RESEARCH BRIEF
EMPLOYMENT

MARCH 2020

Job Creation Exceeds Expectations; Pace Could Fluctuate in Coming Months

Employment growth remains strong. Employers added 273,000 positions in February, the strongest pace of job creation since May 2018. Figures from December and January were also revised up by a combined 85,000 jobs, producing an average monthly gain of 243,300 roles over the past three months. Hiring averaged 177,800 personnel per month last year. February's robust recruiting metrics were sufficient to keep the unemployment rate unchanged at 3.5 percent, a 49-year low. Joblessness has remained below 4 percent for 20 of the past 24 months, a rare occurrence in American economic history.

Low unemployment, higher incomes bolster demand for commercial real estate. The tight labor market is pushing many companies to increase pay to draw top talent, sustaining annual wage growth of 3.0 percent in February. More widespread employment and higher incomes are contributing to demand for commercial space, including offices, apartments, storage units, and everything in between. National vacancy rates are at or near cycle lows for most property types, despite elevated construction activity in several sectors, sustaining upward pressure on rents. Favorable fundamentals underscore the value proposition of real estate during a time of heightened market uncertainty.

Hiring momentum could be disrupted in coming months. The worldwide spread of the COVID-19 coronavirus has disrupted global supply chains and international travel, to say nothing of the human cost. Uncertainty and concern among investors have prompted greater financial market volatility, with many indices trending down in the first weeks of March. All of these factors have the potential to disrupt hiring. While many companies are still facing labor shortages, travel restrictions, mandatory quarantines, and other preventative measures add new hurdles to an already difficult recruiting environment. The number of job openings still exceeds the number of potential hires, but the margin has begun to tighten. As employers either fill or streamline their labor needs, the pace of job growth could moderate.

Developing Trends

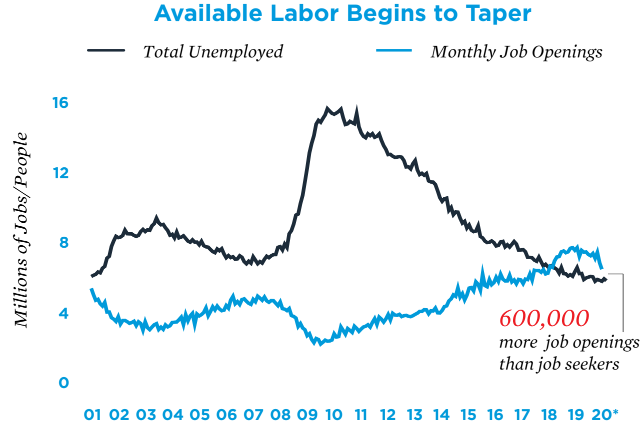
Construction personnel in high demand. The construction sector added about 42,000 personnel in February, building upon the 49,000 jobs created the prior month. This recent hiring surge stands in stark contrast to last year when an average of 13,000 roles were filled each month. Pent-up demand for construction workers, exacerbated by a growing number of single- and multifamily homes in development, is likely behind this trend.

Lower interest rates potentially benefit real estate. In an effort to reassure investors, the Fed made an unannounced 50-basis-point cut to the overnight lending rate on March 3, and another cut is widely expected on March 17. Investors nevertheless continued to shift allocations to high-quality assets, driving bond yields down, including the 10-Year Treasury, which broke below the 1 percent threshold for the first time. The lower interest rate environment opens up new opportunities for commercial real estate investors during a dynamic financial climate.

243,300 *Average Number of Jobs Added per Month Between Dec. '19 and Feb. '20*

13 *Consecutive Months Under 4 percent Unemployment*

Surplus of Job Openings Relative to Available Labor Begins to Taper



** Unemployment through February 2020, job openings through December 2019*
Sources: IPA Research Services; Bureau of Labor Statistics