RESEARCH BRIEF
EMPLOYMENT

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Ongoing Job Growth Reflects Economy's Resilience, but Portends Fed Response

Hiring continues, but signs of slowdown emerging. The labor market welcomed 263,000 new jobs in September, above the long-term monthly average, but below the mean pace set so far this year of 420,000 positions. Hiring was heavily concentrated in sectors that are still recovering — most notably leisure and hospitality — and in fields of critical need, such as healthcare. Combined, both sectors added 143,000 staff. Other industries, including financial activities, transportation and warehousing declined. While overall a positive report, September's jobs figures indicate a partial slackening in labor demand, building off August's 1.1 million contraction in open positions.

Falling unemployment to galvanize Fed as it seeks balance. Both the unemployment rate and broader underemployment measure fell back to multi-decade lows last month. A decline in the number of people without a job or seeking additional hours reflects a general lack of labor supply. This imbalance is supporting elevated wage growth and contributing to inflation. To tamp down on this pricing pressure, the Federal Reserve will likely continue forward with the policy plans it has previously put forward. Having lifted the overnight lending rate by a third consecutive 75-basis-point margin last month, the Fed has telegraphed another combined 125-basis-point hike before year-end. One of the intended objectives of this action is to curb employer labor demand, and by relation, wage increases.

Multifamily housing demand normalizing. Higher inflation and interest rates are also influencing the multifamily sector. Preliminary estimates for the third quarter show that nationally, more apartments were vacated than leased in the period, with vacancy climbing back from record lows to 2019 levels. While ample new supply is a complicating factor — over 100,000 units opened within a quarter for the first time — the renter pullback suggests higher living costs and economic uncertainty are prompting some household consolidation and tightening of budgets. Even with this recent inflection, however, vacancy and rent growth are still at some of their most favorable levels in more than 20 years.

Additional Commercial Real Estate Trends:

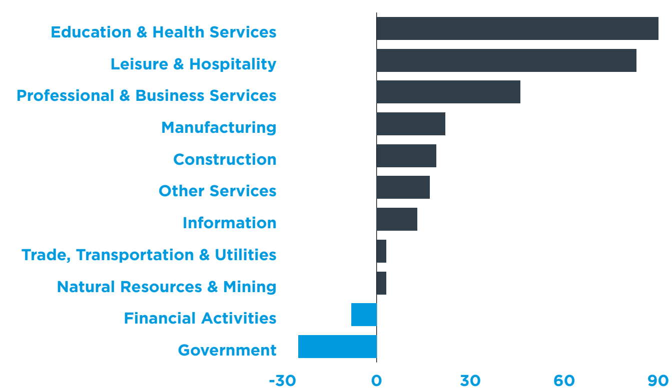
Retail fundamentals on positive path. Consumer spending has not given up ground gained since 2019, even as higher prices start to undercut sales growth. Retailers have been expanding on net so far this year, with more stores opening than closing. Preliminary third quarter data points to ongoing vacancy contraction and greater rent growth. Some headwinds are appearing on the horizon, however, as personal savings rates decrease and credit card balances climb. This may come to hinder spending as borrowing costs increase.

Supply chain woes support industrial demand in multiple ways. The slowdown in retail sales growth may bode well for warehouse demand if many retailers opt to hold inventory painstakingly collected amid pandemic supply chain disruptions. However, several outlets have indicated a preference to reduce supplies now ahead of the holidays. Shipping issues and legislative support also brighten the outlook for manufacturing space. The development of new silicon chip, electric vehicle and battery plants will support a network of intermediary operations that should utilize existing spaces.

263,000
Jobs Added in September 2022

6.7%
Underemployment Rate as of September 2022

A Few Key Sectors Driving Employment Growth



September 2022 Change in Employment (000s of Jobs)

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Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Federal Reserve; RealPage, Inc.