

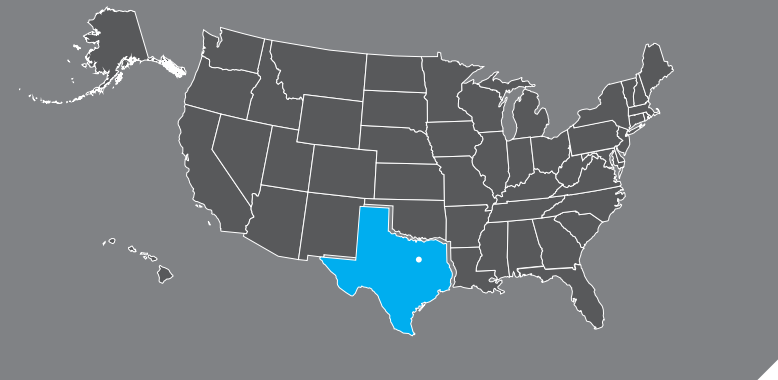
# HUD PD&R Housing Market Profiles

## Dallas-Fort Worth-Arlington, Texas



### Quick Facts About Dallas-Fort Worth-Arlington

- **Current sales market conditions: tight.**
- **Current apartment market conditions: slightly tight.**
- **Dallas and Fort Worth are the 9th and 16th largest cities in the nation. Another 4 cities in the metropolitan area—Arlington, Plano, Irving, and Garland—are also among the 100 largest cities in the nation.**



By Tim McDonald | As of October 1, 2015

### Overview

The Dallas-Fort Worth-Arlington (hereafter DFW) metropolitan area consists of 13 counties (Collin, Dallas, Denton, Ellis, Hood, Hunt, Johnson, Kaufman, Parker, Rockwall, Somervell, Tarrant, and Wise) in north-central Texas. The metropolitan area hosts the headquarters of 21 Fortune 500 companies, including ExxonMobil Corporation, J.C. Penney Company, Inc., and AT&T Inc. The metropolitan area is also a major transportation hub with Dallas-Fort Worth International Airport being the third busiest airport in the nation.

- As of October 1, 2015, the population of the DFW metropolitan area is estimated at 7.1 million, making it the fourth largest metropolitan area in the nation.
- Strong economic growth has contributed to average population growth of 124,600 people, or 1.9 percent, annually since April 2010, relatively unchanged from the previous decade. Net in-migration has averaged 67,650 people annually and has accounted for more than 54 percent of the population growth since April 2010. By comparison, net in-migration accounted for 45 percent of the growth from 2000 to 2010.
- The rate of population growth in the city of Dallas has increased recently, because more young professionals are choosing to live an urban environment in walkable neighborhoods with access to the light-rail system, which has spurred an increase in demand

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for multifamily housing. From April 2010 to July 2014, the population of the city of Dallas increased by an average of 19,600, or 1.6 percent, annually compared with an average increase of 920, or 0.1 percent, annually from April 2000 to April 2010.

- The city of Fort Worth has had much stronger population growth since 2000 than the city of Dallas, going from 534,697 in 2000 to 812,238 in 2014, an average increase of 19,450, or 3.0 percent, annually.

## Economic Conditions

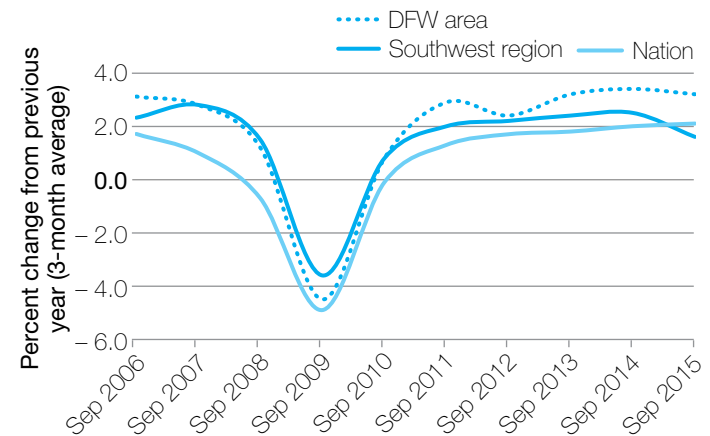
Economic conditions in the DFW metropolitan area are among the strongest in the nation. Since 2011, nonfarm payrolls have increased by an average of 90,500, or 2.9 percent, annually compared with an average increase of 1.6 percent annually for the nation as a whole.

During the third quarter of 2015—

- Nonfarm payrolls reached a new all-time peak of nearly 3.4 million jobs, an increase of 106,600, or 3.2 percent, from the third quarter of 2014.
- Job growth was led by the professional and business services sector, which increased by 26,000 jobs, or 4.8 percent, in part because Towers Watson, a human resources consulting firm, hired 1,600 benefits advisors.
- The leisure and hospitality sector increased 6.3 percent, the greatest percentage gain of any sector, adding 21,200 jobs.

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Since 2011, nonfarm payrolls have increased more in the DFW area than in the nation.



Note: Nonfarm payroll jobs.

Source: U.S. Bureau of Labor Statistics

All the nonfarm payroll growth in the DFW area during the third quarter of 2015 was in service-providing sectors.

	3 Months Ending		Year-Over-Year Change	
	September 2014 (thousands)	September 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	3,285.5	3,392.1	106.6	3.2
Goods-producing sectors	460.7	453.9	- 6.8	- 1.5
Mining, logging, and construction	197.5	194.7	- 2.8	- 1.4
Manufacturing	263.2	259.2	- 4.0	- 1.5
Service-providing sectors	2,824.8	2,938.3	113.5	4.0
Wholesale and retail trade	529.8	546.4	16.6	3.1
Transportation and utilities	155.2	163.6	8.4	5.4
Information	82.3	81.9	- 0.4	- 0.5
Financial activities	267.6	276.0	8.4	3.1
Professional and business services	542.2	568.2	26.0	4.8
Education and health services	401.2	424.8	23.6	5.9
Leisure and hospitality	338.7	359.9	21.2	6.3
Other services	117.4	121.1	3.7	3.2
Government	390.4	396.5	6.1	1.6
	(percent)	(percent)		
Unemployment rate	5.1	4.0		

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

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A large portion of this increase is attributable to new restaurants as people in the metropolitan area allocate 6.1 percent of total spending to eating out, which is the highest rate in the nation (Bureau of Labor Statistics, Consumer Expenditure Survey).

- The unemployment rate declined from 5.1 to 4.0 percent, which is the lowest rate recorded since 2000.

The DFW metropolitan area has been one of the fastest growing areas in the nation during the past 4 years, and this trend is likely to continue with several large construction projects under way to accommodate firms relocating to the metropolitan area. State Farm is building a new campus in the city of Richardson that will add 8,000 jobs by the end of 2016. Toyota is moving its North American

headquarters to DFW from California, which is expected to add 5,000 jobs when the transition is complete. General Motors Company recently announced a \$1.2 billion expansion of an assembly factory in Arlington that will add 600 jobs by completion in 2018.

### Largest employers in the DFW area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Wal-Mart Stores, Inc.	Wholesale and retail trade	52,700
American Airlines	Transportation and utilities	23,700
Baylor Health Care System	Education and health services	22,500

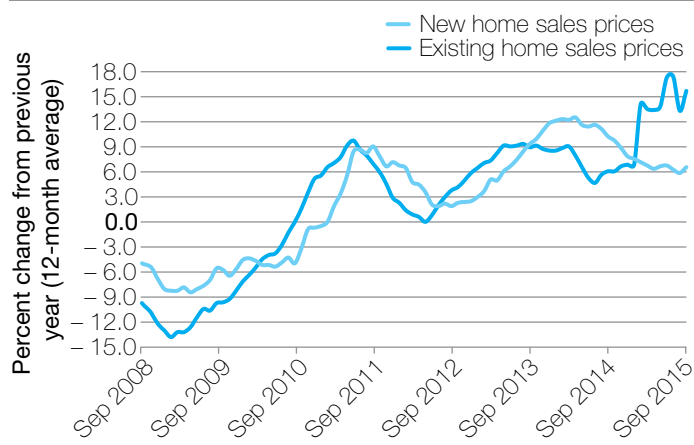
Note: Excludes local school districts.

Source: Dallas Economic Development

## Sales Market Conditions

The sales housing market in the DFW metropolitan area is currently tight, which is a sharp turnaround from the soft conditions that prevailed from 2008 through 2011, during the economic downturn. Recent strong employment and population growth in the metropolitan area contributed to increased sales demand. During September 2015, a 2.3-month supply of inventory was on the market in the metropolitan area, which is unchanged from September 2014 but down significantly from the 6.0-month supply in 2010 (Real Estate Center at Texas A&M University). Collin and Denton Counties each have about 1.8 months of available inventory on the market currently and are the tightest markets in the metropolitan area.

The average sales price for an existing home in the DFW area has increased rapidly since 2012, because of a shortage of existing homes available for sale.



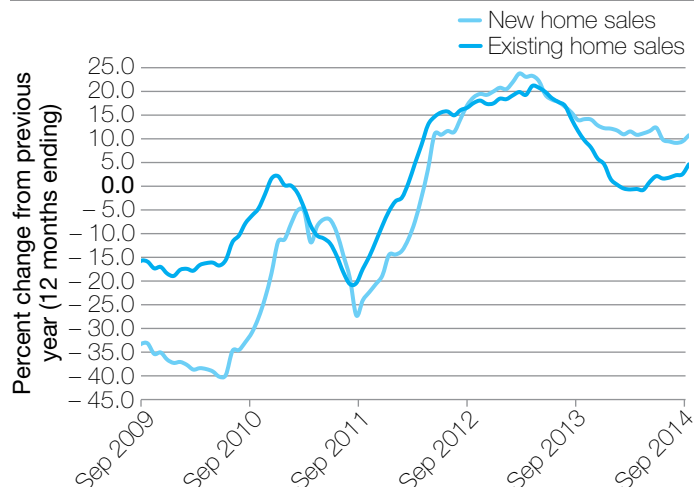
Note: Includes single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

- As of September 2015, 3.1 percent of home loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 3.6 percent a year earlier. The rate of seriously delinquent mortgages and REO properties peaked at 6.4 percent in January 2010 (Black Knight Financial Services, Inc.).
- New home sales totaled 21,700 during the 12 months ending September 2015, an increase of 2,100, or nearly 11 percent, from the 12 months ending September 2014. The average sales

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New home sales in the DFW area have steadily increased as the economy has improved but are constrained by a limited number of developable lots.



Note: Includes single-family homes, townhomes, and condominiums.

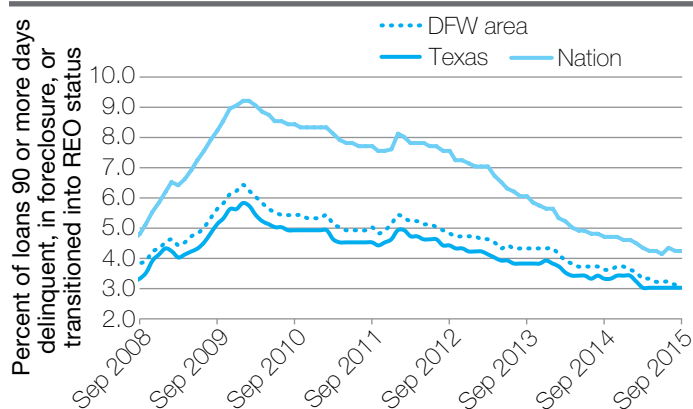
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

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price was \$328,500, an increase of \$20,700, or nearly 7 percent, from the previous 12 months (Metrostudy, A Hanley Wood Company).

- Existing home sales totaled 129,000, an increase of 5,800, or less than 5 percent, from the 12 months ending September 2014, while the average sales price increased by \$38,900, or 16 percent, to \$283,600.
- New single-family home sales in the city of Dallas totaled 360 during the 12 months ending September 2015, a decline of 50 sales, or nearly 13 percent, from the previous 12 months. The average price of a new single-family home in the city of Dallas is \$541,200, an increase of \$87,300, or more than 19 percent, from the previous 12 months. New single-family home sales are well below the average of 2,000 annually from 2005 through 2007, when the average sales price was \$304,300. The city of Dallas has very little developable land and most new home construction involves the demolition of an existing home.

The percentage of seriously delinquent mortgages and REO properties in the DFW area is below the rate recorded at the beginning of 2008.



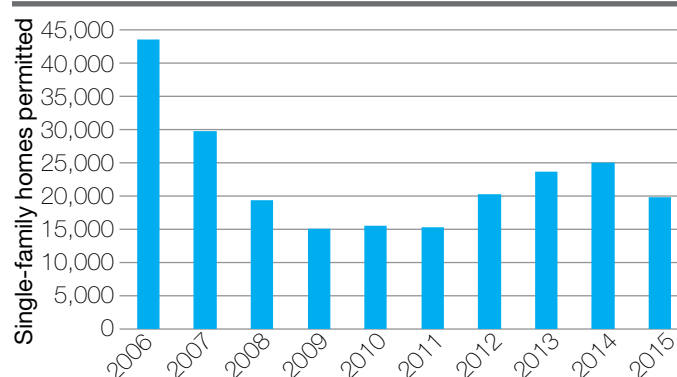
REO = real estate owned.

Source: Black Knight Financial Services, Inc.

Single-family homebuilding activity started to increase during 2012 but is still well below levels recorded during the mid-2000s, in part because of the lack of developable land in the metropolitan area.

- During the third quarter of 2015, 6,950 lots were delivered for development in the DFW metropolitan area, which is less than one-half the 14,000 lots delivered in the third quarter of 2005 (Metrostudy, A Hanley Wood Company).
- During the 12 months ending September 2015, 25,600 single-family homes were permitted, an increase of 3,850, or nearly 18 percent, from the previous 12 months.
- Most single-family homebuilding activity is occurring in Collin and Denton Counties. During the 12 months ending September 2015, 13,450 single-family homes were permitted in Collin and Denton Counties, which accounts for nearly 53 percent of all single-family homebuilding activity in the DFW metropolitan area.

Single-family home construction has increased with the economic recovery in the DFW area but remained well below the levels recorded in the mid-2000s.



Note: Includes preliminary data from January 2015 through September 2015.

Source: U.S. Census Bureau, Building Permits Survey

## Apartment Market Conditions

The apartment market in the DFW metropolitan area is slightly tight, with a 7.0-percent vacancy rate during the third quarter of 2015, up from 6.6 percent 1 year earlier but well below the 13.6-percent vacancy rate at the end of 2009 (ALN Apartment Data, Inc.). Strong employment growth and increasing in-migration to the DFW metropolitan area since 2011 have contributed to a significant decline in the apartment vacancy rate.

- The apartment vacancy rate has been less than 9 percent since the second quarter of 2011, the first time the vacancy rate in the metropolitan area had fallen below this level since before 2002.
- The average rent for an apartment in the metropolitan area during the third quarter of 2015 was \$998, an increase of \$72, or nearly 8 percent, from the third quarter of 2014. Average year-over-year rent growth in the metropolitan area has exceeded 4 percent since 2012.

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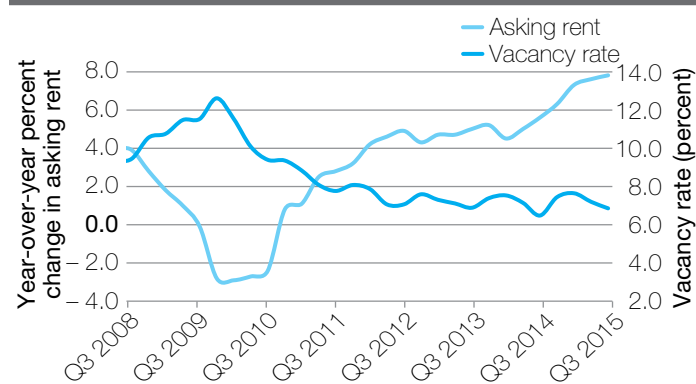
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- Vacancy rates continued to decline despite more than 17,600 apartments constructed annually from 2012 through 2014 because apartment absorption continued at a record-setting pace of more than 21,650 units annually during the past 24 months.
- Among units built since 2010 in the metropolitan area, the average rents are \$1,219, \$1,651, and \$1,788 for one-, two-, and three-bedroom units, respectively.
- The average rent for an apartment in the central business district of the city of Dallas is \$2,120, and in the central business district of Fort Worth the average rent for an apartment is \$1,468.

Multifamily construction activity in the metropolitan area has averaged more than 16,000 units annually since 2012 and is likely to remain elevated during the next several years. Throughout the metropolitan area, 24 residential highrises are currently under construction or soon to be started as urban living has become more popular.

- During the 12 months ending September 2015, 23,000 multifamily units were permitted, an increase of 3,950, or 21 percent, from the previous 12 months.

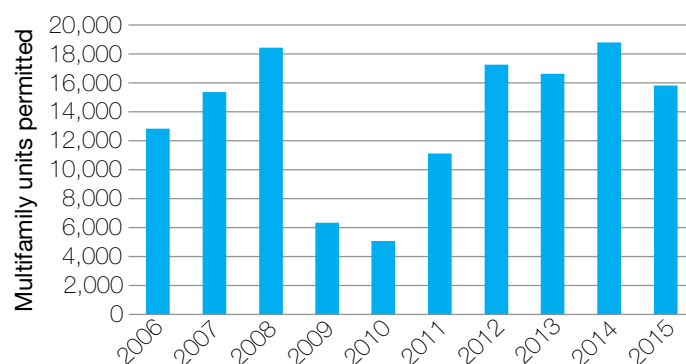
Rent increases in the DFW area have averaged more than 4 percent annually since the beginning of 2012.



Source: ALN Apartment Data, Inc.

- Approximately 56 percent of all multifamily units permitted in the DFW metropolitan area, or 12,950 units, were in Dallas County during the 12 months ending September 2015.
- In Collin County, within a 3-mile radius of the intersection of State Highway 121 and the North Dallas Tollway, construction has increased significantly. The six developments currently under construction in this area include the Dallas Cowboys' new practice facility and Toyota's new North American headquarters. The six developments represent a \$7 billion investment, and when complete they will contain more than 4,300 apartment units in addition to retail and office space.
- In the city of Richardson, along the DART rail line, the \$1.5 billion CityLine development is under construction. This development is the location of State Farm's new campus that will have 8,000 employees. This development will have 4,000 apartment units when complete.
- In the city of Fort Worth, the Waterside mixed-use development that is scheduled for completion in 2016 will have 800 apartment units along with 200,000 square feet of retail and restaurant space along the Trinity River.

The number of multifamily units permitted in the DFW area from 2012 through 2014 totaled more than 52,800, the most in any 3-year period since the late 1990s.



Note: Includes preliminary data from January 2015 through September 2015.

Source: U.S. Census Bureau, Building Permits Survey