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.

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 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.
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.

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.