

RESEARCH BRIEF

EMPLOYMENT OUTLOOK

OCTOBER 2026

Marcus & Millichap

Shifting Workforce Dynamics Contribute to an Evolving CRE Environment

Break-even employment is changing. Demographic and productivity trends are reshaping the pace of hiring required to keep the national unemployment rate stable.

- The U.S. added only **29,000** jobs in September, while downward revisions to July and August removed another **60,000** jobs from previously reported gains.
- The newly published report places year-to-date payroll gains at **612,000**, with Moody's now forecasting **735,000** jobs for full-year 2026 and **645,000** for 2027.
- The labor market has undergone a structural shift, driven by policy changes, lower immigration, and rising worker productivity, which is about **16 percent** above its 2019 level.
- Although payroll gains have been weak compared to pre-pandemic trends, the unemployment rate has remained stable in the **low-4 percent** range as retirements and lower net immigration constrain labor force growth.
- As a result, the economy might need to add only **40,000 to 50,000** jobs per month to sustain the unemployment rate, well below the previous break-even pace of roughly **100,000**.

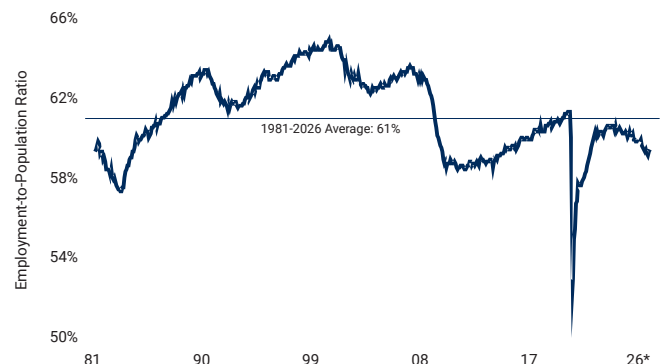
Housing bears more pressure. Multifamily faces greater headwinds from shifting employment conditions, while retail fundamentals have proven comparatively resilient.

- Weaker job creation is weighing on multifamily demand, **reducing household formation** and slowing apartment absorption.
- Domestic migration has also slowed as fewer people relocate for work, **weakening apartment demand** in metro areas that previously benefited from strong job growth and in-migration.
- The slowdown has been **particularly impactful in Sun Belt markets**, where construction scaled alongside strong demand, leaving a supply overhang as net absorption moderated.
- Retail properties have been more resilient, with consumer retail spending up **6 percent** year over year through August and approximately **2.5 percent** after adjusting for inflation.
- Despite healthy retail sales, space demand has weakened, with absorption averaging less than **2 million** square feet per quarter since the start of 2025, compared with more than **6 million** in 2024 and **12 million** in 2019.

Uneven effects across property types. Sector-specific tailwinds and improving supply conditions offer investors avenues to create value amid the changing labor market backdrop.

- Industrial demand has been less sensitive to slower job creation, as **rising e-commerce activity** and tariff-driven changes in **business inventories** have played a larger role in shaping the segment's space demand.
- Office-using employment has declined by nearly **325,000** positions over the past two years, yet the sector has generated roughly **185 million** square feet of positive net absorption.
- Return-to-office momentum has helped offset employment losses, with office visits at **64 percent** of prepandemic levels, up from **58 percent** in the second quarter of 2024.
- Across commercial real estate, weaker hiring will weigh on space demand, although **property- and market-specific factors** may counter some of the impact.
- At the same time, a construction pullback should help **limit the risk** of a broader supply-demand imbalance.
- With job creation providing less support for new absorption, near-term revenue growth will increasingly depend on **operational efficiency, economies of scale, value creation, and expense control**.
- Longer term, reduced construction and an eventual acceleration in payroll growth could strengthen property performance, benefiting investors **positioned for the shift**.

DEMOGRAPHIC SHIFTS WEIGH ON WORKFORCE EXPANSION



* Data through September

Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Federal Reserve Bank of St. Louis; Moody's; Placer.ai; RealPage, Inc.; U.S. Census Bureau