



Industry Outlook

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Today's Focus

Labor Market

Economy

Real Estate

August 2026 Labor Market Update

Finally! A solid labor market report.

162k

Monthly Jobs Added

2nd best monthly gain since Dec '24

4.1%

Unemployment Rate

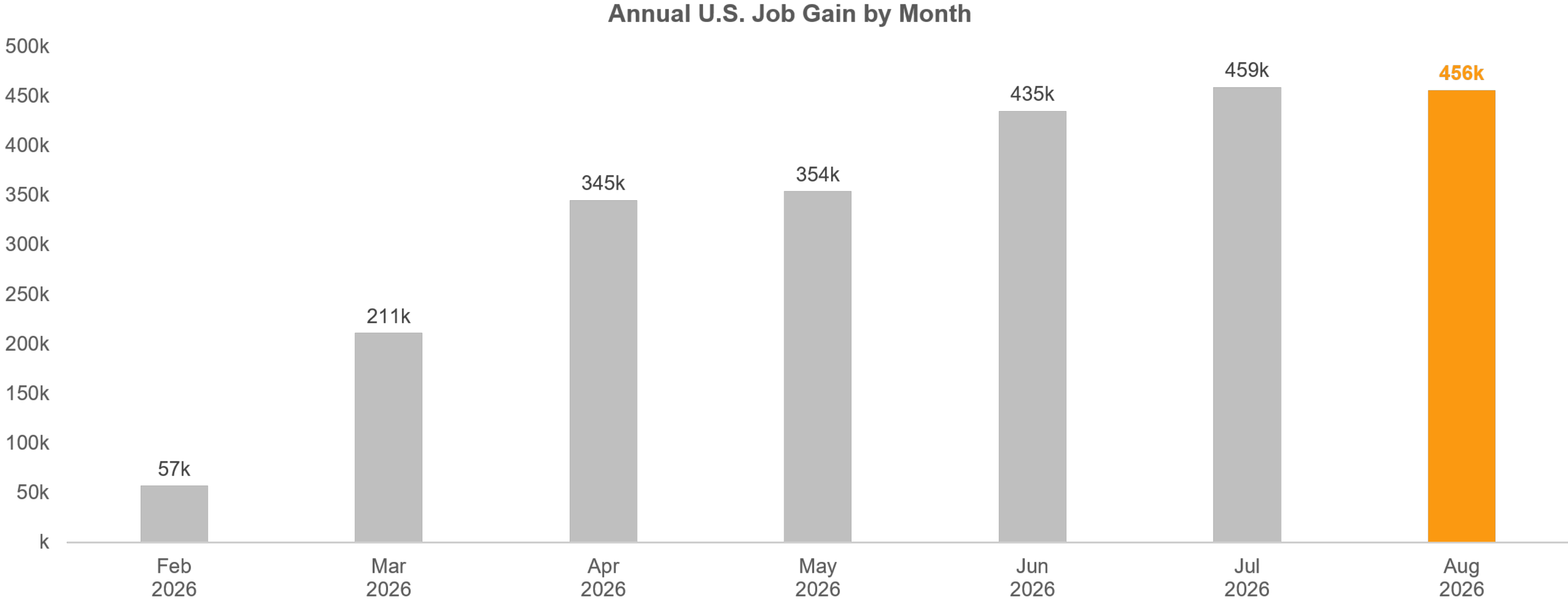
Lowest recorded since Jan '25

3.1%

Wage Growth

Annual growth rate is normalizing

Annual Job Growth Up Since Early '26, but...



Source: U.S. Bureau of Labor Statistics

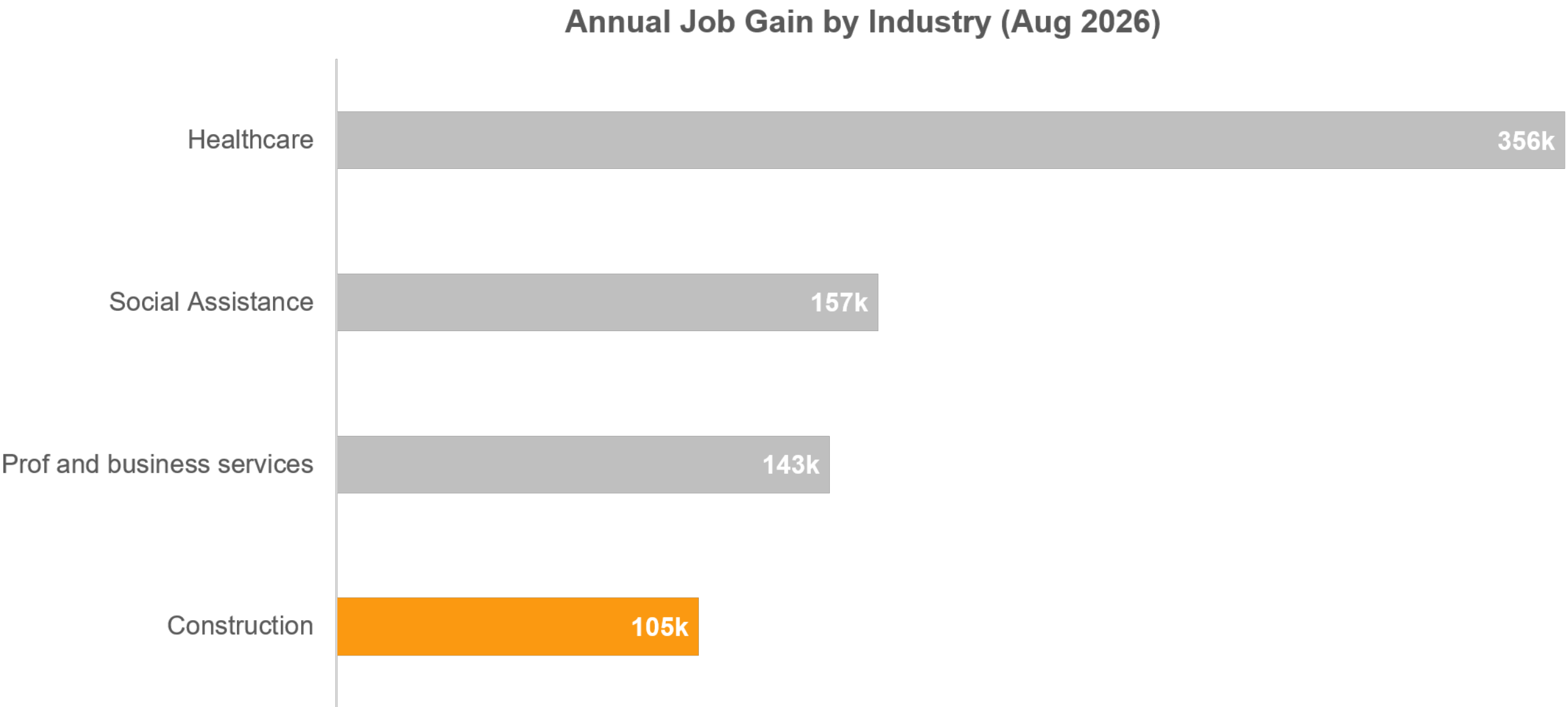
Annual Job Growth is Still Far from Robust



Source: U.S. Bureau of Labor Statistics

Industries Adding the Most Jobs

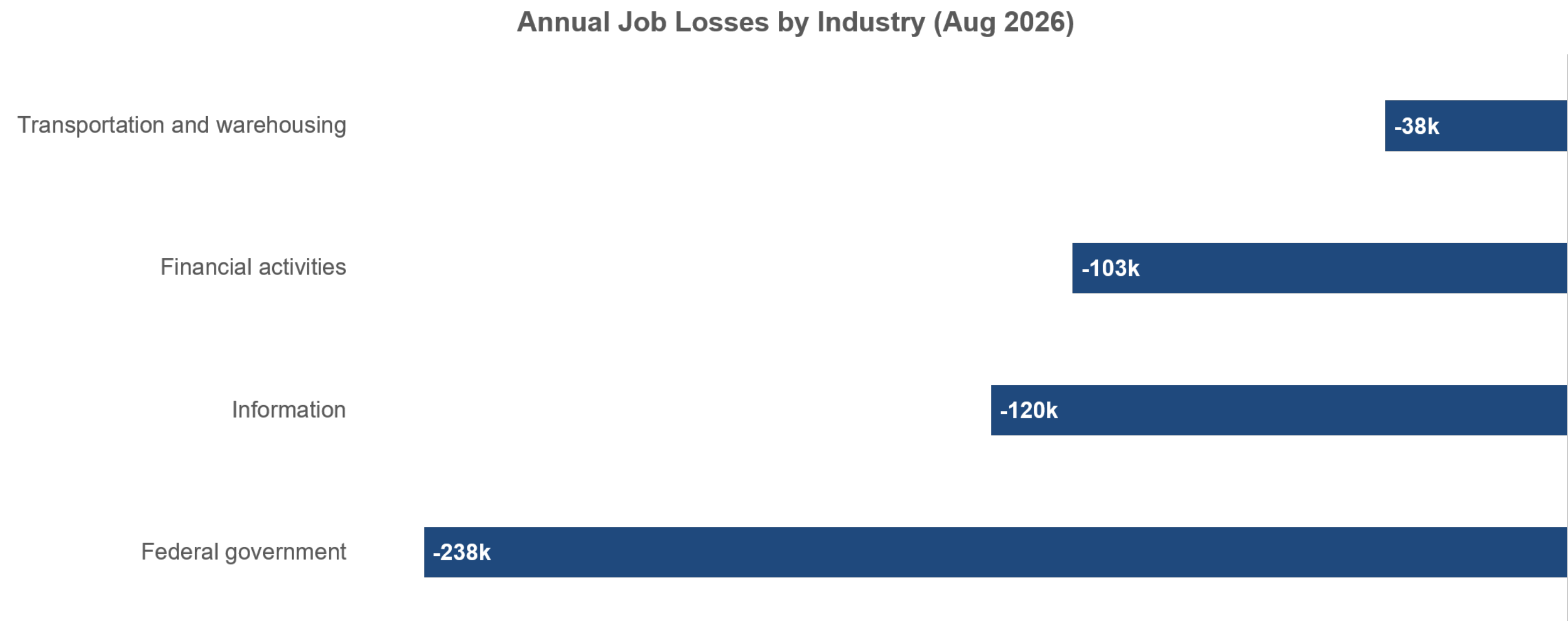
Healthcare dominates, but construction outpaces many core sectors in net hiring volume.



Source: U.S. Bureau of Labor Statistics

Sectors Facing Headwinds

Federal government job cuts continue to be a drag on the macro numbers.



Source: U.S. Bureau of Labor Statistics

Unemployment Rates in Construction

Labor is tight in the construction industry

3.1%

Construction Industry (All)

A full percentage point lower than the
all-industry average

3.0%

Electricians

Plumbers are roughly the same at
3.1% unemployment

1.8%

Construction Managers

Overall management occupations
is also very low at 2.1%

Shrinking Pool of Active Workers



-700k Workers

Net Labor Force Decline YTD

Demographics:

- **Boomer retirements** outpace youth entry by ~200k/yr.

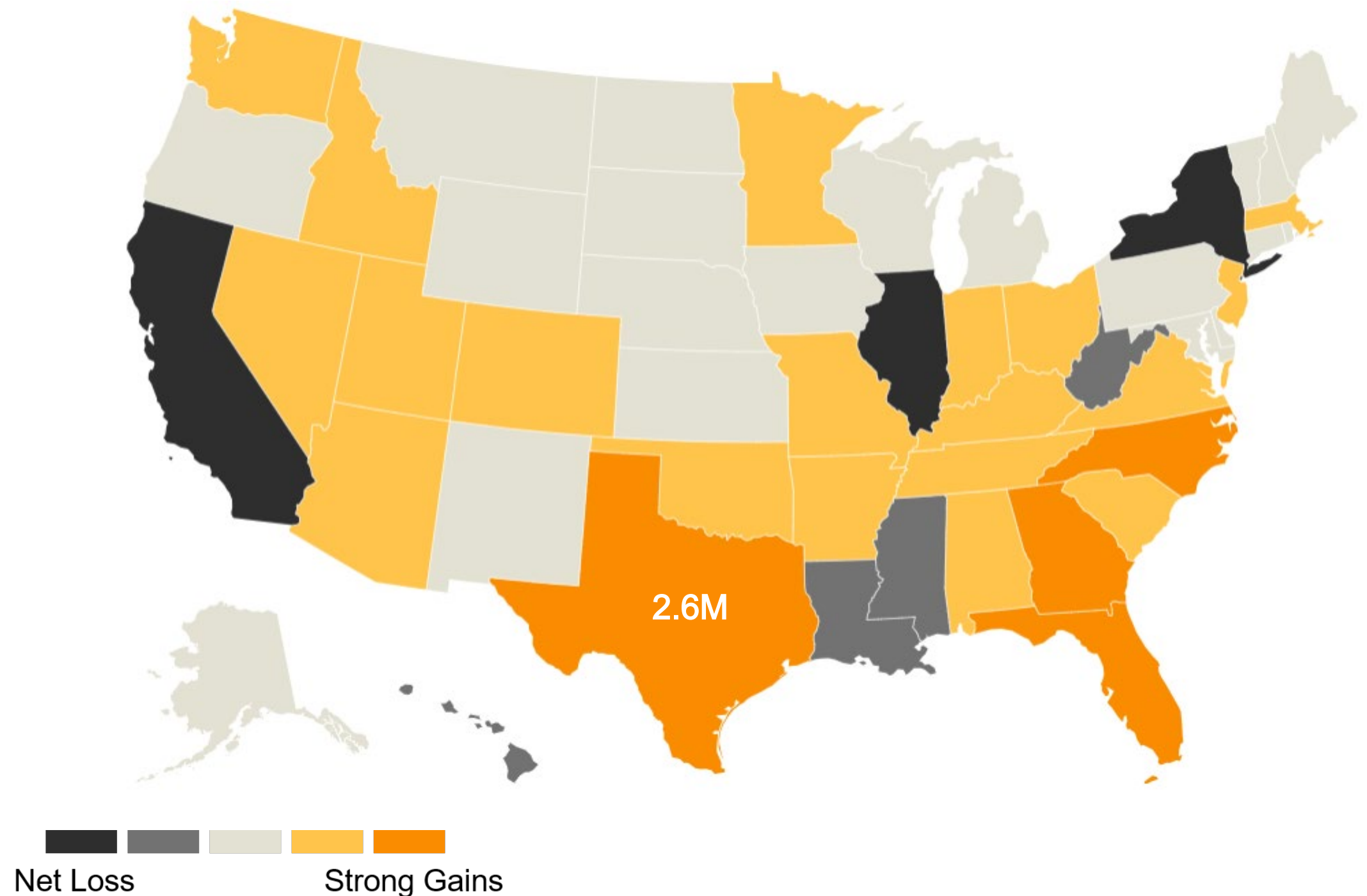
Immigration:

- **Net international migration plunged** from ~2.7M in 2024 to ~321k for 2026.
- **Total foreign-born workers** have dropped ~2M from peak, impacting pipeline for field trade labor.

Labor Challenges for Construction Industry

- **Worker Shortfall:** Associated Builders and Contractors (ABC) estimated the industry needed **~350k** additional workers in 2026 just to balance demand on top of normal hiring. That number grows to **~450k** in 2027.
- **Demographic Exposure:** Roughly **25%** of the construction workers are 55+ (nearing retirement), while **25%-35%** are foreign born – skewing heavily toward field trades.
- **Replacement Bottleneck:** The pipeline to replace retiring workers is weak due to a lost generation from the Great Recession and low domestic interest in field work.

Population Gains by State



Source: U.S. Census Bureau

10.3M

**U.S. Population Gain
(2020-2025)**

- **Southern Dominance:** The South captured 74% of net U.S. growth.
- **Core Growth Hubs:** TX, FL, and NC accounted for > 50% of the gain.
- **Construction Takeaway:** Rapid net migration accelerates demand for critical commercial infrastructure.

Labor Market 10-year Outlook

+5.9M

Net U.S. Job Growth (2025-2035)

Slower Growth: Job growth projected at +3.5% total for the decade (vs. 10.9% in the prior decade).

Demographics Drag: Aging demographics serve as a structural headwind.

Healthcare Dominance

2.2M Jobs
(37% of All Growth)

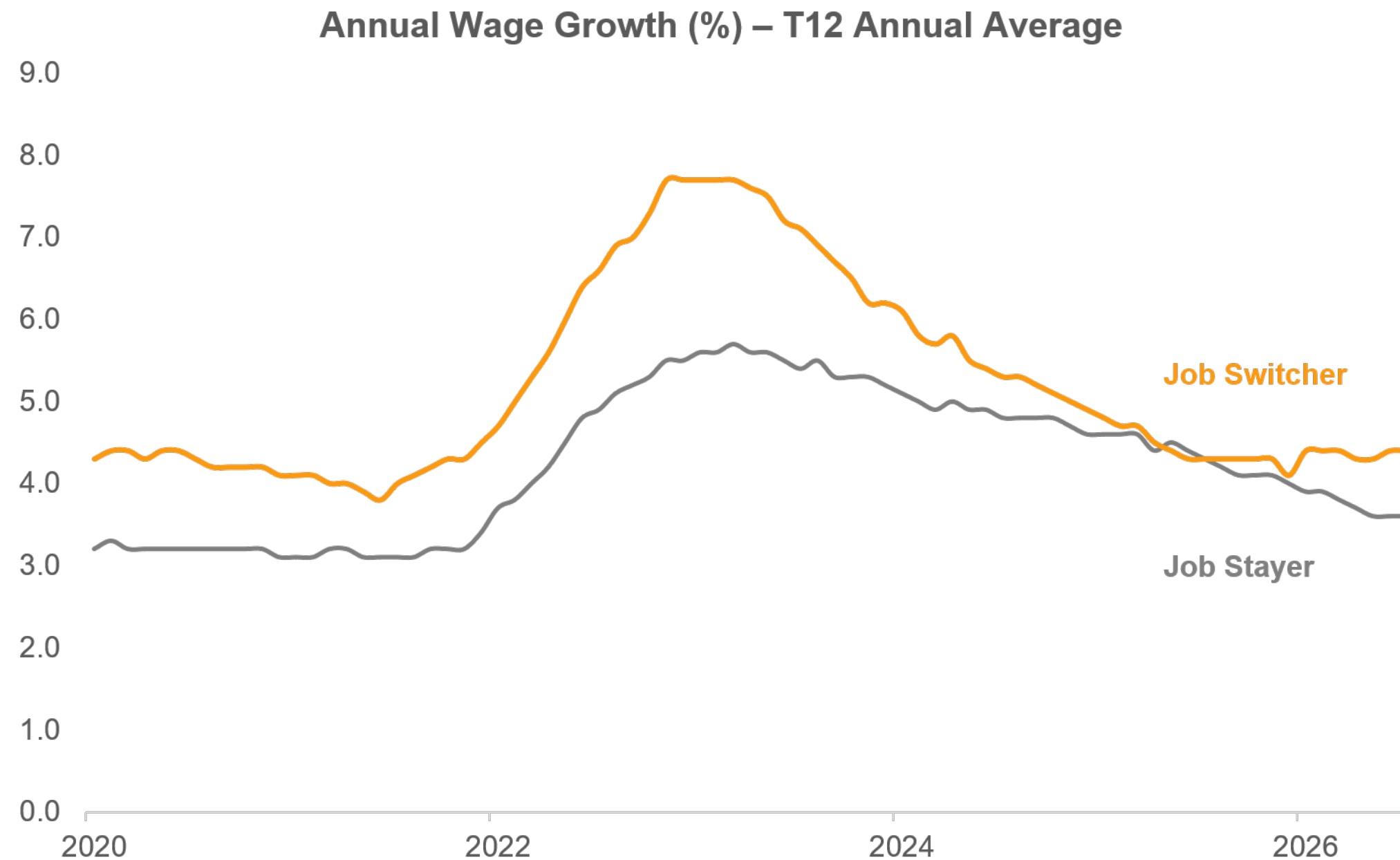
Private healthcare and social assistance will capture nearly 4 out of every 10 new jobs.

Sector Winners & Losers

High-Growth: Utilities, computing infrastructure, data processing, electrical component manufacturing, many tech jobs.

Losses: Federal government and retail trade projected to lose jobs.

Switching Jobs Commands Premium Again



4.5% vs. 3.6%

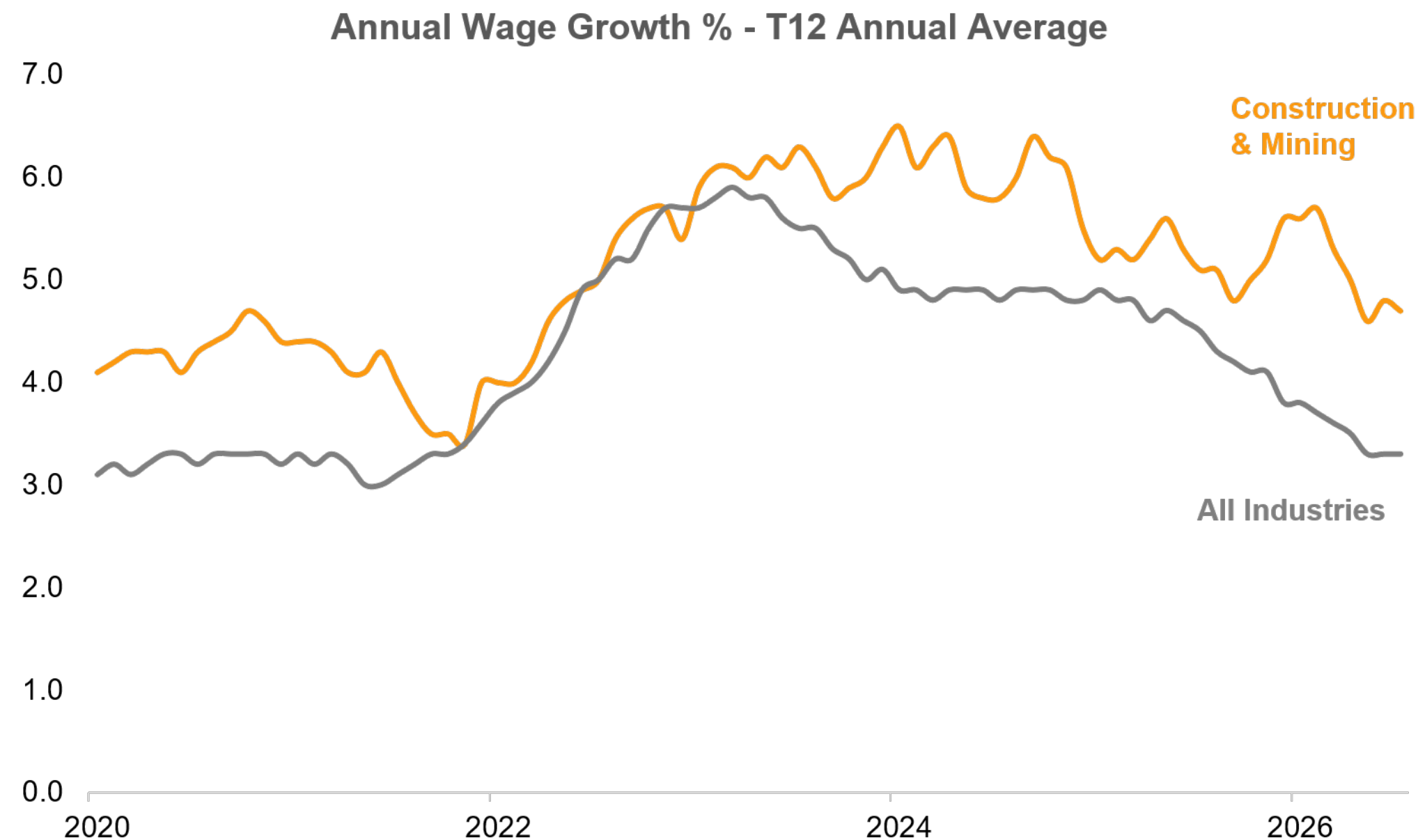
Job Switcher vs. Job Stayer

Positive for Labor Market? A premium for switching jobs can spur employees to seek new roles and thaw the frozen labor market.

Retention Pressure: The quits rate has stabilized, but still near its lowest in a decade. This trend could put more pressure on proactive compensation adjustments.

Inflation Factor: Wages have been moderating as overall inflation has, but if inflation picks up, employees might need to proactively seek jobs with higher pay.

Construction & Mining Wage Growth



4.7%

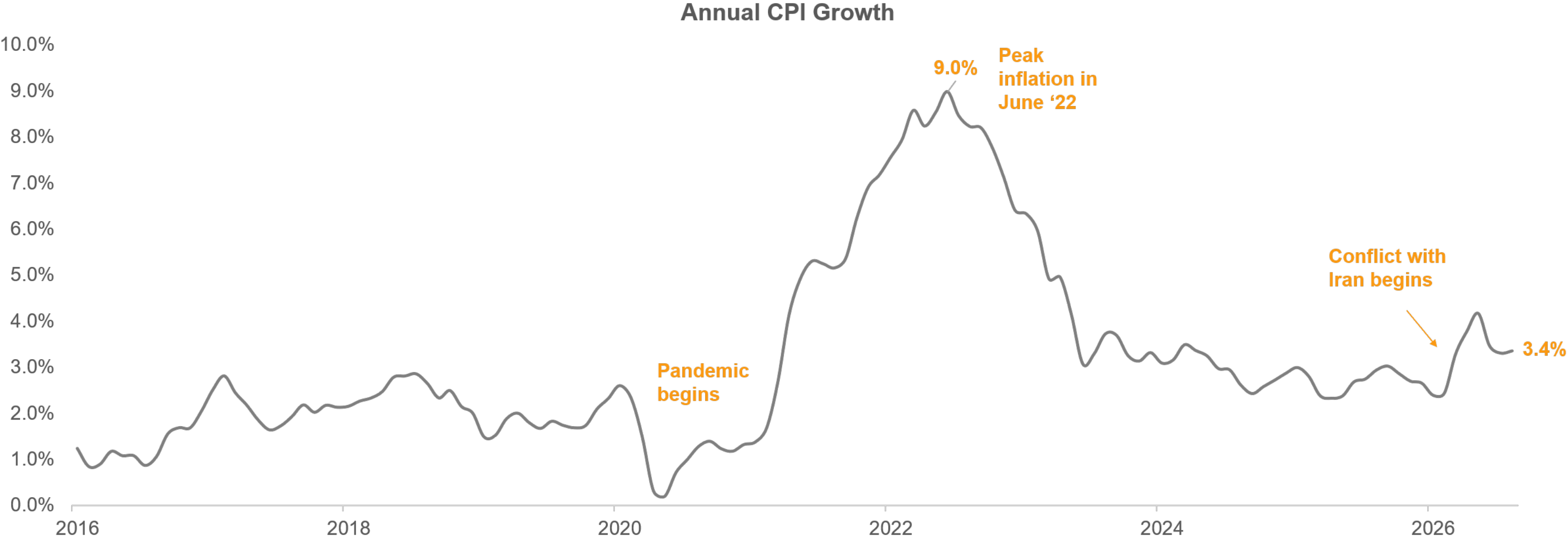
Wage Growth for Construction and Mining

Outpacing National Average: Wage growth continues to run significantly higher than the broader U.S. labor market average.

Unemployment Rate Impact: Trade labor shortages sustain elevated wage pressures even as general economic wages cool.

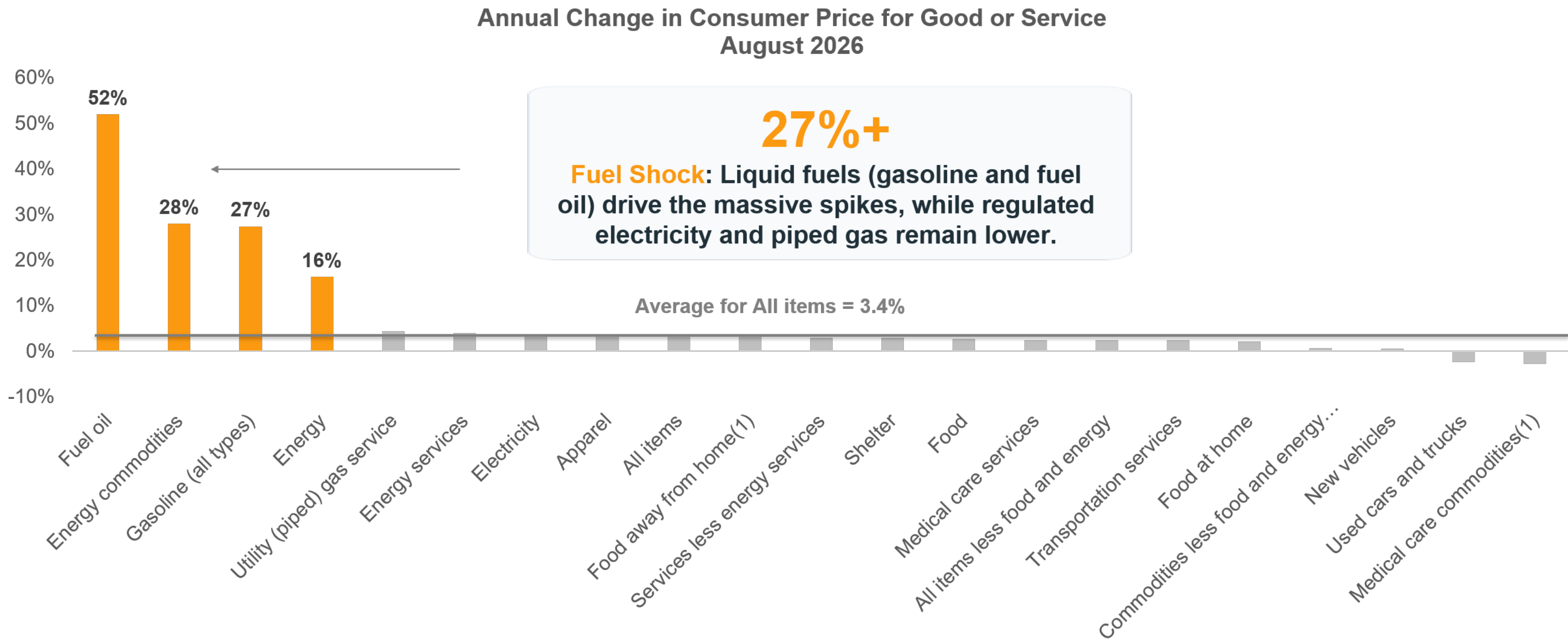
Forward Looking Demand: Labor will remain tight and industry demand stronger than many others. Likely not a lot of relief in the near term.

Consumer Price Index Up Due to Energy



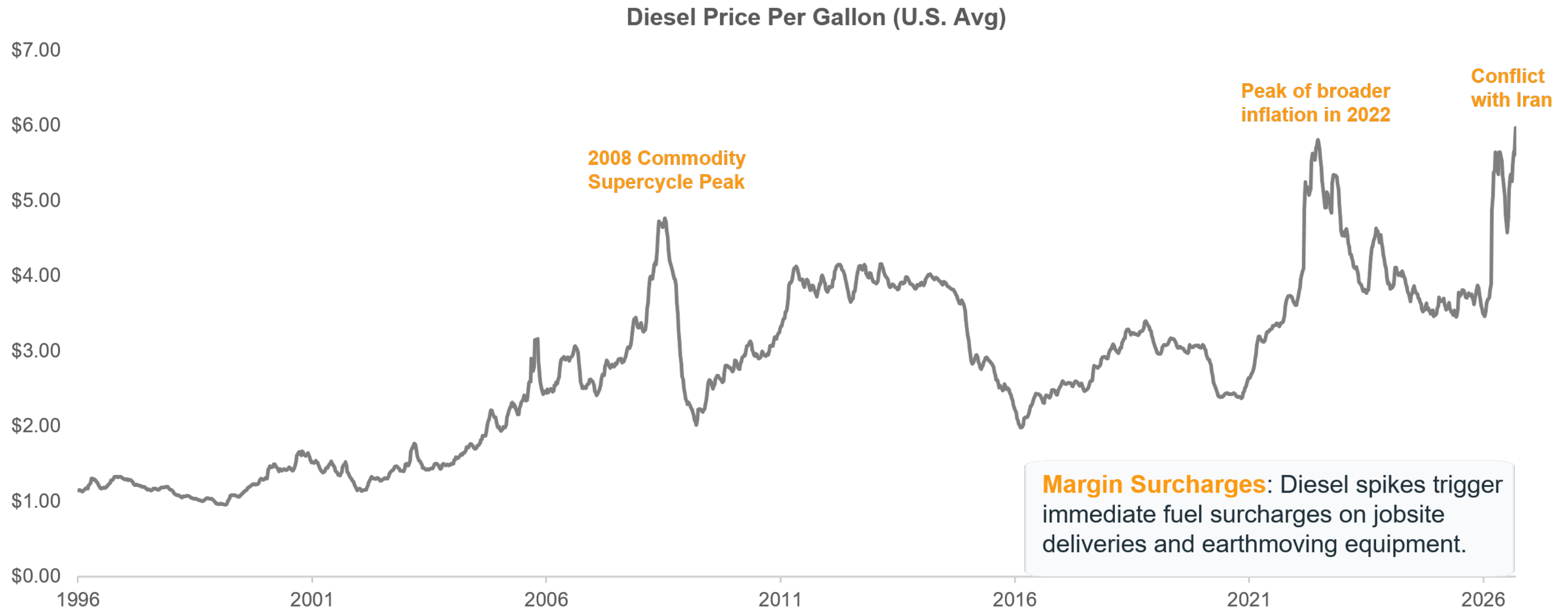
Source: U.S. Bureau of Labor Statistics

Energy is Driving Consumer Price Growth



Source: U.S. Bureau of Labor Statistics

Spike in Diesel Costs Hits Producer Prices



Source: Federal Reserve Bank of St. Louis; US Diesel Sales Price, Dollars per Gallon, Weekly, Not Seasonally Adjusted

New Nonresidential Construction Costs Increasing



Source: U.S. Bureau of Labor Statistics

10-Year Treasury Yield: Higher-for-Longer



Key US 10Y Stats

5.01%
Current Yield
(9/15/26)

4.38%
WSJ Consensus Forecast
(Through 2028)

3.75%
Target Yield to Unlock
CRE Deal Volume

Impact to the For-Sale Housing Market

The industry's headwinds are likely to persist.

6.76%

30-Yr Fixed Rate Mortgage

Had edged down to 5.98% prior to the conflict with Iran.

51.5%

Locked into a Rate < 4%

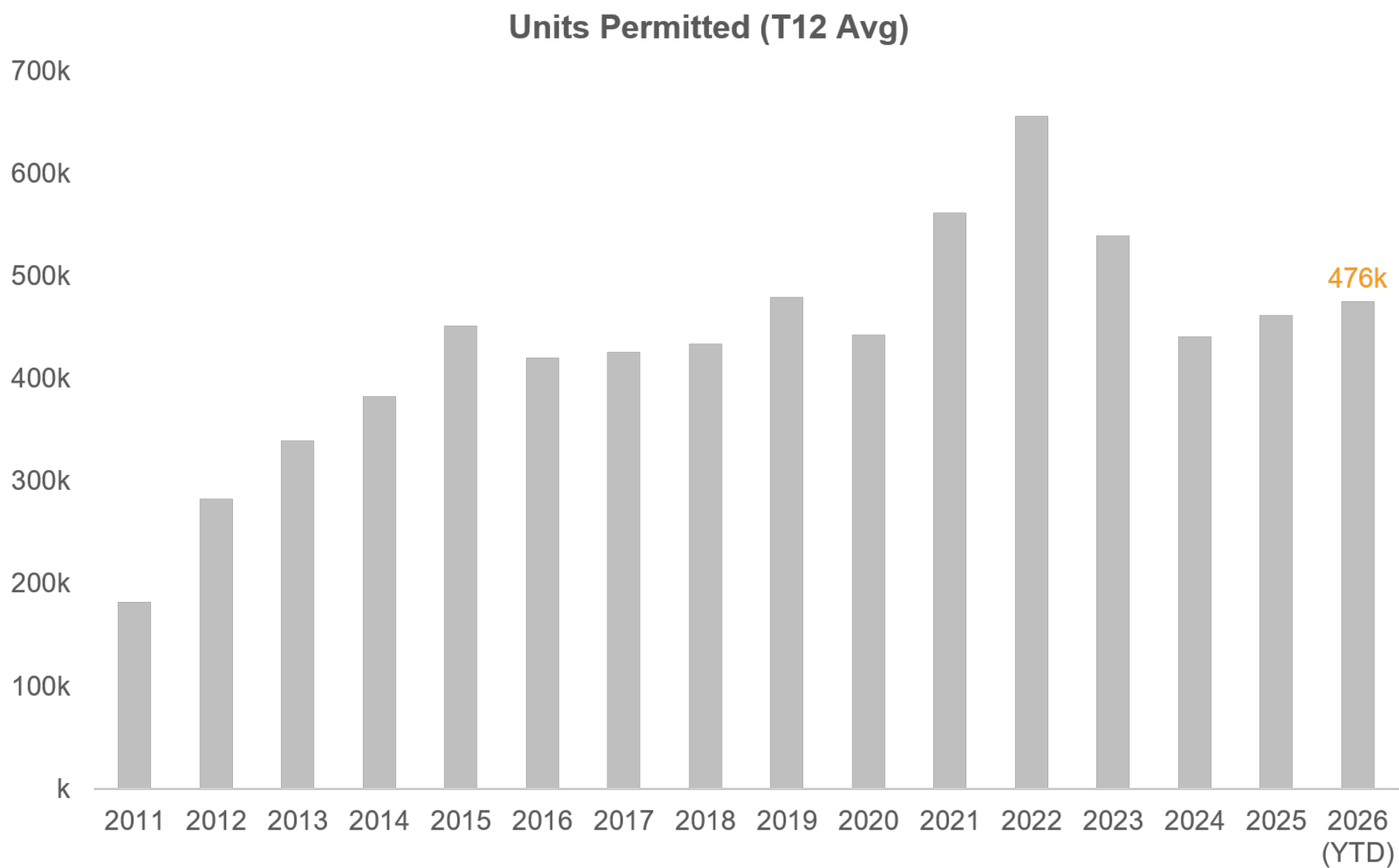
And 69% have a rate under 5%.

Drag on Sectors: Impacts the job market for a variety of industries.

Labor Friction: Limits mobility and regional labor supply.

Outlook: Mortgage rates are likely to remain elevated in the near term.

Multifamily Construction: Normalizing



Past the Peak: Permitting activity has normalized back to pre-pandemic levels after the 2022 high.

Rental Housing Demand: For-sale affordability constraints continue to push demand into rental housing.

Impact: Subcontractors are seeing reduced multifamily volume, freeing up trade capacity for light commercial and institutional projects.

Non-Residential Real Estate: Sector Divergence

Data Centers

80% Preleasing Rate

12 Month Backlog

Outlook: Surging; constrained primarily by utility power delivery timelines rather than capital availability.

Healthcare & Outpatient

9.7% MOB Vacancy

Outlook: One of the most in-demand industries for the next 10 years, driving construction demand. Driven by Sunbelt population growth and Medical Outpatient Buildings (MOB).

Office

18% Vacancy

Outlook: Tech companies are looking to expand their footprint. Minimal speculative groundbreakings, but strong TI retrofits for prime Class A space.

Retail

4.9% Vacancy

Outlook: Multi-year low construction deliveries have led to near-record low vacancy. Flat-to-moderate growth, primarily grocery-anchored centers and fast-casual dining.

Summary

- **Sluggish but positive labor market:** Demographics and immigration policy are weighing on the labor force, both now and into the future.
- **Financing pressure will remain:** Inflation pressures will keep 10-Year Treasury yields elevated compared to pre-pandemic years, holding mortgage rates, cap rates, and borrowing costs higher for longer.
- **Sector divergence:** High demand for data centers and sections of healthcare, more moderate for other sectors relative to recent peaks or historic norms.

Thank You!

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