

U.S. ECONOMIC UPDATE: APRIL BOUNCES BACK

RESEARCH REPORT - WEEKLY ECONOMIC UPDATE

A Cushman & Wakefield Research Publication

MAY 11, 2015

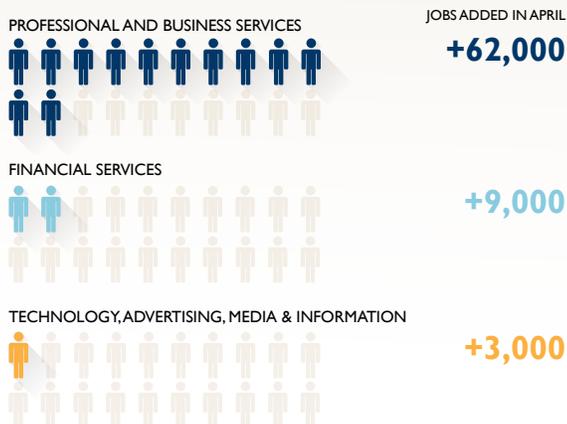
- Early data suggest that the economy bounced back in April from weather-induced weakness in February and March, pointing to a stronger second quarter.
- The economy added 223,000 jobs in April, compared to only 85,000 in March and above the average of 191,000 in the first quarter.
- The unemployment rate continued to decline, falling to 5.4%, the lowest level since May 2008, due to both an increase in jobs and a decline in the number of unemployed.
- Employment in office-using industries continued to climb, reaching an all-time high in April, pointing to continuing strong demand for office space.
- One disappointing aspect of this report is the continuing slow growth in wages. Average hourly earnings rose only 0.1% in April, and the increase in March was revised downward. We believe tightening conditions in labor markets are creating conditions that will lead to faster wage growth, but the economy is not quite there yet.



After the second harsh winter in a row, the U.S. economy is now in the midst of a second consecutive spring rebound. April was a much stronger month than February or March. The latest evidence was a rebound in job growth. In April, the U.S. economy added 223,000 jobs to payrolls, a substantial pick-up from the downward-revised 85,000 jobs added in March.

Employment in the three office-using sectors - financial services, information and professional and business services - increased by 74,000, the largest increase this year. Most of this increase was in professional and business services (+62,000 jobs), but there was also a healthy increase in employment in financial services (+9,000). In fact, one of the more important developments for office markets across the U.S. has been the revival of the financial services sector. In the last 12 months, financial services employment has increased by 151,000 jobs, the fastest growth for this sector since 2006. The financial sector was hard hit in the recession and has recovered slowly as businesses deal with a more stringent regulatory environment.

EMPLOYMENT IN THE THREE OFFICE-USING SECTORS



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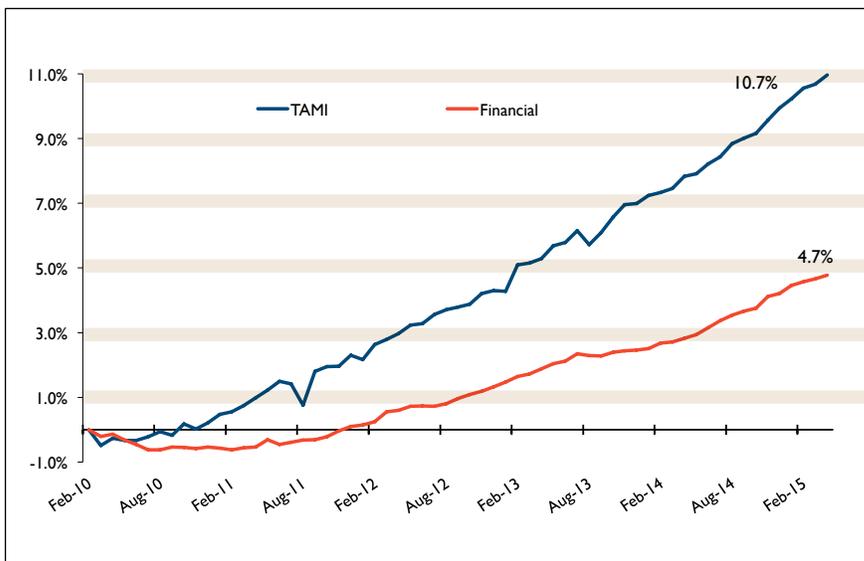
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Technology and creative industries have been another important real estate-related employment driver. In April, employment in the technology, advertising, media and information (TAMI) sectors was 163,000 above its year ago level. Since the jobs recovery began in the U.S., these TAMI sectors have added more than 590,000 jobs, compared with approximately 370,000 jobs in the financial services sector. Total employment in the TAMI sectors is about 5.7 million jobs, far less than the 8.9 million financial services jobs in the U.S.

Construction was another important growth sector, which increased by 45,000 jobs in April, following a weather-affected 9,000 job decline in March. Over the past 12 months, the economy has added 280,000 construction jobs, reflecting increasing activity in both the residential and commercial sectors. Given this surge, we would expect to see housing activity rebound in March as well.

TAMI OUTPACES FINANCIAL JOB GROWTH SINCE FEBRUARY 2010



ECONOMY BOUNCES BACK IN APRIL



- 1 223,000 jobs added
- 2 Unemployment rate declined
- 3 Employment in office-using industries continued to climb

Rising employment and income will boost demand for office, retail and industrial space, as companies require more space for their employees and those employees' income increases.



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The continuing sluggishness in wage growth was a disappointment. Average hourly earnings increased only 0.1% in April, down from a downward revised 0.2% gain in March. Over the past 12 months, earnings have only increased 2.3%. The good news is that inflation is currently nonexistent. The consumer price index was unchanged in the last 12 months, so all of the wage growth is a real increase in purchasing power. However, the pace of wage growth is still low compared with previous recoveries. The decline in the unemployment rate suggests that it should be getting harder to find workers, which will eventually lead to faster wage growth, but substantial growth in wages has yet to materialize.

This report was being watched carefully because of concerns about whether the slowdown in the economy during the first quarter was weather-related or an indication of a weakening economy. It now appears that weather was the main culprit, although we will need more evidence in other economic indicators before drawing a firm conclusion. We expect that there will be a substantial bounce back in economic activity now that spring is here, leading to faster growth in consumer spending, employment and business investment. As this occurs, it should lead to continuing improvement in commercial real estate market conditions across the U.S.

Rising employment and income will boost demand for office, retail and industrial space, as companies require more space for their employees and those employees' income increases. Overall, a stronger economy in the second quarter should keep the commercial real estate sector on pace for a solid year of growth.

After the second harsh winter in a row, the U.S. economy is now in the midst of a second consecutive spring rebound. April was a much stronger month than February or March. The latest evidence was a rebound in job growth. In April, the U.S. economy added 223,000 jobs.



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