Economic Update

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1. MARCH EMPLOYMENT REPORT

- According to the Bureau of Labor Statistics (BLS), US employers added 178,000 new payrolls in March, well above the Wall Street estimate of 59,000. The latest numbers follow a downwardly revised decline of 133,000 in February.
- The unemployment rate ticked down to 4.3% while the labor force participation rate fell to 61.9%, its lowest since December 2021. Together, these data suggest that the decline in unemployment partly reflects workers who have stopped looking for work, in addition to improved hiring.
- Health care led the rebound (+76,000); however, the numbers were largely boosted by the return of about 35,000 physicians' office workers from a strike.
- Construction followed with the second-largest gain in March (+26,000) jobs, but employment in the sector has been little changed over the past year. Following closely behind were gains in Transportation and Warehousing (+21,000) and Social Assistance (+14,000).
- Average hourly earnings rose 0.2% month-over-month (+3.5% YoY) to $37.38.

2. JOB OPENINGS AND LABOR TURNOVER

- According to the latest Job Openings and Labor Turnover Survey (JOLTs) by the BLS, job openings fell 358,00 to 6.9 million in February 2026, the largest single-month decline since September 2024. The job openings rate stands at 3.9%.
- Hires fell to 4.8 million in February, down 498,000 from January. The hiring rate dropped to 3.1%, its lowest level since April 2020 and matching levels last seen in the years following the Great Recession.
- Quits were little changed at 3.0 million, and layoffs and discharges were unchanged at 1.7 million, suggesting that while employers are pulling back on hiring, large-scale terminations are still not materializing.
- The ratio of jobs available per unemployed worker is down to 0.91, sharply down from the historic highs of 2022 and below pre-pandemic levels.

3. FED DEBATES RATE PATH

- According to the minutes from the FOMC's March 17–18 policy meeting, participants acknowledged that

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the Iran conflict had placed simultaneous upward pressure on inflation and downward pressure on growth and employment. It could limit the committee's ability to act decisively in either direction.

- Most FOMC participants viewed risks to the employment side of the mandate as being skewed to the downside. Many cautioned that, in the current environment of low net job creation, labor market conditions appeared vulnerable to adverse shocks.
- The minutes revealed an active internal debate over the rate path. Some participants judged there was a strong case for a two-sided policy description, reflecting the possibility that rate increases, not cuts, could be appropriate if inflation remained persistently above target. Fed Chair Powell confirmed that the possibility of a hike came up at the meeting, though most participants did not view it as their base case.
- The median dot plot continues to imply a single 25-basis-point cut in 2026. With a divided committee, an unresolved oil shock, and a softening labor market, the timing of any policy adjustment remains highly data dependent.

4. LOGISTICS MANAGERS INDEX

- The Logistics Managers Index (LMI), a key leading indicator for Industrial real estate demand, rose to 65.7 in March 2026, up 4.2 points from February's reading of 61.5 and the highest level of expansion since May 2022. A reading above 50.0 indicates expanding activity.
- Transportation prices surged to their highest level since March 2022, driven in part by the onset of the Iran conflict and the resulting constraint on global oil supplies. Transportation capacity continues to contract, falling 1.8 points to 39.2.
- Inventory levels expanded slightly faster than last month, rising 1.0 point to 54.8, while inventory costs climbed 8.4 points to 76.2, the highest reading since August 2025. Warehousing Capacity contracted, driving warehousing prices higher.
- The LMI researchers note that while the March 2026 spike bears similarities to March 2022, when Russia's invasion of Ukraine led to a roughly 10% contraction in global oil supplies, today, the inventories are relatively lean.
- As a result, the risk of a prolonged demand hangover as geopolitical conditions stabilize would likely be

limited, supporting a faster potential rebound in industrial leasing activity.

5. INDUSTRIAL SPACE DEMAND

- In its latest Industrial Space Demand Forecast, NAIOP suggests that demand during the second half of 2025 strengthened and is expected to continue to do so in the coming quarters.
- Industrial net absorption totaled 128.7 million square feet during the second half of 2025, rebounding from a weak first half that included negative net absorption during the second quarter.
- NAIOP projects that net absorption will reach 154.8 million square feet during the first half of 2026 and 345.9 million square feet by the end of the year as economic conditions stabilize and occupier confidence improves.
- Current demand is being supported by continued growth in consumer spending and e-commerce. Retail sales remain resilient, while inventories—though climbing more slowly than a year ago —continue to grow.
- While occupiers are increasingly seeking to use inventory more efficiently than during the height of the pandemic, inventory growth remains a positive sign for industrial building owners.

6. RETAIL SALES

- According to the latest data from the Census Bureau, retail and food services sales rose 0.6% in February, its strongest monthly performance in seven months.
- The rebound follows a downwardly revised 0.1% monthly decline in January, while year-over-year sales are up 3.7%.
- Sales climbed across nearly every category in February, rising most sharply at department stores (+3.0%), health and personal care shops (+2.3%), and clothing retailers (+2.0%). Motor vehicle and parts dealers added 1.2%, while sales at non-store retailers rose 0.7%.
- Grocery stores and furniture retailers were the only categories to decline in February, both falling 1.0%.
- The retail "control group", which strips out autos, gasoline, building materials, and food services and is used for GDP calculations, rose 0.5%, above the expected 0.3% gain.

7. INFLATION-ADJUSTED SPENDING

- According to recently released data by the Bureau of Economic Analysis, inflation-adjusted personal spending rose 0.1% month-over-month in February, following flat growth in January.
- Goods spending partially recovered, up 0.2% month over month after a 0.7% decline in January.
- The monthly rebound in goods spending was mainly driven by a 4.3% rebound in motor vehicle and parts purchases following a -4.2% decline in January.
- Still, households remain cautious about spending amid high inflation. Other durables were weak, while non-durable goods spending fell for the third consecutive month, down 0.2%.
- Services spending also slowed, rising just 0.1% month-over-month compared to 0.3% in January, reflecting softer demand for housing, utilities, healthcare, recreation, and financial services.

8. LIFE SCIENCE DEVELOPMENT SLOWS

- A surge in Life Sciences development across the US in recent years has created a significant supply-demand imbalance, as explored in a recent piece in the Boston Real Estate Times.
- Between 2020 and 2025, nearly 60 million square feet of lab space was delivered across 11 major Life Sciences markets, according to the analysis. Annual deliveries more than tripled over this period, from approximately 4.5 million square feet in 2020 to 14.5 million square feet in 2025.
- The oversupply is acute. By some estimates, over 70% of the 14.5 million square feet delivered in 2025 remains vacant.
- Since 2023, 34 life sciences properties have been completed without a single tenant, underscoring the scale of the current correction. Boston-Cambridge and the San Francisco Bay Area, the sector's two dominant hubs, are among the most affected markets.
- The current environment reflects speculative construction launched during the pandemic, when demand for lab space far outpaced supply. Some developers built without securing tenants in advance, and many projects have since been delayed, repurposed for alternative uses, or abandoned altogether.
- Despite near-term headwinds, the long-term outlook for life sciences real estate remains positive, supported by continued scientific advancement and a substantial pipeline of newly built, high-quality lab

space positioned to absorb demand as market conditions stabilize.

9. DELINQUENCY RATES

- According to Trepp, the CMBS delinquency rate rose 41 basis points to 7.55% in March, reversing a decline during the previous month.
- Roughly 40% of the newly delinquent loans in March were considered performing, matured balloon loans just one month prior. The report characterizes this development as a sideways delinquency trend, in which loans mature, go delinquent, cure, and then delinquency recurs.
- Four of the five major property types tracked by Trepp saw delinquency rates increase.
- Lodging posted the largest monthly increase, rising 137 basis points (bps) to 7.31%. It was its first time about 7.0% since April 2025.
- Office delinquencies rose 51 bps to 11.71%, maintaining its elevated level established over the past year but remaining below a recent high in January of 12.34%.
- The Retail delinquency rate rose 32 bps to 6.62%, rising from February's recent low of 6.30% but remaining below the elevated readings registered in 2024 and early 2025.
- Multifamily rose 30 bps to 7.15% while Industrial dipped slightly to 0.65% from 0.67% in February.
- The share of loan balances in the 30-day delinquent bucket stands at 0.26%, roughly unchanged from February (0.25%).

10. REMOTE WORK TRENDS

- According to a recent Chandan Economics analysis of US Census Bureau American Community Survey data, remote work levels have declined meaningfully since their 2021 peak, but the pullback has been concentrated in the nation's largest office-centric metros.
- New York, Washington, D.C., San Francisco, Los Angeles, and Chicago have recorded the five largest absolute declines since 2021, according to the findings. Despite this, all five metros still rank as the largest hubs for remote workers in 2024, reflecting both scale and retrenchment.
- Meanwhile, seven of the ten largest increases in remote work since 2021 occurred in Florida metros, with the full top ten composed entirely of markets in Florida, North Carolina, and South Carolina.

- The data suggests that remote work is not disappearing, it is redistributing. Large, legacy office metros and declining work-from-home reflect normalized labor market conditions alongside renewed employer pressure to return to the office.
- Meanwhile, in Sun Belt growth markets, remote work gains appear more durable, shaped by migration, affordability, and lifestyle preferences.

SUMMARY OF SOURCES

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