RESEARCH BRIEF
EMPLOYMENT

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Despite Soft Hiring, Consumer Resiliency Aiding Multifamily and Retail Properties

Discrepancies cloud employment data. October's atypically low job creation total of 12,000 is largely the result of sector hiring offsets and disruptions from recent events. Education, health services and public service organizations added a combined 97,000 personnel last month, consistent with trends seen thus far this year. Over 60 percent of the positions added in this span were from one of these less cyclical industries. Countering these gains were the loss of 47,000 professional and business services roles and 46,000 manufacturing jobs, with the majority of the latter stemming from the strike at Boeing. It is also likely Hurricanes Helene and Milton impacted both hiring and labor market data collection last month. Prior to October's abnormalities, however, employment trends already showed signs of cooling, with the number of job openings falling to a nearly four-year low of 7.4 million in September. Softening labor demand would be concerning if other economic indicators were less positive, which is not the case.

Economy marked solid expansion in recent months. U.S. GDP grew at an annualized rate of 2.8 percent in the third quarter — down just 20 basis points from the April-to-June reading. This most recent gain was backed in large part by a 3.7 percent increase in consumer spending, reflecting the generally resilient labor market. October aside, more jobs have been added so far in 2024 than in ten of the prior 33 years. Nevertheless, upward momentum in both hiring and economic growth is poised to slow going forward. The third quarter noted a tempered rise in both the employment cost index and real disposable income, indicating wage growth is easing amid a loosening labor market, which may in turn weaken consumer spending.

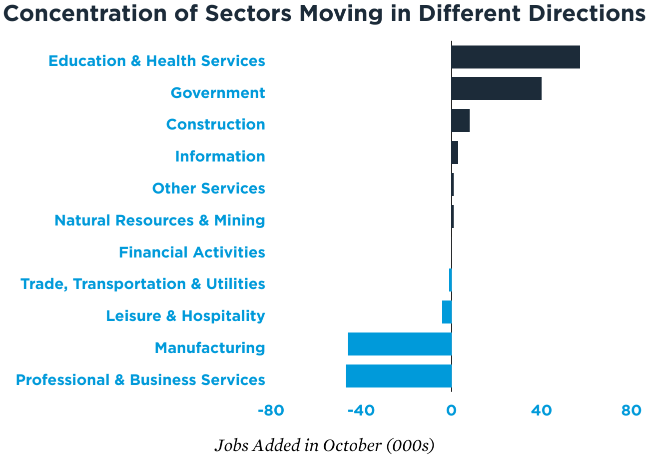
Improving renter demand keeping near pace with supply pressure. Slower wage growth is helping bring down inflation, which tapered to 2.1 percent year over year in September based on the PCE Index. Less elevated pricing pressures are translating into improved household formation, aiding multifamily demand. Apartment absorption on net has accelerated over the course of 2024 and is on track for its second strongest year since before 1994, behind 2021. Despite the delivery of over 500,000 units this year — a record — vacancy is set to only rise 30 basis points. Although the 6.1 percent rate is above the historical average and will weigh on rent growth, effective rates are likely to rise more quickly next year and into 2026 as supply pressure moderates and leases with concessions renew at the full monthly amount.

Retail sector remains tight. The resilient consumer base observed so far this year is also bolstering the retail landscape. While the demand for store space is easing from last year, overall vacancy was still holding at 4.5 percent ending the third quarter — just 10 basis points up from the multi-decade low. The volume of vacant multi-tenant space continued to decline while availability is inching up among single-tenant properties. Modest development directs expanding tenants to existing spaces, helping turnover on the heels of recent exits. Overall, the retail sector is set to retain its status as the least vacant major commercial property type through year-end.

Amid noise, Fed likely to slightly cut lending rate. A cooling labor market amid ongoing economic growth is an encouraging combination for commercial real estate investors. Property fundamentals are in or moving toward favorable positions in several sectors. At the same time, the prospect of lower borrowing rates should aid transactions. Wall Street expects the Federal Reserve to cut the overnight rate 25 basis points in early November, although other benchmark rates such as Treasury yields could fluctuate in the near term depending on the market's reaction to the U.S. Presidential election outcome.

4.1%	5.7%
Unemployment Rate in October 2024	*Average Unemployment Rate: Jan. 1990-Oct. 2024*

Concentration of Sectors Moving in Different Directions



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Sources: IPA Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; CME Group; Federal Reserve; Moody's Analytics; Real Capital Analytics; RealPage, Inc.