NATIONAL MULTIFAMILY HOUSING COUNCIL

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Which Apartment Residents Are Most Affected by Job Losses?

Millions of Americans have filed for unemployment insurance since the outbreak of COVID-19 in mid-March, resulting in four consecutive months of double-digit unemployment rates (the U.S. unemployment rate improved to 8.4 percent in August). But not all industries have been affected equally.

In this issue of Research Notes, we identify which occupations have faced the most significant job losses during to the COVID-19 pandemic and, of those, which employ the greatest number of apartment residents. We also examine what metro areas have the highest concentrations of apartment residents in affected occupations.

This analysis underscores the fact that some apartment residents are more vulnerable to the economic aftershocks of the pandemic because of their high concentration in certain industries and geographies—or both. In turn, this suggests that apartment investors, capital providers, owners and managers with interests in some geographies should be paying close attention to changing risks as the pandemic and its economic effects evolve.

Employment Landscape in the COVID-19 Era

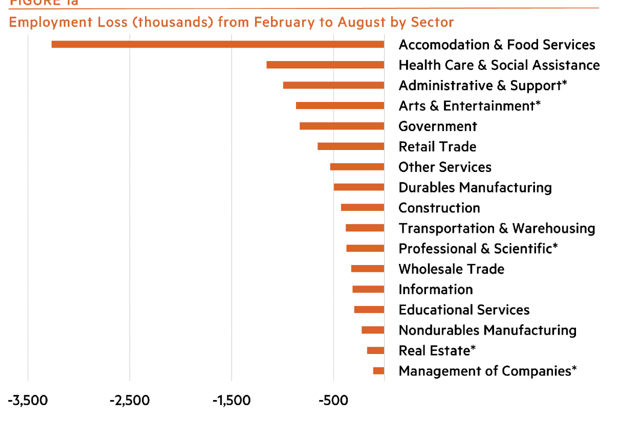
Total nonfarm employment rose by 1.4 million in August, causing the national unemployment rate to settle at 8.4 percent—the first single-digit unemployment rate recorded since the beginning of the pandemic in March. While numerous industries were able to add jobs over the summer months, most are still falling short of their employee counts in February, when the overall unemployment rate sat at 3.5 percent.

However, data coming out of Current Employment Statistics Survey from the Bureau of Labor Statistics (BLS) show a more nuanced story, as the pandemic has affected some employment sectors more than others.

In terms of absolute job losses, accommodation and food services experienced the steepest job losses of all sectors, losing more than 3.2 million jobs between February and August. (See Figure 1a.) This was followed by losses in the health care and social assistance and administrative, support, waste management and remediation sectors.

FIGURE 1a

Employment Loss (thousands) from February to August by Sector



*Note that some sector names were shortened for readability. For example, Administrative & Support represents Administrative and Support and Waste Management and Remediation Services; Arts & Entertainment represents Arts, Entertainment and Recreation; Professional & Scientific represents Professional, Scientific and Technical Services; Real Estate represents Real Estate and Rental and Leasing; and Management of Companies represents Management of Companies and Enterprises

However, it's also important to look at employment losses relative to the size of the industry sector. Using this lens, the arts, entertainment and recreation sector lost 869,700 jobs. While this is a much smaller absolute number than the job losses recorded in the accommodation and food services sector, as an example, it represented a 35.2 percent loss of the arts, entertainment and recreation sector workforce between February and August of this year—the largest percentage change of all sectors. (See Figure 1b.)

It's clear that some sectors have suffered more severely during this period than others, regardless of whether the losses are measured in absolute numbers or relative shares. This is reflective of the fact that those sectors most affected are also the most reliant on individuals gathering, socializing and traveling—all activities that have been severely curbed through government lockdowns and social distancing policies.

FIGURE 1b

Largest Relative Employment Losses

Sector	Employment Change from February to August (%)	Employment Change from February to August
Arts, Entertainment and Recreation	-35.2%	-869,700
Accommodation and Food Services	-22.7%	-3,268,500
Mining	-14.2%	-93,400
Information	-10.8%	-312,000
Administrative, Support, Waste Management and Remediation Services	-10.6%	-994,100
Other Services	-8.9%	-531,000
Educational Services	-7.8%	-298,500

Some Employment Subsectors Experienced More Severe Employment Losses

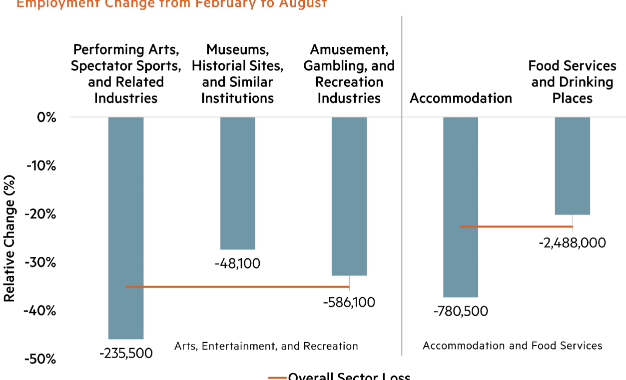
But even within these sectors, there have been some divergent employment trends during this period. The retail trade sector, for example, had a mixed employment picture, as a number of its subsectors performed quite differently. One retail trade subsector, clothing stores, had 28.9 percent fewer employees in August compared to February, while employment levels in another subsector, general merchandise (including warehouse clubs and supercenters), actually grew 10.1 percent over the same period, signaling a shift away from more discretionary retail spending toward staples like grocery and home products.

Similarly, the three subsectors under the arts, entertainment, and recreation sector label— (1) performing arts, spectator sports and related industries; (2) museums, historical sites and similar institutions; and (3) amusement, gambling and recreation industries—saw employment performance affected to differing degrees. Museums, historical sites and similar institutions' employment contraction was less severe, in terms of percent change, relative to the other two subsectors.

Another example is in the accommodation and food services sector, which as previously discussed, was extremely hard hit in terms of job losses. However, the two accommodation and food services subsectors—(1) accommodation and (2) food services and drinking places—were affected to varying degrees. Food services and drinking places, in particular, experienced very steep employment losses in absolute numbers, effectively leading the sector's total losses, and yet the relative contraction was smaller than that of the overall sector.

FIGURE 2

Employment Change from February to August



High Share of Apartment Residents Employed in Hard-Hit Industries

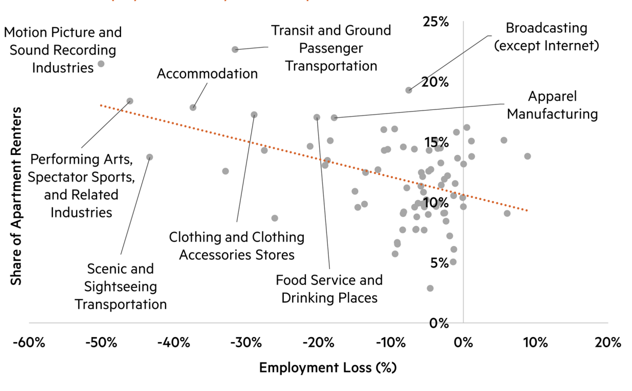
It's clear that after months of economic disruption, some industry sectors and subsectors have fared significantly worse when it comes to employment loss than others. Additional data sources show how those changes are likely affecting apartment residents, specifically.

While apartment residents make up 12.5 percent of the United States adult population (18+), they tend to make up a larger share of the workforce within industries that were hardest hit by the coronavirus pandemic. For example, apartment residents made up 18.0 percent of all accommodation and food service employees in 2018. This sector had the highest share of its workforce living in apartments. And, as discussed above, even though this sector added 149,000 jobs in August, it still remained 22.7 percent short of its employment levels from February, the second largest relative contraction recorded across all U.S. sectors after arts, entertainment and recreation.

We found that this relationship between the severity of an industry's employment losses and the share of its workers living in apartments held true at the subsector level as well, as illustrated in Figure 3.

FIGURE 3

Subsector Employment Loss by Share of Apartment Renters



At the subsector level, motion picture and sound recording industries, which recorded the largest percent reduction in its workforce among all U.S. subsectors at 50.0 percent, had the second-highest share of apartment residents amongst its employees at 21.4 percent. Apartment residents made up 18.4 percent of the workforce for performing arts, spectator sports and related industries, which faced the second largest percent reduction in employment across all subsectors (46.0 percent).

However, several subsectors experienced positive job growth since February, including general merchandise stores (5.6 percent); building material and garden equipment and supplies dealers (6.1 percent); and couriers and messengers (8.9 percent). Both general merchandise stores and couriers and messengers had a higher share of apartment residents than their share of the U.S. population, indicating one bright spot.

Geographic Concentration of Hard-Hit Industries

While useful to look at industry sectors and subsectors and their concentration of apartment resident employees, it offers only a partial view of the economic downturn's effect on multifamily. As an example, the motion picture and sound recording industries recorded the largest drop off in employment, followed by performing arts, spectator sports and related industries, it's important to bear in mind that they only account for 0.4 percent and 0.7 percent of the adult apartment population nationwide.

Using these examples from the motion picture and sound recording industries, as well as that of the performing arts, spectator sports and related industries, we examined to what degree geography was also an important factor. After all, multifamily is often considered a hyper local business.

NMHC tabulations of the American Community Survey reveal that both of these subsectors had relatively higher concentrations in the Los Angeles and New York metro areas, which, combined, housed more than half (57.1 percent) of all apartment residents working in motion picture and sound recording and 38.9 percent of those working in performing arts, spectator sports and related industries.

We observe a similar story with the scenic and sightseeing transportation subsector, which, despite only employing a total of 36,700 workers as of February, is largely based in the New York (home to 26.0 percent of apartment residents working in the industry) and Los Angeles (home to 19.9 percent) metro areas.

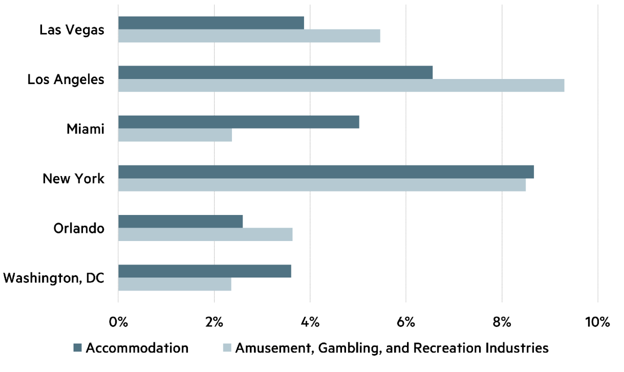
Put another way, in 2018, 1.1 percent of New York apartment residents worked in motion picture and sound recording; 0.6 percent worked in performing arts, spectator sports, and related; and 0.05 percent worked in sightseeing transportation. In Los Angeles, 1.5 percent of apartment residents worked in motion picture and sound recording; 2.1 percent worked in performing arts, spectator sports, and related; and 0.06 percent worked in sightseeing transportation. These may perhaps appear slivers of percentages, but when combined, these aggregated figures account for sizeable percentages of apartment residents (as determined by percentage loss).

Similarly, we also found that jobs in accommodation and amusement, gambling and recreation were overrepresented in a handful of metro areas. In 2018, the same percentage of adult apartment residents—1.2 percent—worked in either accommodation or amusement, gambling and recreation, as viewed from a national level.

However, that percentage shot up in certain geographies. For example, 5.4 percent of all adult apartment residents in the Las Vegas metro area worked in accommodation, as did 3.2 percent of apartment residents in Orlando and 3.1 percent in New Orleans. Amusement, gambling and recreation industries employed similarly high shares of the apartment resident population in Las Vegas (7.4 percent), Orlando (4.3 percent) and New Orleans (3.1 percent) as well. (See Figure 4.)

FIGURE 4

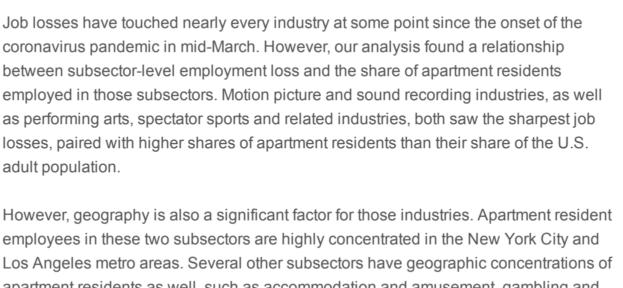
Apartment Resident Employees in Tourism-Driven Subsectors



Nationally, food services and drinking places employ the highest share of all adult apartment residents, totaling 6.9 percent overall. (See Figure 5.) And we know this subsector also experienced the largest absolute loss in employment (2.5 million jobs) of any subsector since February. However, the effects of these losses appear to have been widespread, as our analysis finds little distinct geographic concentration of apartment residents employed by food services and drinking places.

FIGURE 5

Share of All Adult Apartment Residents Employed in Subsector



*Note that some category names have been shortened for readability. Specifically, Professional & Scientific represents Professional, Scientific and Technical Services; Securities & Investments represents Securities, Commodity Contracts, Investments and Funds and Trusts; and Amusement & Gambling represents Amusement, Gambling and Recreation Industries.

Conclusion

Job losses have touched nearly every industry at some point since the onset of the coronavirus pandemic in mid-March. However, our analysis found a relationship between subsector-level employment loss and the share of apartment residents employed in those subsectors. Motion picture and sound recording industries, as well as performing arts, spectator sports and related industries, both saw the sharpest job losses, paired with higher shares of apartment residents than their share of the U.S. adult population.

However, geography is also a significant factor for those industries. Apartment resident employees in these two subsectors are highly concentrated in the New York City and Los Angeles metro areas. Several other subsectors have geographic concentrations of apartment residents as well, such as accommodation and amusement, gambling and recreation industries in Orlando, Las Vegas and New Orleans.

Given this analysis, we expect apartment residents employed in these subsectors to be facing heightened vulnerability during the ongoing pandemic and economic conditions. In turn, this means apartment investors, owners and managers in the geographic areas with heavier concentrations of these industries that employ an outsized share of apartment residents could find their portfolios facing increasing risk as the pandemic drags on.

About Research Notes

Published quarterly, Research Notes offers exclusive, in-depth analysis from NMHC's research team on topics of special interest to apartment industry professionals, from the demographics behind apartment demand to effect of changing economic conditions on the multifamily industry.

Questions

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