RESEARCH BRIEF

Marcus & Millichap

EMPLOYMENT

JUNE 2021

Job-Search Hurdles Shrink but Numerous Openings Remain

Unemployment falls in May but job growth misses the mark. Employers added 559,000 personnel to payrolls last month, above the 278,000 positions created in April but below many economists' expectations. The higher pace of hiring was nevertheless sufficient to drop the unemployment rate 30 basis points in May to 5.8 percent. While markedly below the recent high of 14.8 percent, the measure still exceeds the pre-crisis level by 230 basis points. Despite a shortfall of 7.6 million jobs from February 2020, various constraints are limiting employment growth.

Fewer potential restrictions to hiring in the months ahead. Lack of available child care and other factors are leading to lower-than-expected employment growth, although May's numbers reveal how some of these frictions are being addressed. A combined 162,000 personnel were added to the public and private education sectors as well as at daycare providers, freeing more parents and guardians to return to work. Not everyone will be able to leave home however, as the nation's childcare apparatus remains hundreds of thousands of jobs short of the pre-pandemic level. To the extent that additional unemployment insurance may have also dissuaded job searches, that benefit will soon cease. Half of all states will stop dispersing federal unemployment insurance in the coming weeks, well ahead of the national September deadline.

Manufacturers add jobs, rising costs to impact construction. After the net loss of 32,000 positions in April, manufacturers hired 23,000 personnel last month. A delay in expanding international shipping capacity paired with shortages of raw materials has kept many U.S.-based goods producers from ramping up staff sizes. This temporary delay has not impacted space needs, as industrial vacancy contracted quarter-over-quarter in March. The more widespread fallout from limited supplies will likely come from construction. Surging materials costs may impair development timelines across multiple property types. This would benefit existing properties at a time of operational recovery, as the current schedule of arrivals is spaced out.

Developing Trends

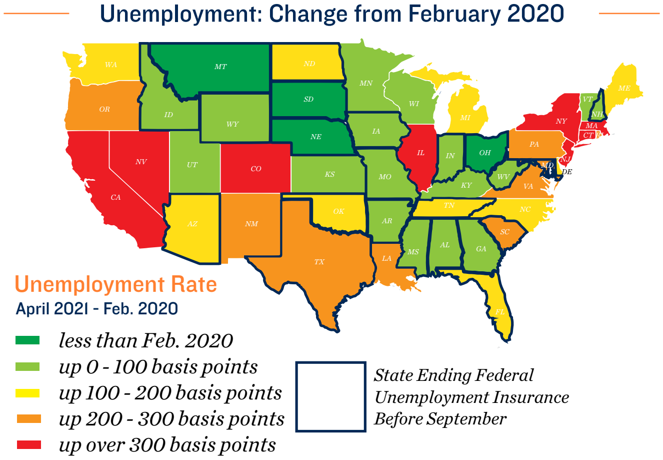
Despite record job openings, labor shortage adds wage pressure. At 8.1 million, there are now more job openings than at any other time since at least 2000. Aided by lowered or eliminated capacity restrictions and resuming travel, the leisure and hospitality sector has the highest opening rate. Bars, restaurants, hotels and entertainment venues have hired over 1.2 million personnel so far this year, but there are still significant labor shortages. To fill positions and avoid limiting services, as some businesses have had to do, sector employers are raising hourly wages, up 5.5 percent year-to-date.

Health-crisis-induced remote work continues to wind down. The share of people teleworking because of the pandemic fell to 16.6 percent last month. Widely available vaccines and falling infection rates are enabling more companies to solidify return-to-office plans. Apple recently asked staff to work from the office three days per week, with other technology firms adopting similar hybrid models to start. Other industries favor a more complete return to offices, including several financial institutions and public agencies.

5.8% *Unemployment Rate in May 2021*

7.6 Million *Jobs Short of February 2020 Total*

Unemployment: Change from February 2020



Note: Difference in unemployment rate, April 2021 value minus February 2020 value
Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; Next Advisor