Big City Job Growth Expected To Slow, Construction Workers Remain in High Demand, Mortgage Rates Rise

By Lou Hirsh

Big City Job Growth Expected To Slow

Most of the nation's largest metropolitan regions are expected to see positive though muted employment growth over the next four years, with a number of them struggling for the rest of 2023 when it comes to office-based jobs, according to analysts at Oxford Economics.

The research firm's latest regional projections anticipate the highest annual growth through 2027 for big cities in Sun Belt states including Texas, Arizona and Florida, and the lowest rates for those in the Midwest and along the East Coast. The annual average job growth rate for the 50 largest cities tracked by Oxford is estimated at just below 1%, with projections ranging from 0.2% for Detroit to 1.8% for Austin, Texas.

Analysts said most cities will continue to see job declines for the rest of 2023 in industries that are most dependent on office settings, including information technology, financial and real estate services, and other types of business support services. But most large cities should see steady recovery in office-based employment starting in the latter half of 2024 and running through the end of 2027, with potential exceptions for information tech jobs.

"The information sector has and will continue to bear the brunt of job losses in 2023," Oxford researchers said in a statement. Analysts said Los Angeles, New York, Chicago, San Francisco, Washington, Boston and Miami have incurred some of the heaviest losses so far this year, though "most but not all are forecast to recover information jobs by 2027."

Oxford researchers said most large metropolitan regions posted healthy job growth in their retail and hospitality industries in the first half of 2023, but retail jobs are expected to see moderate declines in this year's second half and early 2024. Nearly half of the 50 large regions tracked by Oxford are projected to see no retail job growth through 2027, but all are expected to post substantial growth in leisure and hospitality.

The projections come as the Labor Department reported Friday that the nation's unemployment rate was 3.6% in June, down from 3.7% in the prior month and remaining low by historical standards. The government said the U.S. added 209,000 nonfarm payroll jobs as employment continued to edge up in categories including government, healthcare, social services and construction.

Construction Workers in High Demand

The latest Labor Department numbers showed construction companies and developers adding

23,000 jobs in June as the industry's unemployment rate fell to its lowest for any June on record, according to an analysis of the data by the Associated General Contractors of America Trade Group.

"There was no letup in demand for construction workers in June, while the supply of available workers remained exceptionally tight," said Ken Simonson, the association's chief economist, in a statement. "Both residential and nonresidential construction are expanding despite concerns about overall economic growth and inflation."

Seasonally adjusted June construction employment totaled more than 7.9 million, up 0.3% for the month and a 2.6% rise from a year earlier as the industry added 198,000 jobs during the past 12 months. Non-residential construction added 12,200 jobs for the month, with residential building adding 10,800.

The trade group said the unemployment rate among jobseekers with construction experience was 3.6% in June, down from 3.7% a year earlier and the lowest June rate in the 24 years of available data. Many construction firms are struggling to find qualified candidates to fill some positions, even as average hourly earnings for production and nonsupervisory employees rose 5.7% over the past year to $34.09 in June.

National Association of Home Builders Chief Economist Robert Dietz said attracting skilled labor will remain a key objective for construction firms in coming years. "While a slowing housing market will take some pressure off tight labor markets, the long-term labor challenge will persist beyond the ongoing macro slowdown," Dietz said in a statement, noting the housing market remains underbuilt relative to national demand.

Mortgage Rates Rise

Mortgage rates reached their highest levels of 2023 in the week ended July 6 despite a recent decline in the national inflation rate, Freddie Mac reported.

The government lending agency's national survey of lenders found 30-year, fixed-rate mortgages averaging 6.81%, up from the prior week's 6.71% and well above the 5.3% average in the comparable week of 2022. The average for 15-year, fixed-rate mortgages was 6.24%, higher than the previous week's 6.06% and the year-earlier average of 4.45%.

Analysts have noted that the general rise in interest rates over the past month has brought a decline in mortgage applications, as apartment renters and other prospective homebuyers wait for better financing conditions.

The supply of existing homes available for sale remains limited as many current owners are hesitant to trade their existing low mortgage rates for higher borrowing costs on another home.

"This upward trend is being driven by a resilient economy, persistent inflation and a more hawkish tone from the Federal Reserve," Freddie Mac Chief Economist Sam Khater said in a statement. "These high rates combined with low inventory continue to price many potential homebuyers out of the market."