


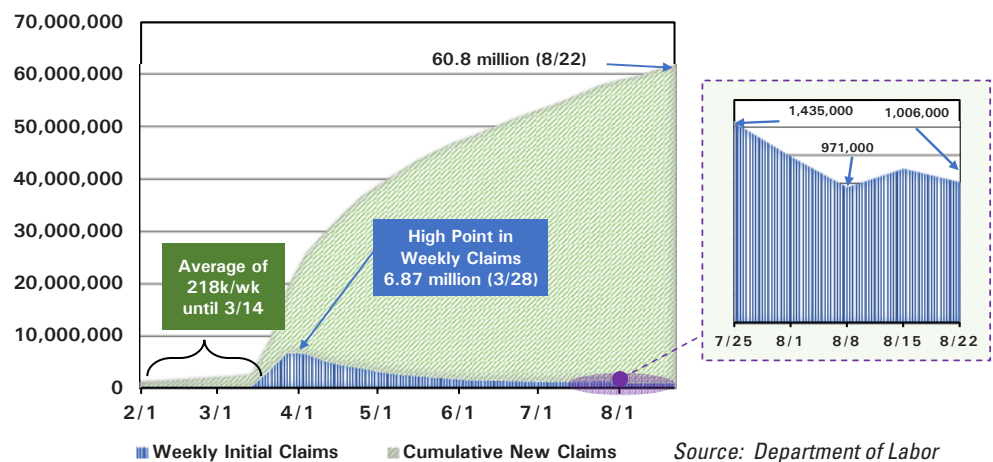
# August 2020 Newsletter

## Covid-19 Impact on Employment: *Temporary Losses and Permanent Changes*

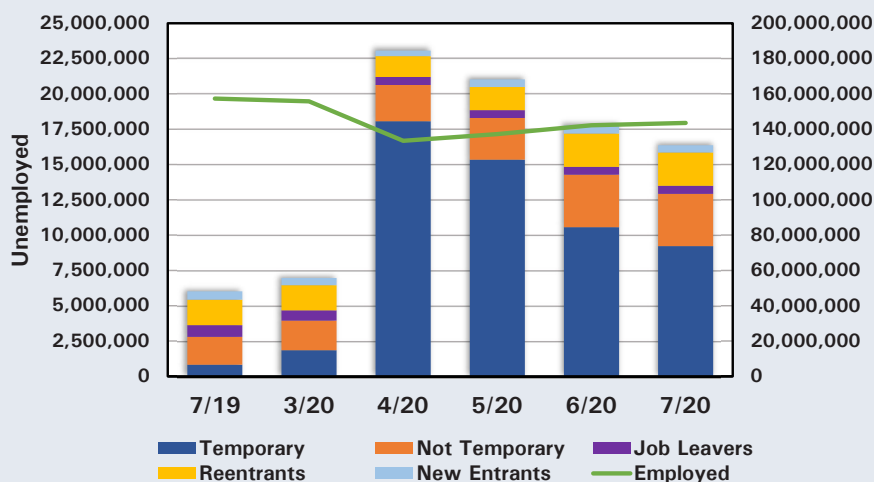
 @mstreetresearch

Now marking five months into the Covid-19 pandemic in the United States, this month's newsletter attempts to distinguish between temporary or longer term business closures and job losses. The goal is to broadly assess what elements of the current economic landscape can be quickly recovered compared to those that may be structurally weaker for an extended period following the Covid phase. We will ultimately expand this analysis in a Special Report covering submarket-specific business, job and population growth/losses to aid in underwriting new investment opportunities and informing hold/sell decisions on existing assets.

### Weekly and Cumulative 2020 Unemployment Claims



### Employment/Unemployment



The overall unemployment rate moderated a bit to 10.2% after cresting at 14.7% in April. Measurements including increases in longer term unemployment and business closures indicate significant time may be required to return to pre-Covid employment levels.

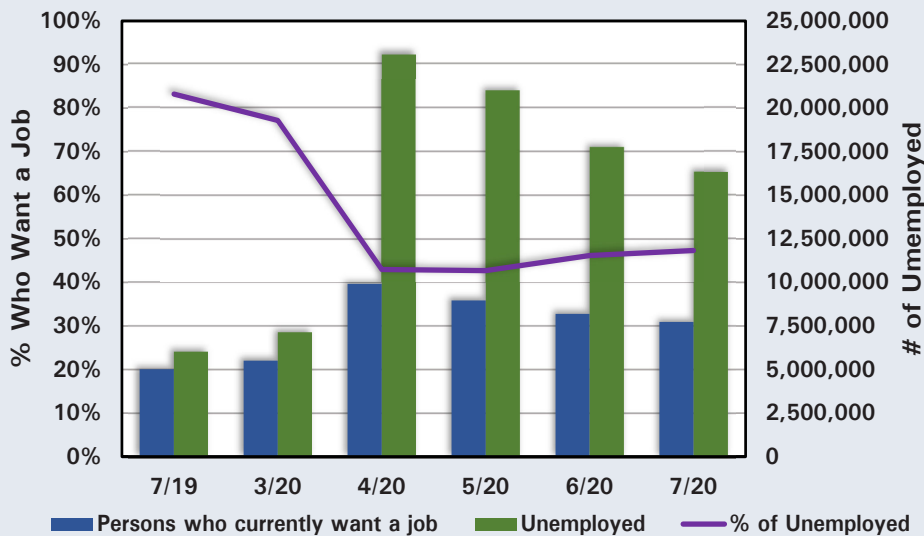
Source: Bureau of Labor Statistics



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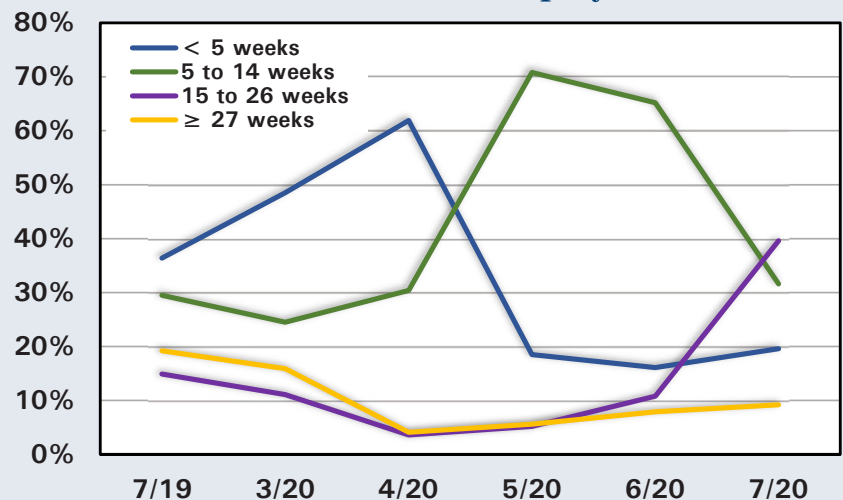
## Unemployed Persons Who Want a Job



The reasons behind the significant decrease in unemployed persons who want a job despite increased unemployment are unknown. If we had to speculate, factors may include generous temporary government assistance, fear of Covid, and lifestyle changes triggered by the virus and the overall madness of the year 2020.

## Duration of Unemployment

While the trend of increasing new unemployment claims has lost steam since April, the cohort of those unemployed more than 15 weeks has continued to increase, now representing 48.8% of the total unemployed population.



Source: Bureau of Labor Statistics

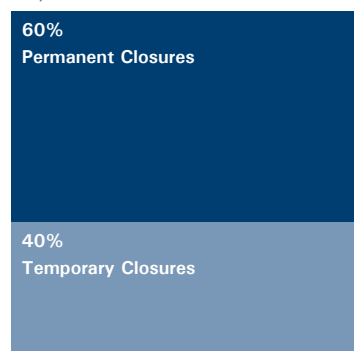


# Restaurants and Non-Essential Retail Continue to Struggle

Number of businesses marked closed\* on Yelp that were open March 1

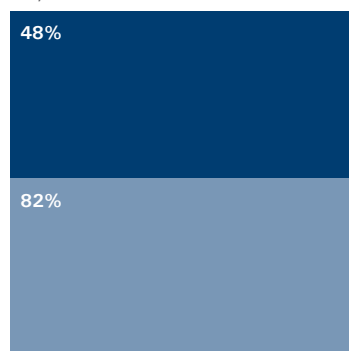
## Restaurants

26,160 Total Closures



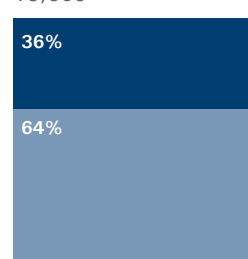
## Shopping & Retail

26,119



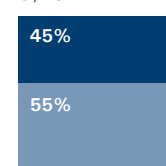
## Beauty & Spas

13,609



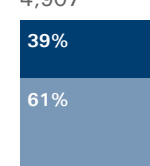
## Bars & Nightlife

5,454



## Fitness

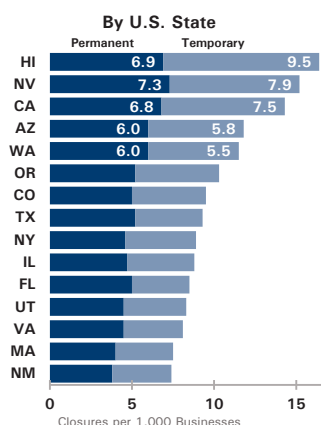
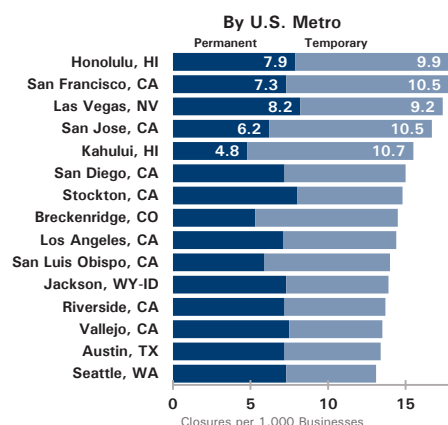
4,907



\*Among U.S. businesses that were open on March 1. A business was counted as closed if it was marked as permanently or temporarily closed, changed its hours to mark itself as closed for entire days, or included the word "closed" in the COVID-19 business updates section of its Yelp page. Closures updated through July 10. Data may lag actual closures because of time taken to report and verify closures.

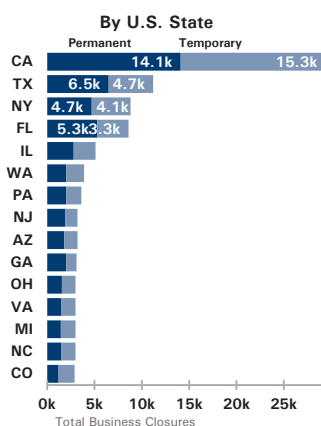
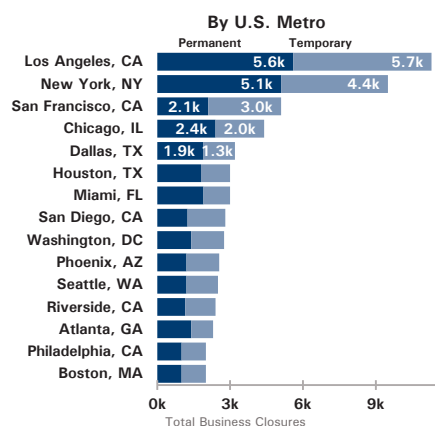
## Where are Businesses Closing at the Highest Rate?

Geographic areas with the highest closure rate since March 1



## Where are the Most Businesses Closed?

Geographic areas with the largest number of business closures since March 1



## Business Closures

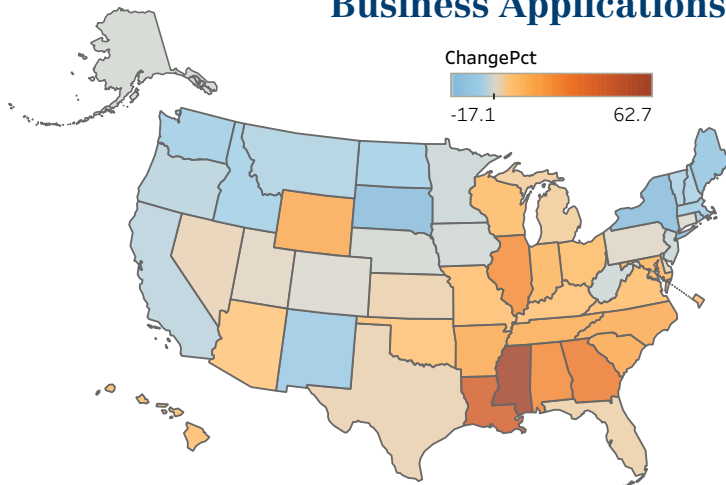
The closures of service businesses tracked by Yelp Economic Average peaked in April at 177,000. At that time, most closures were expected to be temporary. The number of total business closures has since improved to 132,580 (as of July 10); however, the temporary component has declined, and 55% (72,842) of all business closures are now shown as permanent. Note that Yelp focuses primarily on businesses providing services to consumers and does not include many larger corporations or commercial businesses. As such, this data is mostly relevant to retail occupancies and some flex locations, but not representative of most office and industrial locations. Nevertheless, it helps us understand the current and future Covid impact on local economies.

# Looking Ahead

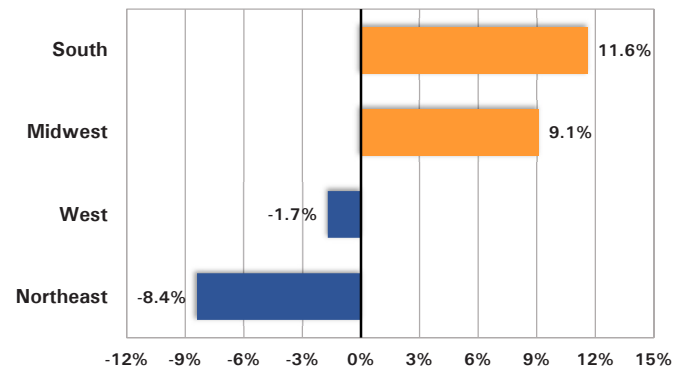
To review the relative impact across states using differing Covid mitigation measures, and to forecast potential job creation in the future, the following charts summarize new business formations over the past quarter and over the past year. As mentioned at the outset, we intend to dig much deeper into

recent population and job migration trends, but at first glance, these maps appear to indicate that many of the states remaining relatively open for business are also seeing a much greater increase in business applications, which could indicate the potential for future job gains.

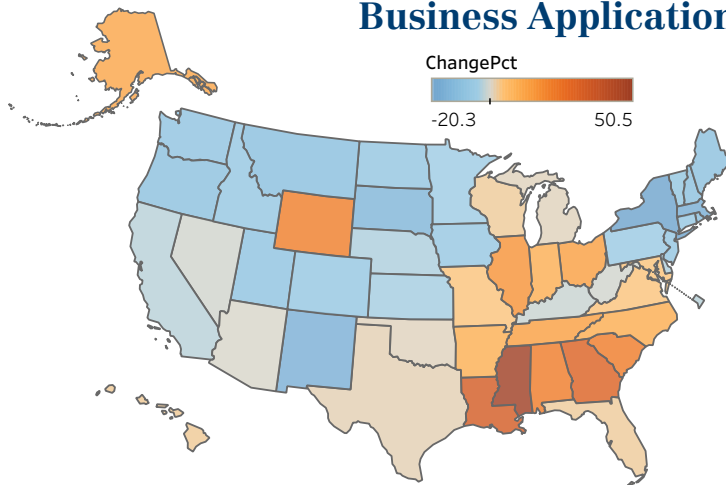
## Business Applications 2020 (Quarter-to-Quarter)



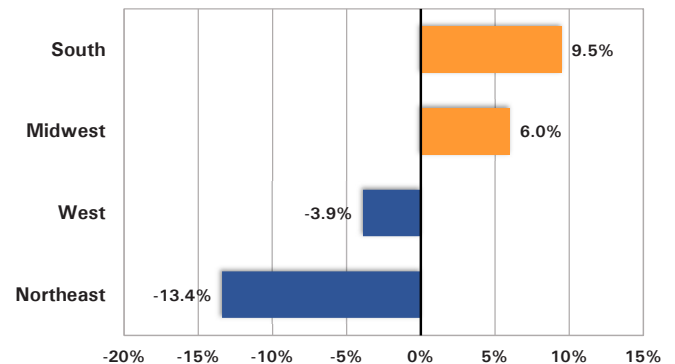
% Change by Region



## Business Applications 2020 (Year-over-Year)



% Change by Region



Source: U.S. Census

# Conclusion

We will be watching closely to see how the return to primary and secondary education impacts state and local Covid restrictions over the next few months. These decisions covering how and when to resume human interaction and fuller economic activity will greatly impact employment over the

next year. Looking out over the next 3-5 years, we are particularly interested in the relative growth and push-and-pull dynamic between CBD and inner suburban locations in the aftermath of: i) Covid-19; ii) a long period of social unrest, and; iii) the outcome of the November elections.

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