Job Growth Exceeds Forecasts in September, Real Estate CFOs To Cut 2024 Spending, Mortgage Rates Hit 23-Year High

By Randyl Drummer

Job Growth Exceeds Forecasts in September

The U.S. economy added jobs last month at the highest rate since January, defying economists' expectations of a hiring slowdown in the face of multiple interest rate hikes by the Federal Reserve.

Employers added 336,000 nonfarm jobs in September, nearly double the 170,000 projected by a consensus of economists, as the U.S. unemployment rate remained unchanged at 3.8% in September, according to the Labor Department's latest employment report.

The report followed several months of decreasing job gains, rising unemployment and other signs of an economic slowdown.

The higher-than-expected payroll increase could complicate the Fed's decision whether to raise interest rates again before the end of the year, an Oxford Economics analyst wrote in a Sept. 6 research note.

The Fed has hiked its key lending rate 11 times since March 2022 to cool the economy and reduce inflation.

"The jobs data increase the risk of another rate hike, but we continue to think the Fed will proceed cautiously given the swift tightening of financial conditions," according to Nancy Vanden Houten, the lead U.S. economist at Oxford Economics.

September job gains were concentrated in the leisure and hospitality, government, and wholesale and retail trade sectors, according to a research note from Morgan Stanley analysts.

The hospitality industry added 96,000 jobs in September, more than the average monthly gains of 61,000 over the past 12 months, according to Morgan Stanley.

Real Estate CFOs To Cut 2024 Spending

Commercial real estate industry executives are bracing for overall revenue declines this year that could force companies to further cut expenses and spending in 2024, according to a report from accounting firm Deloitte.

Cutting expenses such as hiring and office space is a top priority for most of the 750 chief financial officers at commercial real estate and investment companies surveyed by Deloitte for its 2024 Commercial Real Estate Outlook.

Financial expectations fell for the second straight year in the survey, with 60% of global respondents prepared for lower revenues in the second half of 2023, compared to 48% last year, according to the survey conducted last summer.

About half of the executives surveyed expected capital costs and availability to worsen through 2024, compared with just under 40% in last year's survey.

"The coming year is expected to be pivotal in firms' ability to recover and build up," according to the report authored by a team headed by Deloitte National Real Estate Leader Jeffrey Smith. "The global real estate industry has an opportunity to start rebuilding on more solid ground."

Mortgage Rates Hit 23-Year High

The average interest rate for a 30-year mortgage reached its highest level since December 2000, another sign that the U.S. housing market will stay soft in coming months, according to the latest survey from Freddie Mac.

The rate for a 30-year, fixed-rate mortgage jumped to 7.49% as of Oct. 5 from 7.31% the prior week, according to the survey. A year ago, the interest rate for 30-year fixed mortgages stood at 6.66%.

The average rate for a 15-year, fixed rate mortgage rose to 6.72%, up from 6.54% the prior week.

"Several factors, including shifts in inflation, the job market and uncertainty around the Federal Reserve's next move, are contributing to the highest mortgage rates in a generation," said Freddie Mac Chief Economist Sam Khater. "Unsurprisingly, this is pulling back homebuyer demand."

Higher mortgage interest rates give further incentive to prospective buyers and sellers to stay on the sidelines until financing conditions improve, Mortgage Bankers Association CEO Bob Broeksmit said in a statement.

"Rates over 7% and low for-sale inventory continue to create affordability challenges for prospective buyers," Broeksmit said. "Until rates start to come back down, we anticipate housing market activity will remain slow."