RESEARCH BRIEF
EMPLOYMENT

IPA INSTITUTIONAL PROPERTY ADVISORS

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Companies Begin Calling Back Workers

Unexpected May jobs rebound raises recovery hopes, but challenges remain. The economy looked bleak in March and April as job losses of 22.1 million spiked the unemployment rate to 14.7 percent, but there is now positive news from the labor market as restrictions across the Country begin to ease. In May, 2.5 million jobs were added, and the unemployment rate dropped to 13.3 percent.

Gains in leisure and hospitality sector seen as harbinger of US economic recovery. Among those most impacted by the COVID-19 pandemic, restaurants and bars brought back 1.4 million workers in May as states such as Arizona, Florida, Georgia, and Texas started reopening. While a turnaround might be somewhere around the corner, there is still reason for caution. The number of recalled employees only represents 15% of the 8.2 million jobs lost in the sector.

Construction sector fuels further optimism as it records second greatest employment gains. The inclusion of construction activity in phase one of reopening plans, resulted in payrolls rising by 464,000 and wiped out nearly half of April's job losses. In the most recent IPA Developer Impact and Sentiment survey, over 50 percent of respondents estimated that multifamily developments would be delayed by three to six months. Furthermore, measures taken to reduce construction workers' risk of exposure to COVID-19 could contribute to additional delays, pushing deliveries into next year.

Business loans support growth. Small business loans under the Payroll Protection Program (PPP) have also been a positive source of economic growth. The PPP have allowed businesses to maintain staff instead of resorting to layoffs. Moreover, a recent amendment to the program allows even more flexibility to employers. The amount of PPP Funds required to be spent on payroll has been reduced from 75 percent to 60 percent. The extra cash can now be allocated to rent, mortgage payments, and utilities which should benefit property owners.

Developing Trends

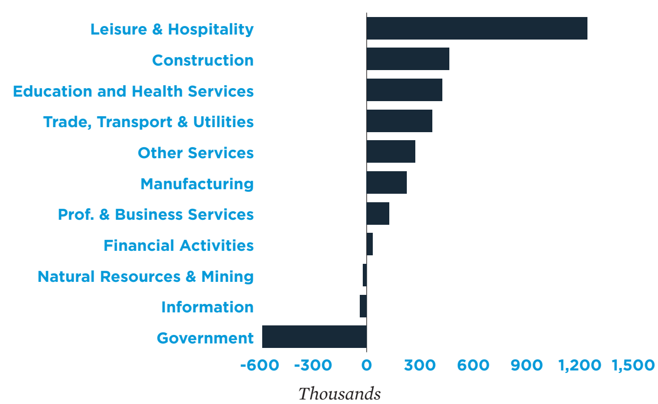
Further fiscal response crucial for expansion. The $2.4 trillion CARES Act appears to have buoyed the economy. However, the enhanced Federal unemployment benefits will cease at the end of July, unless an amended proposal is approved. To prevent a double dip recession, Congress will need to consider extending and expanding assistance before its summer recess.

Positive June employment will support recovery trend. Job losses currently stand at 19.6 million. Due to survey issues, the unemployment rate most likely sits three percentage points higher than the reported 13.3%. However, May's employment number does offer hope. While this recession is the deepest on record, continued growth would also make it one of the shortest. As consumers gain more confidence that better times are ahead, pent up demand will be unleashed to further boost the economy. Thus, there are grounds for cautious optimism that the worst is behind us.

2.5 Million *Jobs Added in May 2020*

13.3% *Unemployment Rate as of May 2020*

May 2020 Change in Employment by Sector



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Sources: IPA Research Services; Bureau of Labor Statistics