

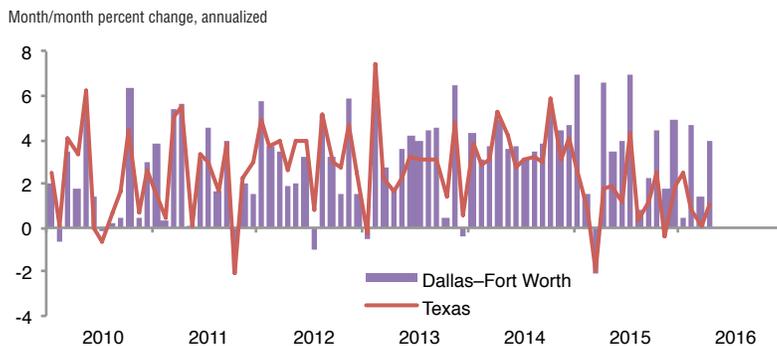
FEDERAL RESERVE BANK OF DALLAS • MAY 24, 2016

Summary

The Dallas–Fort Worth economy continued to expand in April. Year to date through April, DFW employment grew an annualized 2.6 percent, outpacing the state’s 1.1 percent and the nation’s 1.6 percent. Office, industrial and apartment markets remained strong in the first quarter. Unemployment held steady in April at low levels, suggesting continued tightness in the labor market. The Dallas Fed business-cycle indexes indicate continued growth for the metroplex.

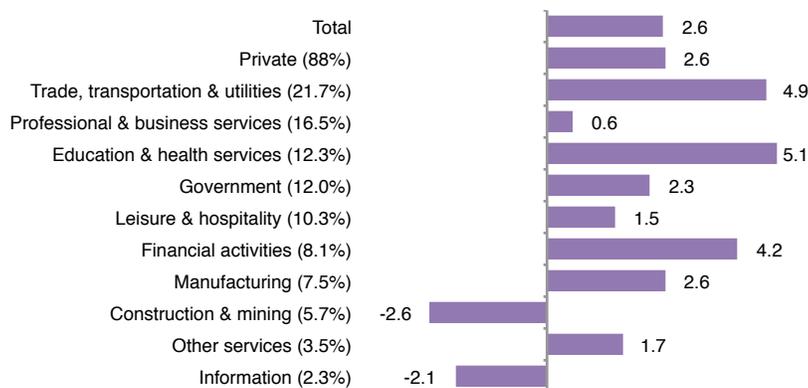
Employment

Employment Growth



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

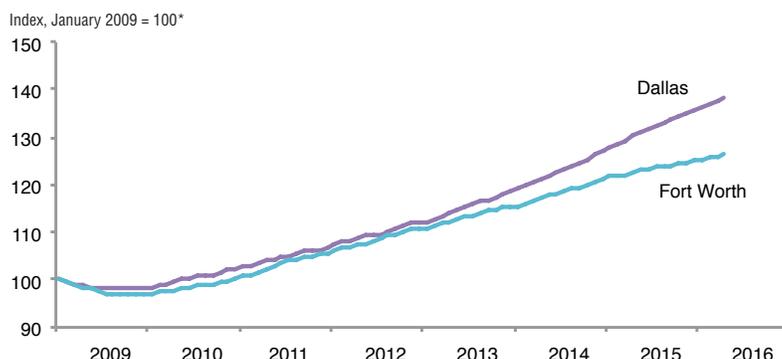
Employment Growth by Sector



NOTES: Data show seasonally adjusted and annualized percentage employment growth by industry supersector for December 2015–April 2016. 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.

Business-Cycle Indexes



*Monthly, seasonally adjusted.

SOURCE: Dallas Fed.

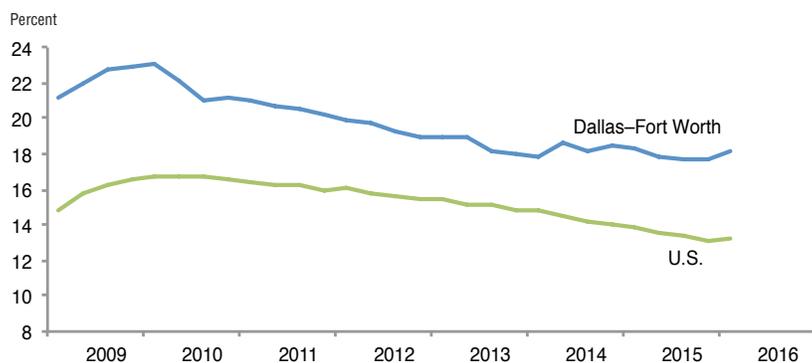
► DFW payroll employment grew an annualized 4.0 percent in April following a 1.4 increase the previous month. Job gains were robust in both Dallas and Fort Worth at an annualized 3.9 percent and 4.2 percent, respectively. It was the second straight month that Fort Worth outperformed Dallas in job growth.

► The top three contributors to year-to-date growth remain the education and health services; trade, transportation and utilities; and financial activities sectors, which added a combined 22,900 jobs. Job losses continued in information services in April and total 560 jobs (an annualized 2.1 percent) so far in 2016. Employment in construction and mining rose in April following three successive months of declines; payrolls in the sector are down by nearly 1,800 jobs year to date (an annualized 2.6 percent). The turnaround in construction and mining jobs was likely due to a sharp increase in specialty trade contractors’ employment in both Dallas and Fort Worth.

► In April, the unemployment rate held steady at 3.7 percent in Dallas and 4 percent in Fort Worth and ticked up to 4.4 percent in Texas. All three figures remain lower than the U.S. rate, which was unchanged at 5.0 percent. Unemployment is close to multiyear lows in both Dallas and Fort Worth.

► Overall economic growth strengthened in Dallas and Fort Worth, according to the Dallas Fed’s metro business-cycle indexes. The Dallas index rose an annualized 6.0 percent in April following a 4.3 percent increase in March. The Fort Worth index climbed 4.8 percent in April after posting a 3.3 percent increase in March. Year over year, the Dallas index is up 6.2 percent, while the Fort Worth index is 3.0 percent higher as a result of continued job creation and low unemployment.

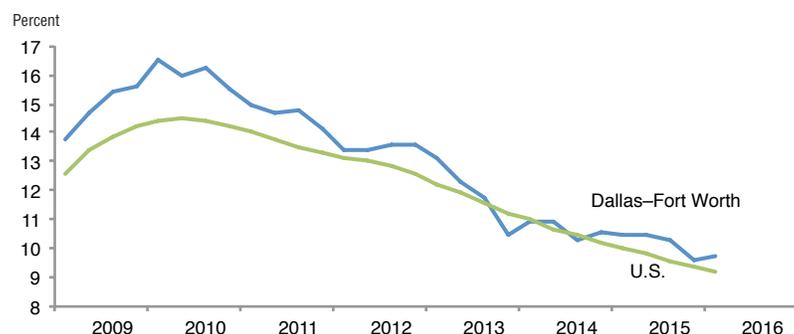
Office Vacancy Rates



SOURCE: CBRE Research.

► The DFW office market saw continued solid leasing activity in the first quarter. The vacancy rate edged up to 18.1 percent from 17.7 percent in the fourth quarter. Net absorption of office space was a solid 1.58 million square feet, and average asking rents rose to a new high, according to data from CBRE Research. 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. Several new projects broke ground in the first quarter, bringing the total office construction pipeline to 7.2 million square feet, according to CBRE. Most of the development is occurring in the Far North Dallas and Uptown/Turtle Creek submarkets, where vacancy rates are lower than the DFW average at 14.9 percent and 10.5 percent, respectively.

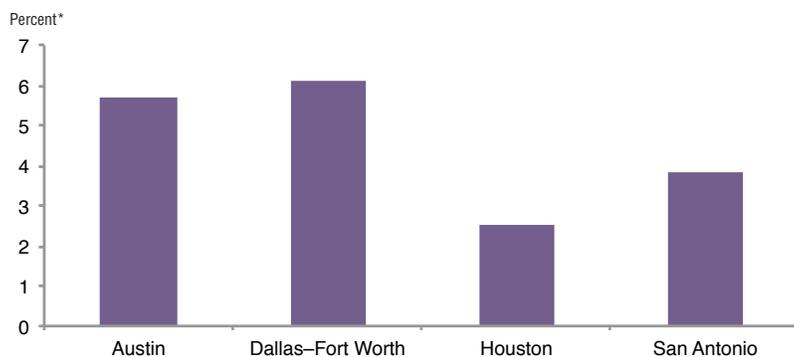
Industrial Availability Rates



SOURCE: CBRE Research.

► DFW industrial demand was healthy in the first quarter, with 5.9 million square feet of net absorption. Asking rents rose and the industrial availability rate was relatively flat at 9.7 percent, indicating a tight industrial market. The DFW area is a major trade and distribution center in the U.S. thanks to its central location and the presence of several road, rail and air cargo routes, and employment in the trade, transportation and utilities sector makes up over 21 percent of the metro's total employment. A total of 21.4 million square feet of space is currently under construction in the metroplex—a new high, according to CBRE. Construction is concentrated in the South Dallas and North Fort Worth submarkets.

Apartment Rents



*Year-over-year rent growth in first quarter 2016.

SOURCE: MPF Research.

► The DFW apartment market saw continued robust growth in the first quarter, according to MPF Research. Year-over-year rent growth was 6.1 percent, the strongest gain among the four major Texas metros, and occupancy was high at nearly 95 percent. From first quarter 2015 to first quarter 2016, DFW demand was 15,106 units, while new units numbered 18,184, according to MPF Research. Apartment demand has benefited from healthy population and job growth in the metroplex, and occupancy has remained high despite elevated construction. However, there has been a pullback in permits issued—a forward-looking indicator—with total multifamily permits down 10.5 percent in first quarter 2016 compared with first quarter 2015.

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

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