

## Strong Fourth Quarter Job Creation Bolsters 2020 Real Estate Outlook

**Job creation soars in November.** The U.S. economy added 266,000 positions in November, the largest monthly gain since January. The surge in hiring was lifted by the resolution of the General Motors-United Auto Workers Union strike, returning 41,000 auto workers to payrolls. However, even omitting these positions, an above-average 225,000 personnel were still added. The month's robust hiring lowered the unemployment rate 10 basis points to 3.5 percent, matching the historical low.

**Healthcare hiring driving demand for medical properties.** Employers have added approximately 2 million jobs this year, and while employment growth has eased compared with last year, hiring has been particularly robust in the health services sector. The need for healthcare professionals is driven by demographics. About 5 million people will turn 75 over the next five years, exacerbating the need for medical services and increasing demand for hospitals, urgent care centers, senior housing facilities, and medical office space. Markets popular with retirees or with well-established biomedical research hubs will likely see added tenant demand for buildings that support these services.

**Employment growth favoring smaller markets.** The pace of job creation will ease going forward as the labor market nears full capacity. Because there are more open positions than people available for hire, employers are implementing new recruiting strategies, including adding jobs in secondary and tertiary markets to tap underutilized labor pools. This trend has helped tighten office and apartment vacancies in these metros. With construction in smaller cities still limited, supply and demand trends will deliver elevated rent gains. Investors targeting secondary and tertiary markets will benefit from space demand created by this staffing shift.

## Developing Trends

**Market remains near full employment, but some hiring options remain.** Both the labor force participation rate and the employment/population ratio have changed little over the past year. Yet, the number of people marginally attached to the labor force has declined about 25 percent over the past year. These individuals, who wanted work but ceased looking, are now finding opportunities as tight labor conditions prompt employers to consider candidates with long job absences.

**Low unemployment brightens real estate outlook.** The 21-month stretch with unemployment at or under 4 percent has contributed to accelerated household formation and greater wage growth. The added housing demand has helped reduce the national average apartment vacancy rate to 3.7 percent as of September, a nearly 20-year low. More households and higher incomes have also boosted retail spending by 4.4 percent this year, underscoring the need for shopping centers.

180,000

Average Number of Jobs Added Per Month in 2019

1.5%

Y-O-Y Rate of Employment Growth

### Pace of Employment Growth Eases

