RESEARCH BRIEF

Marcus & Millichap

EMPLOYMENT

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Stronger Hiring Supports Property Performance, Complicates Investment

Multiple growth signals noted at 2024's conclusion. Overall employment increased by 256,000 jobs in December — the strongest month for hiring since March — bringing the total for 2024 to 2.2 million new positions. Though this is down from the prior year's 3 million-role tally, with the average number of jobs created per month declining across most sectors, employment growth has actually picked up in recent months compared with earlier this year. On a trailing 90-day basis, the mean monthly pace of hiring hit a post-pandemic low of 113,000 in August 2024 before climbing back to 170,000 by December. Every major employment sector except trade, transportation and utilities noted the same general pattern. This suggests that while labor growth has eased since the recovery after 2020, jobs are still being added at a pace in line with much of the 2011–2019 span.

Steady health care hiring underpins commercial space needs. Hiring across all of 2024 was most prevalent in the education and health services sector at 971,000 new jobs. The health care industry, in particular, noted average monthly employment growth consistent with 2023, reflecting the ongoing need for medical personnel. More people working in these fields, including in high-wage positions, serves as a tailwind for future multifamily and retail performance, while also reflecting current demand for medical office and medical retail spaces. The sharpest contraction in headcounts last year came from manufacturing — a potential headwind for related industrial properties. While positive, overall net absorption for the property type slowed nationally to a 13-year low last year. New supply pressure is easing, however, with the 2025 development pipeline being the smallest in a decade.

Satellite markets stand out with recent job growth. Expanding Sun Belt markets, such as Austin, Raleigh and Phoenix, have some of the leaders in total job growth since 2019; yet, when looking at hiring within the last six months, the picture is more varied. The employment bases of San Antonio, Pittsburgh and Richmond all grew by more than 1 percent between June and November of last year, more than most markets. As satellites for other nearby major areas, these metros may indicate the benefits of lower business operating and living costs. Notably, these markets reported falling vacancy among both office and multifamily properties in 2024. Such improvement is not exclusive to these metros, however. Though not all markets saw drops in both types, vacancy eased in about half of major metros last year.

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Developing Trends

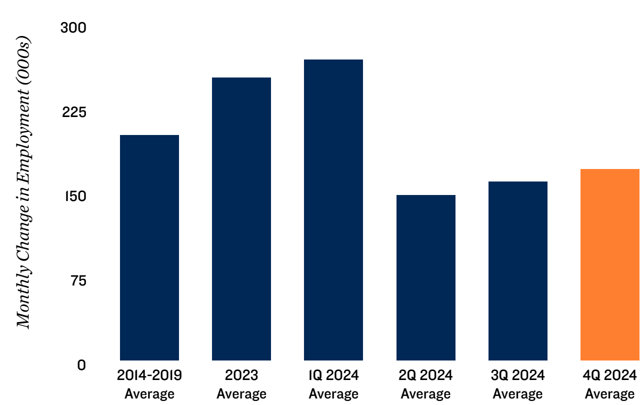
Labor demographics aided by productivity gains. While labor participation among those between the ages of 25 and 54 is above the pre-pandemic rate, older residents are not as active in the labor force. Growing the labor force while also backfilling for retiring professionals will therefore depend on the younger generations. As of December, there were roughly 4 million more people between the ages of 10 and 29 than 40–59, with the 30-to-39 segment being the most populous cohort. Another aiding factor is labor productivity, which has been increasing at an above-average pace since mid-2023.

Recent hiring weighs on interest rate outlook. Improved job growth in December, combined with a 10-basis-point dip in unemployment to 4.1 percent and core PCE inflation holding stubbornly in the high-2 percent band in November, all support a lower probability of a Federal Reserve rate cut within the next several months. The prospect of the overnight lending rate remaining unchanged for the near future could add upward pressure to Treasuries. The yield on the 10-year note in early January was higher than at any point in 2024, reaching above 4.7 percent. If sustained, this will impact long-term commercial real estate mortgages, which may hinder investment sales.

2.2 *Million Jobs Created in 2024*

2.4 *Million Jobs Created on Average per Year from 2014–2019*

Recent Hiring Picks Up Closer to Typical Levels



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