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Improved Jobs Report Could Signal Holiday Cheer for Commercial Real Estate

Recently the U.S. Department of Labor has released a better than expected jobs report for November which indicates that the U.S. economy may begin adding jobs sooner rather than later. If true this could signal a much needed boost for flagging commercial real estate demand.

2009 has been a rough year for the United States economy and the world economy as a whole with few industries being as hard hit as Commercial Real Estate. The news coming out of the various media outlets has been grim, reporting dire economic forecasts, unprecedented debt, and record setting unemployment rates. There hasn't been much to celebrate – until now.

According to the U.S. Department of Labor's statistics for nonfarm payroll employment in November, American workers lost 11,000 jobs rather than the 125,000 that was originally forecasted. Unemployment as a whole also dropped from a historic high of 10.2% to 10% and job reports data for both September and October have been revised to show that 159,000 fewer jobs were lost than were originally reported. Many economists see these reports as indications that there may be a change in the wind.

Analysts say that the revisions to the job numbers for September and October are important because they may be early indicators of a change in the current U.S. economic cycle. Traditionally the actual employment condition during a dramatic shift, either good or bad, in the economic cycle is often missed due to underreporting. This is an early indication that things may be looking up.

But the jobs analysts were not the only ones to recognize the early signs of economic improvement, the positive jobs report for November also inspired early gains on Wall Street which witnessed the Dow Jones Industrial Average jump 150 points before settling back near even by close.

While these initial indications are good and show life in an economy still struggling to catch its breath, there have yet to be significant job gains in Construction and Manufacturing. In fact, many jobs categories appear to be holding steady. Professional Services seems to be one category on the rise, but many feel that most of the jobs created were temporary.

Historically there is a six to nine month lag between an improving U.S. economy and the demand for commercial real estate, but if these categories see a rise in the jobs report over the next few months, that could signal a resurgence in demand for commercial real estate space and the potential beginning of economic recovery.