

MAY 2020

THE COVID-19 ECONOMY

Unemployment in the Great Shutdown

Unemployment claims have increased dramatically since the onset of the COVID-19 virus. The following table captures initial unemployment claims for the United States, California, Oregon, Washington, Arizona, Nevada, and Hawaii as a percent of civilian workforce.

As noted in the original blog, the release of the monthly unemployment rate data lags the initial (new) unemployment claims. The lag is a relatively minor issue in typical economic environments but with the large magnitude of initial unemployment claims as a result of the Great Shutdown, attempting to get the most up-to-date estimate of the unemployment rate is more difficult. All data used within this blog was obtained from the Bureau of Labor Statistics and the U.S. Department of

Labor (Unemployment Claims) as well as state news releases.

It's noted that the April 2020 measurement of 14.7% was relatively close to many estimates we read and were inline with our own estimate prior to the release of the unemployment rate. To continue documenting the magnitude of the entire effect that the Great Shutdown has been having on unemployment, for this blog we've built upon the unemployment rate of March 2020 (measured in February), which at that time was 4.4% during this same time there were 162,913,000 people in the civilian workforce, which is 4% higher than the estimated civilian workforce in April 2020. The April measurement indicates that there are 156,481,000 people in the civilian workforce. This blog won't focus on the likely drop in the overall civilian workforce but rather the entirety of lost jobs as indicated by the overall number of people filing for unemployment claims since March. It is notable that some states appear to be having difficulty in getting good initial unemployment claims counted. For example, California had a substantial and unusual change in one of its weekly measurements. Future blogs related to this will consider other data to determine if employment is returning as the 'Stay at Home' and 'Social Distancing' orders are rescinded.

Provided by

AARON TAYLOR, MAI, ASA
Sr Vice President, Manager
Valuation Advisory Services
503.721.2707
aaron.taylor@kidder.com

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The below summarized the initial unemployment claims from March 2020 through May 9, 2020 as a percent of the March 2020 civilian workforce.

WEEKLY INITIAL EMPLOYMENT CLAIMS

Combined March - May 9, 2020 - Initial Claims as a % of March Workforce

US	OR	WA	CA	AZ	NV	HI
22.7%	16.7%	28.0%	22.3%	15.5%	28.5%	33.6%

The table that follows provides the data utilized in the above summary and combines this with the unemployment rate as released in March 2020 (measured in February).

Geographic Area	March Unemployment Rate	March Initial Claims %	April Initial Claims %	May Initial Claims %	March - May Combined Initial Claims %	Last Measured Unemployment Rate plus March - May Initial Claims %
US	4.4%	6.5%	12.4%	3.8%	22.7%	27.1%
OR	3.3%	4.1%	9.7%	3.0%	16.7%	20.0%
WA	3.8%	8.6%	13.8%	5.6%	28.0%	31.8%
CA	3.9%	7.0%	12.6%	2.8%	22.3%	26.2%
AZ	5.5%	3.5%	9.9%	2.1%	15.5%	21.0%
NV	6.3%	11.1%	14.1%	3.4%	28.5%	34.8%
HI	2.6%	9.0%	20.5%	4.1%	33.6%	36.2%

The weekly claims table data is presented in the following table.

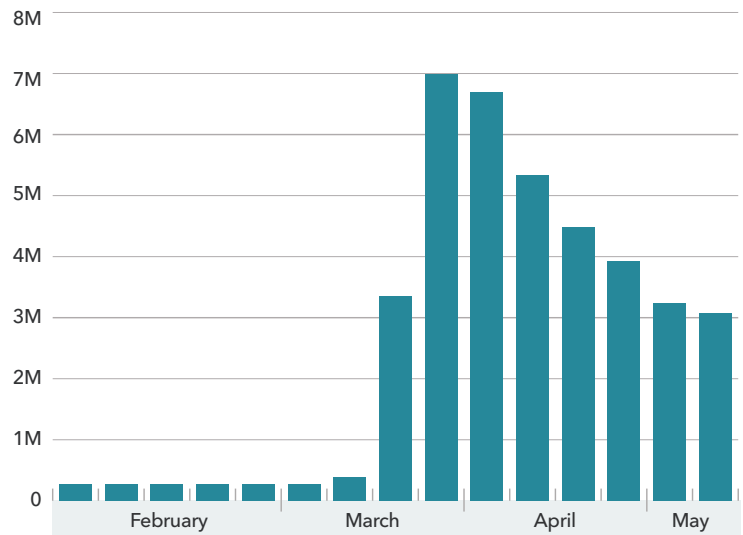
WEEKLY INITIAL UNEMPLOYMENT CLAIMS

	US	OR	WA	CA	AZ	NV	NV
02/01/2020	201,000	4,853	6,619	43,458	3,807	2,286	1,135
02/08/2020	204,000	4,953	7,161	40,392	3,636	2,794	1,137
02/15/2020	215,000	4,284	6,311	43,445	3,538	2,543	1,199
02/22/2020	220,000	3,514	5,585	34,979	3,151	2,052	1,020
02/29/2020	217,000	3,936	5,770	41,678	3,086	2,324	1,049
03/07/2020	211,000	4,154	6,616	43,385	3,357	2,309	1,275
03/14/2020	282,000	4,269	14,240	57,606	3,844	6,356	1,589
03/21/2020	3,307,000	30,054	129,909	186,333	29,348	92,298	8,817
03/28/2020	6,867,000	47,498	182,849	1,058,325	88,940	71,942	48,596
04/04/2020	6,615,000	62,788	171,252	918,814	132,428	79,285	53,102
04/11/2020	5,237,000	54,581	144,455	655,472	98,531	58,641	34,717
04/18/2020	4,420,000	37,209	83,475	528,360	72,457	39,496	26,591
04/25/2020	3,867,000	49,300	139,505	325,343	52,581	42,541	22,495
05/02/2020	3,176,000	48,120	102,216	316,257	43,023	28,550	15,113
05/09/2020	2,981,000	14,100	116,210	214,028	31,795	24,045	12,327
Current Civilian Workforce as of							
03/28/20	162,913,000	2,107,777	3,889,700	19,264,202	3,582,503	1,563,385	669,033



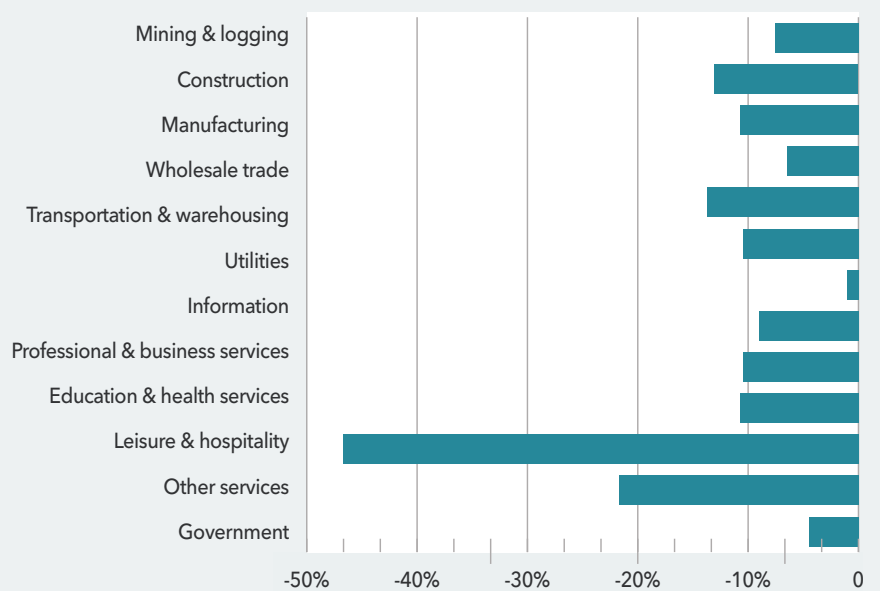
As a visual reference, this chart depicts initial US unemployment claims over the above time period.

US INITIAL UNEMPLOYMENT CLAIMS BY WEEK



Initial unemployment claims since the Great Shutdown are extremely large by historical standards. The unemployment claims in the last two weeks have dropped off dramatically, which is likely the result of near term job losses that have already substantially occurred in specific hard hit sectors. It is still very early to anticipate the effects of the Great Shutdown on employment and the economy as a whole, however it appears that the last two weeks have somewhat leveled off. We anticipate future unemployment changes will likely include workers returning to work, as well as workers continuing to lose their jobs while the economy reopens. This chart shows the percentage change in employment by major industry with the four sectors having the biggest percentage change highlighted.

EMPLOYMENT CHANGE % IN APRIL 2020





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In this blog, we also showcase further details pertaining to the retail sector to help demonstrate the varying affects that the shutdown has had to specific employment sectors, which translates and informs us about economic pressures related to specific property uses.

Industry	1-Month % Change
Motor vehicle and parts dealers	-16.7%
Automobile dealers	-20.3%
Other motor vehicle dealers(1)	-24.6%
Auto parts, accessories, and tire stores(1)	-6.7%
Furniture and home furnishings stores	-45.2%
Electronics and appliance stores	-5.8%
Building material and garden supply stores	-4.0%
Food and beverage stores	-1.4%
Health and personal care stores	-9.4%
Gasoline stations	-4.6%
Clothing and clothing accessories stores	-58.3%
Sporting goods, hobby, book, and music stores	-34.5%
General merchandise stores	-2.2%
Department stores	-14.9%
General merchandise stores, including warehouse clubs and supercenters(1)	4.7%
Miscellaneous store retailers	-32.5%
Nonstore retailers	-5.9%

In summary, the Great Shutdown has put an unprecedented non-market based pressure on the US economy, resulting in a dynamic situation in which the US unemployment rate is near/above the levels reported during the Great Depression. Uncertainty persists as each state prepares a recovery plan

with warnings that the shutdown could stall or resume if the virus rises again. Considering the working capital of most business, if this uncertainty persists and the recovery is prolonged, significant bankruptcy filings and vacancies in properties occupied by specific property uses are anticipated in the future.

Investor Notice: As of the posting date of this information, significant financial market turmoil is being experienced due to the spread of the COVID-19 coronavirus. International equities and bond markets are exhibiting substantial volatility, there has been increasing uncertainty in the global markets as supply chains have been negatively affected, consumer demand is in decline, the stock market has strongly contracted in anticipation of reduced future earnings, and the salability of some types of commercial and residential real estate may ultimately be strained. The ultimate impact of the COVID-19 economy on markets is not yet known, and it is too early to fully assess the degree to which substantive impacts on property values or marketability will occur. Furthermore, every property has its own unique characteristics and risk parameters. Real estate market participants should seek the advice of real estate professionals prior to making real estate investment decisions.