

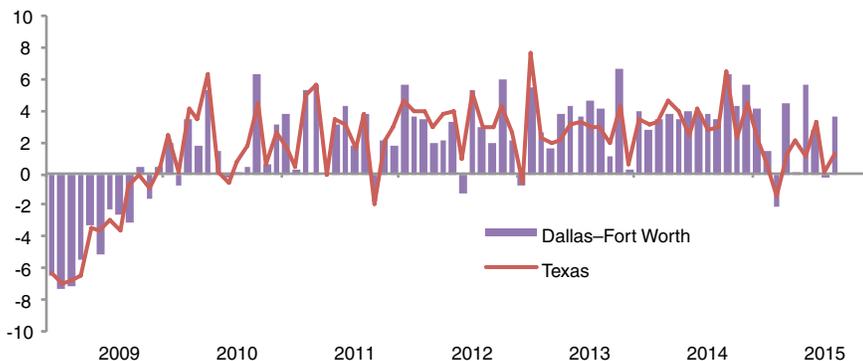
FEDERAL RESERVE BANK OF DALLAS • OCTOBER 20, 2015

## Summary

The Dallas–Fort Worth economy expanded at a fast clip to close the third quarter. The metroplex created jobs at a 2.1 percent rate in the quarter, outpacing both the state at 1.6 percent and the nation at 1.4. Home prices rose further in July, and activity in the office market remained solid in the third quarter. Unemployment held steady in Dallas but ticked up in Fort Worth in September. Dallas Fed business-cycle indexes point to continued growth for the metroplex.

## Employment

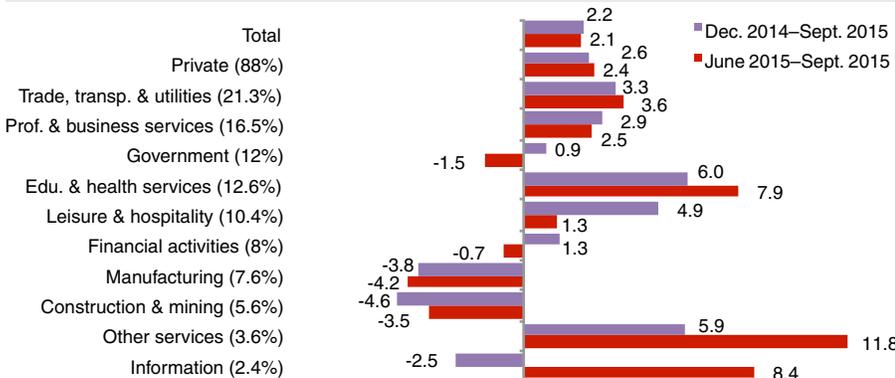
Month/month percent change, annualized\*



\*Seasonal and other adjustments.

► DFW employment grew an annualized 3.7 percent in September with the addition of 10,200 jobs. The strong increase was due to payroll expansion in both the Dallas and Fort Worth metro areas, a departure from August, when Fort Worth nonfarm employment shrank. Job growth in Fort Worth has been uneven this year, while Dallas has seen consistent increases. Through the first three quarters, employment in Dallas expanded at a 2.9 percent annual rate (51,200 jobs), while in Fort Worth, it has increased a mere 0.4 percent (3,300 jobs).

## Employment Growth by Sector

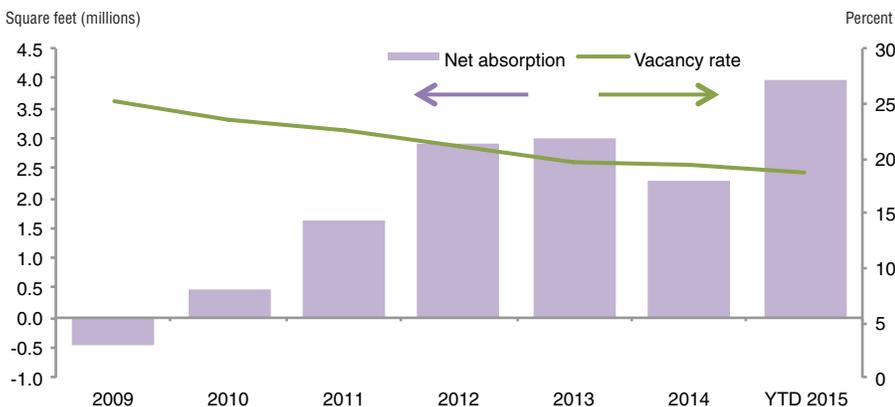


NOTES: Data show seasonally adjusted and annualized percentage employment growth by industry supersector. Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.

► DFW employment in the goods-producing industries continued to contract in the third quarter, while service sector jobs rose strongly. Among the service industries, information and other services were the fastest growing in the quarter, followed by education and health services. Manufacturing employment fell markedly, by 4.2 percent (2,800 jobs), and payrolls in the construction and mining sector shrank 3.5 percent (1,700 jobs).

► The top three contributors to year-to-date growth remain leisure and hospitality, education and health services and other services categories, which added a combined 35,900 jobs. Losses in construction and mining and manufacturing totaled 14,500 jobs.

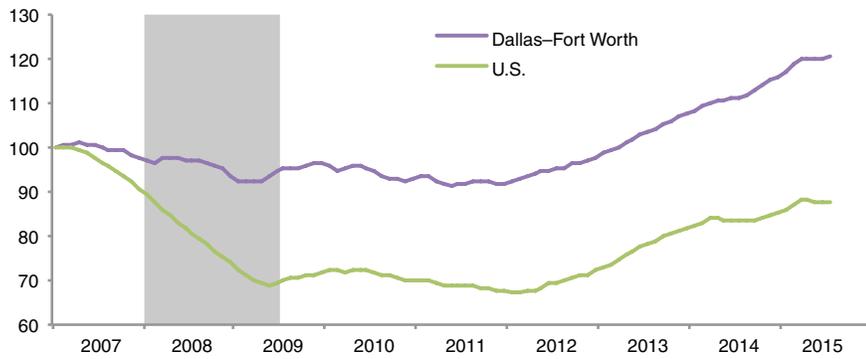
## Office Market



► The Dallas office market continues to see strong leasing activity. Dallas experienced over 1 million square feet of positive net absorption in the third quarter, bringing the year-to-date total to 3.95 million square feet, according to Jones Lang LaSalle Research. Sustained job creation is driving demand for office space in Dallas, and vacancy rates remain at relatively low levels even with strong ongoing construction activity. Office vacancy rates in Dallas have averaged 18.7 percent year to date, down from 19.4 percent in 2014. In the third quarter, 7.7 million square feet of office space was under construction in the metroplex and, overall, rents continue to rise.

## Home Prices

Index, January 2007 = 100

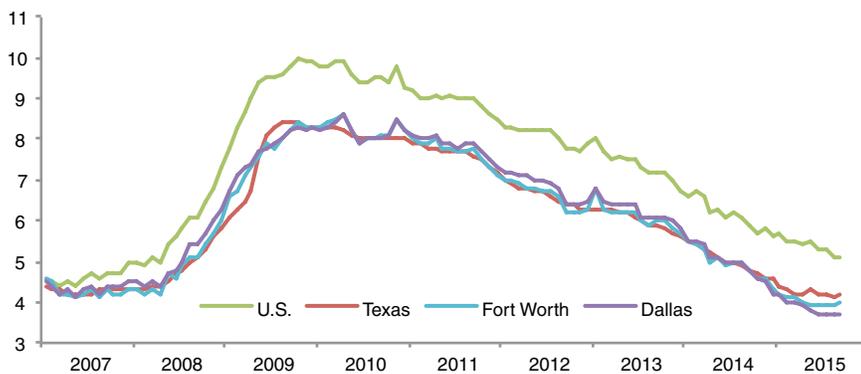


NOTE: Gray bar indicates U.S. recession.

► DFW home prices rose 0.6 percent in July after holding steady for two months in a row, according to the S&P/Case-Shiller Home Price Index. The composite index for the U.S., which covers 20 major metros, edged down 0.2 percent in July. Overall, house price appreciation has slowed in the metroplex even as sales continue to rise and inventories remain tight. From January to March, home prices rose 3.6 percent, and from April to July, prices ticked up only 0.5 percent. Year-over-year home price increases have been stronger in DFW (8.7 percent) than the nation (5.0 percent).

## Unemployment

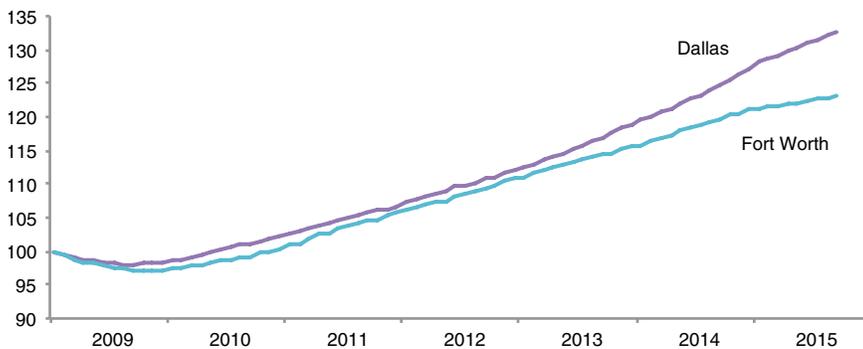
Percent, seasonally adjusted



► Unemployment in the metroplex remains historically low. In September, the unemployment rate held steady at 3.7 percent in Dallas but edged up to 4.0 percent in Fort Worth and 4.2 percent in Texas. All three figures remain lower than the U.S. rate of 5.1 percent. Unemployment in both Dallas and Fort Worth remains at a 14-year low, suggesting a tight metroplex labor market. Over the past 12 months, the rate has dropped 1.1 percentage points in Dallas and 0.8 percentage points in Fort Worth.

## Business-Cycle Indexes

Index, January 2009 = 100\*



\*Monthly, seasonally adjusted.

► Overall economic growth remained solid in Dallas and improved in Fort Worth, according to the Dallas Fed's metro business-cycle indexes. The Dallas index rose at an annualized pace of 5.4 percent in September following a 4.2 percent increase in August. The Fort Worth index rose 6.6 percent in September—largely due to a pickup in payroll employment growth—following a 1.8 percent decline in August. Year over year, the indexes are up 6.3 percent in Dallas and a more modest 3.0 percent in Fort Worth thanks to continued job creation and low unemployment.

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

NOTE: Data may not match previously published numbers due to revisions.

SOURCES: **Employment:** Bureau of Labor Statistics, Texas Workforce Commission and Dallas Fed; **office market:** Jones Lang LaSalle Research; **home prices:** S&P/Case-Shiller Home Price Indexes; **unemployment:** Census Bureau and Dallas Fed; **business-cycle indexes:** Dallas Fed.

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