

The Boston Economy 2008

Holding Strong



Boston Redevelopment Authority – Research Division

The Boston Economy 2008

Holding Strong



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A NOTE ABOUT THIS REPORT

The following report was prepared by the Boston Redevelopment Authority (the BRA) Research Division in July and August of 2008. 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 2007 the city had a population of 599,351, while generating 673,924 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

Boston saw four solid years of economic growth from 2003 through 2007 following the economic slowdown of 2001 through 2003. In September of 2007 the U.S. economy showed signs of economic weakness as evidenced by increased unemployment rates and weakening employment trends. The latest data for Boston, metropolitan Boston and the State of Massachusetts through June 2008 shows a labor market with a rising unemployment rate, but still positive employment growth. Although there are some preliminary signs of weakening, the Boston region is performing better than the US as a whole and better than most other metro areas. Generally Boston's office and hotel markets are strong with some softening in 2008 while housing still shows some weakness in sales and prices since early 2006.

The unemployment rate, which had risen to 6.5% in Boston in 2003, dropped to 4.4% in 2007 and then registered 5.6% in June 2008. Boston's office and markets which strengthened from 2003 through 2007. has shown some weakness in 2008. Residential home sales which were strong through 2005, have since shown slower sales volume and a slight fall in median sales prices but with fewer problems than other places in the nation.

Clearly Boston's economy as of mid-2008 is "holding steady" as some of the national economic picture dims. At this point Boston is still poised to hold up well during the national economic downturn.

Population

According to Census Bureau data for 2000, Boston's population was 589,141, a 2.6% increase from 1990, following the 2.0% increase of the 1980's. 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 2000 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 have a 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, which had 4.5 million people and 3.1 million jobs in 2006. Total personal income from 2001 through 2006 grew at an annual average rate of 3.7%, slightly below the national mark of 4.7%.

Employment

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

There were 673,924 jobs in Boston in 2007, an increase of 35,622 (5.6%) from 2004. The finance, business and professional services, and 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. In 2007 the annual average unemployment rate for Boston was 4.4%, slightly better than the 4.6% national rate, while the rates for Metropolitan Boston (4.1%), Massachusetts (4.5%) and New England (4.4%), were strong. Unemployment rates in June of 2008 registered 5.2% for Massachusetts, 5.0% for metro Boston and 5.6% for the city. Employment was showing some preliminary weakness in 2008 for the greater Boston area but remained positive.

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 3 medical and 2 dental schools, 25 public neighborhood health clinics, and various health maintenance organizations and membership clinics. In 2007, the city had 115,341 health services jobs.

For the 14th straight year, Boston emerged as the highest-ranking city in the United States for National Institutes of Health (NIH) grant awards, receiving more than \$1.6 billion in fiscal 2007. Boston's share of the nation's competitively awarded NIH funding is now at 7.7%

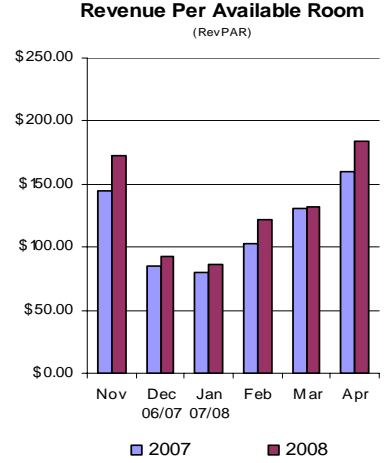
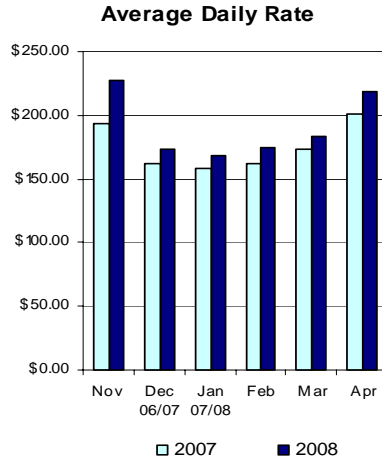
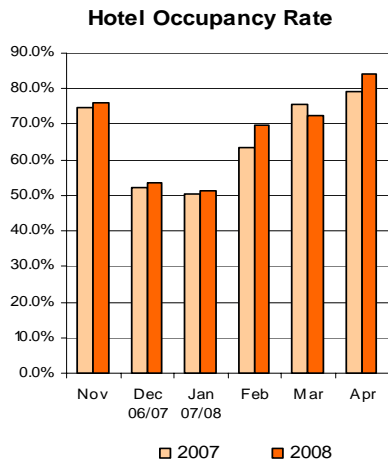
As of academic year 2006-2007, Boston was home to 34 universities, colleges, professional and graduate schools and community colleges that had a combined enrollment in fall 2006 of 145,274. Based on total graduate and undergraduate enrollment, Boston University was the largest university in Boston in the fall of 2006, with 32,212 students. Boston, with only 10% of the state's population, has 33% of the statewide college student enrollment.

Tourism and Culture

An estimated 17.8 million people visited the Boston metropolitan area in 2006 up 1.3% from the previous year. These visitors included tourists, business travelers and convention and meeting delegates, and they spent an estimated \$11.7 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 and Convention Market

The number of hotel rooms in Boston increased to 17,328 in 2007, when the annual average occupancy rate was 76.6%, and the revenue per available room was \$159.96. From July 1997 through December 2007 Boston has seen 5,885 rooms added in 27 new hotels and 5 expansion projects. Much of this construction was stimulated by the decision to build the new Boston Convention and Exposition Center. In Fiscal Year 2007 the Hynes Convention Center and the BCEC hosted 265 events with 772,557 attendees, a 33% rise in attendance from Fiscal Year 2006.



Source: Pinnacle Advisory Group

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 200,998 in Fiscal 2007. Since 1998 the Port of Boston has ranked as the 12th largest container port on the U.S. Atlantic Coast by container volume with over 1.1 million boxed containers handled, and in fiscal 2007 188,311 tons (in bulk tonnage) was shipped through Boston port.

In calendar 2007, Logan Airport served a total of 28.2 million passengers. A report on calendar year 2006 found that Logan was the most active airport in New England, the 19th most active in the United States and the 39th most active in the world.

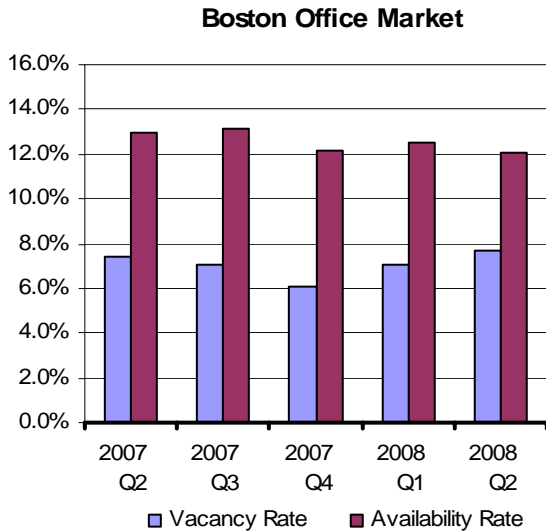
Construction Activity

Building permit fees during fiscal 2008 indicated that total construction activity was an estimated \$3.65 billion, up from \$3.39 billion in fiscal 2007. Between fiscal years 2007 and 2008, building permit revenue increased from \$27.86 million to \$31.01 million.

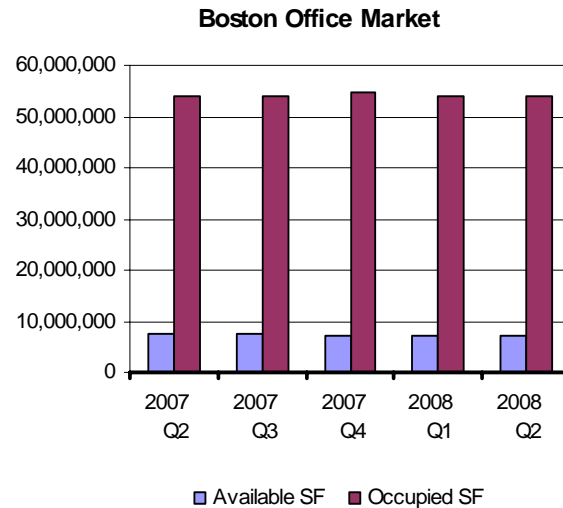
Office Market and New Development

The city and its neighborhoods currently have about 70.1 million square feet of office space. By the second quarter of 2008, Boston's overall vacancy rate was 6.4% or 7.7%, according to two realtor's surveys and the availability rate was 13.1% or 12.1% from the same sources. Boston's vacant and available office space has been just leveling after an improving track record over three years. Absorption of space still appeared strong through late 2007 with an annual total of about 990,000 square feet leased

As of the second quarter 2008, one source ranked Boston's downtown office market with the second best vacancy rate (6.4%) among the twenty largest downtown office markets in the U.S., trailing only Midtown Manhattan. Currently, two large downtown office projects with 700,000 square feet of office space in Boston are underway while four large projects with 3.6 million square feet are pending.



Source: Jones Lang LaSalle



Source: Jones Lang LaSalle

Retail Market

For 2007 it is estimated that there are about 67,839 employees in retail stores and food service and eating and drinking establishments in Boston, consisting of about 31,974 in retail and 35,865 in food service and eating and drinking. In 2002, about 2,228 retail establishments were located in the city with 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 26.6 million square feet of industrial space. As of December 2007, there were 3.6 million square feet of industrial space vacant, a vacancy rate of 13.4%, with -120,234 square feet of absorption over the year. The average rent for quality industrial space was estimated to range from \$8.09 per square foot (triple net) for warehouse and \$1.70 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.

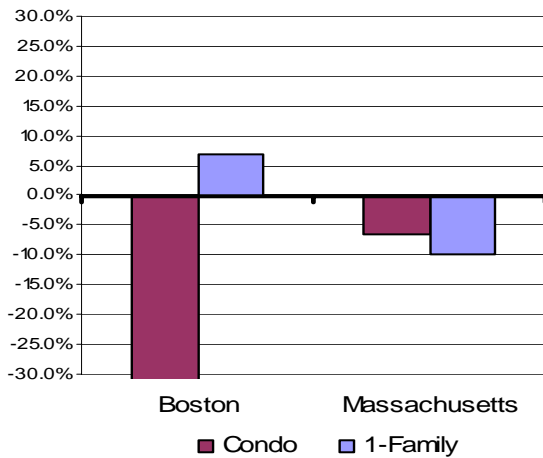
Public and publicly assisted housing presently total 49,868 units constituting over 19% of the city's housing stock. The percentage of owner to renter occupied units was 32.2% to 67.8%. The number of vacant units dropped to 12,407 while the vacancy rate for owner and renter housing fell to 1.0% and 3.0%,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

A 2007 survey showed that the median rent for an apartment in Boston in 2007 as advertised in the newspapers was \$1,700 per month a rise from \$1,575 in 2006.

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.

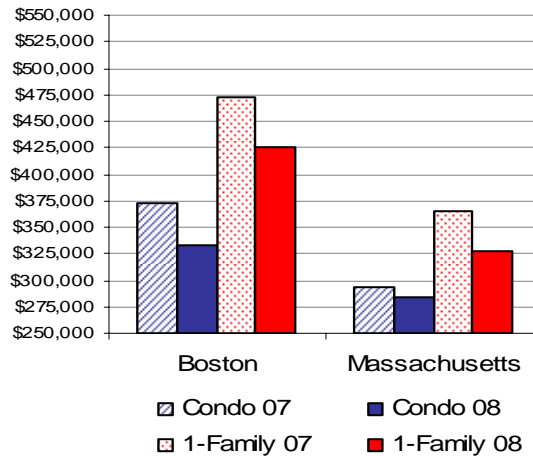
The city has counted 14,668 housing units completed from 2000 through 2007, including more than 4,207 new "affordable rate" units. Over 7,000 households were protected from displacement through city efforts to prevent their subsidized apartments from becoming market-rate. Currently in construction are 3,708 total units while 1,216 more units are in developments which are designated "pre-construction".

1-Yr Change in Sales for July



Sources: The Warren Group, Massachusetts Association of Realtors

July Median Sales Price



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

THE BOSTON ECONOMY

The City 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 2007 the City had a population of 599,351, as estimated by the U.S. Department of Commerce Bureau of the Census (the “Bureau of the Census”), and had 673,924 jobs, as stated in a series for Boston consistent with the U.S. Department of Commerce, Bureau of Economic Analysis (the “Bureau of Economic Analysis”) for Suffolk County pro-rated for Boston. 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

After slow economic times from 2001 through 2003, Boston’s economy showed growth from 2004 to 2007. In Boston, through 2007, signs of a strong economy in Massachusetts, Metropolitan Boston, and the City remained evident. The latest data for the first half of 2008 are only partially available for Boston and shows some deterioration of economic conditions, particularly evident in unemployment rates, employment growth, office vacancies and absorption, and housing sales and prices, however positive job growth, low unemployment rates and relatively strong office and hotel markets were still in place as of July 2008 particularly compared to other areas of the nation.

Unemployment rates, which had declined to a low of 2.7%, 2.5%, and 3.0% in the Commonwealth, Metropolitan Boston, and in the City, respectively, by the end of 2000, rose to peak levels of 5.8%, 5.7% and 6.5% in 2003 but have since decreased to 5.2%, 5.0% and 5.6%, respectively, in June 2008. Boston’s office market strengthened from 2005 through 2007 with lower vacancy rates, less availability space, and positive absorption for three consecutive years but showed some burgeoning weakness in the first two quarters of 2008. Hotel occupancy went from 69.6% in 2001 to 76.6% in 2007. 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 from 2006 through 2007, however, shows slower sales volume and a slight fall in median sales prices; a -4.3% decline in the price of a single family home in the City over the two year time span.

The six-state New England region had a combined population of 14.2 million people and 9.2 million jobs in 2006 according to Bureau of Economic Analysis annual data. Total personal income in New England grew at an annual average compound rate of 3.8% from 2001 through 2006, below the 4.7% national rate for the same period. Employment in New England grew by 376,631 jobs from 2001 through 2006, an annual average of 0.8%.

Massachusetts had a population of 6.4 million people and 4.2 million jobs in 2006, according to Bureau of Economic Analysis annual data. Total personal income in Massachusetts grew at a 3.6% annual average rate from 2001 through 2006, slightly less than the 3.8% rate of increase for New England, and below the national rate of 4.7%. Massachusetts gained 90,589 jobs between 2001 and 2006, an annual average of 0.4%.

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 4.5 million people and 3.1 million jobs in 2006. Total personal income from 2001 through 2006 grew at an annual average rate of 3.7%, below the national mark of 4.7%. The most recent employment data show a gain of 50,294 jobs for the 2001-2006 period, an annual rate of 0.3%.

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 July 2008 on certain topics for the region, the Commonwealth, and Metropolitan Boston. 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, Metropolitan Boston and Suffolk County are for 2006. The most recent quarterly statistics are for the fourth quarter of 2007. 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 2007 are the most recent annual data available. The most recent monthly data are for July 2008.

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.

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.

Population

Boston’s population for 2007 was estimated by the U. S. Census Bureau to be 599,351 which showed an increase of 1.7% from the count of 589,141 in 2000. The Bureau of the Census has also released 2007 population data for states and metropolitan areas. The population of Massachusetts as of July 1, 2007 is estimated to have been 6,449,755, a gain of 1.6% over that for April 2000. The population of metropolitan Boston for July 1, 2007 is estimated to have been 4,482,857, a rise of 90,913 residents from the 2000 census, a gain of 2.1%.

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.

**Population of Massachusetts, Metropolitan Boston
and the City of Boston 1980, 1990, 2000 and 2007**

	<u>1989</u>	<u>1990</u>	<u>2000</u>	<u>2007</u>	<u>1980-90</u>		<u>1990-2000</u>		<u>2000-07</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	6,449,755	279,388	4.9%	332,672	5.5%	99,648	1.6%
Metropolitan Boston ⁽¹⁾	N/A	4,133,895	4,391,344	4,482,857	N/A	N/A	257,449	6.2	90,913	2.1
City of Boston	562,994	574,283	589,141	599,351	11,289	2.0%	14,858	2.6	10,210	1.7

(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.

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 2001-2006 population, income and employment trends for the U.S., New England, Massachusetts, and Metropolitan Boston.

**Population, Income and Employment
2001-2006
(Income in current year dollars)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
United States						
Total Personal Income (\$000)	\$8,716,992,000	\$8,872,871,000	\$9,150,320,000	\$9,711,363,000	\$10,284,356,000	\$10,968,393,000
Per Capita Income	\$30,547	\$30,821	\$31,504	\$33,123	\$34,757	\$36,714
Population	285,112,030	287,888,021	290,447,644	293,191,511	295,895,897	298,754,819
Employment	167,014,700	166,633,100	167,553,500	170,512,700	174,176,400	178,332,900
New England						
Total Personal Income (\$000)	\$524,401,681	\$528,029,789	\$538,412,941	\$569,244,199	\$595,832,635	\$631,192,153
Per Capita Income	\$37,323	\$37,364	\$37,950	\$40,058	\$41,909	\$44,327
Population	14,050,319	14,132,165	14,187,489	14,210,396	14,217,418	14,239,292
Employment	8,835,470	8,775,999	8,755,319	8,898,449	9,034,854	9,212,101
Massachusetts						
Total Personal Income (\$000)	\$249,094,962	\$249,954,238	\$253,993,468	\$266,635,158	\$280,387,873	\$297,905,362
Per Capita Income	\$38,875	\$38,862	\$39,449	\$41,444	\$43,612	\$46,299
Population	6,407,631	6,431,788	6,438,510	6,433,676	6,429,137	6,434,389
Employment	4,125,438	4,064,943	4,032,093	4,074,096	4,134,994	4,216,027
Metropolitan Boston ⁽¹⁾						
Total Personal Income (\$000)	\$188,442,089	\$188,434,021	\$190,707,890	\$200,371,330	\$211,564,728	\$225,705,104
Per Capita Income	\$42,413	\$42,285	\$42,794	\$44,988	\$47,491	\$50,542
Population	4,442,981	4,456,292	4,456,462	4,453,867	4,454,814	4,465,674
Employment	3,070,248	3,012,650	2,977,001	3,004,301	3,054,245	3,120,542

(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.

Source: Bureau of Economic Analysis, May 2008. Bureau of the Census, population figures for Massachusetts and Metropolitan Boston.

The table below shows Boston's employment growth by industry category for 2005, 2006, and 2007. 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 2006. Suffolk County data is mathematically reduced to the Boston geography using unemployment insurance coverage data (ES-202) from the Massachusetts Department of Workforce Development ("DWD").

Employment trends for 2005 through 2007 for Boston show that 27,860 jobs have been added in two years, a 4.3% rate of change. Health care, finance, administrative and support and waste management and remediation services, accommodation and food services, professional services, and education show the largest gains.

City of Boston Employment 2005 – 2007
NAICS (North American Industry Classification System)

Industry	2005	2006	2007*	Absolute Change	Percent Change
Fishing/Mining/Agriculture.....	117	115	115	-2	-2.0
Utilities	2,128	2,087	2,139	11	0.5
Construction	16,925	17,360	17,436	511	3.0
Manufacturing.....	13,247	11,952	10,450	-2,796	-21.1
Wholesale Trade.....	9,570	9,543	10,251	681	7.1
Retail Trade (excludes food service)	32,146	32,017	31,974	-171	-0.5
Transportation and Warehousing.....	18,903	18,357	19,695	792	4.2
Transportation.....	17,373	17,318	18,654	1,280	7.4
Information	16,408	17,520	16,850	442	2.7
Finance and Insurance	77,809	79,915	81,275	3,466	4.5
Banking.....	20,415	20,228	21,010	595	2.9
Securities and other Financial Investment Activities... ..	38,299	40,023	41,113	2,813	7.3
Insurance Carriers and Related Activities.....	19,095	19,664	19,153	58	0.3
Real Estate and Rental and Leasing	20,462	21,730	21,392	930	4.5
Professional, Scientific, and Technical Services.....	71,670	73,503	74,933	3,263	4.6
Legal Services	20,656	20,737	21,116	461	2.2
Accounting, Tax Preparation, Bookkeeping.....	9,806	9,868	9,782	-25	-0.3
Architectural, Engineering, Design, and Related.....	10,013	9,365	9,702	-311	-3.1
Computer Systems Design and Related Services.....	5,355	6,195	6,901	1,546	28.9
Management, Scientific, and Technical.....	12,023	13,178	12,398	375	3.1
Scientific Research and Development Services.....	7,422	7,617	8,036	614	8.3
Other Professional, Scientific and Technical Serv. .	6,396	6,544	6,998	602	9.4
Management of Companies and Enterprises .	7,586	7,502	7,294	-293	-3.9
Admin. & Support and Waste Mgmt. and Remediation Service	40,779	42,404	45,350	4,571	11.2
Educational Services	48,695	49,786	50,611	1,917	3.9
Colleges and Universities	41,602	42,728	43,259	1,657	4.0
Health Care and Social Assistance	108,023	111,007	116,748	8,725	8.1
Hospitals.....	73,452	75,840	80,865	7,412	10.1
Arts, Entertainment, and Recreation.....	13,100	13,123	13,964	864	6.6
Accommodation and Food Services	44,338	45,538	46,803	2,465	5.6
Accommodation.....	10,266	10,564	10,938	672	6.5
Food Service and Drinking Places.....	34,072	34,973	35,865	1,793	5.3
Other Services (except public administration) ⁽¹⁾	27,345	28,121	29,090	1,745	6.4
Government.....	76,814	76,925	77,553	739	1.0
Total	646,064	658,505	673,924	27,860	4.3

* 2007 is an estimate based on annual data from DWD and an estimate from the Bureau of Economic Analysis (based on 2006 data).

(1) Other Services includes repair and maintenance, personal and laundry services, and religious, grant-making, civic, professional, and similar organizations.

Source: The employment figures are from the Bureau of Economic Analysis Series for Suffolk County, pro-rated to the City's geographical boundary using data from the Massachusetts Department of Workforce Development ("DWD"). See the footnotes above. 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 non-agricultural employment data. As of late August 2008 preliminary data through the month of July 2008 was available, and are presented in the following tables. Data from the following tables shows that employment has grown every month relative to the same month from the previous year since January 2006. In fact, the historical data shows this to be the case since June 2004. In July 2008 an increase of 18,900 jobs in Metropolitan Boston was evident over July of 2007. Since January 2006, there has been an increase of 102,700 jobs.

Metropolitan Boston ⁽¹⁾
Total Non-Agricultural Employment
Monthly, 2006-2008
(Not seasonally adjusted, employment in 000's)

<u>Month</u>	2006		2007		2008	
	<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	2,398.5	+1.2%	2,435.2	+1.5%	2,455.9	+0.9%
February	2,403.8	+1.0	2,436.4	+1.4	2,460.1	+1.0
March	2,417.9	+1.4	2,446.3	+1.2	2,471.0	+1.0
April	2,442.0	+0.9	2,474.8	+1.3	2,497.7	+0.9
May	2,451.9	+0.9	2,493.4	+1.7	2,513.5	+0.8
June	2,471.9	+1.2	2,510.2	+1.5	2,529.2	+0.8
July	2,448.9	+1.1	2,482.3	+1.4	2,501.2(p)	+0.8(p)
August	2,443.0	+1.1	2,475.7	+1.3	N/A	N/A
September	2,468.5	+1.2	2,494.2	+1.0	N/A	N/A
October	2,480.3	+1.3	2,504.7	+1.0	N/A	N/A
November	2,490.6	+1.2	2,514.3	+1.0	N/A	N/A
December	2,498.2	+1.2	2,517.4	+0.8	N/A	N/A
ANNUAL	2,451.3	+1.1	2,482.1	+1.3	N/A	N/A

(1) Comprises the Boston-Cambridge-Quincy MA-NH NECTA, as defined by the Bureau of Labor Statistics.

(p) Preliminary

Source: Bureau of Labor Statistics (790 Series of Non-Agricultural Employment, August 2008).

The industry composition of employment comparing July 2007 to preliminary July 2008 figures shows that most job losses over the previous year occurred in manufacturing, retail trade, construction, financial activities, information services, and other services. Gains were evident in wholesale trade, transportation, warehousing, and utilities, professional & business services, education & health services, leisure and hospitality services, and natural resources and mining.

Metropolitan Boston ⁽¹⁾
Non-Agricultural Wage and Salary Employment by Industry
July 2007 and July 2008
(Seasonally unadjusted, employment in 000's)

<u>Industry</u>	<u>July 2007</u>	<u>July 2008 (p)</u>	<u>Change (p)</u>	<u>Percent (p)</u>
Non-Agricultural Total	2,482.3	2,501.2	+18.9	+0.8
Natural Resources and Mining	1.1	1.2	+0.1	+9.0
Construction	105.6	103.3	-2.3	-2.2
Manufacturing	222.3	219.7	-2.6	-1.2
Durable Goods	158.0	156.0	-2.0	-1.3
Non-Durable Goods	64.3	63.7	-0.6	-0.9
Trade, Transportation & Utilities	417.7	417.1	-0.6	-0.1
Wholesale Trade	105.5	106.3	+0.8	+0.8
Retail Trade	251.3	248.8	-2.5	-1.0
Transport, Warehousing & Utilities ..	60.9	62.0	+1.1	+1.8
Information Services	75.3	75.1	-0.2	-0.3
Financial Activities	191.6	190.3	-1.3	-0.7
Professional & Business Services	414.6	422.5	+7.9	+1.9
Education & Health Services	455.1	466.0	+10.9	+2.4
Leisure & Hospitality Services	229.3	233.6	+4.3	+1.9
Other Services	91.1	90.9	-0.2	-0.2
Government	278.6	278.5	-0.1	-0.0

(2) Comprises the Boston-Cambridge-Quincy MA-NH NECTA, as defined by the Bureau of Labor Statistics.

(p) Preliminary

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

Source: Bureau of Labor Statistics (790 Series of Non-Agricultural Employment, August 2008).

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.....	27,115	9	—	—	—	—	—	—	—	—
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 2007, Boston's unemployment rate was 4.4%, two-tenths better than the 4.6% national rate. Metropolitan Boston, Massachusetts and New England had rates at 4.1%, 4.5%, and 4.4%, respectively. All of these rates except for the U.S. as a whole were still above the rates of the previous year, 2006.

Annual Unemployment Rates, 2001-2007

	2001	2002	2003	2004	2005	2006	2007
City of Boston	4.1%	5.9%	6.4%	5.6%	5.2%	5.0%	4.4%
Metropolitan Boston ⁽¹⁾	3.6	5.3	5.7	5.0	4.5	4.5	4.1
Massachusetts	3.7	5.3	5.8	5.2	4.9	4.8	4.5
New England	3.6	4.8	5.4	4.9	4.7	4.5	4.4
United States	4.7	5.8	6.0	5.5	5.1	4.6	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. June 2008.

As the following table illustrates, monthly data for most areas in New England for 2007 showed unemployment rates that were improved over 2006. For the first four months of 2008, Boston's unemployment rate compared favorably with those for 2007. Rising unemployment rates became evident in the U. S. economy beginning in September of 2007 continuing through July of 2008 while rising unemployment rates in New England and Massachusetts were only evident starting with the May 2008 data.

**Monthly Unemployment Rates for City of Boston, Metropolitan Boston ⁽¹⁾, Massachusetts,
New England and the United States for 2006, 2007 and 2008⁽²⁾**

	City of Boston			Metropolitan Boston ⁽¹⁾			Massachusetts			New England			United States		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Jan.	5.1%	5.1%	4.8%	4.8%	4.8%	4.6%	5.4%	5.5%	5.2%	5.1%	5.2%	5.3%	5.1	5.0%	5.4%
Feb.	5.1	4.7	4.4	4.8	4.6	4.4	5.3	5.1	5.0	5.1	5.0	5.2	5.1	4.9	5.2
Mar.	4.9	4.3	4.2	4.6	4.3	4.3	5.2	4.8	4.8	4.8	4.6	5.2	4.8	4.5	5.2
Apr.	4.9	4.0	3.6	4.4	3.9	3.6	4.7	4.3	3.9	4.4	4.3	4.4	4.5	4.3	4.8
May.....	5.0	4.5	4.8	4.4	4.1	4.4	4.7	4.3	4.7	4.4	4.3	5.0	4.4	4.3	5.2
Jun.	5.5	4.9	5.6	4.7	4.4	5.0(p)	4.9	4.6	5.2	4.6	4.5	5.4	4.8	4.7	5.5
Jul.	5.6	4.9	NA	4.7	4.3	NA	5.0	4.7	5.1	4.7	4.6	5.4	5.0	4.9	5.7
Aug.....	5.8	4.4	NA	4.4	3.9	NA	4.7	4.2	NA	4.4	4.2	NA	4.6	4.6	NA
Sep.....	5.2	4.6	NA	4.5	4.1	NA	4.8	4.4	NA	4.4	4.3	NA	4.4	4.5	NA
Oct.....	4.5	4.0	NA	4.0	3.6	NA	4.2	3.9	NA	4.0	4.0	NA	4.1	4.4	NA
Nov.....	4.6	3.9	NA	4.1	3.6	NA	4.4	3.8	NA	4.2	4.1	NA	4.3	4.5	NA
Dec.....	4.3	3.9	NA	4.0	3.7	NA	4.4	4.1	NA	4.2	4.3	NA	4.3	4.8	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) Unemployment rates are not seasonally adjusted. Most recent data are preliminary and subject to revision.

(p) Preliminary

Sources: Bureau of Labor Statistics for United States, New England and Massachusetts; and Massachusetts Department Workforce Development for the City and Metropolitan Boston. August 2008.

The table below lists the fifty largest private employers in Boston. Each employer has over 1,000 employees, and as an aggregate represent 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

Sources: 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 77,621 federal state and local government workers in the City in 2007. 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	
	Persons	Percent	Persons	Percent	Persons	Percent	Persons	Percent
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 \$49,239 in 2006, 34% above the national per capita personal income of \$36,714, 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 2000-2006
(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.....	\$ 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	38,137
2001.....	30,547	37,323	38,875	42,413	39,855
2002.....	30,821	37,364	38,862	42,285	39,277
2003.....	31,504	37,950	39,449	42,794	40,232
2004.....	33,123	40,058	41,444	44,988	43,089
2005.....	34,757	41,909	43,612	47,491	46,451
2006.....	36,714	44,327	46,299	50,542	49,239

(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.

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

Source: Bureau of Economic Analysis, June 2008.

Data from the Bureau of Economic Analysis indicate that the average annual wage per job for 1970 through 2006 by place of work have been consistently higher over time in Suffolk County than in Metropolitan Boston and the Commonwealth. In 2006, Suffolk County's average wage per job (\$68,868) was 24% greater than that in the Boston metropolitan area (\$55,677) and 35% greater than the average state earnings level (\$51,196). The average annual wage 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, 2000-2006
(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.....	\$ 6,923	\$ 6,899	\$ 7,039	\$ 7,264	\$ 7,790
1980.....	13,999	13,358	13,526	14,095	15,472
1990.....	23,326	26,834	26,291	27,693	31,274
2000.....	34,718	40,485	43,218	47,042	55,522
2001.....	35,582	41,634	43,842	47,646	57,602
2002.....	36,150	42,073	43,888	47,462	56,989
2003.....	37,169	43,248	45,184	48,829	58,478
2004.....	38,810	45,368	47,802	51,904	64,611
2005.....	40,172	47,020	48,970	53,160	65,610
2006.....	41,991	49,474	51,196	55,677	68,868

(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.

Source: Bureau of Economic Analysis, June 2008.

During the years 2000-2007, based on the Bureau of Labor Statistics Consumer Price Index, the cost of living index rose at an annual average rate of 3.1% in Metropolitan Boston, while the national index increased at a 2.7% annual rate. From July 2007 to July 2008, the cost of living in Metropolitan Boston increased 6.3%, slightly higher than the 5.6% rate for the U.S. as a whole.

**Consumer Price Index for All Urban Consumers
For 2000 through 2008
(CPI-U) ⁽¹⁾**

	United States	Percent	Metropolitan Boston ⁽²⁾	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
2007.....	207.3	2.8	227.4	1.9
2007 (July).....	208.3	-	226.9	-
2008 (July).....	219.9	5.6	241.3	6.3

(1) 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.

(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: 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 Medical Center, Children’s Hospital, the New England Medical Center and Boston Medical Center. These hospitals had a combined total of 5,909 beds in 2004 according to the most recent data from the American Hospital Association. 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 the home of 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 2007, there were 115,341 health services jobs in the City, see the table “City of Boston Employment, 2005-2007.” 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 2005 and 2007 grew from 73,525 to 79,469.

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 2007, there were three hospital or medical research building projects in construction for completion between 2007 and 2009: 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); Boston Medical Center's 245,000 square-foot New Ambulatory Care Building; the 440,000 square-foot Longwood North Research Center medical research building in the Longwood Medical and Academic Area recently acquired by Children's Hospital; and Dana Farber Cancer Institute's 275,000 square-foot Center for Cancer Care, also in the Longwood Medical and Academic Area.

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 clusters of life sciences industries. According to a January 2007 report by Battelle entitled "Growing the Nation's Bioscience Sector: A Regional Perspective," Boston ranks fifth among the 25 metropolitan regions with over 10,000 employment 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, with 9.58 biosciences employees per 1,000. 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 2006-2007, the New England Board of Higher Education reported that the City's 34 universities, colleges, and community colleges had a combined enrollment in fall of 2006 of 145,274, a 7.5% gain from the fall of 2001. These numbers, the most currently available, 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 2006, with 32,212 students. Boston, with only 10% of the state's population, has 33% of the statewide college student enrollment.

From 2003 through 2007, 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 its 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 year-end 2007, 23 dormitories with 7,321 dormitory beds (6,571 undergraduate and 750 graduate) opened to house Boston's college students. In 2007 two dormitories were finished: the Trilogy project at 180 Brookline Street in the Fenway, with 170 graduate student beds for Harvard University; and 275 beds for Suffolk University at 10 West Street downtown. The recent additions mean that Boston's colleges and universities now accommodate over 32,000 students in on-campus housing facilities. There are currently five dormitories under construction: the 115-bed Wheelock College student residences at 154 The Riverway; the 364-bed renovation of the Colonial Building by Emerson College at 80 Boylston Street in the downtown district; the 262-bed Emerson College dormitory adjacent to the Paramount Theater on Washington Street downtown; the new 1,200 bed Residence Hall I of Northeastern University at Tremont and Ruggles Streets in the South End; and the new 960-bed Armory Dorm Phase 2

by Boston University at 899 Commonwealth Avenue in Brighton. While college enrollment remains stable, new student housing is pulling students out of neighborhood housing, 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 17.8 million people visited the Boston metropolitan area in 2006, up by 1.3% from the 17.6 million visitors in 2005. 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 \$11.7 billion for hotel accommodations, meals, entertainment, shopping, transportation and other services during 2006. 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 1 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 world champion 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 Foxborough, 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 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.

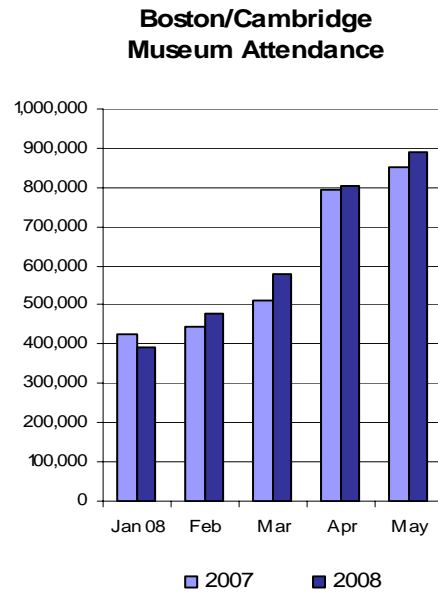
Boston is an attractive destination for conventions, meetings, and trade-and-gate shows. Currently Boston has three small and medium convention sites, the John B. Hynes Veterans Memorial Convention Center (“Hynes”), the World Trade Center and the Bayside Exposition Center, with a combined capacity of 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 2007 the Hynes and the BCEC hosted 265 events with 772,557 attendees. This represented a 33% increase in attendance over the previous year’s attendance of 579,470.

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. 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.

Several cultural institutions are pursuing development plans that are either currently proposed, approved, or under construction. The Museum of Fine Arts has 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

The Table below shows the Boston-Cambridge area Museum Attendance for January through May of 2007 and 2008. All months except January show an increase in attendance in 2008 over the same month in 2007.

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"



Source: Greater Boston Museums & Attractions

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%. Between 1982 and 1985 alone eight new hotels were completed with a total of 3,981 rooms. Between July 1997 and December 2007 Boston has built 5,885 rooms in 27 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. Boston's annual occupancy rates have exceeded 72% in 13 out of the 15 years since 1992.

From the beginning of 2004 through 2007 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; the 424-room Intercontinental Hotel on the downtown waterfront; and the 308-room Liberty Hotel, which includes the adaptive reuse of the historic Charles Street Jail. As of December 2007 there

were a total of 17,328 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.

Five additional hotels with a total of 1,130 rooms are now under construction in Boston. The 471-room Marriott Renaissance on the South Boston waterfront and the 150-room Battery Wharf Regent on the downtown waterfront are scheduled to open in early 2008. 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 spring 2008. The 125-room Ames Hotel is an adaptive reuse of an historic office building near Government Center scheduled to open in late 2007. The “W” Hotel with 235 rooms is under construction in the Theater District and scheduled to open in 2009. Seven more hotels have BRA Board approvals but are not yet under construction.

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 2007 Boston room demand grew by 21.9% over these four years and 2007 occupancy rose to 76.6% with average daily rates averaging \$208.89, according to the Pinnacle Advisory Group. Revenue per available room was \$159.96 in 2007, exceeding the old record of \$155.33 recorded for 2000.

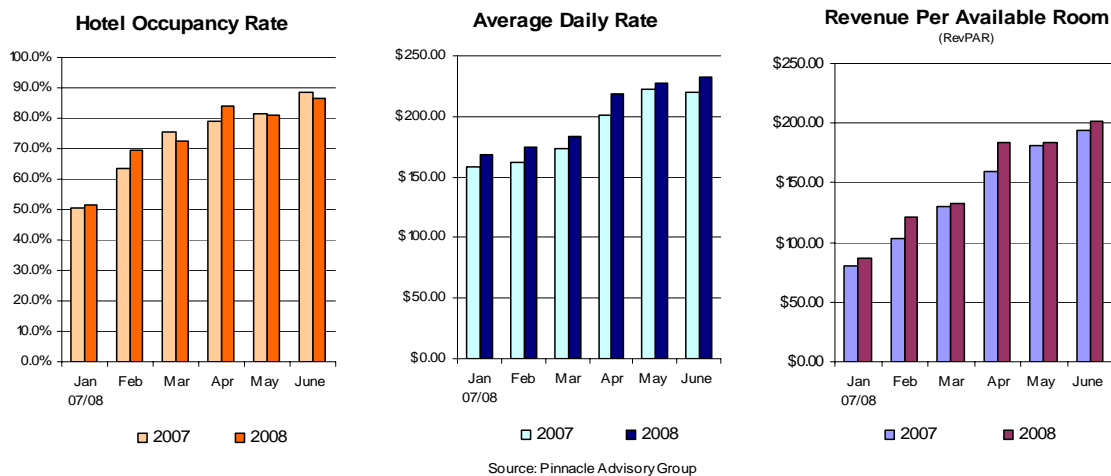
The tables below show the occupancy rate, average daily room rate, and revenue per available room for Boston hotels for 1990, and 2000 through 2007.

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

<u>Year</u>	<u>Room Supply</u>	<u>Occupancy Rate %</u>	<u>Average Daily Rate</u>	<u>Percent Change</u>	<u>Revenue Per Available Room</u>	<u>Percent Change</u>
1990	12,070	74.3	118.72	—	88.21	—
2000	14,002	78.4	198.00	4.9	155.33	9.7
2001	14,348	69.6	180.58	-8.8	126.48	-18.6
2002	14,444	72.2	164.39	-9.0	118.71	-6.1
2003	15,034	71.1	155.52	-5.4	110.52	-6.9
2004	15,702	74.5	169.04	8.7	125.99	14.0
2005	15,866	75.4	176.73	4.5	133.24	5.8
2006	17,020	76.4	196.61	11.2	150.23	12.8
2007	17,328	76.6	208.89	6.2	159.96	6.5

Source: Occupancy, ADR and RevPAR reported by Pinnacle Advisory Group. BRA Research Division count of room supply at the end of each calendar year. Room Supply counts only rooms in hotels of 50 or more rooms.

The tables below show the occupancy rate, average daily room rate, and revenue per available room for Boston hotels for January through June of 2007 and 2008.



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 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 of a tunnel from Washington Street to South Station and Logan Airport that will connect the Phase I and Phase II segments.

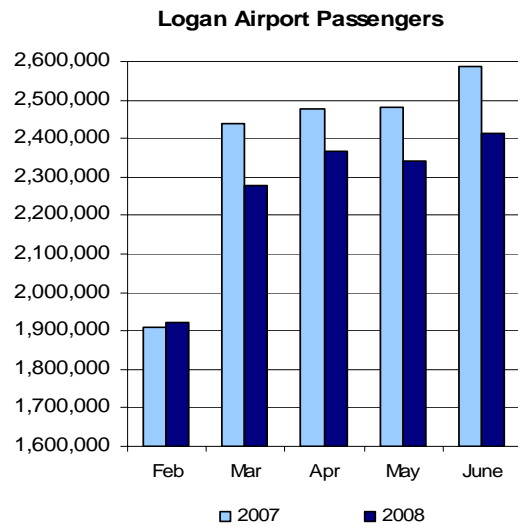
Since 1991, Amtrak has spent \$1.8 billion on a multi-year high-speed rail infrastructure project intended to provide better ride quality, permit faster train speeds, and increase capacity for passengers on the rail corridor between Boston and New York. Ridership between Boston and New York has grown significantly as a result of the new high-speed service, despite the general downturn in the economy and regional travel. In fiscal year 2007 Amtrak carried 975,826 passengers between New York and Boston—an increase of 41% over the pre-Acela year of 2001. Amtrak commenced Boston—Portland, Maine passenger rail service (the “Downeaster”) in 2001. The 200-passenger train runs four times a day in each direction between North Station and Portland. The trip 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 Central Artery/Third Harbor Tunnel project 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 2007 exceeded \$3.83 billion, consisting of \$3.25 billion invested in airports and \$582 million invested in the Tobin Bridge, maritime development and other capital projects. In February 2008, Massport projected that it would spend about \$899 million during fiscal years 2008-2012 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 weekly barge service the Port of New York/New Jersey. (The prior feeder service suspended operations in December 2007.) 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 2007 (200,998) decreased by 18.4% compared to fiscal 2006 due to an increase in turnaround



Source: Massport

vessels and the loss of some small ships in 2007. 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 2007, the Port activity of 1,116,156 boxed containers increased 4.6% over fiscal 2006, primarily as a result of new far-east service provided by COSCO, while the 10,252 automobiles handled in fiscal 2007 decreased by 7.7% from fiscal 2006 and the 188,311 tons (in bulk tonnage) for fiscal 2007 decreased by 9.3% from fiscal 2006's bulk tonnage.

Logan Airport served a total of 28.2 million passengers in 2007, a 1.8% increase from the 27.7 million passengers served in 2006. A report on calendar year 2006 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 39th 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 19th in the nation in total air cargo volume in 2006. In fiscal 2007 total combined cargo and mail volume was 680.1 million pounds: a 9.8% decrease from the 759.3 million pounds in fiscal 2006. Trends for February through June of 2007 and 2008 are shown in the above graph.

Construction Activity

The following table sets forth construction activity in the City from fiscal years 1999-2008, 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 2008 indicated that total construction activity was an estimated \$3.65 billion. Revenue from building permit fees increased in all but one of the fiscal years between 1999 and 2007. Between fiscal years 2007 and 2008, building permit revenue increased from \$27.9 million to \$31.0 million, a gain of 11.3%. Data for fiscal year 2008 is preliminary.

**Boston Building Permit Revenues and Estimated Construction Activity
Ten Fiscal Years, 1999-2008**

	Building Permit Revenues⁽¹⁾	Estimated Potential Construction Activity⁽²⁾	Estimated Potential Construction Activity Adjusted For Inflation⁽³⁾
1999.....	\$11,404,006	\$1,341,647,713	\$1,818,085,111
2000.....	17,922,648	2,108,546,846	2,739,043,697
2001.....	27,191,839	3,199,039,882	3,984,182,830
2002.....	19,055,144	2,241,781,647	2,720,941,083
2003.....	20,145,888	2,370,104,471	2,772,289,928
2004.....	22,724,810	2,673,507,019	3,043,586,749
2005.....	23,213,600	2,731,011,765	3,009,918,234
2006.....	26,253,029	3,088,591,647	3,301,788,919
2007.....	27,861,224	3,277,791,059	3,388,613,643
2008 ⁽⁴⁾	31,007,327	3,647,920,824	3,647,920,824
Total	<u>\$226,779,514</u>	<u>\$26,679,942,872</u>	<u>\$30,426,371,018</u>
Annual Average 1999-2008	\$ 22,677,951	\$ 2,667,994,287	\$ 3,042,637,102

- (1) Building permit revenues in current dollars. Columns may not add due to rounding.
- (2) Potential 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 estimated and projected 2008 constant dollars (CPI-U Boston).
- (4) Fiscal Year 2008 data estimated based upon preliminary actual building permit revenues for the twelve months.

Source: City of Boston, Auditing Department and City of Boston Annual Reports. Compiled by Boston Redevelopment Authority's Research Division (July 2008).

Large Public Sector Projects

In addition to major construction projects of the MBTA and Massport, Boston has witnessed several other major public sector projects including the Boston Convention and Exposition Center (“BCEC”) Project and the Central Artery/Tunnel (“CA/T”), the downtown highway tunnel through the City including the Ted Williams tunnel under Boston Harbor. The CA/T Project, which has improved traffic flow in Boston since its completion, 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. 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, 2007. 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 \$1.1 billion on improvements to its wastewater system improvements and approximately \$0.6 billion on waterworks system through June 30, 2007. 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 FY08 Capital Improvement Program anticipates the spending of approximately \$1.7 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”) completed major revitalization initiatives at three public housing developments between 1997 and 2007: 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.

Office Market and New Development

The City and its neighborhoods currently have approximately 70.0 million square feet of office space. During the second quarter of 2008, Boston’s overall vacancy rate according to CB Richard Ellis was 6.4% (13.1% availability when including space to sublet). Another realty firm, Jones Lang LaSalle, placed the City’s office vacancy rate at 7.7%, but reports the availability rate to be 12.1%. The vacancy rate, after reaching the lowest point in seven years at 5.8% during the first quarter of 2008 it increased during the second quarter.

Net absorption of office space during the second quarter of 2008, according to CB Richard Ellis, increased by 42,843 square feet. CB Richard Ellis claims that positive absorption of office space has now been evident for fifteen consecutive quarters. Jones Lang LaSalle stated that total net absorption of office space in downtown Boston for 2007 was 991,380 square feet, with the Financial District taking 435,760 square feet, and Back Bay absorbing 355,091 square feet. Office rents have been gradually increasing and a number of large prospective office tenants are looking for space despite the consolidation of Gillette’s headquarters freeing up considerable space in the Back Bay sub-market.

As of the second quarter of 2008, CB Richard Ellis ranked Boston’s downtown office market with the second lowest vacancy rate among the twenty largest downtown office markets in the U.S., with a rate of 6.4%. The uncertain national economic climate and distressed capital markets have begun to slow growth in rental rates and to slow tenant demand somewhat although the small amount of new supply underway and the small amount of sublease space available bodes well for only a modest vacancy rate increase ahead.

Boston Office Market—Second Quarter, 2008

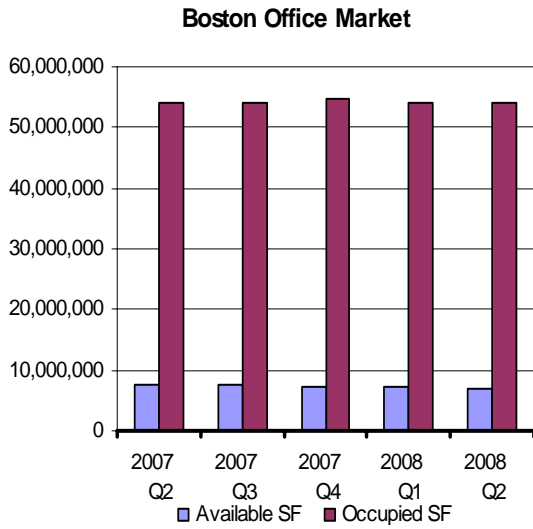
<u>Market</u>	<u>Rentable Area (SF)</u>	<u>Available (%)</u>	<u>Vacancy (%)</u>	<u>2nd Quarter Net Absorption(1)</u>	<u>Average “Asking” Lease Rate(2)</u>
Central Business District.....	35,397,585	13.6	7.2	+258,767	\$61.90
Back Bay.....	13,446,616	12.3	6.5	-155,361	61.17
South Boston Seaport District.....	6,777,343	18.5	4.2	+124,873	53.32
Charlestown/East Boston.....	2,986,958	8.7	7.2	-15,291	29.10
North Station/Waterfront.....	2,803,971	8.6	6.4	-41,590	35.89
Midtown.....	2,505,438	9.1	3.7	-136,296	38.31
South Station.....	1,473,118	20.0	4.8	+24,109	40.22
Dorchester/South Boston.....	1,131,945	30.6	9.2	-14,768	32.77
Allston/Brighton/Longwood Medical.	1,563,753	5.2	5.2	-5,000	25.88
Fenway/Kenmore Square.....	1,934,639	2.3	2.3	+341	24.85
Total Boston Office Market.....	70,021,316	13.1	6.4	+42,843	56.14

(1) Square feet.

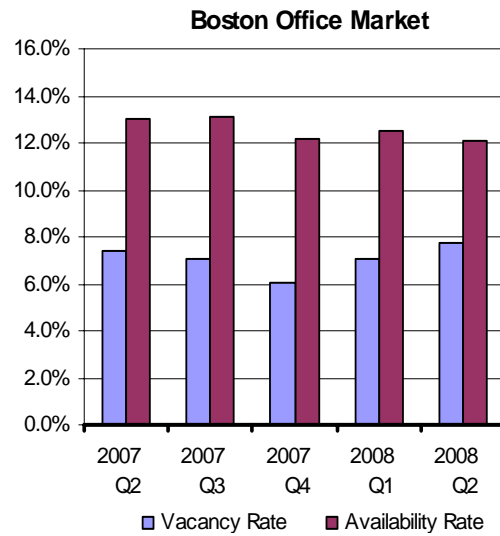
(2) Dollars per square foot per year.

Source: CB Richard Ellis, Second Quarter 2008.

Another realty firm, Jones Lang LaSalle, placed the City’s office vacancy rate for the second quarter at 7.7% and its availability rate at 12.1% (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 (second quarter 2007 through the second quarter 2008) Boston’s available office space has decreased, its occupied space has increased slightly, its vacancy rate has remained relatively constant, and its availability rate has decreased slightly. The second quarter data for 2008 showed a small rise in vacancy rate but also a small decrease in the availability rate.



Source: Jones Lang LaSalle



Source: Jones Lang LaSalle

As of the second quarter of 2008, CB Richard Ellis ranked Boston’s downtown office market as having the second best vacancy rate among the twenty largest downtown office markets in the U.S., with a rate of 6.4%. Only Midtown Manhattan at 5.3% had a lower vacancy rates than Boston in the first quarter of 2008. Boston had a better office vacancy rate than many other leading office markets in the US such as Washington DC, San Francisco, Seattle, Los Angeles and Chicago and a much better rate than the 11.0% average for 44 downtowns, nationwide.

**Comparative Office Vacancy Rates
20 Largest Downtown Office Markets – Second Quarter, 2008**

<u>City</u>	<u>Vacancy Rate</u>	<u>City</u>	<u>Vacancy Rate</u>
Manhattan (Midtown).....	5.3%	Denver	12.2%
Boston.....	6.4	Oakland.....	13.2
Manhattan (Downtown).....	7.1	Baltimore	13.5
Washington DC.....	7.9	San Diego.....	13.6
Seattle	9.0	Phoenix	14.3
Houston	9.1	Minneapolis-St. Paul.....	16.7
San Francisco	9.1	Kansas City.....	17.0
Philadelphia.....	9.6	Atlanta	19.2
Los Angeles.....	12.0	Dallas – Ft. Worth.....	22.1
Chicago.....	12.1	Detroit	25.8
National Average ⁽¹⁾ 11.0%			

(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 2008.

Four developments were completed in 2003: 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 a total of 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. From 2006 through mid-2008 only a few downtown office projects were added to supply: Lincoln Plaza, a renovation of an existing building in the South Station sub-market to mixed uses with 119,000 square feet of office space was done; Atlantic Wharf a 517,000 square foot completion in the downtown waterfront was completed; and 2 existing office buildings totaling 355,000 square feet formerly used by the Christian Science Center were added in the Back Bay (although not a new development) .

As of Summer 2008, two office buildings are under construction and several office buildings have been approved by the BRA Board and/or have been proposed. Two projects recently started are: the 500,000 square foot One Marina Drive – Fan Pier in the South Boston Seaport District and Two Financial Center, a 214,000 square-foot building near South Station. Three approved projects where some site preparation and demolition have begun include: 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 by Hines of Houston, Texas; and the Filene’s tower rebuild at One Franklin Street by the Vornado Realty Trust and Gale International with 572,600 square feet of new space. These projects await financing and major tenant commitments. In addition, the BRA Board gave tentative designation in 2007 to a proposal for a 75-story glass and steel tower with 1.3 million square feet of office space from developer Steve Belkin ,a downtown skyscraper that would rise 1,000 feet on the City-owned Winthrop Square parcel located at 115 Federal Street. If built, the new tower would surpass the City’s tallest building, at present, the 60-story John Hancock Tower. Currently delaying the Belkin project are three issues: the development team and the city have yet to agree on a price for the city-owned parking garage site where the project would be built; the Federal Aviation Administration has raised concerns about the building height obstructing flight patterns at Logan Airport; and the financing and preleasing markets are slow and difficult at present.

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 is near completion, and Hood Business Park in Charlestown, a 775,000 square-foot renovation will be completed over a phased period of five years.

Retail Market

For 2007, based on two quarters of data, it is estimated that there are about 66,615 employees in retail stores, and food service and eating and drinking establishments in the City, with 30,391 in retail, and 36,224 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, which includes 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).

Redevelopment of the former Filene's department store site, One Franklin, has commenced, with Filene's Basement scheduled to move back into new, larger space in early 2009. Suffolk University opened its new dormitory space at 10 West Street and signed Boston Beanstock Café for one of two ground floor retail spaces on-site. Hard Rock Café relocated from the Back Bay to a 16,000 square-foot space at Dock Square near Faneuil Hall. Crocs, a footwear brand, opened a 5,000 square-foot flagship store at Marketplace Center. Faneuil Hall Marketplace welcomed the first Wagamama restaurant to the US. Salvatore's, a casual Italian restaurant opened in the Seaport District, joining neighboring tenants Pressed Sandwiches and LTK.

In the neighborhoods, the very successful South Bay Shopping Center completed its expansion and opened the doors at Olive Garden and Applebee's. In the Fenway neighborhood, Trilogy, a mixed use development, added Cambridge One Pizza to the retail mix that includes Boston's first West Elm store, 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 total square feet of retail space up to 48,000. Current retail tenants include Dunkin Donuts, Halisi Day Spa, Quiznos, and Enterprise Rental Cars. In Roslindale, Staples is redeveloping the long vacant Ashmont Discount Hardware site and will operate in 20,000 square feet once completed. Also in Roslindale, Stop and Shop has filed their plans for 100,000 square feet of new construction at the former Bradley's site on Cummings Highway. AJ Wright opened at the Field's Corner Mall in Dorchester with the highest first day store sales in company history, and they are currently searching for four additional locations in Boston's neighborhoods.

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 2007, has generated 629 net new and expanded businesses, created 4,112 net new jobs, assisted in 600 storefront improvement projects, and given design assistance to 755 businesses. Through fiscal year 2007, the Main Streets Program had dispensed more than \$1.8 million in total physical improvement grants which had leveraged more than \$10.0 million in private investment, a leverage ratio of 5.6 to 1.

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 seven years.

Industrial Market and Recent Developments

According to "The Co-Star Industrial Report, Year-End 2007," Boston and Suffolk County have 26.6 million square feet of industrial space. As of December 2007, there was 3.6 million square feet of industrial space vacant, a vacancy rate of 13.4%, with -276,656 square feet of absorption over the year. The average rent for quality industrial space was estimated to range from \$8.09 per square-foot (triple net) for warehouse space, and \$17.70 for flex space.

Three major industrial projects completed on the waterfront in South Boston in 2000: 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, 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. In 2005 Stavis Seafood expanded their food processing facility in the Boston Marine Industrial Park (“BMIP”).

As of November 2006 Cargo Ventures completed their 212,000 square-foot building, Phase 1 of the International Cargo Center in BMIP which is now nearly 100% occupied. Permits have been secured and demolition of the existing building for the Phase 2 building of 105,000 square feet has begun and construction may begin as early as late 2008. Massport also awarded the development rights to the 30-acre “North Jetty” parcel to Cargo Ventures in 2006, and groundbreaking is expected in 2008. This 525,000 square-foot, \$130 million development will include such uses as seafood processing, bulk cargo, warehouse/distribution, and ancillary office uses. In 2007 the John Nagle Company (58,000 square feet) and Harpoon Brewery (47,000 square feet) signed long-term leases to keep their manufacturing/processing facilities operating. In 2007 EDIC issued requests for proposals for the three-acre Parcel M and three-acre Parcel N in BMIP. A developer has not yet been selected but prospective and viable proposals include a cement terminal, speculative industrial space, seafood freezer space, and seafood auction space. Also in 2007, BioDefense Corporation (“BDC”) moved into the 35,000 square-foot 9th floor of 12 Channel Street where they will consolidate their manufacturing operations from upstate New York. BDC manufactures machines to eradicate anthrax and other harmful bio-agents from mail and other packages,

The BRA’s Back Streets Program, established in 2001, continues to attract, retain and grow Boston’s viable industrial and commercial businesses and their diverse job base through the strategic use of land, workforce and financial resources. In 2007 Back Streets successfully attracted Boston Baking, a four generation commercial baking company, to a 21,000 square feet building in Hyde Park. Back Streets also helped Global Prints, one of the largest poster manufacturers and distributors in the country, to expand into 13,500 square feet in Hyde Park. In total, the Back Streets program has assisted 61 companies with real estate, 15 companies with financing, 93 companies with technical assistance, and 23 companies with workforce development needs.

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 increased from about 4,500 in 1980 to over 38,000 in 2000. Public and publicly assisted housing totaled 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.

A report on 2007 real estate trends done by the City’s Department of Neighborhood Development showed that the median rent for an apartment in Boston in 2007 as advertised in the newspapers was \$1,700 per month for all apartment types. Rents were up slightly city-wide from those of 2006, when the average was \$1,575. Median rents for an apartment ranged from a high of \$2,300 in the Central (Downtown) district to a low of \$1,000 in East Boston.

**Median Advertised Asking Monthly Rent in Boston Neighborhoods
And the Volume of All Advertised Apartments
2006 and 2007**

<u>Neighborhood</u>	<u>Median Rent</u>			<u>Volume of Apartments</u>		
	<u>2006</u>	<u>2007</u>	<u>Percent</u>	<u>2006</u>	<u>2007</u>	<u>Percent</u>
Allston/Brighton	\$1,300	\$1,400	8	122	92	-25
Back Bay/Beacon Hill	1,995	2,100	5	434	327	-25
Central	2,200	2,300	5	307	160	-48

Charlestown.....	1,550	1,700	10	105	46	-56
Dorchester	1,250	1,300	4	152	96	-37
East Boston.....	925	1,000	8	17	15	-12
Fenway/Kenmore	1,395	1,725	24	23	14	-39
Hyde Park.....	1,300	1,400	8	26	17	-35
Jamaica Plain.....	1,288	1,298	1	52	14	-73
Mattapan.....	1,238	1,225	-1	24	18	-25
Roslindale.....	1,300	1,300	0	61	53	-13
Roxbury.....	1,300	1,200	-8	18	15	-17
South Boston	1,250	1,200	-4	132	29	-78
South End.....	1,950	1,850	-5	74	46	-38
West Roxbury.....	1,225	1,150	-6	50	37	-26
Citywide	1,575	1,700	8	1,597	979	-39

Source: City of Boston, Department of Neighborhood Development, "Real Estate Trends, Annual Report 2007," 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 (June, 2008).

Through mid-2005 home prices in the City rose at a very fast pace but some slowing in prices has occurred since year-end 2005. 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 \$395,600 for 2007, a 4.3% decrease over the high annual median sales price of \$413,200 set in 2005. The median price, not adjusted for inflation has more than doubled over the last decade despite the small fall in prices since 2005. The 2008 Quarter One median of \$357,100 was down by 9.9% from the Quarter One median high of \$396,200 from 2005.

Greater Boston Annual Median Sales Prices for Existing Homes, 2002-2008 ⁽¹⁾
(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	N/A
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
2007.....	387,400	413,300	414,700	380,700	395,600	-1.6
2008.....	357,100					

(1) 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 Exhibit III.

Source: National Association of Realtors (June 2008).

Within the City the median sales price for a single-family home in Boston increased from \$319,500 in the first quarter of 2003 to \$346,500 in the fourth quarter of 2007, an 8% rise over a 5 year period, but has shown a decline of 11% from the high of \$390,000 in the third quarter of 2005 to \$346,500 in the fourth quarter of 2007. Condominium prices also increased from \$294,000 in the first quarter of 2003 to \$350,000 in the fourth quarter of 2007, also a 19% rise. However, condominium prices are lower by 5% from the peak of \$370,000 reached in the second quarter of 2007.

Median Residential Sales Prices for Boston
First Quarter 2003 through Fourth Quarter 2007
(Current Year Dollars)

<u>Year</u>	<u>Quarter</u>	<u>Single-Family</u>	<u>Two-Family</u>	<u>Three-Family</u>	<u>Condominium</u>
2003	First.....	\$319,500	\$375,000	\$424,000	\$294,000
	Second.....	338,950	386,000	430,000	319,000
	Third.....	335,000	430,000	460,000	302,500
	Fourth.....	331,750	434,000	466,500	326,000
2004	First.....	\$340,000	\$420,000	\$500,000	\$339,500
	Second.....	377,500	458,500	516,220	350,000
	Third.....	375,000	460,000	518,000	354,950
	Fourth.....	370,000	469,500	515,000	345,000
2005	First.....	\$375,000	\$467,000	\$526,000	\$350,000
	Second.....	390,000	485,000	540,000	359,950
	Third.....	390,000	485,000	540,000	355,000
	Fourth.....	379,200	488,000	550,000	339,450
2006	First.....	\$365,000	\$480,000	\$530,000	\$351,500
	Second.....	388,250	490,000	530,000	359,000
	Third.....	370,000	475,000	525,000	340,000
	Fourth.....	354,000	465,000	510,000	339,000
2007	First.....	\$365,500	\$467,000	\$500,000	\$351,500
	Second.....	379,500	450,000	467,500	370,000
	Third.....	373,750	430,000	468,100	345,000
	Fourth.....	346,500	399,000	444,000	350,000

Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data (June 2008).

Banker & Tradesman, a local trade journal, reported that during the full year 2007 there were 10% fewer total residential sales in the City than there were in the full year 2006 (9,236 versus 10,241). Sales of single-family homes fell 7% and sales of condominiums and multi-family non-condominiums fell by 6% and 22% respectively compared with 2006 sales. For the first seven months of 2008 compared with the same for 2007 total residential sales were off by 23% while single family sales were down 20%, multi-family non-condominium sales were off 19% and condominium sales were down by 24%.

**Annual Residential and Condominium Sales in Boston ⁽¹⁾
1997-2007**

And January-July 2008

<u>Year</u>	<u>Single-Family Sales</u>	<u>Percent Change</u>	<u>Multi-Family Residential Sales ⁽²⁾</u>	<u>Percent Change</u>	<u>Total Condominium Sales</u>	<u>Percent Change</u>	<u>Residential and Condo Sales ⁽³⁾</u>	<u>Percent Change</u>
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	-1
2006.....	1,319	-16	2,332	-21	6,590	-10	10,241	-13
2007.....	1,221	-7	1,822	-22	6,193	-6	9,236	-10
2007 (Jan.-Jul.).....	676		967		3,816		5,459	
2008 (Jan.-Jul.).....	538	-20	779	-19	2,889	-24	4,206	-23

(1) Data for previous years have been revised since the publication of last year's report.

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

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

Source: Banker and Tradesman (August 2008).

Prices and sales volumes are also shown by neighborhood detail for single-family homes and for condominiums for calendar years 2006 and 2007. Areas of the City with the largest numbers of single-family home sales included West Roxbury, Hyde Park, Dorchester, and Roslindale. Single family prices ranged from \$267,500 in East Boston to \$2.0 million in the Back Bay with the city-wide median at \$370,000 and the typical house going for \$409,900 in West Roxbury, the most suburban-style single family neighborhood within the City limits. The median sales price was unchanged and the sales volume was down by 7% between 2006 and 2007.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Single Family Homes
In Boston's Neighborhoods, Calendar Years 2006 and 2007
(Not inflation adjusted)

<u>Neighborhood</u>	2006	2007	<u>Percent Change</u>	2006	2007	<u>Percent Change</u>
	<u>Single-Family Price</u>	<u>Single-Family Price</u>		<u>Sales Volume</u>	<u>Sales Volume</u>	
Allston/Brighton	\$450,750	\$454,500	1	56	50	-11
Back Bay/Beacon Hill ...	2,210,000	2,045,000	-7	28	21	-25
Central	*	*	**	4	1	**
Charlestown.....	629,000	627,000	0	37	64	73
Dorchester	350,000	329,999	-6	185	167	-10
East Boston.....	324,000	267,500	-17	37	38	3
Fenway/Kenmore	*	*	**	2	3	**
Hyde Park.....	337,000	315,000	-7	227	167	-26
Jamaica Plain.....	549,500	580,000	6	68	69	1
Mattapan.....	305,000	289,950	-5	75	50	-33
Roslindale.....	377,250	367,000	-3	138	140	1
Roxbury.....	317,000	293,500	-7	51	44	-14
South Boston	378,000	388,500	3	72	69	-4
South End	1,150,000	1,055,000	-8	21	26	24
West Roxbury.....	400,000	409,900	2	384	291	2
Citywide	370,000	370,000	0	1,285	1,200	-7

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

** Not meaningful.

Note 1: The prices in the above table 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: Data in the above table does not include "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 citywide totals are higher.

Source: City of Boston, Department of Neighborhood Development, June 2008, Real Estate Trends, 2007.

Condominium sales volume and prices also showed diversity across the neighborhoods of Boston in 2006 and 2007. The three most expensive neighborhoods for condominiums (median price greater than \$524,000) were the Central (comprising Downtown, the North End, the West End, and the Waterfront), and the Back Bay/Beacon Hill and South End neighborhoods, which all together form the core residential pockets closest to downtown. Four neighborhoods had moderately priced condominiums (median price between \$295,000 and \$435,000): Charlestown, South Boston, Jamaica Plain and Fenway/Kenmore. Eight neighborhoods still had lower condominium median prices (with medians of \$292,500 or below): Allston/Brighton, Dorchester, East Boston, Hyde Park, Mattapan, Roslindale, Roxbury, and West Roxbury. The median citywide condominium price as of calendar Year 2007 was \$355,000, up 1% in price from those of calendar year 2006. Sales volume declined by 8%.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Condominiums
In Boston's Neighborhoods, Calendar Years 2006 and 2007
(Not inflation adjusted)

<u>Neighborhood</u>	<u>2006 Condominium Price</u>	<u>2007 Condominium Price</u>	<u>Percent Change</u>	<u>2006 Sales Volume</u>	<u>2007 Sales Volume</u>	<u>Percent Change</u>
Allston/Brighton	\$285,000	\$269,000	-6	653	645	-1
Back Bay/Beacon Hill	530,500	570,000	7	736	751	2
Central	575,000	525,000	-9	853	599	-30
Charlestown.....	429,000	435,000	1	332	364	10
Dorchester	290,000	275,000	-5	698	638	-9
East Boston.....	250,000	273,450	9	218	186	-15
Fenway/Kenmore	300,000	295,000	-2	307	274	-11
Hyde Park.....	295,000	254,000	-14	87	84	-3
Jamaica Plain.....	325,000	334,250	3	393	432	10
Mattapan.....	249,900	259,900	4	95	85	-11
Roslindale.....	285,000	292,500	3	264	183	-31
Roxbury.....	282,920	275,500	-3	300	254	-15
South Boston	349,000	369,000	6	686	761	11
South End.....	470,000	525,000	12	749	730	-3
West Roxbury.....	253,000	245,000	-3	117	122	-4
Citywide	350,000	355,000	1	6,488	6,108	-6

Note 1: The prices in the above table 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.

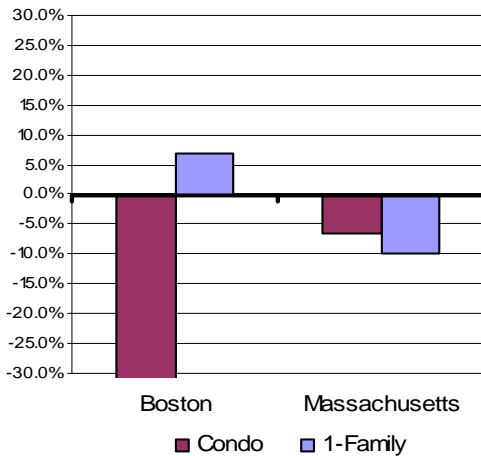
Note 2: Data in the above table does not include "paired-sales," so the size, quality and type of houses sold vary from year-to-year.

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 citywide totals are higher.

Source: City of Boston, Department of Neighborhood Development, June 2008, Real Estate Trends, 2007.

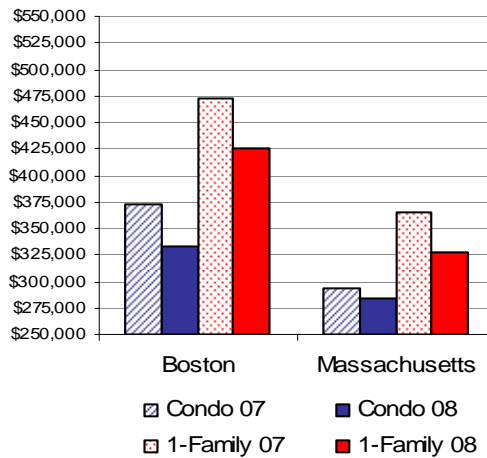
The tables below compare the housing markets for the entire city of Boston with Massachusetts as a whole for the period between July 2007 and July 2008. Total number of sales in condos decreased faster in Boston than for Massachusetts while single family home sales have decreased in Massachusetts and rose in Boston in the past year, ending in July 2008. Sales prices have also dipped in Boston and Massachusetts for both single family homes and condos between June 2007 and June 2008.

1-Yr Change in Sales for July



Sources: The Warren Group, Massachusetts Association of Realtors

July Median Sales Price



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

During the last two years, as a result of the problems nationally in housing markets due to the prevalence of sub-prime loans, the issue of foreclosures has become noteworthy and relevant to the discussion of housing markets. Boston has been seeing some rise in the amount of foreclosures, and the following table provides details at the City and neighborhood levels. However, metropolitan Boston in 2007 ranked 69th worst out of the 100 largest metropolitan areas in the percentage of foreclosure activity, as related to total housing units, at 0.68%. Massachusetts had a foreclosure rate of 0.66%; Boston's rate was 1.7%, and the U.S. rate was 1.03%.

**Short Term Trends in Housing Foreclosures
In Boston and its Neighborhoods, Years 2006 and 2007
(Deeds and Petitions)**

	2006		2007		% CHANGE	
	Deeds	Petitions	Deeds	Petitions	Deeds	Petitions
Allston-Brighton.....	6	40	13	67	117%	68%
Back Bay Beacon Hill.....	3	20	5	14	67	-30
Central.....	0	14	7	29	*	107
Charlestown.....	3	19	4	32	33	68
Dorchester.....	76	376	233	708	207	88
East Boston.....	17	57	47	168	176	195
Fenway/Kenmore.....	3	6	3	10	0	67
Hyde Park.....	26	179	82	249	215	39
Jamaica Plain.....	6	49	11	65	83	33
Mattapan.....	36	170	91	305	153	79
Roslindale.....	9	83	31	133	244	60
Roxbury.....	57	244	124	446	118	83
South Boston.....	11	55	25	95	127	73
South End.....	4	22	10	36	150	64
West Roxbury.....	4	59	17	75	325	27
Citywide.....	261	1,393	703	2,432	169%	75%

* No percentage change is calculated for neighborhoods with less than 10 deeds or petitions.

Source: City of Boston, Department of Neighborhood Development, July 2008.

The Boston Housing Authority (“BHA”) is a public agency that provides subsidized housing to low- and moderate-income individuals and families. The Authority administers two distinct housing programs. First, the Authority manages conventional public housing within the City of Boston. The Authority 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 Authority 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 uses tools such as zoning and inclusionary development to successfully produce artist space. Both artist live/work and artist work-only space is being made permanent by the work of the BRA’s Artist Space Initiative to support the work of creative entrepreneurs. Four new artist live/work spaces for sale in early 2008 on Congress Street in Fort Point will help maintain artists’ presence in that dynamic neighborhood. Artist units are currently being permitted in South Boston and Hyde Park. Twenty-six permanent affordable artist live/work units were recently occupied by artists in the South End at ArtBlock, along with affordable work studios and nonprofit arts organization space. These developments have brought the total number of permanent artist units created through the BRA’s Artist Space Initiative to 165. Additionally, 118 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 submitted their portfolio documentation to be eligible for future artists’ space as it is developed.

Housing construction accelerated between 2000 and 2007 with the Leading The Way I and II housing strategy plans – Boston’s comprehensive strategy for intensive housing construction. The City has counted 14,668 housing units completed from 2000 through 2007 including more than 4,207 new “affordable rate” units. Over 7,000 households were protected from displacement through City efforts to prevent their subsidized apartments from becoming market-rate. Currently in construction are 3,708 total units while 1,216 more units are in developments which are designated “pre-construction” (permitted but physical construction yet to begin). When completed Boston’s Leading the Way production will total 19,592 housing units added. Virtually all of the Boston Housing Authority’s vacant units have been reclaimed to create new housing, particularly for the homeless.

The Boston Redevelopment Authority has approved 36 different private-sector housing developments around the City, both downtown and in the neighborhoods, with 2,812 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
February 2008**

<u>Project</u>	<u>Area</u>	<u>Total Units</u>	<u>Afford. Units</u>	<u>Market Units</u>	<u>Year Approved</u>
1304-1312 Commonwealth Ave	Allston/Brighton	6	0	6	2005
533 Cambridge	Allston/Brighton	44	6	38	2006
6 Arlington St	Back Bay/Beacon Hill	15	0	15	2007
Boylston St Mixed Use (The Mandarin)	Back Bay/Beacon Hill	85	10	75	2005
The Clarendon	Back Bay/Beacon Hill	285	37	248	2006
40-44 Harrison Ave	Central	32	3	29	2006
45 Province Street	Central	150	0	150	2006
64-66 Salem St	Central	10	0	10	2006
99-105 Broad Street	Central	48	1	47	2007
Avenir Development (89-115 Canal St)	Central	241	17	224	2007
Battery Wharf	Central	120	0	120	2006
Emerson Place - Charles River Park	Central	320	48	272	2006
944 Dorchester	Dorchester	59	8	51	2007
Courtyard at Cedar Grove	Dorchester	18	2	16	2005
Mount Vernon Street Housing (Phase 2)	Dorchester	132	0	132	2007
Norfolk Street Townhouses	Dorchester	21	3	18	2006
Portside at Pier 1 (Phase 1)	East Boston	404	59	345	2006
1302-1330 Boylston	Fenway/Kenmore	199	10	189	2006
461 Park Drive	Fenway/Kenmore	21	3	18	2006
Miner Street (Stonewall at Audubon Circle)	Fenway/Kenmore	53	5	48	2006
81-87 Fairmount Ave	Hyde Park	10	1	9	2005
11 Wyman	Jamaica Plain	22	3	19	2006
Jamaica Park Condominiums	Jamaica Plain	29	4	25	2006
1317 Blue Hill Ave	Mattapan	13	0	13	2005
Harvard Commons Homeownership Phase 2	Mattapan	30	9	21	2007
Rivers Edge Condominiums	Mattapan	62	6	56	2006
Elm Hill/Seaver St Conversion	Roxbury	18	3	15	2007
148 Dorchester Street	South Boston	47	6	41	2006
36 A Street	South Boston	25	3	22	2005
Channel Wharf -- 401 West 1st Street	South Boston	45	5	40	2006
Old Colony Square	South Boston	24	3	21	2006
255 Northampton St	South End	25	3	22	2006
269-285 Columbus Ave Conversion	South End	63	8	55	2007
301 Columbus Ave	South End	50	5	45	2005
Allied Bolt Building Rehab (SOHA Lofts)	South End	86	10	76	2006
TOTAL		2,812	281	2,531	

Source: Boston Redevelopment Authority, January 2008.