RESEARCH BRIEF
EMPLOYMENT

IPA | INSTITUTIONAL PROPERTY ADVISORS

JULY 2020

Record Job Growth in June Precedes Infection Surge, Business Closures

Job growth increases as economic restoration continues. The labor market recovered further in June as unemployment fell 220 basis points to 11.1 percent and 4.8 million people returned to work, the largest monthly job gain on record. The economy has gained back one-third of the jobs lost at the beginning of the pandemic. However, the employment market's recovery appears at risk given the recent surge in coronavirus cases.

Restaurants, hotels and warehouses rapidly rehire. June job gains were broad based as most major sectors reported growth. The recovery was strongest in the leisure and hospitality industry as nearly 1.5 million people returned to their roles at food service and drinking places, a 19 percent increase over last month. Accommodation employment also rose by 22 percent as the hard-hit hospitality sector continues to incrementally improve. U.S. hotel occupancy, which had bottomed out at 21 percent in early April, exceeded 46 percent during the last full week of June. Another positive indicator for tourism can be seen in the 57 percent rise in daily passenger screenings at TSA checkpoints from May to June. Hiring in the trade and transportation sector overall was strong, with most of the added jobs tied to storage and warehousing. The need to maintain inventories amid supply disruptions paired with greater e-commerce spending has re-emphasized the importance of warehouse and distribution space.

Renewed business closures cloud job outlook for July. While numerous reopenings supported record hiring last month, employers face more challenges ahead. A surge in coronavirus cases, especially in Texas, Florida and Arizona, has forced some businesses such as bars and gyms to close again while other areas pause reopenings. Employees who recently returned to work may find themselves furloughed again, with the $600 a week in federal pandemic unemployment compensation set to expire before August unless Congress provides additional stimulus. Otherwise, unemployed renter households could struggle to meet their montly rent payment and thus negatively impact mulitfamily properties with increased vacacny.

Developing Trends

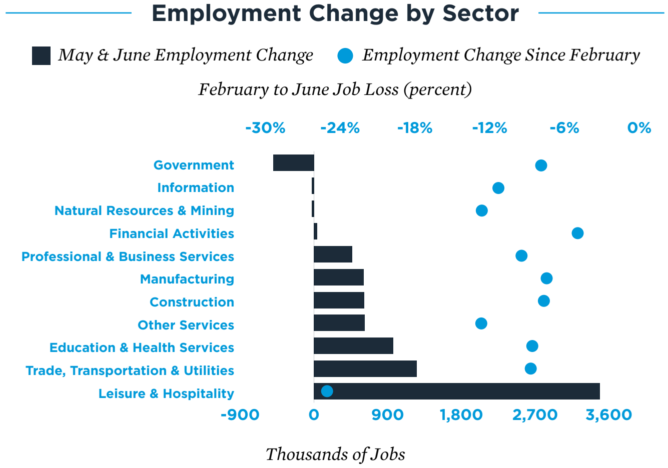
Unemployment dropping but not everyone returning full-time. While more people are returning to their jobs, not everyone is working full time. The number of people who want to work more hours but cannot due to unfavorable business conditions and other economic reasons remained above 9 million last month, about double the February total. Underemployment is nevertheless declining, as indicated by the U-6 underemployment rate, which includes those working reduced hours. The measure has declined from a record high of 22.8 percent in April to 18.0 percent in June, slightly above levels reported after the Great Recession.

Educational attainment impacts unemployment rates. Individuals with only a high school education were unemployed at a 16.6 percent rate, or 5.5 percentage points above the national rate in June. Yet, the unemployment rate for those with a college degree or higher was 6.9 percent. These variations in employment will lead to sectors of the economy recovering at distinct rates and investors need to be aware of potential differences in performance related to asset class.

7.5 Million *Jobs Recovered Since April 2020*

11.1% *Unemployment Rate As of June 2020*

Employment Change by Sector



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Sources: IPA Research Services; Bureau of Labor Statistics