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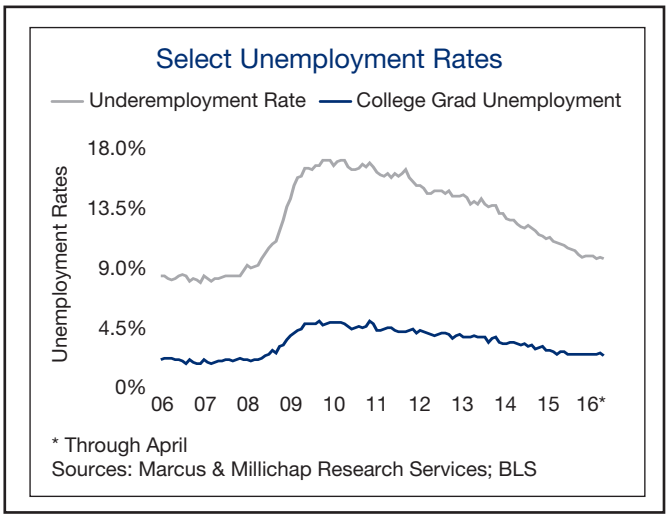
RESEARCH SERVICES

RESEARCH BRIEF: EMPLOYMENT

Employers Maintained Hiring Trend in April; Underemployment Rate Tightening

- Solid hiring across multiple employment sectors in April did not produce a large gain in U.S. payrolls, but the increase nonetheless reaffirms that the labor market remains in sound condition. Other labor market trends, including a low level of initial unemployment claims and an elevated number of job openings, indicate that employers continue to expand even as the current economic cycle proceeds beyond its typical duration. Some headwinds to domestic economic growth persist in the form of softer overseas economies and an unforeseen shock could arise, but the U.S. economy remains on track to add roughly 2.5 million jobs during 2016.
- U.S. employers added 160,000 positions last month, all in the private sector. Office-using employment sectors stood out in April. Professional and business services establishments hired 65,000 workers, principally in degreed fields including accounting and design trades, while financial services added 20,000 employees. Trade employment faltered last month following a spurt of hiring in March, reflecting weakness at stores and shopping centers that partly offset growth in warehouse and distribution staffing. Retailers cut 3,900 jobs during the month amid a string of reports of retailers trimming store counts to shift emphasis to online distribution and changing consumer tastes. Earlier this week, clothing retailer Aeropostale filed for bankruptcy protection.



- At 5.0 percent, the unemployment rate was unchanged in April, while additional hiring and expanding opportunities trimmed the underemployment rate to 9.7 percent, matching the lowest level in the past eight years. The unemployment rate for college graduates also reached an eight-year low in April, dropping to 2.4 percent. May is graduation month for many of the estimated 1.9 million students who will receive bachelor's degrees in the 2016 school year, an all-time high. In a recent survey, roughly two-thirds of employers plan to hire recent college grads this year, the highest percentage since 2007. New hires will lift spending on items including work apparel and goods needed to set up households.
- U.S. apartment vacancy ticked up in the first quarter but remains tight at 4.2 percent. An influx of new college graduates into the workforce in the coming months will spark household formation and drive additional traffic to leasing offices around the country. This year, the U.S. apartment vacancy rate will remain in the low-4 percent range as thousands of new units are delivered, primarily in a few large metros. Low vacancy and steady demand growth will also support a 4.5 percent bump in the average rent.
- Hiring in office-using fields last month further improves U.S. office sector prospects, where limited construction continues to divert new demand to existing properties. Projected net absorption of 87 million square feet will surpass completions in 2016 and cut U.S. office property vacancy 30 basis points to 14.8 percent, a post-recession low.