

BLS Employment Report February 2016

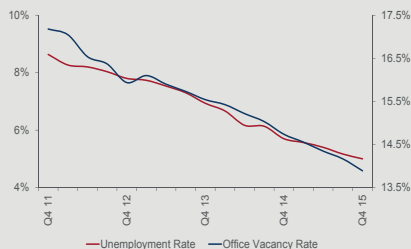
- ↑ **242,000** Change in Total Nonfarm Employment

- ↑ **41,000** Office-using

- ↓ **-16,000** Manufacturing

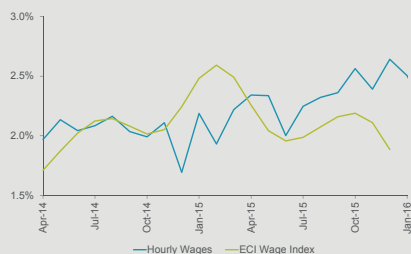
- ↑ **54,900** Retail

Unemployment vs. Office Vacancy



Source: Bureau of Labor Statistics; Cushman & Wakefield Research

Wage Growth Yr/Yr % Change



Source: Bureau of Labor Statistics

Contacts

Rebecca Rockey
Head of Forecasting,
Americas

U.S. Fundamentals Remain Solid

Despite ongoing global economic uncertainty, U.S. businesses continued to hire at a solid pace in February, adding 242,000 net new jobs, further confirming that the fundamentals that drive demand for commercial real estate space remain sound. The stronger-than-expected jobs report also continues the string of improving economic data which is finally calming the nerves of very anxious equity markets. For the first time in 2016, we have now observed three straight weeks in which the S&P 500 closed higher than the week before. As of Thursday's close (March 3rd), U.S. equities were only down 2.5% from the year-end 2015 level—a substantial improvement since mid-February when stock prices were down 10.5%—greatly reducing the downside risk that the sell-off in the financial markets will markedly impact the broader economy.

The February report reversed a disappointing January estimate (a revised 172,000 jobs) which reflected several months of softness in various goods-producing industries. For example, the ISM Manufacturing Index has been below 50—a reading which indicates a contracting business environment—for five straight months. Importantly, with the February data, government employment increased, entirely due to local government hiring—a fairly new driver in the expansion. Offsetting that were losses in mining (-18,000), manufacturing (-16,000), and transportation and warehousing (-5,300). Although net new jobs totaled 242,000 in February, the construction, retail, office-using, accommodation and food services, education and health services, other services, and government sectors generated a combined 278,000 new jobs.

The February unemployment rate remained at 4.9% for the second month in a row, and the underemployment rate dropped to 9.7% from 9.9% last month. This indicates that the labor market is continuing to tighten, and that tension is translating into benefits for workers in the form of faster wage growth. Although wages did tick down in February from the prior month (one of the few negatives in the report), average hourly earnings growth has picked up substantially over the past several months. In February, 10 of the 15 major industry groupings recorded a 2% (or better) year-over-year growth rate in average hourly earnings for 12 consecutive months. Wage growth should continue to increase, leading to healthy growth in income and consumer spending, which will ultimately feed business growth and the real estate markets.

Other positive labor market indicators included a record level of job openings (5.6 million as of December), a quit rate (the percentage of the workers in the labor force that quit their job) at its highest point this cycle (2.1%), a labor force participation rate that increased for the fifth month in a row, and widespread hiring across all sizes of firms. This bevy of metrics suggests that future labor demand and therefore future space demand will remain healthy. There were more than 500,000 retail jobs, 700,000 industrial jobs, and one million office jobs waiting to be filled at year-end 2015.

Although the February employment report was better than expected, the combination of soft industrial production and trade data, along with the potential for more global headwinds, will likely lead the Fed to delay further rate increases until later this year as it seeks a better sense of the overall state of the U.S. and global economies. But the February employment report should quiet the talks of a recession occurring in the U.S. anytime soon. No single factor is more important for commercial real estate than job creation, and from that perspective, the fundamentals remain as solid as any time since the expansion began seven years ago.

Employment Situation by Metro:

	Total Nonfarm*		Office-Using*		Industrial Sector*		Unemployment Rate
	(000s)	% Chg	(000s)	% Chg	(000s)	% Chg	December 2015
Atlanta, GA	83.9	3.3%	27.8	3.9%	11.8	2.6%	5.3%
Austin, TX	34.8	3.8%	15.2	6.7%	1.4	1.2%	3.4%
Baltimore, MD	31.0	2.3%	7.4	2.4%	4.0	2.7%	5.3%
Boston, MA	39.2	2.2%	18.5	3.5%	1.4	0.8%	4.2%
Charlotte, NC	36.1	3.3%	9.8	3.5%	5.0	2.5%	5.3%
Chicago, IL	37.8	1.1%	14.0	1.4%	-6.7	-1.0%	5.8%
Cincinnati, OH	20.2	1.9%	8.6	3.4%	8.6	4.1%	4.2%
Columbus, OH	22.7	2.2%	1.8	0.7%	4.2	2.6%	4.0%
Dallas, TX	88.8	3.8%	29.9	4.2%	7.2	1.8%	4.1%
Dayton, OH	6.1	1.6%	1.1	1.5%	2.6	4.0%	4.6%
Denver, CO	28.2	2.1%	1.6	0.4%	-0.8	-0.4%	3.3%
Detroit, MI	37.4	2.0%	16.6	3.3%	7.5	1.9%	6.2%
Fort Lauderdale, FL	25.9	3.3%	13.1	6.2%	-1.3	-1.3%	4.6%
Houston, TX	27.4	0.9%	-1.6	-0.2%	-23.1	-4.1%	5.0%
Indianapolis, IN	28.2	2.8%	0.8	0.4%	9.2	4.6%	4.0%
Kansas City, MO	11.1	1.1%	2.8	1.0%	0.0	0.0%	4.1%
Las Vegas, NV	23.8	2.7%	2.3	1.3%	1.4	1.7%	6.5%
Los Angeles, CA	83.7	2.0%	12.2	1.2%	1.9	0.2%	5.9%
Louisville, KY	15.1	2.4%	5.8	4.2%	2.1	1.4%	4.5%
Miami, FL	15.9	1.4%	4.4	1.7%	3.7	2.1%	6.1%
Milwaukee, WI	7.7	0.9%	6.2	3.3%	-2.9	-1.5%	4.7%
Minneapolis, MN	33.5	1.8%	15.8	3.2%	1.7	0.5%	3.2%
Nashville, TN	27.7	3.1%	7.9	3.7%	3.0	1.9%	4.5%
New York, NY	125.0	1.9%	27.6	1.5%	5.3	0.7%	5.0%
Newark, NJ	13.8	1.2%	-2.0	-0.6%	2.9	1.5%	5.1%
Oakland, CA	20.2	1.9%	4.1	1.6%	1.2	0.7%	4.6%
Philadelphia, PA	33.4	1.2%	3.4	0.5%	2.0	0.5%	4.9%
Phoenix, AZ	53.2	2.8%	20.1	3.9%	4.8	1.8%	5.0%
Pittsburgh, PA	13.5	1.2%	1.1	0.4%	-0.8	-0.4%	4.9%
Portland, OR	38.9	3.6%	12.9	5.0%	4.2	2.0%	5.0%
Raleigh, NC	9.6	1.7%	4.8	3.0%	-0.4	-0.7%	4.9%
Sacramento, CA	22.4	2.5%	1.6	0.9%	0.4	0.5%	5.5%
San Diego, CA	38.3	2.8%	12.0	3.7%	3.7	2.2%	4.9%
San Francisco, CA	42.1	4.1%	22.9	6.0%	2.0	2.0%	3.3%
San Jose, CA	50.6	4.9%	26.6	8.4%	5.6	2.6%	4.0%
Seattle, WA	56.1	3.0%	17.8	3.9%	5.5	1.6%	4.8%
St. Louis, MO	12.7	1.0%	-3.2	-1.0%	4.8	2.2%	4.7%
Tampa, FL	37.1	3.0%	9.9	3.0%	3.4	2.4%	4.7%
Washington DC Metro	48.5	1.9%	27.3	3.6%	1.5	1.1%	4.2%
West Palm Beach, FL	13.0	2.3%	5.6	3.6%	0.9	1.8%	4.9%

*Employment change, Oct-Dec 2015 over Oct-Dec 2014

Source: Bureau of Labor Statistics

CUSHMAN & WAKEFIELD RESEARCH

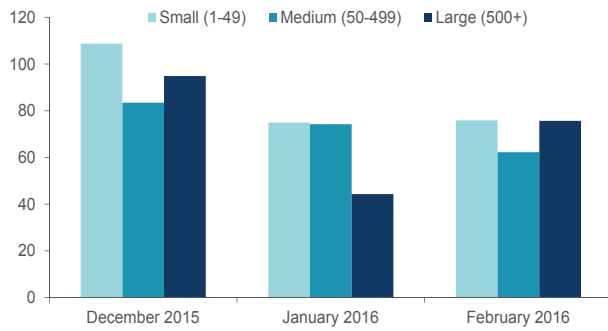
U.S. Employment Tracker



Employment Indicators

By Company Size

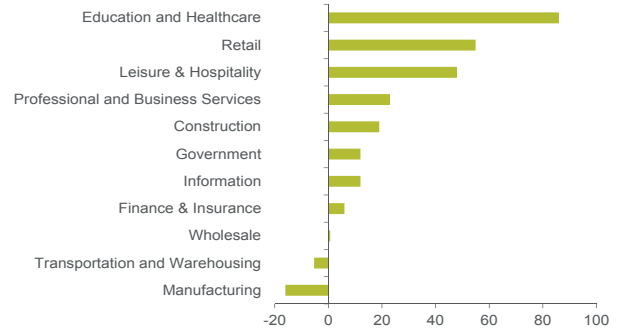
Monthly U.S. Nonfarm Private Sector Job Growth, 000's



Source: ADP National Employment Report

Job Gains by Sector

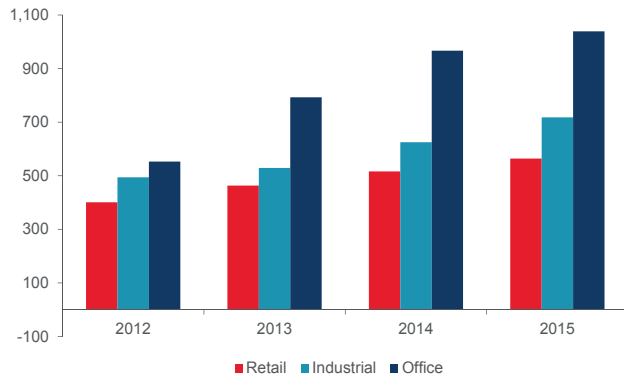
February 2015 through February 2016, 000's



Source: Bureau of Labor Statistics

Job Openings

December, 000's



Source: Bureau of Labor Statistics

Job Openings

Total Nonfarm (SA, millions)



Source: Bureau of Labor Statistics

Jobless Claims

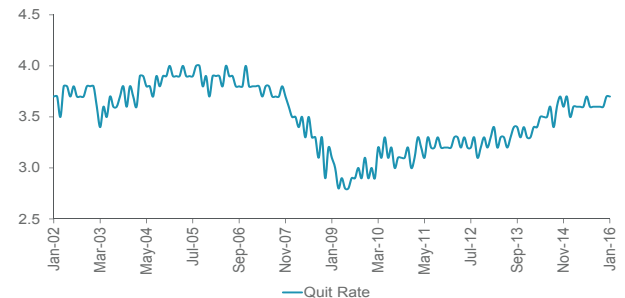
4-week Moving Average, 000's



Source: Employment and Training Administration

Quit Rate

Total Nonfarm (SA, %)



Source: Bureau of Labor Statistics