

ECONOMY



DFW Leads the Nation in Population Growth

Outlook remains strong despite potential trade policies

OVERVIEW

Employment Growth Stays Strong At Mid-Year

Dallas-Fort Worth (DFW) added 122,000 jobs over the last year, a growth rate of 3.4% (334 jobs per day). The industries that recorded the largest gains were professional and business services, leisure and hospitality, and mining, logging and construction. The metro's population, now at 7.4 million, grew by about the size of Seattle in the last seven years and is forecasted to add close to double that amount in the next ten years.

During 2010-2017, DFW led the nation in population growth by adding nearly one million people. Only about 43% of that growth was endogenous which means two out of five people were born here. The remainder was due to migration with domestic migration accounting for 67% of new residents. DFW led the nation in both total and domestic rankings. Only coastal metros added more international migrants.

UNEMPLOYMENT

Unemployment Rate Remains Near Historic Lows

DFW's unemployment rate remains moderately low compared to other major metros as well as the U.S. national average. May's unemployment rate for DFW was 3.4% compared to Texas' 4.1% and the U.S.' 4.0% (not seasonally adjusted). Employment growth has been strong as the metro rebounded relatively quickly after the latest recession. One challenge facing employers is the availability of skilled labor. However, as long as skilled migrants continue to move to North Texas and supplement the thousands of annual graduates from area universities and colleges, supply is expected to meet the increased demand.

TRENDLINES

5-YEAR TREND CURRENT QUARTER

UNEMPLOYMENT RATE



3.4 %

DFW's unemployment rate stayed below Texas' 4.1%

PAYROLL JOB GROWTH



58,800 JOBS YTD

3.4 % annual growth in May

CONSUMER PRICE INDEX (CPI)



2.7 % ANNUAL

CPI picking up after major dip in 2015

CONSTRUCTION



132,200 JOBS

Jobs continue to increase year-over-year

POPULATION



7,400,000

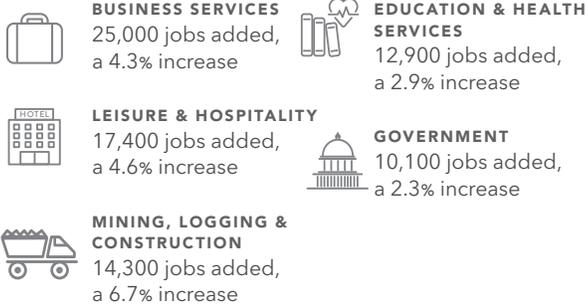
DFW metro ranked #1 in population growth

LABOR FORCE

Texas Enjoys its Strong Hiring Run

DFW added 122,000 nonfarm jobs over the previous 12-months. Service sector industries such as professional and business services, leisure and hospitality, trade, and education and health services expanded the most over the last 12-month period and accounted for over half of the total job growth in the metro. The region’s annual employment growth rate of 3.4% was higher than Texas’ 2.4% and the U.S. rate of 1.6%. The DFW labor force is currently 3.9 million with an unemployment rate of 3.4%, still below Texas’ 4.1% and the U.S. rate of 4.0%.

Top industry employment over the 12 months ending in May:

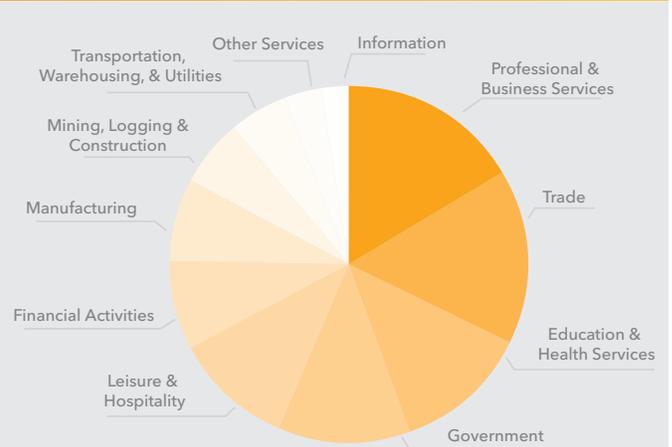


HOUSING

Real Estate Indicators Point to Continual Housing Developments

After two years of North Texas outpacing the rest of the U.S. in home value growth, prices have slowed in the last six months but continue to rise as the area’s population growth drives demand. The Real Estate Center at Texas A&M University reported the average home price for DFW rose 4.1% year-over-year, with average per-square-foot prices rising from \$122 to \$129. The number of sales increased over the same period by 0.24%. Months of inventory increased slightly from 2.4 to 2.6, and the number of days to sell decreased from 68 to 67.

Percent of Total Employment
Dallas-Fort Worth Metro



SOURCE: Texas Workforce Commission, May 2018

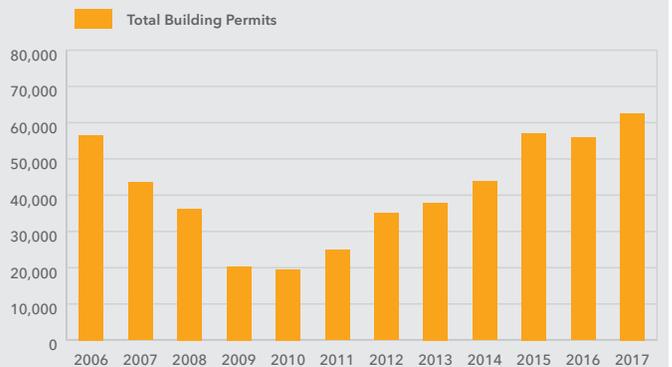
Average Home Prices

	AVERAGE PRICE	MEDIAN PRICE	MONTHS INVENTORY
Dallas-Fort Worth	\$335,188	\$275,000	2.6
Houston	\$302,890	\$241,000	4.0
Austin	\$389,061	\$317,000	2.7
San Antonio	\$269,130	\$228,000	3.4
Texas	\$292,438	\$240,000	3.7

SOURCE: Texas A&M University Real Estate Center, May 2018

Building Permits Issued

Dallas-Fort Worth Metro



SOURCE: U.S. Bureau of Census, Transwestern

OUTLOOK

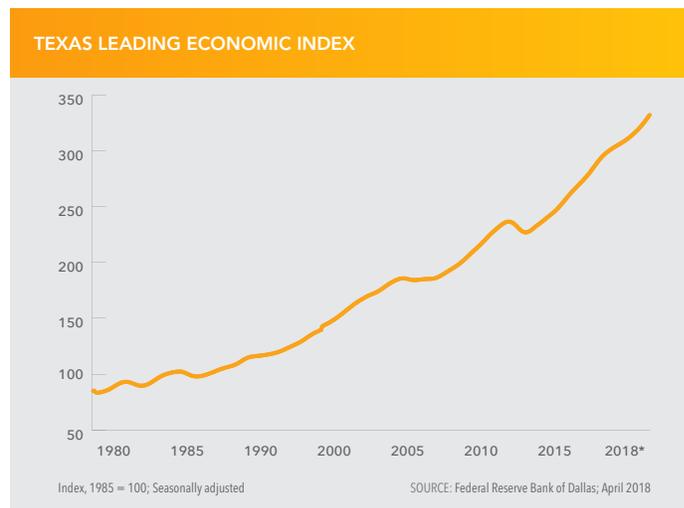
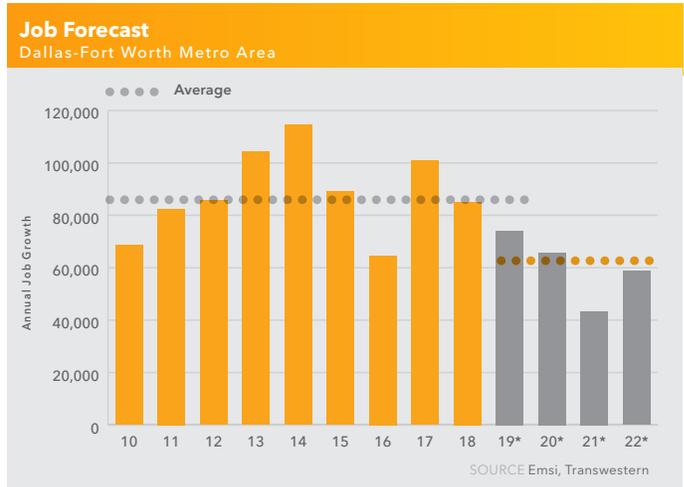
DFW's Diverse Economy is Still Growing

The DFW metro continues to be a hot spot for corporate relocations and headquarters due to its talented labor force, access to transportation and its business-friendly environment.

Inflation is slightly above the national average and continues to follow the same upward trend. The U.S. consumer price index (CPI) increase in June with just 0.1%, but the overall trend continues to point upward. In the previous 12 months ending in June, the CPI rose 2.9% recording the largest gain since February 2012. (The U.S. Labor Department)

The U.S. economy is performing well but tariffs are likely to hurt the global growth which in return could pull the U.S. down. The Federal Reserve plans to raise rates four more times over the next year, but if the global growth slows significantly and the European central bank can't raise rates then the Fed is likely to delay any changes to the federal funds rate.

The leading economic index for April rose 0.5% following a 0.4% increase in February and March. While the monthly gain is only slightly higher than previous months, the six-month growth rate has increased and suggests continued solid growth for the remainder of the year.



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METHODOLOGY

The information in this report is the result of a compilation of information on office, industrial, retail, multifamily and healthcare properties located in the Dallas-Fort Worth metropolitan area. This report includes single-tenant, multi-tenant and owner-user properties and excludes properties owned by a government agency.

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DALLAS-FORT WORTH METRO

FIRST QUARTER 2018

Population Booming DFW Leads the Nation in Population Growth

OVERVIEW

The U.S. Census recently released population estimates for 2017. Out of the top 10 largest gaining county populations from 2016 to 2017, DFW counties held four spots: Tarrant (No. 5), Dallas (No. 8), Denton (No. 9), and Collin (No. 10). Total population in Dallas-Fort Worth (DFW) is now 7.4 million, making it the fourth largest metro area. If current growth trends continue, the region could potentially catch up to Chicago much sooner than previously projected and reach 10 million by 2030.

From 2010 to 2017, DFW led the nation in population growth by adding nearly a million people. Only 43 percent of that total was due to endogenous growth. More than half of the total population growth during that period was due to migration, two-thirds of which were domestic migrants. In addition to total growth, DFW also led the U.S. in total migration and total domestic migrant movement.

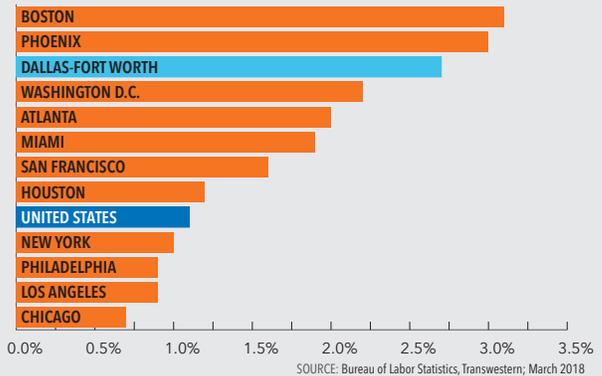
From 2016 to 2017, the DFW region again ranked No. 1 in population growth by adding 146,000 residents. Net migration again accounted for more growth than the natural increase (births minus deaths) but this time rose to 61 percent of the total increase. DFW held its top rank among all other metros in total migration and domestic movement. Only coastal metros attracted more international migrants than DFW.

DFW ECONOMIC INDICATORS

	1Q 17	1Q 18	12-MONTH FORECAST
DFW Employment	3.5M	3.7M	▲
DFW Unemployment Rate	4.3%	3.7%	■
U.S. Unemployment Rate	4.5%	4.1%	■

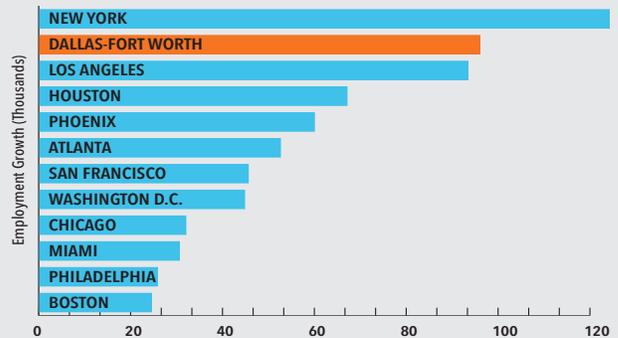
SOURCE: Bureau of Labor Statistics, Transwestern; March 2018

EMPLOYMENT GROWTH LARGE METRO AREAS | ANNUAL PERCENTAGE CHANGE



SOURCE: Bureau of Labor Statistics, Transwestern; March 2018

EMPLOYMENT GROWTH LARGE METRO AREAS | ANNUAL NET CHANGE



SOURCE: Bureau of Labor Statistics, Transwestern; March 2018

DALLAS-FORT WORTH METRO MARKET

FIRST QUARTER 2018

LABOR FORCE

The Texas economy added 291,700 jobs over the last year growing 2.4%. Just over one-third of that total occurred in the North Texas region. DFW recorded a year-over-year employment growth rate of 2.8% by adding 101,200 nonfarm jobs. Service sector industries such as leisure and hospitality, professional and business services, and education and health services expanded the most over the last 12-month period and accounted for over half of the total job growth in the metro. The region's annual employment growth rate of 2.8% remained higher than Texas' 2.4% and the U.S. rate of 1.6%. The DFW labor force is currently 3.9 million with an unemployment rate of 3.7%, well below Texas' 4.1% and the U.S. rate of 4.1%.

The unemployment rate remains moderately low compared to other major metros as well as the U.S. national average, and the tightening labor market signals increased competition for labor. One challenge facing employers is the availability of skilled labor. However, as long as skilled migrants continue to move to North Texas and supplement the thousands of annual graduates from area universities and colleges, supply is expected to meet the increased demand.

HOUSING

The North Texas housing market is booming and home prices, though still seen as relatively affordable, continue to increase as the area's healthy population growth drives demand. The Real Estate Center at Texas A&M University reported the average home price for DFW rose 4.58% year-over-year, with average per-square-foot prices rising from \$124 to \$132. The number of sales increased over the same period by 3.0%. Months of inventory declined slightly to 1.9 from 2.0, and the number of days to sell rose to 80 from 78.

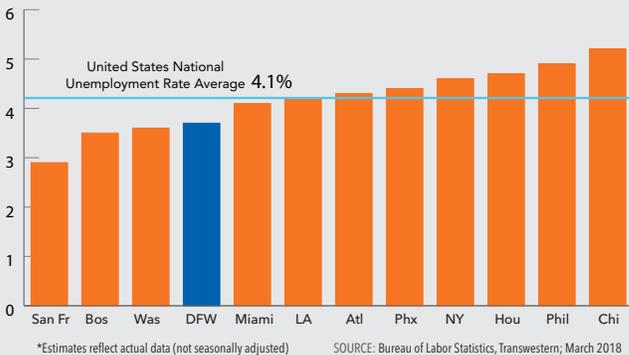
ECONOMIC OUTLOOK

The Census report on current population estimates highlights the stellar growth that has occurred in North Texas since the end of the Great Recession. The region's population grew by approximately 380 people each day over the last seven years. In the last year, the area retained its No. 1 spot as the fastest growing metro. This follows a much

EMPLOYMENT TRENDS DALLAS-FORT WORTH METRO



UNEMPLOYMENT RATES LARGE METRO AREAS



Average Home Prices

	AVERAGE PRICE	MEDIAN PRICE	MONTHS INVENTORY
Dallas-Fort Worth	\$310,973	\$257,000	1.9
Houston	\$281,360	\$225,000	3.3
Austin	\$370,735	\$294,163	2.0
San Antonio	\$244,567	\$210,683	3.1
Texas	\$271,510	\$224,900	3.1

SOURCE: Texas A&M University Real Estate Center, March 2018



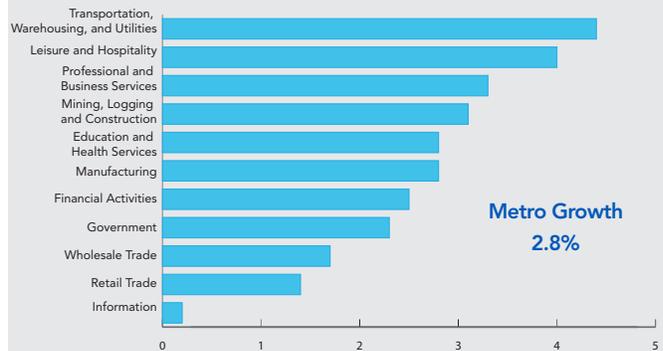
longer trend in domestic and international migration that the DFW economy has experienced for many years. The low cost of living, relatively affordable housing, and the employment opportunities available to workers continue to draw residents to North Texas. The growth in workforce availability is highly attractive to companies expanding within or relocating to the region.

The third and final estimate of 2017 fourth quarter's gross domestic product (GDP) was revised up to an annual rate of 2.9%. First quarter 2018 estimates are closer to 1.75%-2.25% due to weaker consumer spending on durable goods, net exports, and residential investment. Despite the weaker-than-expected first estimate of GDP for 2018, the U.S. economy remains strong, and that should be reflected in the second and third quarter numbers.

The leading economic index for March rose 0.3% following a 0.8% and 0.7% increase in January and February, respectively. While the monthly gain is lower than previous months, the six-month growth rate has increased and suggests continued solid growth for the remainder of the year.

Inflation ticked up in February and annual inflation moved closer to the Federal Reserve's target of 2.0%. The overall index increased 1.8% in February from a year earlier. Core prices (excluding food and energy) increased 1.6% over the year as well. Evidence of sustained price gains, a strong job market, and wage growth are indicators the Fed will be monitoring. While the fed funds rate is expected to remain unchanged (1.50%-1.75%) at the Fed's next meeting in May, the second rate hike of the year will likely occur during the June FOMC meeting.

ANNUAL EMPLOYMENT CHANGE BY INDUSTRY SECTOR



SOURCE: Bureau of Labor Statistics, Transwestern; March 2018

TEXAS LEADING ECONOMIC INDEX



SOURCE: Federal Reserve Bank of Dallas; March 2018

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METHODOLOGY

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DALLAS-FORT WORTH METRO

FOURTH QUARTER 2017

Economic Growth Beats Expectations

More jobs added than any other metro

OVERVIEW

According to the Texas Workforce Commission, the Dallas-Fort Worth (DFW) economy led the nation by adding 100,400 non-farm jobs over the 12 months ending in November 2017. This equates to 275 net new jobs per day over the year.

Likewise, Texas added more jobs in the 12 months ending in November than any other state, adding 331,600 new jobs, bringing Texas' 3-month average gain to the highest level since 2014, despite the 5,000-job loss in September due to the aftermath of Hurricane Harvey in South Texas.

The U.S. unemployment rate stayed steady at 4.1% for three straight months, holding at a 17-year low. Experts predict the unemployment rate to gradually decrease going into 2018 and drop below four percent before mid-year. DFW's unemployment rate remains relatively low compared to other major metros, as well as the U.S. national average. The regional unemployment rate fell to 3.2% (not seasonally adjusted) in November, lower than Texas' 3.7%.

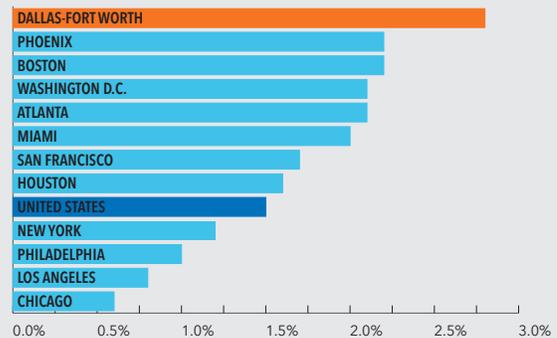
This year saw significant changes with the passage of tax reform legislation expected to impact federal spending for years to come. The largest benefit from the new tax code will accrue to corporations, as effective tax rates are lowered and overseas profits are dismissed. Experts predict the short-term effects of the new tax code on the U.S. economy will be positive, resulting in increased business capital investment and consumer spending.

DFW ECONOMIC INDICATORS

	4Q 16	4Q 17	12-MONTH FORECAST
DFW Employment	3.6M	3.7M	▲
DFW Unemployment Rate	3.7%	3.2%	■
U.S. Unemployment Rate	4.6%	4.1%	■

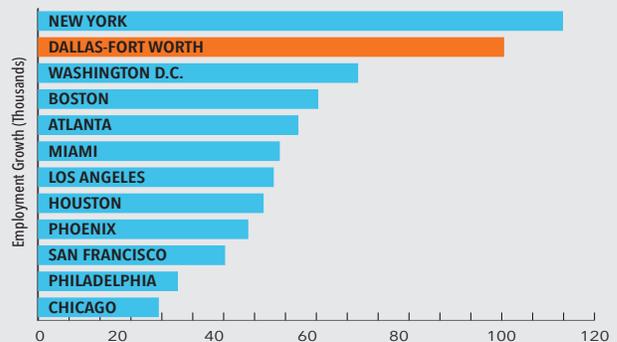
SOURCE: Bureau of Labor Statistics, Transwestern; November 2017

EMPLOYMENT GROWTH LARGE METRO AREAS | ANNUAL PERCENTAGE CHANGE



SOURCE: Bureau of Labor Statistics, Transwestern; November 2017

EMPLOYMENT GROWTH LARGE METRO AREAS | ANNUAL NET CHANGE



SOURCE: Bureau of Labor Statistics, Transwestern; November 2017

DALLAS-FORT WORTH METRO MARKET

FOURTH QUARTER 2017

LABOR FORCE

Service sector industries such as professional and business services, leisure and hospitality, and education and health services expanded the most over the last 12-month period and accounted for over half of the total job growth in DFW. Hirings have greatly increased over the past three months, adding jobs to nearly every major industry. Trade, transportation, and utilities, and education and health services have both seen slight growth throughout the fourth quarter. The region's annual employment growth rate of 2.8% was higher than Texas' 2.4% and the U.S. rate of 1.5%. The job market in North Texas has tightened recently. The unemployment rate remains relatively low compared to other major metros as well as the U.S. national average.

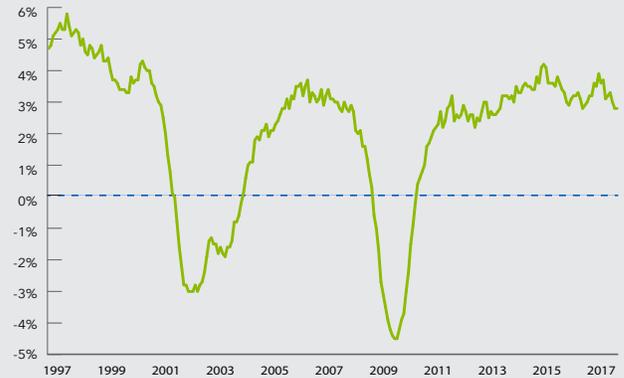
HOUSING

The North Texas housing market is booming, and home sales prices continue to rise as the area's population growth continues driving demand and keeping inventories in tight supply. Population growth has jumped to 12.1% since 2010, adding approximately 130,100 people per day. The Real Estate Center at Texas A&M University reported the average home price for DFW rose 6.6% year-over-year with average per-square-foot prices rising from \$122 to \$132. The number of sales continued to rise over the same period by 3.1%. Months of inventory rose slightly to 2.3, and the number of days to sell declined from 77 to 76.

ECONOMIC OUTLOOK

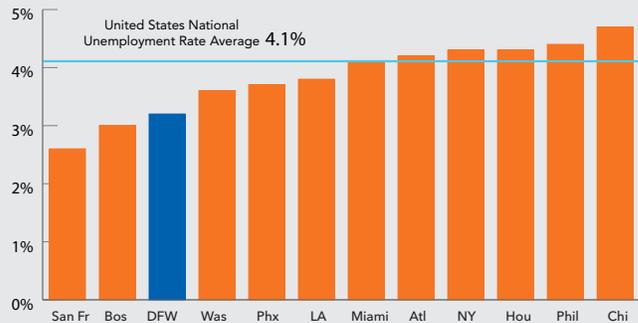
The North Texas economy continued its expansion in Q4 with modest job growth. Employment gains occurred in healthcare adding 31,000 jobs, construction adding 30,000 jobs, and manufacturing industries adding 25,000 jobs in 2017. Though the U.S. unemployment rate remained unchanged at 4.1% for the third consecutive month, economists expect to see the unemployment rate fall lower throughout 2018, reaching below four percent by mid-year.

EMPLOYMENT TRENDS DALLAS-FORT WORTH METRO



SOURCE: Bureau of Labor Statistics, Transwestern; November 2017

UNEMPLOYMENT RATES LARGE METRO AREAS



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

Average Home Prices

	AVERAGE PRICE	MEDIAN PRICE	MONTHS INVENTORY
Dallas-Fort Worth	\$309,543	\$251,000	2.3
Houston	\$282,603	\$225,000	3.6
Austin	\$357,704	\$290,000	2.5
San Antonio	\$253,627	\$215,000	3.3
Texas	\$271,639	\$221,532	3.5

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

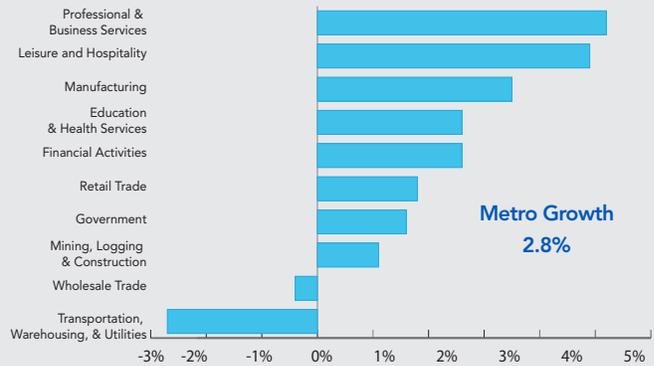


The national real gross domestic product (GDP) increased at an annual rate of 3.2% in the third quarter of 2017, slightly up from the previous estimate. There are positive signs for 2018 as job creation remains healthy, GDP has picked up in recent quarters, and tax cuts are expected to deliver relief to both business and consumers alike. Real consumer spending increased 3.8% for Q4, almost doubling the rate seen in Q3. The leading economic index for December rose to 0.6% slightly up from November's 0.5%. The rising index suggests continued growth in the first half of 2018.

The economic output appears to be on track for the third consecutive quarter at 3%. The tax reform legislation in December is expected to give a minor bump to both national and state GDPs. Hirings slowed in August and September in North Texas but have bounced back to lead the nation.

The Federal Reserve Bank of Dallas' leading economic index, which tracks variables such as oil prices, well permits, unemployment claims and productivity, continues to rise. Fed economists predict that the continued strength of the leading index suggests growth above the trend for 2018 and into early 2019. Texas is one of the states that benefits most from international trade, and the bounce back of oil prices and global economic growth is a major tailwind for the state. Tax reform is positive for business investment and consumer spending, with wage growth and oil prices moderately increasing.

ANNUAL EMPLOYMENT CHANGE BY INDUSTRY SECTOR



SOURCE: Bureau of Labor Statistics, Transwestern; November 2017

TEXAS LEADING ECONOMIC INDEX



Index, 1987 = 100; Seasonally adjusted

SOURCE: Federal Reserve Bank of Dallas; November 2017

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DALLAS-FORT WORTH METRO

THIRD QUARTER 2017

Record Expansion Continues

Harvey's effect on construction industry yet to be seen

OVERVIEW

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

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

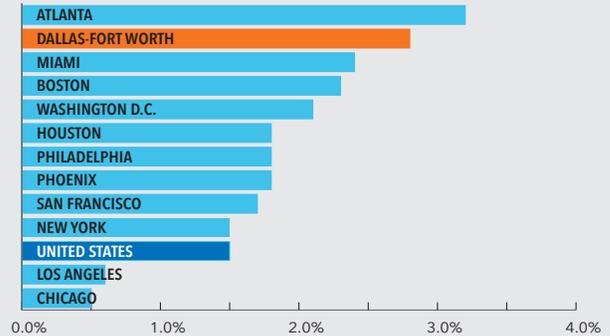
Some economic activity will be generated from the rebuilding process, but initial damage estimates omit the total cost to rebuild. Labor and construction material shortages already in existence will be stretched thin, and many skilled workers are projected to arrive from all parts of the U.S., including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

DFW ECONOMIC INDICATORS

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

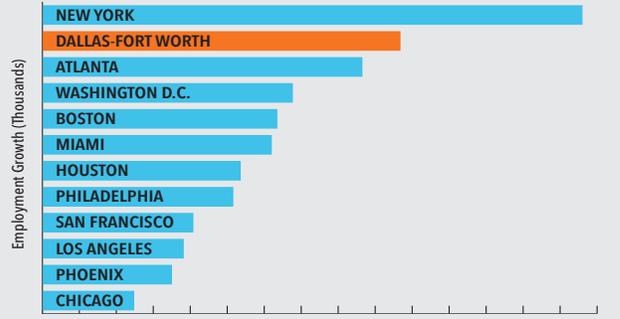
SOURCE: Bureau of Labor Statistics, Transwestern; August 2017

EMPLOYMENT GROWTH LARGE METRO AREAS | ANNUAL PERCENTAGE CHANGE



SOURCE: Bureau of Labor Statistics, Transwestern; August 2017

EMPLOYMENT GROWTH LARGE METRO AREAS | ANNUAL NET CHANGE



SOURCE: Bureau of Labor Statistics, Transwestern; August 2017

DALLAS-FORT WORTH METRO MARKET

THIRD QUARTER 2017

LABOR FORCE

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

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

HOUSING

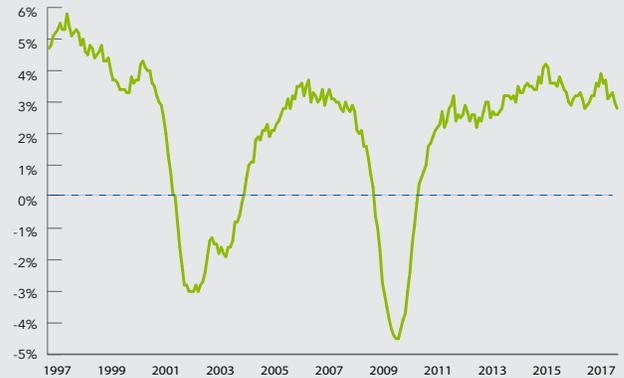
The North Texas housing market is booming, and home sales prices continue to rise as the area's economic and population boom are driving demand and keeping inventories in tight supply. The Real Estate Center at Texas A&M University reported the average home price for DFW rose 6.6% year-over-year with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

ECONOMIC OUTLOOK

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

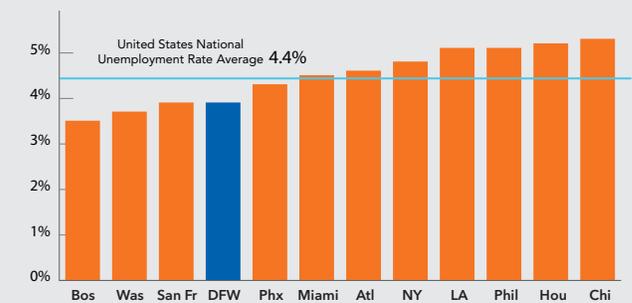
One area of the labor market experiencing shortages in workers is the construction industry, and the demand for labor to assist in the rebuilding of the Southeast Texas coastal community may exacerbate the situation in the short term. The aging baby boomers who are retiring are leaving a void that millennials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

EMPLOYMENT TRENDS DALLAS-FORT WORTH METRO



SOURCE: Bureau of Labor Statistics, Transwestern; August 2017

UNEMPLOYMENT RATES LARGE METRO AREAS

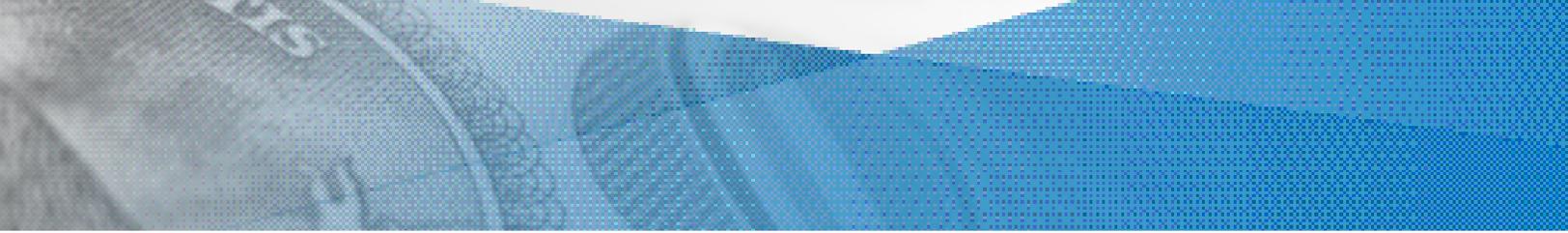


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SOURCE: Texas A&M University Real Estate Center, August 2017

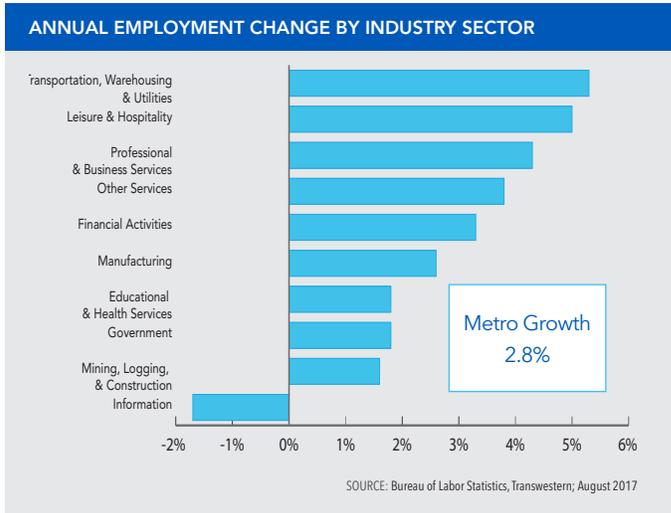


workers, material and labor costs are increasing throughout the U.S.

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

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

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



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METHODOLOGY

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



DALLAS-FORT WORTH METRO

FIRST QUARTER 2017

Healthy Growth Among All Industries

Economy adds over 300 new jobs every day

OVERVIEW

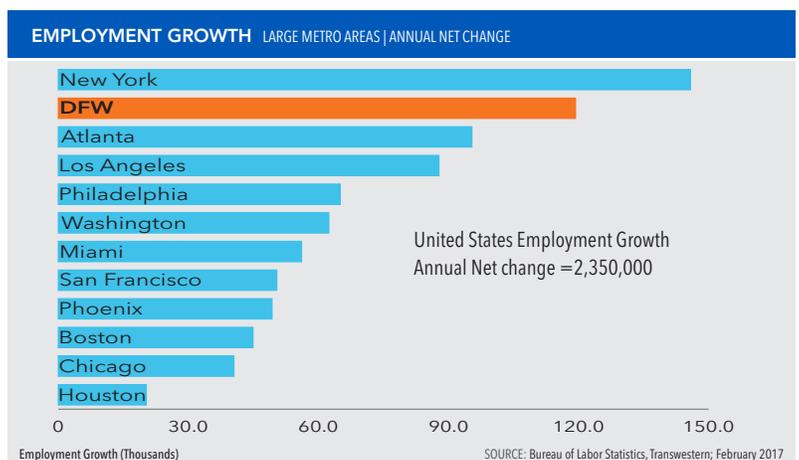
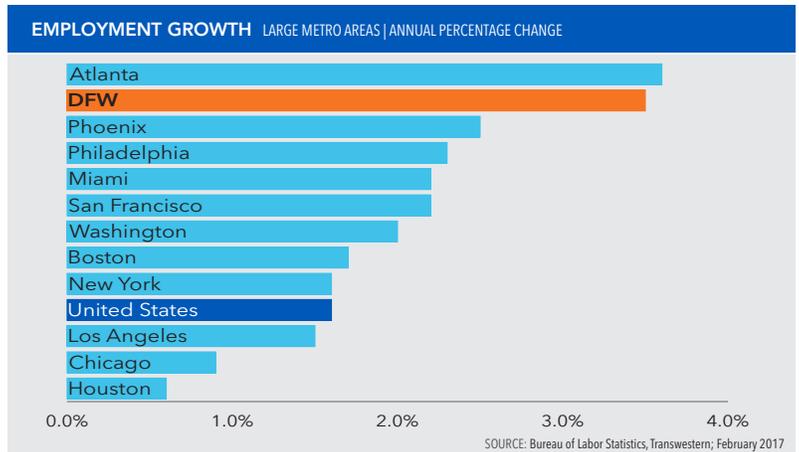
According to the Texas Workforce Commission, non-farm employment in Dallas-Fort Worth (DFW) expanded by 119,300 jobs over the 12 months ending in February. This equates to 327 net new jobs per day over the year. The DFW region contributed 54.0% of Texas' overall job growth during that time period. During the last year, the DFW region created almost twice as many jobs than the San Antonio, Austin, and Houston metros combined.

The North Texas regional economy has grown by more than 700,000 jobs in the latest economic expansion, and annual non-farm job growth has consistently averaged around 3.0% or higher each year since 2010.

Positive growth and migration from domestic and international regions has created strong demand for housing, pushing prices and rents up while keeping inventories tight. The DFW population is projected to grow by another 2.0 million people by 2030 and developers are scrambling to keep pace with the current and future demand.

DFW ECONOMIC INDICATORS			
	1Q 16	1Q17	12-Month Forecast
DFW Employment	3.5M	3.6M	▲
DFW Unemployment Rate	3.8%	4.3%	▲
U.S. Unemployment Rate*	4.9%	4.7%	■

*Seasonally adjusted; February 2017



DALLAS-FORT WORTH METRO MARKET

FIRST QUARTER 2017

LABOR FORCE

Over the last 12-month period service sector industries such as professional and business services, leisure and hospitality, professional and business services, and financial services grew the most and accounted for nearly half of the total job growth in DFW. Positive growth in all economic sectors, aside from information, helped boost the region's annual employment growth rate of 3.5% above Texas' 1.9% and the U.S. rate of 1.7%.

DFW's unemployment rate remains relatively low compared to other large metros and the U.S. national average. The unemployment rate recorded 4.3% in February, lower than Texas' 4.9% and the U.S. rate of 4.7%. Increases in the unemployment rate were largely due to an increase in the labor force. The year-over-year regional labor force grew 3.2%, well above the state's 2.1% and national's 0.8%.

HOUSING

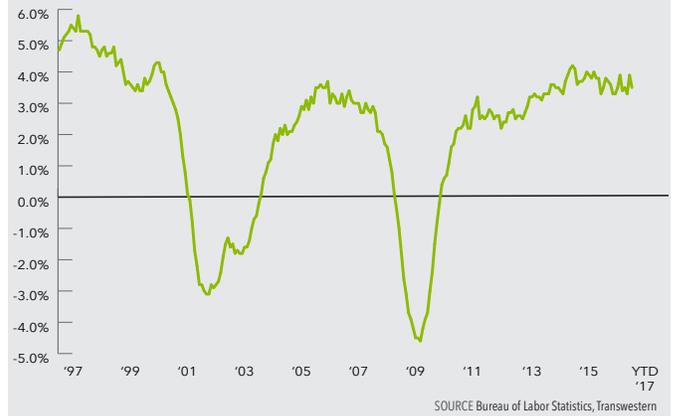
The housing market remains healthy and home sales prices continue to rise. The Real Estate Center at Texas A&M University reported the average home price for DFW was 10.5% greater than the Texas average home price in February and 9.6% greater than the U.S. average. Inventory for the region continues to hold tight with 2.0 months of supply in February, which has remained steady for the past year.

ECONOMIC OUTLOOK

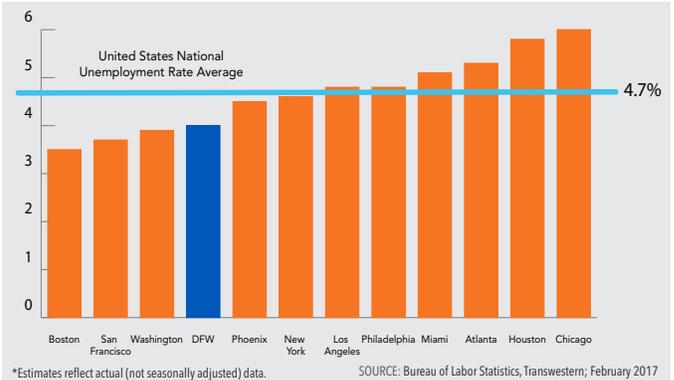
The U.S. outlook for 2017 looks relatively bright with growth forecasted to range from 1.2-1.6%. Data on the global economy suggests a trend in improving conditions, and as the U.S. approaches its eighth year of economic expansion there are plenty of reasons for optimism.

Oil prices have rebounded and production is rising in Texas. The energy sector is growing in a low-price market and investments in technology utilization are helping reduce inefficiencies. The stabilization of prices and robust growth toward the end of 2016 have generated an increased level of confidence in energy markets. The new administration has signaled that they intend to reduce regulatory burdens and that, coupled with an announced production cut by OPEC, has helped buoy expectations.

EMPLOYMENT TREND DALLAS-FORT WORTH METRO



UNEMPLOYMENT RATES LARGE METRO AREAS



Average Home Prices

FEBRUARY 2017

	DFW MSA	TEXAS	U.S.
Average Price	\$297,435	\$266,841	\$270,100
Median Price	\$244,000	\$212,650	\$228,400
Months Inventory	2.0	3.3	3.8

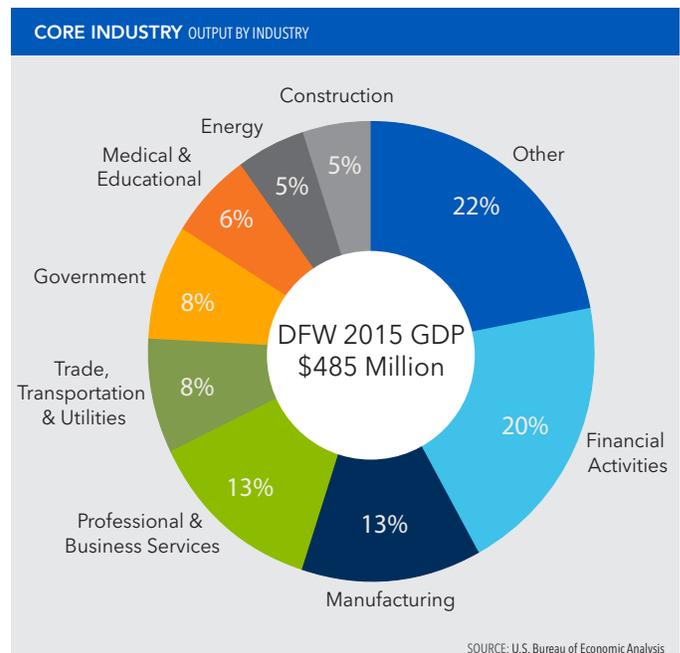
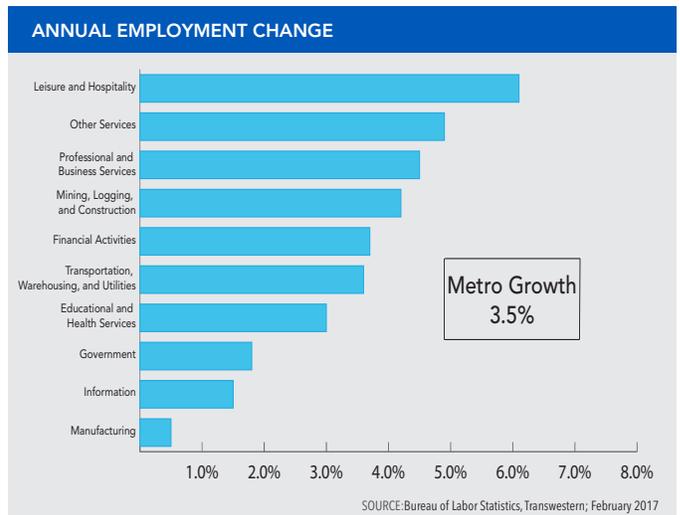


Construction spending increased modestly in February by 0.8%. Private residential home construction spending grew 1.8% driven primarily by multi-family projects. Housing prices remain strong, and the mild weather in the first quarter helped jump-start the homebuilding season. Housing starts were up 3.0% in February primarily in single-family product. The multi-family boom in North Texas is in high gear with almost thirty thousand apartments expected to deliver this year, the majority in Far North Dallas and the Dallas Core.

Population growth is driving the demand for housing in North Texas. Newly released annual population data shows Dallas and Houston posted the largest gains in the U.S. with Dallas growing over 2.0% to 7.23 million in 2016. The metro region also recorded the largest increase in net domestic migration, adding over sixty-thousand people from around the country.

As expected, the Federal Reserve increased its benchmark short-term interest rate by a quarter percentage point in March and is readying plans for a passive reduction in its \$4.5 trillion balance sheet by ceasing reinvestment of maturing assets later this year. While seen as a token move at this point, the Fed's rhetoric is becoming more hawkish as they have indicated raising short-term interest rates at least two more times in 2017. Current economic indicators appear quite healthy and, barring any unforeseen shocks, the Fed is expected to raise its rates in June.

The North Texas regional economy continues to grow by leaps and bounds in almost every metric. Leading indicators suggest job growth will shift into a higher gear during 2017. Federal Reserve economists predict state employment growth to average between 1.5-2.5% this year, and the North Texas labor market is likely to trend higher.



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