

### Slowing Job Creation Shifting Perspectives on Space Needs

**Employment growth is weakening.** Although the economy continues to expand at a moderate pace, job creation has moderated along with labor force participation.

- An estimated **178,000 positions** were added in March, the strongest monthly figure since December 2024, assuming the Bureau of Labor Statistics does not revise the number down.
- Employers created an average of **22,000 jobs** per month during the year ended March, compared to a mean of **122,000** new roles per month in 2024 and **210,000** in 2023.
- Fewer sectors are hiring, with most of the recent job creation **focused in health care**. There have also been nominal gains in local government, accommodations, food services, arts, entertainment, and financial services.
- The unemployment rate, meanwhile, has been relatively stable at **4.3 percent** in March, largely due to a 60-basis-point year-over-year drop in labor force participation to **61.9 percent**.
- Declines were steepest for those over age 55 or between 20 and 24, where rates decreased by **100** and **140 basis points**, respectively.

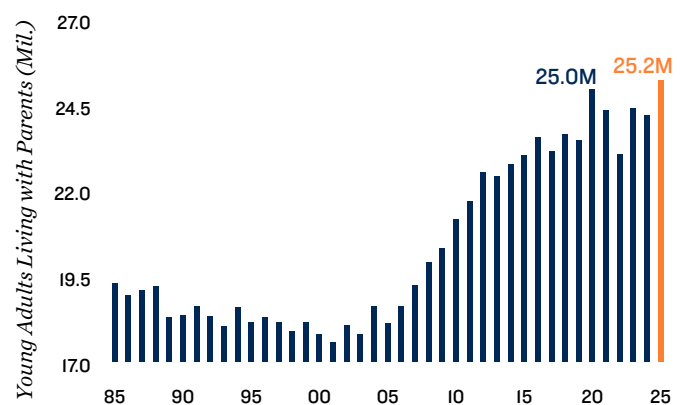
**Labor trends pose significant implications for multifamily.** Slowing job creation and declining workforce participation among young adults have been weighing on renter demand.

- Net absorption in the first half of 2025 averaged **191,000** apartments per quarter, before slowing to **35,000** units in the third quarter, while **40,000** doors were relinquished to end the year.
- The number of young adults living with family has risen to a record high, surpassing even pandemic-era levels.
- History, nevertheless, indicates that when young adults move in with family, it is usually temporary.
- In the two years following the pandemic, the number of young adults living at home declined by nearly **2 million**, contributing to the net absorption of about **665,000** units in 2021.
- As more young adults begin to find career-track jobs, apartment demand momentum could **climb quickly**.

**Office, retail, and industrial properties less affected.** Recent labor market dynamics have had a less noticeable impact on other commercial property types.

- Office space net absorption has been positive for seven consecutive quarters through the end of 2025, with primary markets capturing **53 percent** of that new demand, compared to **20 percent** and **26 percent** in secondary and tertiary metros.
- Over those seven quarters, suburban office space was favored, capturing **63 percent** of total net absorption.
- From a quality perspective, tenants gravitated toward Class A offices, which captured more than **71 percent** of the new space filled, with Class B and C properties participating in the rest.
- The slackening pace of job creation has also had little effect on demand for retail and industrial space, with tariffs a much more immediate consideration.
- After brief dips into negative territory when new tariffs were announced last spring, demand for retail and industrial space increased again in the second half of 2025.
- Overall, recent labor market trends have had the greatest impact on multifamily, although rental demand has not been lost, **just postponed**. Apartment leasing is poised to increase once the job market strengthens.

### Young Adults Living with Family Hits New High



Notes: Young adults are between the ages of 18 and 34. Unmarried college students living in dormitories are counted as living in their parents' home.

Sources: Marcus & Millichap Research Services; U.S. Census Bureau