

Housing Costs Forcing Business to Expand Outside of MA

By Erin Delaney | Special to Banker & Tradesman | Jun 19, 2024 | [Reprints](#) | [Unlock Link](#) | [Print](#)



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Rising costs of living and doing business in Massachusetts are now the dominant factors influencing local employers' hiring and location decisions, and pushing some to expand elsewhere, according to a new survey.

A new survey from the Massachusetts Business Roundtable found that Massachusetts continues to be a hub for education and technological innovation, and an attractive home for top talent and business. The state was ranked No. 1 for technology and innovation, based on the number of patents issued per capita, and was ranked 15th overall in CNBC's 2023 rankings of America's "top states for business." Seventy-one percent of respondents in the Roundtable's survey reported that access to diverse and world-class talent was a top reason impacting their presence in Massachusetts, and 63 percent of respondents attributed it to the quality of the Massachusetts educational system.

However, the rising cost of living, driven up by the cost of housing, is the dominant factor influencing organizations' decisions to remain in Massachusetts: 83 percent of respondents cited cost of living (up 250 percent from 2022) and 75 percent of respondents cited cost of doing business (up 300 percent from 2022) as reasons impacting their organizations' decisions to expand or reduce its presence in Massachusetts over the next one to two years.

"What struck me most about the survey results was the acceleration of the impact of the state's cost of living on employer's hiring and growth decisions," JD Chesloff, president & CEO of the Roundtable, said in a statement. "Employers still love being in Massachusetts for all it has to offer, however the cost of living and fundamental changes in mobility have given employers alternatives that they are exploring."

The Massachusetts Business Roundtable is a statewide public policy organization comprised of CEOs and senior executives from some of the state's largest employers representing over 250,000 Massachusetts employees. The group's annual competitiveness survey is conducted by consulting firm McKinsey & Co. and is based on a combination of surveying almost 60 Roundtable member businesses and interviews with CEOs, senior executives, and human-resources business partners within the group's membership.

As a result of the rising cost of doing business, hiring is becoming significantly more difficult and growing numbers of employers are planning to expand their presence outside of the state. More than half of respondents indicated that the largest challenge in recruiting is candidates' unwillingness to move to Massachusetts. The survey found that 40 percent of organizations are planning to grow their workforce outside of Massachusetts, doubling since 2023 and almost six times the share of respondents who said the same thing in 2022's survey.

"Massachusetts is a very attractive place to do business, but recruiting talent remains a challenge for local companies due to the high cost of living," Lisa Murray, Citizens' Massachusetts president and chair of the Massachusetts Business Roundtable, said in a statement. "To remain competitive, more investments in housing and workforce development are needed to make the Commonwealth a more affordable place to live and work."

Business leaders surveyed by the Roundtable believe that investments in housing, reskilling the workforce and investments in life sciences and emerging sectors can address Massachusetts' challenges and ensure that it remains a hub for top talent and a home for business. Ninety-one percent of organizations surveyed believe investments in housing production will improve the state's competitiveness. The majority of organizations believe that Gov. Maura Healey's proposed commitments to building an artificial intelligence hub (64 percent), reauthorizing the state's life sciences investments (63 percent) and launching a climatetech initiative (53 percent) will benefit the state's talent competitiveness.

"When we've conducted this survey in the past the red warning light from MA employers was certainly flashing; now it's solidly red," Lucy Perez, a senior partner at McKinsey & Co. who led the research, said in a statement provided by the Roundtable. "As a long-term resident of Massachusetts, this year's study hit home for me – it underscores both the incredible strengths we have here in terms of talent, innovation and education, but also the serious challenges employers told us they're facing around cost of doing business as well as attracting talent due to affordability challenges around housing, childcare and transportation. All of these problems are solvable, but now is the time for action."

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