RESEARCH BRIEF

Marcus & Millichap

EMPLOYMENT **OCTOBER 2023**

Even Amid Strong Job Growth, Labor Disputes Could Impact Economy, CRE

Staffing additions hit eight-month high, holding unemployment flat. Employers across the country created 336,000 new jobs in September, above the year-to-date monthly average of 260,000, and the strongest month for hiring since January. Employment growth occurred across a broad range of industries, led by the onboarding of 96,000 personnel in the leisure and hospitality sector, as well as 73,000 in government roles, including public education. Hiring was also prevalent in professional and business services, as well as in health care. Strong job creation held the national unemployment rate flat at 3.8 percent, sustaining a tight sub-4 percent for the 20th consecutive month.

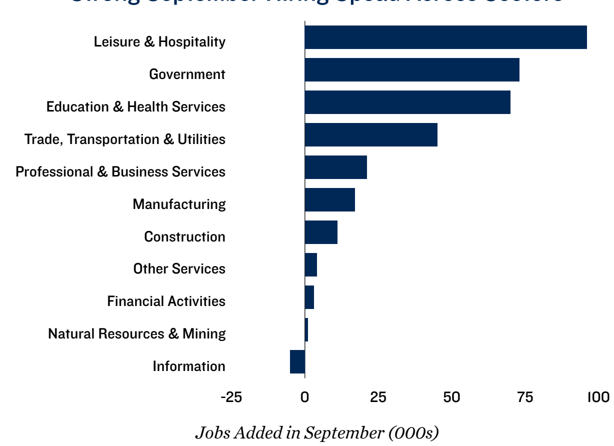
Solid employment growth belies year of labor disagreements. While overall job growth has been favorable so far this year, 2023 has also witnessed profound labor disruption. Higher living costs, challenging working conditions, and new technologies are leading to major disagreements between employers and unions, many of which have resulted in strikes. Organizations representing West Coast longshoremen, Hollywood writers and actors, and automotive manufacturers have all enacted some form of work stoppage this year. The Culinary Workers Union in Las Vegas may take a similar action in the coming days, while walkouts occurred earlier this week at multiple Kaiser Permanente medical facilities. Federal employees could also go without pay, if a new budget is not approved by November 17. Regardless if these collective bargaining efforts have merit or not, they do have the potential to weigh on the economy at both a local and national level.

Disputes could interrupt consumer and corporate spending. While some unions have strike funds to help members meet certain necessary expenses, in general, work stoppages cloud immediate financial outlooks. This has reduced discretionary household budgets and may ultimately taper consumer spending, which has continued to grow so far this year. To resolve these conflicts, employers are likely to have to make some concessions, which will raise their labor costs. This comes at a time when many corporations face the prospect of refinancing maturing debt at notably higher interest rates. Meeting these obligations could pull funds away from new hiring initiatives or other growth endeavors. Either, or both, of these factors could temper the economic growth outlook in the near future.

Strikes pose implications for local commercial properties. Multifamily and retail buildings in Los Angeles, Atlanta, New York and Detroit, among other metros, could be impacted by the various labor disruptions. Los Angeles has recorded net apartment relinquishments for the past six quarters, although local vacancy is still below the U.S. level. Rental absorption is decidedly positive in New York and Atlanta, although elevated development is propping up vacancy in the latter market. Detroit's multifamily vacancy is on par with the national metric, although retail properties in the metro are recording an asking rent reset. Minimal development is keeping local retail vacancy stable.

Immigration policy change could aid labor shortage. One of the factors leading to labor disagreements this year has been overwork. Staffing in accommodation continues to lag the pre-pandemic count, while payrolls in food services have just returned to that threshold. These shortages exist even as consumer activity at hotels, bars and restaurants has revived. While inflation has limited how many people some businesses can hire, other firms want to bring on more staff, but are having trouble finding candidates. The Biden administration plans to grant Temporary Protected Status to an estimated 472,000 Venezuelan immigrants already living in the U.S., aiding the work authorization process. This potentially unlocks additional labor supply that could help these businesses improve operations.

Strong September Hiring Spead Across Sectors



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Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Moody's Analytics; RealPage, Inc.