

UAW Strike Restrains October Job Creation, Industrial Sector Feels the Impact

Unemployment inches up in October amid modest job creation. The tight labor market loosened slightly in October as 150,000 positions were created, the second-slowest month for hiring since the end of 2020. Additions were greatest in the health care and public sectors, with the onboarding of 58,000 and 51,000 personnel on net, respectively. Government job creation was largely in local education roles. Owing to limited gains, the unemployment rate ticked up last month, reaching 3.9 percent, the highest level since January 2022. A net loss in manufacturing positions contributed to this rise as the sector's total employment fell by 35,000 roles on net in October.

Auto worker strike nearing a resolution. Decreasing manufacturing employment stemmed from labor disputes in the automotive sector. The ongoing strike carried out by the United Auto Workers' (UAW) union led to losses in jobs related to motor vehicle and parts manufacturing. By the end of October, however, the roughly 40,000 workers on strike had reached a tentative labor agreement with all three major domestic automakers involved. If the dispute is resolved with these agreements, stability will likely return. In the interim, industrial properties felt the impact of uncertainty caused by the strike as a pullback in leasing occurred. Vacancy in the manufacturing sector rose 30 basis points on a quarterly basis to 3.3 percent in the third quarter. The potential resolution will reduce ambiguity around tenants' space needs, allowing demand for manufacturing-related industrial space to rebound.

Warehousing employment sheds light on industrial performance. Outside of manufacturing, the warehousing and storage sector noted one of the greatest job losses in October, falling 11,400 positions. As supply chain-related challenges eased over the course of 2023, companies have begun to pull back on excess safety stock, reducing the need for warehouse space. This was reflected in the amount of space absorbed on net in the U.S. during the third quarter. The metric decelerated by 9.4 million square feet from the prior three months, despite similar delivery slates placing upward pressure on vacancy. Even so, the rate is holding at 4.8 percent, still below the pre-pandemic norm, sustaining strong rent growth momentum and underpinning the resilience of the sector. A resolution of the UAW strike will also eliminate a headwind as auto suppliers get clarity on the future of auto part assembly demand.

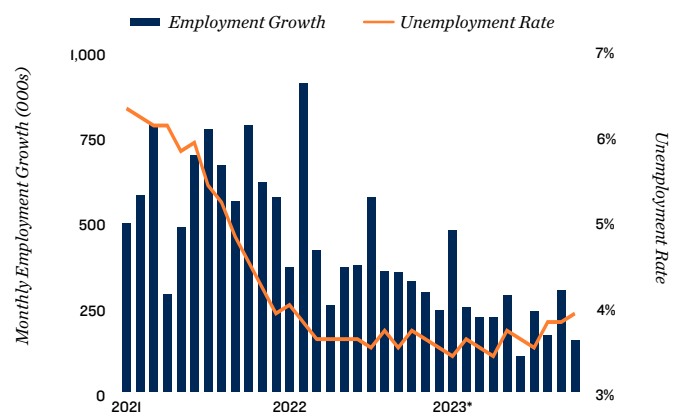
Medical office space demand reflected in health care hiring. The creation of new jobs in medicine is a positive signal for the sector's persistent labor shortage. Over the last 12 months, health care employment has risen by 3.9 percent, as medical practices expand. In September, medical office vacancy hovered at 9.5 percent, within 90 basis points of the 2019 rate, despite more than 37.7 million square feet of space coming online since. The health care subsector also had the highest number of job openings in September among all categories. As more medical practitioners seek to grow and take on additional staff, space fundamentals will benefit, provided hiring can continue at an elevated rate.

Financial markets welcome slower job growth. The softening labor market will impact the Federal Reserve's approach to monetary policy for the remainder of 2023. At the Federal Open Market Committee's November meeting, the body once again paused interest rate hikes, keeping the federal funds rate at a lower bound of 5.25 percent. Chairman Powell indicated that a looser labor market would reduce the need for an additional rate hike at the December meeting, without committing to a course of action. While higher borrowing costs have hindered CRE transaction velocity, a rate hold could give buyer/seller expectations time to realign.

150,000 Jobs Added in October 2023

258,000 Average Monthly Job Gain Over the Prior 12 Months

Unemployment Inches Up as Job Creation Slows



* Through October

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



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