



# *U.S. labor market shows muted growth, while Metro DC extends its strong gains*

U.S. and Metro DC region employment analysis

December 2016

# November 2016 employment recap

- **November job growth was moderate, but consistent with H2 2016 levels**
  - The U.S. labor market added 178,000 net new jobs in November, consistent with monthly additions during the second half of 2016 but below the year-to-date and 2015 averages. With the notable exception of professional and business services (PBS), slower growth affected most sectors during November, keeping the composition of gains similar in both monthly and annual terms.
  - Unemployment dropped by 30 basis points to a cyclical low of 4.6 percent on the back of consistent job growth and a slight decline in the labor force participation rate to 62.7 percent. Total unemployment mirrored this trend, also declining by 20 basis points to 9.3 percent. At the same time, initial unemployment claims continue to slide and now average roughly 252,000 per week, in line with mid-2000s levels.
- **The civilian labor force is not expanding fast enough to keep job creation as fast as in 2015**
  - Labor-market tightening has become very visible at the national level as well as across metropolitan areas. A combination of falling unemployment and job creation exceeding the rate of labor-force expansion will likely lead to a new normal for monthly growth. Annual growth in the labor force totaled 1.3 percent in November compared to 1.6 percent for total non-farm employment, further thinning the remaining slack.
  - Demand for goods and services remains on the rise, as evidenced by job openings remaining at roughly 5.5 million and maintaining a 3.7-percent opening rate. This will keep upward pressure on wages steady and above inflation, although the consumer price index is beginning to rebound as energy demonstrates initial signs of recovery.
- **Consistent growth and inflation approaching 2.0-percent target make Fed hike very likely**
  - Although growth figures are not at previous levels, they remain healthy enough for the overall labor market to continue heading in the right direction in terms of demand for workers and wage growth. With inflation now at 1.6 percent and nearing the Federal Reserve's 2.0-percent target and unemployment at its lowest point since August 2007, the stage has been set for a rate hike by the end of the year.

Source: JLL Research, Bureau of Labor Statistics

# November 2016 U.S. labor market at a glance

**+178,000**

(74 consecutive months  
of growth)  
1-month net change

**4.6%**

Unemployment rate

**5,486,000**

(3.7% rate)

Job openings

**+2,253,000**

(+1.6% y-o-y)

12-month change

**-40bp**

12-month change in unemployment

**5,081,000**

(3.5% rate)

Hires

**+785,000**

10-year average annual growth

**62.7%**

Labor force participation rate

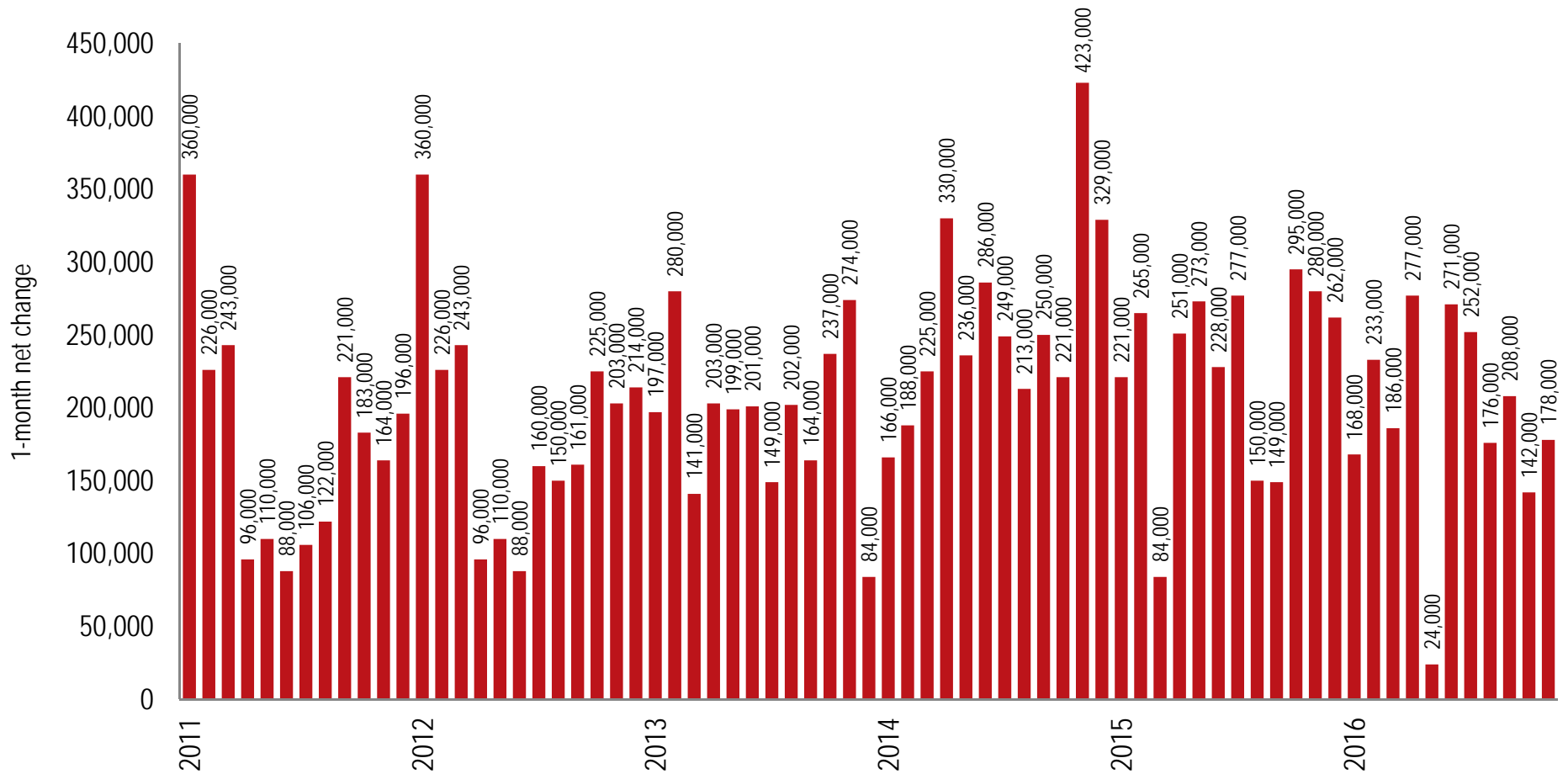
**3,070,000**

(2.1% rate)

Quits

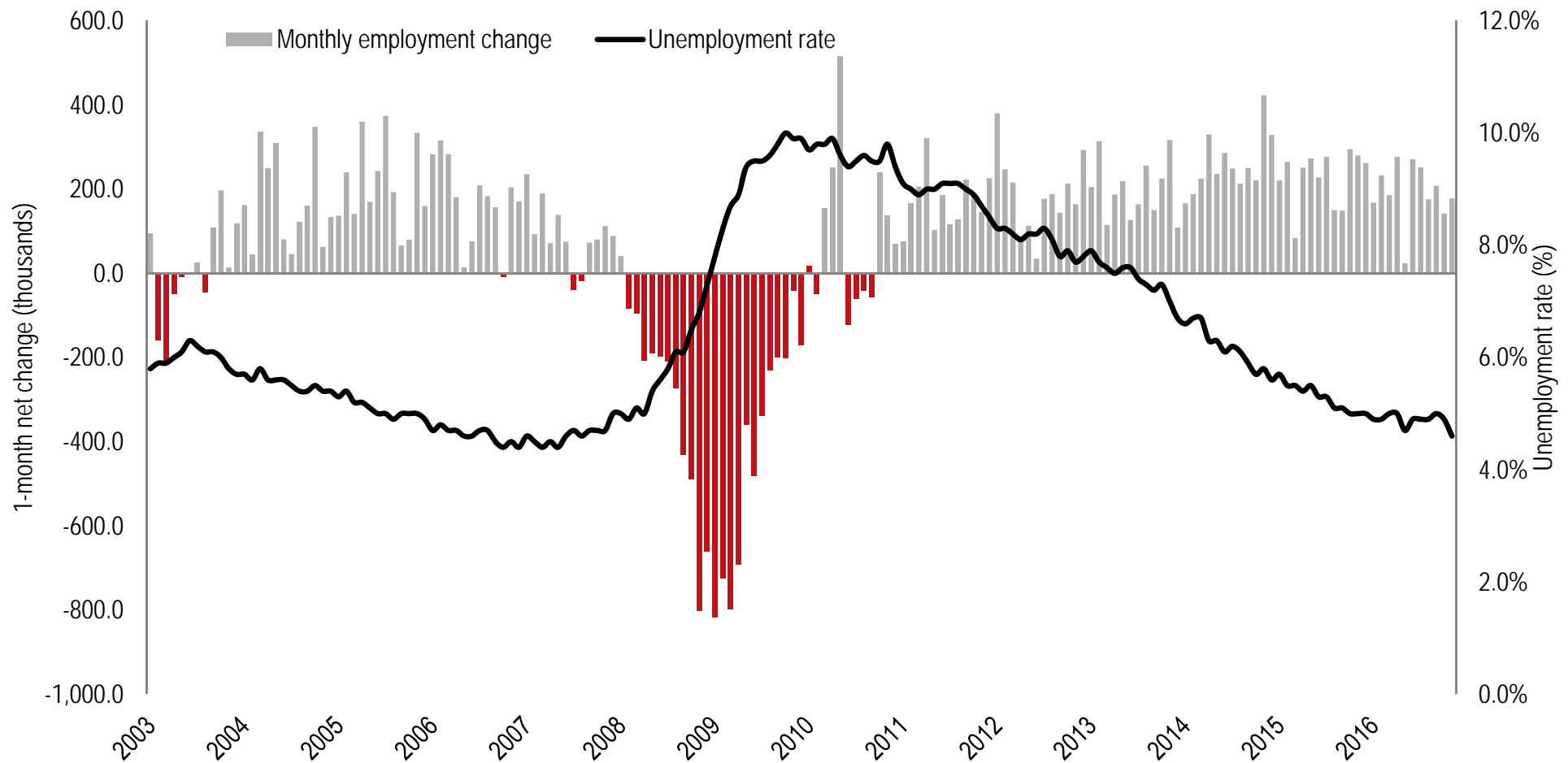
Source: JLL Research, Bureau of Labor Statistics

# November growth slightly below 2016 average, but gains remain healthy in light of minimal labor-market slack



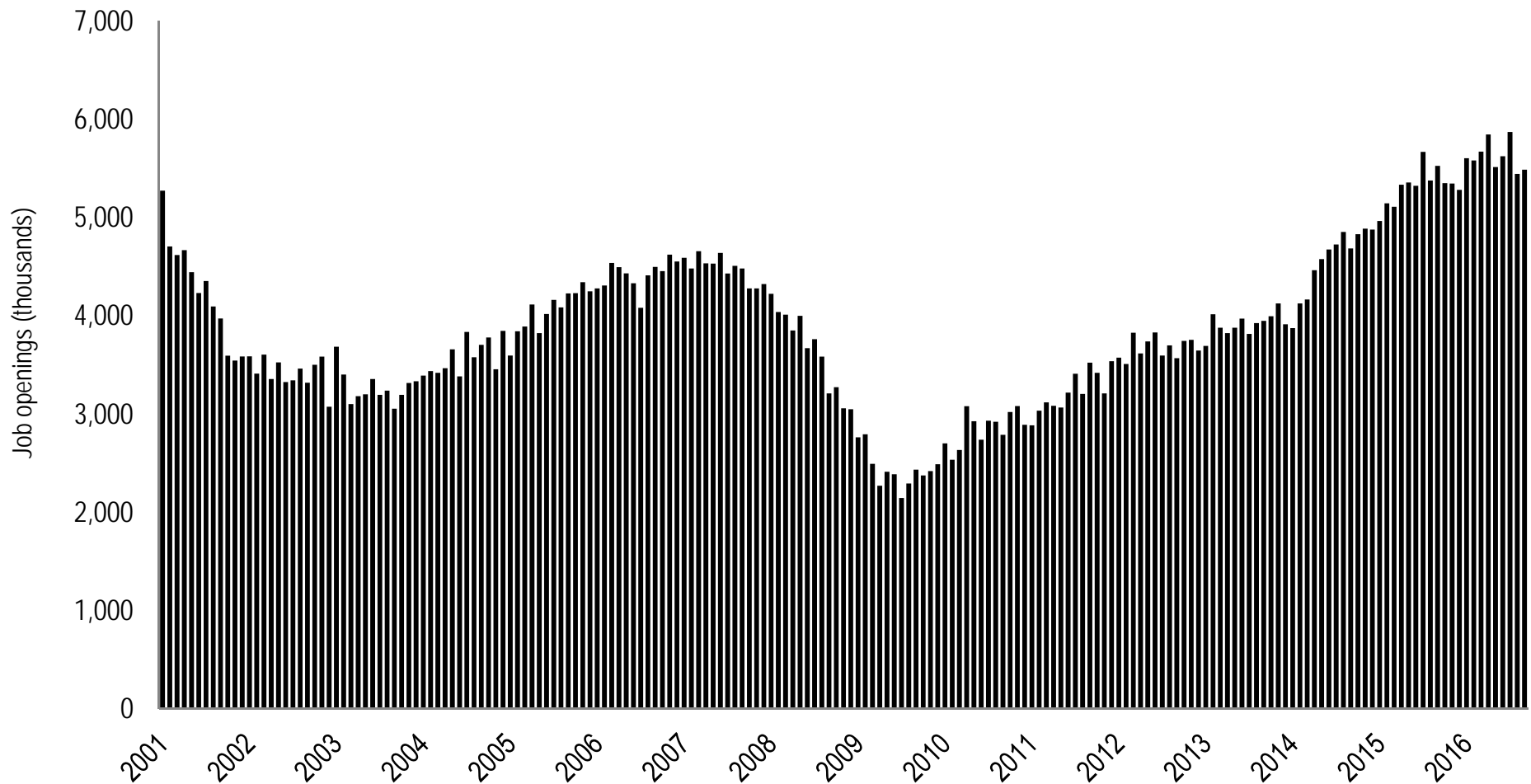
Source: JLL Research, Bureau of Labor Statistics

# Consistent growth and a drop in participation pushed unemployment to a cyclical low of 4.6 percent



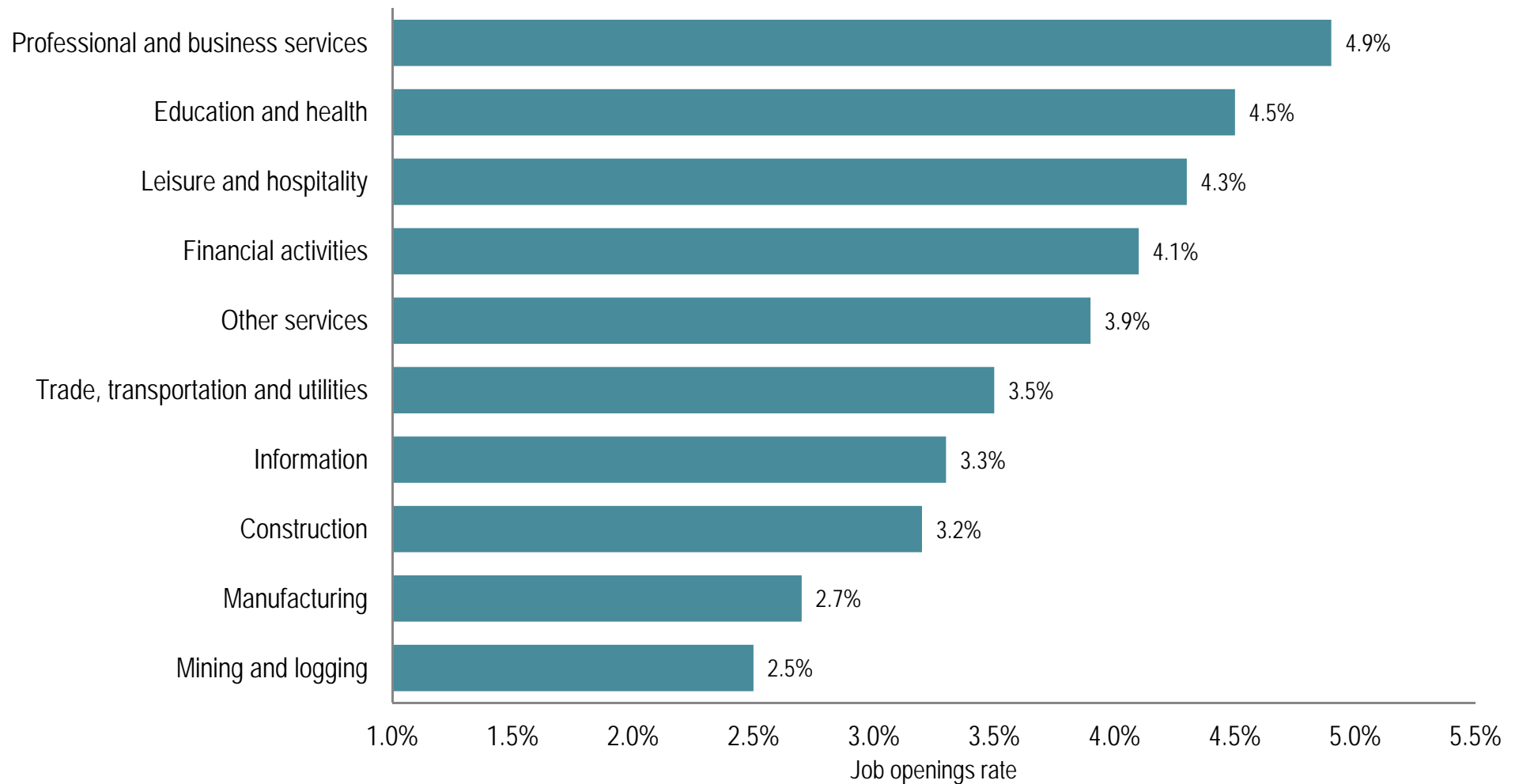
Source: JLL Research, Bureau of Labor Statistics

Job openings show little change at 5.5 million, but continue to rise faster than employment at 3.7 percent annually



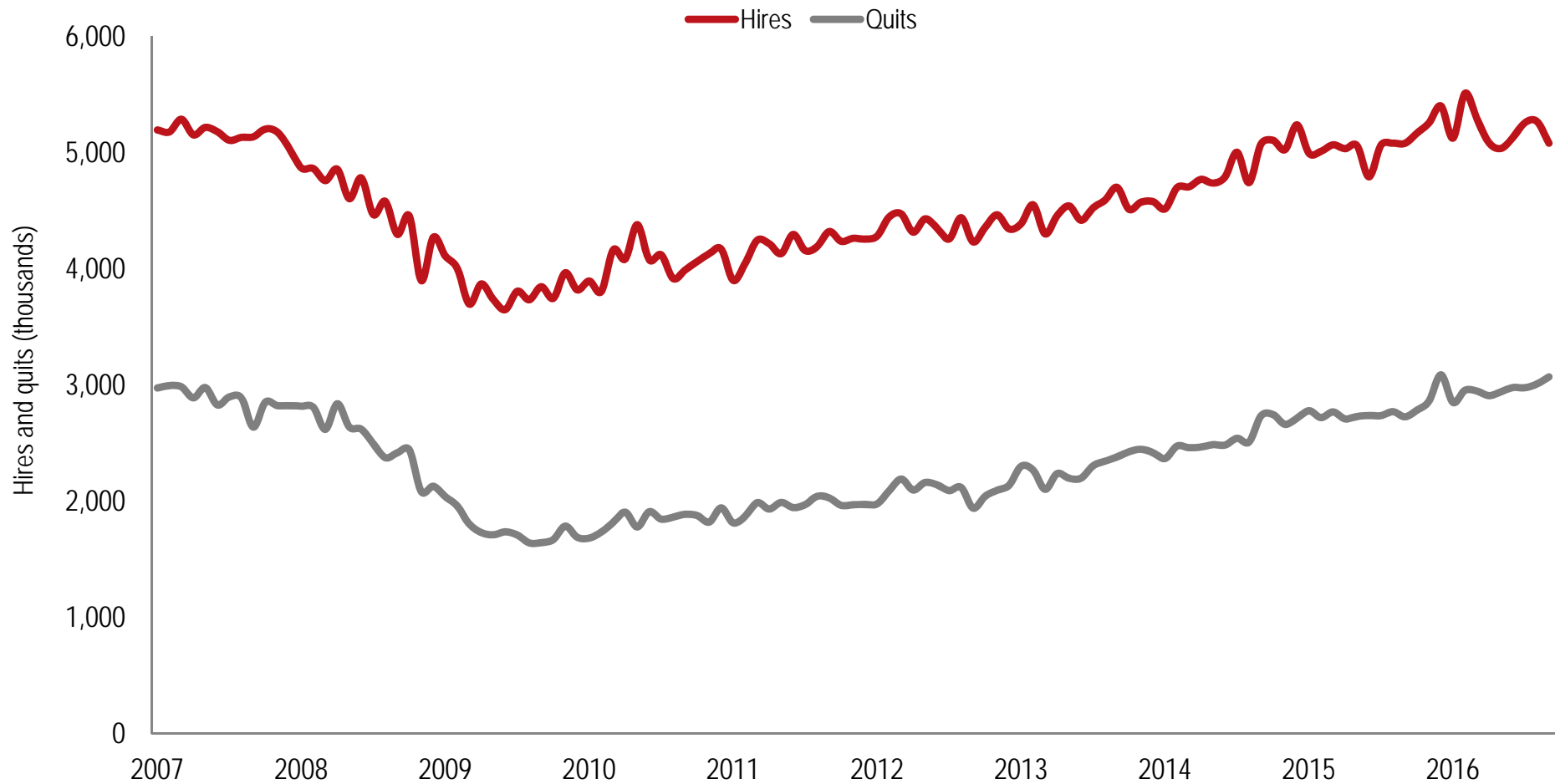
Source: JLL Research, Bureau of Labor Statistics

# A healthy mix of office-using and non-office-using sectors is seeing the fastest rate of job-opening growth



Source: JLL Research, Bureau of Labor Statistics

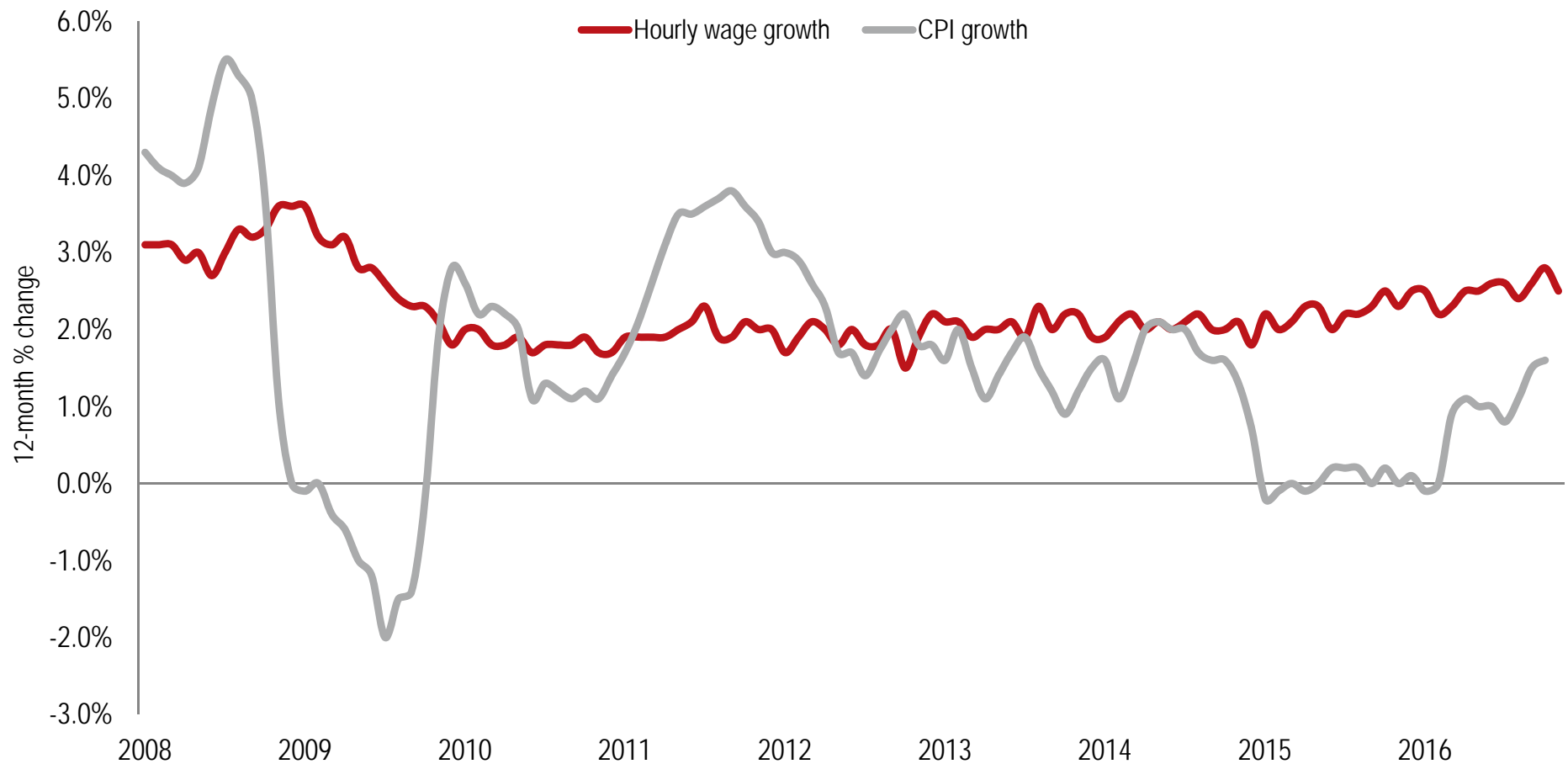
# Hires levels have become more volatile, but the hiring rate remains stable at 3.5-3.6 percent



Source: JLL Research, Bureau of Labor Statistics

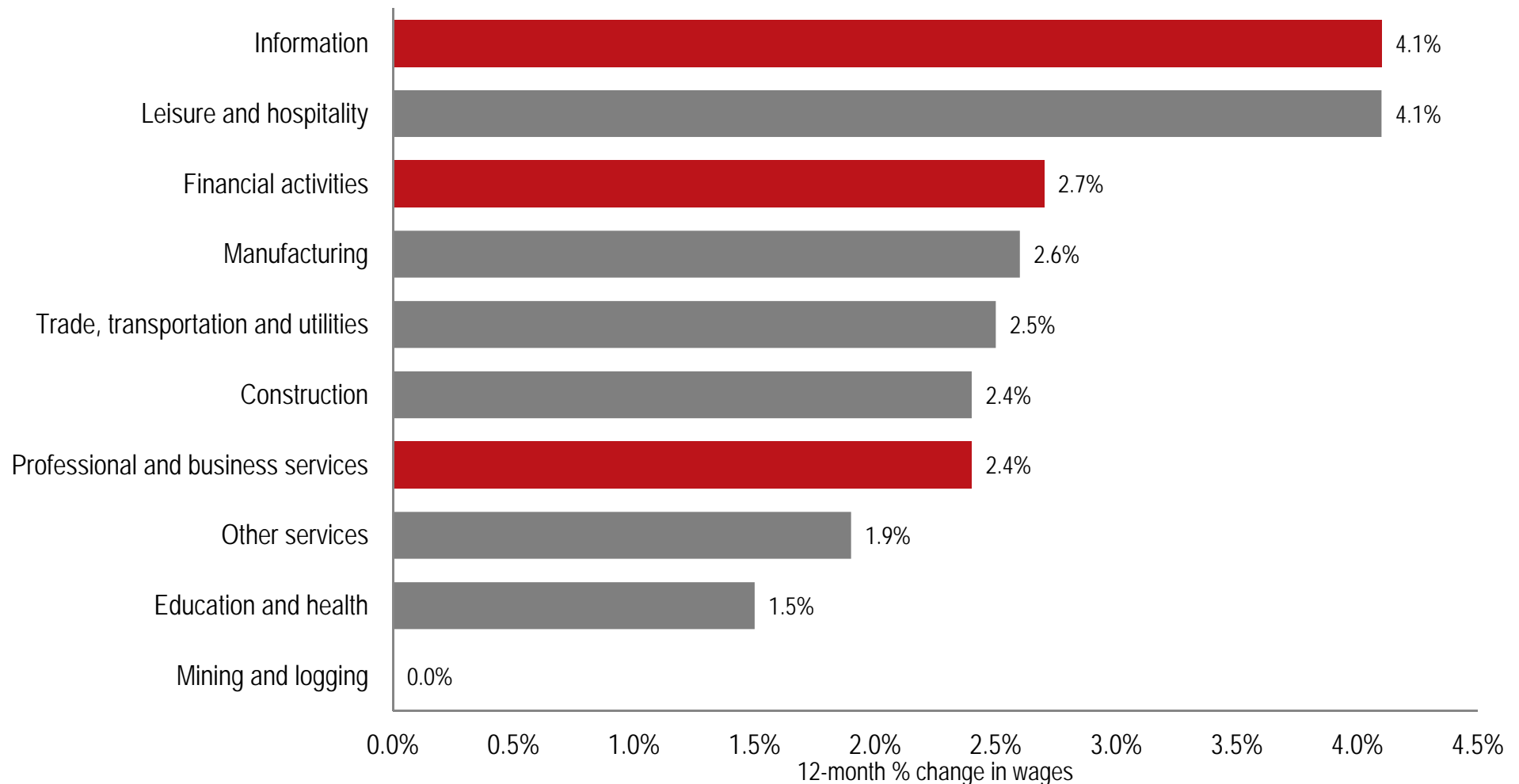


# Hourly wage growth fell back to 2.5 percent in November, while rising inflation is beginning to eat away at gains



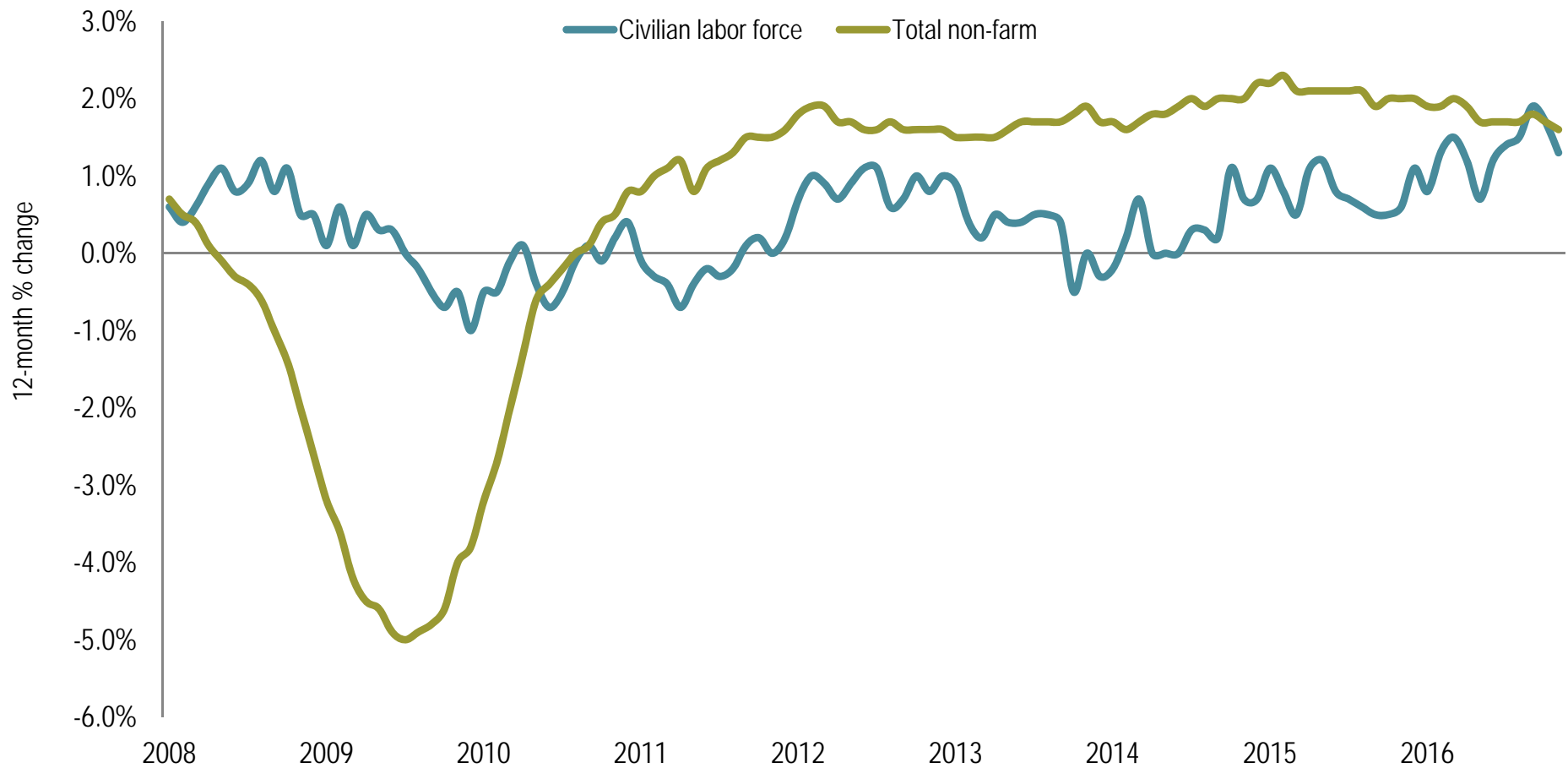
Source: JLL Research, Bureau of Labor Statistics – CPI data as of March 2016

# Information and leisure back to recent levels of wage growth (4.1 percent); education and mining continue to lag



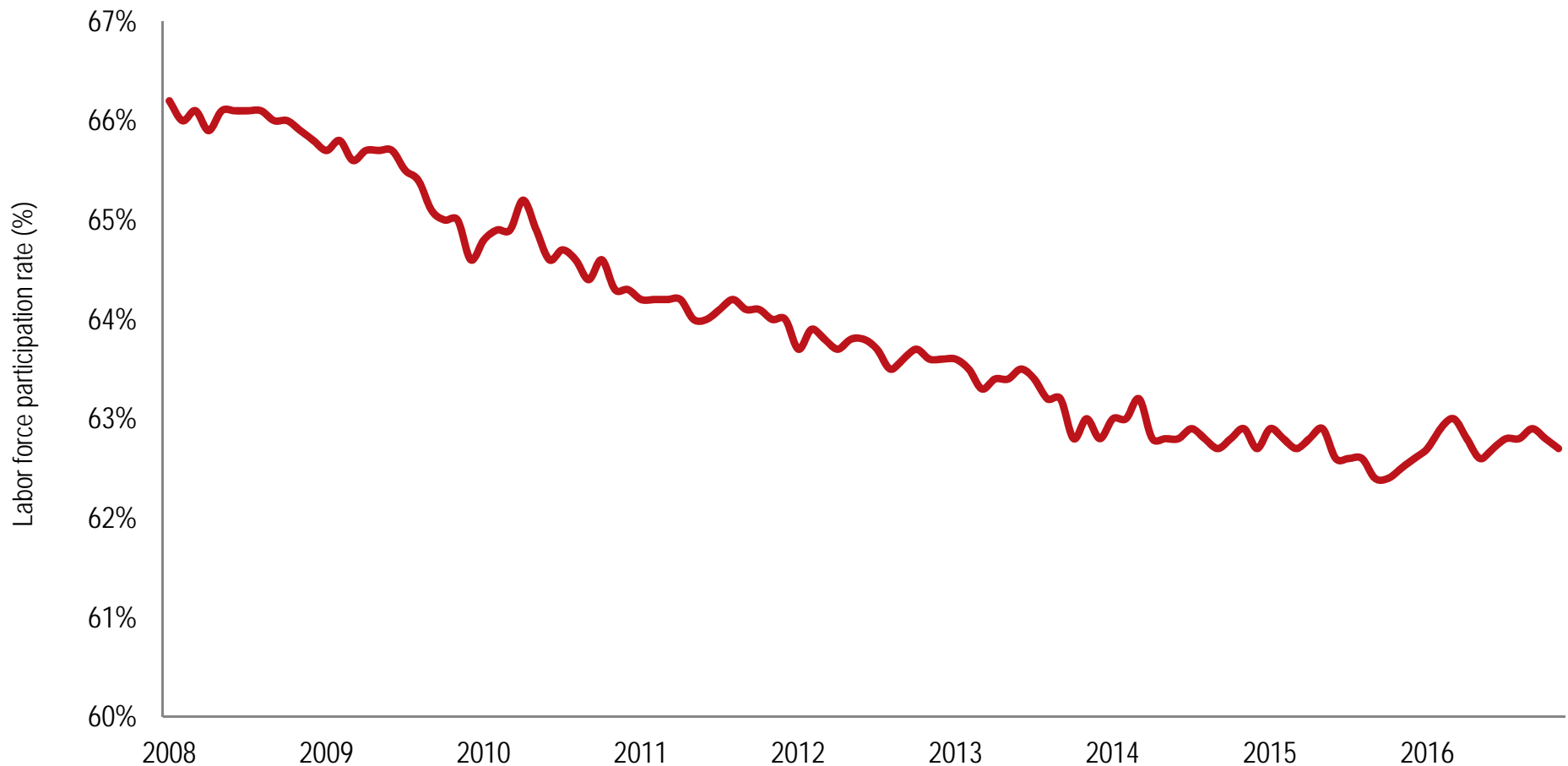
Source: JLL Research, Bureau of Labor Statistics – *office-using sectors in red*

A slowdown in labor-force growth will keep employment from reaching the gains seen in 2015 and early 2016



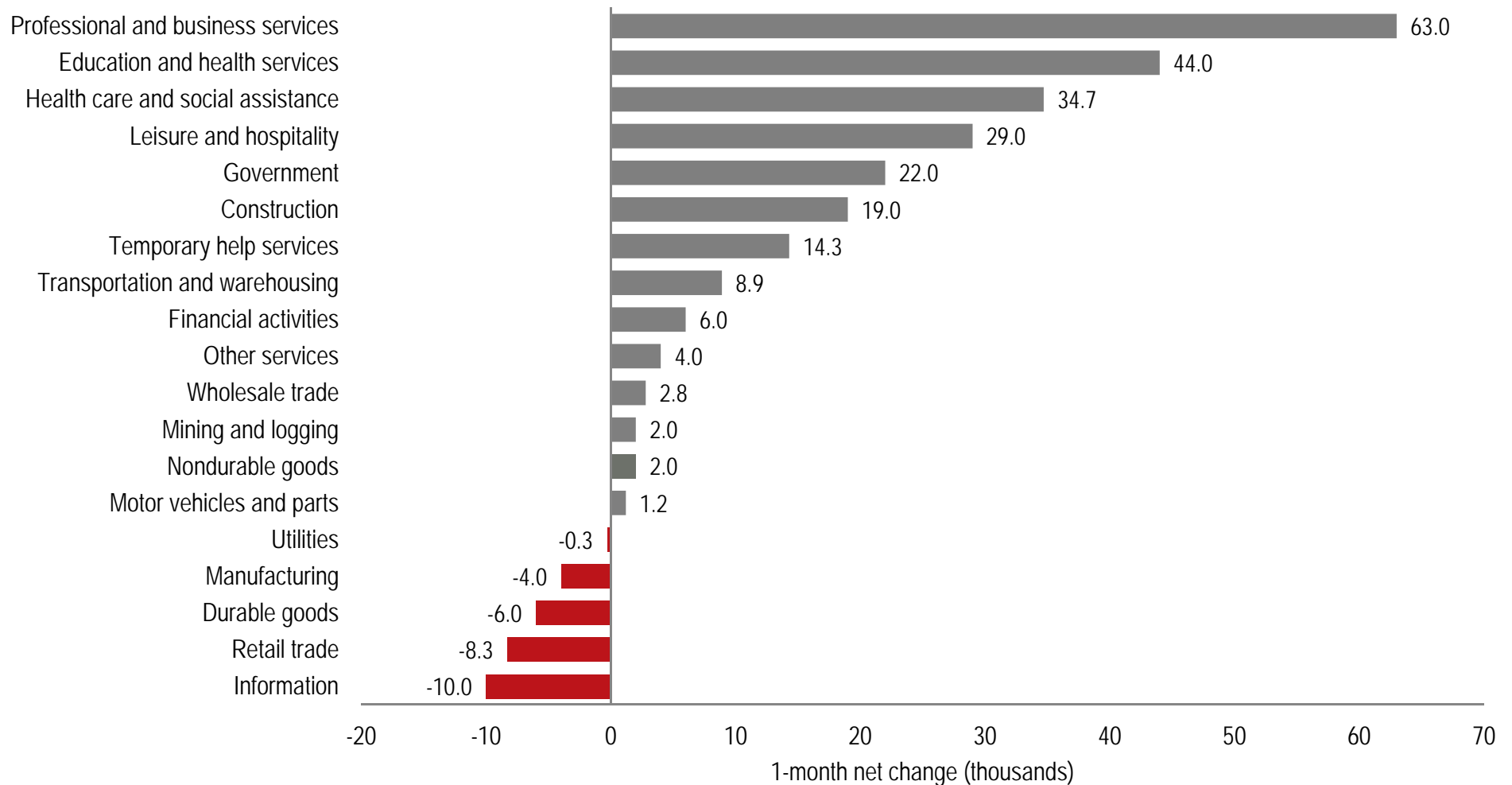
Source: JLL Research, Bureau of Labor Statistics

After showing signs of growth, the labor force participation rate declined by 10bp to 62.7 percent



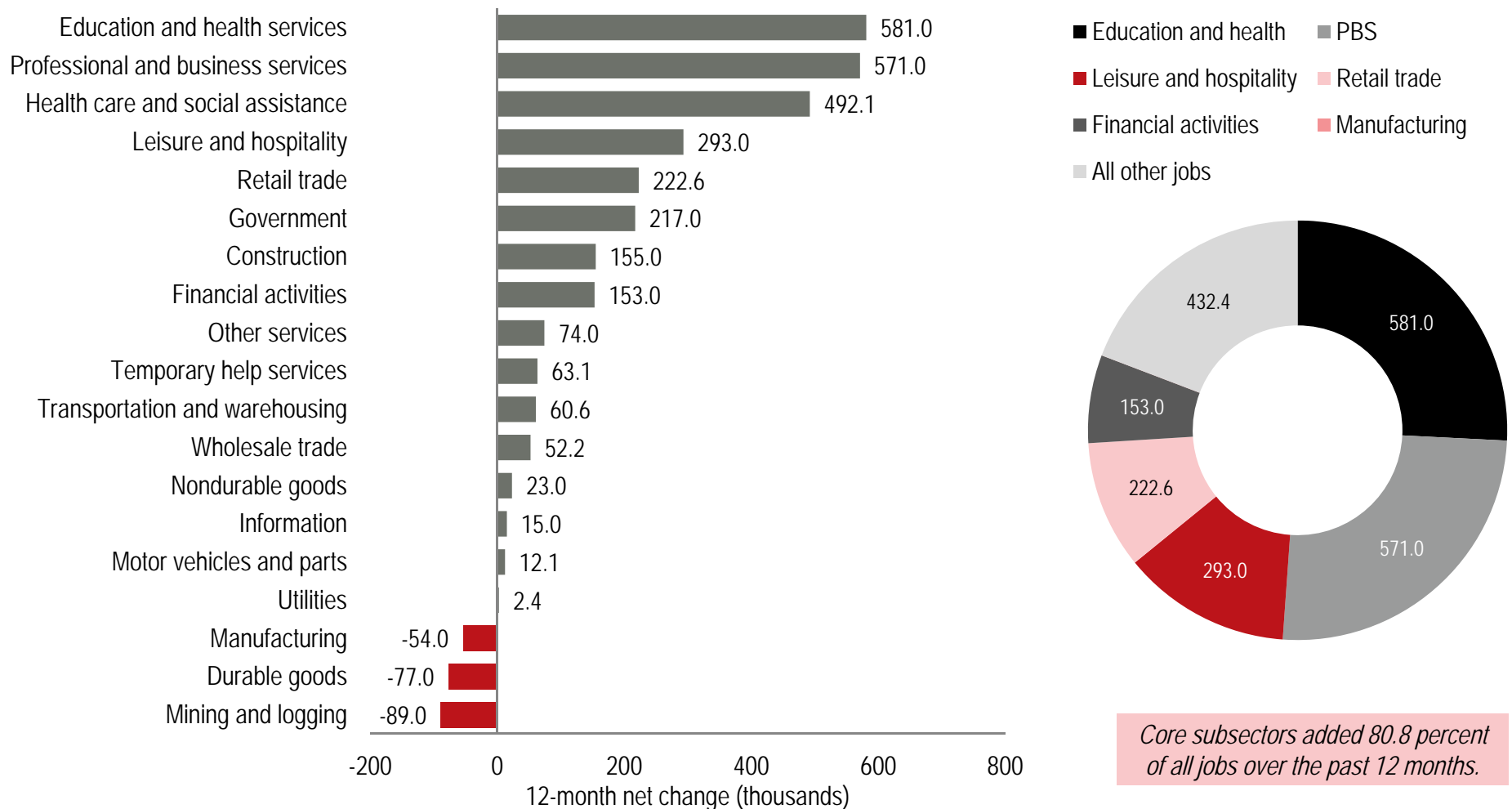
Source: JLL Research, Bureau of Labor Statistics

# Countering slow growth or even contractions in key industries, PBS returned to very healthy rates of increase in November



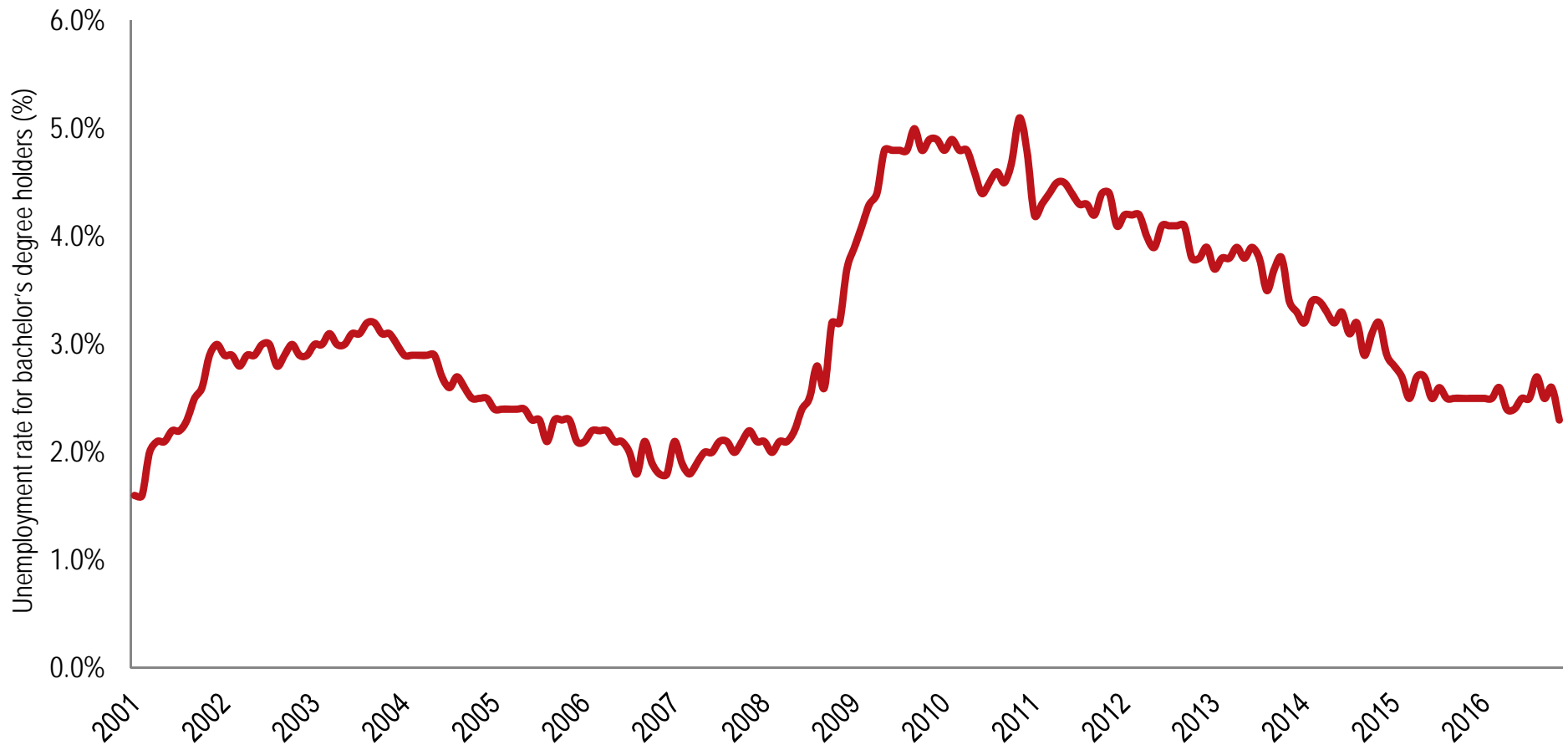
Source: JLL Research, Bureau of Labor Statistics

# With the slowdown in growth affecting most industries, there has been little change in annual composition of gains



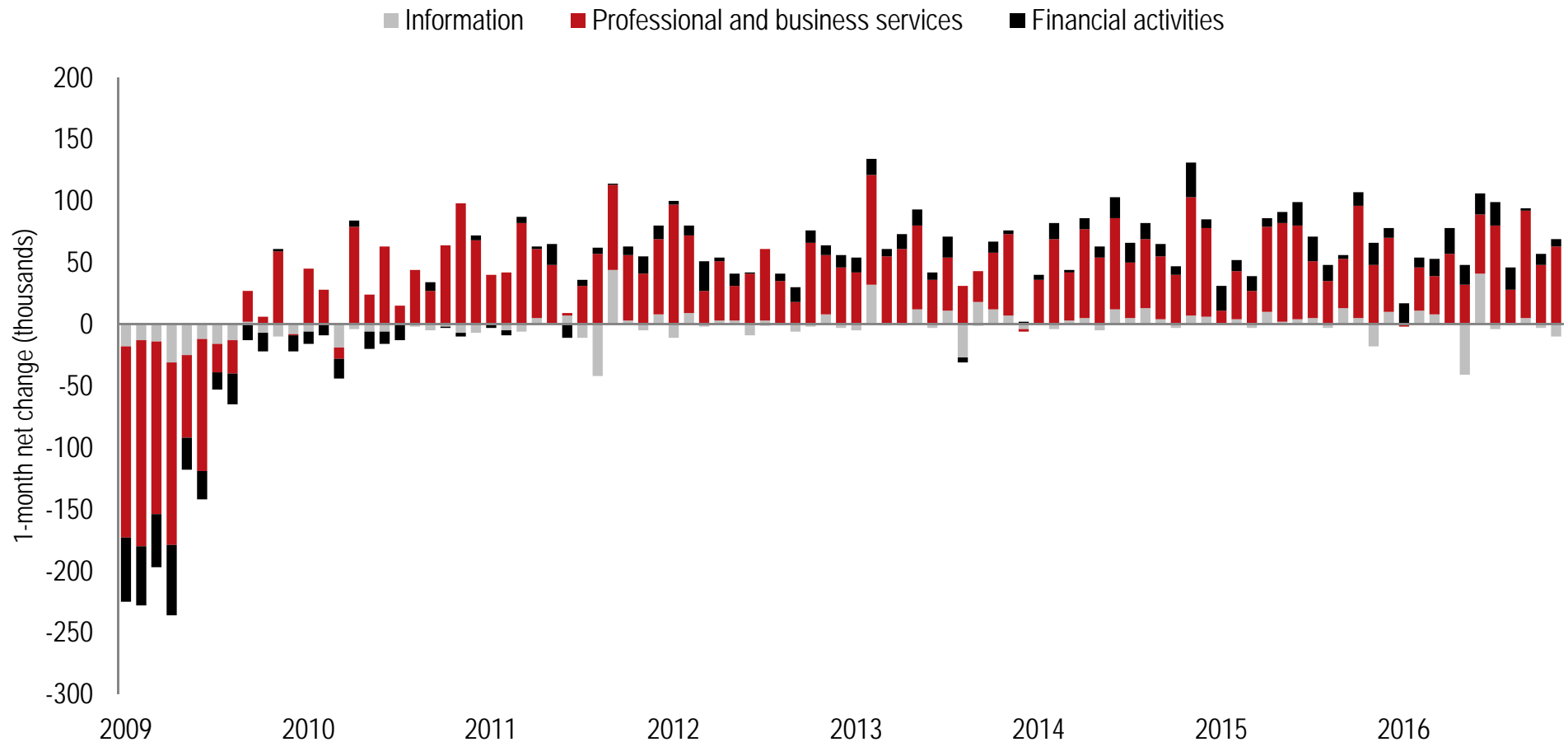
Source: JLL Research, Bureau of Labor Statistics

Like the official unemployment rate, bachelor's degree unemployment fell again to a new cyclical low of 2.3 percent



Source: JLL Research, Bureau of Labor Statistics

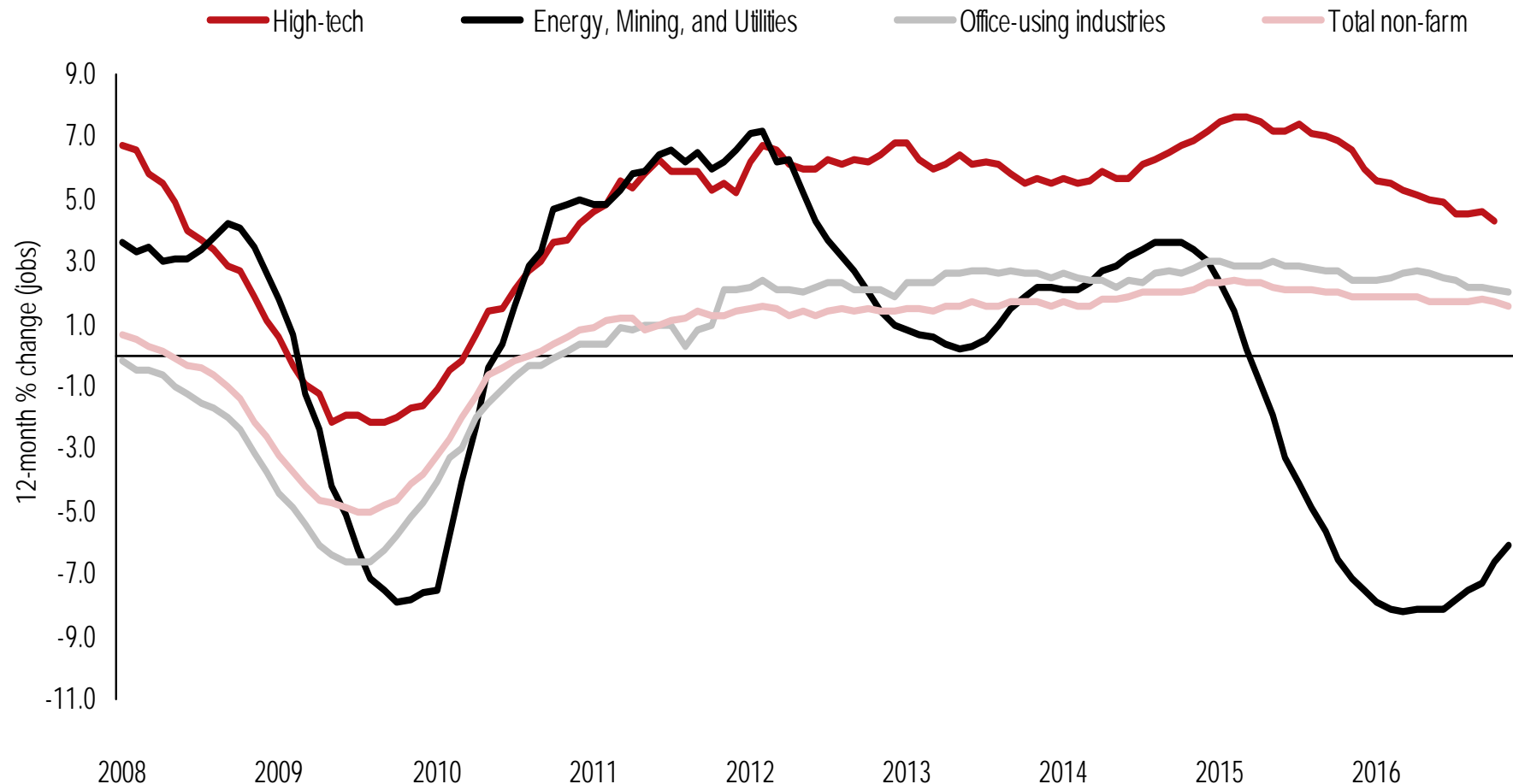
# A rebound in PBS in recent months is making up for downward revisions to financial activities and information figures



Source: JLL Research, Bureau of Labor Statistics

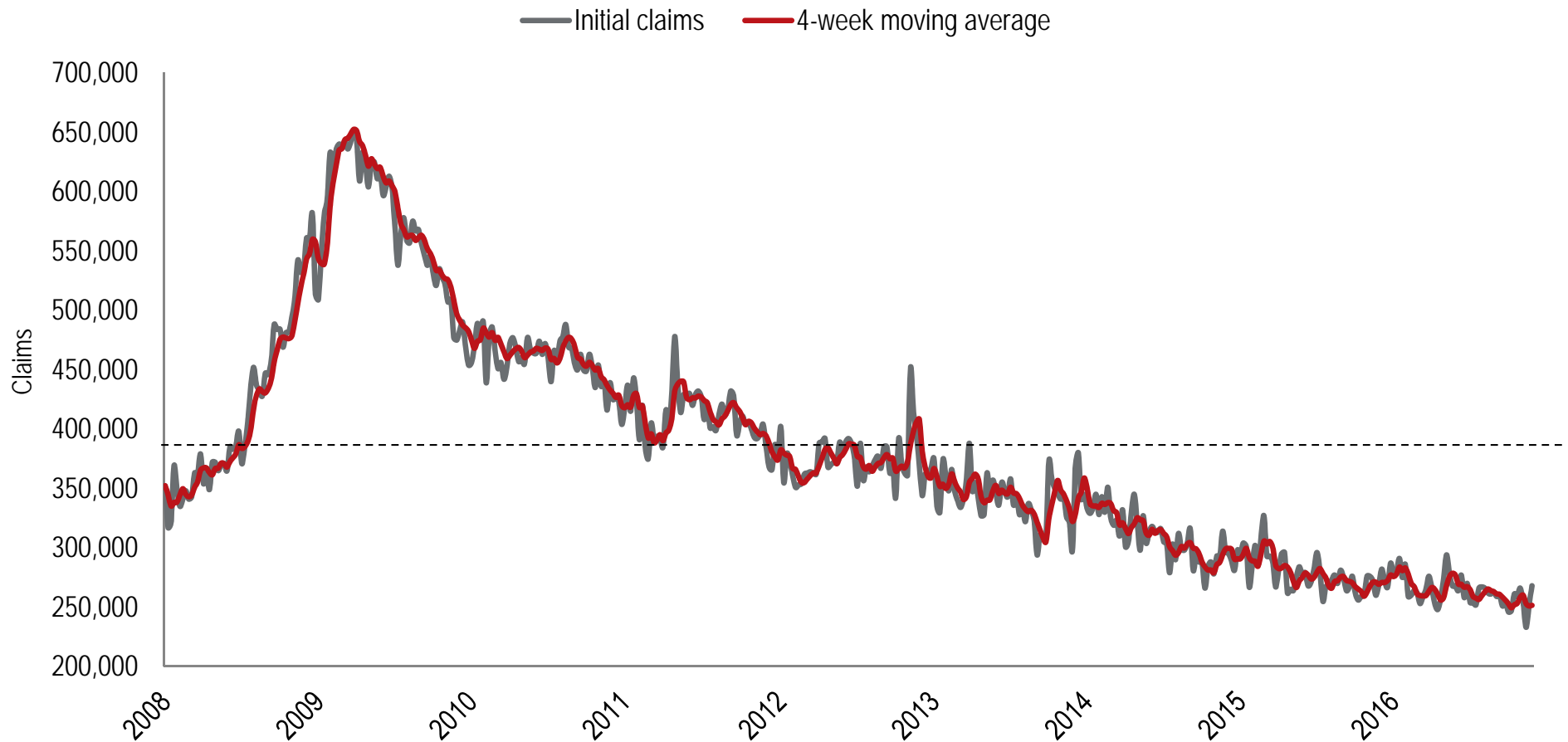


The tech slowdown continued in November, with year-over-year growth now at 4.3 percent; still 2.7x faster than total non-farm



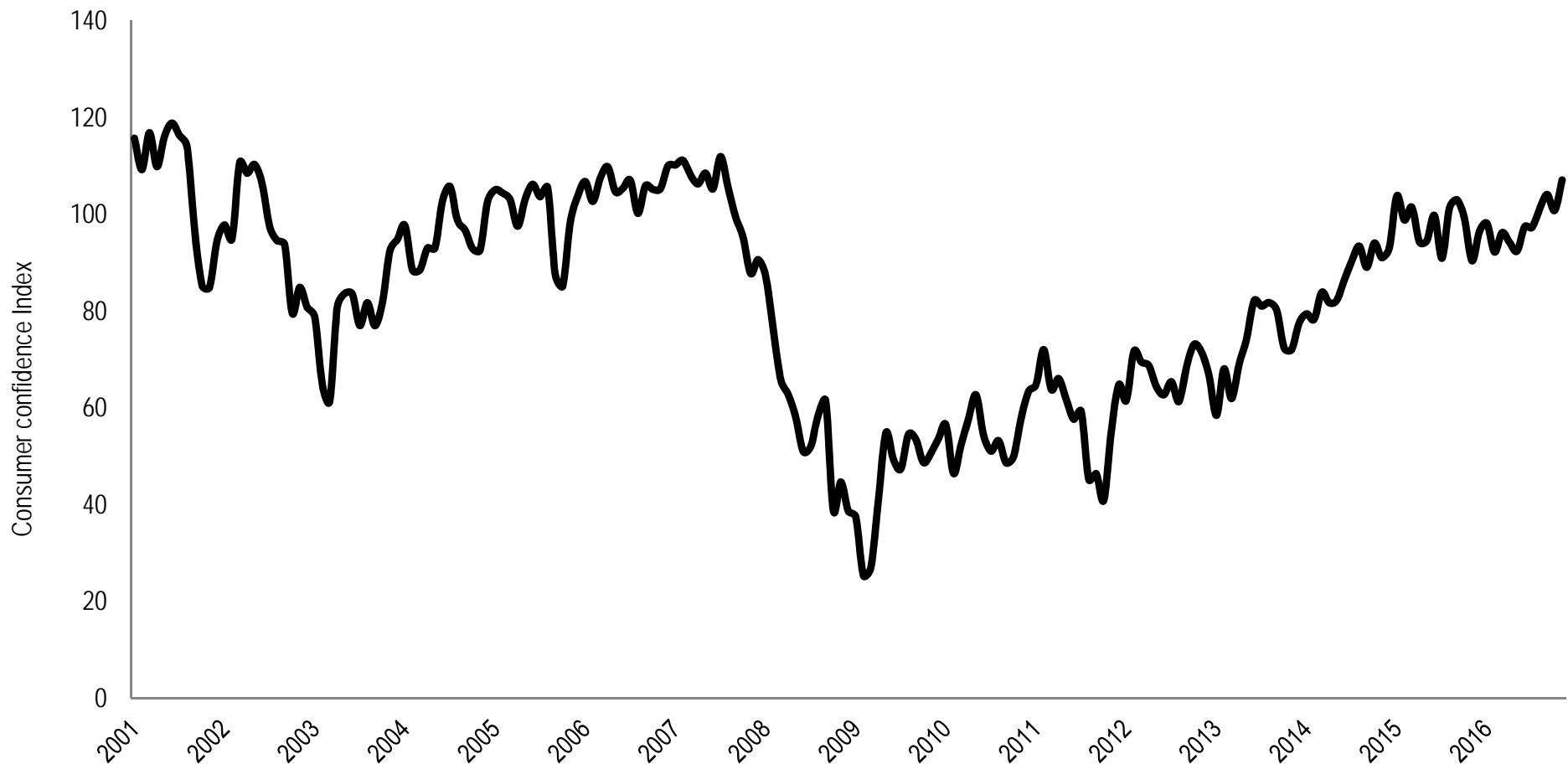
Source: JLL Research, Moody's. Note: Due to data lags, high-tech employment only available through September 2016

# Initial unemployment claims remain on a slow but steady downward trend and now average ~252,000 per week



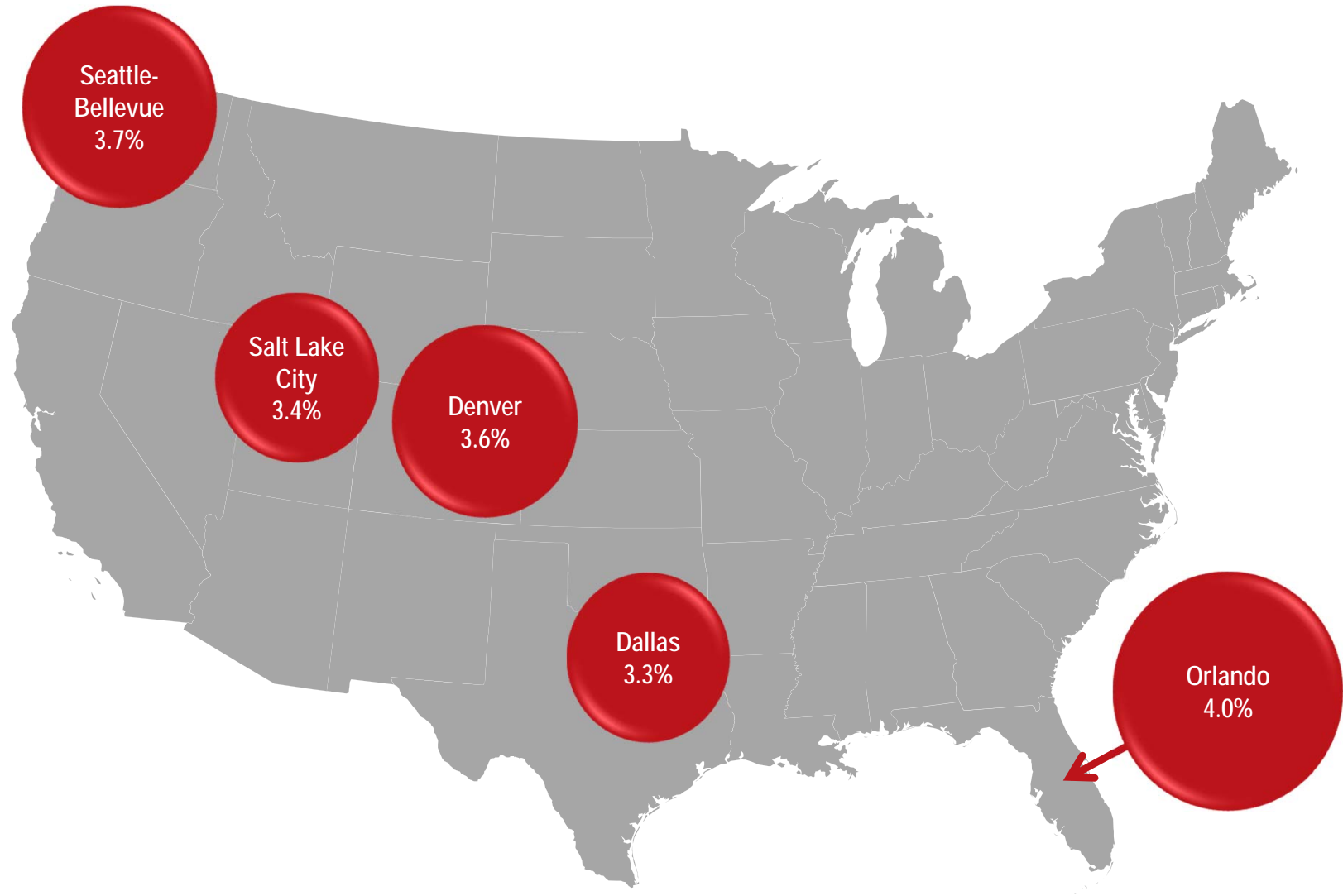
Source: JLL Research, U.S. Department of Labor

Consumer confidence rose considerably in November to 107.1 points, mirroring upward revisions to GDP and spending



Source: JLL Research, Conference Board

# Florida remains the leader in local employment growth due to cyclical volatility and diversified growth



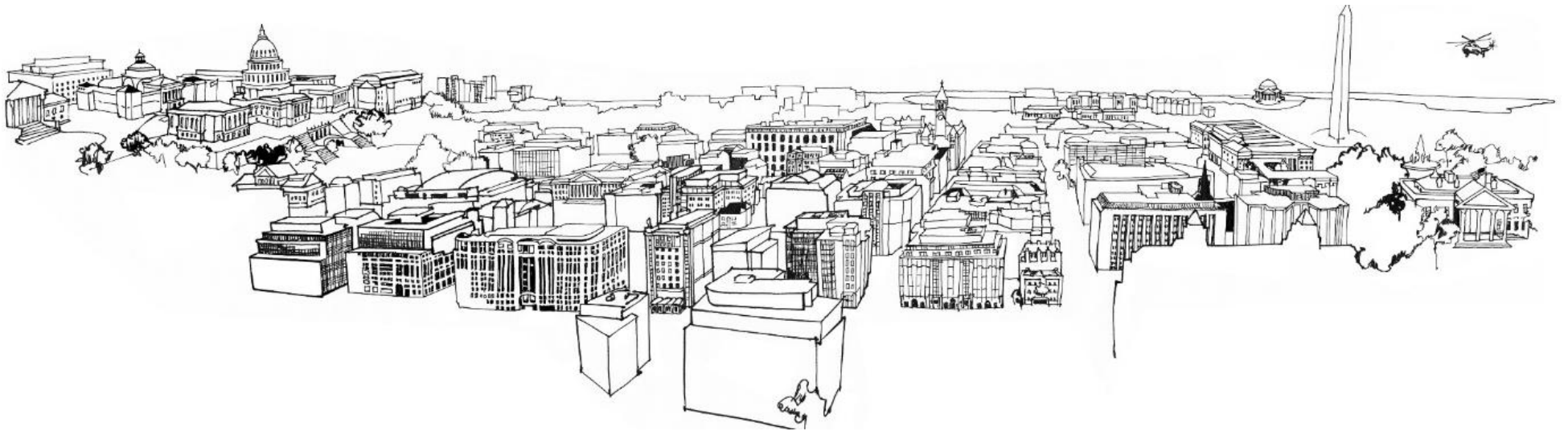
Source: JLL Research, Bureau of Labor Statistics

As with the official unemployment rate, total unemployment registered a 20-basis-point drop to 9.3 percent

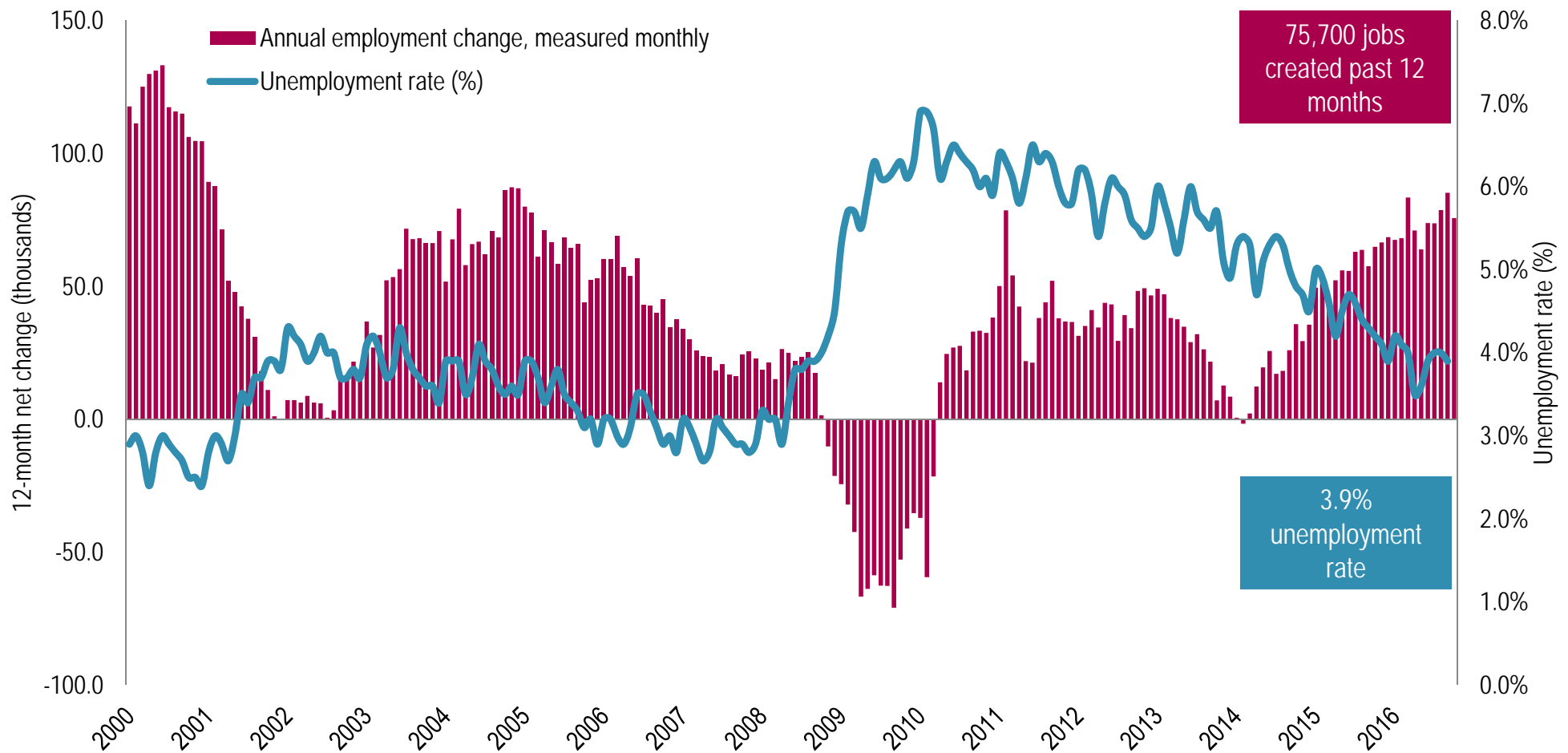


Source: JLL Research, Bureau of Labor Statistics

# Metro DC regional economic and employment trends

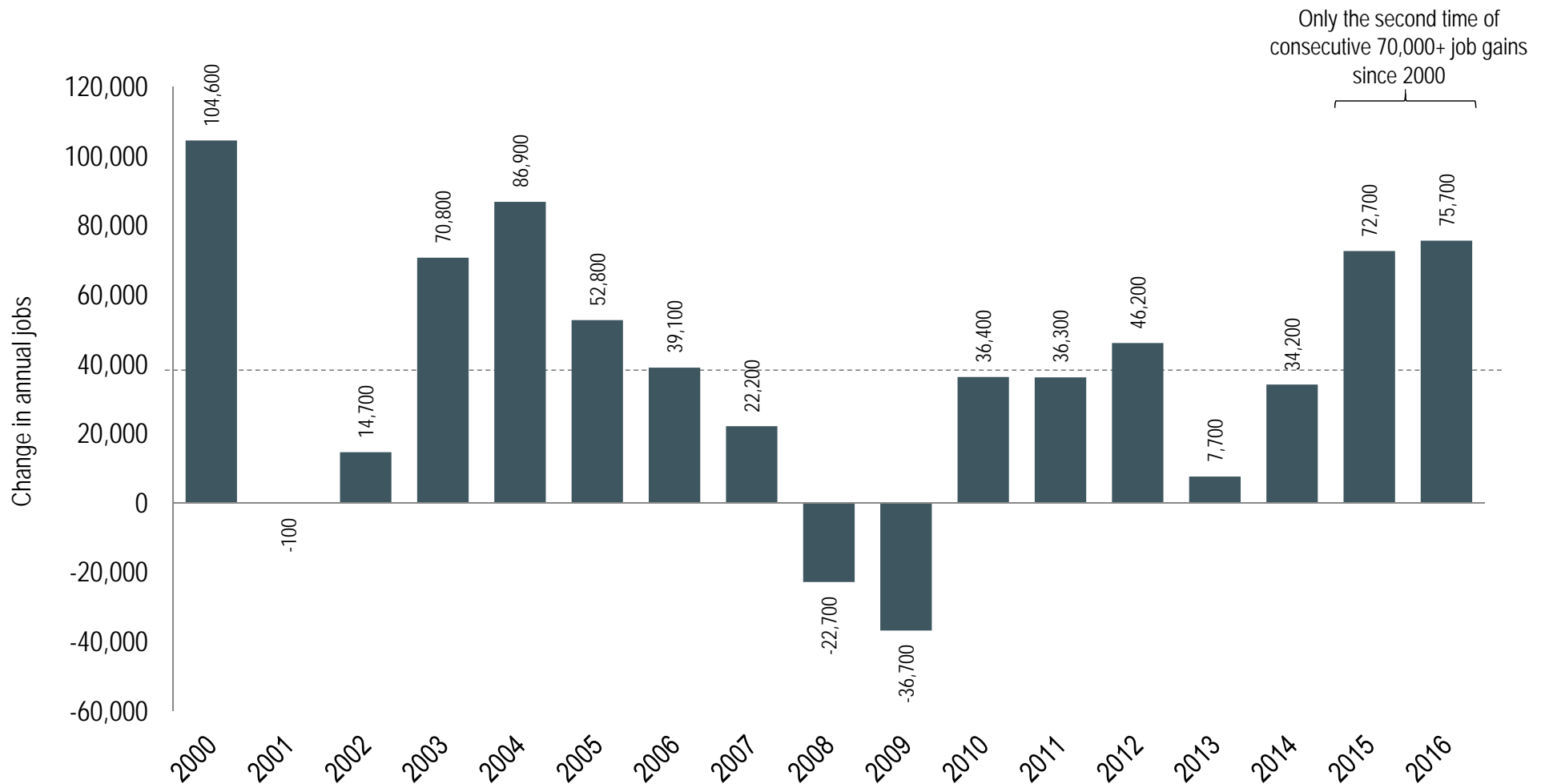


# Metro DC job growth continues to surge, with unemployment near historical lows



Source: JLL Research, Bureau of Labor Statistics

# Year-over-year growth in 2016 so far exceeding 2015; expected to remain steady through the remainder of the year



Source: JLL Research, Bureau of Labor Statistics – 2016 figure is year-to-date average



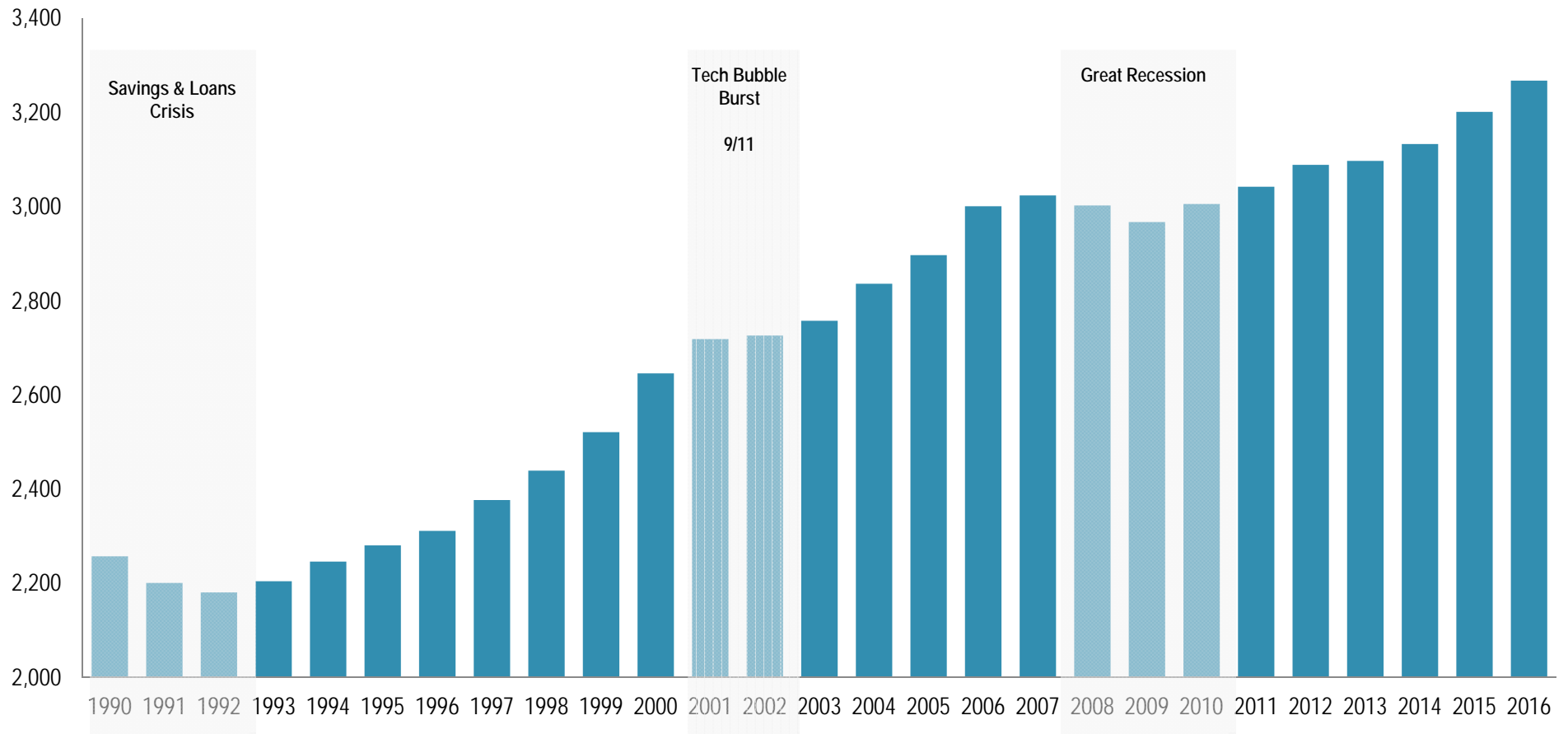
# Historically durable employment fundamentals

**26** Years of  
Economic  
History

**22** Years of  
Positive  
Job Growth

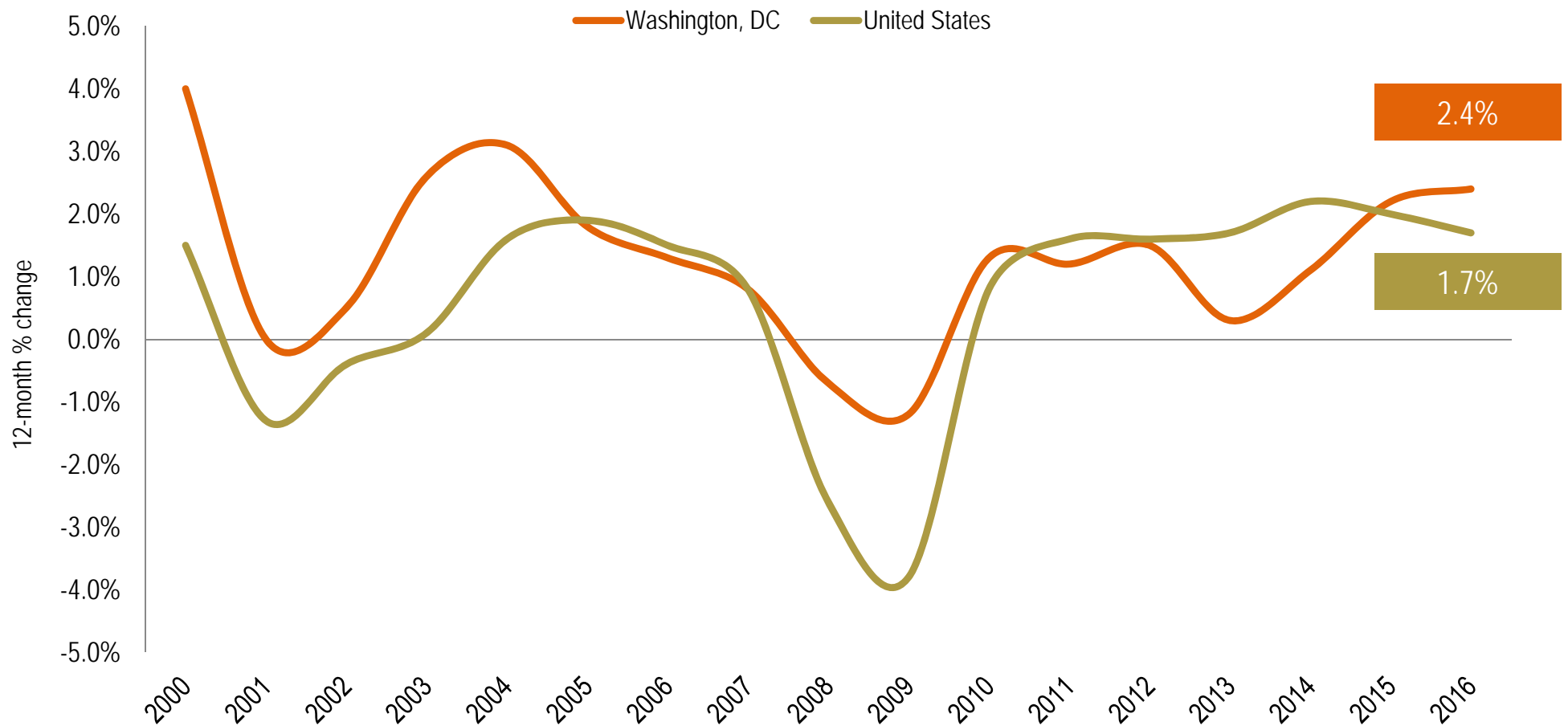
**4** Years of  
Negative  
Job Growth

Washington D.C. has seen consistent growth for 26 years and through three national recessions. Of those years, only four saw negative employment growth.



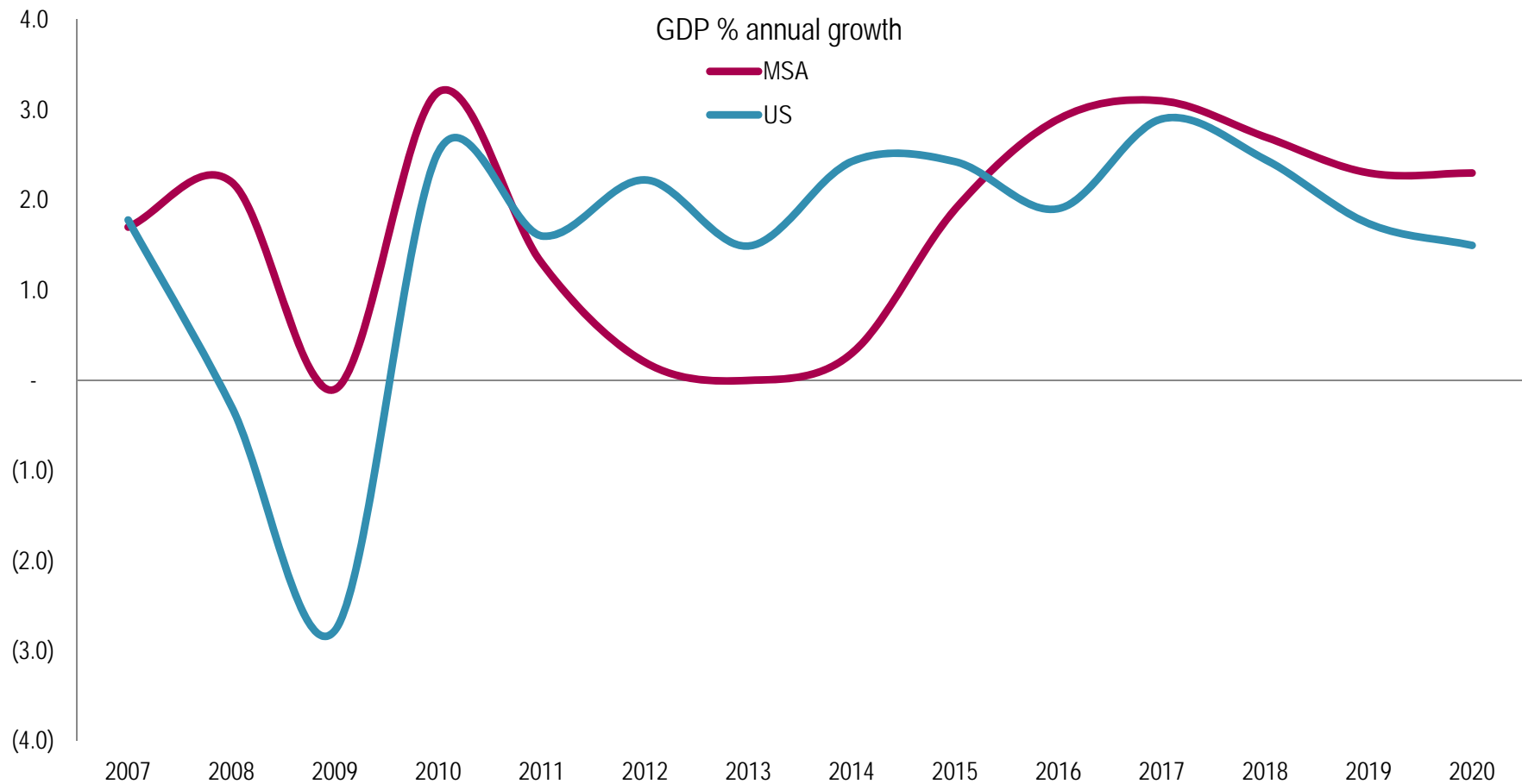
Source: JLL Research

# For the second straight year, Metro DC job growth is outpacing the national average



Source: JLL Research, Bureau of Labor Statistics – 2016 figure is year-to-date average

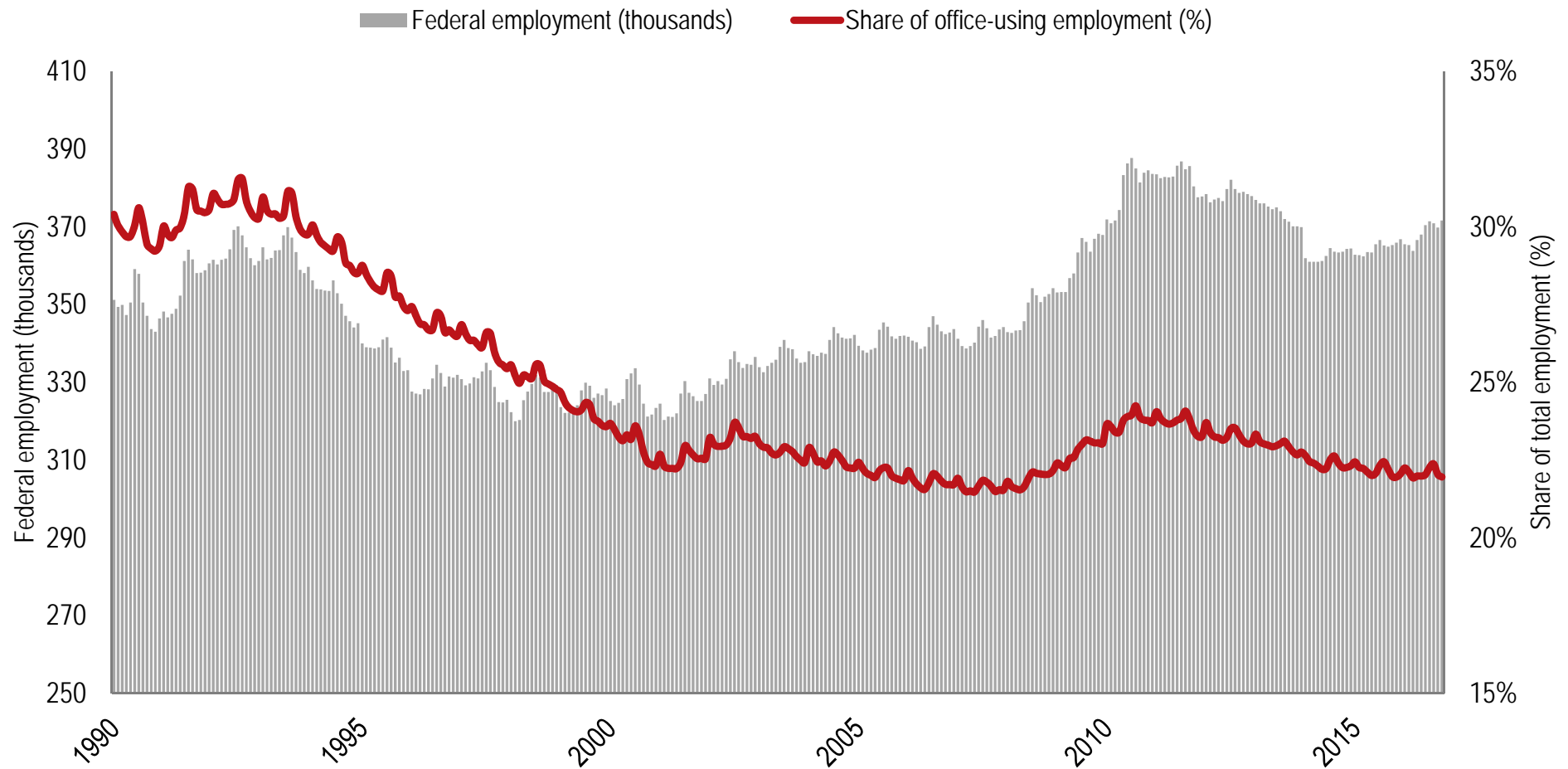
# Metro DC expected to continue outpacing the national economy in terms of GDP



Source: GMU Center for Regional Analysis, economy.com and JLL Research

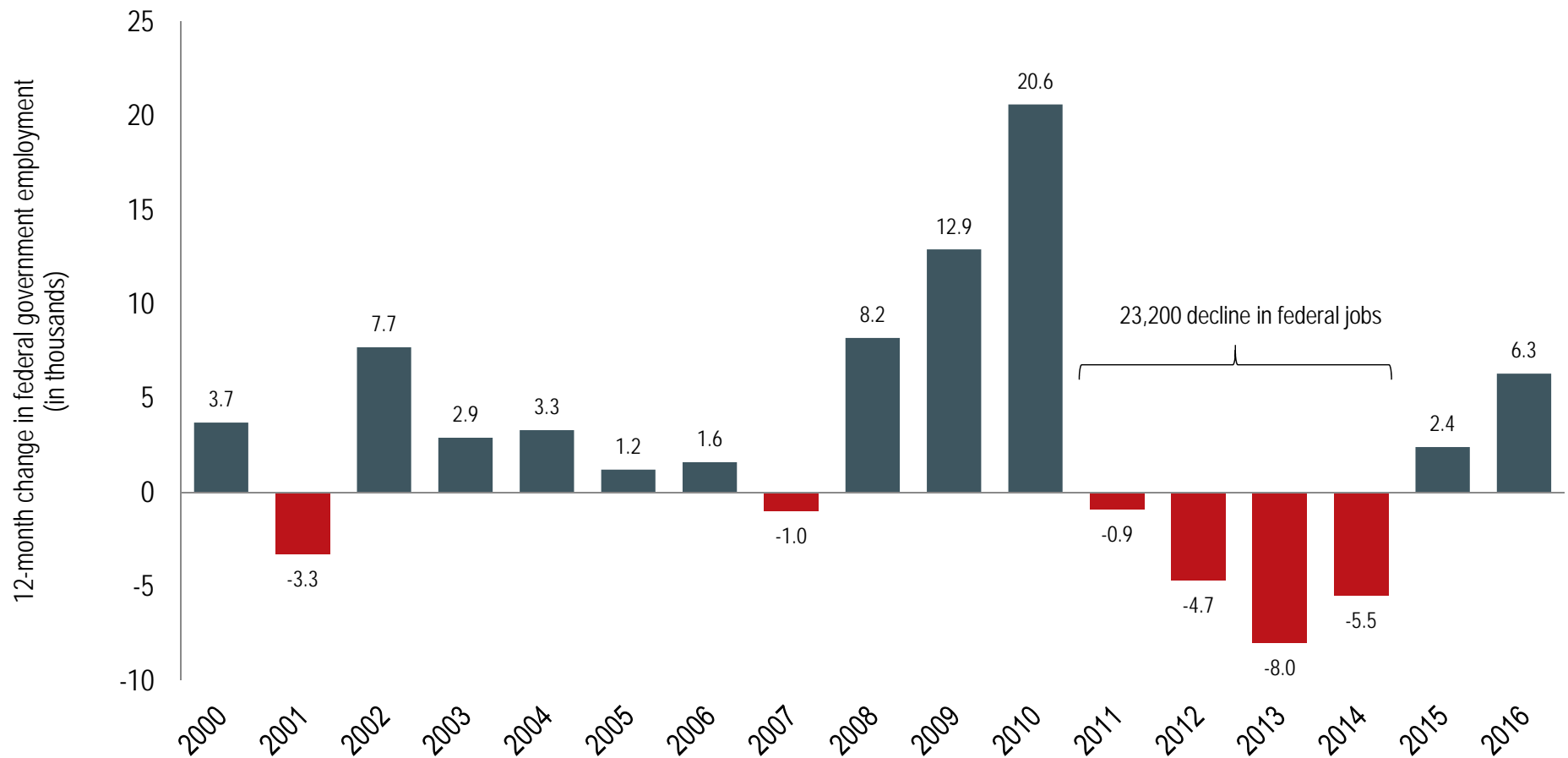
# Metro DC is breaking its reliance on federal employment

Federal employment's share of regional jobs is decreasing as diversification picks up



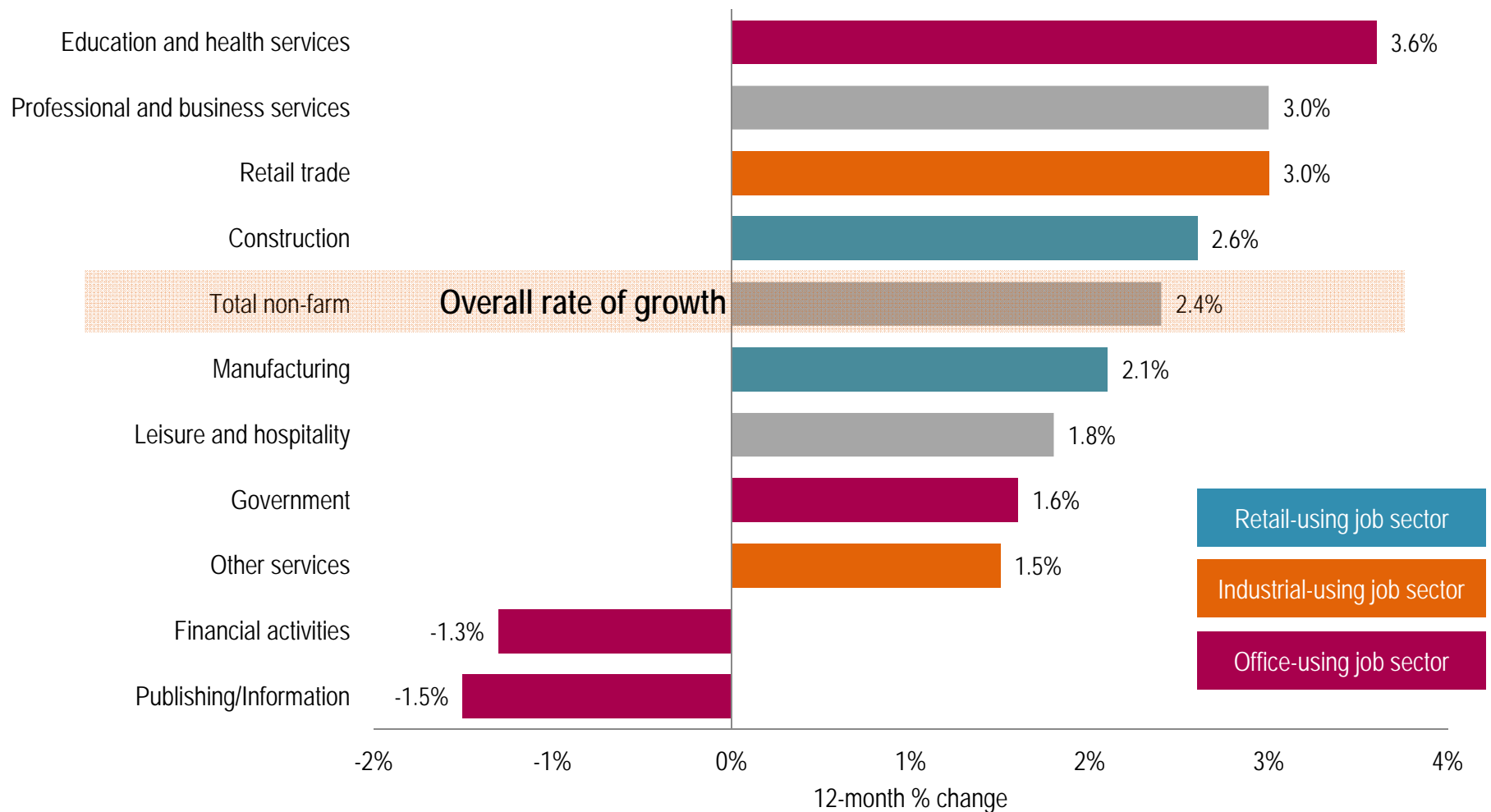
Source: JLL Research, Bureau of Labor Statistics

# Federal employment back on the rise after a 48-month period of decline



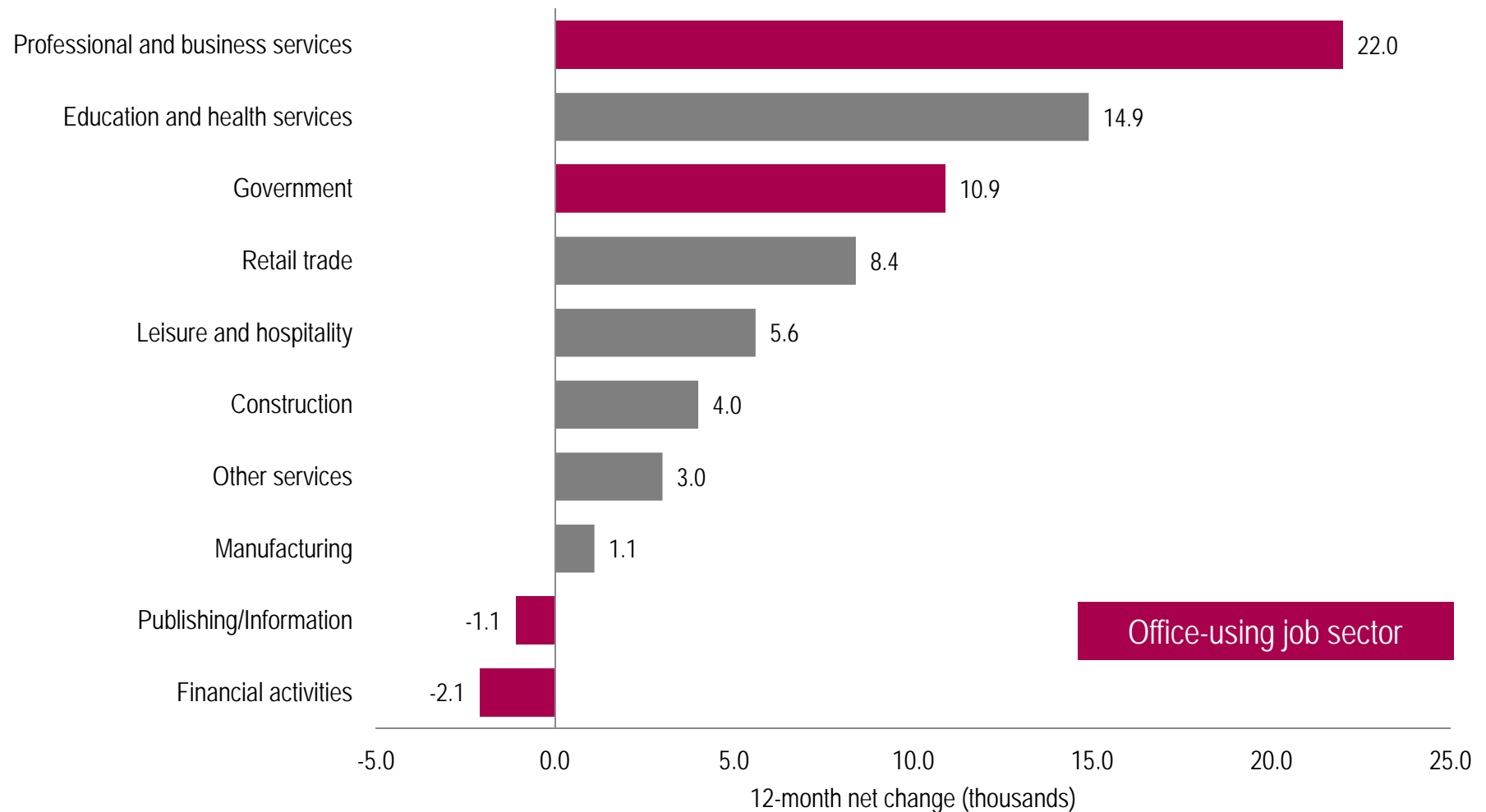
Source: JLL Research, Bureau of Labor Statistics – 2016 figure is year-to-date average

# Professional and business services employment surging, leading all office-occupying sectors



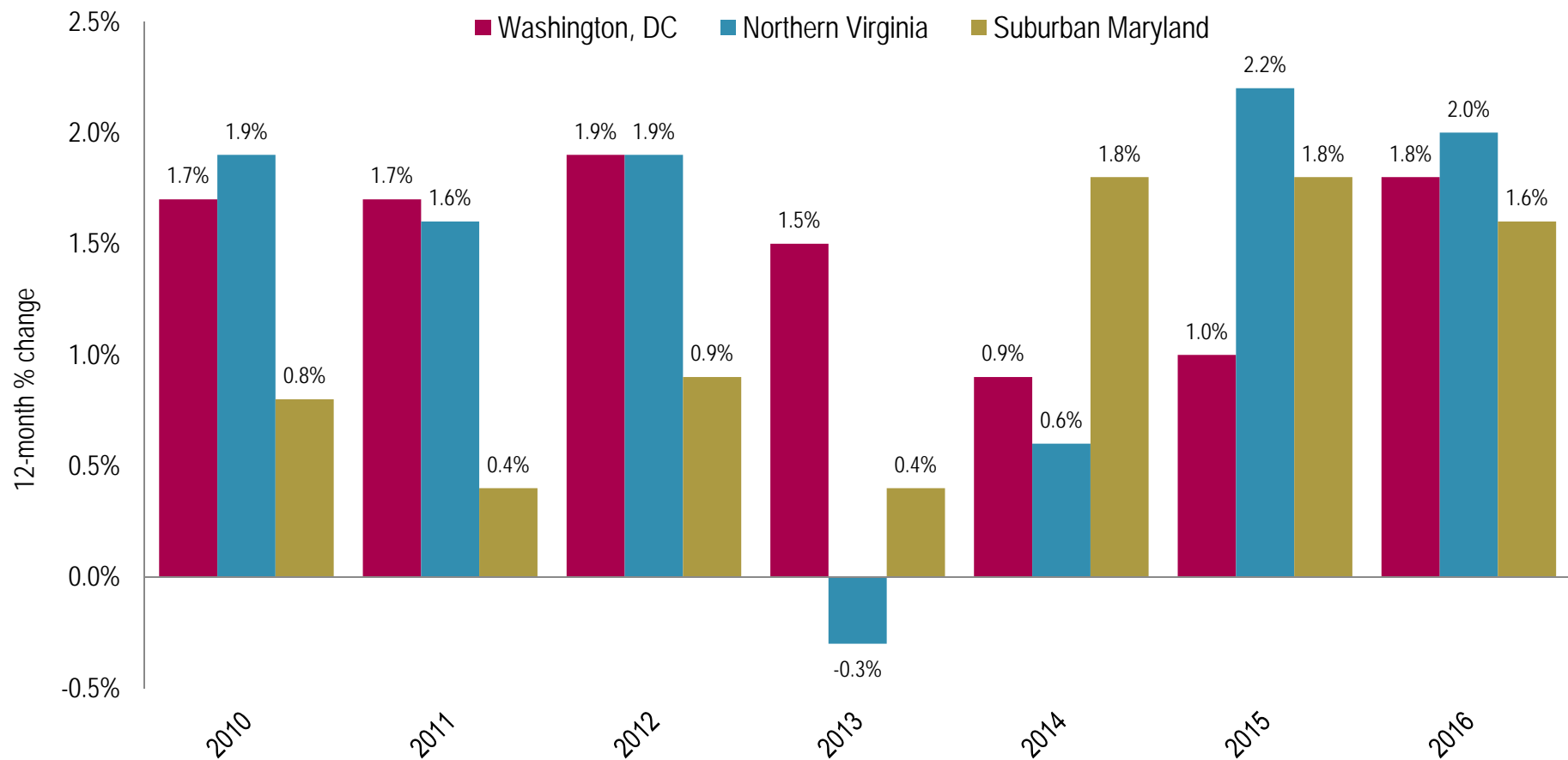
Source: JLL Research, Bureau of Labor Statistics

# Office-occupying jobs account for 35% of regional employment growth, with government once again taking a prominent role



Source: JLL Research, Bureau of Labor Statistics

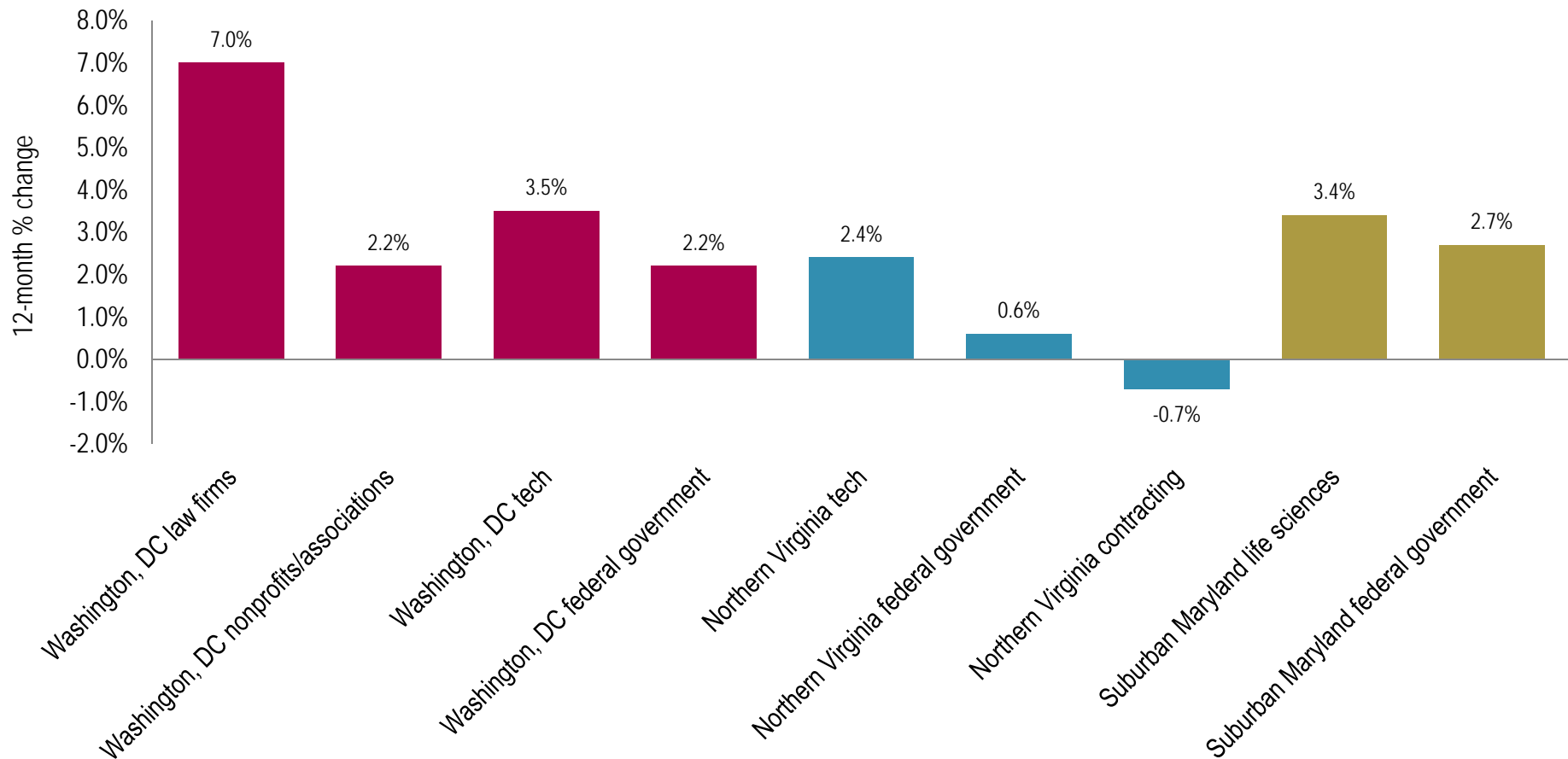
# Northern Virginia taking the lead as the economic engine of the region



Source: JLL Research, Bureau of Labor Statistics

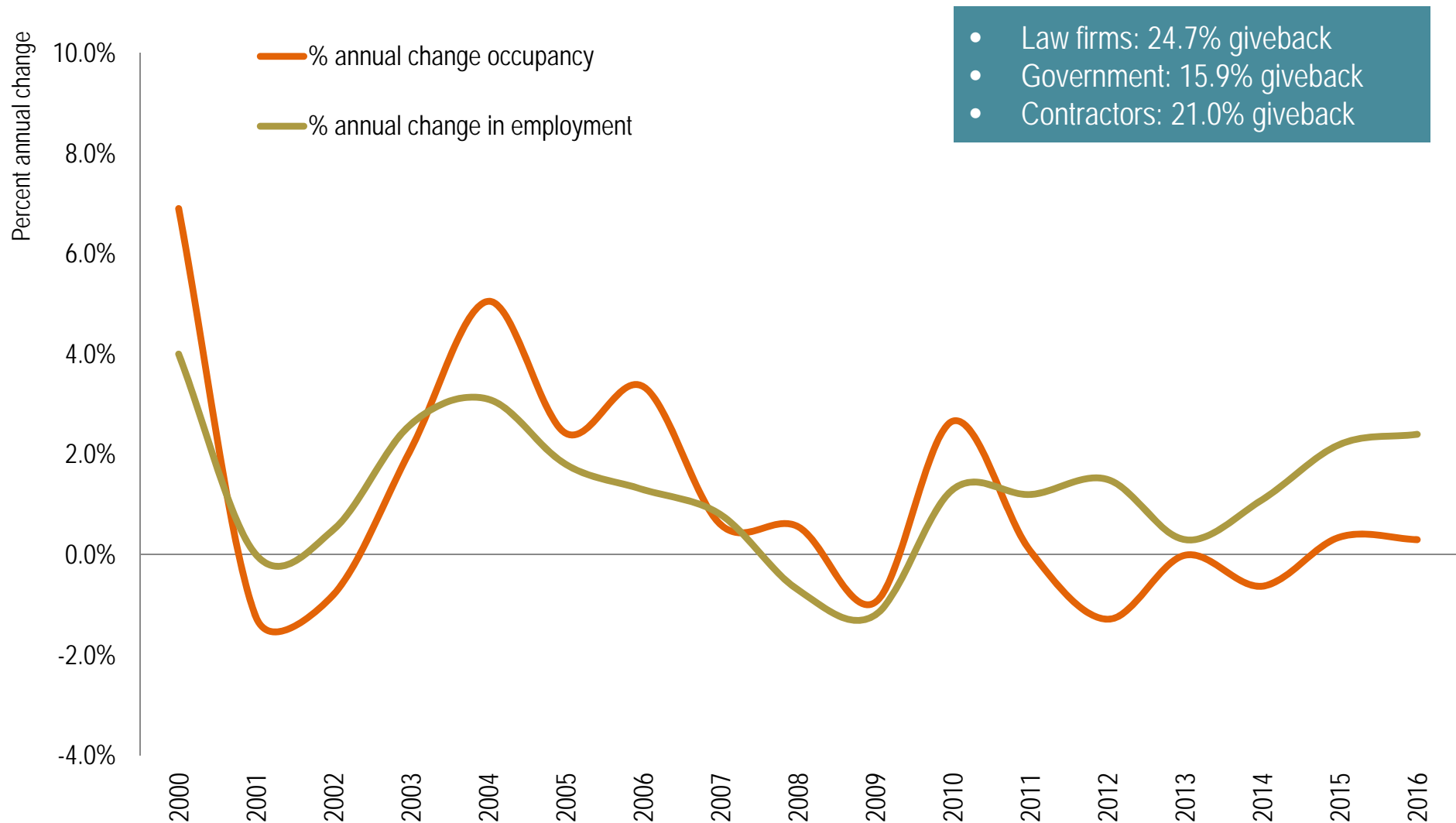


# Pop in law firm employment overshadows recent growth in tech and life sciences; federal employment steadily increasing



Source: JLL Research, Bureau of Labor Statistics

# Challenge ahead: minimal office occupancy growth rates



Source: JLL Research, Bureau of Labor Statistics



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