

## January Job Creation Highlights Recovery in Key Commercial Property Types

**Employers tackling labor shortage in new year.** The job market continued to recover in the opening month of 2022 as 467,000 jobs were created. While unemployment also rose, the labor force participation rate improved by 30 basis points to 62.2 percent, a post-recession high, as wage increases lured job seekers. Another factor indicative of the tight labor market is the declining number of people who want a full-time job but can only find part-time work. The count has fallen under the February 2020 level as employers expand hiring criteria and promote from within.

**Recent hiring bolsters long-term outlook for office properties.** January's employment gains included 86,000 new professional and business services-related positions, surpassing the February 2020 total by 511,000 personnel. This expansion bodes well for office buildings long term, even though it is unclear how many employees are currently commuting to workplaces. More employees did telework last month due to the spread of the omicron variant of COVID-19, but despite this, the office sector began the year on positive footing. After recording substantial attrition, more than 60 million square feet of space has been absorbed on a net basis since March 2021, preventing the national vacancy rate from surpassing 16 percent at year-end. As more companies solidify return-to-office plans in the months ahead, demand for space should improve.

**Retailers and hotels gain ground as new year begins.** Lodging establishments, bars, restaurants and other stores continued to grow staff last month, adding a combined 212,000 jobs across the leisure, hospitality and retail trade sectors. The hiring underscores the ongoing demand for these services that is also reflected in improving property performance. An additional 72 million square feet of retail space was occupied in 2021, the strongest year for net absorption since 2017, lowering the national vacancy rate to 5.2 percent. Hotels also reported record holiday weekend bookings in late 2021. While occupancy has drifted lower in January, there is strong potential in travel demand for events and leisure coming this year.

## Noteworthy Trends:

**Continued employment growth validates Fed actions.** While the unemployment rate ticked up a mild 10 basis points to 4 percent in January, last month's overall positive employment report only adds further weight behind the Federal Reserve's tightening monetary policy. The labor shortage, paired with historic inflation, reinforces the already high likelihood that the central bank will raise short-term lending rates by at least 25 basis points in March, when quantitative easing is also set to end. The Fed may also begin quantitative tightening at that point, reducing its balance sheet.

**Omicron's impact goes beyond job gains.** The creation of nearly 1 million new jobs over the past two months indicates that employers were broadly able to navigate the challenges posed by omicron and grow staffs in the winter months. That does not mean the recent infection wave did not disrupt businesses. Many companies likely faced brief spans of elevated sick leave, affecting overall output and productivity. These impediments are temporary, and should abate as the prevalence of omicron infections subside.

1.9% Shortfall from February 2020 Employment Level

19.1 Million Jobs Created Since April 2020

### Certain Sectors Already Surpassing Pre-Pandemic Levels

