



# WEEKLY ECONOMIC INDICATORS

## Statistics of the Week

- *the Port of Boston set records last year for container cargo shipments and cruise passengers.*
- *at Conley Container Terminal combined imports and exports grew by more than 10% over 2006, and at Black Falcon Cruise Terminal scheduled cruise passenger traffic grew by 12%.*

## Comment of the Week

*“People aren't going to not come to parents' weekend because there's a recession. And they're not going to not come for graduation weekend because there's a recession.”*

- David McElroy, first vice president for investment sales, CB Richard Ellis/New England.

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## ECONOMY

### Employment and Unemployment

- preliminary estimates for December, 2007 show over the year job gains in nearly all of the state's metropolitan areas, with only the New Bedford area remaining unchanged, and the Leominster-Fitchburg-Gardner area recording a small job loss.
- Pittsfield; Framingham; Worcester MA-CT; Springfield, MA-CT and the Lowell-Billerica-Chelmsford, MA-NH areas all added jobs, while the employment level remaining unchanged in the Leominster-Fitchburg-Gardner area.
- most labor market areas reported over the year job growth in education and healthcare and leisure and hospitality.
- almost all labor market areas posted lower over the year unemployment rates; only the Amherst area rate remaining unchanged.
- statewide, preliminary estimates show that while the December 2007 unadjusted rate of 4.1% increased slightly from 3.9% the previous month, it is eight-tenths of a percentage point below the 4.9% rate in December 2006.

- Massachusetts Department of Workforce Development

### Consumer Confidence

- the preliminary University of Michigan's consumer sentiment index (Index, 1985=100) showed that overall consumer sentiment increased to a reading of 80.5 in January, compared to the final figure of 75.5 in December, and 16.4 points lower than a year-ago when sentiment had improved on a drop in gas prices.
- the current conditions index increased +7.1 points to 98.1 over December and 13.2 points higher lower one year ago.
- the index for consumer expectations increased +3.5 points to 69.1, 18.5 points lower than one year ago.

- Bank of Tokyo-Mitsubishi

### Consumer Prices & Credit, Price Indexes, Worker Earnings & Wages

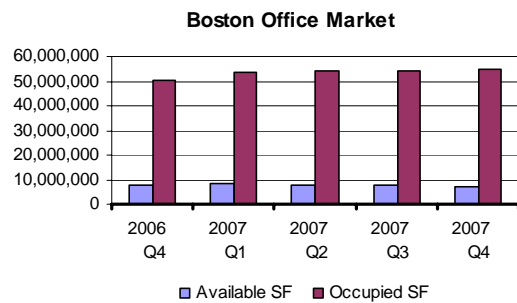
- median weekly earnings of the nation's 108.3 million full-time wage and salary workers were \$700 in the fourth quarter of 2007, 2.6% higher than a year earlier; this compared with a gain of 4.0% in the Consumer Price Index for All Urban Consumers (CPI-U) over the same period.
- women who usually worked full time had median earnings of \$618 per week, or 79.8% of the \$774 median for men; the female-to-male earnings ratios were higher among Hispanics (92.1%) and blacks (90.0%) than among whites (79.0%) or Asians (75.6%).
- median earnings for black men working at full-time jobs were \$599 per week, 74.9% of the median for white men (\$800); the difference was less among women, as black women's median earnings (\$539) were 85.3% of those for their white counterparts (\$632).

- overall, median earnings of Hispanics who worked full time (\$507) were lower than those of blacks (\$574), whites (\$722), and Asians (\$856).
- among men, those age 55 to 64 and age 45 to 54 had the highest median weekly earnings, \$930 and \$927, respectively; among women, earnings were highest for those age 55 to 64 (\$702).
- among the major occupational groups, persons employed full time in managerial, professional, and related occupations had the highest median weekly earnings -- \$1,223 for men and \$861 for women.
- full-time workers age 25 and over without a high school diploma had median weekly earnings of \$424 compared with \$610 for high school graduates (no college) and \$1,086 for those holding at least a bachelor's degree.
- among college graduates with advanced degrees (professional or master's degree and above), the highest earning 10% of male workers made \$2,910 or more per week compared with \$2,095 or more for their female counterparts.

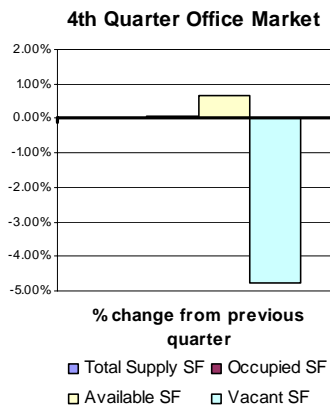
- U.S. Bureau of Labor Statistics

## REAL ESTATE MARKETS

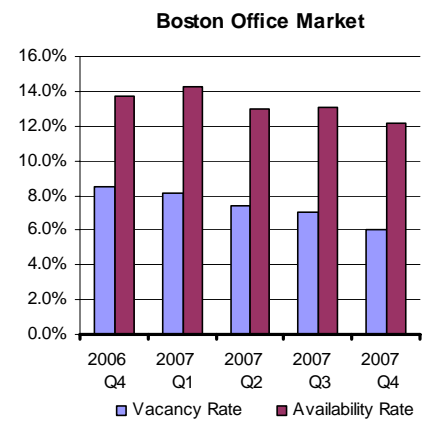
### Office



Source: Jones Lang LaSalle



Source: Jones Lang LaSalle



Source: Jones Lang LaSalle

- Boston's overall office vacancy rate in the fourth quarter of 2007 was 6.0% and its availability rate was 12.2%, each down about 1 percentage point from the previous quarter.
- this marks the tenth consecutive quarter of declining vacancy rates for Boston.
- direct net absorption for 2007 totaled 402,827 sf, including 249,312 sf in the fourth quarter; total net absorption, including subleases, totaled roughly 1 million sf.
- lease rates for Boston office spaced averaged \$54.80 per sf in the fourth quarter, up from \$53.10 in the previous quarter.

- Jones Lang LaSalle Market Smart Boston, Fourth Quarter

### Housing

- according to LINK, a company that tracks condo sales activity in many Boston neighborhoods including the Back Bay, Beacon Hill, and Charlestown:

- the volume of condominium sales in many Boston neighborhoods fell 12% in the fourth quarter, as the median sales price for a condo dipped 4.1% to \$465,000 from the same period a year ago.
- during the fourth quarter, 638 condos were sold in the neighborhoods that LINK follows, down from 725 condos that were sold in the fourth quarter of 2006.
- for all of 2007, the number of urban condos sold in its territory was 3,466, down 0.03% from 3,467 condos sold during 2006.
- the 2007 median selling price for an urban condo was \$460,000, up 2.7% from the 2006 median selling price.

- Boston Globe

- according to The Warren Group, publisher of Banker & Tradesman:

- there were 7,653 foreclosure deeds in 2007, up 148% from the 3,086 in 2006, and up 600% from 1,092 in 2005.
- in December, deeds rose to 683, up 136.3% from the 289 filed in December 2006.
- auction announcements rose to 14,604 in 2007, up 119.3% from 6,659 in 2006; last year's figure was 216.1% higher than the 4,620 filed in 2005.
- in December, auction announcements increased to 1,097, up 66% from 661 in 2006.

Comment: "The rise in foreclosure deeds fell off a little bit in October and November, but rose more than 100% again in December, a clear signal that this problem is far from over." - Timothy Warren Jr., CEO, The Warren Group

- *Boston Business Journal*

### **Hotel**

- Boston's hotel industry experienced \$1.8 billion worth of hotel sales in Greater Boston last year, a 300% increase over 2006.
- a number of large hotels sold early in 2007 -- including the Westin Boston Waterfront for \$330 million in February -- and deals continued throughout the year, with sale of the Renaissance Boston Waterfront for \$163 million at the end of December.
- according to the Mass. Convention Center Authority, the Boston Convention and Exposition Center booked 125 events in 2007, resulting in 364,577 hotel room nights; in 2004, the first year the BCEC opened, 63 events and 30,275 room nights were booked.
- according to Pinnacle Realty Investments, Boston is now a market where hotels are selling for north of \$350,000 and \$375,000 per room; the Westin Boston Waterfront sold for \$416,520 per room and the Marriott Long Wharf for \$567,000 per room.
- statewide, the demand for hotels is up 3% from 15.9 million rooms in 2006 to 16.4% million rooms through November of 2007.
- statewide room rates are up 5.7% from \$132 in 2006 to \$140 as of November of 2007; in Suffolk County, which includes Boston, room rates are up 8.2% from \$186 in 2006 to \$201 in November of 2007.
- Boston's hotel business has remained strong thanks to demand created by the university, hospital and tourism industries.

Comment: "People aren't going to not come to parents' weekend because there's a recession. And they're not going to not come for graduation weekend because there's a recession." - David McElroy, first vice president for investment sales, CB Richard Ellis/New England.

- *Boston Business Journal*

## **LEADING INDUSTRIES**

### **Finance & Insurance**

- Sovereign Bancorp Inc. announced fourth-quarter losses more than 10 times higher than the year-earlier period, largely because of previously announced write-downs covering defaulted loans and the declining value of a bank it acquired two years ago.
- Sovereign, parent to Sovereign Bank, also said it was suspending its quarterly stock dividend indefinitely, a decision that will save \$160 million in capital during 2008.
- Sovereign said its quarterly earnings were hampered by a write-down of \$1.58 billion in goodwill, roughly half of that from declining business in New York, where Sovereign bought Brooklyn-based thrift Independence Community Bancorp in 2006.
- for the full year 2007, Sovereign reported a net loss of \$1.3 billion, compared to net profit of \$137 million in 2006; the company has \$84.7 billion in assets, down from \$86.6 billion in the third quarter and \$89.6 billion in fourth quarter 2006.

Comment: "Although disappointing, we believe that the majority of the losses are non-cash charges that will not impact future performance or existing tangible capital levels." - Joseph P. Campanelli, Sovereign president and CEO

- *Boston Business Journal*

### **Retail Trade**

National:

- December same store sales for the ICSC's index of major retailers rose only 0.9% amid dire predictions of a possible recession, confirming analysts' expectations of weak holiday shopping season.
- in Department Stores, Macy's fell 1.1%, JCPenney dropped 7.5%, and Kohl's was down 11.4%.
- among Wholesale Stores, Costco jumped by 7% and BJ's Wholesale rose 3.0%. In Apparel, Limited Brands fell 8%, Gap dropped 6%, American Eagle fell 2.0%, Chico's dropped 13.7%, and Ann Taylor was down by 9.4%.

- among Discount Stores, Wal-Mart increased by 2.6%, while Target dropped 5.0%.
- excluding autos, the Commerce Department said December sales were down 0.4%; for the full year 2007, sales were up 4.2%, the weakest annual gain since 2002.
- McDonald's plans to open "McCafes" at about 14,000 US locations, featuring cappuccinos, lattes, mochas and other drinks.

Accelerating:

- Darden Restaurants is in the process of giving Red Lobster a makeover, and has rolled out a "Bar Harbor" prototype in three of its 680 units, and may increase its Longhorn Steakhouses to 600-800 US locations, from the nearly 300 it currently operates.
- Bed Bath & Beyond continues to grow its four retail concepts, and sees the US eventually supporting 1,300 of its namesake stores, up from its current total of 859 units; the company opened 28 Bed Bath & Beyonds during its third quarter, a total of 70 are planned for the entire fiscal year, and 60 during the following 12 months; the company will also expand its Christmas Tree Shops, Harmon discount-cosmetics, and buy Baby concepts.
- an affiliate of investment firm Gordon Brothers Group purchased CompUSA for an undisclosed amount; Systemax Inc. has agreed to take over as many as 16 CompUSA stores and will also purchase the CompUSA brand, trademarks and e-commerce business; CompUSA operated 103 stores when it was sold.
- Costco plans another 30 new stores for the 2008 fiscal year, the same number opened in 2007; Costco operates 529 warehouses, including 389 in the US and Puerto Rico.
- Jos. A. Bank will open 50 stores annually for the foreseeable future to achieve a goal of 600+ stores nationwide; the chain currently operates 415 US stores.

Decelerating:

- Talbots will close about 78 US stores, including 66 Talbots Kids and 12 Talbots Mens, and will exit its Talbots Kids and Talbots Mens concepts and redirect resources towards its core Talbots Misses, Petites, Womens, Collection, Accessories & Shoes and J. Jill Missy, Petites and Womens businesses.
- Starbucks will shift money earmarked for US growth toward international expansion; it plans to shutter some US stores while streamlining the company's management ranks.
- Levitz Furniture is liquidating its assets and closing all 76 US stores.
- Krispy Kreme Doughnuts Inc. added a dozen stores in the latest quarter, however, the chain expects franchisees to close a "substantial" number of stores; the doughnut chain now operates 423 locations, including 290 factory stores and 133 satellites.
- Macy's will close 9 underperforming locations in the US, all acquired when Macy's bought May Co. in 2005.
- Sears Holdings Corp. will set up independent units to run each of its business lines: Lands' End clothing, Craftsman tools, Kenmore appliances and DieHard batteries sold at Sears and Kmart chains; each unit's performance will be overseen by a group of executive advisers; the decision follows Sears' disclosure last week that fourth-quarter profit may drop by more than 50% after holiday sales fell, following posted declines in the second and third quarters, including a 99% third quarter net income decline.

New England:

- Starwood Hotels & Resorts Worldwide is acquiring the former Hotel @ MIT at 20 Sidney St in Cambridge and converting it into the Le Meridien Cambridge; once complete, the hotel will feature 210 rooms, a rooftop terrace garden, a full-service restaurant, a fitness facility and 7,700 sf of meeting space.
- Legal Sea Foods will open in 2010 at 242 Northern Ave., where the Doulos family ran Jimmy's Harborside for more than 80 years; the new restaurant will take up 21,400 s/f and is slated to be a one-of-a-kind special-occasion restaurant.
- Papa Razzi will move into the former T.G.I. Friday's restaurant on Newbury Street in Boston opening a new, 8,000 s/f, 230-seat restaurant in the spring of 2008; Papa Razzi will vacate its current location at 271 Dartmouth St. where it has operated since 1989; there are 34 Papa Razzi restaurants on the East Coast, 23 of which are in Massachusetts.
- state public health regulators cleared the way this month for CVS Corp. to open more than two dozen MinuteClinics inside Massachusetts drugstores this year.

**- KeyPoint Partners**

## **TRAVEL, TOURISM, & CULTURE**

### **Air Travel and Seaport**

- the Massachusetts Port Authority (Massport) announced that the Port of Boston set records last year for container cargo shipments and cruise passengers at North America's oldest continuously active port.
- at Conley Container Terminal combined imports and exports grew by more than 10% over 2006, and at Cruiseport Boston's Black Falcon Cruise Terminal scheduled cruise passenger traffic grew by 12%.
- in 2006, total container volume at Massport's Conley Terminal in South Boston was 220,341 TEUs (an industry measurement); total tonnage was 1,715,680 short tons.
- the record-breaking volume of containers is fueled by a rise in cargo activity with Asia which has rocketed since 2002, as well as the completion of a two-year \$28 million upgrade to the terminal.
- during the 2007 cruise season, 101 ships called at Black Falcon Cruise Terminal bringing 234,284 passengers to Boston; in 2008, 115 ships from 15 major cruise lines are scheduled to call the Port of Boston and a new agreement has been signed between Norwegian Cruise Lines and the Government of Bermuda designating NCL the exclusive line to sail from Boston to Bermuda.
- for the future, discussions have progressed with Cargo Ventures LLC to build a second cruise terminal, and currently the \$35 million, 100,000 square foot project is in its design phase.
- a recent Cruise Lines International Association (CLIA) economic impact study ranked Massachusetts 10<sup>th</sup> of all states in direct spending by the cruise industry.
- in 2006 the industry spent \$387 million in Massachusetts, and expenditures by the cruise lines, passengers, and their crews generated employment, income, and other economic benefits for the state.
- the Port of Boston's vessel and cargo activity supports 34,000 jobs, and contributes more than \$2 billion to the local, regional, and national economies through direct, indirect, and induced impact.
- the Port of Boston's imports include: alcoholic beverages, frozen seafood, footwear and furniture. Top exports include: hides and skins, autos, logs and lumber, frozen seafood, recycled paper, and metal ware.

**Comment:** "The Port of Boston had a terrific year showing double-digit growth in both cruise and containers. Customers are looking for more cost effective, reliable, and environmentally-friendly ways to move goods, therefore we are starting to see more freight moving by water. With respect to cruise passengers, we benefited from a 25% increase in scheduled ship calls and larger vessels. This increased business demonstrates Boston is an attractive destination to connect vacationers with leisure, and a great location to homeport cruise ships." - Mike Leone, Port Director for Massport.

- **Massachusetts Port Authority**

### **Conventions & Tradeshows & Events**

- the Boston Convention & Exhibition Center has 1 event scheduled this week:
  - January 31 – February 2 – Yankee Dental Congress
- the Hynes Convention Center has no major events scheduled.
- the World Trade Center has 1 event scheduled this week:
  - February 2-3 – New England Motorcycle Expo
- the Bayside Expo Center has 2 events scheduled this week:
  - February 2 – Vietnamese Tet 2008 Celebration
  - February 2-3 – Boston Going Green Expo

### **Conventions & Tradeshows & Events**

- the Massachusetts Convention Center Authority (MCCA) announced that the American Federation of State, County and Municipal Employees (AFSCME) will hold its 2010 international convention at the Boston Convention & Exhibition Center.
- the event will bring one of America's largest labor unions to Boston, attract over 5,000 attendees, and is slated for June 21-July 2, 2010.
- AFSCME had originally chosen the Jacob Javits Convention Center in New York City for their 2010 convention, but when New York could not meet the events needs, discussions started about the possibility of shifting to Boston.
- the AFSCME international convention is the organization's major vehicle in launching campaigns for reform in public service policies, and is often host to local and national politicians seeking union support.
- according to MCCA officials, the 2010 event has already booked over 26,000 hotel rooms, and is expected to generate \$12.5 million in economic impact for Boston,.

- **Boston Business Journal**

## Sports and Concerts

- the TD BankNorth Garden has 4 events scheduled this week:
  - January 29 – Boston Bruins vs. Nashville Predators
  - January 30 – Spice Girls Concert
  - January 31 – Boston Celtics vs. Dallas Mavericks
  - February 2 – Boston Bruins vs. Detroit Red Wings
  - February 4 – Beanpot Hockey Tournament
  - February 5 – Boston Bruins vs. Buffalo Sabres



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