



Federal Reserve
Bank of Dallas

North Texas Update

Thriving DFW Economy Expands Broadly

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Federal Reserve Bank of Dallas
June 27, 2018

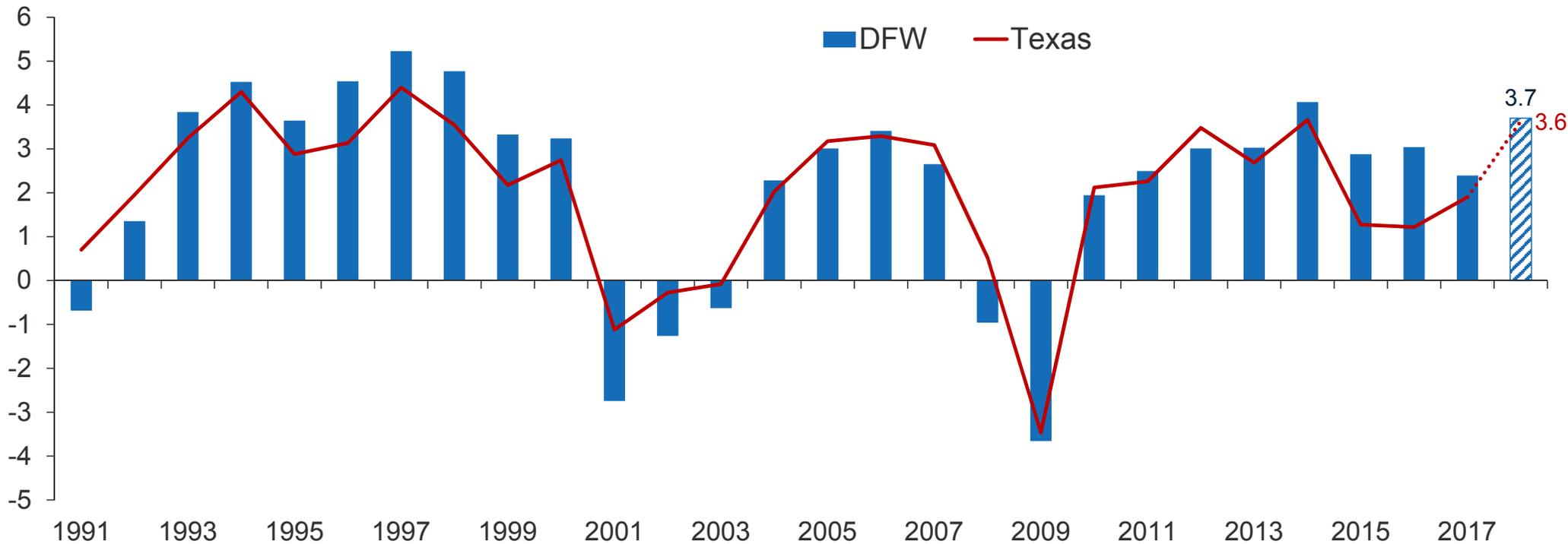
The views expressed are my own and do not necessarily reflect official positions of the Federal Reserve System.

DFW Economy Expanding at a Blistering Pace in 2018

- DFW is the economic engine of the North Texas region
 - Largest MSA in Texas and fourth largest in the nation
 - Diversified industrial base, thrives regardless of the booms and busts in the state's energy sector
- Job growth cooled to 2.4 percent in 2017 from 3.0 percent in 2016, but outperformed the state's 1.9 percent increase
- DFW economy heats up again in 2018, with employment growth at a 3.7 percent annualized pace or 55,500 net new jobs added through May
 - Growth is broad based across sectors
 - Unemployment near historical lows

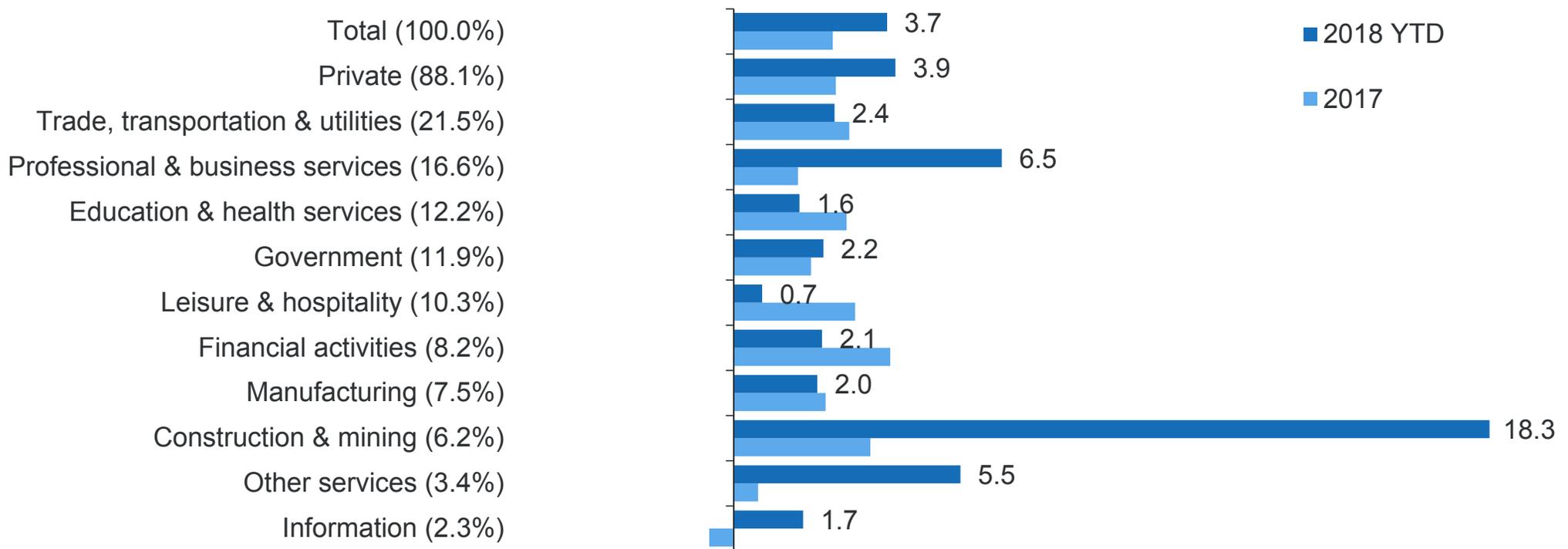
DFW Job Growth Outpaces Texas 2013-2018

Y/Y percent change, SA



NOTE: Last data points for Texas and DFW are 2018 YTD annualized employment growth through May.
 SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

Employment Growth Continues to be Broad Based

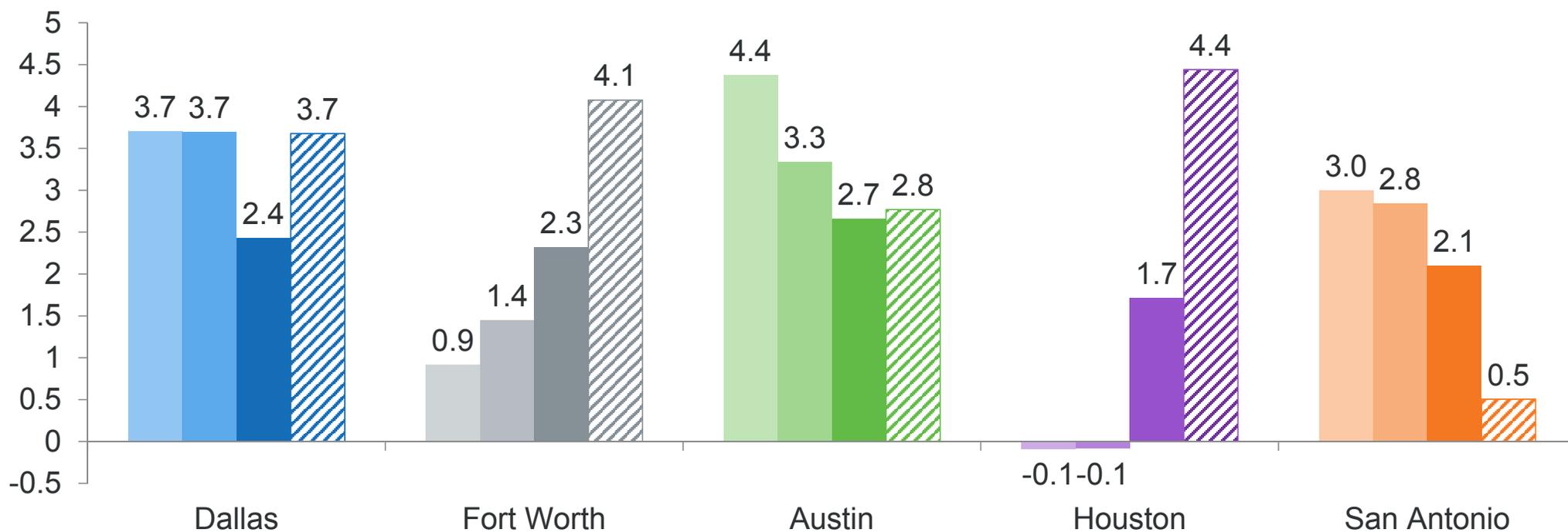


NOTES: Data sorted by percent of total DFW employment. Data show seasonally adjusted annualized percentage growth by industry supersector for 2017 and YTD 2018 (December 2017 – May 2018). Numbers in parentheses are shares of total DFW nonfarm employment and may not sum to 100 due to rounding.

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

Job Growth Accelerates in DFW and Houston

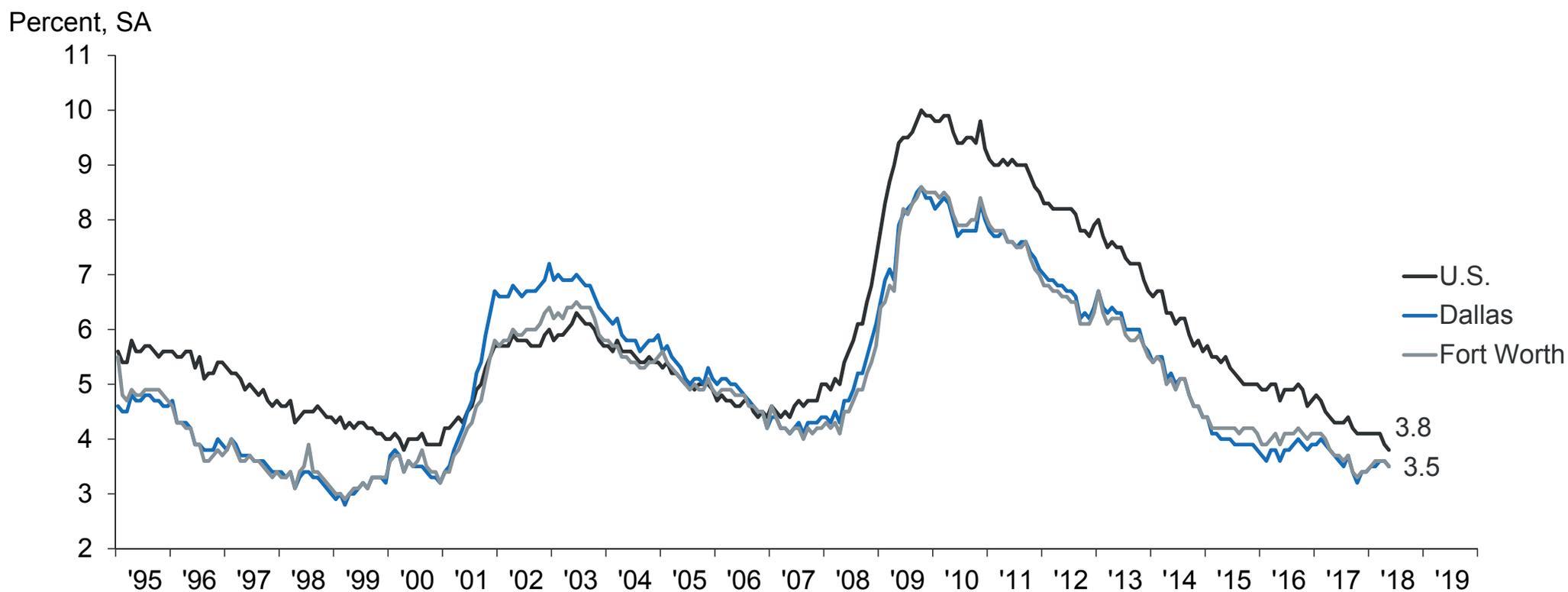
Percent change, YTD SAAR



NOTES: Data show seasonally adjusted annualized percentage employment growth for 2015-2017. Patterned bar shows annualized data for December 2017 - May 2018.

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

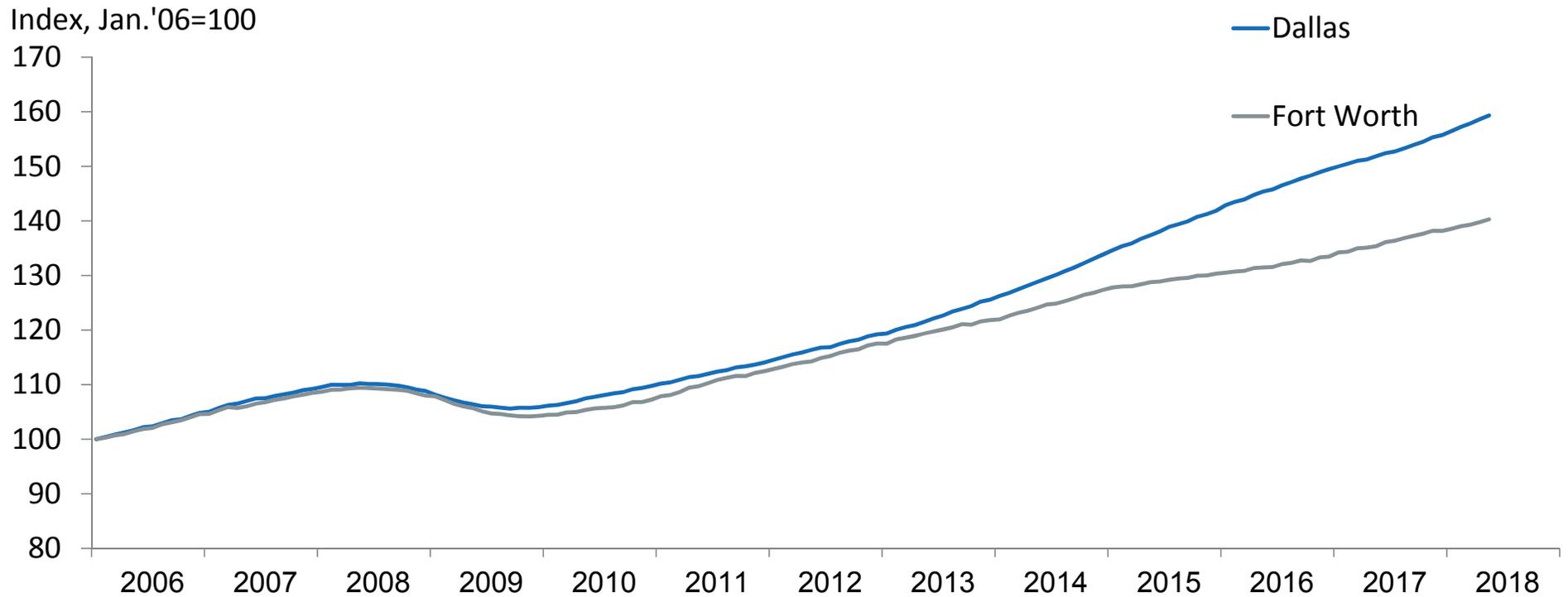
Unemployment Close to Historical Lows



NOTE: Last data point is May 2018.

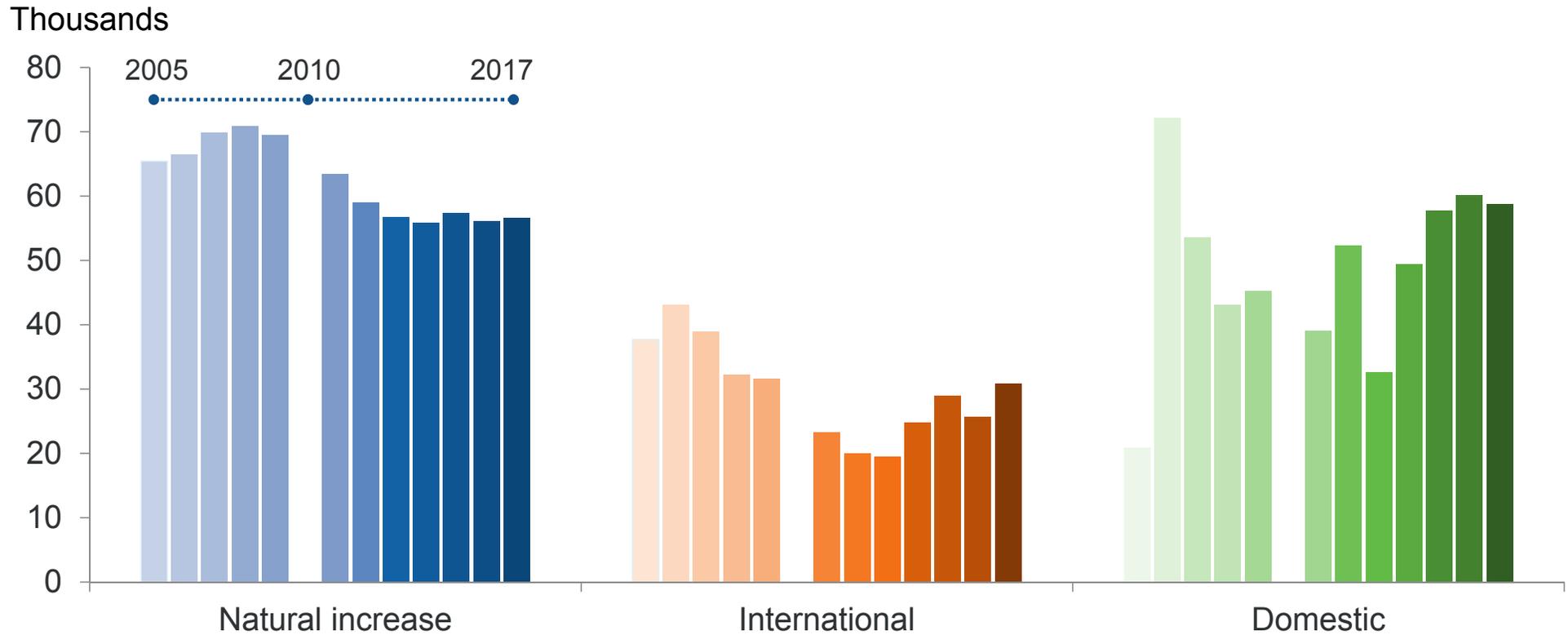
SOURCES: Bureau of Labor Statistics; seasonal adjustments by the Dallas Fed.

Expansion in Dallas Outpaces Fort Worth



NOTE: Last data point is May 2018.
SOURCE: Federal Reserve Bank of Dallas.

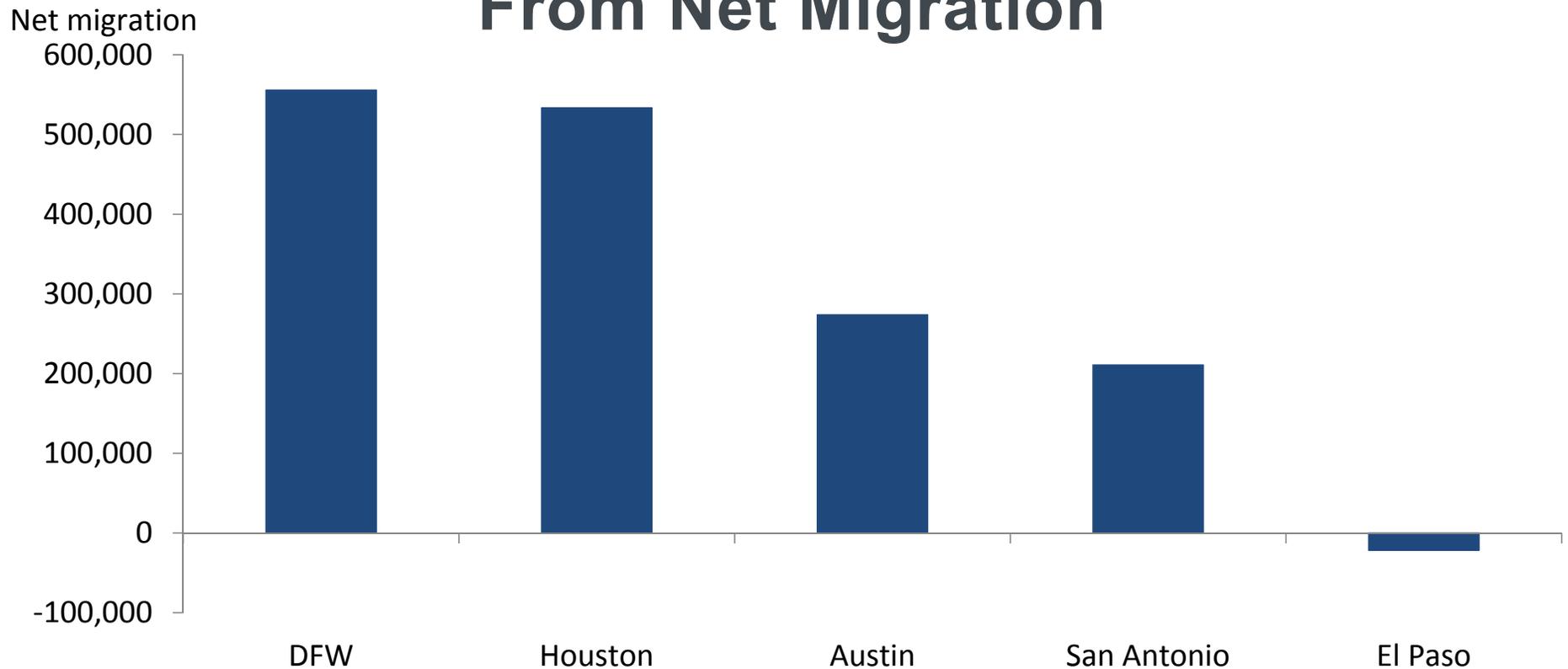
Migration to DFW Remains Strong



NOTE: Series spans 2005 – 2017. Estimates are not available for Census years (2010).

SOURCE: U.S. Census Bureau.

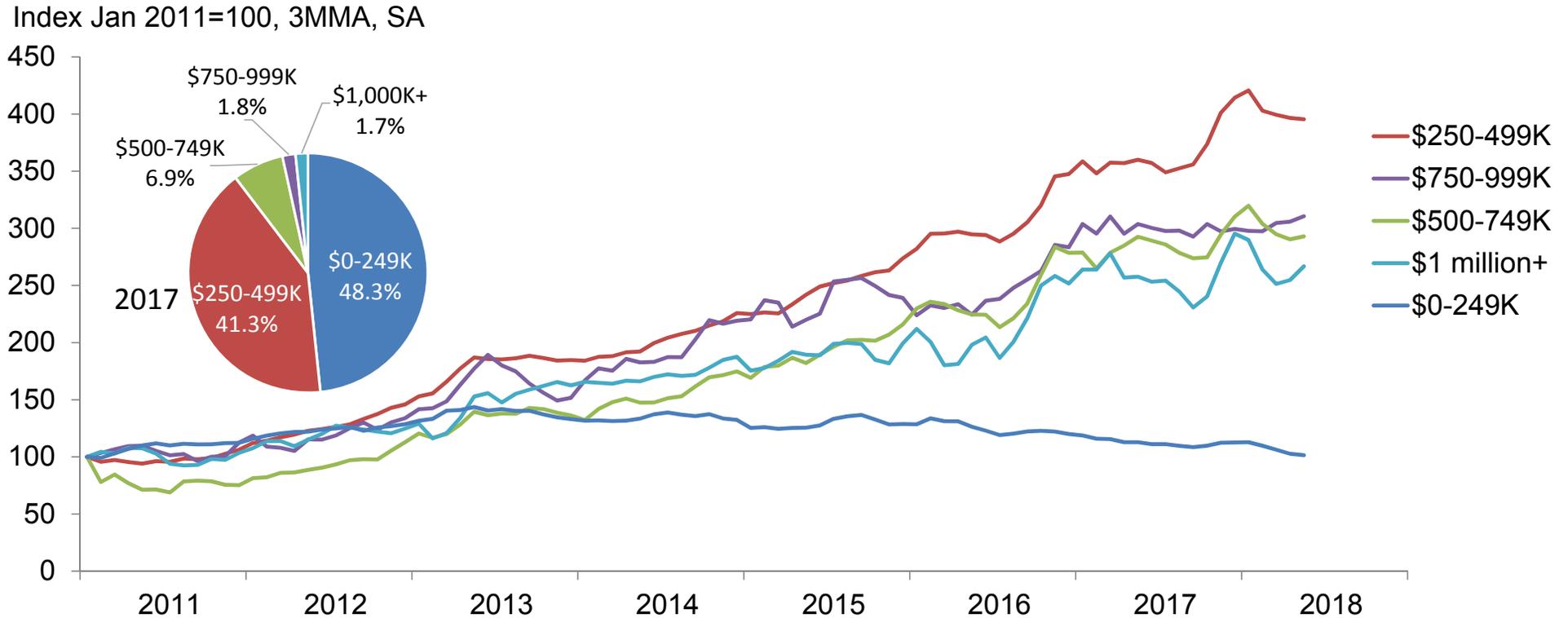
DFW Leads Texas Major Metros in Gains From Net Migration



NOTE: Data are for April 2010 to July 2017.

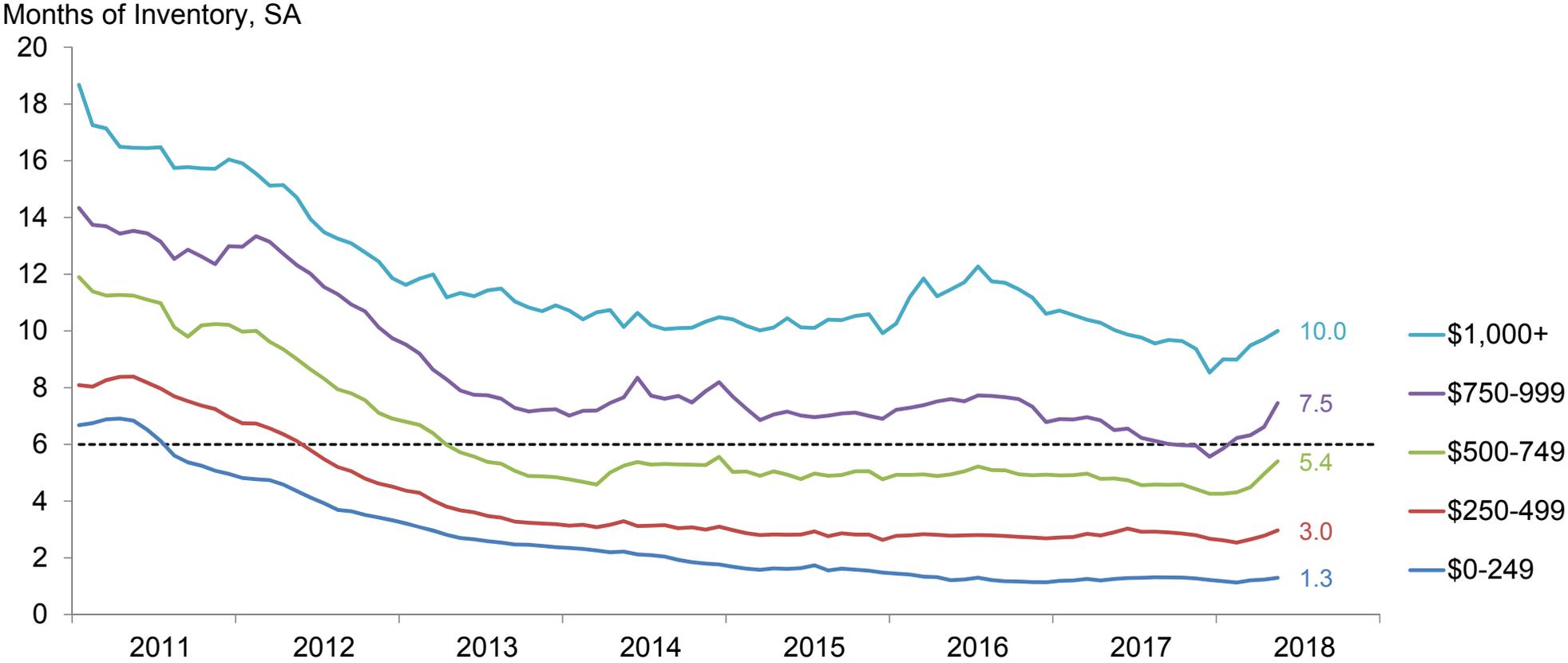
SOURCE: U.S. Census Bureau, Population Division.

DFW Home Sales Rise Across Most Price Points



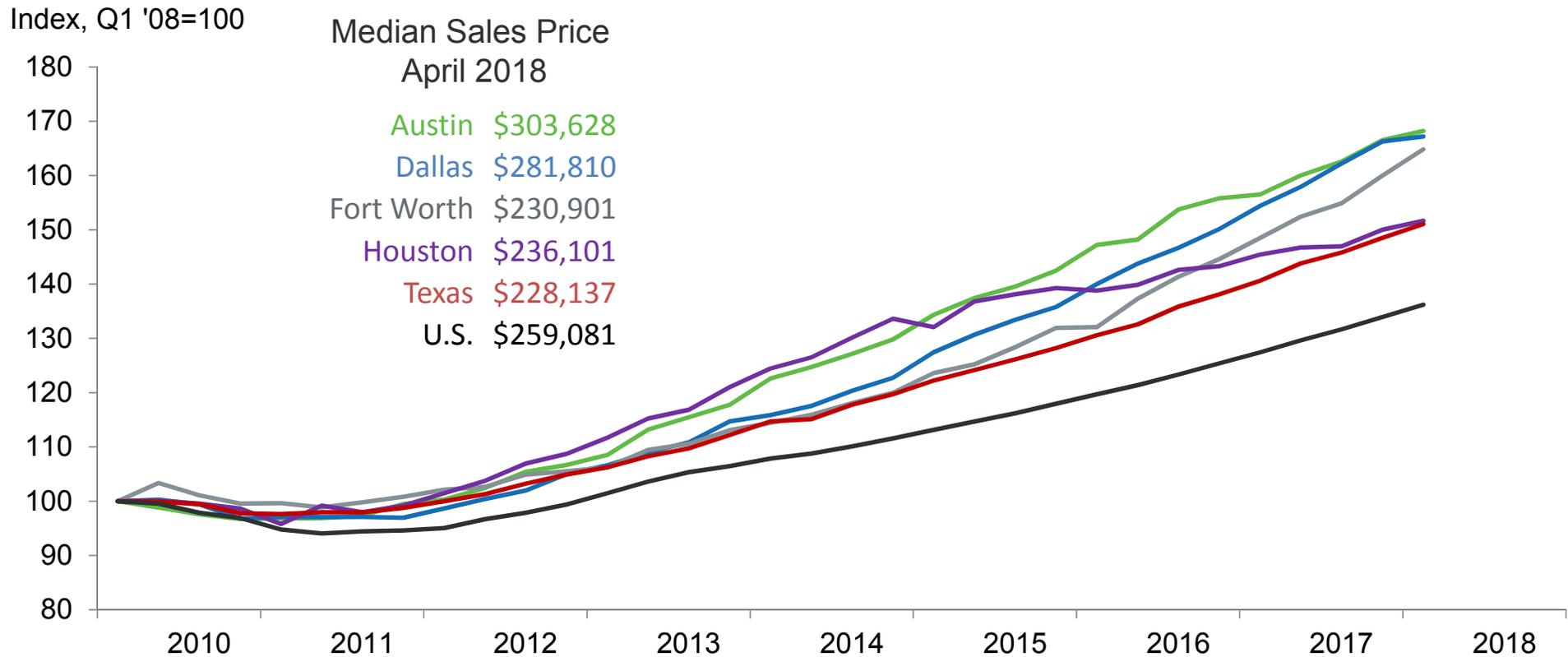
NOTE: Pie chart shows percentage of closed listings by price-point for May 2018. Series data through May 2018.
 SOURCES: MLS; Real Estate Center at Texas A&M University; adjustments by Federal Reserve Bank of Dallas.

Inventories Tight for Low- to Mid-Priced Homes



SOURCES: MLS; Real Estate Center at Texas A&M University; adjustments by Federal Reserve Bank of Dallas.

House Prices Ascend to New Highs



NOTE: Index available through Q1 2018. Median home values for April 2018.

SOURCES: MLS, Federal Housing Finance Agency Purchase-Only House Price Index. Series originally indexed to Q1 1991.

Home Price Appreciation Begins to Moderate in 2018

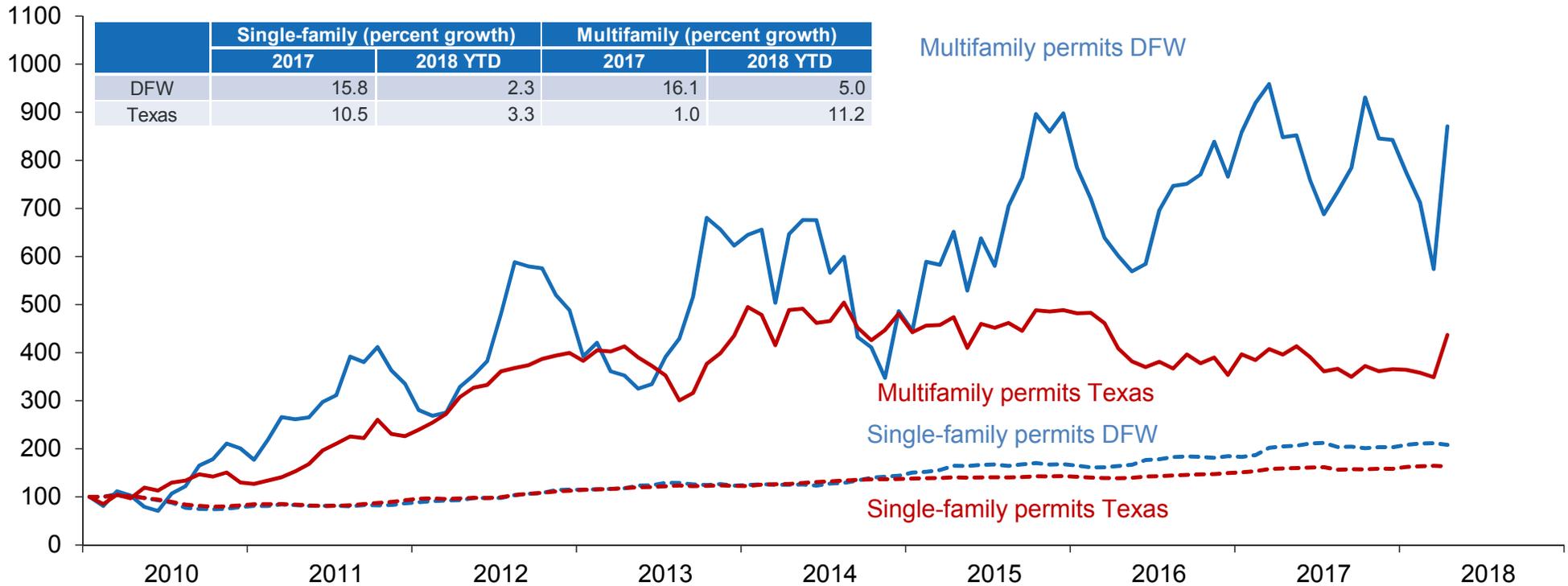
| | Composite 20 | Dallas | San Francisco | New York | Chicago |
|------|--------------|--------|---------------|----------|---------|
| 2014 | 4.37 | 7.46 | 9.41 | 1.60 | 1.33 |
| 2015 | 5.55 | 9.46 | 10.29 | 2.85 | 2.33 |
| 2016 | 5.41 | 8.02 | 5.99 | 3.02 | 4.18 |
| 2017 | 6.28 | 6.91 | 9.25 | 5.61 | 2.52 |
| 2018 | 7.00 | 4.57 | 7.68 | 2.68 | 5.06 |

NOTE: Data shown are year/year percent changes, except for 2018 which are ytd annualized growth.

SOURCE: S&P/CoreLogic Case-Shiller Home Price Index.

Multifamily Construction Elevated in the Metroplex

Index, Jan.'06=100, 5 MMA, SA



NOTE: Last data point is April 2018. Table 2018 YTD data for December – April.

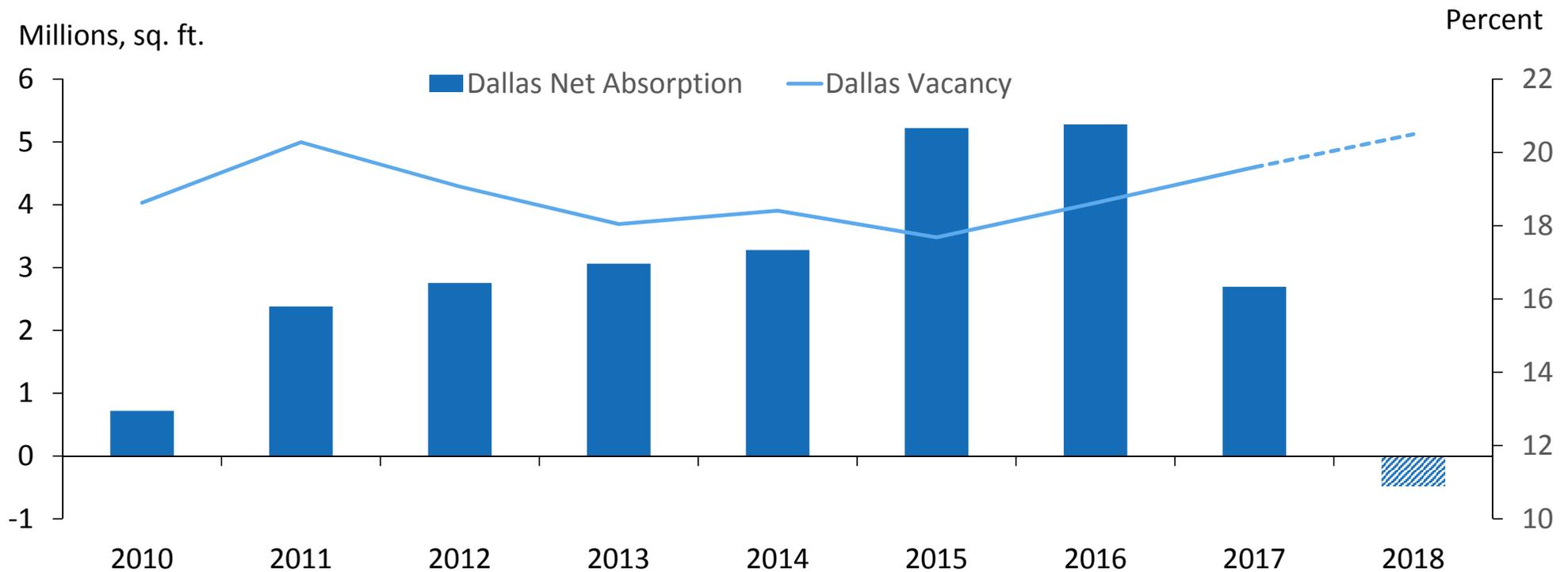
SOURCES: U.S. Census Bureau; seasonal adjustments by FRB of Dallas.

DFW Apartment Market A Mixed Bag

| Metro Area | Occupancy as of Q1 2018 | Annual rent growth as of Q1 2018 | Quarterly completions as of Q1 2018 (units) | Under construction as of Q1 2018 (units) |
|-------------------|-------------------------------|---|--|---|
| Dallas-Fort Worth | 93.9% | 1.9% | 7,000 | 32,400 |
| Austin | 93.2% | -0.7% | 2,600 | 7,600 |
| Houston | 93.2% | 4.0% | 3,300 | 7,500 |
| San Antonio | 91.7% | 1.4% | 1,600 | 5,900 |

SOURCE: Real Page Inc.

DFW Office Absorption Slows, Vacancy Rises

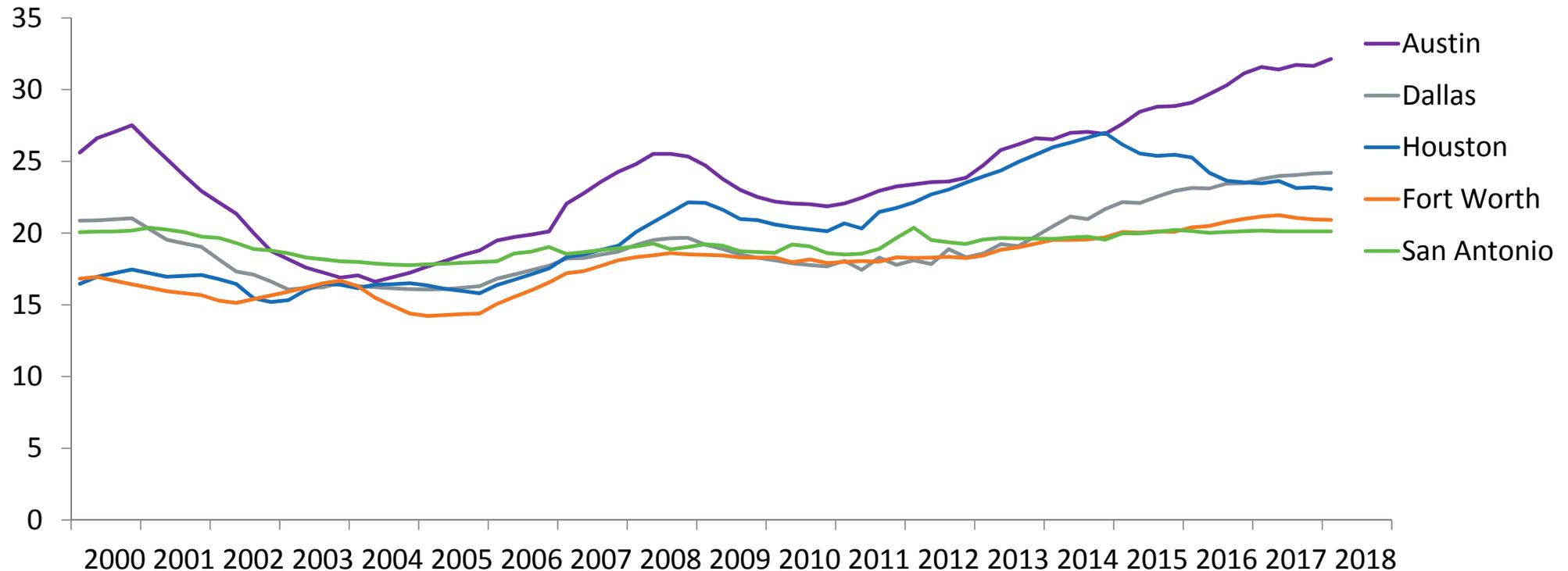


NOTES: Data through Q1 2018. Patterned bars and dashed lines denote partial year data.

SOURCE: CBRE Research.

Office Rent Growth Moderates, Houston Slumps

\$ per sq. foot per year



NOTE: Date through Q1 2018.

SOURCE: CBRE Econometric Advisors.

Positive Outlook for DFW

- DFW employment gains are broad based and continue to lead most other major Texas metros this year
 - Professional and business services and construction sectors are driving job gains
- DFW continues to attract both international and domestic migrants
- Multifamily construction remains elevated, the housing market continues to be tight
- Office market activity appears to be moderating
- Solid job growth in DFW expected to continue
 - Tailwinds: Sustained expansion in U.S. and Texas economies
 - Headwinds: Labor constraints and uncertainty regarding trade policies

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June 19, 2018

The Dallas-Fort Worth economy continued to expand at a torrid pace. The May jobs report showed the metro area growing at a 3.7 percent annualized rate in the first five months of the year, adding a total of 55,500 net new jobs. The unemployment rate remained near record lows, and the Dallas and Fort Worth business-cycle indexes posted above-trend growth. Home-price appreciation moderated in Dallas in the first quarter but stayed strong in Fort Worth. Housing affordability improved slightly in the first quarter but was lower in Dallas relative to other major Texas metros as well as the U.S.