MAY EMPLOYMENT REPORT:

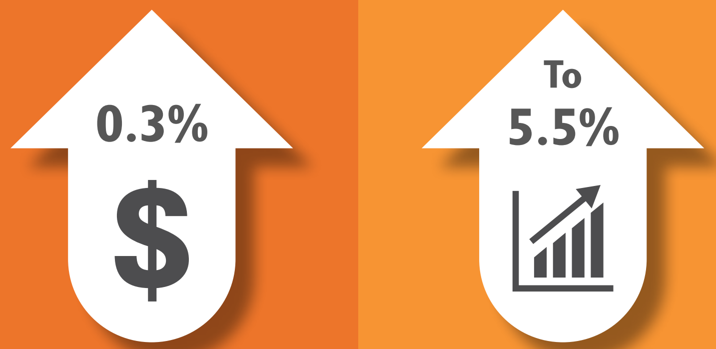
ABOVE THE TREND

RESEARCH REPORT - WEEKLY ECONOMIC UPDATE

A Cushman & Wakefield Research Publication

JUNE 8, 2015

- The U.S. economy added 280,000 jobs in May, 2015, well above the consensus expectation for an increase of 225,000 jobs. In addition, employment in both March and April was revised upward substantially.
- The unemployment rate rose slightly to 5.5% as the number of unemployed increased, suggesting that discouraged workers may be coming back into the labor force.
- Average hourly earnings increased by 0.3%, the third time this year that earnings growth has been 0.3% or more.
- The probability of the Federal Reserve moving to a tightening of monetary policy and raising interest rates this year is now higher. A September increase is back on the table.
- This report is positive for the commercial real estate industry. Job growth is still well above trend, boosting demand for office space, raising household incomes and stimulating strong economic growth.



AVERAGE HOURLY EARNINGS | UNEMPLOYMENT

Job growth surprised on the upside for the second consecutive month, indicating that the economy remains on track for solid expansion in 2015. Job growth was widespread, with the sectors that have been driving growth throughout the current expansion continuing to add jobs: education and health (+74,000 jobs), professional and business services (+63,000) and leisure and hospitality (+57,000). The construction sector is also strong, adding 17,000 jobs in May, reflecting the steady growth in new construction for both the residential and commercial sectors. Construction employment today is at its highest level since February 2009. The level of employment in both March and April was also revised upward by a total of 32,000 jobs.

CUSHMAN & WAKEFIELD®

Cushman & Wakefield, Inc.
1290 Avenue of the Americas
New York, NY 10104
www.cushmanwakefield.com

FOR MORE INFORMATION, CONTACT:
Ken McCarthy
Senior Managing Director, Regional Research Director – Tri-State New York, Economic Analysis and Forecasting
(212) 698 2502
ken.mccarthy@cushwake.com

MAY EMPLOYMENT REPORT:
ABOVE THE TREND

RESEARCH REPORT
WEEKLY ECONOMIC UPDATE

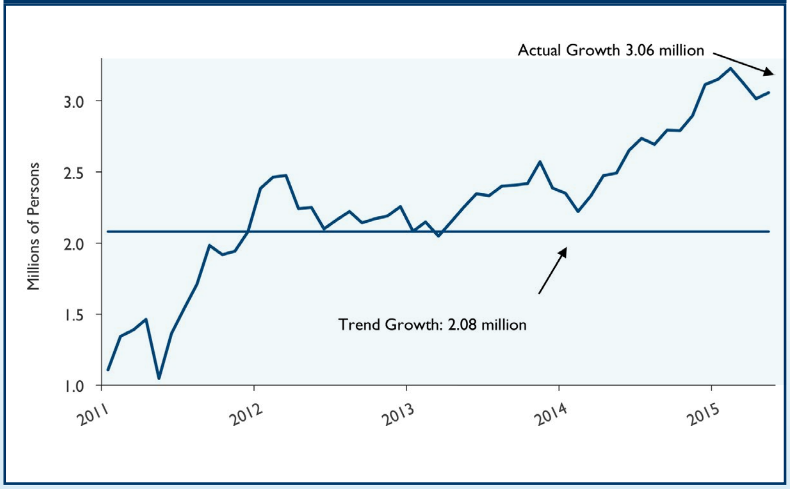
JUNE 8, 2015

With the end of winter, U.S. employment is once again rising rapidly. After increasing by an average of 260,000 jobs in 2014, total employment growth slowed to 195,000 per month in the first quarter of 2015 as bad weather once again hindered activity, but April and May rebounded with job growth averaging 251,000 per month. Compared to a year ago, payroll employment has increased by 3.06 million jobs.

In a typical period of economic expansion, the U.S. economy adds roughly 2.1 million jobs per year. In the current expansion that was the case from 2012 through 2013, but starting in 2014, employment growth accelerated as business confidence rose and companies began to hire more aggressively. In 2014 the economy added more than 3.1 million jobs, the most since 1999. In early 2015 the annual growth rate dipped down slightly, but it re-accelerated in May. This strong, above-trend growth will boost incomes at a healthy pace and help stimulate consumer spending in the second half of 2015.

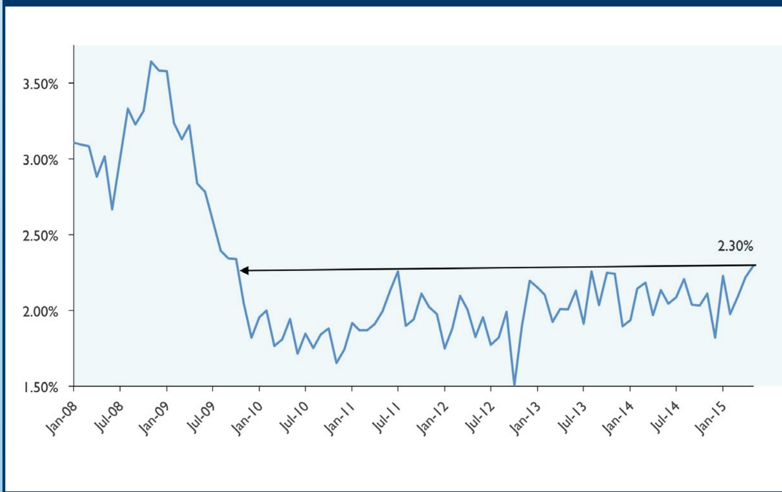
While higher employment will raise income, the biggest driver of consumer spending growth this year is expected to be higher wages. There was some good news on the wage front in this report. Average hourly earnings increased 0.3% during the month and stood 2.3% above the level of a year ago. The last time earnings growth was this strong was in late 2009. While this is the largest earnings increase in a little over five years, it is still modest. Ideally, we would like to see earnings increase by 3.0% or more per year. In an environment of zero inflation, a 3.0% increase in earnings would support solid spending growth.

PAYROLL EMPLOYMENT GROWTH FROM A YEAR AGO



Source: U.S. Bureau of Labor Statistics

EARNINGS GROWTH IS PICKING UP



Source: U.S. Bureau of Labor Statistics

CUSHMAN & WAKEFIELD®
Cushman & Wakefield, Inc.
1290 Avenue of the Americas
New York, NY 10104
www.cushmanwakefield.com

FOR MORE INFORMATION, CONTACT:
Ken McCarthy
Senior Managing Director, Regional Research Director – Tri-State New York, Economic Analysis and Forecasting
(212) 698 2502
ken.mccarthy@cushwake.com

MAY EMPLOYMENT REPORT:

ABOVE THE TREND

RESEARCH REPORT
WEEKLY ECONOMIC UPDATE

JUNE 8, 2015

This report suggests that wage growth is moving up. May was the third month this year in which earnings growth was 0.3% or higher. Since December, average hourly earnings have increased at a 3.3% annual rate. Labor market indicators suggest that there is upward pressure on wages: layoffs are at the lowest level in more than 15 years; job openings are at the highest level since the early 2000s; and 27% of small businesses report having at least one job that is hard to fill. This is an environment in which the pressure on wages will be upward.

This report puts the spotlight squarely on the Federal Reserve. Since the Fed ended its quantitative easing program last fall, the big unknown about monetary policy has been when the central bank would shift to tightening policy and raise the Federal funds rate. At the beginning of the year, the general expectation was that the Fed would make the first move in June, but the soft economic data in the first quarter has caused the Fed to hold off. Now that the economy appears to be reviving and is continuing to add jobs at a rapid pace, the Fed is more likely to raise interest rates in the next few months. This will mark the first time the Fed has raised rates since 2006.

For the commercial real estate sector this report is unambiguously positive. More jobs and higher earnings will lead to higher income and faster spending growth. Demand for office, retail, industrial, hotel, and multi-family real estate will all be enhanced in a strong growth environment with more jobs and faster income and spending growth. We are now in the best commercial real estate market since the end of the recession.

> While higher employment will raise income, the biggest driver of consumer spending growth this year is expected to be higher wages.

CUSHMAN & WAKEFIELD®

Cushman & Wakefield, Inc.
1290 Avenue of the Americas
New York, NY 10104
www.cushmanwakefield.com

FOR MORE INFORMATION, CONTACT:
Ken McCarthy
Senior Managing Director, Regional Research Director – Tri-State New York, Economic Analysis and Forecasting
(212) 698 2502
ken.mccarthy@cushwake.com