

## Job Growth Defies Constraints, Supporting Rental Demand and Consumer Spending

**Labor demand shows resilience.** Employment growth appears to be gaining momentum after a stronger start to 2026. Employers added 176,000 jobs in May, and upward revisions to the prior two months added another 91,000 roles, pointing to an improving labor market. The unemployment rate held at 4.3 percent in May, staying within a narrow 4.3 percent to 4.5 percent band since mid-2025 and signaling relative stability. Hiring also broadened, with 10 of 14 major sectors adding jobs last month, led by leisure and hospitality, local government, health care and construction. These gains come as more restrictive immigration policy weighs on labor supply growth, making the latest prints more constructive. While headwinds remain, recent trends suggest the labor market may be entering a firmer phase.

**U.S. economy less exposed to oil shocks.** The oil shock from the Iran conflict has not materially weighed on hiring, though uncertainty around the Strait of Hormuz could still pressure business activity. Resilience likely reflects America's reduced reliance on oil imports, lower oil intensity, and a more service-oriented economy. A recent Boston Fed study found that a 33 percent oil shock in the 1970s was associated with a roughly 180-basis-point decline in year-ahead employment growth. In contrast, a comparable shock today would have essentially no national employment impact. That appears consistent with recent hiring momentum and should support commercial real estate demand, particularly multifamily, as elevated interest rates continue to steer newly employed households toward rentals.

**Labor constraints shape job outlook.** Slower labor-force growth may limit the ability to sustain the recent hiring pace. Prime-age employment remains elevated, with the 25- to 54-year-old employment-population ratio near 81 percent, above its post-2000 average of 78 percent. Participation also edged up to about 84 percent in May, indicating that much of the core labor pool is already engaged. Aging demographics and slower immigration are also reducing the flow of new workers. This may reinforce a low-hire, low-fire environment as firms focus on retaining existing staff. For multifamily properties, reduced worker mobility could translate into fewer household moves, supporting already elevated renewal conversions of roughly 57 percent in April and new lease terms near record highs of 13 months.

**AI cuts contrast with rising openings.** Challenger data showed AI was cited in 40 percent of May job cuts, the highest share on record, while BLS data showed job losses in information and financial activities. Still, some firms may be using AI to justify broader cost cuts after prior overstaffing. Software engineering openings rose roughly 10 percent year-over-year in May, and professional and business services openings surged by 600,000 to their highest level since 2023. Rising openings suggest office-using labor needs are shifting, not fading, with potential support for space demand if hiring follows.

**Modest pay gains may limit inflation pressure.** Wage growth has remained contained despite stronger hiring momentum. Average hourly earnings rose 0.3 percent month-over-month and 3.4 percent year-over-year in May, consistent with gradually cooling wage pressures. Steady income gains should support consumer spending, while the moderate pace limits the risk that labor costs add to broader inflation. Uncertainty remains, however, over whether sustained labor demand and slower labor-force growth will eventually push employers to raise wages more aggressively to attract and retain workers.

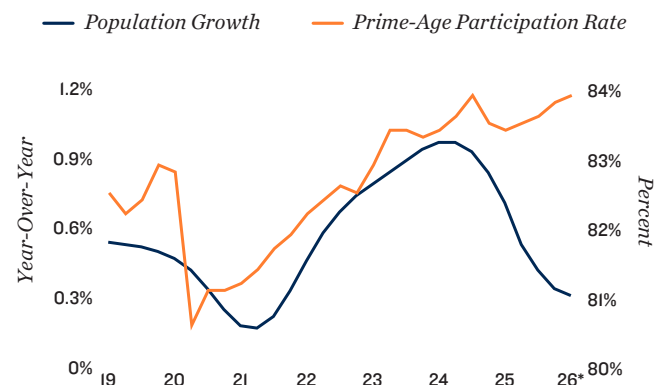
569,000

Jobs Created Year-to-Date through May 2026

4.3%

Unemployment Rate as of May 2026

### Slower Inflows Add Labor Tightness



\* Through 1Q 2026

Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; Challenger, Gray & Christmas, Inc.; Federal Reserve; Moody's Analytics; RealPage, Inc.; U.S. Census Bureau