

Tight Labor Market Restrains Job Creation, Offers Mixed Outlook for Commercial Real Estate

Developing Trends

- Apartment absorption could get a boost** as the record number of adult children living at home may finally have the financial strength to move out. Many will likely rent, supporting steady apartment absorption. The catalyst for the releasing of these pent-up households is the increasing number of part-time workers making the jump to full-time employment as the underemployment rate declines.
- Job openings remain near all-time high.** Current open positions sit at 5.7 million, which points to a skills disconnect in the labor market. Labor shortages for skilled workers in construction, engineering and information technology are commonly cited and contribute to moderating employment growth.
- Demand for office space supported** by rising recent college graduate hiring. Tight labor conditions, with the college unemployment rate just 2.3 percent, spur employers to tap new graduates for office-using employment sectors, which will contribute to further office vacancy declines.

Unemployment reaches 16-year low. The labor market tightened in May, pushing the unemployment rate to 4.3 percent, the lowest level since 2001. Employers added 138,000 jobs as the labor market continued signaling economic expansion. May recorded the 80th month in a row of positive gains. The current state of the employment market points to an economy at or near full employment.

Tight labor market moderates job creation. Many employers are struggling to fill job openings, which has tempered top-line growth. However, rising numbers of workers moving from part-time to full-time work point to an expanding economy as the underemployment rate hit 8.4 percent, a 10-year low. Resulting income gains could spur higher consumption, further supporting economic momentum.



138,000 Job Gain
May 2017

4.3% Unemployment Rate
in May 2017

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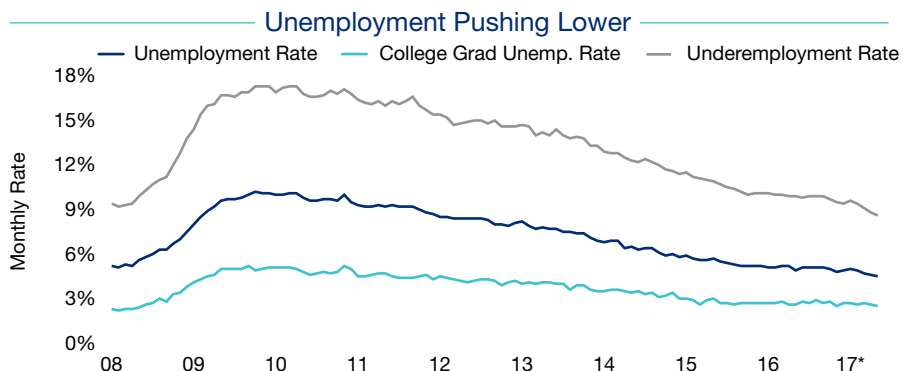
Housing

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* Through May

Sources: Marcus & Millichap Research Services; BLS