

**FINANCIAL SERVICES, INSURANCE, &
REAL ESTATE (FIRE)**

Summer 2001

FACT SHEET

I. Sector Description and Definition



Second only to the wide and varied Professional Services sector, the FIRE sector is one of the most significant components of Boston's economy. The FIRE sector influences all aspects of economic activity from employment and education to development and housing. This sector is known as FIRE because it includes those businesses and institutions facilitating transactions for financial services, insurance and real estate. It employs an estimated total of 111,329 individuals. Home to many firms which administer the creation, liquidation, or change in ownership of financial and tangible assets, Boston is considered one of the financial service centers of the northeast region of the United States. Together with New York firms, Boston companies hold 85% of national money management dollars.

II. Job Opportunities and Salaries

The FIRE sector is an important provider of jobs to Boston residents. Here's information on the sector's wide range of job opportunities and pay scales.

<u>Division</u>	<u># of Employees</u>	<u>Yearly Wages</u>
Securities	41,287	\$ 165,768
Banking	18,009	\$ 89,167
Insurance	17,043	\$ 78,913
Real Estate	12,098	\$ 65,886
Funds, Trusts	<u>1,949</u>	<u>\$ 139,312</u>
	90,388	\$ 119,093

*Includes only Payroll employees; data is for the year 2001

Source: Massachusetts Division of Employment & Training, ES 202 Series, Annual Employment & Wage Summary for 2001, Boston SDA, July 2002.

While the FIRE Sector remains one of the largest employment sectors in the city, it has not been immune to the economic downturn. Overall, employment in the sector from the year 2000 to 2002 saw an average decrease of only 1.5%, with the largest decrease in employment being seen in the banking arena.

Similarly, wages have seen an average decrease overall of 9.6% since the year 2000, with the largest decrease evident in the funds/trusts arena.

III. Major Employers

The 10 Largest FIRE Companies in Boston ~ 2001		
Company	FIRE Category	# of Employees
1. Fidelity Investments	Financial Services	11,250
2. John Hancock	Financial Services	4,793
3. State Street Corp.	Financial Services	4,184
4. Blue Cross & Blue Shield*	Insurance	2,650
5. MA Financial Services	Financial Services	2,511
6. New England Financial	Insurance	2,060
7. Liberty Financial Services*	Financial Services	2,050
8. Freedom Securities Corp.*	Financial Services	1,812
9. Hunneman Real Estate Corp*	Real Estate Services	1,800
10. Thompson Financial Services	Financial Services	1,665

*Number of employees includes employees working in the Boston area, but outside of the city of Boston. Source: *Doing Business in Boston*, 3rd edition, 1998/2000, Boston Business Journal

DID YOU KNOW?

According to a Boston Business Journal survey, **The Boston Redevelopment Authority (BRA)** is ranked as the largest economic development agency in the state followed by Mass Development, the City of Boston's Department of Neighborhood Development, and the Mass Office of Travel & Tourism.

Source: *Book of Lists 2002*, Boston Business Journal

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IV. Related Industries & Sectors

Education. As one of the sectors whose professions require varying levels of technical expertise, the FIRE sector draws many of its top contributors from the multitude of colleges and universities in the Boston area. As a financial services capital, Boston's investment, insurance, and real estate firms employ many individuals who have come to the city to study at places like Northeastern, Boston College, Boston University, Harvard, and the Massachusetts Institute of Technology.

Professional Services. The myriad of transactions which make up the activity of the FIRE Sector are supported by individuals with significant knowledge in areas such as law, taxation, mathematics, and such. These individuals who receive training in Boston area schools become the accountants, attorneys, trust officers, and actuaries that ensure adequate administration of the FIRE sector's work. In the city of Boston, the Professional Services Sector is a significant employer.

Technology. As Boston looks to become a center for technological research and development, trends in real estate and the development of land will likely take some marked turns to accommodate what will likely be an increasingly significant economic engine for the city. Boston's ability to attract highly visible firms will be enhanced by its ability to respond to their needs for space, land, and ready access (transportation).

Culture, Sports & Tourism. Boston will be at the forefront of a national trend to look at the ways in which cultural industries – not just symphony orchestras and arts museums, but design/film studios and non-classical music forms – generate significant value both for quality of life and for the city's bottom line. Policies on land and real estate use as well as creative means of funding and job creation/workforce development will have significant impact on the success of this growing economic sector.

V. Education and Training

Non-traditional Educational Initiatives and the Office Market.

Universities and other degree-granting institutions are focusing on life-long learning/work place learning in response to a projected decline in college-age students in the next 5 to 10 years. In lieu of building new facilities on campus, universities are looking to private developers to build labs, housing, and other space – with guarantees from universities to lease on a long-term basis. With current high office vacancies, empty office space could be leased to universities for “work place learning” programs on-site in the financial district.

Decrease in International Applicants. In Business school admissions, international students – who in the 1990s comprised the fastest growing applicant pool for US institutions – are opting not to attend graduate programs here, despite the prestige. Boston Business Journal notes that many extremely desirable candidates decide to attend schools in Europe citing limited opportunities as companies are now having to hire fewer new MBA's, and difficulty with procurement of student visas.

Degrees Granted in Business Management and Administrative Services U.S. from 1996 & 2000			
Level of Degree	1996	2000	% Change
Associates	93,487	92,274	-1.3
Bachelors	222,149	253,162	14.0
Masters	93,320	111,664	19.7
Doctors	1,367	1,193	-12.7
Total	410,323	1,193	-12.7

Source: US Department of Education, National Center of Education Statistics, IPEDS, 1996 and 2000.

Artist Space Initiative

The worlds of the FIRE sector and arts/culture come together in Boston and in the sphere of the BRA's influence through this initiative which seeks to retain and increase the space that is available for artists - many of whom are trained in Boston schools - to continue to live and work in high quality affordable space.

As a result of this initiative, the agency has been successful not only in quantifying the market and need for more artists' live/work space, but has also promoted the development of some significant projects that increase real estate holdings for the arts and for artists.

Neighborhood	Project	SF
Chinatown	Emerson College	80,000
Downtown	Modern Theatre	13,000
Downtown	Opera House	106,000
East Boston	Clippership Wharf	10,000
Fenway	Museum of Fine Arts	98,400
South End	Boston Center for the Arts	37,000
South Boston	Ft Point Cultural Coalition	200,000

VI. Sector Trends and Issues

Office Market/Vacancy Rates. Although Boston's office market in 2002 was weaker than in recent years, the city continued to outperform the national market. Office were lower than a previously predicted 11% and significantly less than the 16% which was expected nationally at the end of 2002. While these levels will hopefully decline during 2003, broad rent increases and new spec office construction is not anticipated to pick up until 2005. On an annualized basis, the average rent in Boston for Class A space is \$33.75/sf and \$25.40/sf for Class B space.

Employment & Layoffs. Some of the larger employers of the FIRE sector have been forced to let go of staff in recent months. The largest decreases have been in the financial services arena, with approximately 5,700 jobs lost in Massachusetts between March 2002 and October of 2002. This represents a drop from 70,800 jobs to 65,100.

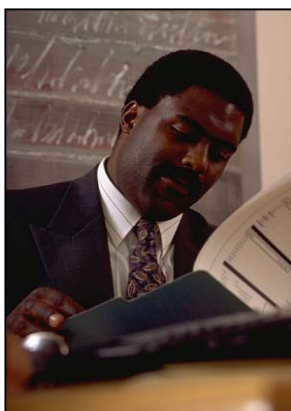
VII. Initiatives

Affordable Housing Marketing Initiative. The BRA and other planning agencies have been given the charge to implement the City's housing initiative. BRA staff currently maintains the housing pipeline and promotes the Mayor's Executive Order on housing, including the baseline goal of the annual number of housing units developed in the city.

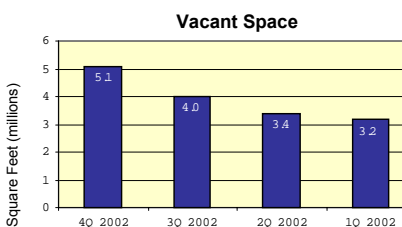
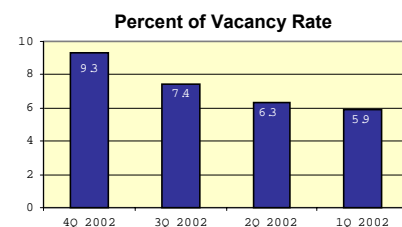
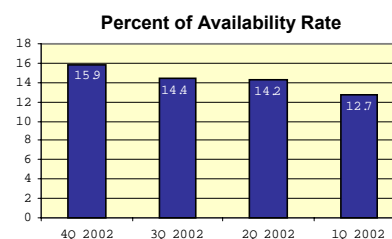
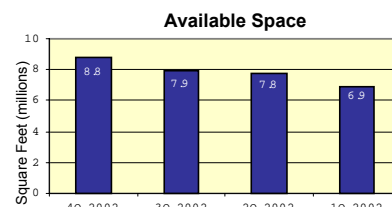
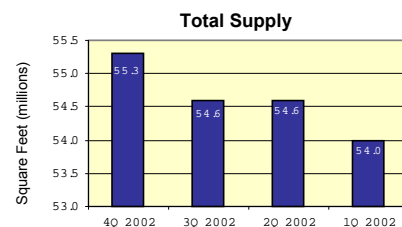
Downtown Housing Effort. An Interim Planning Overlay District (IPOD) for the Financial District, recently adopted by the Boston Zoning Commission, is intended to encourage the creation of more residential units in Boston's downtown.

The Silverline. Bus Rapid Transit (BRT) system, being constructed in three legs. The first leg, now fully operational, connects employees from Lower Roxbury and the South End to downtown jobs in the Financial District and Downtown Crossing. The second phase, currently under construction, will connect the South Boston Waterfront with Logan Airport. The final piece of the Silverline will unite the first two legs via an underground tunnel connecting the South Boston Waterfront with Downtown Crossing.

The Urban Ring. A circumferential transit system, it will open up areas on the downtown fringe for new development, such as back office space that could potentially support the FIRE sector.



City of Boston Office Market 2002



Source: Spaulding & Slye Colliers International

Notes:

1. Office market area includes only the following areas within the city: North Station, Charlestown, Financial District, South Boston Waterfront, South Station, & the Back Bay.
2. Available space – space which is being actively marketed for immediate or future occupancy including both direct and sublease space.
3. Vacant space – direct space being actively marketed for immediate occupancy during or before the month following the quarter.

VIII. BRA Policy Initiatives

Monitoring and encouraging the FIRE sector's robustness is fundamental to the BRA's mission, as this sector includes both Boston's real estate industry and the city's finance and insurance industries, which, together, directly influence the volume and terms of funds available for real estate development. The success of each element of this sector is crucial to the successful growth of Boston's economy. In partnership with the city's communities, we are responsible for regulating the development review processes. In addition, we facilitate and advocate for initiatives that increase capacity for growth, both downtown and in the neighborhoods.

All of the BRA's policies relate to this sector, at the very least in the BRA's activities regarding real estate. Many of these policies also tangentially support the finance and insurance industries through dense commercial development in and around the downtown core. The compact Financial District, supported by the Interim Planning Overlay District (IPOD) zoning designation, allows easy communication and cooperation among like industries, attracting and sustaining such businesses as finance and insurance. BRA efforts on behalf of the Boston Convention and Exhibition Center and the South Boston Waterfront, the Central Artery Greenway Corridor, and the Massachusetts Turnpike Air Rights offer new opportunities for development. BRA and city support for housing, in the downtown as well as the neighborhoods, creates new, affordable homes for workers. BRA consideration of industrial needs through the Back Streets program ensures space for the support services necessary for downtown success. Policies that encourage the creation of mixed-use, 18- to 24-hour neighborhoods generate new destinations in the City and increase local property values. All of this work provides new locations for the expansion of financial institutions, new projects in which banks and insurers can invest, and new places where people can live and work.

City of Boston, Thomas M. Menino, Mayor

b a c k s t r e e t s

Working with members of the Industrial Sector, close attention is being paid to land, parcels and real estate, which can be used to protect and grow this important economic driver for the city. This initiative of Mayor Thomas M. Menino has just celebrated a first anniversary marked by successes in drawing positive attention to the needs of manufacturing and industrial businesses in the city.



The goal of the FIRE team is the consideration of new policies that could specifically assist finance and insurance institutions, such as FleetBoston, Fidelity, and Prudential. In the past, the BRA has worked with many of these companies individually to identify new locations and new opportunities in the City of Boston. We are now considering the whole: What are the needs of this sector? Where are the future opportunities? What is the appropriate role of the BRA? What tools does the BRA possess to assist these industries? Armed with these questions, we can consider the way forward.

Financial Advocacy

The BRA's Financial Services Department works with City Hall and municipal agencies as well as banks to facilitate growth and opportunity in the downtown and the neighborhoods by effectuating loans to finance business expansion and keep jobs within reach for Boston residents.

BLDC (Boston Loan Development Corporation)

Total loans approved over Q3 & Q4 2002	\$540,000
Total jobs affected/retained	165
Total loans approved 1998-2002	\$2.2 million
Total bank debt leveraged	\$5.3 million
Total jobs affected/retained	480

BIDFA (Boston Industrial Development Financing Agency)

Total bonds issued by BIDFA	\$385 million
Total jobs affected/retained	15,000
Anticipated issuance for Q1 & Q2 of 2003	\$32 million
Total jobs affected/retained	700

IX. In the Neighborhoods

The agency's influence in the FIRE sector is felt to great extent by the approval, permitting, and ultimate construction of development projects in and around Boston. Construction of new projects adds to the real estate footprint of all of Boston's economic sectors.

Measuring Boston's construction in square feet indicates that significant activity is taking place in the residential arena. The number and location of permits issued during 2002 indicates that new housing units are being constructed, with expected completion by 2004, in every neighborhood except for East Boston, Mission Hill, Roslindale, and West Roxbury. This trend will have a mitigating effect on the shortage of housing in the neighborhoods.

Sharing the Wealth

While it may seem appropriate or customary that a significant amount of office development be taking place in the "downtown" section of Boston, there is also a good deal of office, mixed use and retail activity that is under review and/or construction further away from the center of town.

Projects in neighborhoods like Charlestown, Roxbury, and South Boston point to a trend that is placing more and more projects in sections of the city that are closer to where residents live, thus providing access to goods and services and improving the quality of life overall for residents.

Neighborhood	Project	Benefits	SF
Charlestown	North Point	Office	325,000
	420 Rutherford Avenue	Medical	49,000
Roxbury	Albany Fellows	Retail/Office	100,000
	Crosstown Center	Retail	60,000
South Boston	Fan Pier	Retail	134,420
	Midway	Retail	96,700
	Pier 4	Retail	46,000
	Court Square Press	Retail	45,390
	Parcel F-1	Retail	30,000

Affordable Housing

Creation of more housing, with a focus on maintaining and growing the number of affordable units in the city's neighborhoods, is a major priority within planning for the real estate arena. For the year 2002, creation of housing units as indicated by completed permitting is as follows:

Neighborhood	Total Permitted 2002
South Boston	258
Dorchester	77
Roxbury	70
Fenway/Kenmore	42
Downtown	30
Mission Hill	22
Hyde Park	16
Jamaica Plain	12
Charlestown	3

Construction by Neighborhood

Neighborhood	Type	SF
Allston/Brigton	Institutional	392,000
	Dormitory	236,000
	Residential	208,000
	Office	10,000
	Retail	450
Back Bay	Residential	375,000
	Hotel	153,141
	Retail	83,500
Beacon Hill/West End	Office	278,849
	Residential	127,240
	Institutional	121,000
	Dormitory	121,000
	Parking	110,390
	Retail	38,500
Charlestown	Office	931,000
	Parking	680,000
	Hotel	119,768
	Retail	55,000
	Residential	10,000
Chinatown	Residential	300,644
	Parking	71,618
	Office	8,700
Dorchester	Retail	55,000
	Residential	35,030
East Boston	Retail	15,517
Fenway/Kenmore	Institutional	1,346,000
	Dormitory	283,000
	Parking	144,339
	Hotel	116,124
	Residential	89,323
	Retail	53,939
Hyde Park	Residential	22,400
Jamaica Plain	Residential	70,500
Mattapan	Residential	130,000
Mission Hill	Institutional	700,000
	Dormitory	220,000
	Parking	156,370
	Office	117,000
	Retail	62,000
North End	Residential	408,000
	Office	171,610
	Hotel	155,000
	Retail	61,283
Roxbury	Parking	347,740
	Office	282,000
	Residential	227,864
	Hotel	96,500
	Retail	60,000
South Boston	Office	440,000
	Residential	325,938
	Retail	75,390
	Industrial	75,000
	Manufacturing	75,000
	Parking	63,106
South End/Bay Village	Residential	869,081
	Parking	125,100
	Office	66,000
	Retail	44,504



**Boston Redevelopment Authority
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The Economic Planning Initiative's nine interdepartmental teams connect the BRA to industry leaders, issues, and the latest trends in the greater Boston area.

F.I.R.E. Sector Team

Lance Campbell
Jim Kostaras*
Tim McGourthy
Dominic Modicamore
Luis Thomas
Frank Tocci
Dana Whiteside

* former members

Economic Sector Teams

Education
Financial Services, Insurance, Real Estate
Health & Medical
Hotels
Industrial
Professional Services
Retail
Technology
Culture, Sports & Recreation

PIPELINE PROJECTS	Total Cost (millions)	SF
APPROVED		
Mt Vernon Street Housing	65.6	303,200
Little Nect Lofts	22	185,409
Mattapan Heights II	26	133,000
Egleston Crossing	10.7	94,611
Village at Cleary Square	18	77,500
Franklin Field South	7	42,000
UNDER CONSTRUCTION		
Convention Center	737	2,900,000
Saltonstall Building (100 Cambridge)	210	801,210
Blackfan Research Center	120	575,000
Manulife Financial	140	470,000
Children's Hospital Research Building	177	440,000
Crosstown Center	90	438,500
Park Plaza Parcel 2	125	401,500
Battery Wharf	225	400,000
Boston Tech Center	130	350,000
Parcel C - Oak Plaza	83	338,254
Rollins Square	57	330,000
Northeastern University West Village	110	294,000
Parcel 8 - BCA	100	253,000
Boston Rehab - Foley Building	15	120,000
Trinity Terrace	14.5	88,554
Mass Biologic Labs	77	87,000
Haley House Apartments	15.7	72,064
3 Dorchester Street	5.5	69,010
Shaws Market/Lower Mills	24	55,000
Harvard Dental School	30	53,000
Grantley Street Condominiums	2.75	24,000
Hillside Homes	2.4	18,200
Walgreens	2	15,517
Roslindale Commons	1.75	13,600
UNDER REVIEW		
Columbus Center	300	1,355,950
Pier 4	150	1,001,700
Clippership Wharf	190	778,250
Kensington	91	457,700
Parcel 4	60	425,000
Court Square Press	49	350,121
North Point	1,200	325,000
Atrium Lofts	20	218,200
Hodge Boiler Works	50	197,815
Moakley Cancer Care	40	105,000
Boston College Dormitory	40	104,000
Marriot Hotel Courtyard	20	103,318
Deutsches Altenheim	8.75	51,600
Franklin Field South	7	42,000
JP Co-housing	3.5	34,500
Garrison Trotter	12	34,000

Research

Annual Employment & Wage Summary for 2001, Massachusetts Division of Employment & Training, ES 202 Series, Boston SDA, July 22, 2002.

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BRA Research Reports are available free of charge on the BRA website:
www.bostonredevelopmentauthority.org