

Total Employment Falls for the First Time Since April Amid Stronger Lockdowns

Renewed shutdowns end hiring streak. After seven consecutive months of employment growth and the creation of over 12.4 million jobs, employers shed 140,000 positions in December. A rise in COVID-19 infections and the resulting lockdown precautions added new burdens on businesses already challenged by the delayed stimulus, leading to staff cuts in critically impacted sectors. While over 6 million vaccine doses have been administered in the U.S. so far, last month's hiring regression underlines the persistent costs of the health crisis. Entering the first month of 2021, the recently passed \$900 billion stimulus package should help beleaguered individuals and businesses meet short-term financial obligations until a vast majority of people can be inoculated.

Restaurants, bars and hotels acutely challenged. December's job losses were concentrated in the leisure and hospitality sector. Tighter dining restrictions contributed to 372,000 fewer jobs at bars and restaurants. Accommodation employment also fell by 24,000 as subdued travel impaired hotel room demand. National occupancy was down 35 percent annually in November. Retail property fundamentals, meanwhile, had yet to substantially soften in most markets as of the third quarter. While service-focused tenants have been heavily affected, other necessity retailers have fared better. The retail trade sector added 121,000 roles in December, largely at warehouse clubs and supercenters.

Jobs associated with industrial and office sites grow. Despite net losses, several sectors hired personnel last month, including transportation and warehousing as well as professional and business services. Demand for distribution space kept industrial rents rising through September, although ongoing construction activity has lifted vacancies. Availability has risen more sharply for offices, though, as firms continue to evaluate their space needs in a dynamic health environment. Hiring in the traditionally office-using sector nevertheless underscores the fact that these businesses are continuing to grow, even while working remotely. This bodes well for the property type in a post-inoculated world.

Developing Trends

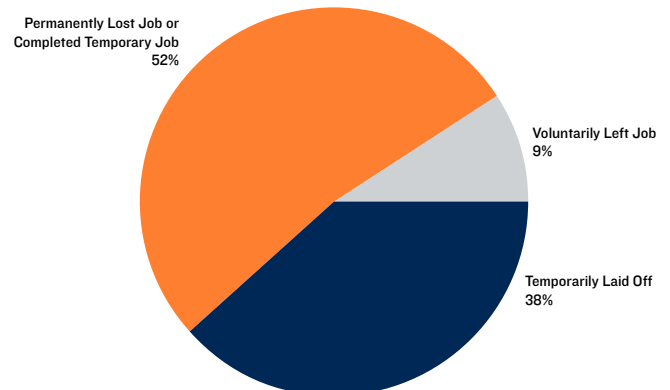
Job losses highlight need for new PPP funds. Last month's employment decline underlines the importance of the recently passed stimulus package. Among the many provisions are added funds for the Paycheck Protection Program (PPP), which will allow more tenants to keep staff. Small businesses that reported a year-over-year gross revenue loss of 25 percent or more within one quarter are eligible for a second PPP loan. Restaurants and hotels are also entitled to an additional month of payroll expense coverage compared with other types of businesses, totaling three and a half months. All PPP loans have a \$2 million cap.

More individuals re-enter the labor force. The unemployment rate was unchanged at 6.7 percent in December as the total number of people on temporary layoff rose month over month but the number of those who permanently lost a job declined. At the same time, the total number of re-entrants into the labor force also increased last month, which may point to more individuals who had been discouraged from looking for a job returning to the workforce.

6.7% Unemployment Rate as of December 2020

10.7 Million Unemployed People in December 2020

Reason Why Unemployed as of December 2020*



* Excluding those who are re-entering the labor force after an absence or are looking for a first job
Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics