DISAPPOINTING JOBS REPORT DOESN'T DAMPEN OUTLOOK

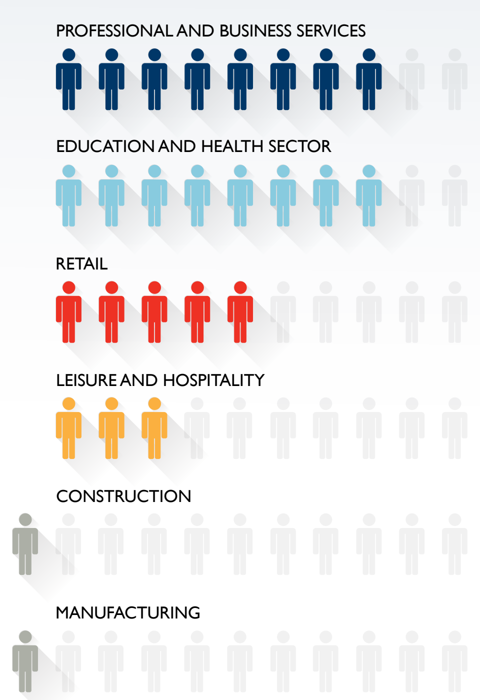
RESEARCH REPORT - WEEKLY ECONOMIC UPDATE

A Cushman & Wakefield Research Publication

APRIL 9, 2015

- Although job growth abruptly slowed in March, we are not concerned about a slowdown in the pace of U.S. economic growth.
- Once again, a severe winter appears to have distorted the first quarter economic statistics, but we expect a rebound in the second quarter as the weather improves.
- Employment in office-using industries remained healthy in March, rising by 50,000 jobs. Over the last year, the economy has added more than 870,000 office-using jobs.
- Average hourly earnings increased at a slightly faster pace in March (+0.3%), but it's too soon to conclude that wage growth is accelerating.

JOBS ADDED TO U.S. ECONOMY IN MARCH



The U.S. economy added 126,000 jobs to payrolls in March, the slowest monthly increase since December 2013. March was the first month since February 2014 that employment growth dropped below 200,000 jobs. This lackluster performance came on top of less growth than initially reported in both January and February. Employment in those two months was revised down by a total of approximately 70,000 jobs. This means that job growth in the first quarter averaged 197,000 per month, down from 324,000 in the fourth quarter.

Despite the slowdown, employment increased in most sectors of the economy, with strong gains reported in professional and business services (+40,000 jobs), the education and health sector (+38,000) and retail (+26,000). But several sectors which had been rising at a healthy pace slowed, particularly construction (-1,000), manufacturing (-1,000) and leisure and hospitality (+13,000). Over the previous 12 months, employment in the leisure and hospitality sector had increased an average of 43,000 jobs per month.

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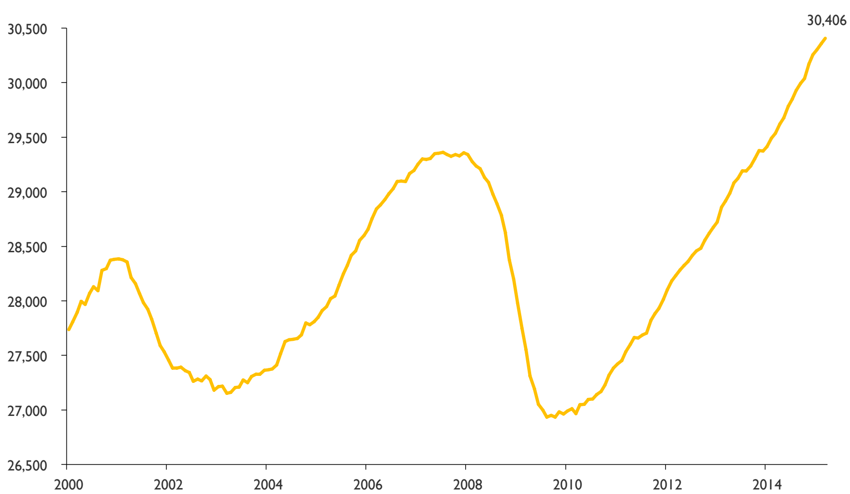
Although total job growth was slower than over the past year, employment in the key office-using sectors - professional and business services, financial and information - increased by a total of 50,000 jobs, indicating that the demand for office space remains robust. It was a continuation of the healthy growth in office-using employment of the past year during which this sector added 50,000 or more jobs in 10 of the last 12 months.

In addition, average hourly earnings increased 0.3%, the third time in the past five months that earnings have risen by 0.3% or more. Over the latest six months, earnings growth has run at a 2.5% annual rate, the strongest six months in the past two years. This is a modest pick-up in the pace of wage growth, which has lagged in the current expansion, but wages are moving in the right direction. Average hourly earnings were still up only 2.1% from a year ago. While we are anticipating faster growth in wages as the year progresses, we aren't there yet.

This report does suggest that the first quarter of 2015 was a partial repeat of a year earlier, when U.S. gross domestic product (GDP) contracted at a 2.1% annual rate due to the severe winter weather, despite adding an average of 200,000 jobs per month. While it does not appear likely that GDP contracted in this year's first quarter, growth is likely to have been weak.

U.S. OFFICE-USING EMPLOYMENT REMAINS ROBUST



Source: US Bureau of Labor Statistics

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It is also likely that businesses were a bit more cautious in the first quarter after the strong hiring that took place in 2014, which was the fastest in 15 years. There was a high level of optimism about the economy as we entered 2015, but the economic statistics in the first two months have been weaker than generally anticipated. Consumer and business spending and output has slowed instead of picking up. The slowdown has led to a bit of a "wait and see" attitude. Was the slowdown a result of bad weather, or is the economy slowing? We won't know the answer until we see what happens with consumer spending, housing, business investment and production in March, April and May.

There are some early indications that the slowdown is temporary. Job openings were at the highest level in 15 years in February, suggesting that demand for labor remains strong. That healthy demand should eventually lead to faster wage growth and higher incomes, which will likely boost consumer spending. We saw a hint of that with the auto sales numbers for March. U.S. motor vehicle sales in March ran at an annual rate of over 17.0 million, only the third time in the past eight years that sales have been that strong.

The March employment report was certainly a surprise and much weaker than generally expected. But it will take more than one weaker-than-expected report to dent the current momentum in the economy. It may take a couple of months to sort out the impact of the severe winter weather on the U.S. economy. In the meantime, we remain optimistic that income growth will pick up leading to faster spending growth and more hiring.

Although total job growth was slower than over the past year, employment in the key office-using sectors - professional and business services, financial and information - increased by a total of 50,000 jobs, indicating that the demand for office space remains robust.

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