

Unemployment Falls to Record Low; Job Gains Sustain Apartment Demand

Improved employment growth supporting historically low joblessness. Employers added 236,000 positions in April, bringing the year's total job creation to 820,000, which is on par with previous years in this cycle. Expanded hiring activity compared with March drove the unemployment rate down to 3.6 percent, its lowest level in nearly 50 years.

More jobs for high school graduates lift demand for affordable rentals. The unemployment rate for individuals without a college education continues to fall, down 80 basis points year over year to 3.4 percent. More employment opportunities for this demographic will encourage household formation and improve demand for Class C apartments. Vacancy for this tier has been lower than for Class A and B measures for more than three years, translating to accelerated rent growth. The average effective rent for Class C apartments improved 5.2 percent year over year in March, compared with 4.2 percent a year ago. Monthly rates for Class A and B rentals rose by lesser degrees, up 4.4 and 4.6 percent, respectively.

Education and healthcare hiring underscore strength of medical offices. Year to date, the education and health services sector has added the most jobs across all major industries. Steadily rising medical school enrollments are helping to meet staffing needs even as the demand for medical services increases with the aging of the baby boomer generation. The unemployment rate among educators and medical professionals sits at 2.3 percent, but 1.3 million positions are still open. Strong hiring in these fields reflects the positive fundamentals of medical offices. Elevated healthcare demand paired with a contracting construction pipeline well below peak levels will tighten the national medical office vacancy rate to its lowest level in over 10 years. Availability is even more contracted in smaller metros. Though firms are hiring across the country, job creation is becoming more prevalent in secondary and tertiary metros as local populations both expand and age.

Developing Trends

Tight labor market benefits short-term unemployed the most. In April total unemployment declined by 387,000 individuals, 57 percent of whom had been without a job for less than five weeks. The number of people who have not sought work in more than six months did not substantially change, with the underemployment rate remaining unchanged at 7.3 percent. These measures highlight how individuals with larger gaps on their resumes are still finding it difficult to obtain employment despite historically low joblessness.

Labor shortage widens, sustaining elevated wage growth. As the unemployment pool shrinks, total job openings continue to rise, measuring 7.5 million in March. There are now 1.7 million more open positions than people seeking work. This persistent labor gap kept annual growth in average hourly earnings at 3.2 percent in April, contributing to a 3.2 percent gain in core retail sales over the same span.

205,000 Average Jobs Added per Month in 2019

3.6% Unemployment Rate in April 2019

2019 Job Creation Elevated Comparative Year-to-Date Hiring Through April

