

### Unemployment Claims Hit All-Time High, Ending a Decadelong Run of Job Growth

**Coronavirus pandemic brings job creation to a halt.** A record 3.28 million workers filed for jobless benefits in the week ending March 21 as the impact of COVID-19 hit the U.S. economy, putting an end to the nation's historic run of employment gains. Applications for unemployment insurance last week surged to nearly five times the previous record as millions of companies have issued layoffs or furloughs. Many service businesses like hotels, restaurants, barber shops, gyms and more have closed in response to the coronavirus pandemic, reverberating through the economy.

**Recent economic expansion positions commercial real estate to withstand economic shock.** Through the end of February, the economy had registered a record 113 consecutive months of job growth, expanding payrolls by more than 22 million. The unemployment rate was 3.5% last month, a 49-year low which contributed to an exceptionally tight labor market, pushing companies to increase wages. In the process, national vacancy rates are at or near cycle lows for most property types, despite elevated construction activity in several sectors, sustaining upward pressure on rents. Robust property metrics highlight the value proposition of real estate during a time of increased economic uncertainty.

**Legislation creates new provisions as unemployment climbs.** The sharp rise in unemployment claims, greater financial market volatility, and swift monetary and fiscal policy measures illustrate the rapidly moving nature of the coronavirus pandemic. With support from a \$2 trillion stimulus package signed by President Trump on Friday, workers and businesses could be cushioned against the financial fallout of the virus. The legislation widely expands unemployment insurance protections for freelance and gig workers, while also funding state coffers. Depending on the duration of the economic downturn, restaurants, hotels and other service businesses may need to staff back up fast, potentially reversing the rapid rise of the nation's jobless rate. This would be unlike the extended period of high unemployment following the 2007-09 financial crisis.

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### Developing Trends

**Grocers and other essential businesses still hiring.** There remains several bright spots to the labor market as large retailers including Walmart, CVS, Amazon and others are attempting to fill nearly 500,000 positions. Healthcare organizations are also adding more staff as hospitals, clinics and senior housing facilities need workers on the front-lines. While the hiring push at essential businesses is encouraging, any coronavirus induced job gains will not likely offset the layoffs the millions of workers face.

**Fed makes unprecedented move to keep markets functioning.** The Fed unveiled a series of measures last week in an effort to backstop financial markets and increase access to capital. The Bank committed to buy an unlimited amount of Treasury bonds and commercial mortgage-backed securities to shore up markets. It also announced new lending facilities to keep credit flowing to businesses as well as state and local governments, creating programs to purchase highly rated corporate and municipal bonds.



### Percent Increase in Jobless Claims from Prior Week



Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics