Less than ten sales so data are not deemed to be reliable.

*** Not meaningful.

Note 1: These prices exempt all sales of properties of less than \$25,000 because the low price sales are not considered to be “arms-length” transactions and the high price sales can distort averages.

Note 2: These are not “paired-sales” so the size, quality and type of houses sold vary from year-to-year.

Note 3: Sales volume eliminates those sales mentioned in note 1 and also eliminate sales for properties that were not able to be accurately “geo-coded” for location so actual neighborhood and city wide totals are higher.

Source: City of Boston, Department of Neighborhood Development, May 2007, Real Estate Trends, Annual Report 2006”.

Condominium sales volume and prices also showed diversity across the neighborhoods of Boston. The three most expensive neighborhoods for condominiums (median price greater than \$450,000) were the Back Bay/Beacon Hill, Central (comprising Downtown, the North End, the West End, and the Waterfront), and South End neighborhoods, which are the core residential pockets closest to downtown. Four neighborhoods had moderately priced condominiums (median price between \$300,000 and \$450,000): Charlestown, Fenway/Kenmore, Jamaica Plain and South Boston. Eight neighborhoods still had affordably-priced condominiums (with the median price below \$300,000): Allston/Brighton, Dorchester, East Boston, Hyde Park, Mattapan, Roslindale, Roxbury, and West Roxbury. The median citywide condominium price as of year-end 2006 was \$350,000, unchanged from year end 2005. Sales volume changes also varied greatly among neighborhoods of the city. West Roxbury, Hyde Park, East Boston, Charlestown, and Allston/Brighton all had large drops in the number of condos sold between 2005 and 2006, all being 25% or more. The downtown neighborhoods of Central Boston, Back Bay/Beacon Hill and South End together had much more modest losses in the sales volume of condos between 2005 and 2006. Condo sales in the city as a whole were down by 10% between year end 2005 and year end 2006.

Short Term Trends in Housing Prices 2005 and 2006

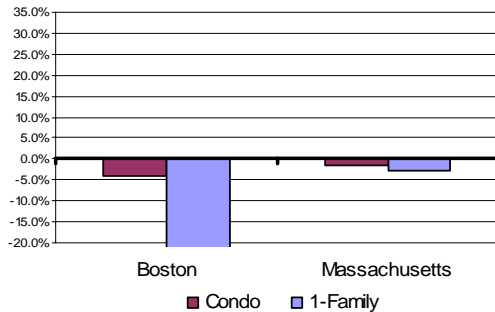
<u>Neighborhood</u>	<u>2005 Condominium Price</u>	<u>2006 Condominium Price</u>	<u>Percent Change</u>	<u>2005 Sales Volume</u>	<u>2006 Sales Volume</u>	<u>Percent Change</u>
Allston/Brighton.....	\$285,550	\$285,000	0	874	653	-25
Back Bay/Beacon Hill....	525,000	530,500	1	853	736	-14
Central.....	594,000	575,000	-3	901	853	-5
Charlestown.....	442,000	429,000	-3	498	332	-33
Dorchester.....	279,950	290,000	4	562	698	24
East Boston.....	260,287	250,000	-4	318	218	-31
Fenway/Kenmore.....	305,000	300,000	-2	308	307	0
Hyde Park.....	259,000	295,000	14	141	87	-38
Jamaica Plain.....	324,900	325,000	0	479	393	-18
Mattapan.....	237,500	249,900	5	48	95	98
Roslindale.....	299,000	285,000	-5	267	264	-1
Roxbury.....	280,000	282,920	1	326	300	-8
South Boston.....	353,250	349,000	-1	724	686	-5
South End.....	507,700	470,000	-7	733	749	2
West Roxbury.....	265,250	253,000	-5	200	117	-42
Citywide.....	350,000	350,000	0	7,232	6,488	-10

- Notes: 1. Data includes median sales price, not adjusted for inflation
2. These prices exempt all sales of properties of less than \$25,000 because the low price sales are not considered to be “arms-length” transactions and the high price sales can distort averages.
3. These are not “paired-sales” so the size, quality and type of houses sold vary from year-to-year.
4. Sales volume eliminates those sales mentioned in note 1 and also eliminate sales for properties that were not able to be accurately “geo-coded” for location so actual neighborhood and city wide totals are higher.

Source: City of Boston, Department of Neighborhood Development, May 2007, “Real Estate Trends, Annual Report 2006.”

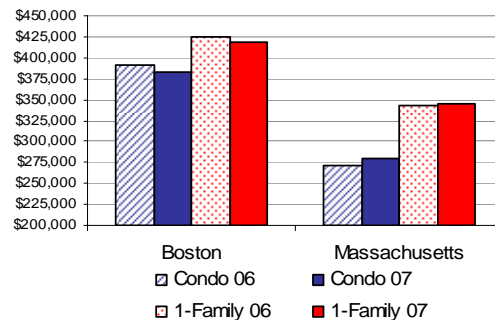
The tables below compare the housing markets for the entire city of Boston with Massachusetts as a whole for the period between March 2006 and March 2007. Total number of sales in both single family and condos have decreased more rapidly in Boston versus Massachusetts in the past year, ending in March 2007. Sales prices have also dipped slightly in Boston for both single family homes and condo’s between March 2006 and March 2007, while remaining stagnant in Massachusetts as a whole.

1-yr Percent Change in Sales for March 2007 - Boston & Massachusetts



Source: The Warren Group and the Massachusetts Association of Realtors

Median Sales Price for March 2007 Boston and Massachusetts



Sources: The Warren Group, Massachusetts Association of Realtors. BRA Research Department

The Boston Housing Authority (BHA) is a public agency that provides subsidized housing to low- and moderate-income individuals and families. The BHA administers two distinct housing programs. First, the Authority manages conventional public housing within the City of Boston. The BHA manages 64 developments, a few of which have both state and federal components. The BHA owns and manages some scattered site properties throughout the City of Boston as well. Of the 64 developments, 37 are designated as elderly/disabled developments and 27 are designated as family developments. Three of the 27 family developments have elderly/disabled housing on site and one of the elderly developments has designated units for families. The BHA currently owns 14,744 units of housing in Boston and houses about 27,000 people under the public housing program. In addition, the BHA administers approximately 11,000 rental assistance vouchers that allow families to rent in the private market and apply a subsidy to their rent. With this assistance, residents are able to pay approximately 30-40 percent of their income toward rent and the BHA pays the remainder. The BHA helps provide housing to approximately 25,000 people under this program. See “Large Public Sector Projects” for BHA development activity.

Boston has a successful record of producing artists’ housing. Twenty-six permanent affordable artist live/work units were recently occupied by artists in the South End at Artblock, and fourteen permanent affordable artist live/work units were occupied by artists in Jamaica Plain at Brookside, bringing the total number of permanent artist units created through the BRA’s Artist Space Initiative to 165. Additionally, 110 more artists units are now in planning and development in the South Boston, Hyde Park, and Lower Roxbury neighborhoods. More than 1,000 artists have filed paperwork to be eligible for future artists’ space as it is developed.

Housing construction accelerated between 2000 and 2006 with the Leading The Way I and II housing strategy plans – Boston’s comprehensive strategy for intensive housing construction. The City has counted 10,516 housing units completed from 2000 through 2006 including more than 4,998 new “affordable rate” units. Almost 8,000 households were protected from displacement through City efforts to prevent their subsidized apartments from becoming market-rate. Currently in construction are 4,639 total units while 3,352 more units are in developments which are designated “pre-construction”. When completed Boston’s Leading the Way production will total 18,858 housing units added. Virtually all of the Boston Housing Authority’s vacant units are now being reclaimed to create new housing, particularly for the homeless.

The Boston Redevelopment Authority has approved 34 different private-sector housing developments around the city both downtown and in the neighborhoods with 3,562 new housing units that are presently under construction. In addition, many more developments, both those approved by the City’s Department of Neighborhood Development and those with only private building permits are under construction.

Boston Redevelopment Authority
Housing Developments Under Construction
January 2007

<u>Project</u>	<u>Area</u>	<u>Total Units</u>	<u>Afford. Units</u>	<u>Market Units</u>	<u>Year Approved</u>
Jamaica Plain Co-Housing	Jamaica Plain	30	3	27	2003
5168-5178 Washington Street	West Roxbury	48	5	43	2003
80 Broad Street	Central	95	3	92	2004
Buckminster Hotel reuse	Fenway/Kenmore	22	2	20	2004
500 Atlantic Avenue	Central	141	0	141	2004
Atrium Lofts	East Boston	217	32	185	2004
Channel Center Phase I (Midway)	South Boston	89	36	53	2004
Trolley House Condos	South Boston	24	2	22	2004
Glenwood Avenue	Hyde Park	20	2	18	2004
Massport Parcels F2, G and J	South Boston	465	15	450	2004
244 Hanover Street	Central	9	1	8	2004
Stony Brook Farm Subdivision (I)	Hyde Park	5	0	5	2004
Harrison Commons	South End	196	20	176	2004
44 Prince Street	Central	57	6	51	2004
Sophia Snow House	West Roxbury	102	102	0	2004
1365 Boylston Street	Fenway/Kenmore	540	54	486	2005
Chestnut Hill Park	Allston/Brighton	47	6	41	2005
401 Mount Vernon Street	Dorchester	333	22	311	2005
76 Monroe Street	Roxbury	2	1	1	2005
VFW Parkway Condos	West Roxbury	15	1	14	2005
Deutsches Altenheim Addition	West Roxbury	62	2	60	2005
210 South Street	Central	54	6	48	2005
D4 Police Station Reuse	South End	26	3	23	2005
Harborview Point, Navy Yard	Charlestown	224	22	202	2005
4040 Washington Street	Roslindale	30	4	26	2005
Chestnut Hill Waterworks	Allston/Brighton	108	11	97	2005
Bigelow Court	Allston/Brighton	26	3	23	2005
One Linclon Plaza	Central	85	11	74	2005
197 State Street	Central	13	0	13	2005
301 Columbus Avenue	South End	50	5	45	2006
10 West Street	Central	72	0	72	2006
Court Square Press Phase 2	South Boston	143	20	123	2006
45 Province Street	Central	150	0	150	2006
Rivers Edge Condominiums	Mattapan	62	6	56	2006
TOTAL		3,562	406	3,156	

Source: Boston Redevelopment Authority, January 2007.

The Linkage Program

The City implemented its development linkage program in December 1983, in order to direct some of the benefits of downtown investment to the building of affordable housing in its neighborhoods, through the Neighborhood Housing Trust (NHT), and job training for City residents, through the Neighborhood Jobs Trust (NJT). Under the program, which was amended in 1986 and again in 2001, real estate developers seeking approval of large scale commercial or institutional developments are required to enter into agreements obligating them to pay exactions in the amount of \$9.44 per square foot of construction over 100,000 square feet, of which \$1.57 per square foot goes to a job training fund and \$7.87 per square foot goes for affordable housing purposes. The fee was last adjusted as of March 9, 2006.

Linkage payments to the NHT are amortized over a period of either seven or twelve years, depending on the date of the initial agreement. Under NHT policy, current agreements provide for a seven-year

payment period. The seven-member NHT board holds public hearings and has the authority to approve linkage grants to selected projects, except for a separate “housing creation” option, which requires the additional approval by the BRA. Since the inception of the linkage program through December 2006, the NHT has awarded \$93.7 million in grant funds to various affordable housing projects. Since the inception of the linkage program through December 2006, the NHT has awarded \$93.7 million in grant funds to various affordable housing projects.

Based on data through 2006, NHT funding contributed to the construction or renovation of 8,399 housing units in 132 projects in the City’s neighborhoods. Affordable housing units for low and moderate-income residents comprise 81% (6,777 units) of this total. Of these 132 housing developments created, linkage funds, for the most part, accounted for fewer than 7% of the total development costs of the projects. NHT grant awards are allocated to fund low and moderate-income housing through the renovation of old buildings and schools, as well as to assist in the creation of new housing. Projects have included rental units; single room occupancy units, such as housing for pregnant, homeless women and alcohol recovery programs; condominiums; housing cooperatives; and home ownership.

Between fiscal years 1988 and 2006 over \$19 million of funds were committed to the job training component of the City’s linkage program, and over \$16 million of funds had been awarded to a broad range of community-based job training and adult education programs. Services funded under this program include: model program designs for entry-level job training, adult education, English for Speakers of Other Languages, and workplace-based education. The NJT is particularly interested in supporting innovative education and training activities which result in high-wage employment, new or non-traditional employment opportunities, and community-based projects that respond to specific neighborhoods’ documented education and training needs. The NJT is committed to providing appropriate services to the residents of neighborhoods where, or adjacent to where, a given development project is located, while also ensuring that residents throughout the City have access to new jobs resulting from development.