

### Job Creation Outpaces Expectations; Invigorates Commercial Real Estate Space Demand

#### Developing Trends

- **June employment exceeded expectations** with 222,000 positions created. The labor market remains on pace to add about 2 million jobs in 2017. Throughout the expansion employment growth has been the most consistent metric demonstrating continued economic growth.
- **Unemployment edged up slightly in June** to 4.4 percent as employers struggled to fill open positions. Nationally, job openings sit at an all-time high of 6 million. The most common challenge facing employers has been finding employees with the right skills to fill positions, and this labor shortage could moderate hiring this year.
- **Despite the tight labor market conditions**, wage growth remained modest in June at 2.5 percent. Combined with core inflation of 1.7 percent, there are no signs that the economy is overheating, causing the Federal Reserve to maintain a moderate monetary policy.

**Steady hiring begins to unlock pent-up households.** Accelerating job creation together with record-high employment openings have boosted confidence among younger workers, convincing many that now is the time to move out on their own. These newly formed households are facing a tight housing market as apartment vacancy is below 4 percent and single-family housing inventory to purchase sits near an all-time low. With hurdles to homeownership still high, many renters are choosing to stay in apartments longer, curtailing available units for newly formed households. These dynamics have pushed apartment absorption to 175,000 units in the second quarter, tightening the average apartment vacancy to 3.8 percent. Although apartment construction is expected to reach its highest level in 30 years, delivering 371,000 new units this year, demand has outstripped new supply.

**Office space demand outpaces rising construction.** Professional and business services plus financial services employment are expanding faster than the overall labor market, boosting office absorption over the last 12 months. Strengthened corporate and small-business sentiment has supported hiring, lifting the total number of job openings to an all-time high. The tight employment market has led companies to elevate their recruitment of recent college graduates for their office-using positions, growing space demand even further. Office development has accelerated through the growth cycle and will reach 81 million square feet this year, but deliveries remain significantly lower than the 117 million square feet averaged throughout the 2000s. Restrained construction and growing absorption will continue the six-year trend of vacancy declines and escalating rent.

222,000 New Jobs  
June 2017

4.4% Unemployment Rate  
June 2017

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Monthly Employment vs. Unemployment



\* Through June  
Sources: Marcus & Millichap Research Services; BLS