BEYOND THE GLOBAL HEALTH CRISIS

Marcus & Millichap

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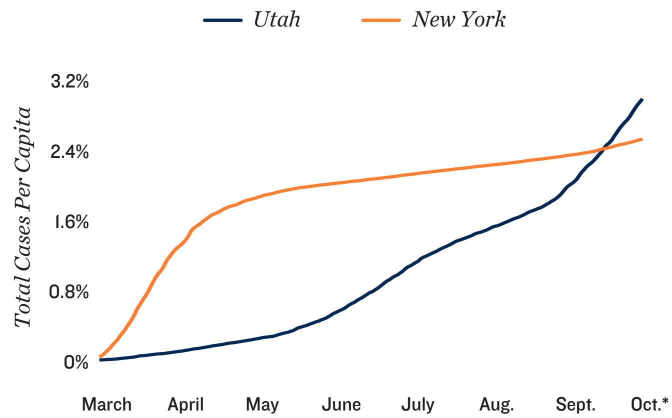
Labor Market Conditions Uneven Across the United States; Dynamic Could Shift as the Health Crisis Accelerates in New Areas

Many inland states avoided a major disruption. The Midwest and Central U.S. fared better in the spring and summer months as they steered clear of the most extreme outbreaks. Lower population density was favorable to limit the spread of the virus, allowing less-strict shutdowns and fast-tracked reopenings. Additionally, the major markets here are less reliant on visitor spending and downtown foot traffic, so the shock was less disruptive compared with dense coastal and tourism-reliant states. Although, renormalizing consumer behavior is coinciding with a slower transmission of the virus in places like New York City, providing some positive momentum for these areas.

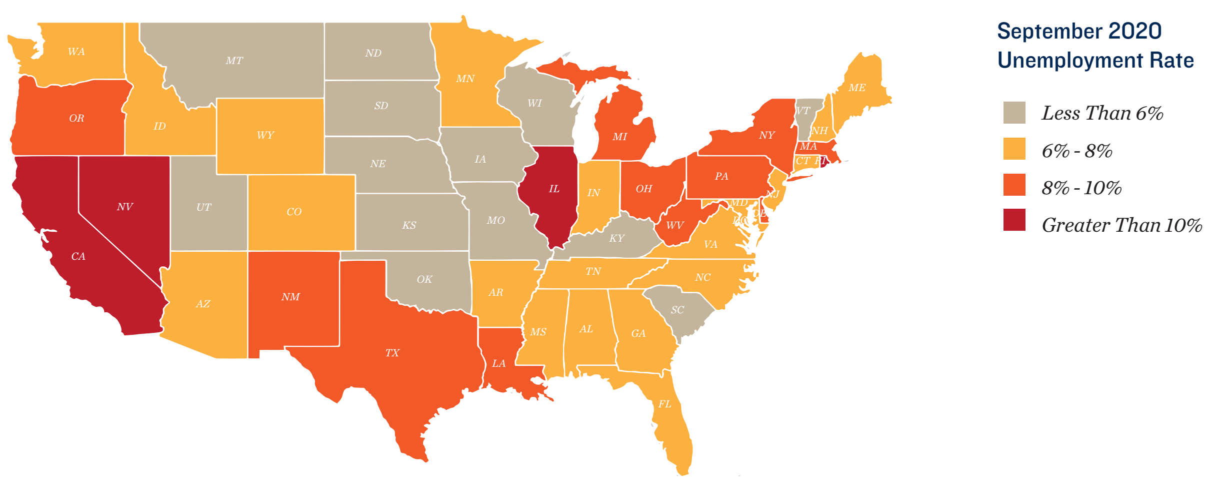
COVID-19 surges in previously less-scathed states could change the tides. Recorded cases are escalating nationwide, particularly in places that had so far limited the spread, such as Utah. The threat of overwhelming hospitals could prompt a reopening rollback, but the reaction would likely be less severe than earlier shutdowns with a primary focus on higher-risk service and entertainment business models. Nevertheless, the leisure and hospitality sector would be under greater strain with new capacity restrictions potentially reversing momentum after the sector accounted for 40 percent of national job additions from May through September. Bars and restaurants in cold-weather markets could be especially challenged this winter as outdoor spaces cannot be used to alleviate capacity limits.

COVID-19 Infection Rates Changing



* Through Oct. 19

Unemployment Rate Higher in States With Larger Populaces



Sources: Marcus & Millichap Research Services; U.S. Bureau of Labor Statistics; The New York Times

Sunbelt Markets Less Impacted by the Economic Disruption; Tourism-Reliant and Denser Cities Facing the Greatest Challenges

Market	Employment Change Y-O-Y *	Employment Change Y-O-Y (Jobs) *	Unemployment Rate *
Salt Lake City	-1.5%	-20,100	3.7%
Austin	-2.6%	-29,300	4.5%
Phoenix	-2.9%	-63,600	5.5%
Dallas/Fort Worth	-3.3%	-125,000	5.4%
Indianapolis	-3.3%	-36,200	5.5%
Atlanta	-3.8%	-107,500	5.9%
Denver	-3.8%	-59,200	6.4%
San Antonio	-4.0%	-43,400	5.7%
Kansas City	-4.0%	-43,400	6.7%
Tampa-St. Petersburg	-4.4%	-61,800	6.1%
Houston	-5.2%	-164,500	6.9%
Louisville	-5.4%	-36,800	6.0%
Nashville	-5.5%	-58,200	7.4%
Cincinnati	-5.6%	-63,000	6.6%
Washington, D.C.	-5.7%	-192,300	6.4%
St. Louis	-5.9%	-81,800	7.3%
Baltimore	-6.1%	-86,600	6.1%
United States	**-6.4%**	**-9,648,000**	**7.9%**
Miami	-6.4%	-78,400	12.8%
Milwaukee	-6.5%	-56,600	6.5%
Charlotte	-6.8%	-84,500	6.4%
Chicago	-6.9%	-330,400	10.5%
Seattle-Tacoma	-7.1%	-149,100	7.1%
Minn.-St. Paul	-7.1%	-144,000	7.3%
Raleigh	-7.2%	-70,000	5.2%
San Jose	-7.4%	-84,600	6.4%
Columbus	-7.4%	-82,300	7.1%
Philadelphia	-7.4%	-220,300	10.1%
Sacramento	-7.6%	-77,700	8.2%
Fort Lauderdale	-7.6%	-65,800	8.4%
West Palm Beach	-7.7%	-49,500	7.1%
Pittsburgh	-7.7%	-92,700	10.1%
Portland	-7.9%	-96,800	8.1%
San Diego	-8.0%	-121,200	8.4%
New Haven-Fairfield	-8.2%	-64,400	4.0%
Riverside-S.B.	-8.2%	-126,900	9.4%
Northern N.J.	-8.3%	-179,500	7.5%
Orlando	-9.6%	-127,600	9.9%
Cleveland	-9.6%	-103,800	10.4%
Los Angeles	-9.6%	-439,500	15.1%
Orange County	-9.8%	-164,800	7.9%
Detroit	-9.9%	-201,100	9.8%
San Francisco	-10.0%	-118,800	7.1%
Boston	-10.3%	-287,900	9.8%
Oakland	-11.5%	-136,100	8.5%
Las Vegas	-12.5%	-129,700	13.6%
New York City	-13.5%	-632,000	14.1%

** As of September*

Trends preceeding the pandemic remain operative. A handful of Sunbelt markets topped the list of lowest unemployment rates in September, and the region will likely sustain sturdy employment in the near term, barring additional restrictions induced to combat the virus. Metros such as Dallas/Fort Worth, Austin and Phoenix have grown rapidly over the past decade, fueled by population in-migration and business move-ins. The implications of the pandemic may be accelerating these trends, further strengthening and diversifying the Sunbelt's labor force. A lower cost of living and a business-friendly environment remain key draws for new residents and firms, and relocations will help sustain recovery momentum.

Logistics hubs more stable as e-commerce accelerates. The rapid uptick of online shopping and renewed importance of domestic freight operations acted as a back bone for markets with large industrial-based workforces. Metros such as Indianapolis, Kansas City and Louisville shed fewer jobs as a larger share of their labor forces are employed within industries that have been resilient to the disruption. Their centralized location and access to multiple major interstates solidify these markets as strategic logistic strongholds where firms will continue to grow operations. Hiring at warehouses and distribution centers is helping offset layoffs in other sectors.

Large coastal markets face a tougher path forward. The return to a semblance of normal comes with more of a challenge in crowded Northeast and West Coast metros. A heavy reliance on public transportation and urban movement are disadvantagous amid the health crisis. Until people feel safe to move around these cities and return to downtown workspaces and stores, employers that rely on this traffic will struggle to record an uptick in sales that supports replenishing payrolls. Additionally a population shift out of these markets into lower-cost secondary and tertiary metros could work in opposition to the recovery. Although, a rising health threat in some other areas of the country and better recent containment of the virus here bode well toward continued progress.

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