

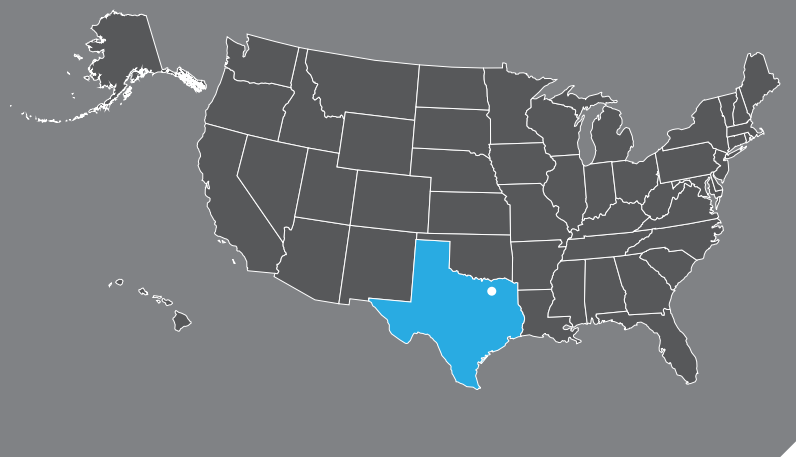
HUD PD&R Housing Market Profiles

Dallas-Plano-Irving, Texas



Quick Facts About Dallas

- Current sales market conditions: slightly tight
- Current rental market conditions: slightly tight
- During 2022, nine large companies relocated their corporate headquarters to the Dallas-Plano-Irving metropolitan division, including Caterpillar Inc., a Fortune 500 company.



Dallas, Texas

By Tim McDonald | As of January 1, 2023

Overview

The Dallas-Plano-Irving (hereafter, Dallas) metropolitan division is the larger of the two divisions that define the Dallas-Fort Worth-Arlington (hereafter, DFW) metropolitan area in northeast Texas. Between 2010 and 2020, DFW added more people than any other metropolitan area in the nation, with more than 70 percent of the growth occurring in the Dallas metropolitan division. The Dallas metropolitan division consists of seven counties: Collin, Dallas, Denton, Ellis, Hunt, Kaufman, and Rockwall. Between 2010 and 2020, Rockwall, Denton, Collin, and Kaufman Counties were among the 25 fastest growing counties in the nation; growth averaged more than 3 percent annually in each of those counties. Dallas County is the largest county in the Dallas metropolitan division and the ninth largest county in the nation, with an estimated population of more than 2.66 million. The city of Dallas is the largest city in the metropolitan division, with an estimated 1.35 million people, and the ninth largest city in the United States. The cities of Plano, Irving, Garland, Frisco, and McKinney in the Dallas metropolitan division each have a population of more than 200,000 people and rank among the 125 largest cities in the United States.

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- The population of the metropolitan division is estimated at more than 5.43 million people, an increase of 110,500, or 2.1 percent, annually since 2020, with net in-migration averaging 79,900 people per year and accounting for more than 72 percent of all population growth, as very strong job growth has attracted many new residents.
- Since 2020, Denton County has added more people than any other county in the Dallas metropolitan area, increasing by an average of 32,850, or 3.5 percent, annually. On a percentage basis, Kaufman County has had the fastest

rate of growth, increasing by an average of 5.5 percent, or 8,450 people, annually, with net in-migration averaging 7,975 people per year.

- Between 2010 and 2020, the population of the metropolitan division increased by an average of 89,950, or 1.9 percent, annually, with net in-migration averaging 51,200 people per year and accounting for nearly 57 percent of the population growth (U.S. Census Bureau decennial census). During that period, Collin County added the most people annually, increasing by an average of 28,200, or 3.1 percent, annually.

Economic Conditions

Economic conditions in the Dallas metropolitan division remain strong, with some of the strongest job growth in the nation during the past year. During the 3 months ending December 2022, nonfarm payrolls averaged nearly 3.04 million, an increase of 190,100, or 6.7 percent, from the 3 months ending December 2021, when nonfarm payrolls increased by 176,500, or 6.6 percent. During the 3 months ending December 2022, all 11 nonfarm payroll sectors surpassed the levels recorded from the prepandemic downturn. Although the past 2 years of job growth have been strong, part of that growth is the rebound effect from job losses during the COVID-19 lockdowns. During the 3 months ending December 2019, nonfarm payrolls totaled nearly 2.76 million, the pre-COVID-19 peak, and since then have increased by an average of 94,300, or 3.3 percent, annually. By comparison, during the 3-year period from 2014 through 2016, nonfarm payroll growth averaged 92,200, or

4.0 percent, annually, but slowed to an average of 66,200, or 2.6 percent, annually from 2017 through 2019.

During the 3 months ending December 2022—

- Job growth was led by the professional and business services sector, which increased by 42,300 jobs, or 7.2 percent. This sector is the largest employment sector in the metropolitan division, with 631,000 jobs, and accounts for more than 20 percent of all nonfarm payroll jobs.
- In percentage terms, the leisure and hospitality sector was the fastest growing sector, increasing by 11.9 percent and adding 30,400 jobs as more events, conferences, and business travel returned to the Dallas metropolitan division following a slowdown from the impacts of COVID-19.

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Nonfarm payroll growth occurred in all 11 employment sectors during 2022.

	3 Months Ending		Year-Over-Year Change	
	December 2021 (Thousands)	December 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	2,848.0	3,038.1	190.1	6.7
Goods-Producing Sectors	333.4	359.6	26.2	7.9
Mining, Logging, & Construction	147.6	159.4	11.8	8.0
Manufacturing	185.8	200.2	14.4	7.8
Service-Providing Sectors	2,514.6	2,678.5	163.9	6.5
Wholesale & Retail Trade	426.8	446.3	19.5	4.6
Transportation & Utilities	164.1	173.5	9.4	5.7
Information	74.6	77.6	3.0	4.0
Financial Activities	278.0	300.6	22.6	8.1
Professional & Business Services	588.7	631.0	42.3	7.2
Education & Health Services	326.4	350.0	23.6	7.2
Leisure & Hospitality	256.4	286.8	30.4	11.9
Other Services	85.2	94.0	8.8	10.3
Government	314.5	318.7	4.2	1.3
Unemployment Rate	3.9%	3.2%		

Note: Numbers may not add to totals due to rounding.

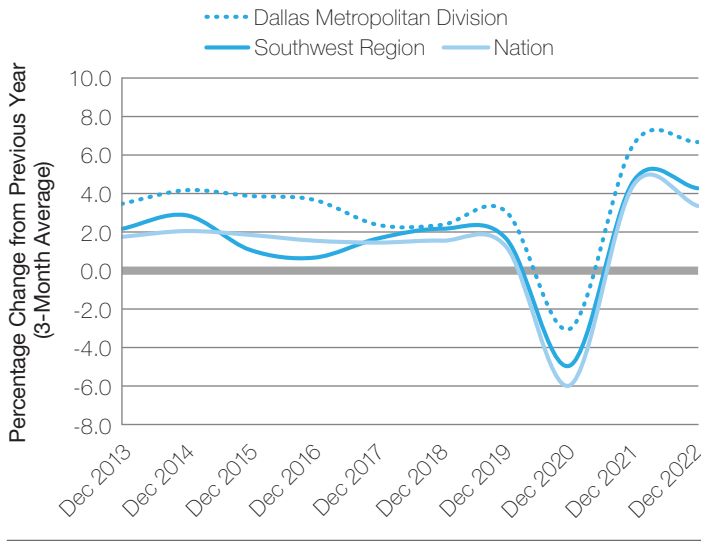
Source: U.S. Bureau of Labor Statistics



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- Hiring in the manufacturing sector, which increased by 14,400 jobs, or 7.8 percent, surpassed 200,000 total jobs in the sector for the first time since 2006.

Nonfarm payroll growth in the Dallas metropolitan division has been well above the state and national averages during the past 2 years.



Source: U.S. Bureau of Labor Statistics

- The unemployment rate was 3.2 percent, down from 3.9 percent 1 year earlier, and is the lowest rate recorded since 3.1 percent during 1999.

Economic conditions are likely to remain strong because numerous expansions and relocations announced during the past year should contribute to job growth during the next several years. Wells Fargo Bank plans to make a \$450 million capital investment in its new regional headquarters in the city of Irving, which will add 650 jobs when it opens in 2025. Allegheny Technologies recently announced that it is moving its corporate headquarters to Dallas from Pittsburgh and will change its name to ATI. Also, Raytheon Intelligence & Space announced plans for a \$200 million expansion of its facility in McKinney, Texas, that will add 750 jobs.

Largest Employers in the Dallas Metropolitan Division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
AT&T Inc.	Professional & Business Services	10,000+
Baylor Scott & White Health	Education & Health Services	10,000+
JPMorgan Chase & Co.	Financial Activities	10,000+

Note: Excludes local school districts.

Source: Dallas Regional Chamber

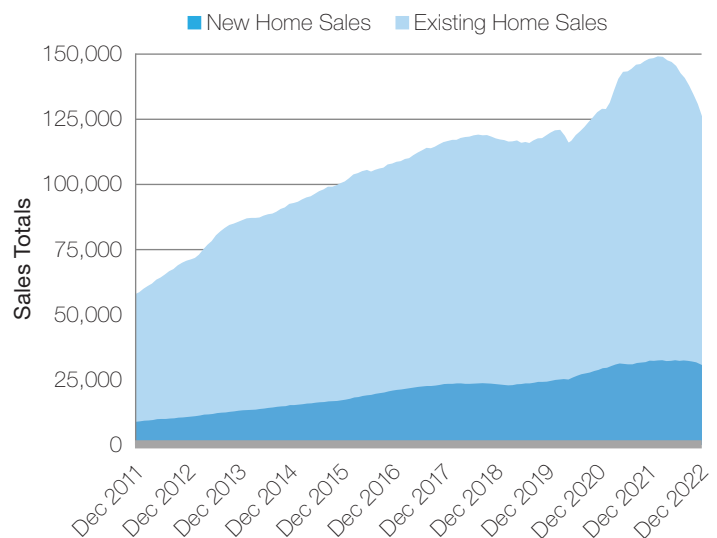
Sales Market Conditions

The home sales market in the Dallas metropolitan division is slightly tight, with a 1.1-percent vacancy rate, down from 2.1 percent in 2010. During December 2022, 2.2 months of inventory were on the market, up from 0.8 month during December 2021 (Texas A&M Real Estate Center). The home sales market has ranged from tight to slightly tight since 2013 due to low levels of single-family home construction and an increasing population following the Great Recession that allowed for the absorption of previously vacant homes. From 2013 through 2020, the months of inventory on the market has not risen above 3 months, as home sales tend to happen quickly, keeping inventory low. As of December 2022, 1.1 percent of home loans in the Dallas metropolitan division were seriously delinquent (90 or more days delinquent or in foreclosure) or in real estate owned (REO) status, down from 1.9 percent a year earlier (CoreLogic, Inc.).

During 2022—

- New home sales totaled 31,000, a decline of 1,425, or more than 4 percent, from 2021, as rising interest rates slowed speculative building and limited the demand for new homes.

The number of home sales more than doubled between 2011 and 2021 as strong job and population growth spurred the demand for housing.



Note: Sales include single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc.

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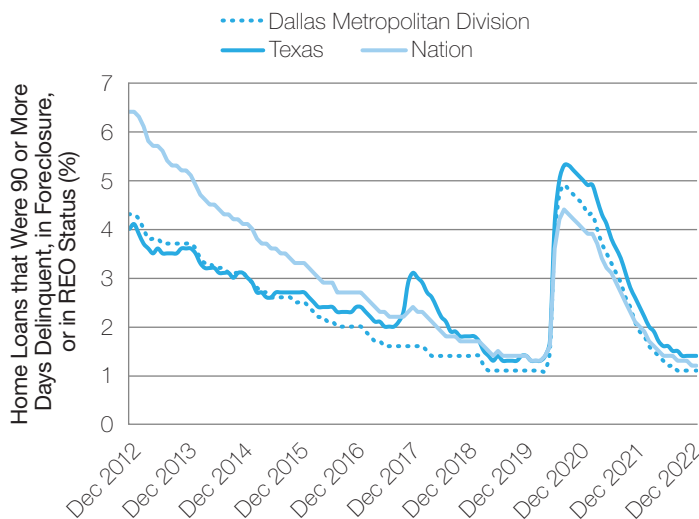
- The average sales price of a new home was \$451,400, an increase of \$69,100, or 18 percent, from 1 year earlier.
- Existing home sales totaled 94,650, a decline of 20,400 sales, or nearly 18 percent, from 1 year earlier.
- The average sales price of an existing home was \$410,100, an increase of \$46,600, or nearly 13 percent, during the past year.

During 2021, the demand for housing in the Dallas metropolitan division pushed the number of homes permitted for owner occupancy over 35,000 for the first time, with 37,550 homes permitted, surpassing the previous peak of 31,350 homes during 2005 by 6,200, or approximately 20 percent. The record-setting level of production was due in part to record levels of production in the outlying counties of Ellis, Hunt, Kaufman, and Rockwall, where production totaled 8,300 homes combined, far surpassing the 4,700 homes permitted in 2005, which was the previous peak year of production. Those four counties began accelerating in 2020 to accommodate population growth and the desire for more affordable options outside Collin, Dallas, and Denton Counties.

During 2022—

- The number of homes built for owner occupancy totaled 26,550 (preliminary data, with adjustments by the analyst), a drop of 11,000, or nearly 30 percent, as rising interest rates limited demand. The decline was also due in part to a decline in building activity in Collin County, as growth along U.S. 75

During the COVID-19 downturn, the percentage of home loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO status rose more quickly in the Dallas metropolitan division than in the nation as a whole.



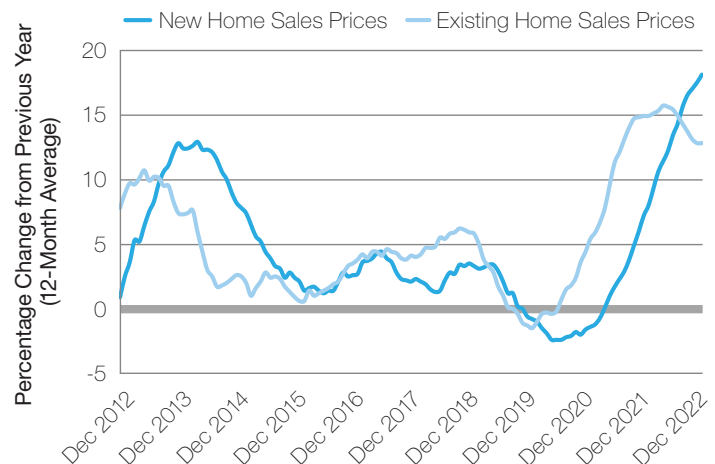
REO = real estate owned.
Source: CoreLogic, Inc.

starts to spill over into the county to the north, which is not included in the Dallas metropolitan division definition.

- The largest concentration of homes built for owner occupancy was in Collin and Denton Counties, which accounted for 60 percent of all homes built for owner occupancy, whereas Dallas County accounted for only about 14 percent.

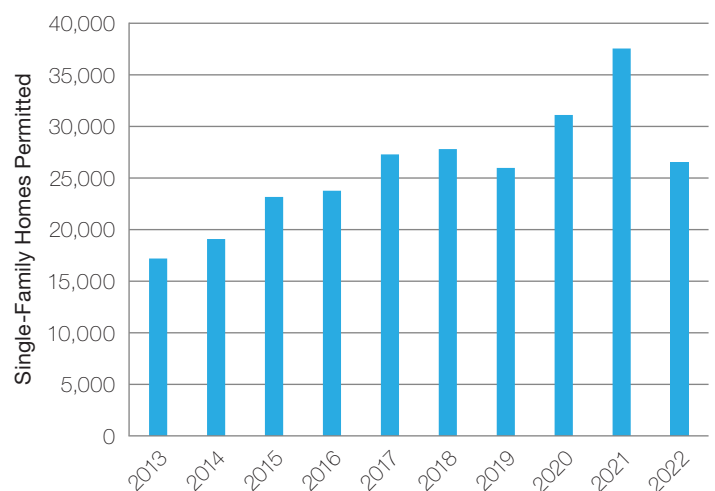
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New home prices decreased during 2019 as production increased in the more affordable outlying counties, while the average sales price of an existing home declined due to increased levels of investor purchases in lower priced areas of Dallas County.



Note: Prices include single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

Production of units for owner occupancy in the Dallas metropolitan division declined significantly during 2022 as rising home prices and interest rates limited demand.



Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 12 months of data—preliminary data and estimates by the analyst

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- The permitting of homes for owner occupancy in Collin County—more specifically, the cities of Anna and Melissa, which are north of the city of McKinney along the U.S. 75 corridor—has grown rapidly during the past 5 years. In

2018, 890 homes were permitted for owner occupancy, but during 2022, that number rose to 2,100, an average increase of 300, or 24 percent, annually as growth moves farther north in the rapidly growing metropolitan division.

Rental Market Conditions

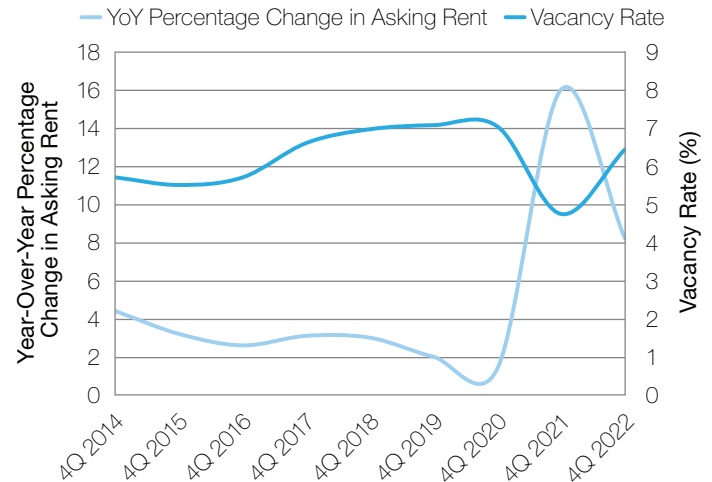
The overall rental market in the Dallas metropolitan division is currently slightly tight, with a 6.6 percent vacancy rate, down from 11.1 percent in 2010. As of January 2023, approximately 632,600 apartment units are in the metropolitan division (ALN Apartment Data, Inc.). An estimated 70 percent of all renter households in the metropolitan division live in apartment units. The apartment market in the Dallas metropolitan division is slightly tight but easing after tightening significantly during 2021. The absorption of apartment units averaged 260 units per month during 2022, down from nearly 3,400 units per month during 2021. During 2019 and 2020, the absorption of apartment units averaged nearly 1,625 units per month. Apartment market conditions have ranged from tight to slightly tight since 2014 due to very strong job and population growth, which has contributed to an elevated demand for apartments.

During the fourth quarter of 2022—

- The apartment vacancy rate was 6.4 percent, up sharply from 4.7 percent during the fourth quarter of 2021, as the absorption of units declined sharply.
- The average rent for an apartment was \$1,589, an increase of \$121, or 8 percent, from the fourth quarter of 2021, which is well below the average rent increase of \$203, or 16 percent, from the fourth quarter of 2020 to the fourth quarter of 2021.
- The average rents by bedroom size for newly constructed market-rate units built since 2018 were \$1,541, \$1,712, \$2,421, and \$3,199 for studio, one-, two-, and three-bedroom units, respectively.
- Collin County has the highest average rent of any county in the Dallas metropolitan division at \$1,717, but it also had the slowest rate of rent growth at 5 percent. Hunt County has the lowest average rent at \$1,009, while Kaufman County had the largest percentage increase in average rent, up by nearly 15 percent, or \$192 to \$1,473.

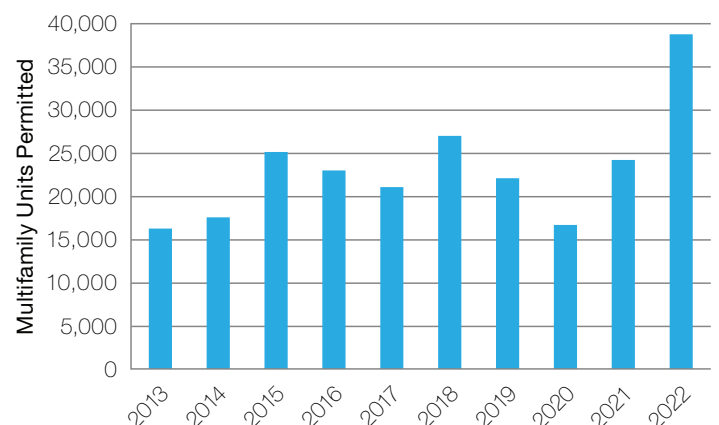
Rental building activity remains robust as strong population growth drives the demand for new units. Production has been above 15,000 units every year since 2013, with production exceeding 20,000 units in 7 of the past 10 years. The majority of rental building activity since 2000 has occurred in the more heavily populated counties of Dallas, Collin, and Denton; since 2017, rental building activity in the four outlying counties of Ellis, Hunt, Kaufman, and Rockwall has increased significantly,

As the apartment market tightened in the Dallas metropolitan division during 2021, rent growth reached record levels.



4Q = fourth quarter. YoY = year-over-year.
Source: ALN Apartment Data, Inc.

Rapid rent growth and declining vacancy rates in the Dallas metropolitan division during 2021 spurred developers to increase the production of rental units during 2022.



Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 12 months of data—preliminary data and estimates by the analyst

as those counties are recording much stronger population growth. From 2000 through 2017, an average of 420 rental units combined were permitted annually in those counties;

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since 2018, that average has increased to 2,025 units annually. Since 2015, the percentage of new studio or one-bedroom rental apartment units built has increased significantly and represents 66.5 percent of all units added to the inventory compared with just 55.9 percent before 2015.

- During 2022, the number of rental units permitted in the Dallas metropolitan division surged and reached an all-time high of nearly 38,700 (preliminary data, with adjustments by the analyst)—an increase of 14,500, or 60 percent, from 2021.
- In the northern counties of Collin and Denton—which were traditionally commuter suburbs for Dallas but are developing into an urban employment center with denser living options—production of rental units far surpassed all previous levels of production in 2022, with 19,400 combined rental units permitted, up by 8,900, or nearly 85 percent, from 2021. During 2022, Collin County had 11,550 rental units

permitted—the first time a county in the metropolitan division besides Dallas County surpassed 10,000 units permitted.

- The 3,575 combined rental units permitted in Ellis, Hunt, Kaufman, and Rockwall Counties during 2022 was an all-time peak, surpassing the previous peak of 2,200 units permitted in 2018.
- During the past 3 years, 5,000 build-for-rent (BFR) single-family homes have been permitted, constituting 6 percent of rental units permitted, up from 560 from 2016 through 2019, when it was less than 1 percent of the market. BFR was nonexistent before 2016. This new and growing type of housing product is entering the market in the Dallas metropolitan division and other areas throughout the country as demand for the amenities of single-family homes remains strong, and many households lack the means or desire to make a large down payment to purchase a home.

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan division definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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