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# Which Metros Have the Most Employment Risk?

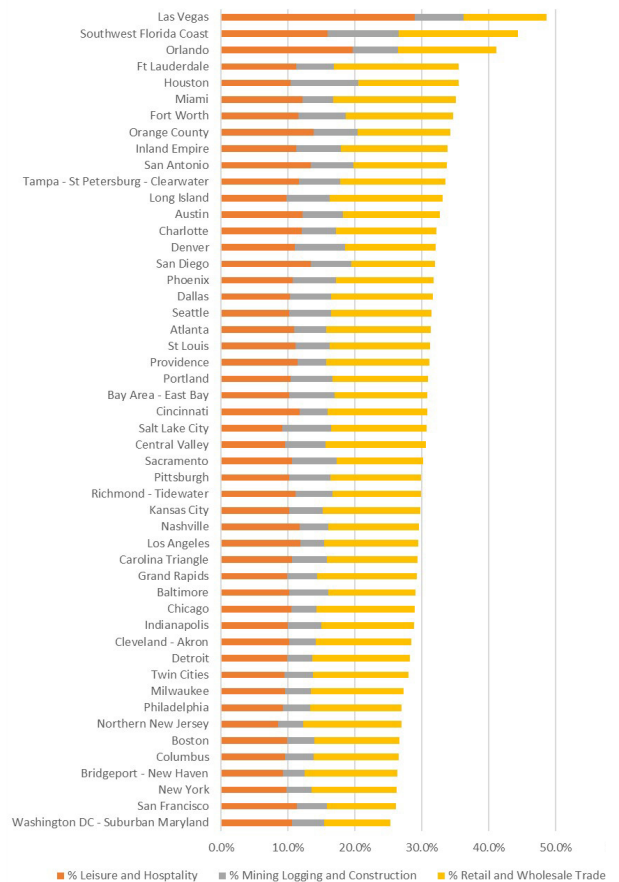
Two weeks into the strict social distancing that has put most of the country under stay-at-home orders, some 9.9 million Americans have filed unemployment claims. The number is expected to grow as more states shut down schools, retail establishments, public buildings and offices in an effort to “bend the curve” and stop the spread of the COVID-19 virus.

By the time all is said and done, every industry and metro will be impacted by the dramatic decline in economic activity (Goldman Sachs, for example, forecasts GDP to fall 34% in 2Q20), though the impact will vary by metro.

The segments expected to see the most job losses are lodging and hospitality, retail trade, and mining, logging and construction. Business and leisure travel has ground to a halt, and hotels are operating at a fraction of capacity, with little chance that will change until the summer, at the earliest. Most states have ordered the majority of non-grocery retail establishments to close, throwing many hourly retail and restaurant employees out of work. In many states, restaurants that remain open can only do take-out business.

Some states have ordered non-essential construction to cease, and materials and labor are increasingly hard to find. Energy, more concentrated by metro than other job categories, has seen oil prices collapse to their lowest levels in decades. Demand for gasoline has fallen sharply as people avoid travel, while drilling and exploration be-

Percent At Risk Employment



come money-losing propositions when oil is pricing at multi-decade lows.

The U.S. unemployment rate jumped to 4.4% in March from 3.5% in February as the economy shed 701,000 jobs, according to the U.S. Labor Department. The data only captures some of the job losses, which started in earnest in the middle of the month, and unemployment is expected to climb over 10% in the second quarter. In March, leisure and hospitality lost 459,000 jobs (417,000 in food and beverage establishments), while retail was down 46,000 jobs, and mining, logging and construction was down 36,000. Other segments also lost jobs during the month, including health care (-61,000), professional business services (-52,000) and manufacturing (-18,000).

## Where Jobs Are at Risk

Yardi Matrix examined the Top 50 metros in total employment to determine which have the highest percentage of combined jobs in the three most at-risk categories. Las Vegas (49%), the Southwest Florida Coast (44%), Orlando (41%), Fort Lauderdale (36%) and Houston (35%) led the list. Each of those metros is heavily dependent on one or more of the most affected job categories. The Las Vegas and the Florida economies depend on travel and tourism, while Houston's economy remains driven to a large degree by energy.

Larger metros with more diversified economies have the least dependence on the three at-risk job categories as a percentage of total employment. Washington, D.C. (25%) and San Francisco and New York (each 26%) have barely one-quarter of jobs in the most at-risk segments. Washington's economy is driven by the federal government, while New York and San Francisco are centers of finance, media and technology.

Even the most diversified economies, however, will feel the pain of job losses, in part because diversity comes with size. New York has 1.9 million jobs in

Top 10 Markets % Jobs in At-Risk Employment Segments *	
Las Vegas	49%
SW Florida Coast	44%
Orlando	41%
Ft. Lauderdale	36%
Houston	35%
Miami	35%
Fort Worth	35%
Orange County	34%
Inland Empire	34%
San Antonio	34%

\* Defined as combined % of jobs in leisure and hospitality, retail trade and mining, logging and construction  
Sources: U.S. Bureau of Labor Statistics, Yardi Matrix

Bottom 10 Markets % Jobs in At-Risk Employment Segments *	
Twin Cities	28%
Milwaukee	27%
Philadelphia	27%
Northern New Jersey	27%
Boston	27%
Columbus	27%
New Haven	26%
New York	26%
San Francisco	26%
Washington, DC	25%

\* Defined as combined % of jobs in leisure and hospitality, retail trade and mining, logging and construction  
Sources: U.S. Bureau of Labor Statistics, Yardi Matrix

Top 10 Markets Total Jobs in At-Risk Employment Segments	
New York	1,906,612
Chicago	1,379,376
Los Angeles	1,354,896
Houston	1,131,751
Atlanta	902,182
Dallas	868,206
Washington, DC	855,292
Philadelphia	853,124
Boston	805,980
San Francisco	719,078

Sources: U.S. Bureau of Labor Statistics, Yardi Matrix

the three most at-risk categories, by far the most in the nation. Three other metros have more than 1 million total jobs in the at-risk segments: Chicago (1.4 million), Los Angeles (1.4 million) and Houston (1.1 million). That suggests the impact will be spread out, even among metros with a smaller percentage of jobs at risk.

It is notable that the fastest-growing metros in the Southeast and Southwest have the most exposure to our at-risk segments. Las Vegas, Orlando, Houston, Miami, Austin and Charlotte—all in the top 15 in percentage of jobs at risk—have consistently ranked among the top metros for job and population growth over the post-financial crisis economic cycle and have been top targets of capital inflow from commercial real estate investors looking for more rapid growth.

At the same time, traditional “primary” markets such as Washington, D.C., New York, San Francisco and Boston—which are highly liquid but have lost some of their luster with investors seeking growth—have proportionately fewer at-risk jobs. How each metro fares through the pandemic will provide a test, and the differences between them demonstrate the importance of varying investment strategies, with some focus on potential rapid growth and some on stability and diversification.

## Leisure and Hospitality

Not surprisingly, Las Vegas (28.9%) and Orlando (19.6%) stand out as the metros with the highest percentage of workers in leisure and hospitality. Other metros with at least 13.0% of workers in the segment include the Southwest Florida Coast (15.9%), Orange County, Calif. (13.9%), San Antonio (13.5%) and San Diego (13.4%). Northern New Jersey (9.2%) has the lowest percentage of workers in the segment, followed by Salt Lake City, Bridgeport-New Haven, Conn., and Philadelphia (all 9.2%). New York, Los Angeles and Chicago have the most jobs in this segment.

Top 10 Markets % Leisure and Hospitality Employment	
Las Vegas	28.9%
Orlando	19.6%
SW Florida Coast	15.9%
Orange County	13.9%
San Antonio	13.5%
San Diego	13.4%
Miami	12.2%
Austin	12.1%
Charlotte	12.1%
Los Angeles	11.9%

Sources: U.S. Bureau of Labor Statistics, Yardi Matrix

Bottom 10 Markets % Leisure and Hospitality Employment	
Long Island	9.8%
New York	9.8%
Columbus	9.6%
Milwaukee	9.6%
Central Valley	9.6%
Twin Cities	9.5%
Philadelphia	9.2%
New Haven	9.2%
Salt Lake City	9.2%
Northern New Jersey	8.5%

Sources: U.S. Bureau of Labor Statistics, Yardi Matrix

Top 10 Markets Total Leisure and Hospitality Employment	
New York	710,312
Los Angeles	547,561
Chicago	502,033
Washington, DC	358,376
Houston	333,362
Atlanta	315,482
San Francisco	311,457
Orlando	309,021
Las Vegas	301,346
Boston	297,477

Sources: U.S. Bureau of Labor Statistics, Yardi Matrix

## Retail and Wholesale Trade

Florida had a clean sweep of the top three metros in percentage of retail jobs, with Fort Lauderdale (18.8%), Miami (18.3%) and the Southwest Florida Coast (17.8%) leading the way. Long Island (16.8%) and Fort Worth (16.1%) round out the top five. At the low end of the scale are Washington, D.C. (9.9%) and San Francisco (10.3%). San Diego (12.5%), and Boston, Columbus and New York (all 12.7%) are also at the bottom. New York, Chicago and Los Angeles have the most at-risk jobs. Retail jobs constitute 13-15% in 31 of the top 50 metros.

## Mining, Logging and Construction

The Southwest Florida Coast (10.6%) and Houston (10.0%) have by far the greatest share of workers in the mining, logging and construction segment, followed by Denver (7.4%), Las Vegas (7.3%) and Salt Lake City (7.2%). Bridgeport-New Haven (3.3%) has the lowest share of jobs in the segment, followed by Los Angeles (3.5%) and New York, Chicago, Northern New Jersey and Detroit (all 3.7%). Houston, New York and Chicago have the highest total number of jobs.

## Conclusion: Duration, Ripple Effect and Stimulus Are Wild Cards

Our ability to determine the full extent of the economic damage is limited by the uncertainty about when the spread of the virus will peak, how long social distancing measures will remain intact and how long it will take to produce a vaccine, among other issues. Plus, orders to socially distance have been implemented unevenly across states, and some states could remove restrictions earlier than others going forward.

That said, recent events make clear that every major metro faces the prospect of significant job losses. Over the last two weeks of March, 24 states topped 100,000 in unemployment claims,

Top 10 Markets % Retail and Wholesale Trade Employment	
Ft. Lauderdale	18.7%
Miami	18.3%
SW Florida Coast	17.8%
Long Island	16.8%
Fort Worth	16.1%
Inland Empire	15.9%
Tampa	15.8%
Atlanta	15.7%
Providence	15.3%
Dallas	15.2%

Sources: U.S. Bureau of Labor Statistics, Yardi Matrix

Bottom 10 Markets % Retail and Wholesale Trade Employment	
Richmond	13.2%
Baltimore	12.9%
Sacramento	12.8%
New York	12.7%
Columbus	12.7%
Boston	12.7%
San Diego	12.5%
Las Vegas	12.4%
San Francisco	10.3%
Washington, DC	9.9%

Sources: U.S. Bureau of Labor Statistics, Yardi Matrix

Top 10 Markets Total Retail and Wholesale Trade Employment	
New York	925,115
Chicago	700,011
Los Angeles	645,539
Houston	478,935
Atlanta	450,990
Philadelphia	432,021
Dallas	417,912
Boston	383,954
Washington, DC	335,819
Phoenix	323,002

Sources: U.S. Bureau of Labor Statistics, Yardi Matrix

led by more than 1 million in California and 780,000 in Pennsylvania. Some metros, by virtue of the composition of jobs, clearly are more at-risk than others. Las Vegas and Orlando, whose economies are heavily tied to tourism, are likely to be hard hit and recover slowly. Metros such as Houston and Midland-Odessa, Texas, which are dependent on energy prices, also will feel the effect more deeply.

The impact of these losses, however, is not limited to the job sectors in question. Lost wages and employment ripple through the entire economy and will reduce the income of businesses in every sector. That means that all metros, even those with more diversified economies, will struggle to deal with the fallout from the COVID-19 pandemic.

The extent of the economic losses and economic damage will be limited by the stimulus plans passed in late March by the federal government. The total \$4 trillion fiscal and monetary stimulus includes support for unemployed workers and health-care costs, grants and loans to businesses and almost unlimited quantitative easing by the Federal Reserve. The federal government will supplement state unemployment payments, providing an extra \$600 per week per individual through July 31. Maximum benefits will be between 90% and 130% of wages, depending on the state.

The federal support will help mitigate the lost wages of unemployed workers and provide cash to spend, though there remain many areas of uncertainty, including how recipients will use the payments, whether businesses can stay solvent enough to rehire workers once the quarantine ends, and how quickly the economy will rebound once the stay-at-home orders are lifted. Forecasting the outcome is difficult given the unprecedented nature of both the pandemic and the solutions being implemented.

—Paul Fiorilla, Director of Research

Top 10 Markets % Mining, Logging and Construction Employment	
SW Florida Coast	10.6%
Houston	10.0%
Denver	7.4%
Las Vegas	7.3%
Salt Lake City	7.2%
Fort Worth	7.1%
Orlando	6.8%
Oakland	6.8%
Sacramento	6.7%
Inland Empire	6.7%

Sources: U.S. Bureau of Labor Statistics, Yardi Matrix

Bottom 10 Markets % Mining, Logging and Construction Employment	
Boston	4.1%
Philadelphia	4.1%
Cleveland	3.9%
Milwaukee	3.8%
New York	3.7%
Chicago	3.7%
Northern New Jersey	3.7%
Detroit	3.7%
Los Angeles	3.5%
New Haven	3.3%

Sources: U.S. Bureau of Labor Statistics, Yardi Matrix

Top 10 Markets Total Mining, Logging and Construction Employment	
Houston	319,454
New York	271,185
Chicago	177,332
Dallas	167,658
Los Angeles	161,797
Washington, DC	161,096
Denver	152,045
Phoenix	143,201
Atlanta	135,710
Philadelphia	129,076

Sources: U.S. Bureau of Labor Statistics, Yardi Matrix

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