RESEARCH BRIEF

Marcus & Millichap

EMPLOYMENT | **SEPTEMBER 2020**

Unemployment Drops Below 10 Percent as Remote Working and Future of Federal Aid Influence Retail and Multifamily Outlooks

Employment growth continues, but pace slowing. Employers added 1.4 million jobs in August, the lowest total of the past four months. The collective gains made over that period have restored nearly half of the 22.2 million roles that were lost in March and April. The job recovery will likely continue but the speed of improvement will largely depend on the timing, size and scope of the next Congressional stimulus package.

Unemployment hits single-digits, many workers still displaced. August job creation drove the unemployment rate down to 8.4 percent, falling below the 10 percent threshold for the first time since April. Unemployment for multiple sectors, including construction, manufacturing and financial activities, are now within 300 basis points of their February levels. Other types of businesses are facing greater challenges. Unemployment for leisure and hospitality workers lies at 21.3 percent, nearly four times its pre-pandemic rate. The bulk of job losses were at restaurants and bars, which were heavily affected by temporary closures. Many of these businesses are now open but under capacity restraints, bringing back 60 percent of the 6 million vacated positions. The pace of hiring may slow substantially in the near future however, especially in the Midwest and Northeast where colder weather severely limits outdoor dining.

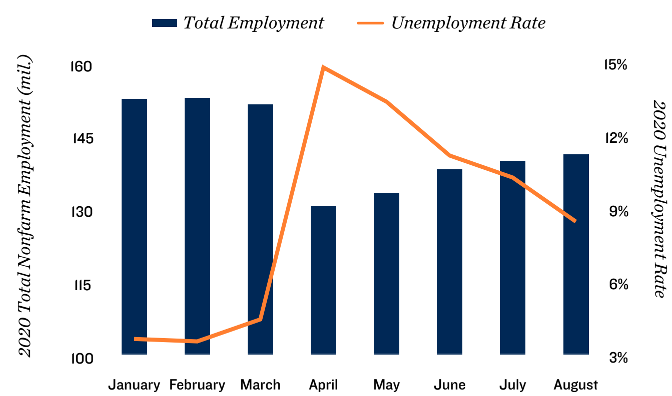
Less foot traffic at offices affecting nearby retailers. Last month 24.3 percent of employed people worked remotely to some degree because of the coronavirus, down from 35 percent in May. While the shift to greater telecommuting applies largely to office-based roles, this trend is having a more immediate performance impact on retail properties. Fewer people traveling into the office have drastically reduced foot traffic at nearby shops in urban hubs, presenting financial hurdles for businesses that pay a premium to occupy these normally busy locations. A growing list of store closures will push vacancy higher later this year. Suburban retail properties should fair better, capturing demand from workers ensconced in their homes.

Diminishing stimulus raises caution for apartments. Last month more than 24 million people worked either reduced hours or not at all because of the health crisis. While that number is about half as high was it was just three months prior, many individuals are still without work. The negative shock to consumer spending and rental housing demand that would normally follow this level of disruption has been mitigated by robust fiscal stimulus, including federal unemployment benefits. These resources are being rapidly depleted however, presenting potential headwinds for apartment buildings. Class C multifamily properties may record an interruption to rental payments but vacancy is unlikely to rise because of the extended national moratorium on evictions that protects some lower-income renters. Class A units meanwhile reported an 80-basis-point vacancy increase in the second quarter as new facilities opened amid a more complicated leasing environment. Additional aid anticipated from Congress could dampen or bypass some of the hurdles facing apartments.

8.4% *Unemployment Rate as of August 2020*

10.6 Million *Jobs Recovered Since April 2020*

Unemployment Rate Continues Steady Decline



Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; RealPage, Inc.