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Metro-Level COVID Job Losses Provide Clues—and Hope

- COVID-19 has been inconsistent in the way it has affected the employment market, creating a wide disparity between metro and job segments. Through September, 7.0% of jobs were lost nationally, but by metro the number ranged from 12.6% of jobs lost in Las Vegas to only 2.6% of jobs lost in Salt Lake City. Gateway metros New York, San Francisco, Boston and Los Angeles were all among the top 10 in percentage of jobs lost.

- By job segment, leisure and hospitality was by far the biggest loser, with 3.8 million jobs lost, or 22.8% of the jobs that existed in February. Meanwhile, only 1.8% of the jobs in financial services have been lost since the start of the pandemic.

- While the size of a metro's leisure and hospitality segment is an important element in the extent of job losses, an even bigger factor is how thoroughly the metro shut down its economy to stop the spread of COVID. Few of the top 10 metros in the percentage of jobs lost since February are among the leaders in leisure and hospitality jobs, but all are at or above the average proportion of jobs lost in the segment. New York City, for example, has a relatively small leisure and hospitality segment (9.8% of all jobs), but a whopping 42.3% of those jobs disappeared.

- Metros with the best job performance include those with relatively small leisure and hospitality industries and those that have lost relatively few jobs in the segment (Indianapolis lost only 6.5%). And some have done well in other job segments. Austin, for example, has added 8,200 professional and business services jobs and 7,300 financial services jobs since February.

- None of this is to make a judgment about what represents the best public health policy, or what the impact on jobs will be if the pandemic worsens over the winter. From a job performance point of view, however, clearly to date metros that fought the coronavirus early have paid a price.

- The data does show hope for the future for the Gateway metros that have been hard hit, because the core industries in those metros, such as finance and professional services, remain viable. Once a vaccine is available and people feel safe going back to entertainment venues, restaurants and the like, Gateway cities will have the ability to rebound.

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Tourism, Gateway Metros Hit Hardest

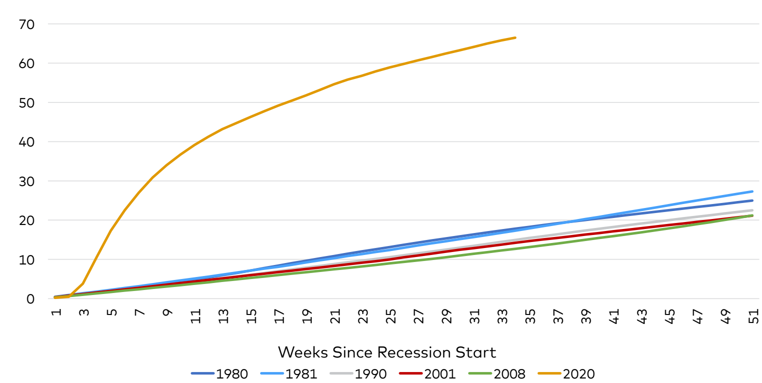
COVID-19 devastated the U.S. employment market. More than 50 million unemployment claims have been filed since March, and although many have been reinstated, the national unemployment rate remained at 7.9% as of September. The results on a metro level varied widely, based on location, cost, concentration of industry, and timing and degree of shutdowns in each market.

Shelter-in-place orders that were implemented and disproportionately affected low-wage service workers in leisure and hospitality and retail were the biggest cause of job losses. That's why on a proportional basis, Las Vegas lost more jobs (12.4%) between February and September than any of the top 50 metros. More than half (73,500, or 57%) of those lost jobs were in the leisure and hospitality sector.

But it's not just tourism-driven metros that fared poorly. The rest of the top 10 metros with the highest percentage of jobs lost included mostly coastal metros, including Gateway markets and nearby suburban markets. New York City (-12.1%, or 886,000 jobs) was second in percentage of jobs lost between February and September. New York's economy is much more diversified than Las Vegas', and less dependent on hospitality overall, but the city lost 297,700 leisure and hospitality jobs. At 42.3%, that's nearly double the national average of job losses in the sector. New York was among the first to get hit hard by COVID-19, and among the first to implement restrictions. The city's tourism industry—including Broadway theaters and some Midtown shopping outlets—remain closed, while business and leisure travel in and out of the city continues to be almost entirely shut down.

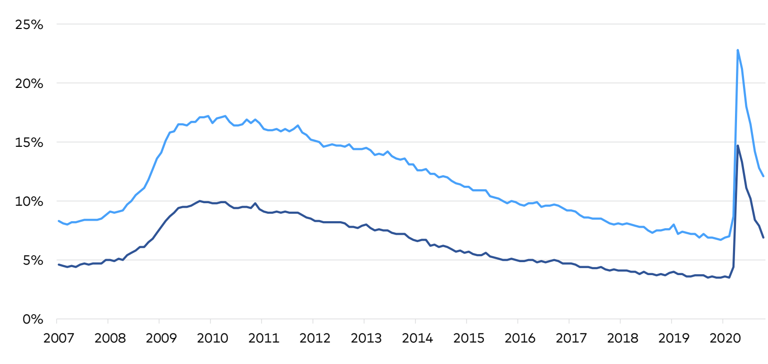
Oakland (-11.2%) and San Francisco (-10.8%) are third and fourth in percentage of jobs lost. In both markets, the losses were led by leisure and hospitality. Oakland lost 31.6% and San Francisco lost 36.0% of jobs in that sector, with losses spread through other job segments. Like New York, the Bay Area is struggling to deal with outmigration. Service workers that lost jobs can't afford to live there anymore, and with companies largely allowing the option to work from home and entertainment venues closed, many others have left because they don't see the point in paying high rents. What's more, the Bay Area cities are suffering from an increase in crime and homelessness.

Cumulative Number of Initial Employment Claims (Mil)



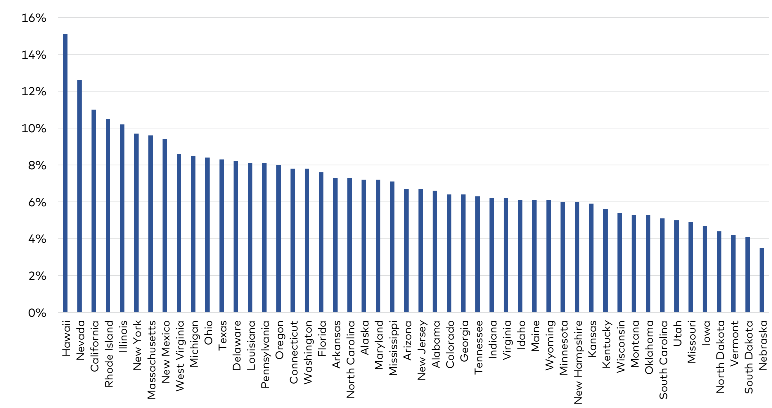
*As of October 22, 2020. Seasonally adjusted initial unemployment claims. Data for 2020 shows cumulative claims over a 23-week period starting with March 7, 2020 week-end data.
Source: Yardi Matrix; U.S. Department of Labor (DOL); National Bureau of Economic Research (NBER); Joint Center for Housing Studies of Harvard University (JCHS)

U.S. Unemployment Rate 2007-2020



* Data as of October 23, 2020. Source: Yardi Matrix; Bureau of Labor Statistics (BLS)

Sep. 2020 Unemployment Rate by State



**Unemployment Rates as of September 2020 (P)*
Source: Yardi Matrix; U.S. Bureau of Labor Statistics; Federal Reserve Bank of St. Louis (FRED)

Boston and Los Angeles (both lost 10.6% of total jobs between February and September) are fifth and sixth in employment losses. Like other Gateway markets, diversified economies have been hurt by disproportionate cuts in leisure and hospitality jobs (Boston 37% and Los Angeles 35%). Detroit (10.5%), Orange County (10.1%), Long Island, N.Y. (9.3%) and Northern New Jersey (9.2%) round out the top 10 in job losses. Orange County is down 41% of leisure and hospitality jobs, and the two New York City suburbs are affected by the early and steep pandemic closures and the spillover impact from New York City.

Sun Belt, Midwest Metros Least Affected

Metros that have held up relatively well during COVID-19 include secondary markets that are attracting businesses and households moving from high-cost coastal areas, those that have not implemented strict shutdowns and those that have a relatively small tourism component, especially conference and luxury travel. Of the top 10 metros with the fewest job losses through September, only Austin (-25.6%) and Dallas (-23.2%) had job losses in hospitality above the national average, and most were well below.

Salt Lake City lost only 35,500 jobs between February and September (2.6% of its workforce). Three-quarters of the jobs lost were in leisure and hospitality, with the percentage of cuts in that sector near the national average. However, Salt Lake lost few jobs in other sectors, and even added more than 5,000 jobs in government; mining, logging and construction; and other services.

Other metros with the fewest percentage of job losses include the Midwestern markets of Indianapolis (-3.9%) and Kansas City (-4.7%). Job losses in both metros were across the board by segment, but each has relatively few jobs in hospitality. Indianapolis' hospitality sector was only down by 8,300 jobs, or 6.5%, through September, while Kansas City lost just under 20,000 hospitality jobs, or 17.1% of the segment.

Secondary metros that have had outsize growth over the last couple of decades comprised a big chunk of the list of those with the fewest job losses through September. Those include Austin and Dallas (-4.0% each), Phoenix (-4.2%), Atlanta (-4.5%) and Denver (-5.2%). These metros have been a haven for businesses seeking lower costs and households seeking low-cost housing, attractive lifestyle amenities and a warm climate. Some of these metros have even been able to add jobs in certain segments, evidence that the pandemic is helping to augment the long-term migration from the coasts. Austin, for example, added 10.8% to its (admittedly small) finance segment and 4.0% to its professional and business services segment, while Dallas added 1.0% to its financial market employment.

Wildcards: Virus, Government Support

The final impact of COVID-19 has yet to be written. Far from over, almost eight months into the pandemic the number of new cases has grown to new highs, even if the number of deaths produced per case is shrinking. Going forward, the job picture depends to a large degree on the course

Top 50 Yardi Matrix Markets by Employment Size

Market	Feb. 2020 Employment	Sep. 2020 Employment	Change	% Change
Las Vegas	1,038,900	910,500	-128,400	-12.4%
New York	7,310,300	6,423,800	-886,500	-12.1%
Bay Area–East Bay	1,330,100	1,181,700	-148,400	-11.2%
San Francisco–Peninsula	1,604,700	1,432,000	-172,700	-10.8%
Boston	3,043,899	2,719,843	-324,056	-10.6%
Los Angeles	4,632,600	4,139,600	-493,000	-10.6%
Detroit	2,054,000	1,838,700	-215,300	-10.5%
Orange County	1,684,100	1,513,200	-170,900	-10.1%
Long Island	1,356,300	1,230,000	-126,300	-9.3%
Northern New Jersey	1,228,100	1,115,200	-112,900	-9.2%
Orlando	1,577,700	1,434,500	-143,200	-9.1%
Cleveland–Akron	1,588,800	1,446,700	-142,100	-8.9%
San Diego	1,522,900	1,388,200	-134,700	-8.8%
Carolina Triangle	988,800	905,100	-83,700	-8.5%
Portland	1,230,400	1,127,800	-102,600	-8.3%
Seattle	1,789,000	1,640,700	-148,300	-8.3%
Sacramento	1,029,400	944,800	-84,600	-8.2%
Central Valley	1,357,600	1,246,700	-110,900	-8.2%
Pittsburgh	1,201,300	1,104,100	-97,200	-8.1%
Columbus	1,123,200	1,032,700	-90,500	-8.1%
Grand Rapids	784,000	720,900	-63,100	-8.0%
Inland Empire	1,549,500	1,425,400	-124,100	-8.0%
Bay Area–South Bay	1,157,800	1,065,600	-92,200	-8.0%
Ft Lauderdale	867,800	800,800	-67,000	-7.7%
Baltimore	1,444,200	1,332,700	-111,500	-7.7%
Charlotte	1,253,300	1,156,800	-96,500	-7.7%
Bridgeport–New Haven	1,598,480	1,478,898	-119,581	-7.5%
Philadelphia	3,183,600	2,947,600	-236,000	-7.4%
Chicago	4,779,100	4,427,900	-351,200	-7.3%
Nashville	1,069,100	995,200	-73,900	-6.9%
Twin Cities	2,144,300	1,998,500	-145,800	-6.8%
Washington DC–Suburban Maryland	3,393,900	3,163,700	-230,200	-6.8%
Houston	3,220,600	3,003,200	-217,400	-6.8%
Milwaukee	954,400	890,400	-64,000	-6.7%
Miami	1,222,900	1,141,000	-81,900	-6.7%
Fort Worth	1,112,800	1,041,800	-71,000	-6.4%
Cincinnati	1,122,200	1,054,400	-67,800	-6.0%
St Louis	1,399,700	1,315,300	-84,400	-6.0%
Richmond–Tidewater	1,496,200	1,408,500	-87,700	-5.9%
Tampa–St Petersburg–Clearwater	1,649,600	1,560,200	-89,400	-5.4%
Denver	2,050,900	1,943,800	-107,100	-5.2%
Southwest Florida Coast	806,300	764,300	-42,000	-5.2%
San Antonio	1,092,300	1,037,500	-54,800	-5.0%
Kansas City	1,105,600	1,053,900	-51,700	-4.7%
Atlanta	2,881,700	2,752,500	-129,200	-4.5%
Phoenix	2,221,600	2,128,000	-93,600	-4.2%
Dallas	2,747,100	2,637,100	-110,000	-4.0%
Austin	1,139,700	1,094,100	-45,600	-4.0%
Indianapolis	1,227,700	1,179,800	-47,900	-3.9%
Salt Lake City	1,380,200	1,344,700	-35,500	-2.6%

Source: Yardi Matrix

National Employment By Sector

Market	Feb. 2020 Employment	Sep. 2020 Employment	Change	% Change
Education and Healthcare	24,586,000	23,189,000	-1,397,000	-5.7%
Financial Activities	8,845,000	8,683,000	-162,000	-1.8%
Government	22,745,000	21,803,000	-942,000	-4.1%
Information	2,894,000	2,618,000	-276,000	-9.5%
Leisure and hospitality	16,867,000	13,027,000	-3,840,000	-22.8%
Manufacturing	12,852,000	12,205,000	-647,000	-5.0%
Mining, Logging, and Construction	8,353,000	7,858,000	-495,000	-5.9%
Other Services	5,941,000	5,446,000	-495,000	-8.3%
Professional and business services	21,550,000	20,164,000	-1,386,000	-6.4%
Trade; Transportation; and Utilities	27,830,000	26,727,000	-1,103,000	-4.0%

Source: Yardi Matrix

of the virus, whether another set of shutdowns is implemented and whether and when a vaccine becomes readily available to the public. If effective vaccines become available in the spring or summer, as has been reported, a substantial recovery in economic activity and employment could happen in 2021.

Another crucial factor is the intervention of the federal government. There is widespread agreement about the need for a large federal stimulus package to support businesses that are affected by the pandemic, to provide aid to the unemployed and to renters that can't make housing payments, and—crucially, from a jobs perspective—to state and local governments that have lost substantial revenues from sales, gasoline and property taxes. Through September, governments were down 4.1%, or 942,000 jobs, but that number will grow substantially in 2021 without federal aid. Pre-election, talks on roughly $2 trillion of stimulus were held up in the Senate, and it is unclear how the election changes the calculus of getting a package passed before year-end.

One major question is how much lifestyle changes that have gone into effect during the pandemic become permanent or how long will they last once health is less of an issue. If office-using companies continue to allow personnel to work remotely, that could exacerbate the shift of workers to lower-cost metros and suburbs of Gateway markets. Much rides on whether companies can find ways to maintain productivity, corporate culture and effective onboarding policies over the long haul. Clearly, more flexibility in work location is a given, but how it plays out in the details will determine metro winners and losers.

As much as the initial impact favors the continued growth of Sun Belt and Western metros, there is a silver lining for Gateway metros in the fact that job loss is concentrated the most in leisure and hospitality. Critical sectors such as the finance segment in New York, Boston and San Francisco; the Bay Area's technology markets; and Boston's biotechnology market have had fewer losses. However long the pandemic lasts, it will take time for Gateway metros to recover, but the recovery will be quicker if their core industries remain relatively intact.

—Paul Fiorilla, Director of Research

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