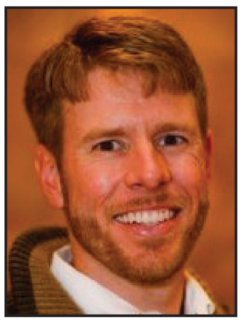
Colorado Commercial Real Estate Economic Insights

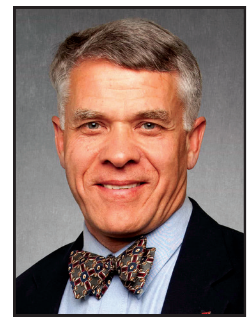
CREJ has invited a select group of top economists to each contribute an expert article about the economy at the state or national level.


Chris Akers
Economist, Colorado Department of Local Affairs


Hessam Nadji
Marcus & Millichap


Patricia Silverstein
Development Research Partners


Spencer Levy
CBRE


Glenn Mueller
University of Denver


Richard Wobbekind
University of Colorado


Tatiana Bailey
University of Colorado Colorado Springs


Phyllis Resnick,
Colorado State University


Brian Lewandowski,
University of Colorado


Brent Campbell,
Moody's Analytics


Elizabeth Garner,
Colorado Department of Local Affairs


Chris Brown,
Common Sense Institute

Forecasts indicate housing instability for the vulnerable

Major economic events tend to change the way we organize ourselves economically. The COVID-19 pandemic and the resulting economic fallout will be no different. Our questions are well known. Will I return full time to the office? Is Zoom the new business travel? What will happen to personal services such as gyms and restaurants now that I have found substitutes? Will I forever pick up groceries curbside? Individually, these questions are personal; collectively, they define an economy. Our personal choices are integral to determining the economy that emerges after the pandemic.

Last month, the Bureau of Labor Statistics released post-COVID-19 labor market projections. Relative to prepandemic, BLS economists forecast the largest negative impacts to be in the restaurant, hotel and transportation industries. They predict the following jobs to be most negatively impacted: greeters in eating establishments, bartenders, reservation agents and travel clerks, hotel clerks and waitstaff. These jobs are concentrated in key industries directly affected by our personal questions and collective decisions regarding the reorganization of our economic lives. They also, as the BLS highlights, share one socio-demographic characteristic: They do not require a college education. This leaves workers in these occupations with fewer alternatives should their current job not survive the pandemic.


Phyllis Resnick
Executive director, Colorado Futures Center

At the Colorado Futures Center, we have been reporting on the vulnerability of Colorado workers to COVID-19-related job losses since early in the pandemic. Colorado early COVID-19-related job losses largely were concentrated in retail trade; accommodations and food service; arts, entertainment and recreation; and health care and social assistance. While retail trade has shown signs of recovery, the other industries (particularly those in the leisure and hospitality sector) remain between 5% and 33% below their prepandemic level. If BLS forecasts prove accurate, many of those jobs will not return.

The impact in Colorado is widespread. Our research shows that among Colorado households with incomes of $75,000 or less, 406,500 (just over one in three) contain a worker over the age of 18 working in one of the industries most adversely impacted by COVID-19. These households contain just over a half a million of the state's workers. Of those households, 223,500 (over half) were considered housing-cost burdened (spending more than 30% of their income on housing) before the pandemic.

Who are the Colorado workers and households most vulnerable to COVID-19-related job losses? Consistent with the national employment statistics, they are majority female; pre-COVID-19, six out of 10 were female. Three in 10 of the households contain children under the age of 18, and, of those, half are headed by a single parent. Forty percent of the workers in these households are over the age of 44, potentially exacerbating the challenge of career change.

> **Those who remain employed risk becoming further housing cost burdened. A COVID-19-related job loss easily could result in homelessness.**

Among those already cost-burdened before COVID, just over six in 10 are renter households, precluding the opportunity for wealth building that owning a home can confer. Some 141,500 of Colorado's children live in these most vulnerable households, almost 80% with a single parent. And, consistent with the BLS finding, 183,000 of the workers lack a college degree.

In the inevitable recovery that emerges, housing is poised to become an even larger challenge. According to the self-sufficiency standard developed at the University of Washington, housing can amount to as much as half of monthly expenditures for a single adult in Denver. The addition of a young child reduces the share spent on housing, not because housing becomes more affordable but because day care costs can rival housing, almost doubling monthly expenditures. And while the economy has been in a recession, the housing market has remained strong.

The S&P/Case-Shiller home price index for CO-Denver increased 9.1% in 2020, placing home ownership further out of reach for many. However, in a bit of a reprieve, rent appreciation in the Denver metro area (reported by the Metro Denver Apartment Association) eased, increasing by only half a percent in 2020. This is a glimmer of good news for workers, particularly in the most hard-hit leisure and hospitality sector where the annual increase average weekly wages (as of second quarter of 2020) was only 1.2%. But even with easing rents, Coloradans relied on substantial amounts of rent support to remain current. And, the elimination of supports coupled with the second half 2020 weakening in the service sector means that those who remain employed risk becoming further housing cost burdened. A COVID-19-related job loss easily could result in homelessness.

Vulnerable households face other challenges. Statewide in 2019 only 11.6% of the jobs had a median wage that supported the median price home and they overwhelmingly required a college degree. As housing costs become more burdensome, households are increasingly doubling up, perhaps masking demand for the limited supply that is available. In 2019, 690,000 households statewide were doubled up. This is up from 415,000 in 2006 and 560,000 in 2017. And finally, with the improving economy, interest rates are forecast to normalize and homeowners and renters both are poised to feel the impact of the elimination of the Gallagher protections. For many of these workers, this puts the carrying cost of a home further out of reach. And, everyone should care about cost-burdened households. The additional spending these households dedicate to housing is costing the state approximately $2 billion that could otherwise support local businesses and tax bases.

The economy will recover. Optimism is emerging already. But as the adage says – it is possible to drown in a pool of water averaging 6 inches. Macroeconomic metrics of recovery obscure distributional effects. While the reorganization of economic activity may be inevitable, we do not have to accept adverse impacts on vulnerable workers. A vibrant economy requires that we do not. ▲