THE

AMERICAN EXPRESS OPEN INDEPENDENT RETAIL INDEX

BOSTON

SUPPLEMENT

OCTOBER 2011

CIVIC ECONOMICS
CREATIVITY · OPPORTUNITY · PROSPERITY

AMERICAN EXPRESS OPEN

INTRODUCTION

Civic Economics is pleased to present this community supplement to the American Express OPEN Independent Retail Index, a study of market trends in independent retailing and food and beverage service in 15 major American cities. This document is a supplement to the main study report.

The Index is the first longitudinal market share study, charting the success of independent, local proprietors over a 20-year period, from 1990 to 2009. The data source for sales and employment at retail stores, restaurants, and bars is the NETS Database, built from Dun & Bradstreet business data for every year since 1990. The Index itself is a way of scoring communities based on the vitality of the independent business community in Retail Shopping and Eating & Drinking. *The higher the index, the higher the market share captured by independents*. An index of 100 reflects the average market share in that sector in 2009.

The Index additionally provides localized analysis of those trends in fifteen major cities, studies one or more independent business hot spots in each, and reviews trends in those neighborhoods to identify the impact of those successes. We have provided a supplemental document for each of the study communities.

For more information about the Index and the methodology, please review the primary study document. Study documents are available online at ***SmallBusinessSaturday.com***.

BOSTON AND THE OPEN INDEX

Suffolk County, in which Boston is situated, has a population of 722,023, the 2nd smallest among the 15 study communities; its growth rate of 4.7% is strong given the built-out nature of the county. Boston has the highest per capita income among study communities, but per capita retail spending is below the average for both the study group and the nation, reflecting strong suburban sales.

Boston's strong 4th place showing in the Combined Ranking is due in large part to its consistently increasing Retail Shopping Index score, which rose from 9th in 1990 to 3rd in 2009.

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COMPARISON OF STUDY COMMUNITIES

City	Study Area	Combined Ranking	Growth 2000-2010	Per Capita Income 2009	Retail per Capita 2007	Density (per Square Mile) 2010 *
NEW YORK	Five Boroughs	1	2.1%	$ 28,516	$ 9,375	26,980.6
SAN FRANCISCO	San Francisco County	2	3.7%	$ 44,373	$ 15,516	17,246.4
WASHINGTON	District of Columbia	3	5.2%	$ 40,846	$ 6,555	9,800.0
BOSTON	Suffolk County	4	4.7%	$ 53,751	$ 10,381	12,338.1
PHILADELPHIA	Philadelphia County	5	0.6%	$ 20,882	$ 7,299	11,296.2
MIAMI	Miami-Dade County	6	10.8%	$ 22,619	$ 14,074	1,282.8
LOS ANGELES	Los Angeles County	7	3.1%	$ 26,983	$ 12,336	2,417.9
SEATTLE	King County	8	11.2%	$ 37,797	$ 20,002	908.4
ATLANTA	Fulton County	9	12.8%	$ 36,412	$ 13,363	1,741.3
CHICAGO	Cook County	10	-3.4%	$ 29,021	$ 11,571	5,493.1
DETROIT	Wayne County	11	-11.7%	$ 21,691	$ 8,720	2,694.4
SAN DIEGO	San Diego County	12	10.0%	$ 30,705	$ 13,009	737.0
MINNEAPOLIS	Hennepin County	13	3.2%	$ 35,687	$ 19,646	2,070.4
DALLAS	Dallas County	14	6.7%	$ 25,703	$ 13,929	2,692.3
PHOENIX	Maricopa County	15	24.2%	$ 27,185	$ 15,153	414.8
	Study Community Average		5.5%	$ 32,145	$ 12,729	6,540.9
	U.S. Average		9.7%	$ 27,041	$ 12,990	87.3

Source: US Census

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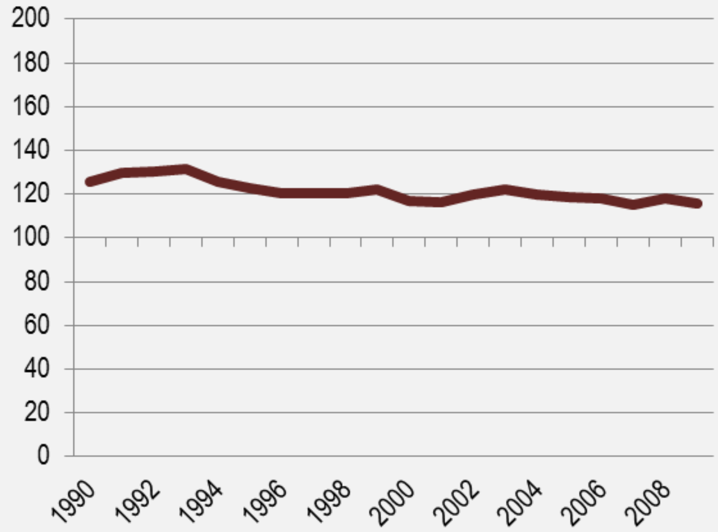
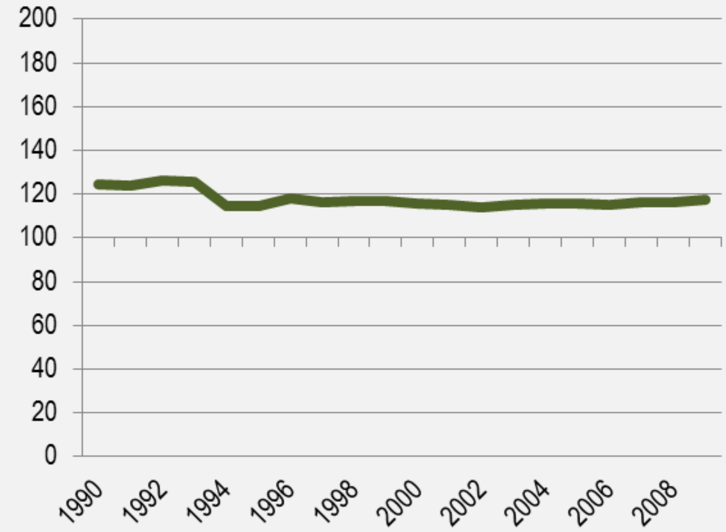
BOSTON (SUFFOLK COUNTY)

RETAIL SHOPPING INDEX



EATING & DRINKING INDEX



Retail Shopping			
1990 Index:	126	Rank:	9
2000 Index:	117	Rank:	5
2009 Index:	116	Rank:	3

Eating & Drinking			
1990 Index:	124	Rank:	4
2000 Index:	116	Rank:	4
2009 Index:	118	Rank:	5

Combined Ranking, 2009: #4

Source: NETS, Civic Economics, US Census

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OPEN INDEX RANKINGS BY CATEGORY, 2009

SHOPPING RANKINGS

City	Points	Rank
New York	155	1
Miami	125	2
Boston	116	3
Los Angeles	115	4
San Francisco	114	5
Washington	112	6
Philadelphia	105	7
Detroit	100	8
Atlanta	95	9
Seattle	91	10
Dallas	89	11
San Diego	89	12
Minneapolis	88	13
Chicago	82	14
Phoenix	75	15

EATING AND DRINKING RANKINGS

City	Points	Rank
San Francisco	136	1
New York	132	2
Washington	126	3
Philadelphia	119	4
Boston	118	5
Chicago	109	6
Seattle	108	7
Los Angeles	98	8
Miami	98	9
Atlanta	97	10
Minneapolis	95	11
San Diego	95	12
Detroit	84	13
Phoenix	84	14
Dallas	82	15

COMBINED RANKINGS

City	Points	Rank
New York	287	1
San Francisco	250	2
Washington	238	3
Boston	233	4
Philadelphia	224	5
Miami	223	6
Los Angeles	213	7
Seattle	199	8
Atlanta	192	9
Chicago	191	10
Detroit	185	11
San Diego	184	12
Minneapolis	184	13
Dallas	171	14
Phoenix	159	15

Source: NETS, Civic Economics, US Census

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INDEPENDENT BUSINESS IN BOSTON

Chart 4, at right, shows the change in employment in Suffolk County Retail Shopping and Eating & Drinking Establishments over the study period.

Collectively, Boston independents provide more than 35,000 jobs in the county, with 15,000 in the Retail Shopping sector and 20,000 in Eating & Drinking.

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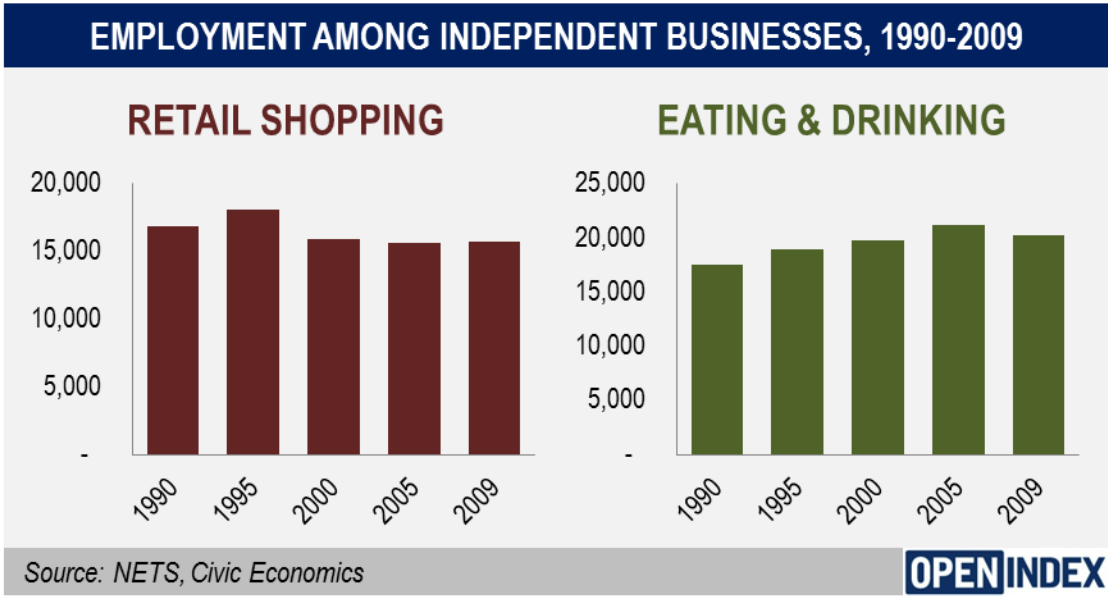


LOCAL INDEPENDENT BUSINESS HOT SPOTS

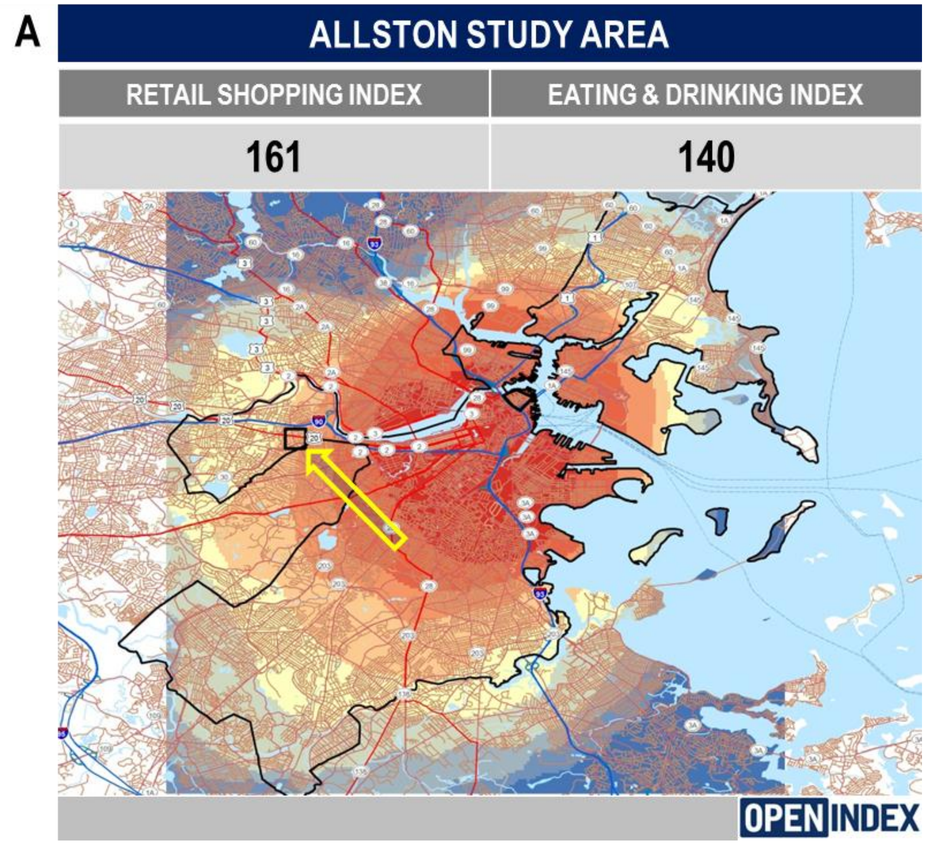
The Index set out to quantify the health of independent businesses in major American cities over time and in comparison with one another. However, this study would be incomplete without a look within those major cities at the independent business districts that help to define the character of the community and contribute mightily to the vitality of nearby neighborhoods.

For each of the 15 study communities, Civic Economics tied the NETS database of independent retailers, restaurants, and bars to a map produced in Geographic Information System (GIS) software. From the broadest map of the county, we identified a number of hot spots of independent businesses, and zoomed in on them to find each city's most indie-driven business districts.

A note on data: Within the 60 million data points from which Civic Economics built the Index, there are undoubtedly errors and omissions. At progressively smaller geographic levels, such as the neighborhoods discussed below, those may become apparent. However, despite the occasional misplaced business on a map, we believe the data provides a unique and reliable view of the trends at the nation, county, and neighborhood level.

Urbanized areas in New England are organized around "squares," which may look more like corridors to the outsider. Throughout Boston and its close in suburbs, residential areas are served by small, concentrated business districts that provide goods and services to the neighborhood and often serve as transit hubs. This traditional pattern of development has produced a quilt of urban villages, in which residents and businesses consider themselves as part of a small, identifiable community. Allston, discussed below, fits this pattern, having grown out of Union Square well to the west of Downtown Boston. The North End, by contrast, is the city's oldest neighborhood.

ALLSTON

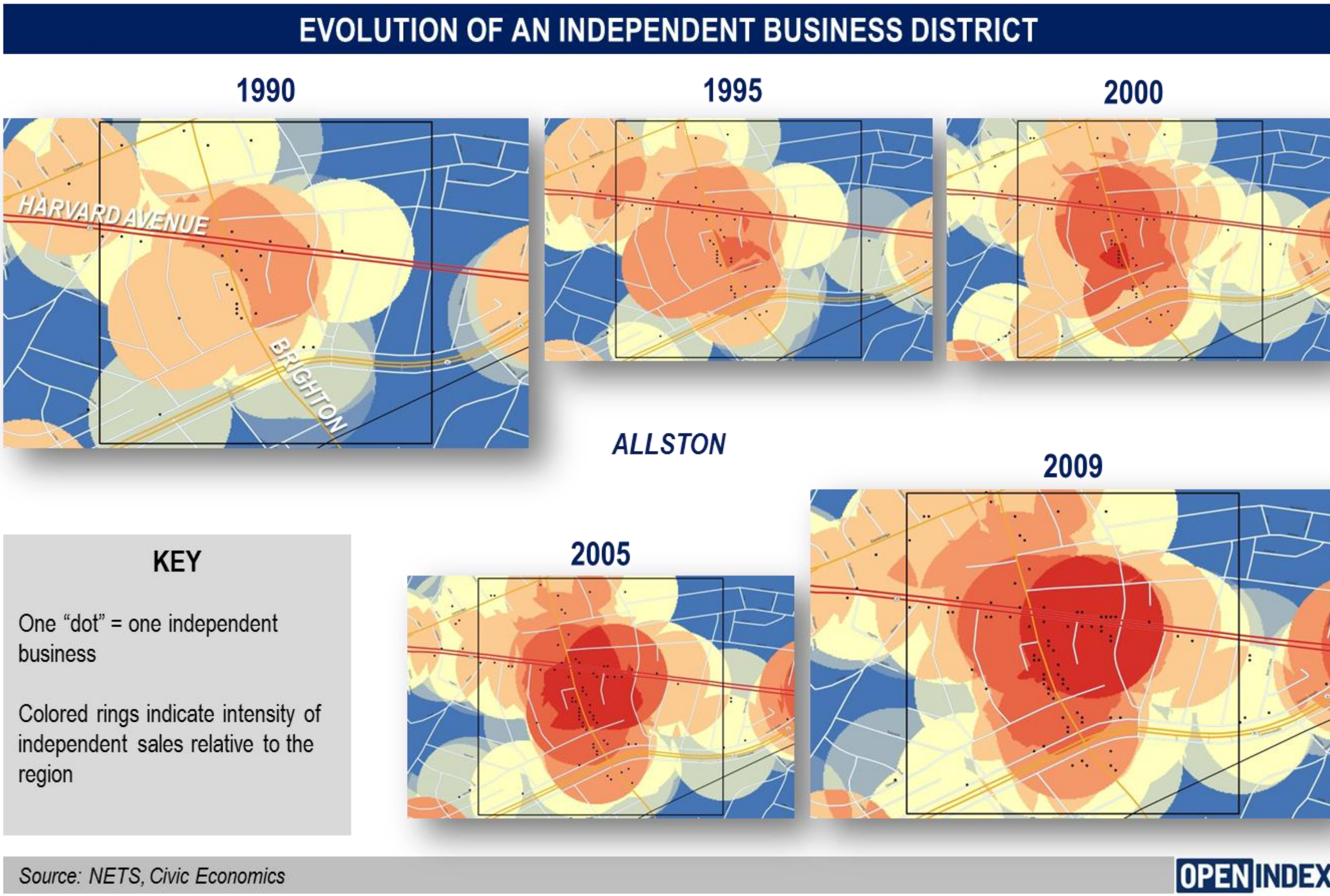


Allston (in small box on Map A, at right) is a commercial and residential area four miles to the west of Downtown Boston. The neighborhood is well connected to the entirety of Boston proper through transit connections and is strongly influenced by proximity to Harvard University to the north and Boston University to the east. The commercial core is centered on the intersection of Brighton and Harvard Avenues and in a triangle radiating east from Union Square.

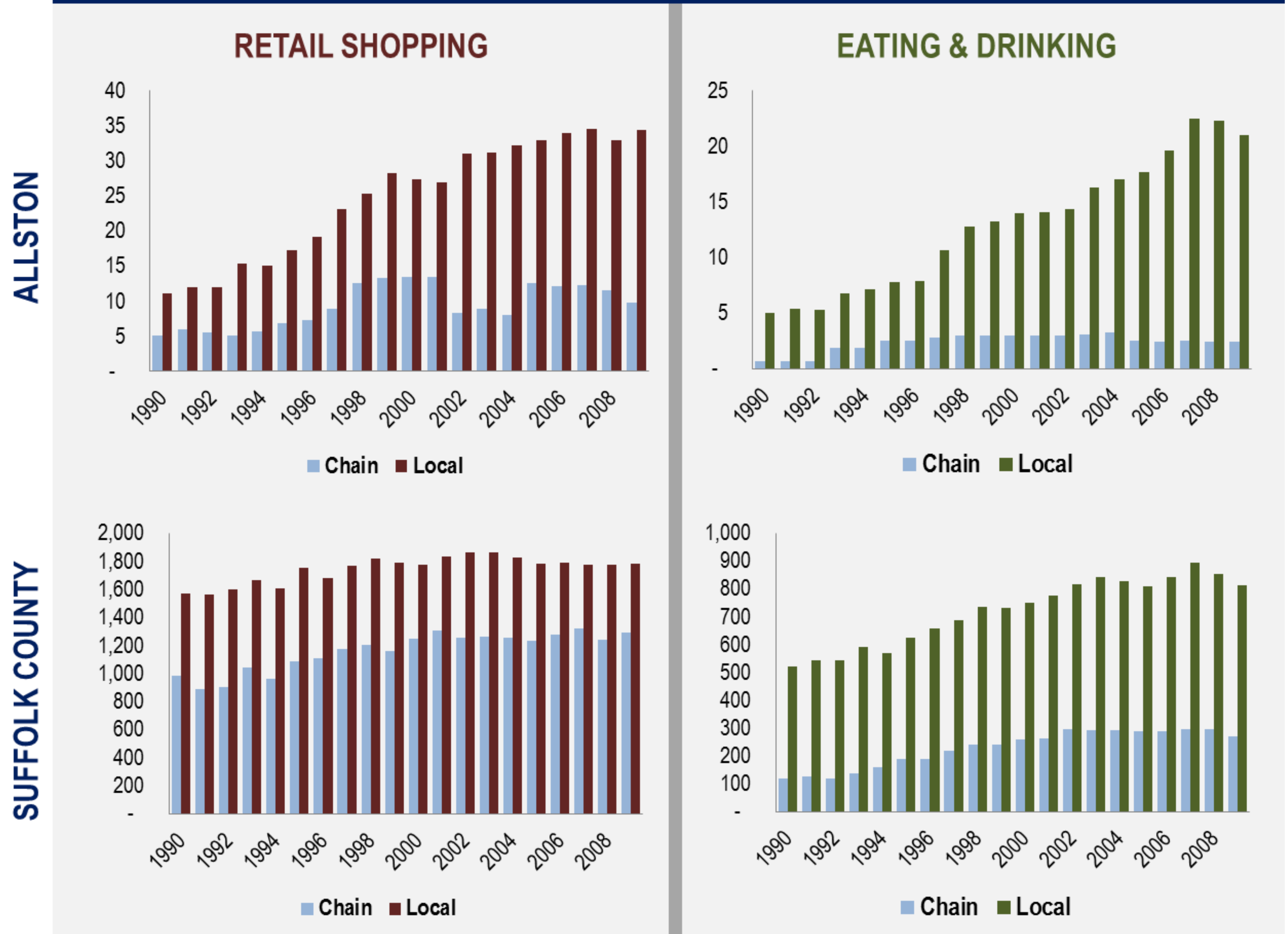
Map B on the following page depicts the evolution of the business districts in Allston. From a quiet nucleus of businesses in 1990, the area has emerged to support a range of retail shops, restaurants, and bars reaching to the Harvard Avenue Station at Commonwealth Avenue.

Chart 5 (on page 9) compares the retail and food & beverage markets in Allston. Beginning in the late 1990's, the area developed a strong mix of retail and restaurant offerings, with the latter enjoying strong growth through the study period.

B


EVOLUTION OF AN INDEPENDENT BUSINESS DISTRICT
1990
HARVARD AVENUE
BRIGHTON
1995
2000
ALLSTON
2005
2009
KEY
One "dot" = one independent business
Colored rings indicate intensity of independent sales relative to the region
Source: NETS, Civic Economics
OPEN INDEX

5 NEIGHBORHOOD SALES VERSUS COUNTY ($ Millions)



Source: NETS, Civic Economics

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The Economic Impacts of Allston

To measure the economic benefits provided by a thriving independent business district, Civic Economics studied two questions in each local business district analyzed.

The first is whether the presence of the district produces strong neighborhoods around it. The left side of Chart 6 below provides one answer to that question, tracking the median sales price in the zip code most closely associated with the district.

The 02134 Zip Code encompasses the entire Allston business district as well as adjacent neighborhoods north of Commonwealth Avenue. The northern reaches of the Zip are occupied by Harvard University athletic facilities. Property values in the neighborhood outgained the citywide average by 40% during the study period since 1996. Notably, Allston residential values solidified those gains in the recent recessionary environment.

The second question is how many jobs are created by the presence of the district. The right side of Chart 6 below shows job creation at both independent and chain businesses.

From small beginnings in 1990, the retail shops, restaurants, and bars of Allston have expanded continuously through the study period. During that time, total employment in those businesses increased from just over 300 to more than 1000 prior to the recent recession.

Because the study period captures the full evolution of the current business community in Allston, it paints a vivid picture of how strong independent business districts emerge. Beginning in the mid-1990's, entrepreneurs entered a quiet neighborhood business district to take advantage of affordable rents, transit connections, and the nearby student population. As these businesses reached critical mass, adjacent residential areas experienced a gentle transformation. Property value growth surpassed the citywide average at the turn of the century and, since that time, outgained the broader market consistently. As an anchor for a broader neighborhood, Allston makes a strong case for the value of a strong independent business district.

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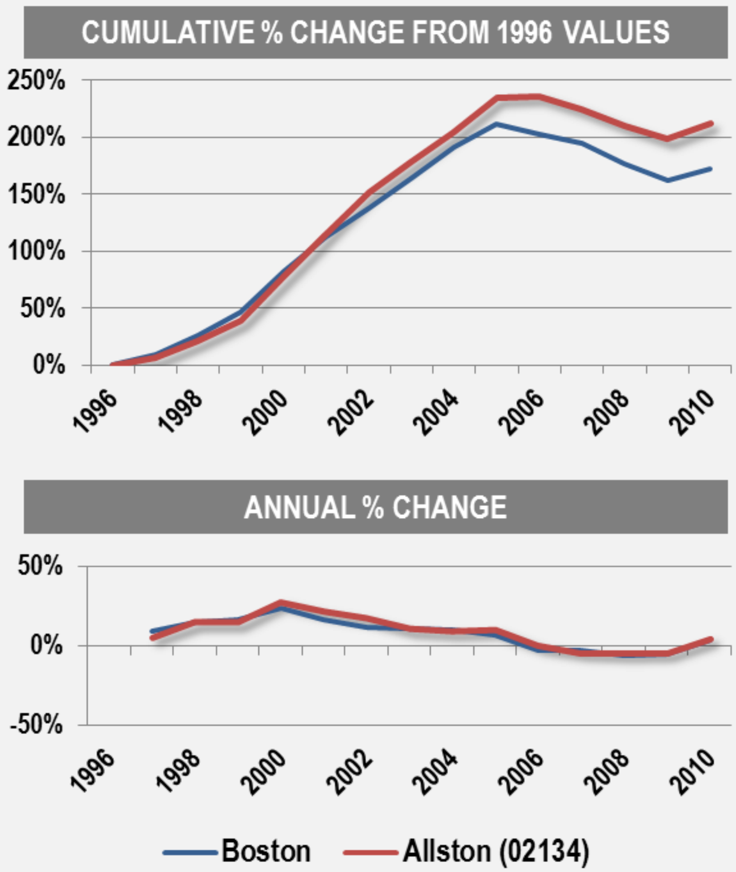
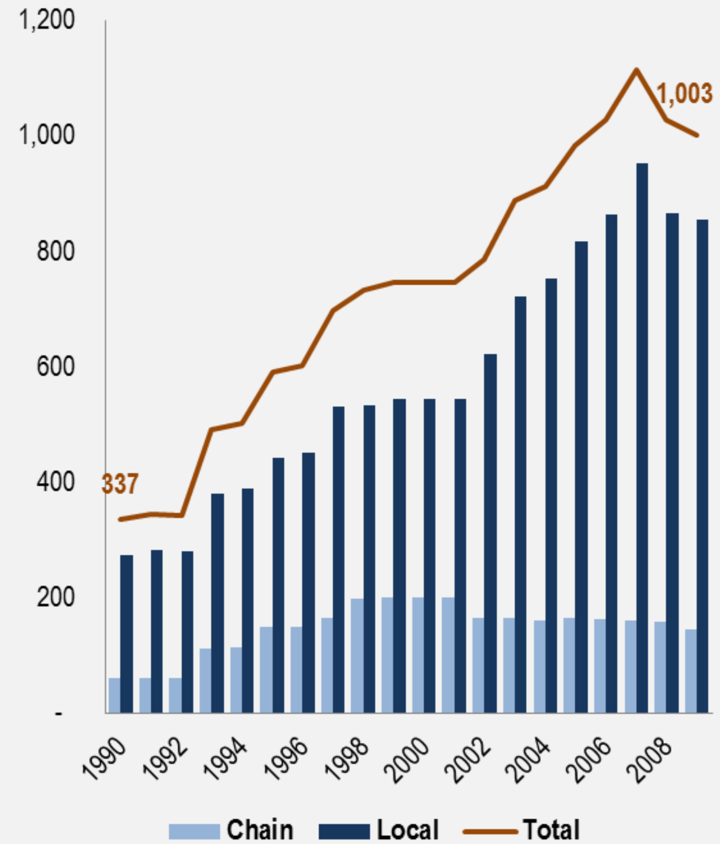
THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT

ZILLOW HOME VALUE INDEX



Source: Zillow.com, Civic Economics

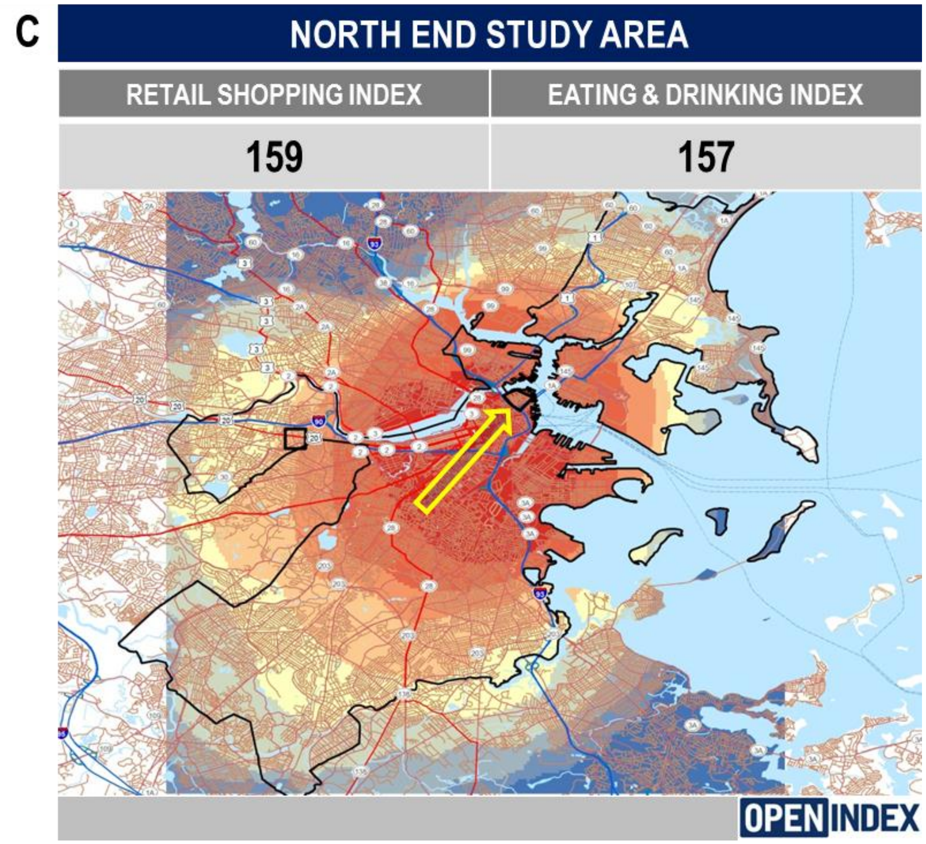
JOB CREATION IN THE NEIGHBORHOOD



Source: NETS, Civic Economics

OPEN INDEX

NORTH END

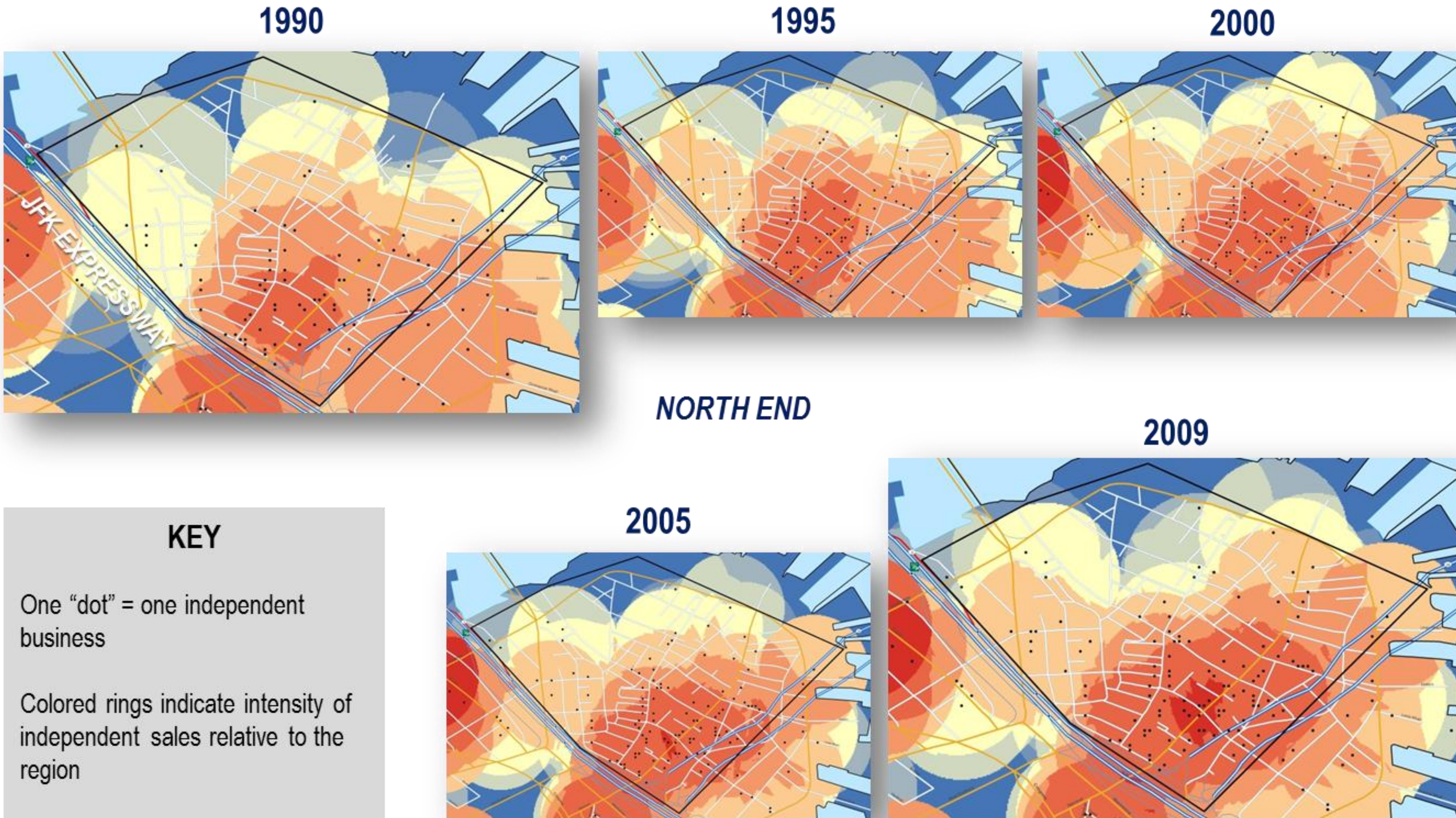


Boston's North End (in small box on Map C, at right) is an historic neighborhood north of Downtown Boston. Settled by colonists more than 350 years ago, it is the oldest residential district in Boston. The neighborhood has survived jarring transitions during those years, most notably the decades of separation due to the elevated Central Artery and the ever-changing nature of its working waterfront. Jane Jacob's seminal planning work *The Death and Life of Great American Cities* presented the North End of the 1950's as an exemplary neighborhood, akin to Greenwich Village in New York. With the completion of the Big Dig, the North End should solidify its place as a tourist destination in the coming years.

Map D on the following page depicts the evolution of the North End independent business community since 1990. It depicts a neighborhood dotted by small businesses throughout the study period, with an increase in the business core along Salem and Hanover Streets.

Chart 7 (on page 14) compares the retail and food & beverage markets in the North End with the broader Boston market. Both Retail Shopping and Eating & Drinking businesses registered strong sales growth during the study period, and the neighborhood even accommodated a few chain stores in the last decade.

D EVOLUTION OF AN INDEPENDENT BUSINESS DISTRICT



KEY

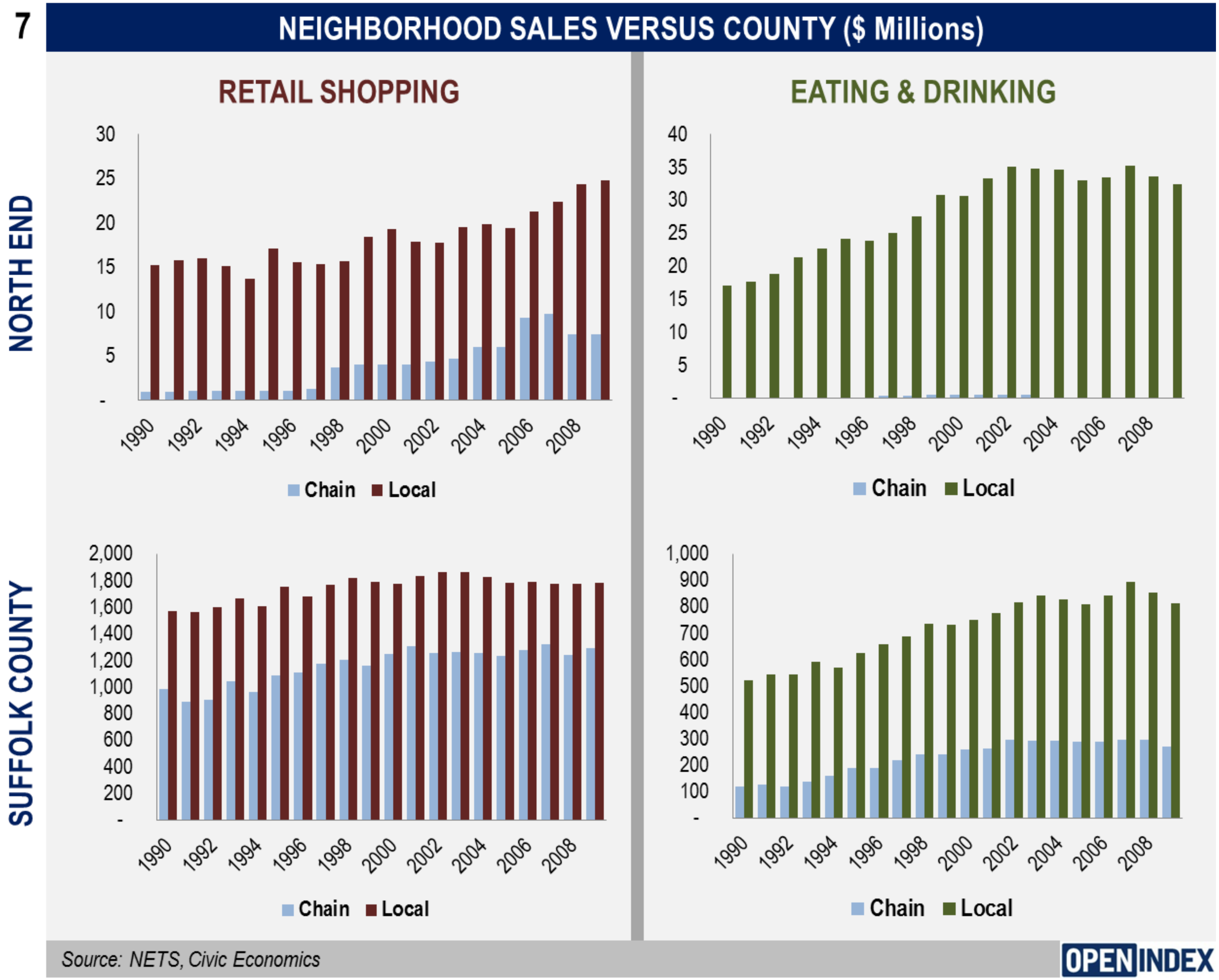
One "dot" = one independent business

Colored rings indicate intensity of independent sales relative to the region

Source: NETS, Civic Economics

OPEN INDEX

7


NEIGHBORHOOD SALES VERSUS COUNTY ($ Millions)
RETAIL SHOPPING
EATING & DRINKING
NORTH END
SUFFOLK COUNTY
Chain
Local
Source: NETS, Civic Economics
OPEN INDEX

The Economic Impacts of the North End

To measure the economic benefits provided by a thriving independent business district, Civic Economics studied two questions in each local business district analyzed.

The first is whether the presence of the district produces strong neighborhoods around it. The left side of Chart 8 below provides one answer to that question, tracking the median sales price in the zip code most closely associated with the district.

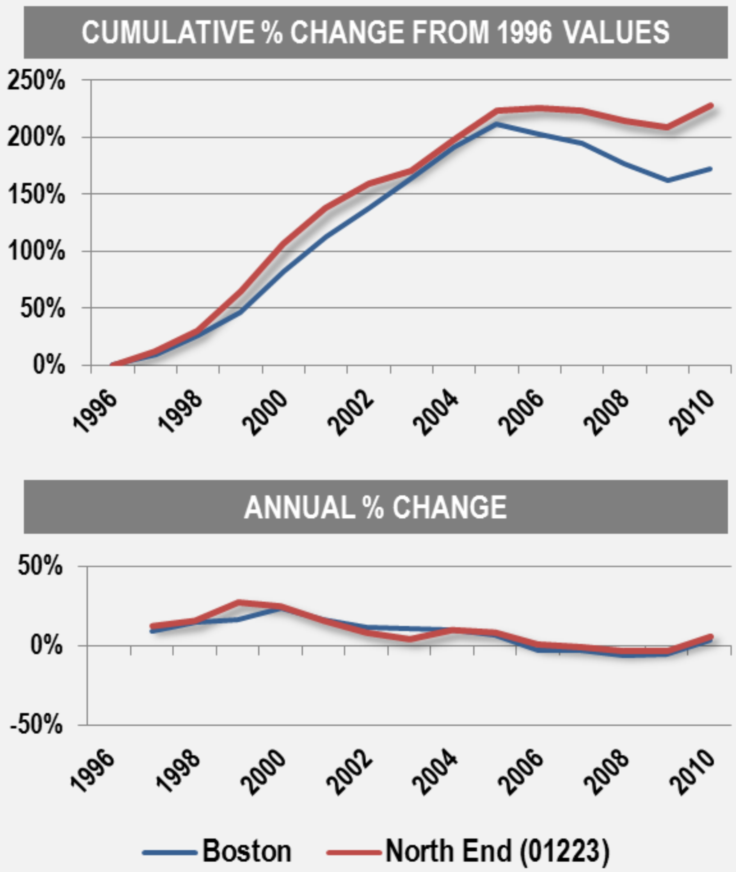
The 01223 Zip Code encompasses all of the historic North End. While neighborhood housing prices consistently outperformed city averages during the period since 1996, that advantage has expanded dramatically in recent years. Beyond the obvious benefits of a strong local business community and convenient, historic neighborhood, the removal of the elevated Central Artery and completion of Big Dig construction has undoubtedly benefitted the neighborhood.

The second question is how many jobs are created by the presence of the district. The right side of Chart 8 below shows job creation at both independent and chain businesses.

Prior to the study period, the North End was already home to a healthy independent business community. Many retail stores were, and remain, neighborhood focused, providing goods and services needed by residents. The neighborhood is also home to a large number of Italian restaurants, which attract not only residents of the longstanding Italian community in the neighborhood but residents of and visitors to the entire Boston area. Chart 7 shows how strong neighborhood-based employment opportunities became even stronger, increasing to over 1,000 in recent years.

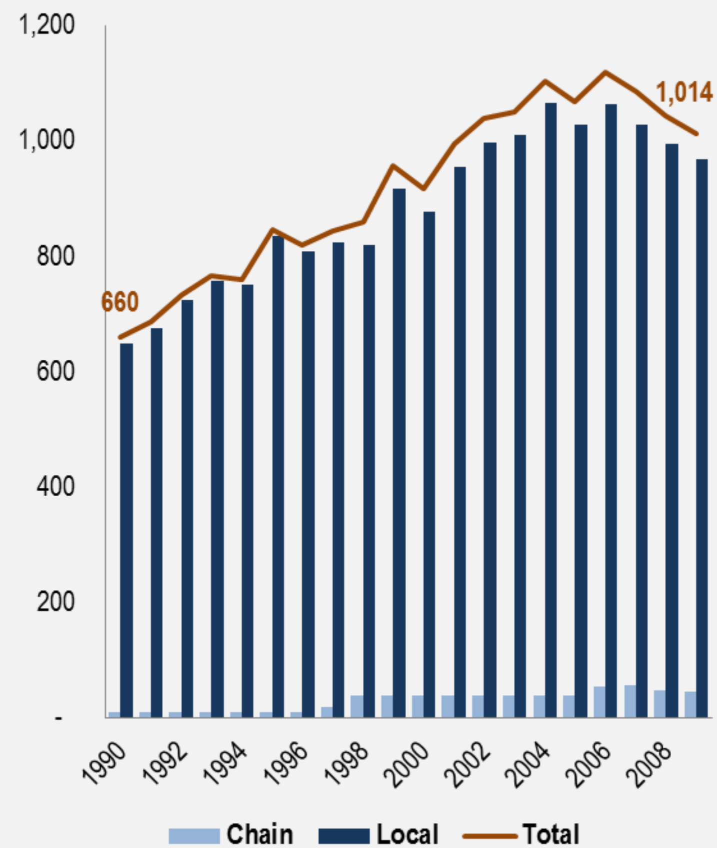
8 THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT

ZILLOW HOME VALUE INDEX



Source: Zillow.com, Civic Economics

JOB CREATION IN THE NEIGHBORHOOD



Source: NETS, Civic Economics

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CONCLUSION

It is fitting that Boston, in many ways the hub of the buy-local movement in America, ranks highly in the American Express OPEN Independent Retail Index. Moreover, the steady rise in Boston's Retail Shopping index from 9th in 1990 to 3rd today reflects a growing awareness of the importance of independent local business in the city. No other city made such a dramatic climb during the study period, and few other cities can boast of such strong organizational efforts for independents.

CONTACTS

To learn more about the OPEN Index and to download study documents, please visit ***SmallBusinessSaturday.com***.

For Civic Economics:
Dan Houston, Partner
512.853.9044
dhouston@civiceconomics.com

Civic Economics is an economic analysis and strategic planning consultancy with offices in Austin and Chicago. Founded in 2002 by Matt Cunningham and Dan Houston, the firm has earned a national reputation for innovative approaches to economic development challenges. Learn more at *www.CivicEconomics.com.*

For American Express OPEN
Rosa Alfonso, Vice President of Public Affairs
212.640.1712
rosa.m.alfonso@aexp.com

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