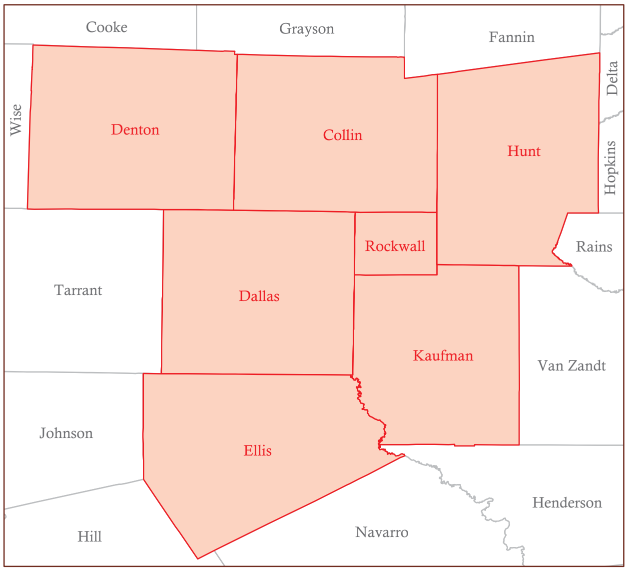
C O M P R E H E N S I V E   H O U S I N G   M A R K E T   A N A L Y S I S

Dallas-Plano-Irving, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of August 1, 2015



Housing Market Area

The Dallas-Plano-Irving Housing Market Area (hereafter, the Dallas HMA) is coterminous with the Dallas-Plano-Irving, TX Metropolitan Division. For purposes of this analysis, the HMA is divided into three submarkets: (1) the Dallas County submarket; (2) the Collin-Denton Counties submarket, which includes Collin and Denton Counties; and (3) the Southeastern Counties submarket, which consists of Ellis, Hunt, Kaufman, and Rockwall Counties.

Summary

Economy

Economic conditions in the Dallas HMA are among the strongest in the nation. During the 12 months ending July 2015, nonfarm payrolls increased by 92,700, or 4.1 percent, which is significantly higher than the national rate of growth of 2.2 percent. The current unemployment rate of 4.2 percent is well below the national average of 5.6 percent. Nonfarm payrolls are projected to increase at an average annual rate of 2.7 percent during the 3-year forecast period.

Sales Market

The sales housing market in the Dallas HMA is currently tight, with a 1.0-percent vacancy rate, down significantly from 2.1 percent in April 2010. New and existing home sales in the HMA totaled 95,400 during the 12 months ending July 2015, an increase of 2,000, or 2 percent, from the previous 12 months. The average sales price was $305,600, an increase of nearly 15 percent from the previous 12 months. Demand is forecast for 56,550 new homes during the next 3 years (Table 1). The 6,495 homes currently under construction and a portion of the estimated 33,900 other vacant housing units that will likely reenter the sales market will satisfy some of the demand during the forecast period.

Rental Market

The rental housing market in the Dallas HMA is slightly tight, with an overall vacancy rate of 6.6 percent, down from 11.1 percent during 2010. The apartment market is also slightly tight, with a 7.3-percent vacancy rate and rents averaging $1,016, an increase of 7 percent since 2010 (ALN Systems, Inc.). During the 12 months ending July 2015, the absorption of apartment units averaged 1,475 units a month, up from 870 units a month during the previous 12 months. During the next 3 years, demand is expected for 54,550 new market-rate rental units; the 18,505 units currently under construction will satisfy a portion of the demand (Table 1).

Market Details

Table 1. Housing Demand in the Dallas HMA* During the Forecast Period

	Dallas HMA*		Dallas County Submarket		Collin-Denton Counties Submarket		Southeastern Counties Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	56,550	54,550	15,250	30,950	34,900	22,000	6,400	1,600
Under construction	6,495	18,505	1,475	10,650	4,600	7,325	420	530

** Dallas-Plano-Irving HMA.*

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Sales demand in the Southeastern Counties submarket includes an estimated demand for 200 mobile homes. Units under construction as of August 1, 2015. A portion of the estimated 33,900 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is August 1, 2015, to August 1, 2018.

Source: Estimates by analyst

Economic Conditions

The Dallas HMA is home to 19 Fortune 500 companies, including such well-known names as Exxon-Mobil Corporation, AT&T Inc., and J.C. Penney Company, Inc. The HMA is also headquarters for many telecommunications and computer technology firms, such as Affiliated Computer Services, Inc., and Texas Instruments Inc. The HMA also has a large number of jobs in the finance and insurance industries and has always played a role in the oil industry. The city of Dallas and surrounding areas first began to develop as a trading location for cotton, with many railroad lines in the area. With the expansion of the Interstate Highway System, the HMA remained an important center for logistics and trade because of its location in the middle of the country and along interstates that run from Mexico to Canada.

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Dallas HMA,* by Sector

	12 Months Ending		Absolute Change	Percent Change
	July 2014	July 2015		
Total nonfarm payroll jobs	2,258,900	2,351,600	92,700	4.1
Goods-producing sectors	283,100	291,000	7,900	2.8
Mining, logging, & construction	118,100	125,400	7,300	6.2
Manufacturing	165,000	165,600	600	0.4
Service-providing sectors	1,975,800	2,060,600	84,800	4.3
Wholesale & retail trade	368,100	379,900	11,800	3.2
Transportation & utilities	80,500	85,200	4,700	5.8
Information	68,400	68,700	300	0.4
Financial activities	207,000	215,000	8,000	3.9
Professional & business services	413,000	439,700	26,700	6.5
Education & health services	272,800	286,300	13,500	4.9
Leisure & hospitality	220,000	231,600	11,600	5.3
Other services	77,800	79,200	1,400	1.8
Government	268,200	275,000	6,800	2.5

** Dallas-Plano-Irving HMA.*

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through July 2014 and July 2015.

Source: U.S. Bureau of Labor Statistics

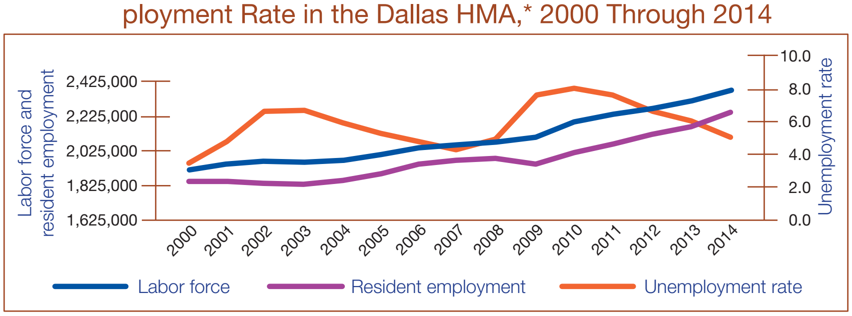
Economic conditions remained strong during the 12 months ending July 2015, as nonfarm payrolls increased by 92,700, or 4.1 percent, to more than 2.35 million (Table 2). From 2011 to the current date, nonfarm payrolls in the HMA increased by an average of 66,600, or 3.1 percent, annually. By comparison, nonfarm payrolls nationally increased an average of only 1.7 percent annually during the same period. The unemployment rate in the HMA is currently 4.2 percent, which is down from 5.5 percent 1 year earlier and down from the recent peak level of 8.0 percent during 2010. Figure 1 shows the trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2014.

Job growth is occurring in all employment sectors of the Dallas HMA, with the professional and business services sector leading growth during the 12 months ending July 2015, increasing by 26,700, or 6.5 percent. The professional and business services sector is also the largest employment sector in the HMA with 439,700 jobs and accounts for 18.7 percent of all nonfarm payroll jobs (Figure 2). This sector has had numerous recent expansions, with the largest being professional services firm Towers Watson. In October of 2013, Towers Watson announced they were hiring 1,600 benefits advisors, with hiring completed in the spring of 2015.

In addition to the Towers Watson expansion, several other large-scale corporate expansions and relocations have been announced in the Dallas HMA during the past 2 years. Many of the firms that are relocating or expanding are building new office complexes, which have contributed to the increase in construction jobs in the HMA. The mining, logging, and construction sector, in percentage terms, was the second fastest growing sector in the HMA, increasing 6.2 percent, or by 7,300 jobs, to 125,400 during the 12 months ending July 2015. The HMA is also one of the leading areas in the nation for new residential construction activity, which is driven by firms that are relocating to the HMA and the subsequent net in-migration. In addition to the commercial and residential construction activity, several large-scale highway infrastructure projects have commenced, constituting more than $4 billion of ongoing capital investment in the HMA.

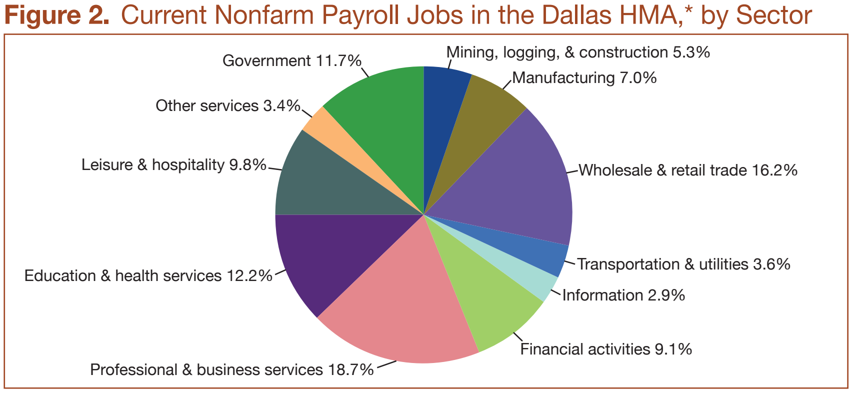
The Dallas HMA is a major aviation transportation hub for the nation. The Dallas-Fort Worth International Airport (DFW airport), on the Dallas County-Tarrant County border, is the third busiest airport in the nation and a hub for American Airlines. DFW airport has a more than $31 billion impact on the local economy and directly or indirectly supports more than 143,000 permanent jobs, which includes the 60,000 people who work in the airport every day (2013 study by the University of North Texas, Center for Economic Development and Research). In addition to DFW airport, the HMA has Dallas Love Field airport in the city of Dallas, which serves as the headquarters for Southwest Airlines. In addition to the airline workers, numerous trucking companies are located in the HMA to take advantage of the transportation networks. These factors contributed to employment in the transportation and utilities sector increasing by 4,700 jobs, or 5.8 percent, to 85,200 during the 12 months ending July 2015. Some of the most

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Dallas HMA,* 2000 Through 2014



** Dallas-Plano-Irving HMA.*
Source: U.S. Bureau of Labor Statistics

Figure 2. Current Nonfarm Payroll Jobs in the Dallas HMA,* by Sector



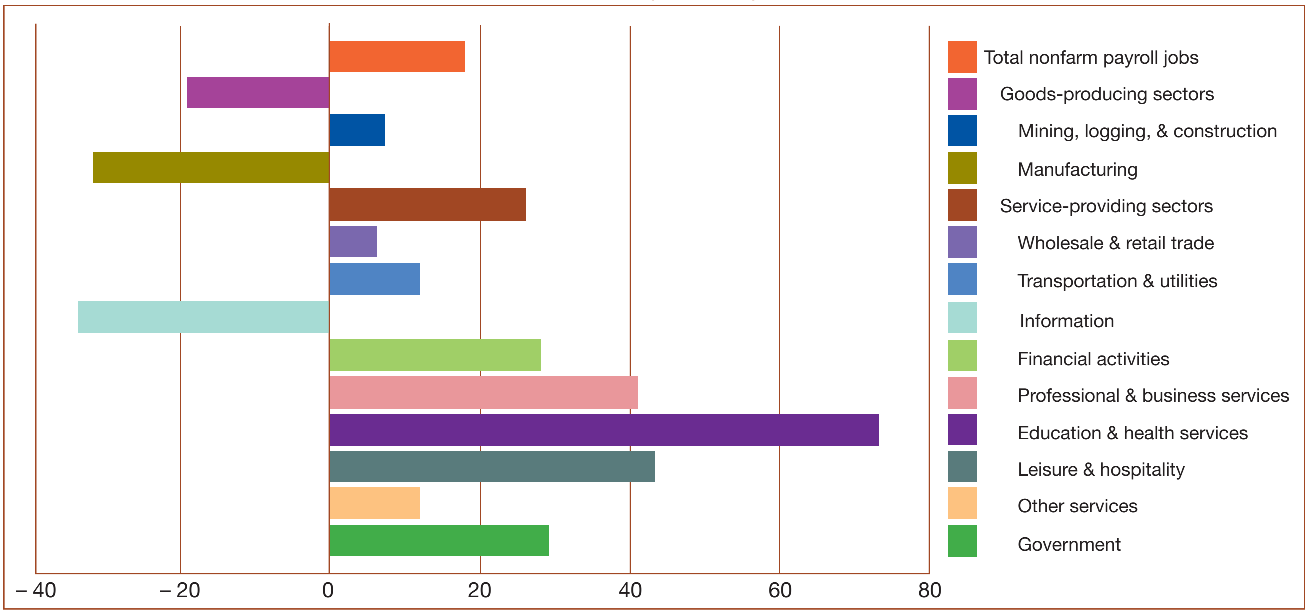
** Dallas-Plano-Irving HMA.*
Note: Based on 12-month averages through July 2015.
Source: U.S. Bureau of Labor Statistics

recently announced expansions in this sector include Southwest Airlines, which announced in October 2012 that it was adding 1,000 jobs to service increased air traffic out of Love Field with the expiration of the Wright Amendment in October 2014. Also contributing to employment growth in the transportation and utilities sector was a new FedEx Express distribution center in Irving, Dallas County, which opened during 2014 and created more than 100 new jobs.

The education and health services sector has been the fastest growing employment sector in the HMA since 2000, as population growth has resulted in an increased demand for healthcare services (Figure 3). Since 2001, this sector has increased by an average of 8,300 jobs, or 3.8 percent, annually. During the 12 months ending July 2015, the education and health services sector increased by 13,500 jobs, or 4.9 percent, to 286,300, the second largest job gain by sector. Baylor Health Care System is the largest employer in this sector and in the HMA, with 22,000 employees (Table 3).

The leisure and hospitality sector had the fourth largest job gain during the 12 months ending July 2015, increasing by 11,600 jobs, or 5.3 percent. A large portion of this increase is attributable to new restaurants as people in the Dallas HMA dine out more than the average American. People in the HMA allocate 6.1 percent of total spending on eating out, which is the highest

Figure 3. Sector Growth in the Dallas HMA,* Percentage Change, 2000 to Current



** Dallas-Plano-Irving HMA.*

Note: Current is based on 12-month averages through July 2015.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Dallas HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Baylor Health Care System	Education & health services	22,000
Bank of America	Financial activities	15,400
City of Dallas	Government	13,000
JP Morgan Chase NA	Financial activities	13,000
Texas Instruments Inc.	Professional & business services	13,000
University of Texas Southwestern Medical Center	Government	11,650
HCA North Texas Division	Education & health services	11,600
University of North Texas	Government	10,000
Southwest Airlines	Transportation & utilities	8,350
Verizon Communications	Information	8,100

** Dallas-Plano-Irving HMA.*

Notes: Excludes local school districts. Wal-Mart Stores, Inc., with 52,700 employees, is the largest employer in the Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area, but numbers for the Dallas-Plano-Irving, TX Metropolitan Division were not available; therefore, Wal-Mart is not included in this table.

Source: Dallas Business Journal, University of North Texas.

rate in the nation (Bureau of Labor Statistics, Consumer Expenditure Survey).

Contributing to the large expenditure on dining out in the HMA is the presence of many high-paying jobs. The city of Dallas is a major center for employment in the financial activities sector. Job growth in the financial activities sector was fairly strong during the 12 months ending July 2015, increasing by 8,000 jobs, or 3.9 percent, to 215,000. Bank of America and JPMorgan Chase & Co. are two of the leading employers in the HMA, with 15,400 and 13,000 employees, respectively. Capital One Financial Corporation, which has a large campus in Collin County with 5,900 employees, added 400 employees during 2014 with the completion of its sixth building on campus. The seventh building, which will be able to accommodate 1,200 employees, is scheduled to break ground in the fall of 2015. Another major expansion was announced by LoanDepot, Inc., an online mortgage lender headquartered in the city of Plano. The firm announced in 2013 that it would add 1,000 new jobs by 2016.

The Dallas HMA has not always experienced such robust economic growth. After strong growth during the 1990s that carried over through 2001, the HMA experienced an economic downturn in part because of the Telecom bust. From the end of 2001 through 2003, nonfarm payrolls declined by an average of 47,400, or 2.4 percent, and the unemployment rate increased from 4.8 to 6.8 percent. Job losses were the most severe in the information sector, which declined by an average of 10,100, or 10.5 percent, annually during the same period. From 2004 through 2008, nonfarm payrolls in the HMA recovered and increased by an average of 44,500, or 2.2 percent, annually, led by growth in the professional and business services sector, which increased by an average of 16,300 jobs, or 5.3 percent, annually. During the same period, population growth in the HMA contributed to increased demand for healthcare services, which led to the education and health services sector increasing by an average of 8,400 jobs, or 4.2 percent, annually. During 2009, the local economy declined because of the national economic downturn, with nonfarm payrolls down by 83,300, or 3.9 percent, to 2.04 million jobs. The hardest hit employment sector was the professional and business services sector, which declined by 25,200 jobs, or 7.0 percent, to 335,400. The unemployment rate in the Dallas HMA climbed from 5.0 percent during 2008 to 7.8 percent during 2009. The HMA began to slowly recover some of the job losses during 2010, as nonfarm payrolls increased by 3,400, or less than 0.2 percent.

Employment growth should remain strong through the 3-year forecast period, because numerous large-scale projects are currently under way. The Cypress Waters development, in the city of Dallas, is a $3.5 billion mixed-use development on 1,000 acres of land that will eventually contain 4 million square feet of office, retail, and dining space and more than 10,000 housing units when complete in 2020. Toyota Industries Commercial Finance Inc. is relocating its U.S. headquarters to Cypress Waters and will create 150 new jobs. CoreLogic, Inc., is relocating 1,300 employees from the north Texas area to its new Cypress Waters office and will be moving about 200 more people in from out of state. In addition to the jobs being created at Cypress Waters, numerous new developments are under way in the Dallas County submarket. Active Network, LLC, is relocating its corporate headquarters in the fall of 2015 and bringing more than 1,000 jobs to the city of Dallas. Amazon.com Inc. is also expanding, with a new distribution center in south Dallas and plans to add 1,500 new workers by 2017.

The Dallas County submarket has traditionally been the employment hub of the HMA, but as the population increases many more large development projects are occurring to the north in Collin County, which has contributed to the expanding employment base. State Farm in 2013 began construction of a four-building campus with 2 million square feet of office to serve as its regional hub office and is in the process of adding more than 8,000 workers in the HMA, with completion of the hiring by the end of 2016. Toyota is moving its North American headquarters from California to the city of Plano, also in Collin County, and is constructing a new $300 million campus that will house 4,000 to 5,000 employees. Toyota's campus is adjacent to the $2 billion mixed-use development Legacy West, which began construction in early 2015 and includes 800,000 square feet of office space. Moving in to the Legacy West development is Liberty Mutual, which is consolidating 5,000 employees from across the country to this new office.

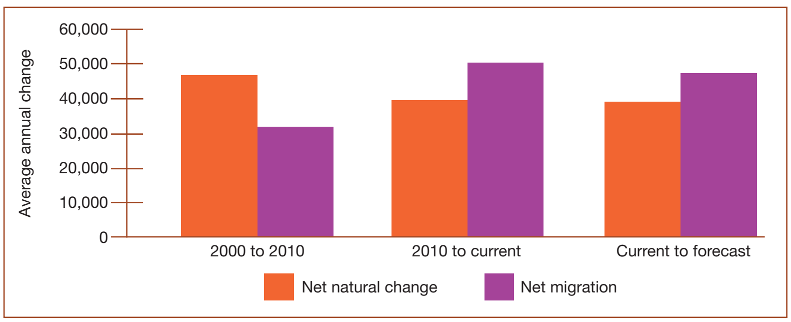
The Toyota campus and the Legacy West development are south of the intersection of the North Dallas and Sam Rayburn Tollways. Immediately north of this intersection, in the city of Frisco, is a series of four separate developments known together as the "$5 billion mile." The largest of these four projects is Frisco Station, a $1.7 billion development on 242 acres that will include two hotels and several new office towers. The anchor for all these projects is The Star, a $1 billion development that is a joint venture of the Dallas Cowboys, The city of Frisco, and the Frisco Independent School District. This development will include the new corporate headquarters and practice facilities of the Dallas Cowboys, the most valuable sports franchise in the world, which is worth $4 billion (Forbes Magazine). The Dallas Cowboys' practice facility will include a 12,000-seat indoor stadium, which will also be used occasionally by the local school district for high school football games and other events. An Omni hotel in The Star development will accommodate tourists who attend Dallas Cowboys practices. In total, when all four developments in the $5 billion mile are complete, it will comprise more than 12 million square feet of office space; 1.32 million square feet of retail, restaurant, and entertainment space; 490,000 square feet of medical office space; and 820 hotel rooms within multiple hotels. It is expected that more than 10,000 construction jobs will be created as a result of these projects, with an additional 12,000 full-time jobs when complete.

During the next 3 years, nonfarm payrolls are expected to increase 2.7 percent annually, with the strongest growth during the first year of the forecast period. The rate of nonfarm payroll growth, although still relatively strong, will continue to slow each year during the forecast period from the very rapid rate of growth that occurred since 2011. The professional and business services and the educational and health services sectors are likely to continue to be among the strongest growing sectors in the HMA.

Population and Households

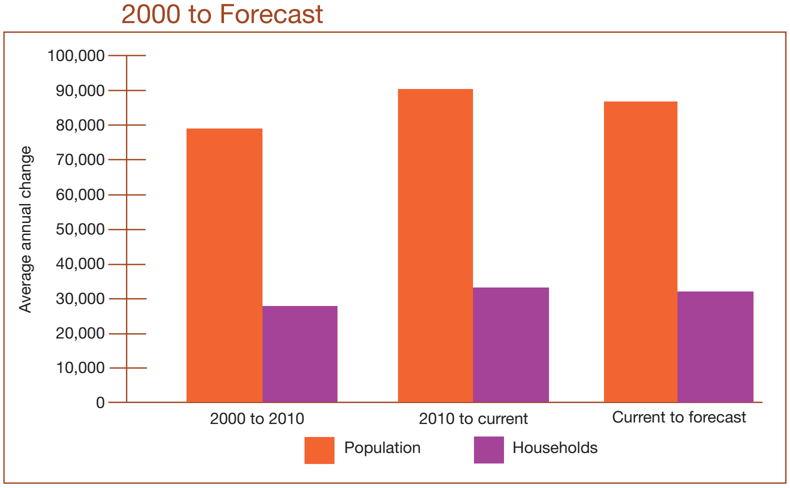
The population of the Dallas HMA is currently estimated at more than 4.7 million, an average increase of 90,100, or 2.0 percent, annually since 2010. Net in-migration has averaged 50,700 since 2010, accounting for more than 56 percent of all population growth. The slowest period of population growth in the HMA was from 2000 through 2004 (U.S. Census Bureau decennial census counts and population estimates, as of July 1), as the population increased by an average of 69,250, or 1.9 percent, annually. Population growth averaged 85,300 people, or 2.2 percent, annually from 2004 through 2010. Figure 4 shows the components of population change in the HMA from 2000 through the 3-year forecast period. Nearly 1.7 million households are in the HMA, an increase of 32,600, or 2.0 percent, annually since 2010. Figure 5 shows population and household growth in the HMA from 2000 through the forecast period. Tables DP-1 through DP-4 at the end of this report provide additional economic, population, and household data for the HMA as a whole and for each submarket.

Figure 4. Components of Population Change in the Dallas HMA,* 2000 to Forecast



** Dallas-Plano-Irving HMA.*
Notes: The current date is August 1, 2015. The forecast date is August 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Population and Household Growth in the Dallas HMA,* 2000 to Forecast



** Dallas-Plano-Irving HMA.*
Notes: The current date is August 1, 2015. The forecast date is August 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

The Dallas County submarket, which is the largest submarket in the HMA, has a population currently estimated at 2.56 million. Since 2010, the population of the submarket has increased by an average of 35,600, or 1.5 percent, annually, with net in-migration averaging 11,700 people annually. The most recent population growth rate is significantly higher than the average increase of 14,900, or 0.7 percent, annually from 2000 through 2010, when net out-migration from the county averaged 14,450 annually.

Urban living in denser developments has become more desirable in the Dallas County submarket since 2010. Population growth in the city of Dallas, which is ninth-largest city in the nation with a July 2014 population estimate of more than 1.28 million, has increased significantly since 2010. From 2000 to 2010, the population of the city of Dallas increased by an average of 920, or 0.1 percent, annually, but since 2010 it has averaged an increase of 20,800, or 1.7 percent, annually. The growth in the Dallas County submarket is being driven in part by the expansion of the light-rail line and an increasing number of services in the downtown area of the city of Dallas and other nearby neighborhoods.

Also, rent growth has been stronger in the Collin-Denton Counties submarket since 2010 than in the Dallas County submarket, narrowing the disparity in rents between the two submarkets and making the Dallas County submarket slightly more desirable.

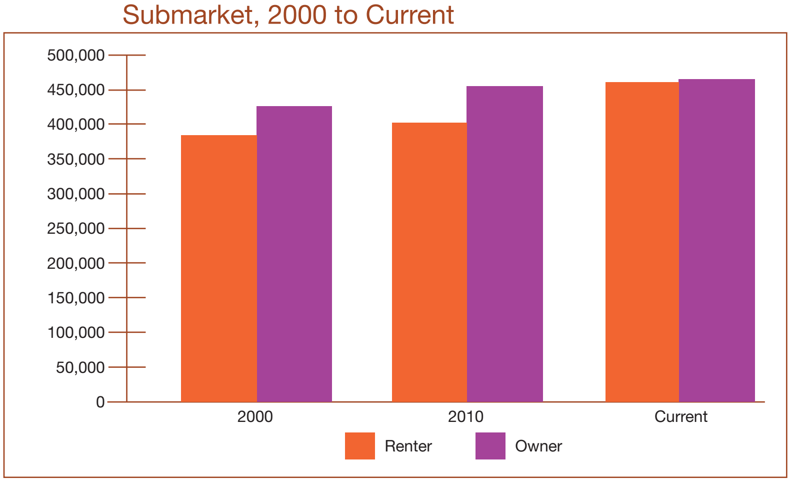
The Dallas County submarket currently has 924,100 households, up by an average of 12,800, or 1.4 percent, since April 2010. The current rate of household formation is above the average of 4,825 from 2000 through 2010. Renter households have accounted for nearly 85 percent of household formation in the submarket since 2010. This sharp increase in the formation of renter households has caused the homeownership rate to decline from 53.2 percent in 2010 to 50.1 percent currently (Figure 6). During the forecast period, the population of the submarket is expected to increase by 32,350, or 1.2 percent, annually, with households increasing 11,550, or 1.2 percent annually.

The Collin-Denton Counties submarket has been the fastest growing submarket in the HMA since 2000, but the rate of growth is slowing slightly as more people are choosing to live closer to the city of Dallas. The population is currently estimated at nearly 1.7 million, an increase of 47,050, or 3.0 percent, annually since 2010. Net in-migration has averaged 33,700 people annually and accounted for nearly 72 percent of population growth since 2010. Although this rate of growth is the highest in the HMA of any of the submarkets, it has slowed from earlier periods. From 2000 to 2006 (Census Bureau decennial census counts and population estimates, as of July 1), population increased by an average of 55,000, or 5.2 percent, annually. During this time, net in-migration to the Collin-Denton Counties submarket averaged 40,650 and accounted for 74 percent of all population growth. From 2006 to 2010, population growth slowed to an average of 47,050, or 3.5 percent, annually, with net in-migration declining to an average of 31,700 people, which accounted for 67 percent of population growth.

The Collin-Denton Counties submarket currently has 615,900 households, which is an increase of nearly 17,200, or 3.1 percent, since 2010. Between 2000 and 2010, the number of households increased by 18,300, or 4.4 percent, annually. From 2000 to 2010, the homeownership rate increased slightly from 66.7 to 66.8 percent, but since 2010 the homeownership rate has declined to 63.3 percent in this submarket as nearly 60 percent of new household formations since 2010 were renter households (Figure 7). During the forecast period, the population of the Collin-Denton Counties submarket is expected to increase by 47,000, or 2.7 percent, annually with the number households increasing by an average of 17,350, or 2.7 percent, annually.

The population of the Southeastern Counties submarket is currently estimated at 457,300. Since 2010, the

Figure 6. Number of Households by Tenure in the Dallas County Submarket, 2000 to Current



Note: The current date is August 1, 2015.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

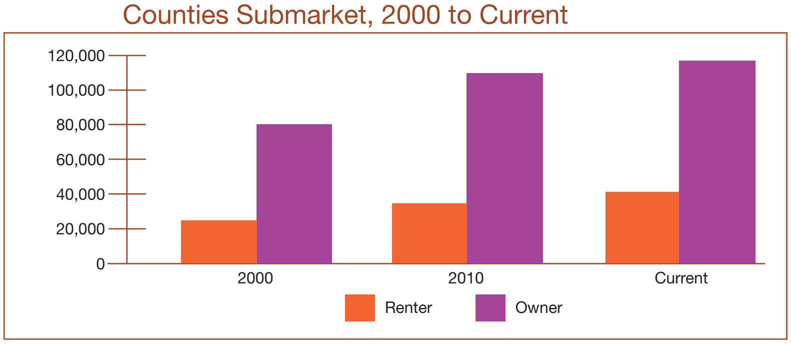
Figure 7. Number of Households by Tenure in the Collin-Denton Counties Submarket, 2000 to Current

Note: The current date is August 1, 2015.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

population has increased by an average of 7,475, or 1.7 percent, annually and net in-migration has averaged 5,300 people annually. The recent rate of population growth is much slower than in earlier periods. From 2000 to 2007 (Census Bureau decennial census counts and population estimates, as of July 1), the population of this submarket increased by an average of 12,200, or 3.6 percent, annually, with net in-migration averaging 9,725 annually and accounting for nearly 80 percent of the population growth. From 2007 to 2010, population growth slowed to an average increase of 9,650 people, or 2.4 percent, annually. The slowdown in the rate of population growth was because net in-migration averaged 6,650 annually, which was a decline of 3,075, or nearly 32 percent, from the previous period. Net in-migration accounted for 68 percent of all population growth in this submarket during the period.

The Southeastern Counties submarket currently has 157,800 households, with household growth averaging 2,600, or 1.7 percent, annually since 2010. Between 2000 and 2010, the number of households increased by an average of 3,925, or 3.2 percent, annually when the rate of population growth in this submarket was much higher. This submarket, which is predominately rural, has the highest homeownership rate of any submarket at 73.7 percent, although this rate declined from 76.5 and 75.8 percent in 2000 and 2010, respectively (Figure 8). During the forecast period, the population of the Southeastern Counties submarket is forecast to increase by 6,625, or 1.4 percent, annually, with households increasing by 2,325, or 1.5 percent, annually.

Figure 8. Number of Households by Tenure in the Southeastern Counties Submarket, 2000 to Current



Note: The current date is August 1, 2015.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market—Dallas County Submarket

The sales housing market in the Dallas County submarket is currently tight, with a vacancy rate of 1.0 percent, which is down from 2.3 percent during April 2010. This submarket currently has a 2-month' supply of inventory, down from 2.5 months in July 2014 (Real Estate Center at Texas A&M University). In July 2015, 3.8 percent of all mortgage loans in the submarket were 90 or more days delinquent, were in foreclosure, or had transitioned into real estate owned (REO) status, down from 4.5 percent in July 2014 and well below the peak level of 7.6 percent in January 2010 (Black Knight Financial Services, Inc.).

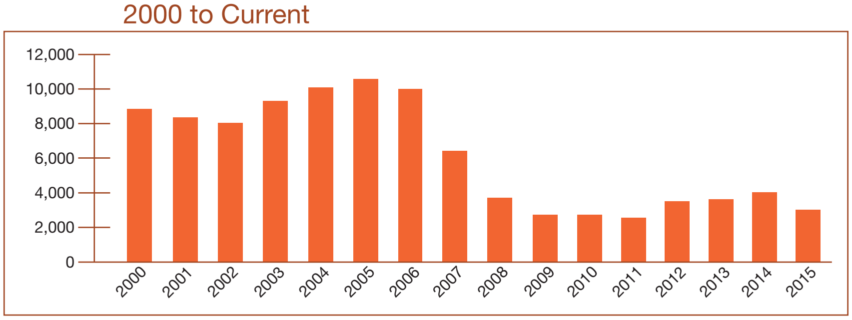
During the 12 months ending July 2015, existing home sales (which include condominiums, townhomes, and single-family homes) in the submarket totaled 37,250, unchanged from the previous 12 months (Metrostudy, A Hanley Wood Company). A limited sales inventory prevented an increase in the number of sales but contributed to the average sales price of an existing home increasing to $343,000, up by $69,600, or more than 25 percent, as an increased number of buyers bid for the limited available supply.

Sales of existing homes in the Dallas County submarket peaked in 2006 with 60,500 sales. After this peak, sales of existing homes declined for 5 consecutive years by an average of 4,875, or nearly 10 percent, annually to 36,150 sales during 2011. During the next 2 years, sales started to increase and, by 2013, 42,500 existing homes sold in the submarket, an average increase of 3,175 homes sold, or more than 8 percent, annually. The average sales price of an existing home peaked in 2007, at $251,000, but then declined during the next 2 years by an average of $29,450, or nearly 13 percent, annually to $192,100 in 2009. The average sales price of an existing home began to increase again in 2010 and by 2013 was $263,000, an average increase of $17,725, or 8 percent, annually.

During the 12 months ending July 2015, new home sales (which include condominiums, townhomes, and single-family homes) in the Dallas County submarket totaled 2,075, an increase of 225 units, or 12 percent, from the previous 12 months. The average sales price of a new home was $365,400, an increase of $31,700, or more than 9 percent. New home sales declined during the 12 months ending July 2014 by nearly 120 units, or 6 percent, as the average new home price increased by $54,800, or nearly 20 percent, to $333,700. New home sales are still 75 percent below their peak level of 8,550 during 2005. Following the peak in 2005, new home sales declined for 6 consecutive years to 1,550 during 2011, an average decline of 1,175, or nearly 25 percent, annually. Although home sales were declining, the average sales price of a new home continued to rise from $239,700 during 2005 to $314,200 by the end of 2008, reflecting an average increase of $24,850, or more than 9 percent, annually during the period. The price continued to increase as sales volume dropped because higher priced luxury homes made up a higher percentage of all new home sales. The average sales price of a new home began to decline after the peak in 2008 and by 2011 was down to $264,500, an average decline of $16,550, or nearly 6 percent, annually as the national economic downturn affected the housing market. During 2012 and 2013, both new home sales and the average price of a new home began to increase. During 2013, 1,875 new homes sold, an average increase of nearly 170 sales, or slightly more than 10 percent, annually since 2012. During the same time period, the average sales price of a new home increased by an average of $18,150, or nearly 7 percent, annually to $300,800 during 2013.

Single-family homebuilding, as measured by the number of homes permitted, increased during the 12 months ending July 2015. During the same period, 4,525 single-family homes were permitted, an increase of 800 homes, or slightly more than 21 percent, from the previous 12 months (preliminary data). Single-family home construction started to rebound in 2012 and 2013 when an average of 3,575 single-family homes were permitted annually as the home sales market improved. By comparison, an average of 2,925 single-family homes were permitted annually from 2008 through 2011, a result of the national economic downturn. Despite the recent improvement, new home construction remains significantly below the average of 8,925 single-family homes permitted annually from 2000 to 2007. Figure 9 shows the number of single-family homes permitted in the Dallas County submarket from 2000 to the current date.

Figure 9. Multifamily Units Permitted in the Dallas County Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through July 2015.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Single-family homebuilding is continuing to increase in the Dallas County submarket but is unlikely to ever return to the levels recorded from 2000 through 2007 because of a limited amount of vacant developable land to build new subdivisions. A significant portion of new home construction in the submarket is infill development, most often in very expensive areas of the county. As an example, Highland Park and University Park, two small cities in the submarket, hereafter known as the Park Cities, have an average sales price for a single-family home of more than $1.3 million. The Park Cities averaged about 145 new single-family homes built each year during 2013 and 2014, and each of these new homes involved the demolition of an existing home because vacant lots have not been available in the Park Cities since the 1950s. Several neighborhoods in the city of Dallas, such as the M-streets and Lakewood neighborhoods, have also had significant infill development of new single-family homes since 2000.

Recent developments in the Dallas County submarket include Bordeaux at Lake Highlands, a 37-home development in the northeastern portion of the city of Dallas. Home prices in this development start at $609,000 for a 2,500-square-foot, four-bedroom house. Another development is Parkside, in Irving, where home prices start at $300,000. Parkside began construction in early 2015, and the first phase of the development consists of 329 lots with another 250 lots for the second phase of development.

Demand is estimated for 15,250 new homes in the Dallas County submarket during the 3-year forecast period (Table 1). The 1,475 homes currently

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Dallas County Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
168,000	199,999	760	5.0
200,000	249,999	2,275	15.0
250,000	349,999	4,125	27.0
350,000	399,999	4,425	29.0
400,000	499,999	1,975	13.0
500,000	599,999	1,075	7.0
600,000	749,999	460	3.0
750,000	and higher	150	1.0

Notes: The 1,475 homes currently under construction and a portion of the estimated 19,400 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is August 1, 2015, to August 1, 2018.

Source: Estimates by analyst

under construction will meet part of the demand during the first year. A portion of the 19,400 other vacant units in this submarket may reenter the market and satisfy some of the forecast demand. Demand is expected to be the greatest for homes in the $350,000-to-$399,999 price range. Table 4 shows estimated demand for new market-rate sales housing in the HMA by price range.

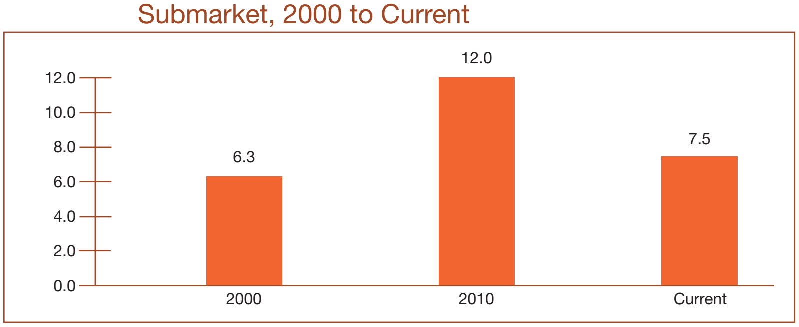
Rental Market—Dallas County Submarket

The overall rental housing market (which includes single-family homes, mobile homes, and apartment units) in the Dallas County submarket is slightly tight, with a 7.5-percent vacancy rate (Figure 10). The current overall vacancy rate is down significantly from 12.0 percent in April 2010 as increased levels of in-migration into the submarket have caused significant tightening of the rental market.

The apartment market is currently slightly tight, with a 7.6-percent vacancy rate during July 2015, down from 8.0 percent 1 year earlier (ALN Systems, Inc.). The average rent for an apartment was $984, up $65, or 6 percent, from 1 year earlier. The apartment market has tightened during the past year as absorption, which has averaged nearly 960 units a month during the12 months ending July 2015, is outpacing the rate of new units that are entering the market. During the past 24 months, an average of nearly 770 units have entered the market each month compared with a monthly average of 780 units absorbed.

The current apartment market conditions are tighter than the historical norms in the Dallas County submarket. During 2005, the average apartment vacancy rate was 11.5 percent, with an average rent of $710, and by 2008 the apartment market vacancy rate had declined to 10.0 percent and rent had increased by an average of $27, or nearly 4 percent, a year to $790. During 2009 and 2010, the apartment market softened slightly, because of job losses and slow population growth, and the apartment vacancy rate increased to 11.5 percent by the end of 2010. The average rent remained flat during these years at $790. The apartment market tightened during the next 3 years because of rapid job growth, coupled with a slowdown in construction of new multifamily

Figure 10. Rental Vacancy Rates in the Dallas County Submarket, 2000 to Current



Note: The current date is August 1, 2015.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

units. The vacancy rate dropped to 8.2 percent during 2013 with the average rent increasing by an average of $31, or 4 percent, annually during the period.

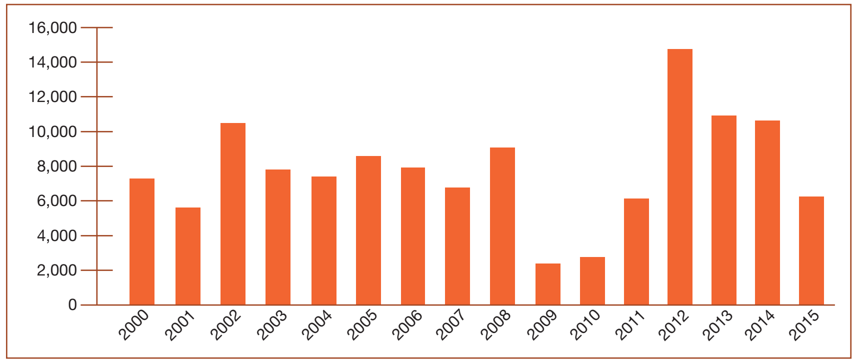
As rental market conditions tightened, some areas of the submarket, specifically in the city of Dallas, improved more rapidly than the outlying bedroom communities. The city of Dallas currently has a 6.4-percent apartment vacancy rate, which is down from 8.0 percent 1 year earlier, and the average rent is $969, an increase of $44, or nearly 5 percent. Absorption of apartment units in the city of Dallas has averaged about 700 units a month during the past 12 months, up from 400 units a month during the 12 months ending July 2014. The downtown area of the city of Dallas is undergoing a renaissance, with many more new housing units recently added to the area than in previous years. More than 8,000 people are living in the central business district of Dallas, a significant increase from the 200 people who lived in the area in 2000 (Downtown Dallas, Inc.). The apartment vacancy rate in the central business district area was 4.6 percent in July 2015, down from 6.2 percent 1 year earlier. The average rent for an apartment in the central business district of Dallas was $1,661, an increase of $39, or 2 percent, from 1 year earlier.

In the city of Dallas, the most construction activity for new apartments is in the Uptown market area (as defined by ALN Systems, Inc.). The Uptown area had a 5.9-percent vacancy rate in July 2015, down from 6.3 percent during July 2014. The average rent for an apartment in the Uptown area was $1,775 a month, an increase of $69, or 4 percent, from 1 year earlier. Absorption during the 12 months ending July 2015 averaged nearly 170 units a month compared with 110 units a month during the previous 12 months. During the past 24 months in the Uptown area, 4,400 apartment units have been added and plans have been made for several more highrise apartment buildings during the next 3 years.

Multifamily building activity, as measured by the number of multifamily units permitted, totaled 9,500 units in the Dallas County submarket during the 12 months ending July 2015, which is an increase of 3,050 units, or 24 percent, from the previous 12 months (preliminary data). Multifamily construction in the Dallas County submarket is returning to more historically normal levels after the recent surge in construction from 2012 through 2014, when an average of 12,100 multifamily units were permitted annually. From 2000 through 2008, multifamily construction in the submarket averaged 7,850 units permitted annually. With the HMA suffering job losses during 2009, which slowed population growth, multifamily construction slowed considerably and averaged 2,500 units permitted annually during 2009 and 2010. Multifamily construction started to increase in 2011 with improving economic conditions leading to increased in-migration to the submarket, which in turn spurred demand for new rental housing. During 2011, 6,025 multifamily units were permitted in the Dallas County submarket, an increase of 3,300, or 120 percent, from 2010. Figure 11 shows the number of multifamily units permitted since 2000 in the submarket.

Although multifamily construction has increased significantly since 2011,

Figure 11. Multifamily Units Permitted in the Dallas County Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through July 2015.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

rental market conditions remain slightly tight in the submarket as a whole and very tight in certain localized areas in the city of Dallas, in part because of a high number of demolitions. Many of the two-story, garden-style apartment complexes that were built in the 1970s or earlier are being demolished to build three- to seven-story apartment buildings with more units on the same amount of land. The Village development is south of Northwest Highway and east of Greenville Avenue in the city of Dallas and consists of 17 apartment communities with more than 7,200 units. This development, which began construction in the late 1960s, has built 1,500 new units since 2000 that have replaced 1,200 demolished units. Lincoln Property Co., the owners of the development, announced in late 2014 they would undertake a phased redevelopment of the property during the next 10 years. This redevelopment will bring the total number of units in the development to 12,000 as the remaining two-story, garden-style apartments are replaced by three- to five-story apartment buildings.

Some of the newer developments in the Dallas County submarket include Arpeggio of Victory Park, a 382-unit midrise apartment complex next to the light-rail line station in the Victory Park area of the city of Dallas. This development consists of efficiency, one-bedroom, and two-bedroom units with rents starting at $1,025 for efficiency units and reaching $2,150 for a two-bedroom unit. Another new apartment building is 3700M, a 21-story, mixed-use highrise building in the Uptown area of the city of Dallas that finished construction in November 2014. The apartment tower has 380 units with monthly rents for studio units from $1,500 to $1,600, for one-bedroom units from $1,570 to $2,700, and for two-bedroom units from $2,650 to $4,100.

During the 3-year forecast period, demand is estimated for 30,950 new rental housing units (Table 1). Demand is expected to be greatest for one-bedroom units in the $1,400-to-$1,799 price range (Table 5). Construction of multifamily units in the city of Dallas will remain strong during the next 3 years as more people choose to live in the urban center. The 10,650 units currently under construction that will come online during the next 3 years will meet a portion of the forecast demand.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Dallas County Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
575 to 774	75	680 to 999	900	940 to 1,199	530	1,150 to 1,399	140
775 to 974	230	1,000 to 1,399	3,950	1,200 to 1,599	1,575	1,400 to 1,699	230
975 to 1,174	620	1,400 to 1,799	6,650	1,600 to 1,999	3,150	1,700 to 1,999	330
1,175 to 1,374	460	1,800 to 2,199	4,500	2,000 to 2,245	2,625	2,000 to 2,249	190
1,375 to 1,574	110	2,200 to 2,749	1,425	2,250 to 2,749	2,100	2,250 to 2,749	35
1,575 or more	45	2,750 or more	540	2,750 or more	530	2,750 or more	10
Total	1,550	Total	17,950	Total	10,550	Total	930

Notes: Numbers may not add to totals because of rounding. The 10,650 units currently under construction will likely satisfy some of the estimated demand. The forecast period is August 1, 2015, to August 1, 2018.

Source: Estimates by analyst

Sales Market—Collin-Denton Counties Submarket

The sales housing market in the Collin-Denton Counties submarket is currently tight, with a vacancy rate of 0.7 percent, which is down from 1.8 percent during April 2010. The supply of inventory has been less than 2 months since the end of 2012 (Real Estate Center at Texas A&M University). The consistent population growth in this submarket has generated demand that has made the submarket the strongest sales market in the HMA. In July 2015, 1.9 percent of all mortgage loans in the submarket were 90 or more days delinquent, were in foreclosure, or had transitioned into REO status, down from 2.2 percent in July 2014 and well below the peak level of 4.6 percent in January 2010 (Black Knight Financial Services, Inc.).

During the 12 months ending July 2015, new home sales in the Collin-Denton Counties submarket totaled 11,100, an increase of 1,125, or more than 11 percent, from the previous 12 months and the average sales price of a new home was $353,900, an increase of $17,850, or 5 percent (Metrostudy, A Hanley Wood Company). New home sales peaked in the submarket in 2005 with 18,700 sales and proceeded to decline for 6 consecutive years by an average of 2,075, or nearly 17 percent, annually to 6,250 sales during 2011. As the housing market recovered and new home construction began to increase, new home sales totaled 9,325 during 2013, an average increase of 1,550, or 22 percent, since 2011. Although new home sales started to decline during 2006, the average sales price of a new home continued to increase through 2007 as the construction of smaller, lower priced homes virtually ceased, leaving a higher priced product for sale. During 2007, the average sales price of a new home was $303,800. The average sales price of a new home began to decline during the next 2 years and was $261,500 by the end of 2009, which was an average decline $21,150, or 7 percent, annually from 2007. The average sales price of new homes began to increase as the economy improved during 2010 and the excess inventory of previously built spec houses was absorbed. By 2013, the average sales price of a new home was $319,100, an average increase of $14,400, or 5 percent, annually from 2010.

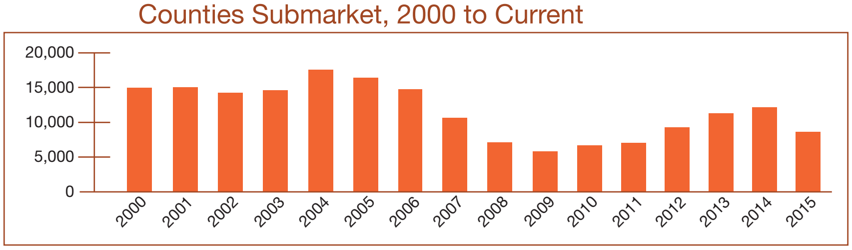
During the 12 months ending July 2015, existing home sales in the Collin-Denton Counties submarket totaled

31,975, an increase of 100, or less than 1 percent, from the previous 12 months and the average sales price of an existing home was $283,300, an increase of $21,700, or slightly more than 8 percent. The limited inventory of homes on the market constrained sales and helped to increase the price. The sale of existing homes in the submarket peaked in 2006 with 42,100 sales. Following this peak, and with the onset of the national economic downturn, the sale of existing homes declined for 5 consecutive years, by an average of 3,025, or nearly 9 percent, annually to 27,000 sales during 2011. During the next 2 years, when the economy began to improve, sales started to increase and, by 2013, 35,150 existing homes sold in the submarket, which was an average increase of 4,075 sales, or 14 percent, annually since 2011. The peak in the average sales price of an existing home came a year later than the peak in the number of homes sold. The sales price for existing homes averaged $267,400 during 2007 before declining by an average of $25,800, or 10 percent, annually to $215,800 in 2009. The average sales price of an existing home began to increase again in 2010 and by 2013 was $252,200, an average increase of $9,100, or 4 percent, annually during the 4-year period.

Single-family homebuilding, as measured by the number of homes permitted, increased sharply during the 12 months ending July 2015. For the same period, 13,650 single-family homes were permitted, an increase of 3,025 homes, or slightly more than 28 percent, from the previous 12 months (preliminary data). Single-family home construction started to rebound in 2012 and 2013, when an average of 10,250 single-family homes were permitted annually. Despite an increase in permitting since 2012, the number of single-family homes permitted remains below the average of 15,350 homes permitted annually from 2000 to 2006. Following the economic downturn and resulting slowdown in the national housing market, construction in the Collin-Denton Counties submarket declined to an average of 7,475 homes permitted annually from 2007 through 2011. Figure 12 shows the number of single-family homes permitted in the submarket from 2000 to the current date.

Unlike the Dallas County submarket, the Collin-Denton Counties submarket still has significant amounts of developable land, and development has continued to head north in the larger Dallas HMA. Most of the large-scale subdivisions currently being developed in the HMA are in the submarket. During the 12 months ending June 2015, 8 of the 10 most active subdivisions in the Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area, of which the Dallas HMA is a component, were in the Collin-Denton Counties submarket (Metrostudy, A Hanley Wood Company). The Westridge subdivision in the city of McKinney, in Collin County, was the most active in the HMA, with 440 homes beginning construction during this time. New home prices in the Westridge subdivision start at $279,000 for a three-bedroom, two-bathroom home. Paloma Creek, in the city of Little

Figure 12. Single-Family Homes Permitted in the Collin-Denton Counties Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through July 2015.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Elm, in Denton County, was the second most active subdivision during the 12 months ending June 2015 with 430 homes beginning construction. Paloma Creek is a master-planned community that will have more than 5,500 homes when built out. Paloma Creek is currently 80 percent complete, with final buildout expected by 2017. Home prices in this subdivision start at $207,000 for a three-bedroom home.

Demand is estimated for 34,900 new homes in the Collin-Denton Counties submarket during the 3-year forecast period (Table 1), with demand expected to increase during each successive year. The 4,600 homes currently under construction will meet part of the demand during the first year. A portion of the 7,500 other vacant units in this submarket may reenter the market and satisfy some of the forecast demand. Demand is expected to be the greatest for homes in the $300,000-to-$399,999 price range. Table 6 shows estimated demand for new market-rate sales housing in the HMA by price range.

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Collin-Denton Counties Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
153,000	199,999	1,050	3.0
200,000	249,999	2,800	8.0
250,000	299,999	6,275	18.0
300,000	399,999	11,150	32.0
400,000	499,999	7,325	21.0
500,000	599,999	4,550	13.0
600,000	749,999	1,400	4.0
750,000	and higher	350	1.0

Notes: The 4,600 homes currently under construction and a portion of the estimated 7,500 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is August 1, 2015, to August 1, 2018.

Source: Estimates by analyst

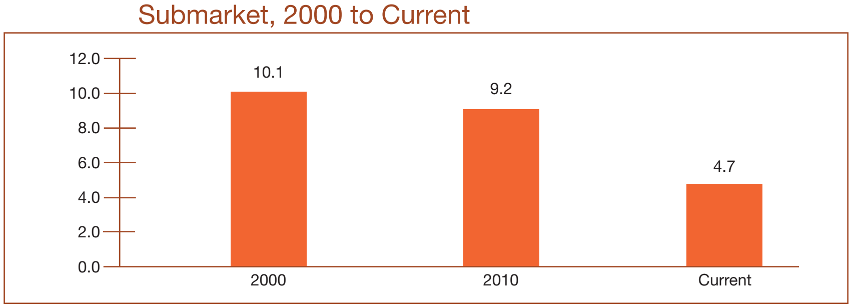
Rental Market—Collin-Denton Counties Submarket

The overall rental housing market in the Collin-Denton Counties submarket is tight, with a 4.7-percent vacancy rate (Figure 13). The current overall vacancy rate is down significantly from 9.2 percent in April 2010.

The apartment market is currently slightly tight, with a 5.0-percent vacancy rate during July 2015, down from 6.3 percent during July 2014 (ALN Systems, Inc.). The current average rent for an apartment is $1,091, which is up $66, or more than 6 percent, from the previous 12 months. Absorption during the past 12 months has averaged 350 units a month in this submarket, up from 240 units a month during the previous 12 months. The average rents by bedroom size are currently $920 for a one-bedroom unit, $1,215 for a two-bedroom unit, and $1,486 for a three-bedroom unit.

The current apartment market conditions are tighter than the conditions that existed during the mid-2000s, when the apartment market was balanced. With slowing population and job growth in the submarket, conditions began to soften during 2008, and by the end of 2009 the vacancy rate was 12.5 percent. With improving economic conditions in 2010, household growth began to increase. With a greater number of new household formations being renter households,

Figure 13. Rental Vacancy Rates in the Collin-Denton Counties Submarket, 2000 to Current



Note: The current date is August 1, 2015.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

the excess supply was absorbed, and by the end of 2013 the vacancy rate for apartment units in the submarket had dropped to 6.5 percent. The average rent increased by an average of $34, or 4 percent, annually from 2009 to $985 during 2013.

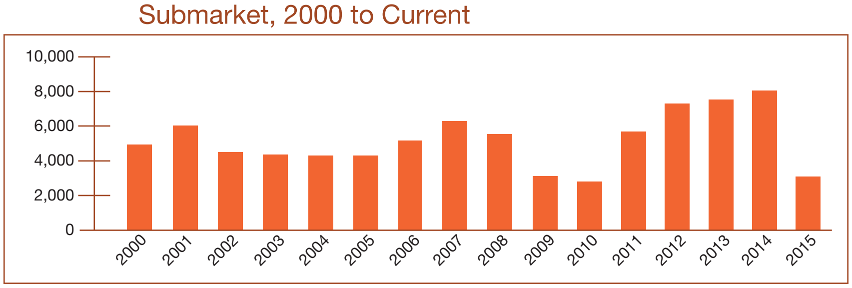
This submarket, traditionally a more suburban area with most apartment units being of the garden style variety, is starting to see more dense, urban-style development. In the city of Richardson, the City Line project, which is being built immediately south of the new State Farm campus, is a 186-acre, $1.6 billion development that has nearly 1,700 apartment units under construction in midrise buildings. City Line is a transit-oriented development next to a light-rail line station. The development will include retail space, including a Whole Foods market, along with hotels to accommodate business travelers to the new State Farm campus.

Several large-scale developments are in the area of the North Dallas Tollway and Sam Rayburn Tollway in Collin County. In the northwest part of the city of Plano, the $2 billion large-scale, mixed-use Legacy West development is under way that will include more than 600 apartments in addition to the retail and office space. In the $5 billion mile area of the city of Frisco, more than 3,700 apartment units and two 10-story condominium buildings are currently under construction or in planning in this large mixed-use development. These dense walkable developments are greatly changing the character of this submarket, which previously had very few dense mixed-use developments.

Building activity, as measured by the number of multifamily units permitted, totaled 7,650 units during the 12 months ending July 2015, which is a decline of 1,275 units, or 14 percent, from the previous 12 months (preliminary data). Although the level of multifamily construction declined in the most recent 12-month period, it is still higher than the historical averages in the Collin-Denton Counties submarket. From 2000 through 2008, an average of 5,000 multifamily units were permitted annually. Multifamily construction then declined significantly during 2009 and 2010, when an average of 2,925 multifamily units were permitted annually. During 2011, with increasing employment and population growth, multifamily construction nearly doubled to 5,625 units permitted. Multifamily construction increased further during 2012 and an average of 7,600 units were permitted annually from 2012 through 2014. Figure 14 shows the number of multifamily units permitted in the submarket from 2000 to the current date.

Urban Square at Unicorn Lake, a 205-unit development completed in November 2014 in Denton County, is currently leased up. Rents start at $895, $1,250, and $1,550 for one-, two-, and three-bedroom units, respectively. In Collin County, Parkside at Craig Ranch opened in July 2014 with 418 units. Monthly rents range from $710 to $945 for studio units, $900 to $1,380 for one-bedroom units, and $1,330 to $1,945 for two-bedroom units.

Figure 14. Multifamily Units Permitted in the Collin-Denton Counties Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through July 2015.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

During the 3-year forecast period, demand is estimated for 22,000 new rental housing units (Table 1). Demand is expected to be greatest for one-bedroom units in the $1,200-to-$1,499 price range (Table 7). Construction of multifamily units will be strongest in the Collin-Denton Counties submarket along the North Dallas Tollway corridor, with many mixed-use developments being built in this area to go along with several large-scale corporate expansions and relocations. The 7,325 units currently under construction that will come online during the next 3 years will meet a portion of the forecast demand.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Collin-Denton Counties Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
700 to 899	140	795 to 999	2,450	1,025 to 1,249	1,175	1,495 to 1,699	920
900 or more	75	1,000 to 1,199	3,075	1,250 to 1,499	2,225	1,700 to 1,899	280
		1,200 to 1,499	4,050	1,500 to 1,799	2,775	1,900 to 2,099	150
		1,500 to 1,699	1,850	1,800 to 1,999	1,100	2,100 to 2,299	110
		1,700 to 1,999	620	2,000 to 2,250	470	2,300 to 2,499	45
		2,000 or more	250	2,250 or more	160	2,500 or more	30
Total	220	Total	12,300	Total	7,900	Total	1,550

Notes: Numbers may not add to totals because of rounding. The 7,325 units currently under construction will likely satisfy some of the estimated demand. The forecast period is August 1, 2015, to August 1, 2018.

Source: Estimates by analyst

Sales Market—Southeastern Counties Submarket

The sales housing market in the Southeastern Counties submarket is currently slightly soft, with a vacancy rate of 1.8 percent, which is down from 2.2 percent during April 2010. In July 2015, 3.9 percent of all mortgage loans in the submarket were 90 or more days delinquent, were in foreclosure, or had transitioned into REO status, down from 4.7 percent in July 2014 and well below the peak level of 7.7 percent in January 2010 (Black Knight Financial Services, Inc.).

During the 12 months ending July 2015, new home sales in the Southeastern Counties submarket totaled 2,125, an increase of 200, or 11 percent, from the previous 12 months, and the average sales price of a new home was $256,500, an increase of $11,500, or nearly 5 percent (Metrostudy, A Hanley Wood Company). New home sales peaked in the submarket in 2006 with 4,950 sales and proceeded to decline for 5 consecutive years by an average of 770, or nearly 26 percent, annually to 1,125 sales during 2011. As the housing market recovered and new home construction began to increase, new home sales totaled 1,625 during 2013, an average increase of 250, or 20 percent, since 2011. New home sales started to decline during 2007, but the average sales price peaked during this year at $209,000. During the next 2 years, the average sales price of a new home declined by an average of $12,150, or 6 percent, annually to $184,700 in 2009. The average sales price of a new home began to recover during 2010 and increased by an average of $13,250, or 7 percent, annually to $237,500 in 2013.

During the 12 months ending July 2015, existing home sales in the Southeastern Counties submarket totaled

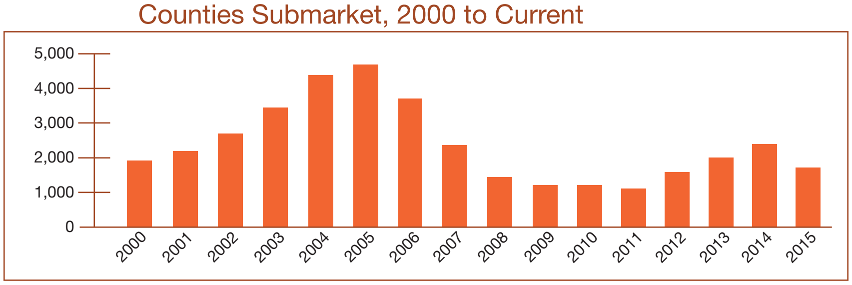
10,850, an increase of 350, or more than 3 percent, from the previous 12 months, and the average sales price of an existing home was $190,400, an increase of $9,550, or 5 percent. Sales of existing homes in the submarket peaked in 2006, with 42,100 sales. Following this peak, along with a slowing rate of population growth and the national economic downturn, sales of existing homes declined for 5 consecutive years by an average of 3,025, or nearly 9 percent, annually to 27,000 sales during 2011. During the next 2 years, as the economy began to improve, existing home sales increased by an average of 4,075, or 14 percent, a year to 35,150 in 2013. The average sales price of an existing home peaked a year later than the peak in the number of homes sold. After peaking at $267,400 in 2007, the average sales price of an existing home declined by an average of $25,800, or 10 percent, annually to $215,800 in 2009. The average sales price of an existing home began to increase again and by 2013 was $252,200, an average increase of $9,100, or 4 percent, annually.

During the 12 months ending July 2015, 2,675 single-family homes were permitted, an increase of 625 units, or slightly more than 31 percent, from the previous 12 months (preliminary data). Single-family home construction started to rebound in 2012 and 2013, when an average of 1,775 single-family homes were permitted annually as the home sales market improved. By comparison, an average of 1,225 single-family homes were permitted annually from 2008 through 2011, a result of the national economic downturn. Despite the recent improvement, new home construction remains significantly below the average of 3,150 single-family homes permitted annually from 2000 to 2007. Figure 15 shows the number of single-family homes permitted in the Southeastern Counties submarket from 2000 to the current date.

Sonoma Verde is a subdivision currently undergoing development in Rockwall County. The first phase of the development, which consists of 170 lots, began construction in early 2015. Home prices in the Sonoma Verde subdivision range from $280,000 to $400,000 for three- and four-bedroom homes. When finished, the development will have more than 400 homes. In Ellis County, the Windchase subdivision began construction in the spring of 2015 and has 72 lots for development. Home prices range from $177,000 to $192,000 for three- and four-bedroom homes in this development.

Demand is estimated for 6,400 new homes in the Southeastern Counties submarket during the 3-year forecast period (Table 1), with demand increasing each year of the forecast period. The 420 homes currently under construction will meet part of the demand during the first year. A portion of the 7,000 other vacant units in this submarket may reenter the market and satisfy some of the forecast demand. Demand is expected to be greatest for homes in the $275,000-to-$299,999 price range. Table 8 shows estimated demand for new market-rate sales housing in the HMA by price range.

Figure 15. Single-Family Homes Permitted in the Southeastern Counties Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through July 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Southeastern Counties Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
146,000	199,999	190	3.0
200,000	249,999	810	13.0
250,000	274,999	1,125	18.0
275,000	299,999	1,425	23.0
300,000	349,999	1,175	19.0
350,000	399,999	930	15.0
400,000	499,999	500	8.0
500,000	and higher	60	1.0

Notes: Numbers may not add to totals because of rounding. Excludes demand for 200 mobile homes. The 420 homes currently under construction and a portion of the estimated 7,000 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is August 1, 2015, to August 1, 2018.

Source: Estimates by analyst

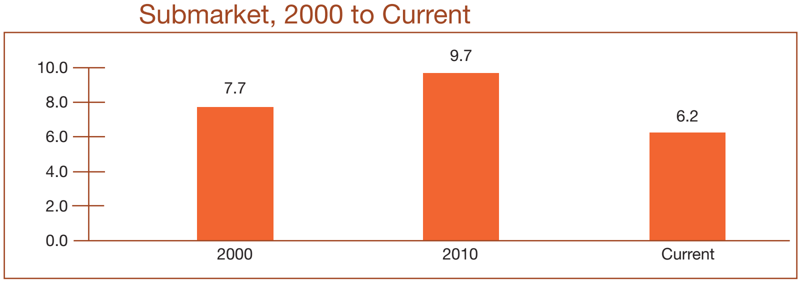
Rental Market—Southeastern Counties Submarket

The overall rental housing market in the Southeastern Counties submarket is balanced, with a 6.2-percent vacancy rate, down from 9.7 percent in April 2010 and 7.7 percent in April 2000 (Figure 16). The apartment market is currently tight, with a 3.0-percent vacancy rate during July 2015, down from 7.1 percent 1 year earlier (ALN Systems, Inc.). During this time, the average monthly rent for an apartment was unchanged at $865. Absorption of apartment units averaged 105 units a month in this submarket during the 12 months ending July 2015 compared with less than 30 units a month the previous 12 months. One- and two-bedroom apartments account for 86 percent of all apartment units in this submarket. In July 2015, the average rents by bedroom size were $803 for a one-bedroom unit, $892 for a two-bedroom unit, and $957 for a three-bedroom unit.

Average rents for apartments within the Southeastern Counties submarket vary significantly. Rockwall County, which is about a 20-minute drive from the central business district of the city of Dallas, has the highest average rent of any county in the submarket at $1,227. Hunt County, which is to the east of Rockwall County, about an hour's drive from the city of Dallas and the most rural county in the HMA, has an average apartment rent of $630, the lowest in the submarket. The average rents for apartments in Ellis and Kaufman Counties are $856 and $824, respectively.

Building activity, as measured by the number of multifamily units permitted, totaled 530 units during the 12 months ending July 2015, after no units were permitted during the previous 12 months (preliminary data). The 530 units permitted during the most recent 12 months is the same number of units permitted during the 12 months ending

Figure 16. Rental Vacancy Rates in the Southeastern Counties Submarket, 2000 to Current

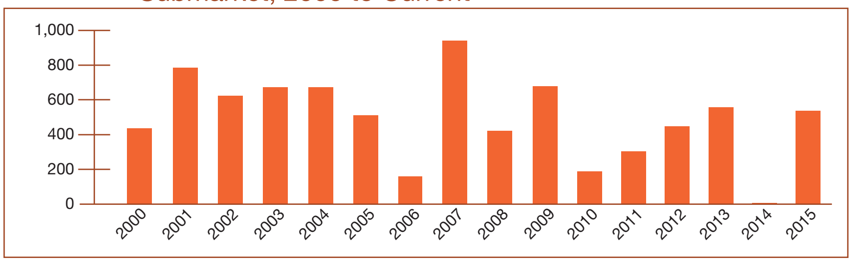


Note: The current date is August 1, 2015.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

July 2013. From 2000 through 2006, multifamily permitting averaged 550 units annually. Multifamily construction increased from 2007 through 2009, when an average of 680 units were permitted annually. With the economic downturn and a slowdown in population growth, multifamily activity bottomed out in 2010 with only 190 units permitted. As the economy began to recover in 2011, multifamily construction increased every year to 2013, when 560 units were permitted. Figure 17 shows the number of multifamily units permitted in the Southeastern Counties submarket from 2000 to the current date.

Figure 17. Multifamily Units Permitted in the Southeastern Counties Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through July 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Recent developments in this submarket include Gateway Gardens in Kaufman County. The first phase of the property opened in the fall of 2014 and has 334 units of one- and two-bedroom apartments with rents ranging from \$895 to \$1,525. The second phase of this property, consisting of 313 units, broke ground in the early summer of 2015 with completion anticipated by the fall of 2016. In Ellis County, The Terrace at MidTowne is one of the newer developments, having opened in 2013. This property has 92 units of one- and two-bedroom apartments with rents ranging from \$700 to \$1,200.

During the 3-year forecast period, demand is estimated for 1,600 new rental housing units (Table 1). Demand is expected to be greatest for one-bedroom units in the \$860-to-\$1,059 price range (Table 9). Most of the apartment development in the Southeastern Counties submarket is likely to occur in areas west of state highway 34 that border Dallas County. The 530 units currently under construction that will come on the market during the next 3 years will meet a portion of the forecast demand.

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Southeastern Counties Submarket During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
860 to 1,059	460	1,085 to 1,284	410	1,300 to 1,499	85
1,060 or more	310	1,285 or more	270	1,500 or more	55
Total	760	Total	680	Total	140

Notes: Numbers may not add to totals because of rounding. The 530 units currently under construction will likely satisfy some of the estimated demand. The forecast period is August 1, 2015, to August 1, 2018.

Source: Estimates by analyst

Data Profiles

Table DP-1. Dallas HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	1,849,127	2,016,423	2,284,000	0.9	2.8
Unemployment rate	3.5%	8.0%	4.2%		
Nonfarm payroll jobs	1,989,500	2,046,200	2,352,000	0.3	3.1
Total population	3,445,899	4,230,520	4,711,000	2.1	2.0
Total households	1,253,153	1,523,999	1,697,800	2.0	2.0
Owner households	732,244	914,815	968,900	2.3	1.1
Percent owner	58.4%	60.0%	57.1%		
Renter households	520,909	609,184	728,900	1.6	3.4
Percent renter	41.6%	40.0%	42.9%		
Total housing units	1,330,125	1,657,686	1,792,000	2.2	1.5
Owner vacancy rate	1.5%	2.1%	1.0%		
Rental vacancy rate	7.2%	11.1%	6.6%		
Median Family Income	$58,200	$68,300	$70,400	1.6	0.6

** Dallas-Plano-Irving HMA.*

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through July 2015. Median Family Incomes are for 1999, 2009, and 2014.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Dallas County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	2,218,899	2,368,139	2,558,000	0.7	1.5
Total households	807,621	855,960	924,100	0.6	1.4
Owner households	424,847	455,741	462,600	0.7	0.3
Percent owner	52.6%	53.2%	50.1%		
Rental households	382,774	400,219	461,500	0.4	2.7
Percent renter	47.4%	46.8%	49.9%		
Total housing units	854,119	943,257	985,500	1.0	0.8
Owner vacancy rate	1.3%	2.3%	1.0%		
Rental vacancy rate	6.3%	12.0%	7.5%		

Notes: Numbers may not add to totals because of rounding. The current date is August 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Collin-Denton Counties Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	924,651	1,444,955	1,696,000	4.6	3.0
Total households	340,873	524,048	615,900	4.4	3.1
Owner households	227,325	349,917	390,000	4.4	2.1
Percent owner	66.7%	66.8%	63.3%		
Rental households	113,548	174,131	225,900	4.4	5.0
Percent renter	33.3%	33.2%	36.7%		
Total housing units	362,961	557,099	637,100	4.4	2.5
Owner vacancy rate	1.8%	1.8%	0.7%		
Rental vacancy rate	10.1%	9.2%	4.7%		

Notes: Numbers may not add to totals because of rounding. The current date is August 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Southeastern Counties Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	302,349	417,426	457,300	3.3	1.7
Total households	104,659	143,991	157,800	3.2	1.7
Owner households	80,072	109,157	116,300	3.1	1.2
Percent owner	76.5%	75.8%	73.7%		
Rental households	24,587	34,834	41,500	3.5	3.3
Percent renter	23.5%	24.2%	26.3%		
Total housing units	113,045	157,330	169,700	3.4	1.4
Owner vacancy rate	1.9%	2.2%	1.8%		
Rental vacancy rate	7.7%	9.7%	6.2%		

Notes: Numbers may not add to totals because of rounding. The current date is August 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 8/1/2015—Analyst's estimates
Forecast period: 8/1/2015–8/1/2018—Analyst's estimates

The metropolitan division and metropolitan statistical area definitions in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Dallas-Plano-IrvingTX_16.pdf.

Contact Information

Tim McDonald, Economist
Fort Worth HUD Regional Office
817–978–9401
timothy.j.mcdonald@hud.gov

This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.