

New Century Begins with Building Boom

90s End with Strong Development in Many Sectors

Overview

- **Construction starts in Fiscal Year 2000 soared to \$2.1 billion, the highest total since 1988.**
- **New growth from construction brought in an unprecedented \$30.1 million in new property tax revenue for FY2001.**
- **Between 1992 and 1999, construction jobs in Boston increased by 82% to reach 19,715 - a 20 year high.**
- **Boston's current boom also trumps its predecessor in diversity - with hotel, hospital, research, educational, industrial, and retail buildings going up alongside new office towers.**

FY 2000 Results

Construction activity in Boston today is approaching the unusually strong performance of the mid-1980s and may soon exceed that level.

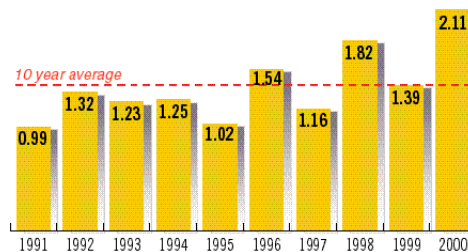
During Fiscal Year 2000, there were \$2.1 billion in development starts in Boston - an increase of over \$700 million from the previous year and an increase of roughly \$1 billion over the recession years of the early 1990's. This \$2.1 billion in development for Fiscal Year 2000 is also well above the ten-year average of \$1.4 billion per year for the years 1991 to 2000.

New growth from construction brought in an unprecedented \$30.1 million in new property tax revenue for FY2001 - up from \$26.1 million in FY2000. This revenue is crucial to the city since, under Proposition 2 1/2, existing property tax revenue can only increase by 2.5% each

year. New growth is essential for Boston to meet faster rising costs such as health care or to fund new priorities such as affordable housing.

Furthermore, all signs point to the development boom continuing beyond 2000. Figures from the first four months of Fiscal Year 2001 already show an estimated \$1.05 billion in construction, a pace 2.5% higher than last year.

Development Activity in Boston 1991-2000



This surge in development in the city has led to a similar surge in construction jobs. Since 1992, the number of construction jobs in the city has risen every year and increased over that time by 82% to 19,715 in 1999 - a 20 year high.

Unlike the growth of the 1980s which was concentrated chiefly in office construction, Boston's current development boom spans all sectors of the economy. In addition to office development, significant investments have been made in hotels, health care, medical research and biotechnology, educational and industrial facilities, and retail structures.

OFFICE

Boston's office market is among the strongest in the country, boasting record low vacancy rates for class A space and record high rental rates. Reacting to the great demand, more than 1 million square feet of new office space was com-

pleted this fiscal year, including the Landmark Center and Seaport Center East.

Currently, there are 15 office projects representing almost 5 million square feet of space under construction. While the majority are located in Boston's Financial District and Back Bay area, others are being built in the South Boston Waterfront and several other Boston neighborhoods. They include One Lincoln Center, 111 Huntington, 10 St. James Avenue, 131 Dartmouth Street, the World Trade Center West building, and Brighton Landing.

Sixteen more office projects are currently in the planning and/or permitting process, representing another 4.6 million square feet of office space for Boston.

HOTELS

Boston's hotel market is also among the strongest in the country, with record highs projected for number of rooms as well as occupancy and room rates. Several new hotel developments have been completed in the past three years, adding roughly 2,300 rooms in the city.

Currently, three hotels totaling 473 rooms are under construction. Two of them are downtown, a Ritz Carlton Hotel that is part of the Millennium Place complex, and a boutique hotel on Tremont Street. In the South End, a Best Western hotel is being created from a former industrial space, the "Roundhouse."

A number of other hotel projects, representing over 5,000 additional rooms, are either beginning construction soon or are currently in the approval process with the BRA, including the 1,200 room hotel adjacent to the new Boston Convention and Exposition Center.

MEDICAL

The medical industries have also been investing significantly in new facilities in Boston. Most of the investment has been in medical research and biotechnology, with facilities being built in Boston's Longwood medical and educational area and as well as near other major hospitals. Children's Hospital has two buildings approved for construction, the Harvard Institute of Medicine is in the second phase of the renovation of the former English High building and Emmanuel College has two medical research buildings in the review process. Tufts University Medical School is building a biomedical research facility in the South Cove area.

HIGHER EDUCATION

Major investments are also being made in new facilities by Boston's educational institutions. These facilities include new classroom and administrative buildings, and new dormitories at Boston University, Northeastern University, Wentworth Institute and the Harvard University Business School.

INDUSTRIAL

Despite the decline in manufacturing jobs in Boston, the effort to retain blue-collar industries has led to the investment in new facilities, especially on the South Boston waterfront where International Cargo Port, North Coast Seafood, and Pilot Seafood have opened or are building new plants. In Hyde Park, the renovation of the J. Baker facility is complete and will house several artist studios within its 400,000 square feet of industrial space.

RETAIL

The retail market has also been very active in Boston, with several developments recently opened, under construction, or planned. The new Landmark Center in the Fenway opened recently. The Millennium Place project is taking shape downtown. In Roxbury, three buildings are being renovated in Dudley Square and a new retail mall has opened in Grove Hall. Also, numerous neighborhood supermarkets have opened recently, are under construction, or are being planned.

CONCLUSION

Boston's rapidly expanding and diversifying economy is fueling a construction boom approaching – and possibly surpassing - the levels of the mid -1980s. This growth - in both new and traditional industries - has led to significant construction activity in virtually all development sectors and all areas of the city. In addition to generating new tax revenue which permits the city to continue to provide high quality services, this growth is producing thousands of new construction and permanent jobs and strengthening the city's position as the engine of the metropolitan, state, and regional economy.

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