

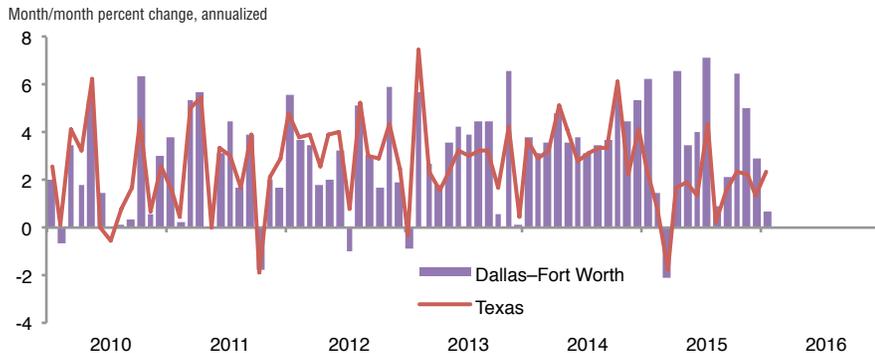
FEDERAL RESERVE BANK OF DALLAS • MARCH 8, 2016

Summary

The Dallas–Fort Worth economy continued to expand, albeit at a slow pace in January. DFW office and industrial markets remained strong at year-end 2015. Unemployment in January edged down in both Dallas and Fort Worth, reflecting further tightness in the labor market. Dallas Fed business-cycle indexes point to continued growth for the metroplex.

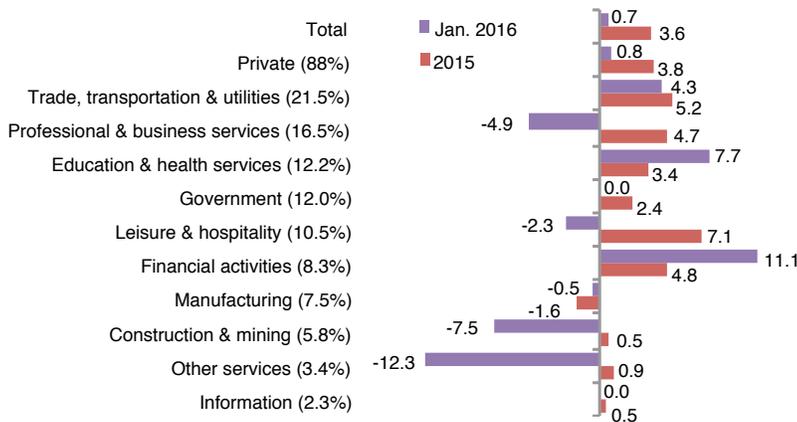
Employment

Employment Growth



SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

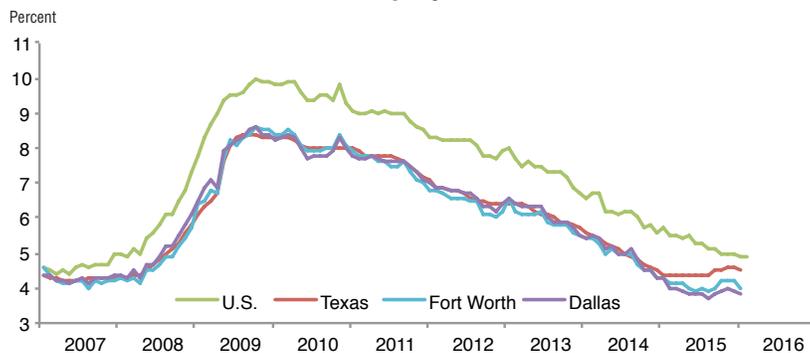
Employment Growth by Sector



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

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

Unemployment Rate



SOURCES: Census Bureau; seasonal adjustments by the Dallas Fed.

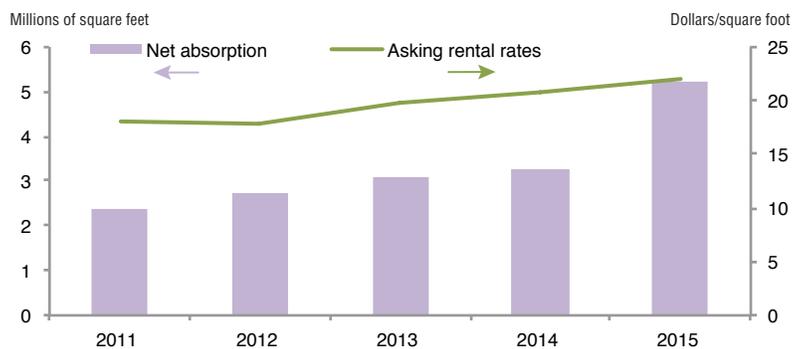
► DFW employment grew an annualized 0.7 percent in January as the area added 2,000 jobs. Annualized payroll employment declined 3.9 percent in Fort Worth but rose at a 2.6 percent rate in Dallas. Job growth in Fort Worth has been uneven over the past year, while Dallas has seen consistently strong increases. In January, employment was up 4.3 percent (102,400 jobs) in Dallas but only 0.4 percent (4,100 jobs) in Fort Worth compared with year-earlier levels. More detail on diverging growth in Dallas and Fort Worth is available in the Dallas Fed special report “[At the Heart of Texas.](#)”

► Job gains in the DFW service sector continued in January, with financial activities posting the fastest growth at 11.1 percent, followed by education and health services at 7.7 percent. Employment fell in leisure and hospitality and professional and business services—sectors that posted strong gains in 2015.

► Overall, employment in the DFW goods sector (manufacturing, and construction and mining) continued to contract in January. However, the picture differed by metro. In Dallas, manufacturing employment held steady, and employment tied to specialty trades and construction of buildings rose strongly. In contrast, manufacturing employment and construction and mining dipped in Fort Worth.

► In January, the unemployment rate edged down to 3.8 percent in Dallas, 4 percent in Fort Worth and 4.5 percent in Texas. All three figures remain lower than the U.S. rate of 4.9 percent. Unemployment in both Dallas and Fort Worth remains close to multiyear lows. Unemployment is down 0.5 percentage points in Dallas and 0.3 percentage points in Fort Worth compared with year-ago levels.

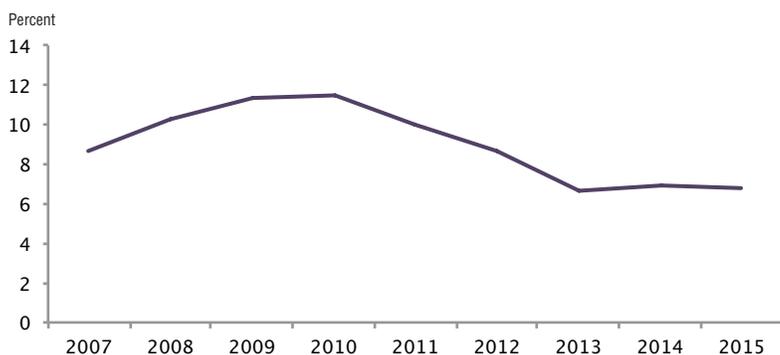
Office Market



SOURCE: CBRE Research.

► The DFW office market saw solid leasing activity in 2015. Net absorption of office space was a record 5.2 million square feet and rents rose, according to data from CBRE Research. Office vacancy rates in DFW held steady at 17.7 percent in the fourth quarter. For the year, however, vacancy rates fell 0.7 percentage points. 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. The metroplex currently has 6.8 million square feet of office space under construction, according to CBRE.

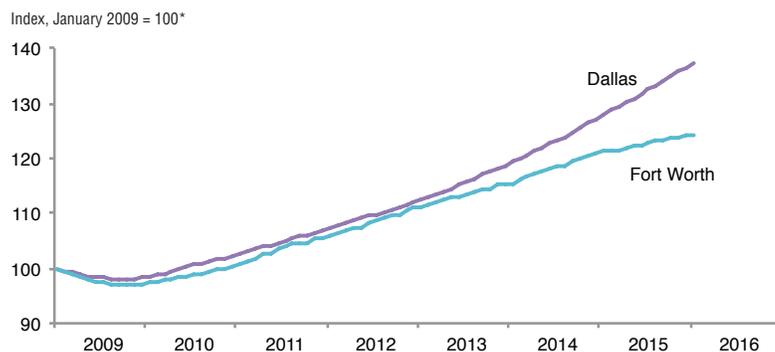
Industrial Vacancy



SOURCE: CBRE Research.

► DFW industrial demand was strong in 2015, with nearly 18 million square feet of net absorption. Industrial vacancy rates edged down from 6.9 percent in 2014 to 6.8 percent in 2015 and remain 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 over 21 percent of the metro's total. A total of 19.7 million square feet of space is currently under construction in the metroplex, according to CBRE. Lease rates ticked up in DFW in the fourth quarter and were up 21.6 percent in 2015.

Business-Cycle Indexes



*Monthly, seasonally adjusted.

SOURCE: Dallas Fed.

► Overall economic growth remained solid in Dallas and slumped in Fort Worth, according to the Dallas Fed's metro business-cycle indexes. The Dallas index rose an annualized 6.3 percent in January following a 5.5 percent increase in December. The Fort Worth index fell 1.3 percent in January after posting a strong 5.1 percent increase in December. Year over year in January, the Dallas index is up 7.1 percent, while the Fort Worth index has increased a more modest 2.1 percent as a result of 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 current state of the economy. The metro indexes are constructed using payroll employment, the unemployment rate, inflation-adjusted wages and inflation-adjusted retail sales.

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

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