RESEARCH BRIEF
EMPLOYMENT

IPA INSTITUTIONAL PROPERTY ADVISORS

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Job Creation Jumps in July, Bolstering Economy Against Other Headwinds

Hiring accelerates in July, underscoring labor market strength. Concerns over the economy's trajectory, following the reporting of GDP contractions in the first two quarters, may be somewhat assuaged by the robust jobs figures posted for July. Last month employers created 528,000 positions, the second-highest total for the year and a 32 percent increase over hiring in June. These new hires bring the total employment base back to the February 2020 level, with additional private sector roles offsetting a reduction in the public sector. These gains have also restored the unemployment rate to 3.5 percent, tying the record low achieved just before the main onset of COVID-19 in the U.S.

Retail sector benefits from restaurant, bar performance. July hiring was led by the leisure and hospitality sector, with 96,000 additional personnel. While hotels continue to add staff amid the most active summer travel season in three years, the majority of these positions were at restaurants and bars. Consumers continued to dine out and socialize more than earlier in the pandemic, despite higher prices. Overall retail vacancy returned to the year-end 2019 level of 4.9 percent in June of this year. The impact to operations by some tenants exiting spaces has been mitigated in part by modest construction. Fewer square feet were opened in the first six months of 2022 than in any opening half in over two decades.

High skill hiring bolsters demand for top-tier apartments. Architecture and engineering firms, consulting companies, and scientific research and development organizations all added more than 10,000 personnel apiece last month. Many of these positions require specialized skills that are well compensated for, improving incomes and creating demand for housing. Given elevated single-family mortgage rates, much of this demand will focus on Class A and B rentals. At 3.8 percent and 3.2 percent, respectively, in June, Class A and B vacancies have rarely been lower over the past 20 years, despite recent ample development. While elevated inflation and rapid rent climbs have moderated household formation of late, as prices start to stabilize, more individuals will pursue leases.

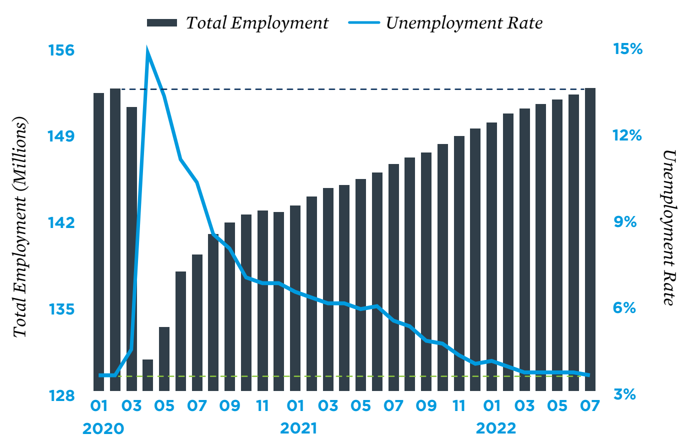
Additional Trends:

Accelerated employment growth means Fed is not done. While the July employment surveys were conducted prior to the Federal Reserve's second 75-basis-point rate hike late that month, the strong hiring only reinforces the likelihood of an additional rate increase at the central bank's September meeting. Letting some steam out of the hot labor market, particularly in regards to wage increases, is a key part of the Federal Open Market Committee's plan to temper inflation. Average pay was up 5.2 percent year-over-year in July, above the historical average but below a recent peak.

Reduced hours a labor market soft spot. A potential bellwether, the number of people employed part time for economic reasons increased by 303,000 last month to 3.9 million. While this is still below the February 2020 count of 4.4 million, the recent rise nevertheless reflects cut hours for more employees, due to slackening business conditions. The drawback in labor utilization could foreshadow a possible cooling in the jobs market, which so far has only seen pockets of slowdown in certain sectors such as technology.

528,000	384,000
Jobs Added in July 2022	*Average Number of Jobs Added Per Month in Second Quarter*

Topline Labor Market Performance Back to Pre-Pandemic



Sources: IPA Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Federal Reserve; Real Page, Inc.