

Tight Labor Market Constrains Job Creation

Hiring softens, unemployment rate unchanged in May. Employers added 75,000 jobs last month, maintaining a historically low unemployment rate of 3.6 percent. Downward revisions to March and April's figures offset June's gains, taking the average number of new hires to 164,000 per month in 2019. Last year, a monthly average of 223,000 jobs were created.

Apartment housing demand fueled by low unemployment.

The slowing pace of job growth has not hampered rental demand, with multiple attributes drawing people to apartment living. These range from greater mobility to on-site amenities, and rentals are often the most cost-effective housing option. As a result, the national vacancy rate fell to 4.8 percent in the first quarter, the lowest first-quarter reading since 2001, despite aggressive construction. Workforce properties in particular are outperforming their historical averages. Minimal availability among Class B and C apartments is generating above-trend rent growth of mid-4 to low-5 percent, well above the traditional 2-3 percent range observed in prior years.

Healthcare, hospitality job creation robust, spurring real estate demand.

While overall employment growth is flattening, certain industries are increasing their hiring efforts in 2019. The education and health services sector has added more jobs on average per month this year than in 2018. The aging population is increasing the need for healthcare, benefiting commercial real estate assets near medical hubs. Employment growth is also elevated in the leisure and hospitality sector, as visitation numbers rise in many metros, aiding hotels. The hospitality occupancy rate is at a record high, placing upward pressure on the average daily rate. Barring a substantive change in the macroeconomic environment, hotels should sustain momentum through the rest of this year as supply growth moderates.

Developing Trends

Softer job growth strengthens potential for interest rate cuts.

May's employment numbers support expectations for subdued job creation this year as slowing international economies and heightened trade tensions weigh on domestic growth. The Federal Reserve will take these and other factors into consideration when evaluating possible rate cuts.

Low unemployment empowering people to find better jobs.

The number of voluntary job leavers increased by 66,000 to 803,000 people in May, the highest level since February. People have confidence in the job market and are choosing to leave their current roles to find better positions. This trend should add upward pressure to wage growth and could contribute to higher labor productivity. More people who are working part time but want full-time positions are also finding opportunities, indicating more employers are willing to expand hiring criteria, relying on training to bridge skill gaps.

75,000 Jobs Added in May 2019

1.6% Year-over-Year Job Growth

Job Growth Trending Lower

