

Pace of Job Growth Slows; Future of Federal Unemployment Still Unclear

Partial lockdowns moderate hiring in July. The labor market continued to improve last month with the addition of 1.8 million jobs, below June's gain of 4.8 million personnel. Business closures stemming from a rise in new COVID-19 cases in some parts of the country are slowing the pace of recovery. Total employment remains 12.8 million positions short of the February level and closing that gap will take time as more temporary layoffs become permanent job losses.

Main wave of hotel rehiring likely over. The leisure and hospitality sector led hiring in July with the addition of 592,000 employees, a 5 percent monthly increase. Most roles were tied to food services and drinking places as bars and restaurants reopened in lower-infection areas. Growth in accommodation employment was more subdued. Despite improving incrementally each week, hotel occupancy in early August remained more than 30 percent below levels from a year prior. Labor costs relative to the number of rooms sold have also returned to levels recorded before the health crisis. Further substantial hotel-job recovery will likely not take place until more traditional travel demand drivers such as large marquee events return to increase bookings.

Rent collections may fall as unemployment benefits expire. The extra \$600 in weekly unemployment insurance provided by the CARES Act expired in July, ending a critical pillar of support for those made jobless by the health crisis. Lower-wage earners who can't work remotely will be hit the hardest. As a result, multifamily properties, especially Class C buildings, may see lower rent collections. An August 8 presidential executive order, in an effort to extend relief until Congress passes a new stimulus package, aimed to provide what would effectively be \$300 per week in federal aid on top of state benefits. It remains unclear exactly when and how the new Lost Wages Assistance program will be enacted, and the pool of funds is limited. Reduced financial assistance could dampen consumer spending moving forward, adding new challenges to retailers already hindered by temporary closures and health risks.

Developing Trends

Reopenings add jobs in medical offices but not seniors housing. As more people resumed regular medical appointments, staffs at dental practices, doctors' offices, and home healthcare services grew in July. Employment at nursing and residential care facilities declined, however. The heightened coronavirus risk factors for those living at these facilities contributed to less demand for their services in the second quarter. The long-term outlook for seniors housing is bolstered, however, by the prospect of a COVID-19 vaccine and the growing number of U.S. residents age 75 and above.

More jobs permanently lost as time advances. The week ended August 8 marked the first time in four months that initial unemployment claims fell below a million. While fewer people are becoming newly unemployed, about 8 million individuals have been without work since before May. In that time, the proportion of unemployed persons who permanently lost a job has doubled. Each of these losses lengthens the eventual job recovery.

10.2% Unemployment Rate as of July 2020

9.3 Million Jobs Recovered Since April 2020

