

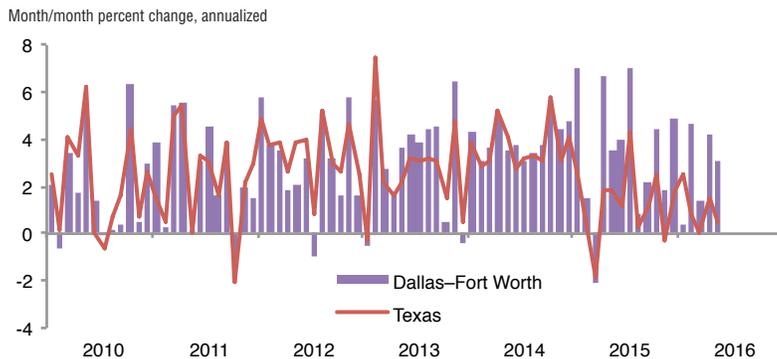
FEDERAL RESERVE BANK OF DALLAS • JUNE 21, 2016

## Summary

The Dallas–Fort Worth economy continued to expand in May. Year to date through May, DFW employment grew an annualized 2.7 percent, twice as fast as the nation’s 1.3 percent rate. DFW home prices continued to climb in the first quarter, and sales were up in April. New-home construction was solid, and multifamily construction, although elevated, appears to be slowing. Unemployment remained near multiyear lows, suggesting continued tightness in the labor market. The Dallas Fed business-cycle indexes indicate continued growth for the metroplex.

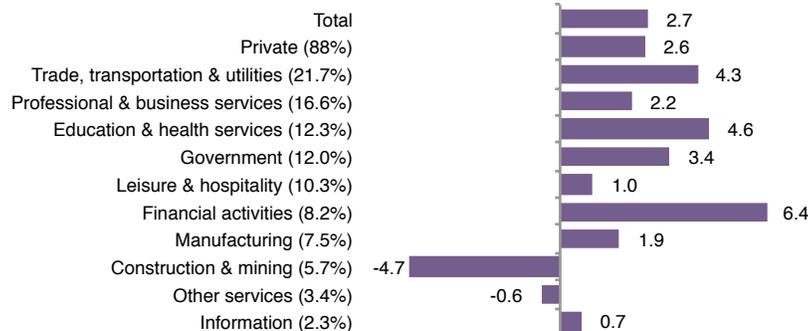
## Employment

### Employment Growth



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

### Employment Growth by Sector



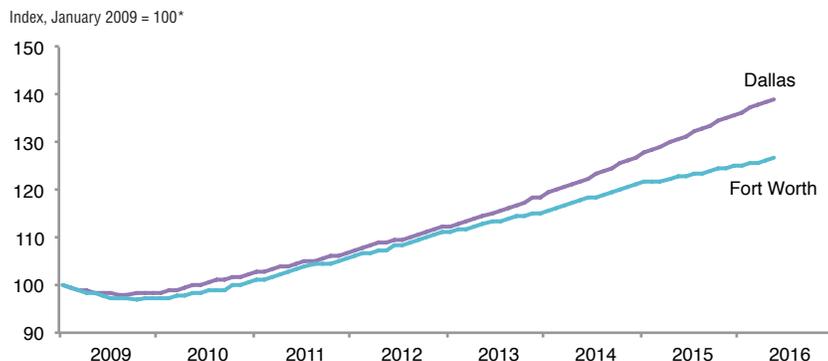
NOTES: Data show seasonally adjusted and annualized percentage growth by industry supersector for December 2015–May 2016. Numbers in parentheses represent shares of total Dallas–Fort Worth nonfarm employment and may not sum to 100 due to rounding. SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

► DFW payroll employment grew at an annualized 3.1 percent pace in May, an addition of 8,800 jobs. Job gains were robust in Dallas at an annual 4.1 percent but sluggish in Fort Worth at 0.6 percent. Year to date, job growth in Dallas has outperformed Fort Worth, which is witnessing slow job gains likely due to its higher dependence on the energy and manufacturing sectors.

► The top three contributors to year-to-date growth remain the financial services, education and health services, and trade, transportation and utilities sectors, which added a combined 28,400 jobs. Losses in construction and mining continued, and year-to-date payrolls in the sector are down an annualized 4.7 percent (4,000 jobs).

► In May, the unemployment rate fell to 3.5 percent in Dallas and held steady at 3.8 percent in Fort Worth and 4.4 percent in Texas. All three figures remain lower than the U.S. rate, which fell to 4.7 percent. Unemployment in both Dallas and Fort Worth is at multiyear lows.

## Business-Cycle Indexes



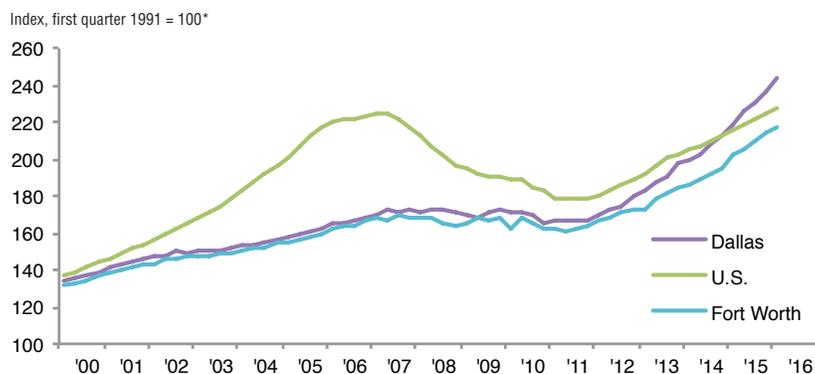
\*Monthly, seasonally adjusted.

SOURCE: Dallas Fed.

► Overall economic growth was robust in Dallas but slowed in Fort Worth, according to the Dallas Fed’s metro business-cycle indexes. The Dallas index rose an annualized 6.6 percent in May following a 6.6 percent increase in April. The Fort Worth index climbed 2.3 percent in May after posting a 4.6 percent increase in April. Year over year, the Dallas index was up 6.4 percent, while the Fort Worth index was 3.0 percent higher as a result of continued job creation and low unemployment.

## Housing

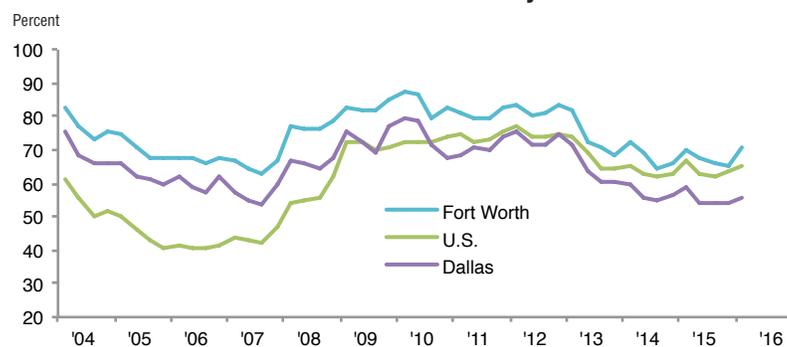
### Home Prices



\*Quarterly, seasonally adjusted.

SOURCE: Federal Housing Finance Agency.

### Home Affordability



SOURCE: National Association of Home Builders/Wells Fargo Housing Opportunity Indexes.

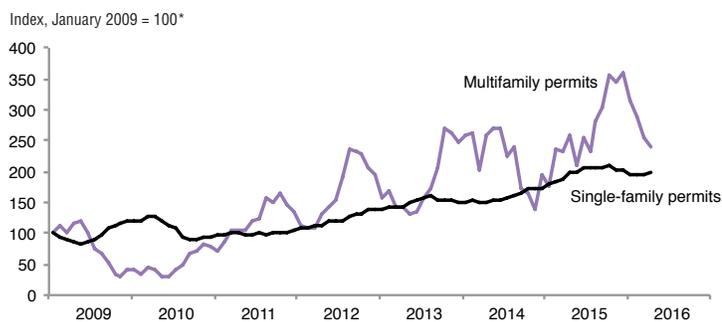
► The DFW housing market remains healthy, and home prices continue to trend upward. Home prices rose 3.1 percent in Dallas and 1.1 percent in Fort Worth in the first quarter, according to the Federal Housing Finance Agency purchase-only house price index. On a year-over-year basis, prices were up 11.0 percent in Dallas and 7.3 percent in Fort Worth—both higher than in Texas (7.1 percent) and the nation (5.7 percent). U.S. home prices have finally surpassed the highs seen during the housing boom, while prices in the metroplex are well above their prehousing bust peak, in part due to low inventories and continued strong demand. Home price appreciation will likely moderate this year.

► In April, existing-home inventories were at 2.2 months of supply in Dallas and 2.3 months in Fort Worth. Inventories in both metros have consistently been below the six-month level since early 2012, which indicates a balanced housing market.

► Existing-home sales climbed 2.7 percent in Dallas and 6.4 percent in Fort Worth in April. Year-over-year sales in April were up 11.5 percent in Dallas and 16.9 percent in Fort Worth, far outpacing the 8.0 percent increase for Texas. Even new-home sales remain healthy in the metroplex and are strongest for low- to mid-priced homes, according to Dallas Fed business contacts. Continued solid job growth is buoying DFW housing demand.

► Rapidly rising home prices have reduced affordability in the metroplex. The National Association of Home Builders/Wells Fargo Housing Opportunity Index (HOI) for Dallas was 55.9 in first quarter 2016, suggesting that about 56 percent of the homes sold during the quarter were affordable to median-income families. The HOI for Fort Worth came in at 70.8 during the same period. Affordability in Dallas is lower than the U.S., where 65 percent of homes sold during the quarter were affordable to median-income families.

## Residential Construction



\*Five-month moving average; seasonally adjusted.

SOURCE: Census Bureau.

► Apartment building in North Texas remains elevated in the first quarter, with just over 43,000 units under construction, according to MPF Research. However, we have seen a pullback in permits issued—a forward-looking indicator, with total multifamily permits down 9.3 percent through April compared with the same period last year.

► DFW has overtaken Houston as the top U.S. market in terms of annual new-home starts as of first quarter 2016, according to Metrostudy. DFW had 28,878 annual starts ending in the first quarter, a year-over-year increase of more than 5,300 starts. Although starts are up, single-family permitting appears to have slowed slightly, with total single-family permits down 2 percent through April versus the same period last year.

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

Questions can be addressed to Laila Assanie at [laila.assanie@dal.frb.org](mailto:laila.assanie@dal.frb.org).

More Dallas Fed economic updates: [www.dallasfed.org/research/update/](http://www.dallasfed.org/research/update/)