

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. While the pace of rehabilitation is accelerating, total employment still lies 9.6 percent below its pre-pandemic level with 14.7 million fewer jobs in the market than in February 2020.

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 generally, employment in scenic and sightseeing transportation spiked 19.8 percent last month. 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 new 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 federal unemployment benefits set to expire before August unless Congress provides additional stimulus. More people with impaired financial security could have ramifications for commercial real estate, especially apartments, as individuals prioritize what bills they can pay.

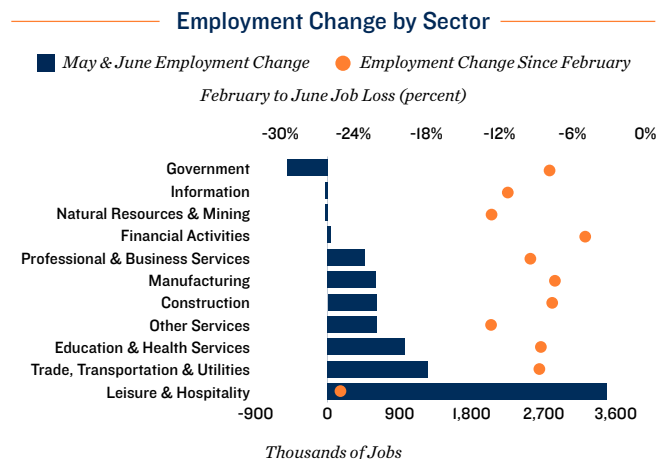
Developing Trends

Falling underemployment hindered by reduced hours. 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.

Messengers help keep properties trading. In contrast to most other employment sectors, the number of courier messengers has not declined since February. Despite numerous health concerns, commerce is continuing to take place, including commercial real estate transactions. Couriers ferrying documents back and forth helped \$10 billion worth of commercial real estate trade in May.

7.5 Million Jobs Recovered Since April 2020

11.1% Unemployment Rate as of June 2020



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