Charlotte and Boston During The Great Recession: Positive Effects on Both Cities in 2008

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The 2008 Great Recession was a terrible time for most Americans. Many people lost their houses, a large portion of their life savings, and their retirement. The Great Recession was a result of the 8 trillion dollar housing bubble burst which officially began in December of 2007 and ended in June of 2009. The large loss in wealth led to many consumer cutbacks and a collapse of business investments. This eventually resulted in the U.S. labor market losing 8.4 million jobs causing the unemployment rate to double, which was the worst employment deflation since the Great Depression. Despite the harsh times, many people fail to view the positive aspects of the recession. We decided to not only research negative implications of the Great Recession, but to also look at the positive aspects of the crisis from the cities that we come from. Alex is from just outside of Charlotte, therefore he researched the Charlotte area. Taylor is from just outside of Boston and therefore she researched the Boston area. Obviously both Charlotte and Boston had many negative outcomes; however, we decided that looking at the crisis in a more positive way! Specifically in Charlotte and Boston, the Great Recession positively influenced local businesses, real estate, and the unemployment rate. After analyzing these three sectors, we have decided to concentrate our research on determining the way those fields were positively influenced.

In Charlotte, despite common belief, some businesses actually benefitted from the Great Recession! Through research and analysis, we have concluded that Charlotte’s businesses survived off of necessity. If a business was essential to everyday life, it stayed. If the businesses was simply a consumer want, but not a need, then it oftentimes went under. Most of the businesses that collapsed in the Charlotte area also were in debt. Businesses that had enough funds to survive on a lesser quantity of orders oftentimes survived. Also, businesses that were a consumer need, and unreplaceable by a cheaper alternative, survived and were oftentimes unaffected. Even though many businesses collapsed, a large portion of businesses benefited during the recession! They benefited short-term from increases in revenue, and long-term from the implication of retirement plans. Revenue increases were seen in many different industries—everything from businesses zoned heavy industrial to restaurants. The increase in revenue was due to businesses going bankrupt, therefore their competitors acquired their customers. Specifically in the Charlotte area, ArroChem Incorporated—a local manufacturing company—saw a slight period of decline in orders, but then as their competitors filed for bankruptcy, they began acquiring their competitors’ customers. Due to the recession, ArroChem Incorporated now has no local competition, so they can now focus on expanding their market share. Typically in Charlotte, in the end, the businesses that survived are the ones that now dominate the local market due to their competition going bankrupt. Also, businesses that benefited during the Great Recession follow a similar trend— they are a necessity, not a want; such as grocery stores. Grocery Stores saw an increase in revenue because consumers began eating at home instead of going out to eat. The local business industry was also benefited long term due to the acquisition and implementation of retirement plans. In 2008, only 10 percent of small businesses offered a 401(k) plan. However, after enduring years of recession, the number of businesses with retirement plans has now risen to 24 percent. This data reveals individuals recognizing the importance of having a retirement plan, therefore small businesses began offering it to help their employees in times of unexpected economic downturn.

The Great Recession greatly affected Boston businesses both negatively and positively. Due to the housing markets boom and then bust, business investments collapsed. A Boston business owner, Sebastian Agapite, is a Dunkin Donuts franchisee who was affected by the recession. The way Sebastian Agapite (2015) put it was that “with so many people losing their jobs, those people were no longer commuting to those jobs meaning that those people were no longer stopping at my stores for
coffee in the morning.” On the other hand, many businesses actually benefitted from this time even though it was a financial crisis. Charles Draghi is the owner of Erbaluce, which is a contemporary Italian restaurant in Bay Village in Boston, and was interviewed in 2008 by The Boston Globe about how his business was being affected. In his interview he talked about how mom and pop restaurants benefitted during this time because they were able to adjust. Draghi discusses that because he is the owner of his own restaurant he is able to adjust to the economy. He goes on to say that he likes to use local fish for his food and by using whatever comes in on the boats, he is able to adjust his menu for the night. Draghi (2008) stated, “corporate chain restaurants have the hardest time in a down economy. It’s a set-in-stone model they can’t vary from.” Corporate chains have to stick to their menus and their prices therefore this time was not as easy for them; however it helped local restaurants that were able to fluctuate prices in order to adjust to consumer demand.

Whenever comparing Charlotte and Boston’s business market, you have a lot of factors to take into account. In Boston, the market is driven by consumer convenience and product pricing; while in Charlotte the market is driven by necessity. Local restaurants in Boston have an advantage because they are able to adjust the price to meet the consumer’s idea of product worth— the monetary value of the product they are receiving. Satisfying the consumer’s needs is always top priority, and the ability to fluctuate pricing in order to comply with the customer’s willingness to buy the product is essential. However, in Charlotte, the market is driven by need. If the consumer’s need is not met, then they will take their business elsewhere— usually to competitors. Therefore, in the end, a handful of businesses end up dominating the market. It is very interesting to learn how businesses actually profited in cities where economic devastation and poverty was so widespread. Boston’s business market was based more off of consumers reactions, while Charlotte’s market was based off of necessity.

The housing market also benefitted during the Great Recession. Although home prices decreased, investors who owned rental property majorly benefitted. The average days on the market for homes in 2008 was around 87 days, according to a sales report by Debe Maxwell. This is in comparison to the average today of 41 days on the market, according to the website Sell and Buy Homes in Charlotte. Consumers lost their homes due to taking loans for houses they could not actually afford, so decided to rent instead. Patricia Cheparo, a secretary for Hostetler Realty— a real estate investing firm in the Charlotte area— stated in an interview that the firm benefitted because they were able to fill all vacancies, raise rent prices, and receive higher quality tenants. The additional capital this provided for the firm, along with decreased home values, meant that they could expand their portfolio and acquire more properties, then turn around and rent them. During the Great Recession, Hostetler Realty almost doubled the number of houses in its portfolio due to decreased home values and tenants were willing to pay higher rents. Patricia Cheparo said the only downturn was that the interest rates they received at banks decreased, but the growth they were able to accomplish far surpassed that slight downturn. At the time, the Great Recession provided a major opportunity for financial growth to most firms that invested in real estate.

The housing market in general, during the Great Recession, plummeted after its rise just months before. The Massachusetts Association of Realtors (MAR) released their existing home sales report for December 2007 and they reported that in December of 2007 single-family sales declined by 20 percent in comparison to the year before. The MAR also reported that the average “days on market” for single-family homes was 138 days. In comparison to present day, the average “days on market” is 72 days according to realtor.com. Although the housing market had seen better days, there were benefits to real estate because of the crisis. For example, The Boston Globe’s Scott Van Voorhis posted an article in November of 2008 about real estate during the time of the crisis. In his article, Van Voorhis interviews Laurie Cadigan (2008) who owns Barrett and Co. and stated, “The price reductions, in turn, have encouraged some buyers to make a run at homes that would have been out of their range during the boom years.” With housing prices dropping, families who were not financially affected by the crisis were able to buy houses that they would not have been able to afford in previous years.

Despite Charlotte and Boston being several hundred miles apart, the two cities had large similarities in how real estate was affected by the Great Recession. In Charlotte, Hostetler Realty was
able to fill all vacancies, raise rent prices, and receive higher quality tenants. In Boston, Barrett and Co. realty had to reduce prices which encouraged buyers to look into homes that would have been too expensive before the Great Recession. Although in Charlotte the real estate firm was able to raise prices, the city of Charlotte, like Boston, had to lower their prices; which allowed buyers to invest in nicer homes for cheaper. A large difference in the two cities real estate would be the median days on the market for homes. The contrasts are not the numbers themselves but the difference between the numbers. In Boston during the recession, the number of days on the market was on average over 60 days longer than what it is now. In Charlotte during the recession, the number of days on the market was on average just over 40 days longer than what the average is now. It is key to not note the number of days themselves but the difference between the two numbers.

Many would not believe it, but the unemployment rate has actually decreased since the recession. In 2008, Charlotte’s unemployment rate was 7.4 percent. In February 2015, the unemployment rate was 4.8 percent. Unemployment benefits dropped 35 percent from 535 dollars to 350 dollars, according to an UNC Charlotte article. How could the Great Recession end up decreasing the unemployment rate? According to a study done by Forbes in 2008 about America’s worst cities, Charlotte actually was ranked ninth. Forbes did their study based on violent crimes, tax rates, and others, but especially based on unemployment. At the time of the recession, Charlotte’s employment growth could not keep up with it’s population growth. Due to so many business collapsing and individuals losing their jobs, more jobs were created for them. Although unemployment was a challenge for Charlotte at the time, since the recession Charlotte has been recovering. Now, as businesses have recovered and new business have thrived, there are more jobs available to the consumer. According to Charlotte Business Journal, Charlotte is expected to add an additional 30,000 jobs in 2015 alone. That would extend a years-long trend of improving job creation, climbing from just 50,000 new payroll jobs in 2010 to 100,000 new jobs in 2014.

With an economy declining, it is obvious that unemployment would be an issue for the average person at the time of the recession. Although the national unemployment rate went up to about 7.3 percent, Boston went up to maximum 5.9 percent, according to the U.S. Bureau of Labor Statistics. That is in comparison to the 4.5 percent that it is now in Boston and the 5.5 percent it is now nationally, both were also found in the U.S. Bureau of Labor Statistics. You would think that in a time like this, the unemployment rate in Boston would sky rocket. In 2008, Boston surprisingly had a total of 680,000 jobs which is far more jobs than the number of resident workers in Boston, according to the Boston Redevelopment Authority. Aaron Crowe posted an article on the web page Daily Finance in 2008 about unemployment benefits in Massachusetts. Crowe, from California, was laid off in June like many people at the time. Crowe discusses in the article how he wishes he lived in Boston at a time like the recession because the unemployment benefits are double the amount of money per week, which is about 900 dollars. This made it the highest paying state in the United States for unemployment benefits. In a PBS NewsHour interview, Shirley Leung (2008) from the Boston Globe actually compared Boston to California, “Well, even though we're in the middle of a major snowstorm in Massachusetts, we're sounding like California, huge job losses. Massachusetts shed about 8,000 jobs just last month, highest unemployment rate in five years.” Obviously Massachusetts was not truly doing as poorly as California, it is just irony because Leung’s comparison is California before the recession. Clearly Massachusetts was doing relatively well if they were compared to another state before the recession. According to Bloomberg Business, they rated Boston as one of the best cities to ride out a recession. Unemployment in Boston was surprisingly not too poorly affected by the Great Recession. Boston did a great job with unemployment when compared to other cities at the time.

When comparing Boston and Charlotte’s unemployment, it is key to note how well Boston dealt with unemployment at the time of the recession. Where Boston had more jobs than working residents, Charlotte barely could compete. Charlotte’s unemployment rate was just barely over the national average where as Boston’s unemployment rate was much less than both Charlotte’s and the national average. This all could simply be because Boston is a bigger city, however would it not be more difficult for a larger city to be on top of their unemployment rate. One would think that Boston’s unemployment rate would skyrocket, however it was only slightly higher then than what it is now.
PBS NewsHour held an interview at the time of the Great Recession with Shirley Leung of the Boston Globe and Doug Smith of the Charlotte Observer. Both Leung and Smith discussed how in both cities major banks have announced layoffs and how that would greatly affect their cities.

Although the Great Recession was a terrible time for many Americans, one would be surprised about the gravity of positive implications in both Charlotte and Boston. In Charlotte, businesses benefitted because the one’s that were able to financially survive began acquiring their competitors’ customers after competition started going bankrupt. In Boston, businesses were benefitted because they were able to adapt to the situation and make the best of it! Real estate also, surprisingly, was a beneficial industry to partake in during the Great Recession. In Charlotte, investment firms profited because they were able to rent at higher prices to higher quality tenants because homeowners were losing their homes and could not afford to buy, so rented. Therefore, due to more revenue from rent increase and filling of vacancies, real estate investing firms in Charlotte were able to acquire new property and expand their portfolio because of a surplus of capital. Likewise in Boston, due to decreased home prices, homeowners with little to no debt were able to acquire larger homes for a significantly reduced prices! This benefited the housing market in both cities because investors and homeowners found a method to make the best of their situation. Also, in Charlotte, unemployment actually decreased from 2008 to 2015 due to the creation of jobs! Likewise in Boston, unemployment was lower than the national average because the city knew how to deal with the issue, and had more jobs than the population of the city. In the end, it is very interesting realize the positive repercussions of the Great Recession. Oftentimes, the downside of the crises always makes headlines. However, it is good to bring the positives to light, as people made the best of situations that they were in. Every story has two sides to it, and the Great Recession has kept their positives hidden. It was very inciteful to bring them to light and learn about how people benefitted, contrary to common belief.

Reference Page
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