



Media Contact:

Leo Ruiz, lruiz@denterlein.com, 305-987-8437

Boston at an Economic Crossroads: Navigating Commercial Real Estate Challenges & Maximizing Opportunities for Downtown Revitalization Report

Massachusetts Taxpayers Foundation Analysis Showcases Strategies for Revitalizing Boston's Central Business District and Sustaining Fiscal Growth Amidst Challenging Trends and Changing Patterns of Work

(BOSTON, MA – June 20, 2024) – Boston's economic success and fiscal sustainability rely heavily on the strength of its downtown, which is continuing to be reshaped by shifting work habits and broader economic trends. The Massachusetts Taxpayers Foundation's latest report, "[**Boston at an Economic Crossroads: Navigating Commercial Real Estate Challenges & Maximizing Opportunities for Downtown Revitalization**](#)," offers a revealing glimpse into the precarious situation facing commercial real estate in Boston's Central Business District and connects that situation to the City's public finances and long-term vibrancy. The report also offers principles and strategies for policymakers to consider in support of maximizing opportunities and minimizing challenges.

This trend is nationwide, with an aggregate loss of \$664.1 billion in office values since the start of the pandemic. Downtown Boston is not immune to these challenges, with vacancy rates up, commercial real estate values down, and downtown activity lagging behind other areas of the city that have recovered more quickly and are benefiting from increased vibrancy. Similar phenomena can be seen across major cities like New York, San Francisco, and Los Angeles; but Boston's reliance on property taxes and development in its downtown, make the stakes all the higher.

Boston's fiscal health is intricately tied to the growth of its commercial real estate market, concentrated in its Central Business District, which has become a driver of the City's budget expansion over the past 15 years. Since 2009, the City's property tax levy comprised more than 90 percent of all revenue growth, while total state aid has declined. The majority of the tax levy increase has come from new growth and the pipeline for that new growth has slowed considerably with the transition to a hybrid and remote work environment driving down office space demand. Without a sustained strategy to support downtown investment, the City's historic recipe for budget success will no longer apply and would be well served by adapting to the changing times by deploying new strategies.

The report also poses and answers key questions regarding policy proposals will further impact commercial real estate in Downtown Boston, including Mayor Wu's proposal to increase the share of taxes borne by non-residential properties:

- Does it recognize that property tax policy directly affects commercial real estate development?

- Does it improve or exacerbate existing commercial real estate challenges?
- Does it balance short-term needs with likely long-term impacts?
- Does it reduce barriers to real estate development and innovation?

“The fate of Boston's finances, accessibility, and economic vitality are inextricably tied to a Central Business District that brings workers, residents, and tourists downtown. As we seek to revitalize the area at the same time other neighborhoods in the city continue to thrive, we must balance short-term needs with long-term implications,” said Doug Howgate, President of the Massachusetts Taxpayers Foundation. “A clear vision and multi-pronged strategy are crucial to fostering a new path forward for Boston’s Central Business District that attracts businesses, increases non-work daily uses of the area, and drives the occupancy of downtown real estate.”

The policies under consideration today can make this challenge facing downtown but impacts the entire city more manageable or make it worse. Commercial real estate has been at the forefront of the city’s success over the past two decades; addressing the challenges outlined in the report is paramount for getting Boston's economic trajectory back on track by revitalizing its downtown. Understanding our current challenges is the first step in building that strategy. The insights and strategies offered serve as a roadmap for policymakers and stakeholders to shape a resilient and prosperous future for Boston's downtown core.

About the Massachusetts Taxpayers Foundation

Founded in 1932, the [Massachusetts Taxpayers Foundation](#) (MTF) is widely recognized as the state's premier public policy organization dealing with state and local fiscal, tax, and economic policies. MTF's record of high-quality research and non-partisan analysis has earned the organization broad credibility on Beacon Hill and across the Commonwealth. Our mission is to provide accurate, unbiased research with balanced, thoughtful recommendations that strengthen the state's finances and economy to foster the long-term well-being of the Commonwealth. Over the course of nine decades, MTF has played an instrumental role in achieving major reforms and promoting sound public policy in state government. In the past ten years, MTF has won sixteen prestigious national awards from the Governmental Research Association for our work on a wide array of topics. Our unique credibility has allowed us to have a significant impact on a wide range of issues - from health care, business costs and transportation funding to tax competitiveness, capital investments and state and local finances.