

FEDERAL RESERVE BANK OF DALLAS • JANUARY 24, 2017

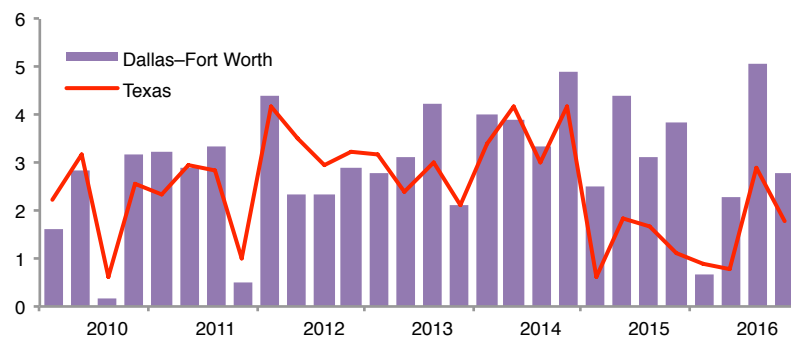
Summary

The Dallas–Fort Worth economy expanded in December. While job growth was lackluster and unemployment rose during the month, DFW employment grew a vigorous 2.7 percent in 2016—more than a percentage point faster than the state at 1.6 percent and the nation at 1.5 percent. Dallas and Fort Worth business-cycle indexes decelerated in December, though growth remained positive. The DFW office and industrial markets ended the year on a strong note.

Employment

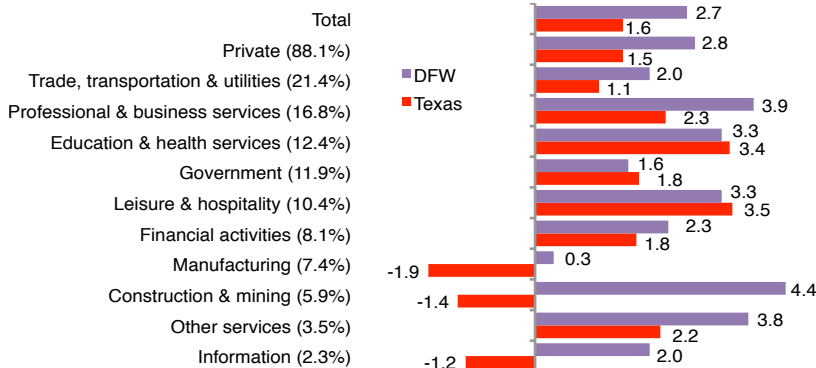
Employment Growth

Quarter/quarter percent change, annualized



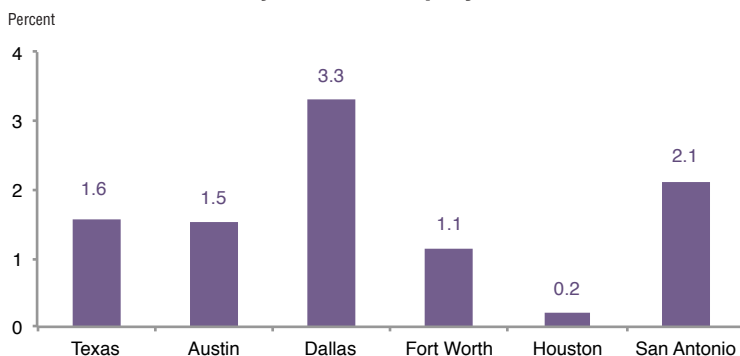
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

Employment Growth by Supersector



NOTES: Data show seasonally adjusted, annualized percentage growth by supersector for December 2015–December 2016. Numbers in parentheses are 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.

Texas and Major Metro Employment Growth in 2016



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

► DFW employment grew an annualized 0.1 percent in December, compared with -0.1 percent at the state level. December job growth was positive in Dallas at an annualized 1 percent (2,070 jobs) but was nearly offset by declines in Fort Worth (1,880 jobs).

► DFW employment growth was broad based in 2016 and accelerated in the second half of the year. At an annualized 3.9 percent, job growth in the second half was more than double the 1.5 percent pace set in the first half. An increase in professional and business payrolls (8.1 percent) led gains in the second half, and the construction and mining sector added jobs at a rapid clip, likely due to the ongoing construction boom in the metroplex.

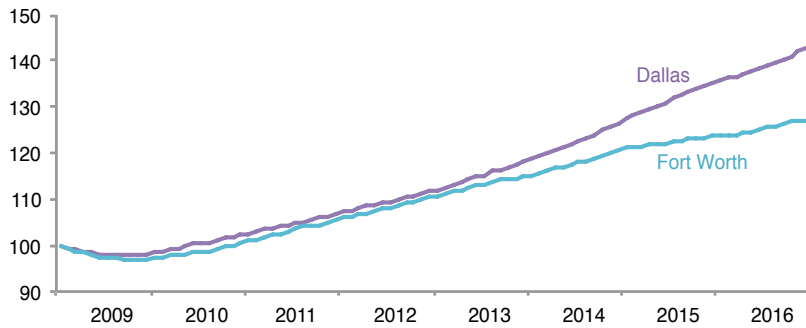
► DFW job growth outperformed the state in most supersectors in 2016. While manufacturing and construction and mining payrolls contracted at the state level, the metroplex posted net gains in both categories. Gains were particularly strong in construction and mining and professional and business services. Last year, DFW added 92,300 jobs, accounting for nearly half of the jobs created in the state (188,000).

► Dallas led the major Texas metros in 2016 job growth at 3.3 percent. Continued healthy growth in the U.S. economy has supported Dallas because its industry mix closely mirrors that of the nation. Fort Worth's slower job growth of 1.1 percent is likely due to the area's higher dependence on the manufacturing and energy sectors relative to Dallas.

► In December, the unemployment rate rose to 4.4 percent in Dallas and 3.3 percent in Fort Worth. Both figures remain lower than the U.S. rate, which edged up to 4.7 percent. The unemployment rate is near multiyear lows in Fort Worth but is up 0.6 percentage points in Dallas compared with December 2015 levels.

Business-Cycle Indexes

Index, January 2009 = 100*



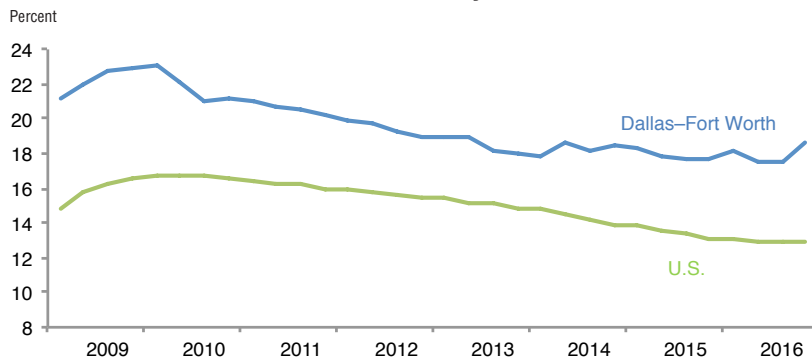
*Monthly, seasonally adjusted.

SOURCE: Dallas Fed.

► Growth in the **Dallas** and **Fort Worth** business-cycle indexes moderated in December. The Dallas index climbed an annualized 4.0 percent in December, slower than November's 8.6 percent pace. The Fort Worth index edged up 0.4 percent in December following November's 4.1 percent increase. In 2016, the Dallas index was up 5.5 percent, while the Fort Worth index was 2.7 percent higher as a result of continued healthy job creation in the metroplex.

Commercial Real Estate

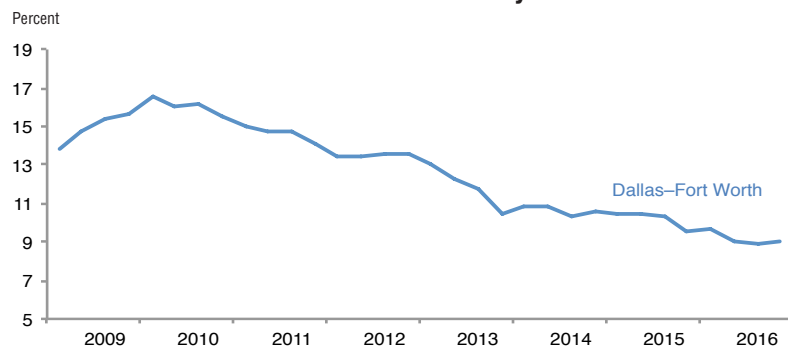
Office Vacancy Rate



SOURCE: CBRE Research.

► Leasing activity remained strong in DFW thanks to solid job gains, with nearly 700,000 square feet of positive net absorption in the final quarter of 2016, bringing the 2016 total to 5.2 million square feet, according to CBRE Research. The vacancy rate edged up to 18.6 percent in the fourth quarter from 17.5 percent in the third but remains below its recent 10-year average even with strong ongoing construction activity. About 6.7 million square feet of office space remained under construction at year-end—mostly in the Far North Dallas, Uptown and Las Colinas submarkets, where vacancy rates continued to be lower than the DFW average. Most of the projects are speculative development.

Industrial Availability Rate



SOURCE: CBRE Research.

► DFW industrial demand was robust in the fourth quarter, with net absorption of 3.9 million square feet, according to CBRE Research. The DFW industrial market set a record last year, with over 25 million square feet of space absorbed, much of it in two submarkets, South Dallas and North Fort Worth (about 21 percent each). Although the industrial availability rate ticked up to 9.0 percent in the fourth quarter, it continues to be in the single digits, indicating a tight industrial market. The DFW area is a major U.S. trade and distribution hub due to its central location and the presence of several road, rail and air cargo routes. Employment in the trade, transportation and utilities sector makes up just over a fifth of the metro's total employment. Construction continued to be elevated at year-end, although it dipped from early 2016.

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

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