

## Record-Low Unemployment Propels Demand for Commercial Real Estate

**Job growth continues at subdued but consistent pace.** Organizations added about 136,000 positions in September, slightly down from the 168,000 roles filled in August. The more modest rate of employment growth nevertheless exceeded the number of new entrants into the workforce, sustaining the current labor shortage. Employers' staffing needs will support the hiring of about 2 million personnel by year end. Potential economic headwinds, originating from trade tensions and other factors, create some risk of job creation falling below expectations.

**Broad-spectrum employment growth heightens apartment demand.** The ongoing surplus of job openings relative to job seekers is supporting continued hiring this year, helping reduce the national unemployment rate to 3.5 percent last month, on par with the lowest reading in 50 years. Joblessness decreased the most among construction workers and members of the financial activities sector. Unemployment also fell substantially within the trade, education, health services, leisure and hospitality sectors. New job opportunities across a wide range of income levels are creating additional demand for housing, including both high-end Class A apartments as well as more affordable Class B/C rentals. Strong summer and autumn leasing seasons have driven the national multifamily vacancy rate down to 3.7 percent at the end of September, breaking the 4 percent threshold for the first time since 2000 despite record new development.

**Increase in household formation spurs spending.** The tight labor market is boosting new household formation, lifting demand for retail space, particularly in walkable urban and suburban neighborhoods. At the same time, retail construction activity has been limited, with additions pacing at about a third of the level set during the last growth cycle. This has enabled multi-tenant retail vacancy to remain just under 6 percent for more than a year as consumer patterns at brick-and-mortar locations shift toward social and entertainment-oriented venues.

## Developing Trends

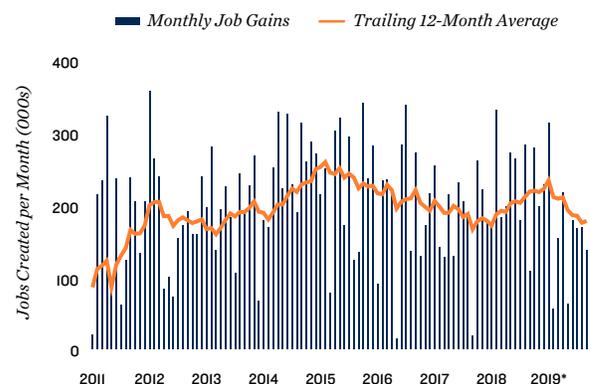
**Ongoing job creation supports greater consumer spending.** Unemployment for adults without a high-school diploma fell to a record low of 4.8 percent in September. New opportunities for many people who traditionally have a harder time finding employment is boosting discretionary spending. Retail sales are up 44 percent compared with 2008 and have grown 4.2 percent since August of last year. These trends suggest strong retail demand going into the holiday season.

**Labor shortage lifts wages in hospitality sector.** Average hourly earnings improved 3.7 percent over the past 12 months in the leisure and hospitality sector, compared with 2.9 percent for all non-farm workers. Hotel operators are mindful of these rising labor costs even as broad-based job and wage gains contribute to record high occupancy levels and RevPAR.

108 Consecutive Months of Employment Growth

1.45 million Jobs Added Year to Date

### Job Growth Trending Lower



\* Through September  
Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics