The Dallas–Fort Worth economy expanded at a brisk pace in October. Year to date, DFW employment has grown 3.4 percent, slightly slower than the state’s 3.7 percent rate. Job creation remains mostly broad-based across sectors. Activity in the office and industrial markets remains brisk, characterized by rising rents and low vacancy rates, despite elevated levels of construction. Unemployment rates for Dallas and Fort Worth fell again in October and remain below those of the U.S. The Dallas Fed business-cycle indexes point to continued expansion for the Dallas–Fort Worth metroplex.

Summary

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Dallas–Fort Worth employment expanded at a rapid clip in October. Jobs grew at an annual rate of 5.4 percent in October, up from the 3.0 percent increase recorded in the third quarter. Employment growth in trade, transportation and utilities (the largest sector), construction and mining, and financial activities contributed the most to faster growth during the month.

The Conference Board’s Help Wanted On-Line Index for Dallas indicated the number of new job advertisements in the area rose 6.0 percent in October. The total number of job ads also rose 2.8 percent during the month and is up 5.9 percent this year.

The metropole has seen broad-based job growth through October, with the construction and mining sector recording the fastest pace of increase at 8.8 percent (annualized). Year-to-date job creation in professional and business services continues to be strong as well at 5.9 percent, and the sector has accounted for more than a quarter of the jobs added in DFW so far in 2014. The information service sector on net has seen a decline in employment so far this year, contracting by 1.9 percent (1,300 jobs). For the year, Dallas–Fort Worth has added 89,400 jobs—a 3.4 percent annualized pace.

The DFW office market continues to see solid leasing activity. Office vacancy rates in Dallas edged down from 19 percent to 18.4 percent in the third quarter and in Fort Worth fell from 15.9 percent to 15.5 percent. Healthy job creation is driving demand for office space in the metroplex, and vacancy rates remain at relatively low levels even with strong ongoing construction activity. There is currently 7.5 million square feet of office space under construction in the metroplex—a 14-year high—and rents continue to rise, particularly for Class A office space, according to data from CBRE Research.
Leasing activity was strong, and industrial availability rates in Dallas edged up from 10.2 percent to 10.3 percent in the third quarter, while holding steady in Fort Worth at 10.7 percent. Industrial vacancy in DFW remains near historically low levels. The DFW area is one of the major trade and distribution centers in the U.S., and employment in the trade, transportation and utilities sector makes up about 21 percent of the metro’s total. Currently a total of 19.5 million square feet of space is under construction in the metropolis, and industrial building activity has not been this robust since the late 1990s, according to CBRE Research. Rental rates rose in Dallas and Fort Worth in the third quarter.

In October, the unemployment rate dropped to 5 percent in Dallas, 4.9 percent in Fort Worth and 5.1 percent in Texas. Both metros have unemployment rates lower than the state average and the U.S. rate of 5.8 percent. In the past 12 months, the unemployment rate in both metros has fallen by 1.1 percentage points.

Overall economic activity continues to expand at a rapid clip in the metropolis, according to the Dallas Fed’s metro business-cycle indexes. Through October, the Dallas index has risen an annualized 6.4 percent, and the Fort Worth index has increased 4.7 percent. Vigorous job creation and a decline in the unemployment rate have contributed to gains in the business-cycle indexes for both Dallas and Fort Worth.

The Dallas Fed produces business-cycle indexes for Texas and its major and border metros to help gauge the current state of the economy. The metro indexes are constructed using payroll employment, the unemployment rate, inflation-adjusted real wages and inflation-adjusted retail sales.