

# DALLAS-FORT WORTH METRO

THIRD QUARTER 2017

## Record Expansion Continues

Harvey's effect on construction industry yet to be seen

### OVERVIEW

According to the Texas Workforce Commission, the Dallas-Fort Worth (DFW) economy added 96,700 non-farm jobs over the 12 months ending in August 2017. This equates to 265 net new jobs per day over the year. The metro area contributed just over a third of Texas' overall job growth during that time period. During the last year, the economy created nearly twice as many jobs than the San Antonio, Austin, and Houston metros combined.

The destruction in Houston and other parts of the Texas coast from Hurricane Harvey and the wide-spread flooding will potentially slow the State's growth for the second half of 2017. The State of Texas estimates that upwards of \$190 billion in damage resulted from the record-breaking storm, and this does not account for the economic losses resulting from reduced productivity. The region's infrastructure, residential, office, and manufacturing sectors took a massive hit, and more than a million residents were displaced. The storm is predicted to have minor negative effects on GDP as the economy begins its recovery. The southeast Texas coast accounts for more than 3.1% of the nation's total GDP.

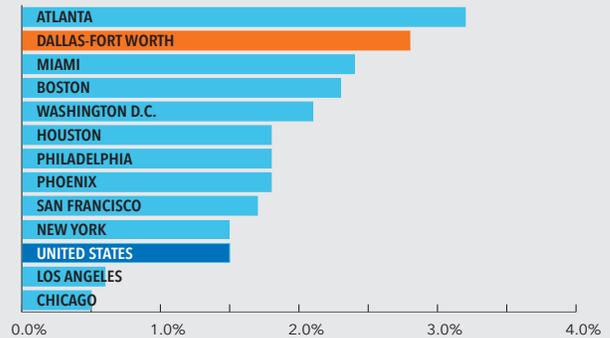
Some economic activity will be generated from the rebuilding process, but initial damage estimates omit the total cost to rebuild. Labor and construction material shortages already in existence will be stretched thin, and many skilled workers are projected to arrive from all parts of the U.S., including the North Texas metro, to assist in that process.

### DFW ECONOMIC INDICATORS

	3Q 16	3Q 17	12-MONTH FORECAST
DFW Employment	3.5M	3.6M	▲
DFW Unemployment Rate	4.1%	3.9%	■
U.S. Unemployment Rate	5.0%	4.5%	■

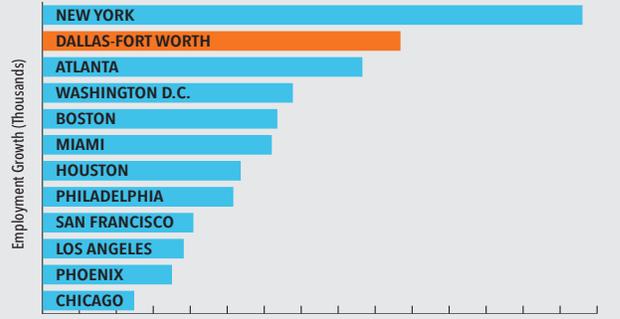
SOURCE: Bureau of Labor Statistics, Transwestern; August 2017

### EMPLOYMENT GROWTH LARGE METRO AREAS | ANNUAL PERCENTAGE CHANGE



SOURCE: Bureau of Labor Statistics, Transwestern; August 2017

### EMPLOYMENT GROWTH LARGE METRO AREAS | ANNUAL NET CHANGE



SOURCE: Bureau of Labor Statistics, Transwestern; August 2017

# DALLAS-FORT WORTH METRO MARKET

THIRD QUARTER 2017

## LABOR FORCE

Over the last 12-month period, service sector industries such as professional and business services, leisure and hospitality, and financial services expanded the most and accounted for over half of the total job growth in DFW. The region's annual employment growth rate of 2.8% was higher than Texas' 2.4% and the U.S. rate of 1.5%. During the past five years, DFW's annual job growth rate has averaged 3.3%.

The unemployment rate remains relatively low compared to other major metros as well as the U.S. national average. The regional unemployment rate dropped to 3.9% (not seasonally adjusted) in August, lower than Texas' 4.5% and the U.S. rate of 4.5%. The labor force for the region grew to 3.8 million, a year-over-year increase of 2.0% compared to Texas' 0.8% and the U.S. rate of 0.7%.

## HOUSING

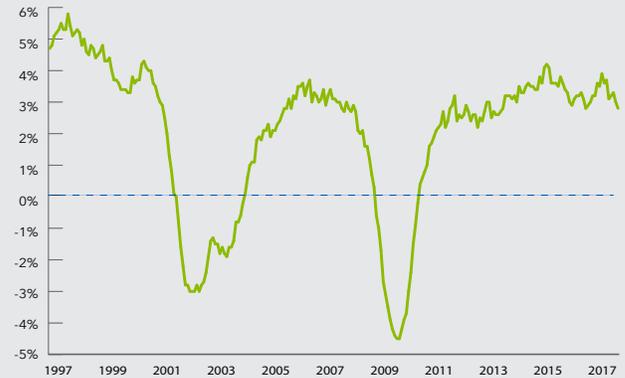
The North Texas housing market is booming, and home sales prices continue to rise as the area's economic and population boom are driving demand and keeping inventories in tight supply. The Real Estate Center at Texas A&M University reported the average home price for DFW rose 6.6% year-over-year with average per-square-foot prices rising from \$121 to \$130. The number of sales continued to rise over the same period by 2.2%. Months of inventory rose slightly to 2.7, and the number of days to sell declined from 68 to 67.

## ECONOMIC OUTLOOK

The North Texas economy continued its expansion in Q3 with modest job growth. Employment gains, while positive, have been relatively slower this year compared to 2016, due in part to a tightening labor market.

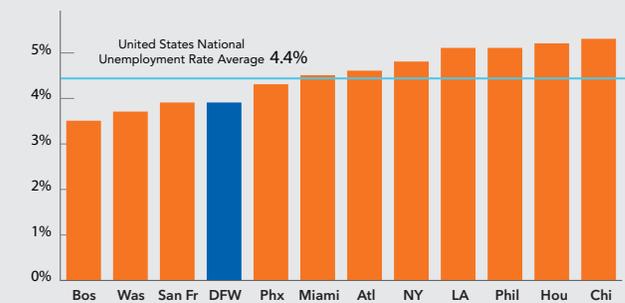
One area of the labor market experiencing shortages in workers is the construction industry, and the demand for labor to assist in the rebuilding of the Southeast Texas coastal community may exacerbate the situation in the short term. The aging baby boomers who are retiring are leaving a void that millennials have not been quick to fill. The U.S. lost over two million construction jobs after the Great Recession, and only about one million have returned. While construction firms have been working to improve recruitment of new

### EMPLOYMENT TRENDS DALLAS-FORT WORTH METRO



SOURCE: Bureau of Labor Statistics, Transwestern; August 2017

### UNEMPLOYMENT RATES LARGE METRO AREAS

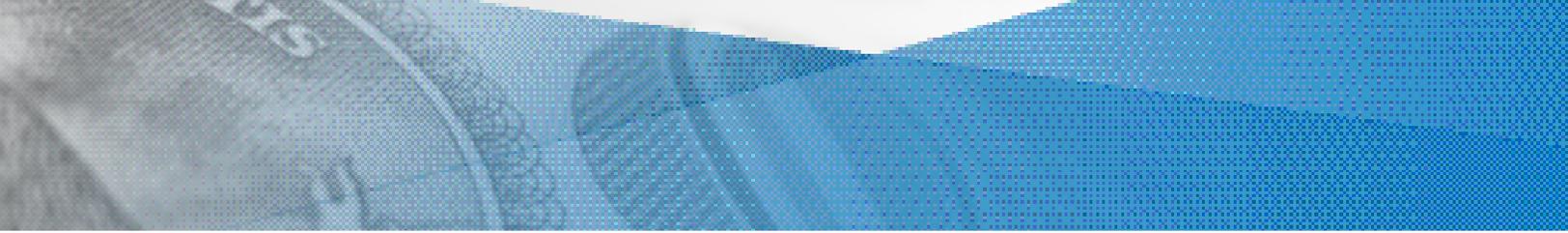


\*Estimates reflect actual data (not seasonally adjusted) SOURCE: Bureau of Labor Statistics, Transwestern; August 2017

### Average Home Prices

	AVERAGE PRICE	MEDIAN PRICE	MONTHS INVENTORY
Dallas-Fort Worth	\$309,388	\$258,495	2.7
Houston	\$258,495	\$227,000	4.5
Austin	\$369,467	\$295,000	3.1
San Antonio	\$250,059	\$215,000	3.7
Texas	\$276,940	\$227,000	4.1

SOURCE: Texas A&M University Real Estate Center, August 2017

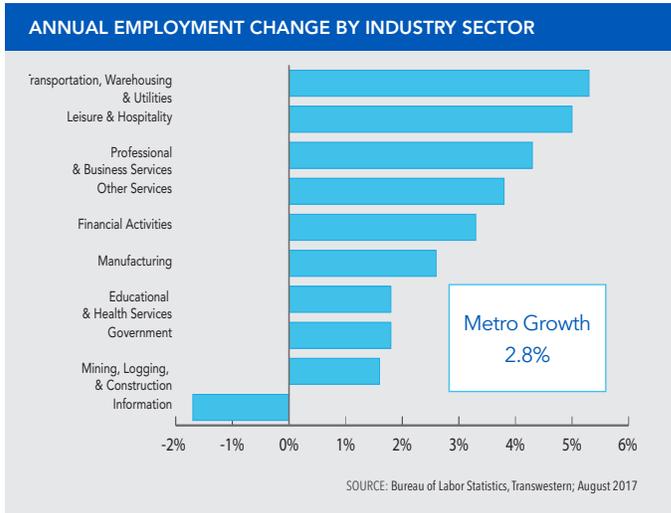


workers, material and labor costs are increasing throughout the U.S.

The Federal Reserve voted in September to keep its benchmark federal funds rate unchanged at 1.0%-1.25%. Earlier in the year, it was announced that the Fed would begin the process of its \$4.5 trillion balance sheet reduction in Q4 by gradually increasing the amount of assets it will allow to mature. The wind-down is expected to put some minor upward pressure on long-term rates, equivalent to less than a quarter percent in the fed funds rate. According to the fed funds futures market, there is a high probability of another rate hike at the December 13th meeting. The Fed has raised interest rates twice this year, and there are three more expected in 2018. Any of these increases are only justified by continued improvements to the labor market and inflation rising closer to its target 2.0%.

The hurricanes that hit the U.S. mainland in Q2 are forecast to pull GDP growth down slightly in Q3 but remain transitory. Activities from rebuilding (via the flow of labor and materials) will provide a small boost to the economy throughout 2018. While the damage estimates are reportedly high, the long-term effects remain to be seen.

The overall U.S. economy is on track for modest expansion in 2017-2018. If the trend continues, by the end of 2018, this recovery will be the second longest expansion in U.S. history. Job growth, while remaining positive, is expected to slow over the next 12-18 months. Unemployment rates are low throughout most of the country and wages are starting to rise. The Federal Reserve Bank of Dallas' Texas leading economic index, which tracks variables such as oil prices, well permits, unemployment claims and productivity, continues to rise. Fed economists predict that the continued strength of the leading index suggests growth above the trend for the second half of the year.



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#### METHODOLOGY

The information in this report is the result of a compilation of publicly available data from a variety of commercial and government sources.

