

### DOGE Efforts Yet to Hit Bottom Line as Private Sector Hiring Supports Real Estate

**Below-average hiring keeps unemployment low.** Approximately 151,000 jobs were created in February, which is up from the 125,000 added the month prior. Hiring was most prominent in the health care sector with the addition of 52,000 positions, followed by 21,000 new roles tied to financial activities. Companies engaged in transportation and warehousing also increased staff counts by 18,000 personnel. While overall employment growth was down slightly from the average 168,000 jobs added per month last year, it was sufficient to keep the unemployment rate at 4.1 percent — up 10 basis points month over month. The measure has stayed between 4.0 percent and 4.2 percent since May 2024, well below the trailing-20 year average of 5.8 percent.

#### Private sector labor strength supports multifamily, retail outlooks.

As the brunt of the Department of Government Efficiency (DOGE)'s workforce reduction efforts came after the February survey, the total number of federal government workers only declined by 10,000 last month. Though a greater drop is anticipated for March's reading, state and local government hiring last year eclipsed federal staff additions by nearly ten to one. Meanwhile, over 75 percent of jobs created in 2024 were in the private sector. Generally tight labor market conditions are expected to mitigate the broader effect of DOGE's job cuts, in turn supporting the economy and commercial real estate more broadly. New demand for apartments, in particular, was at its second-highest level on record last year, while national retail vacancy of 4.5 percent remained near the historic low. Both metrics reflect the benefit of more households bringing home paychecks.

**DOGE actions pose implications for the office sector.** Beyond staff reductions, DOGE aims to cancel about one in ten active federal commercial real estate leases, totaling an estimated 9.6 million square feet. The agency has also indicated it wants to offload government-owned buildings. A list of 400 federally owned properties for potential disposal was briefly made available online. Although these actions would increase both vacant office space and the number of buildings listed for sale nationally, the macro impact would be slight. An additional 10 million square feet of available office space would only raise the national vacancy rate 10 basis points; meanwhile, placing federal buildings on the open market could lead to re-imaginings and better utilization of these spaces.

### Financial Market Trends

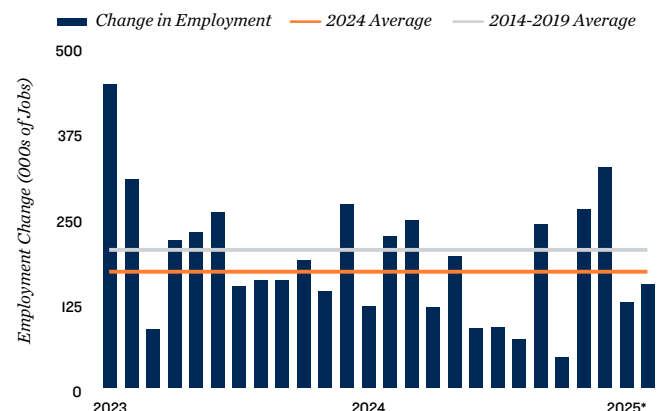
**February employment data unlikely to sway Fed.** While the pace of hiring is slowing, the 4.1 percent unemployment rate reflects a labor market that is still broadly tight. At the same time, inflation pressures have remained stubbornly in place, with the year-over-year change in the PCE index holding in the 2.5 percent to 2.6 percent band since November of last year. Moderating job growth but ongoing above-target inflation are both likely to keep the Federal Reserve from adjusting its overnight lending rate this month — an outlook widely shared by Wall Street. The potential inflationary impact of recently enacted and planned tariffs also lowers the likelihood for cuts in the near future.

**Key treasury yield steps back from recent high.** Amid concerns of escalating trade tensions on the U.S. economy, long-term bond yields have been decreasing. After peaking at 4.8 percent in January, the yield on the 10-year Treasury had fallen below 4.3 percent in early March. As a common benchmark for commercial real estate lending, this downshift could help take in borrowing costs slightly, allowing more transactions to pencil. Many investors are focused on the 10-year reaching 4 percent, a consensus point at which more investment sales that require financing could take place.

**151,000** Jobs Created in February 2025

**168,000** Average Monthly Job Growth in 2024

### Job Creation Ongoing but Easing



\* Through February

Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CME Group; Federal Reserve; CoStar Group, Inc.; RealPage, Inc.



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