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Central Florida, Utah Top Metro Job Rankings

Metros in Florida and the western United States once again led the country in employment growth in December as the labor market continues its prolonged expansion.

Central Florida took the top two spots, led by the Sarasota/Bradenton metro, which added 12,300 jobs (4.3%) since December of 2015. Orlando metro, which was at or near top spot in job growth rankings for much of 2016, fell to second with growth of 4.2%.

Top 10 Metropolitan Statistical Area	Y-O-Y Job Growth
North Port-Sarasota-Bradenton, FL	4.3%
Orlando-Kissimmee-Sanford, FL	4.2%
Boise City, ID	3.9%
Provo-Orem, UT	3.9%
Seattle-Bellevue-Everett, WA	3.7%
Durham-Chapel Hill, NC	3.7%
Spokane-Spokane Valley, WA	3.6%
San Jose-Sunnyvale-Santa Clara, CA	3.5%
Salt Lake City, UT	3.5%
Deltona-Daytona Beach-Ormond Beach, FL	3.4%

Sources: U.S. Bureau of Labor Statistics, Current Employment Statistics and Moody's Analytics

In the West, job growth has remained concentrated in the same states for much of the past year, namely Washington and Utah. Provo-Orem (3.9%) and its northern neighbor Salt Lake City (3.5%) both made the top 10 for year-over-year job growth in December among the 100 largest metros, with the professional and business services sectors fueling much of the growth in both metros. Remarkably, both metros have unemployment rates lower than 3%, according to the latest figures released by the Bureau of Labor Statistics. This shouldn't come as too much of a surprise considering these two metros are the population centers of a state that has consistently topped lists for both population growth and business-friendly climates over the last half decade.

The robust employment growth has helped to produce healthy rent growth, according to Yardi Matrix. Apartments in Salt Lake City have consistently generated between 5-7% rent growth in 2016 and into the first month of 2017. This rent growth would likely be higher if new multifamily supply had not kept up with employment growth. In the four years between January 2013 and year-end 2016, the number of jobs in the two metros increased 13.6% while total apartment stock grew 17.4%.

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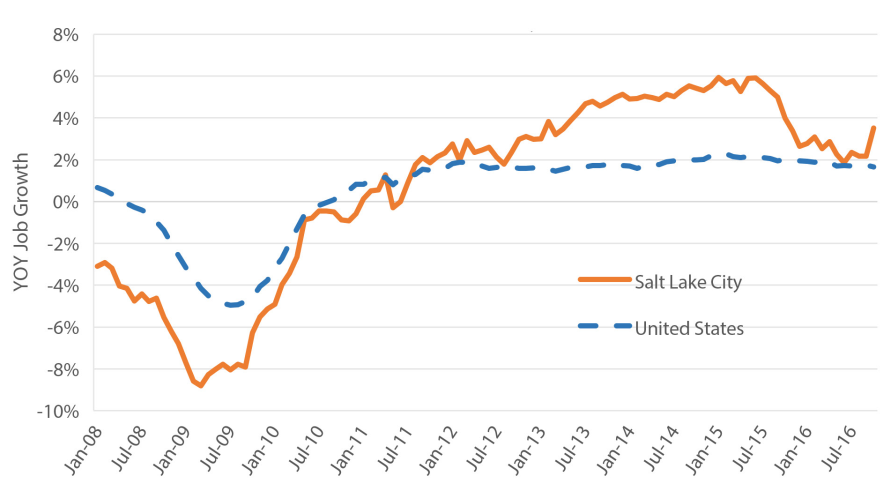
The minuscule unemployment rate and continuing population growth will be vital for both metros going forward, and demand for multifamily housing and office space is likely to remain healthy. It appears that future demand for multifamily housing has been anticipated by developers. Some 8,000 units are now under construction, which would add 9.4% to the local stock, and more than 12,000 are in some form of planning stages.

Total Nonfarm YOY Employment Growth



Sources: U.S. Bureau of Labor Statistics, Current Employment Statistics and Moody's Analytics

Utah isn't the only state in the country that is seeing unemployment well below what economists consider the "natural level." Nationally, 69 of the 100 largest metros are at 5% unemployment or less and all but seven of those 100 largest metros sit under 6%. As a majority of MSAs around the country fall below the natural level of unemployment, the focus will continue to shift from "can workers find jobs" to "can workers find good jobs." Many economists believe that the United Sates economy, while nearing historic lows in the unemployment rate, isn't maximally employing many of its workers. Thus, the emphasis on underemployment and wages will become more prominent in the following months.

The most recent underemployment figures continue to illustrate a labor market that is slowly but steadily returning to its pre recessionary levels. The gap between U-6, the broadest measure of unemployment, and U-3, the traditional measure that receives the lion's share of the media attention has continued to shrink in recent month but still hasn't fallen to the level seen before the Great Recession. The gap between the two measures sat at or below 4 percentage points before 2008 and jumped to 7 percentage points during the recession, slowly shrinking during the recovery. The gap in December was 4.5 percentage points, the lowest level since June 2008.

Likewise, wage growth has recently increased but at a slower pace than many would prefer. After a slight dip in wages in November, wages rebounded nicely in December with average hourly earnings increasing ten cents to $26.00, a number that represents a 2.9% year-over-year increase. After years of stagnant wages this steady wage is welcome news. Increased wages for workers can lead to higher rents for multifamily and more activity in the struggling retail sector.

—***Justin Dean***, *Market Analyst*