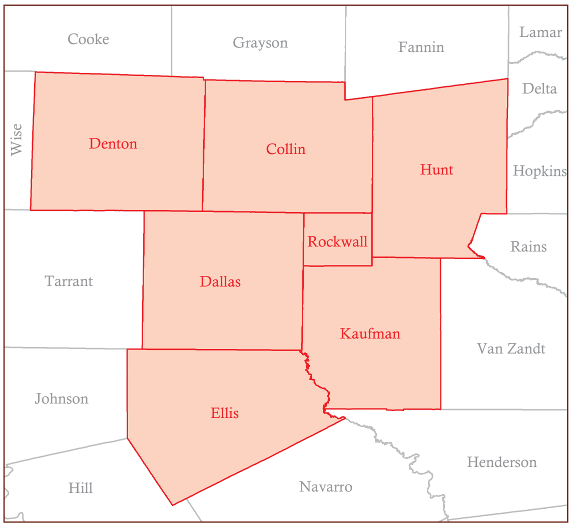
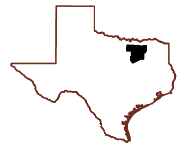
COMPREHENSIVE HOUSING MARKET ANALYSIS

Dallas-Plano-Irving, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2017





Housing Market Area

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

Summary

Economy

Economic conditions remain strong in the Dallas HMA as an economic expansion that began during 2010 continued during the most recent 12 months. Nonfarm payrolls during the 12 months ending June 2017 increased by 93,300 jobs, or 3.8 percent, from the previous 12 months. Since 2010, nonfarm payroll growth in the HMA has averaged 2.9 percent annually, well above the national rate of 1.4 percent. The unemployment rate in the HMA is currently 3.9 percent, up from 3.8 percent 1 year earlier. During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 2.8 percent annually.

Sales Market

The sales housing market in the HMA has been tight since 2012, with population growth outpacing new home development. The owner vacancy rate is currently estimated at 0.8 percent, down from 2.1 percent during 2010. During June 2017, a 2.7-month supply of inventory was available, up from a 2.3-month supply 1 year earlier (Real Estate Center at Texas A&M University). Demand forecast is for 68,850 new homes during the next 3 years (Table 1). The 6,575 homes currently under construction will meet part of that demand during the first year.

Rental Market

The rental housing market is currently slightly tight, with a 6.3-percent vacancy rate, down from 11.1 percent during 2010, as strong job growth drives high levels of in–migration, which in turn increases demand for rental units. The apartment market is also slightly tight; although increased apartment production resulted in a 5.6-percent vacancy rate during June 2017, up from 5.0 percent 1 year earlier. Demand forecast is for 53,375 new rental units during the next 3 years (Table 1). The 23,905 rental units currently under construction will meet part of that demand.

Market Details

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

	Dallas HMA*		Dallas County Submarket		Northern Suburbs Submarket		Southeastern Counties Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	68,850	53,375	13,950	30,850	44,300	19,550	10,600	2,975
Under construction	6,575	23,905	1,075	14,300	4,150	9,275	1,350	330

** Dallas-Plano-Irving HMA.*

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2017. A portion of the estimated 36,275 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is July 1, 2017, to July 1, 2020.

Source: Estimates by analyst

Economic Conditions

The Dallas HMA, part of the Dallas-Fort Worth-Arlington metropolitan statistical area, is the most populous metropolitan area in the American South and home to 19 Fortune 500 companies, including Exxon Mobil Corporation, AT&T Inc., and J.C. Penny Company, Inc. Several notable telecommunication and computer technology firms, such as Affiliated Computer Services, Inc. and Texas Instruments, Inc., are also headquartered in the HMA. The HMA also has a large number of jobs in the finance and insurance industries and has always played a role in financing the oil industry. The city of Dallas and surrounding areas first began to develop as a trade location for cotton, with many railroad lines in the metropolitan area. With the expansion of the interstate highway system, the HMA remained an important center for logistics and trade due to its location in the middle of the country along interstates that run from Mexico to Canada.

Economic conditions in the HMA remained strong during the most recent 12 months, but the rate of job growth slowed from the previous 12 months. During the 12 months ending June 2017, nonfarm payrolls totaled 2.54 million, an increase of 93,300 jobs, or 3.8 percent (Table 2). The rate of growth was slightly lower than the previous 12 months when nonfarm payrolls increased by 94,600 jobs, or 4.0 percent. By comparison, from 2010, the start of the most recent expansion, through 2015, nonfarm payrolls increased by an average of 59,000, or 2.7 percent, annually, which

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

	12 Months Ending		Absolute Change	Percent Change
	June 2016	June 2017		
Total nonfarm payroll jobs	2,452,400	2,545,700	93,300	3.8
Goods-producing sectors	302,300	309,800	7,500	2.5
Mining, logging, & construction	131,000	137,000	6,000	4.6
Manufacturing	171,300	172,900	1,600	0.9
Service-providing sectors	2,150,100	2,235,800	85,700	4.0
Wholesale & retail trade	392,700	403,500	10,800	2.8
Transportation & utilities	101,400	109,900	8,500	8.4
Information	69,600	70,900	1,300	1.9
Financial activities	220,700	229,700	9,000	4.1
Professional & business services	458,000	482,100	24,100	5.3
Education & health services	295,300	304,000	8,700	2.9
Leisure & hospitality	245,600	258,000	12,400	5.0
Other services	80,700	83,900	3,200	4.0
Government	286,300	294,000	7,700	2.7

** Dallas-Plano-Irving HMA.*

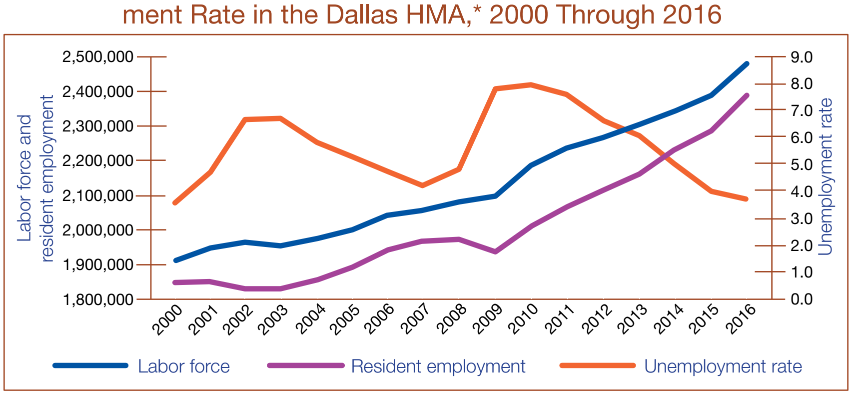
Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through June 2016 and June 2017.

Source: U.S. Bureau of Labor Statistics was nearly double the 1.4-percent average rate of annual job growth nationally during this period. During the 12 months ending June 2017, all 11 employment sectors in the HMA added jobs, with 6 of the 11 employment sectors expanding 4 percent or more. The unemployment rate in the HMA was 3.9 percent during the 12 months ending June 2017, up from 3.8 percent during the 12 months ending June 2016 but well below the 2010 level of 8.0 percent. Figure 1 shows trends in labor force, resident employment, and unemployment rate in the HMA from 2000 through 2016.

During the 12 months ending June 2017, the professional and business services sector, which increased by 24,100, or 5.3 percent, from 1 year earlier, led job growth. The professional and business services sector is also the largest employment sector in the HMA, with 482,100, or 18.9 percent, of all nonfarm payroll jobs (Figure 2). Job growth was the result of numerous company expansions, including Toyota Motor Sales, U.S.A., Inc., which officially opened its North American corporate headquarters in the city of Plano in July 2017 and will have 4,000 employees. Some employees started working in this location ahead of final completion of the campus. Most of the jobs at this location are management or engineering, and no actual manufacturing of automobiles will occur. In addition to the jobs at Toyota's North American headquarters, Toyota Connected, a global data hub for the company, opened in the city of Dallas, with 55 employees currently and will expand to 200 by the end of 2018. The professional and business services sector experienced another large expansion with the relocation of Jacobs Engineering Group Inc. corporate headquarters from Pasadena, California to new office space in downtown Dallas, bringing 700 jobs.

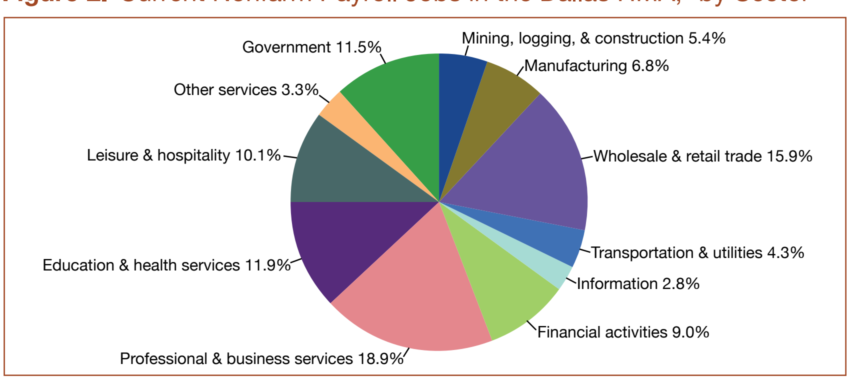
The HMA benefits significantly from its location along major trade routes running north and south from Mexico to Canada that make it an attractive location for transportation and logistics firms such as FedEx Corporation and Amazon.com, Inc., which have major employment centers in the HMA. During the 12 months ending June 2017, the transportation and utilities sector had the largest percentage gain in nonfarm payrolls, increasing 8.4 percent, or 8,500 jobs. Many of the job gains in this sector were additions related to Dallas Fort Worth International (DFW) Airport, the fourth

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Dallas HMA,* 2000 Through 2016



** 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 June 2017.
Source: U.S. Bureau of Labor Statistics

busiest airport in the United States with 30.8 million passengers and more than 600,000 tons of cargo passing through during 2014 (most recent data available). Amazon recently opened its third fulfillment center in the city of Coppell, which is across Interstate 635 from DFW Airport, and added 1,200 jobs during the most recent 12 months. Southwest Airlines Co., headquartered at the HMA's other major airport Dallas Love Field, was another contributor to growth in this sector. In the city of Dallas, this airport is the 41st largest in the United States. Since 2015, with the expiration of the Wright Amendment, which restricted flights out of Dallas Love Field and required them to land in one of the states bordering Texas before continuing on, and an expansion of the number of gates at Dallas Love Field, Southwest Airlines has increased flights and added employees.

The HMA is also an important hub for healthcare and education and is home to numerous hospitals, medical research facilities, and universities. Two of the largest employers in the HMA, Baylor Scott and White Health and Texas Health Resources are in the education and health services sector, each with more than 10,000 employees. Table 3 lists the largest employers in the HMA. With an expanding population base in the HMA, this sector has expanded steadily to meet the needs of the population. The education and health services sector has been the fastest growing sector in the HMA, in percentage terms, since 2000. From 2001 to the most recent 12 months, job growth in this sector averaged 8,400, or 3.8 percent, annually. Figure 3 shows percentage changes by sector since 2000. During the 12 months ending June 2017, nonfarm payrolls in this sector increased by 8,700, or 2.9 percent, to 304,000. During the past year, Medical City Dallas hospital recently completed an $85 million expansion. The rate of job growth in this sector slowed significantly during the past year. Nonfarm payrolls in the education and health services sector increased by 12,500, or 4.4 percent, during the 12 months ending June 2016 and by 10,900, or 4.1 percent, during the 12 months ending June 2015. A significant number of hospitals completed construction in late 2014 and 2015 that boosted jobs in this sector, and these recent completions continue to provide jobs, contributing to growth. Many medical facility construction projects are still ongoing in the HMA. Medical City Dallas in the past year broke ground on a $125 million woman's hospital, and the North Campus of Texas Scottish Rite Hospital for Children in the city of Frisco is currently under construction and expected to open in 2018 and to contribute to future growth in this sector.

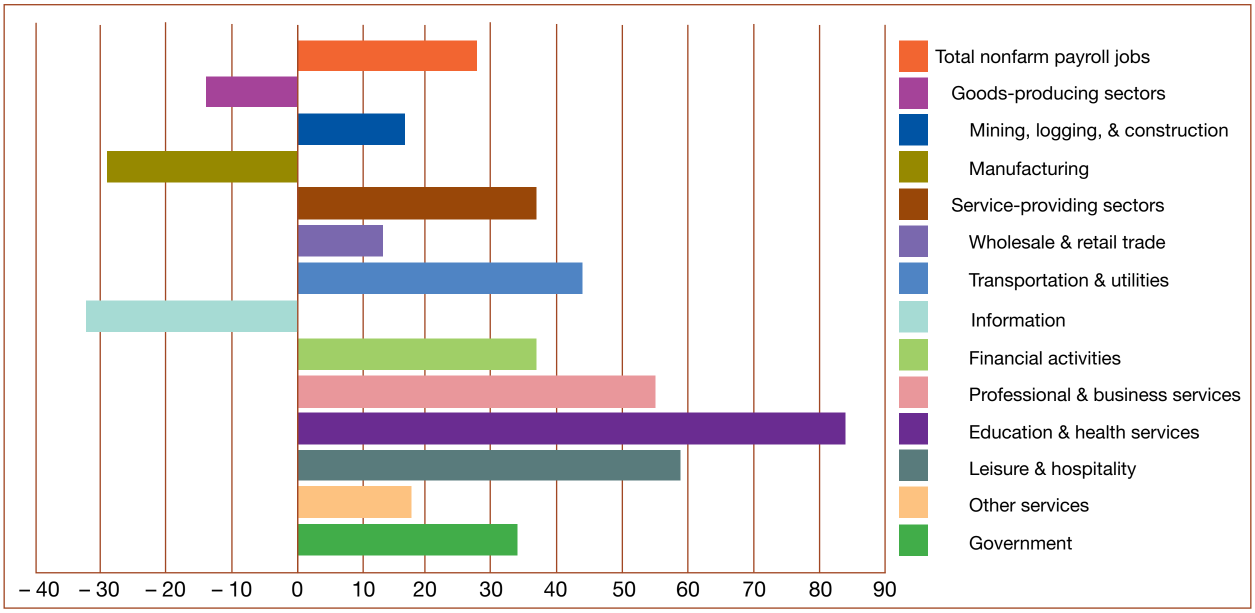
With the numerous corporate expansions and influx of people moving into the HMA creating strong demand for new housing, employment growth in the mining, logging, and construction sector has been high since 2012.

Table 3. Major Employers in the Dallas HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
AT&T Inc.	Information	10,000+
Bank of America Corp	Financial activities	10,000+
Baylor Scott and White Health	Education & health services	10,000+
JPMorgan Chase & Co.	Financial activities	10,000+
Texas Health Resources	Education & health services	10,000+
Texas Instruments, Inc.	Professional & business services	10,000+
UT Southwestern Medical Center	Government	10,000+
Citigroup Inc	Financial activities	5,001–10,000
Southwest Airlines Co.	Transportation & utilities	5,001–10,000
State Farm Life Insurance Company	Financial activities	5,001–10,000

** Dallas-Plano-Irving HMA.*
Note: Excludes local school districts.
Source: Dallas Regional Chamber of Commerce

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 June 2017.
Source: U.S. Bureau of Labor Statistics

During the 12 months ending June 2017, nonfarm payrolls in this sector totaled 137,000, an increase of 6,000, or 4.6 percent, from 1 year earlier. Large-scale projects contributed significantly to recent gains in the sector. The new $300 million JPMorgan Chase & Co. campus in the Legacy West development in the city of Plano is scheduled for completion in the fall of 2017 and will consolidate 6,000 jobs into one campus. Also, several new highrise office buildings are under construction in downtown Dallas, including the 25-story 1900 Pearl tower and the 20-story Park District tower.

The HMA has not always experienced such robust economic growth. After strong growth during the 1990s that carried through 2001, Dallas experienced an economic downturn due, in part, to the telecoms bust. From 2002 through 2003, nonfarm payrolls declined by an average of 47,300, or 2.4 percent, and the unemployment rate increased from 4.8 to 6.8 percent. Job losses were most severe, on a percentage basis, in the information sector, which declined 10.5 percent annually, or an average of 10,100 jobs during the same period. From 2004 through 2008, nonfarm payrolls in the HMA recovered and increased by an average of 44,900, 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 due to the national economic downturn, with nonfarm payrolls down by 83,000, or 3.9 percent, to 2.05 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 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 4,000, or 0.2 percent.

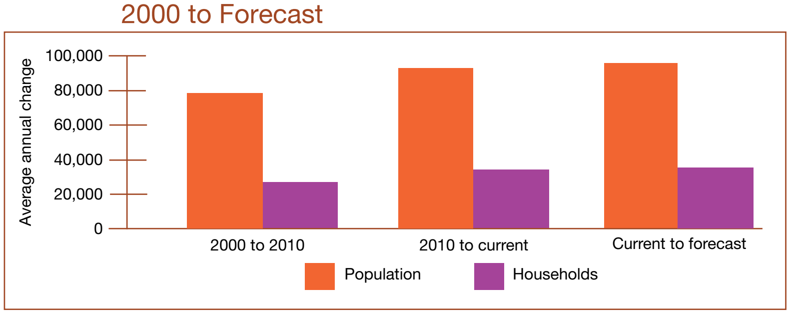
During the 3-year forecast period job growth is expected to remain positive but to slow from the high rate of growth of the previous year. Nonfarm payrolls are expected to increase an average of 2.8 percent annually during the forecast period, with the strongest growth in the first year and moderating in the second and third years. Job growth should continue in the education and health services sector as population growth continues. Texas Health Resources and UT Southwestern Medical Center announced a joint venture to build a new $290 million hospital campus in the city of Frisco. Job growth should also remain strong in the financial activities and the professional and business services sectors. Liberty Mutual Insurance is building a $1.1 billion campus in the city of Plano that will have 5,000 employees on completion. Altice USA Inc., the North American subsidiary of a France-based telecommunications, media, and entertainment conglomerate, recently announced it is moving its North American headquarters to the city of Plano and will create 400 new jobs in the HMA.

Population and Households

The population of the Dallas HMA is currently estimated at more than 4.89 million, an average increase of 91,950, or 2.0 percent, annually since 2010. Currently, nearly 1.77 million households are in the HMA, an average increase of 33,500, or 2.1 percent, annually since 2010. Figure 4 shows population and household growth in the HMA from 2000 to the forecast date. Strong job growth contributed to high levels of net in-migration since 2010. Net in-migration averaged 52,300 since 2010, accounting for nearly 57 percent of all population growth. By comparison, the population increased by an average of 69,750, or 1.9 percent, annually from 2000 to 2005, with net in-migration averaging only 24,750. From 2005 to 2010, the population expanded by an average of 88,050, or 2.2 percent, annually, with net in-migration averaging 39,500. Figure 5 shows components of population change from 2000 to the forecast date. Table DP-1 at the end of this report gives additional economic and demographic data on the HMA.

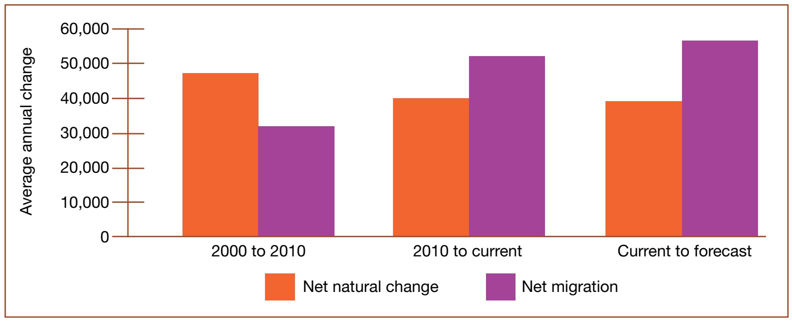
The Dallas County submarket is the largest submarket in the HMA, with more than 2.6 million people as of

Figure 4. Population and Household Growth in the Dallas HMA,* 2000 to Forecast



** Dallas-Plano-Irving HMA.*
Notes: The current date is July 1, 2017. The forecast date is July 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Dallas HMA,* 2000 to Forecast



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Notes: The current date is July 1, 2017. The forecast date is July 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

July 1, 2017. Since 2010, the population of the county has increased by an average of 32,950, or 1.3 percent, annually, with net in-migration averaging 8,900 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 to 2010, when net out-migration from the county averaged 14,450 annually. The strong increase in the rate of population growth in Dallas County is attributable, in part, to increased population growth in the city of Dallas, which is an increasingly popular destination for residents who desire urban living. 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, the population of the city has increased by an average of 16,550, or 1.3 percent, annually. The downtown and uptown districts of the city of Dallas saw even stronger growth. From 2000 to 2010, the population of six zip codes that make up the urban core increased by an average of 1,025, or 1.7 percent, annually, but the rate of growth increased recently, and from 2011 to 2015, the population of these zip codes increased by an average of 2,050, or 3.1 percent annually (2011–2015 American Community Survey [ACS] 5-year data). Currently, an estimated 943,600 households are in Dallas County, an average increase of 12,100, or 1.4 percent, annually. By comparison, from 2000 to 2010, the number of households increased by an average of 4,825, or 0.6 percent, annually. During the next 3 years, both the population and number of households in Dallas County are expected to increase an average of 1.2 percent annually. Table DP-2 at the end of this report gives additional economic and demographic data on this submarket.

The Northern Suburbs submarket is the fastest growing submarket in the HMA, as Collin and Denton Counties were the 18th and 21st, respectively, fastest growing counties in the nation in percentage terms between April 2010 and 2016 (Census Bureau decennial census counts and population estimates as of July 1). These counties are popular destinations for families moving to the HMA for work. The population of the Northern Suburbs submarket is currently estimated at 1.8 million, an average increase of 49,800, or 3.1 percent, annually since 2010. Between 2000 and 2010, the population of this submarket increased by an average of 52,050, or 4.6 percent, annually. Currently, an estimated 656,200 households are in the Northern Suburbs submarket, an average increase of 18,250, or 3.2 percent, annually. Between 2000 and 2010, the number of households in this submarket increased by an average of 18,300, or 4.4 percent, annually. From 2010 to 2016, the cities of Frisco and McKinney were the first and fourth fastest growing cities in the nation, and the cities of Allen and Denton also rank in the top 50. The population of the city of Frisco, between 2010 and 2016, increased by an average of 7,475, or 5.5 percent, annually, and population in the city of McKinney increased by an average of 6,950, or 4.7 percent, annually. During the 3-year forecast period, the population of this submarket is expected to increase an average of 2.8 percent annually, and household growth is expected to average 2.9 percent annually. Table DP-3 at the end of this report gives additional economic and demographic data on this submarket.

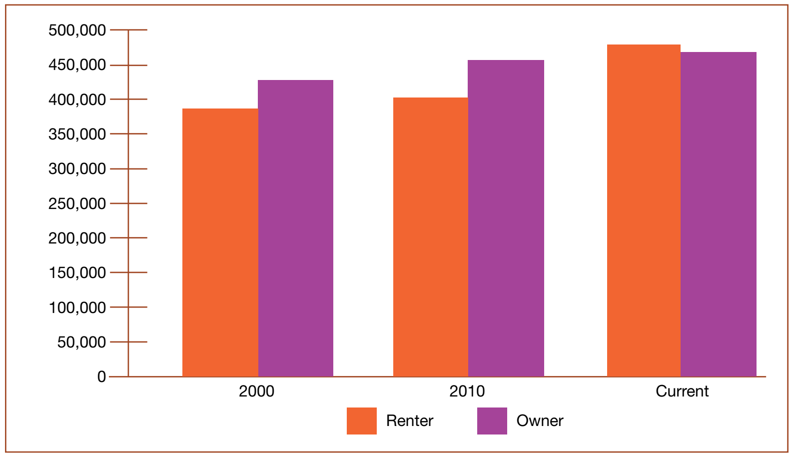
The Southeastern Counties submarket is the smallest submarket in the HMA, with a population estimated at 484,600 as of July 1, 2017, an average increase of 9,275, or 2.1 percent, annually since 2010. Population growth in this submarket has been slower since 2010 than during the previous decade, as population growth in the HMA has become increasingly concentrated in urban areas. Between 2000 and 2010, the population in this submarket increased by an average of 11,500, or 3.3 percent, annually. Currently, 167,600 households are in the submarket, an average increase of 3,250, or 2.1 percent, annually since 2010. Between 2000 and 2010, households increased by an average of 3,925, or 3.2 percent, annually. Unlike the other two submarkets, the rate of population and household growth is expected to increase from current levels during the forecast period, as more development begins in Rockwall and Kaufman Counties along Interstate 30 and U.S. Highway 80. During the next 3 years, population growth is expected to average 2.3 percent, and household growth is expected to be 2.4 percent annually. Table DP-4 at the end of this report gives additional economic and demographic data on this submarket.

Housing Market Trends

Sales Market—Dallas County Submarket

The sales housing market in the Dallas County submarket is currently tight with a 0.8 percent vacancy rate, down from 2.3 percent during 2010. A 2.3–month supply of inventory is on the market, up from a 2.1–month supply during June 2016 (North Texas Real Estate Information Systems, Inc.). During June 2017, a home was listed for sale on the market an average of 28 days, down from 29 days during June 2016. The homeownership rate in the submarket is currently estimated at 49.5 percent, down from 53.2 percent in 2010. Figure 6 shows the number of households by tenure in the submarket.

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



Note: The current date is July 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

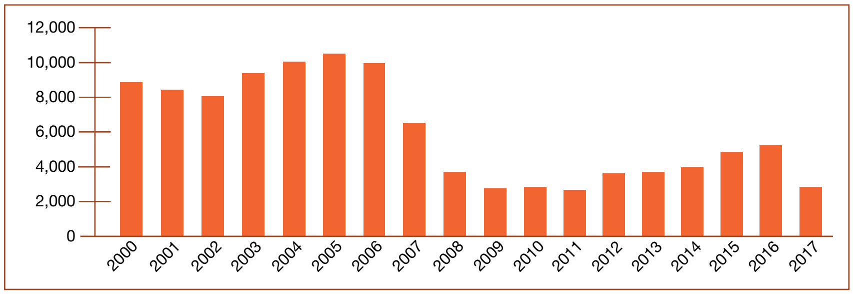
With the home sales market tight since 2013, developers have increased production of new homes, allowing for the recent increase in new home sales. The number of new home sales remains well below prerecession levels, as the limited amount of large-scale developable land in the submarket largely restricts new home construction to the relatively costly replacement of existing inventory. During the 12 months ending June 2017, new home sales (including single-family, townhomes, and condominiums) in the submarket totaled 3,450, an increase of 600 sales, or nearly 21 percent, from the previous 12 months, but about 60 percent below the peak level of 8,550 during 2005. The average sales price of a new home was $386,400, an increase of $14,200, or nearly 4.0 percent, from the previous 12 months. 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 declined, 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 impacted the housing market. During 2012, both new home sales and the average price began to increase. During 2015, 2,350 new homes sold, an average increase of 200 sales, or 11 percent, annually from 2011. During the same period, the average sales price of a new home increased by an average of $30,250, or nearly 10 percent, annually, to $385,500 during 2015.

The regular resale of homes in the submarket totaled 39,200 during the 12 months ending June 2017, an increase of 1,475, or nearly 4 percent, from the previous 12 months. The average sales price for the regular resale of a home was $317,600, an increase of $14,400, or nearly 5 percent, from the previous 12 months. Although regular resales rebounded sharply, they are still more than 11 percent lower than the 44,200 regular resales during 2005. Following this peak, regular resales declined by an average of 4,700, or 14 percent, annually during the next 5 years, and totaled 20,700 during 2010. During 2011, in conjunction with an economic recovery, regular resales began to increase again, and by 2015, totaled 36,200, an average increase of 3,125, or nearly 12 percent, annually. Although the regular resale of homes began declining in 2006, the average sales price did not start to decline until 2008. During 2007, the average resale price of a home was $275,400, and by 2009, the average sales price was $209,200, an average decline of $33,100, or nearly 13 percent, annually. In 2010, with the start of the economic recovery, the average sales price of the regular resale began to recover, and by 2015, was up to $297,800, an average increase of $14,750, or slightly more than 6 percent, annually.

With the extremely tight sales market and strong job growth, the rate of seriously delinquent loans (loans that are 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties has declined significantly since 2010 in the submarket. In June 2017, 2.3 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, down from 2.9 percent a year earlier (CoreLogic, Inc.). The percentage of seriously delinquent loans and REO properties in both the submarket and the nation peaked in January 2010 at 7.6 and 8.6 percent, respectively. REO sales declined rapidly across the entire Dallas HMA, including the submarket. During the 12 months ending June 2017, REO sales totaled 2,950, a decline of 540 sales, or more than 15 percent from the previous 12 months. The average sales price of an REO property during the same time period was $230,400, an increase of $31,600, or nearly 16 percent, from the previous 12 months. The number of REO sales in the submarket is currently 34 percent below levels prior to the housing market crisis as REO sales totaled 4,475 in 2005, before steadily increasing to a peak during 2008 at 10,100 sales. REO sales dropped below the 2005 levels during 2014 when 4,325 REO properties sold.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, totaled 5,175, an increase of 100, or nearly 2 percent, from the previous 12 months. Even with the recent increases, single-family home construction is well below early-2000 levels, due in part to the lack of available land for new subdivisions. A significant portion of single-family construction since 2012 in Dallas County involves tear down of existing homes and rebuilding on the same lot. From 2000 through 2005, an average of 9,175 single-family homes were permitted annually, peaking at 10,500 during 2005. Following this peak, single-family home construction declined by an average of 1,325, or 21 percent, annually, to 2,575 homes permitted during 2011. Single-family home construction began to increase again during 2012 and, by 2015, totaled 4,800, an average increase of 560, or 17 percent, annually. Figure 7 shows the number of single-family homes permitted from 2000 through 2017.

Figure 7. Single-Family Homes Permitted in the Dallas County Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Most of the recent single-family development has occurred outside of the city of Dallas and in some of the smaller cities in the submarket due to more available land. Some new developments include the Lakehill subdivision in the city of Rowlett. This development that consists of 174 homes is nearly 90 percent complete. Home prices start at $337,000 for a 2,550-square-foot three-bedroom, two-bathroom home. One of the newer developments is Estancia in the city of Irving, which broke ground during the first quarter of 2017. On completion, this development will consist of 83 homes, with home prices ranging from $387,000 to $481,000.

Demand is estimated for 13,950 owner units during the 3-year forecast period (Table 1). The 1,075 homes currently under construction will satisfy a portion of that demand during the first year. Demand is expected to be the greatest for homes in the $400,000-to-$499,999 price range. Most new home demand likely will be concentrated in the northeastern parts of Dallas County in the cities of Rowlett and Sunnyvale. New home construction in the city of Dallas likely is to remain largely limited to the replacement of existing homes. Table 4 shows estimated demand for new market-rate sales housing in the submarket by price range.

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		
175,000	199,999	700	5.0
200,000	299,999	1,675	12.0
300,000	399,999	3,900	28.0
400,000	499,999	4,875	35.0
500,000	749,999	2,100	15.0
750,000	999,999	420	3.0
1,000,000	and higher	280	2.0

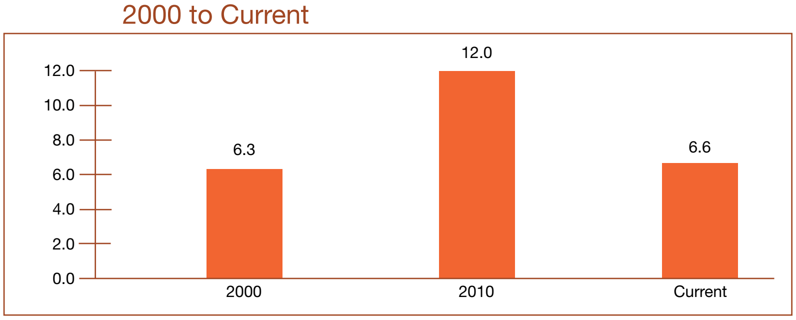
Notes: The 1,075 homes currently under construction and a portion of the estimated 21,400 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is July 1, 2017, to July 1, 2020.
Source: Estimates by analyst

Rental Market—Dallas County Submarket

The overall rental housing market (including single-family homes, mobile homes, and apartment units) in the Dallas County submarket is slightly tight, with a 6.6-percent vacancy rate (Figure 8). The current overall vacancy rate is down significantly from 12.0 percent in 2010, as increased levels of in-migration to the submarket caused significant tightening of the rental market. Slightly less than 22 percent of all renter households in this submarket live in single-family homes (2015 ACS 1-year data).

The apartment market is also slightly tight with a 5.9-percent vacancy rate as of June 2017, up from 5.2 percent 1 year earlier due to a significant number of apartment units entering the market during the past year (ALN Apartment Data. [ALN]). The average rent for an apartment is currently $1,120, an increase of $69, or nearly 7 percent, from 1 year earlier. Absorption of apartment units during the 12 months ending June 2017 averaged 580 units a month, a decline of 200 units per month, or nearly 26 percent, from the previous 12 months. During the first 6 months of 2017, 8,150 apartment units in Dallas County entered the market compared with 10,450 during the whole year of 2016.

Figure 8. Rental Vacancy Rates in the Dallas County Submarket, 2000 to Current



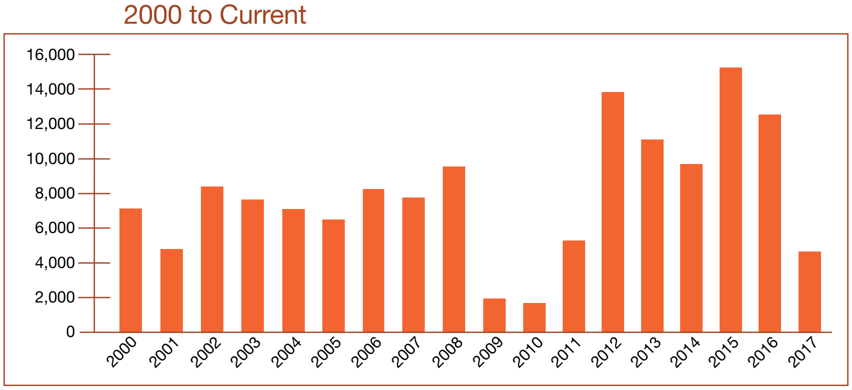
Note: The current date is July 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Current apartment market conditions are tighter than the historical norms in the submarket due to the recent population growth in this submarket. During 2006, the apartment vacancy rate in Dallas County was 9.5 percent, with an average rent of $710, and by 2008, the apartment market vacancy rate declined to 7.5 percent as rents increased by an average of $27, or nearly 4 percent, a year to $791. During 2009 and 2010, the apartment market softened slightly due to job losses and a large number of units that were permitted during 2008 coming on line. The apartment vacancy rate increased to 10.2 percent in 2010. The average rents remained essentially flat at $790 during the period. The apartment market tightened during the next 5 years due to rapid population and job growth in Dallas County. The vacancy rate dropped to 4.9 percent by the end of 2015, with the average rent increasing by an average of $42, or 4.9 percent, annually during the period to $1,002.

Apartment market conditions vary across the submarket, with the ALN-defined Downtown-Uptown-Deep Ellum-The Cedars market area, which encompasses the entire central business district in the city of Dallas and adjoining area, being one of the most active development areas recently. Currently, 34,400 apartment units are in this market area, of which 14,300, or nearly 42 percent, of all units, being built since 2012 (ALN). This market area currently has an apartment vacancy rate of 6.5 percent, up from 5.5 percent 1 year earlier, and the average rent is $1,791, an increase of $52, or nearly 3 percent. Absorption of apartment units averaged 175 units per month during the 12 months ending June 2017, down from 240 units a month during the previous 12 months. Currently, 2,925 units are in lease up in this market area. Notably, less development occurs on the southeastern side of the county. The apartment market in the city of Mesquite, which is adjacent to the southeastern portion of the city of Dallas, currently has a 4.8-percent vacancy rate, down from 5.2 percent 1 year earlier. The average rent for an apartment in the city of Mesquite is $908, an increase of $21, or more than 2 percent, from 1 year earlier. Currently, 13,000 apartment units are in the city of Mesquite, but only 365 units have been built since 2012.

The type of apartment units constructed in this submarket have changed since 2000, and more significantly since 2010, as developers try to fit more units on less available land and satisfy the demand for more urban living with amenities in walking distance. Prior to 2000, only 6.5 percent of apartment units built in the submarket were in mid-rise or high-rise buildings, with garden style apartments dominating the local market. Between 2000 and 2009, 43.3 percent of all apartment units were in mid- or high-rise buildings, and since 2010, 76 percent of all apartment units have been in mid- or high-rise buildings. Since 2010, nearly 20 percent of all apartment units have been in mixed-use developments with some form of commercial or retail space, up from 14 percent between 2000 and 2009 and less than 2 percent prior to 2000. This trend likely is to continue as developers look for ways to build the most cost effective units.

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



Notes: Excludes townhomes. Current includes data through June 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Multifamily building activity, as measured by the number of multifamily units permitted, totaled 14,150 units during the 12 months ending June 2017, a decline of 600 units, or 4 percent, from the previous 12 months, as developers slowed production in response to increased vacancy rates. Building activity remains elevated, continuing a trend that began in 2011, as strong job growth and in-migration helped to generate high levels of demand, however. From 2011 through 2015, an average of 11,050 multifamily units were permitted annually in Dallas County. This level of construction is well above the average of 7,475 units permitted annually from 2000 through 2008, with 9,625 units permitted during 2008 as the peak year. In 2009 and 2010, during the national economic downturn, multifamily permitting declined precipitously, down 75 percent, and averaged barely 1,825 units permitted annually. Figure 9 shows the number of multifamily units permitted from 2000 to 2017.

Some recent additions to the rental market in the submarket include Ascent Victory Park, a new high-rise apartment building development consisting of 23- and 21-story towers containing 302 units. Rents range from $2,058 for efficiency units to $5,500 for three-bedroom units. In the city of Garland, the 198-unit Parc at

Garland complex was recently completed. Rents at this property range from $935 for one-bedroom units to $1,470 for two-bedroom units.

During the 3-year forecast period, demand is expected for 30,850 new rental units (Table 1). The 14,300 units currently under construction will satisfy a portion of that demand. Demand for multifamily units likely is to continue to be strong in the central areas of the city of Dallas and along the rail lines that move out from the city center through the submarket. Demand will be greatest for one-bedroom units in the $1,600 to $1,999 price range (Table 5).

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
870 to 1,199	200	880 to 1,199	940	1,100 to 1,499	670	1,675 to 1,999	80
1,200 to 1,499	740	1,200 to 1,599	3,400	1,500 to 1,999	2,000	2,000 to 2,399	200
1,500 to 1,799	560	1,600 to 1,999	7,725	2,000 to 2,499	4,025	2,400 to 2,749	230
1,800 to 1,999	190	2,000 to 2,499	4,525	2,500 to 2,999	1,925	2,750 to 2,999	70
2,000 to 2,499	130	2,500 to 2,999	1,700	3,000 to 3,499	670	3,000 or more	35
2,500 or more	35	3,000 or more	560	3,500 or more	290		
Total	1,850	Total	18,800	Total	9,575	Total	620

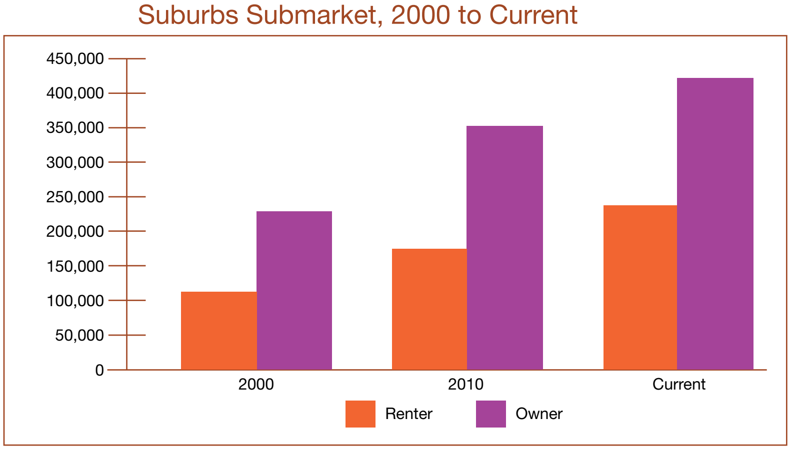
Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 14,300 units currently under construction will likely satisfy some of the estimated demand. The forecast period is July 1, 2017, to July 1, 2020.

Source: Estimates by analyst

Sales Market—Northern Suburbs Submarket

The consistent population growth and availability of developable land in the Northern Suburbs submarket makes this submarket the strongest sales housing market in the HMA. The sales market in the submarket is currently tight, with a vacancy rate of 0.7 percent, down from 1.8 percent during 2010. The supply of inventory on the market is currently less than 3 months and has been since the end of 2012 (Real Estate Center at Texas A&M University). The homeownership rate in this submarket is currently an estimated 63.9 percent, down from 66.8 percent during 2010. Figure 10 shows the number of households by tenure in 2000, 2010, and the current date.

Figure 10. Number of Households by Tenure in the Northern Suburbs Submarket, 2000 to Current



Note: The current date is July 1, 2017.

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

New home sales have increased steadily since 2012. During the 12 months ending June 2017, new home sales totaled 15,500, an increase of 2,200, or nearly 17 percent (Metrostudy, A Hanley Wood Company). The average sales price of a new home was $374,300, an increase of $1,600, or less than 1 percent, from the previous 12 months. New home sales remain 17 percent below the all-time peak of 18,700 in 2005, however. Following the peak, new home sales 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 during 2012 and new home construction began to increase, new home sales totaled 12,100 during 2015, an average increase of 1,450, or 18 percent, from 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 only relatively high-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, an average decline of $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 excess inventory of previously built speculative homes was absorbed. By 2015, the average sales price of a new home was $369,100, an average increase of $17,900, or 6 percent, annually from 2010.

The regular resale of homes in the submarket is nearing its previous all-time peak as strong job and population growth created high levels of demand. During the 12 months ending June 2017, the regular resale of homes totaled 33,900, an increase of 800 sales, or more than 2 percent, from the previous 12 months, and barely 1,000, or less than 3 percent, below the all-time peak in 2006. Following the peak in 2006, the regular resale of homes declined for 5 straight years by an average of 3,300, or 12 percent, annually and, by 2011, totaled barely 18,400 sales. With an improving economy and increased population growth, the regular resale of homes began to increase again and, by 2015, totaled 32,100 sales, an average increase of 3,425, or nearly 15 percent, annually. The average sales price of a regular resale home is at an all-time peak of $323,700 during the 12 months ending June 2017, an increase of $21,800, or more than 7 percent, from the previous 12 months, as the extremely tight market contributed to rapidly increasing prices. During 2007, a regular resale home had an average sales price of $276,900, but as the economic downturn and housing crisis hit the HMA, the average sales price began to decline, and by 2009, it was down to $220,400, an average decline of $28,350, or nearly 11 percent, annually. A slowdown in production that occurred as a result of the housing crisis allowed for the absorption of excess units in the early 2010s, and as economic conditions began to improve, the sales price for regular resale homes began to increase. During 2015, the average sales price of a regular resale home was $291,600, an average increase of $11,900, or nearly 5 percent, annually from the start of 2010.

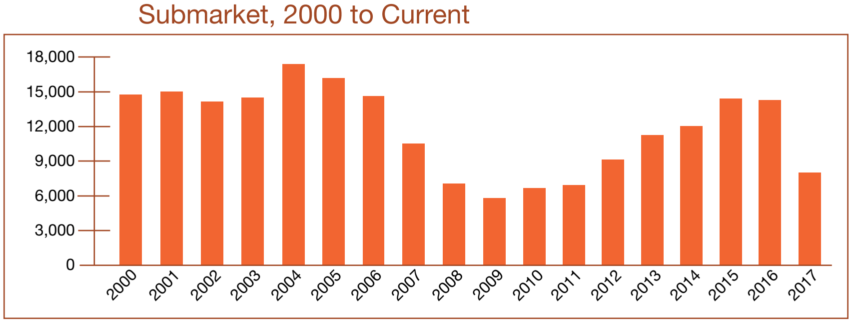
With a high level of demand contributing to an extremely tight sales market and prices increasing rapidly in both the new and regular resale home markets, it is fairly easy to sell a home, and as a result, REO sales and the rate of seriously delinquent mortgages and REO properties has declined rapidly. In June 2017, 1.0 percent of home loans in the HMA were seriously delinquent or in REO status, down from 1.3 percent a year earlier (CoreLogic, Inc.). The percentage of seriously delinquent loans and REO properties in both the submarket and the nation peaked in January 2010 at 4.4 and 8.6 percent, respectively. During the 12 months ending June 2017, REO sales totaled 960 sales, a decline of 320 sales, or nearly 25 percent, from the previous 12 months. The average sales price of an REO property during the same period was $321,700, an increase of $34,100, or nearly 12 percent, from the previous 12 months. The average sales price of an REO sale during the 12 months ending July 2017 was less than 1 percent below the average sales price of a regular resale home. The number of REO sales in this submarket is currently 57 percent lower than the low of 2,250 prior to the housing market crisis during 2005, when the average sales price of an REO property was 28 percent lower than a regular resale home.

Single-family homebuilding, as measured by the number of homes permitted, totaled 15,200 during the 12 months ending June 2017, an increase of 500, or 3 percent, from the previous 12 months. Single-family home construction during the past 24 months exceeded the period from 2000 through 2003, when an average of 14,650 single-family homes were permitted annually but is still below the peak years of 2004 and 2005, when an average of 16,950 homes were permitted annually. Following 2005, single-family permitting started a steady decline and, by 2009, was down to 5,850, a decline of 2,625 units, or nearly 23 percent, annually from 2006, as the housing market and local economy began to deteriorate. Single-family home construction expanded again in 2010 and, by 2015, totaled 14,475, an average increase of 1,425, or 16 percent, annually. Figure 11 shows the number of single-family homes permitted from 2000 through 2017.

In the city of Frisco, the Phillips Creek Ranch development is 80 percent built out and, when complete, will have nearly 750 homes. The home prices range from $426,000 to $802,000. The Savannah subdivision along Highway 380 is a 52-home development nearing completion, with prices ranging from $250,000 for a 1,600-square-foot home to $372,000 for a 3,600-square-foot home. As this submarket grows and develops its own employment centers, the nature of the housing stock is starting to change. The inventory of sales housing in this submarket consists predominately of single-family homes, but two high-rise condominium buildings are scheduled to begin construction later in 2017, which will dramatically change the housing options in this submarket, especially near the intersection of North Dallas and Sam Rayburn Tollways.

Sales demand is estimated for 44,300 homes during the forecast period (Table 1). The 4,150 homes currently under construction will meet a portion of that demand during the first year. Demand for new homes will be

Figure 11. Single-Family Homes Permitted in the Northern Suburbs Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Northern Suburbs Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
160,000	199,999	890	2.0
200,000	249,999	3,975	9.0
250,000	299,999	6,200	14.0
300,000	349,999	13,300	30.0
350,000	399,999	11,050	25.0
400,000	499,999	4,875	11.0
500,000	749,999	2,650	6.0
750,000	and higher	1,325	3.0

Notes: The 4,150 homes currently under construction and a portion of the estimated 7,900 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is July 1, 2017, to July 1, 2020.

Source: Estimates by analyst

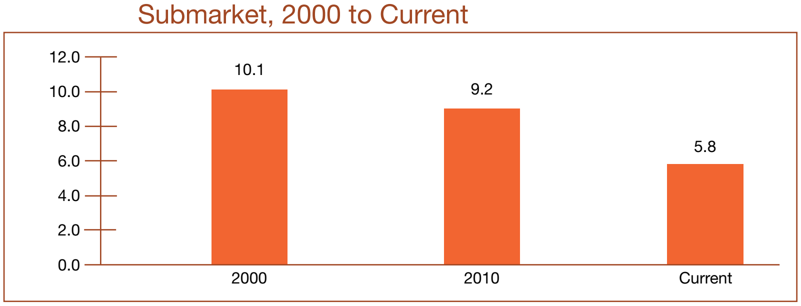
greatest along U.S. Highway 380 in this submarket. Demand is expected to be the greatest for homes in the $300,000-to-$349,999 price range. Table 6 shows estimated demand for new market-rate sales housing in the submarket by price range.

Rental Market—Northern Suburbs Submarket

The rental housing market in the Northern Suburbs submarket is currently slightly tight with a 5.8-percent overall vacancy rate, down from 9.2 percent during 2010 (Figure 12). The current vacancy rate is still below levels in the previous decade, as strong population growth in the past several years allowed the market to absorb many of the excess vacant units. More than 26 percent of all rental units in this submarket are single-family homes, up from nearly 21 percent during 2010.

The apartment market is also currently slightly tight, with a 5.6-percent vacancy rate as of June 2017, up from 4.9 percent 1 year earlier (ALN). Developers have responded to tightening conditions by building a significant number of apartments since 2015, which alleviated some of the previously tight conditions. The average rent for an apartment in the submarket is currently $1,205, an increase of $34, or nearly 3 percent, from 1 year earlier. During 2005, the apartment vacancy rate averaged 6.3 percent, and by 2007, it rose to only 6.4 percent as new apartment deliveries kept pace with demand. Even though the vacancy rate remained fairly steady, rents increased from $780 in 2005 to $847 in 2007, an average increase of $34, or more than 4 percent, annually. With the onset of the economic downturn and an increase of deliveries during 2008 and 2009, the apartment vacancy rate began to increase and, by 2009, was 11.6 percent. Rent growth was essentially flat during this time, and rents averaged barely $848 during 2009. During 2010, as the economy began to recover and the slowdown in production during 2009 limited new units in the market, the apartment vacancy rate began to decline once more. The apartment vacancy rate declined to 7 percent in 2010 and was down to 4.2 percent during 2013.

Figure 12. Rental Vacancy Rates in the Northern Suburbs Submarket, 2000 to Current



Note: The current date is July 1, 2017.

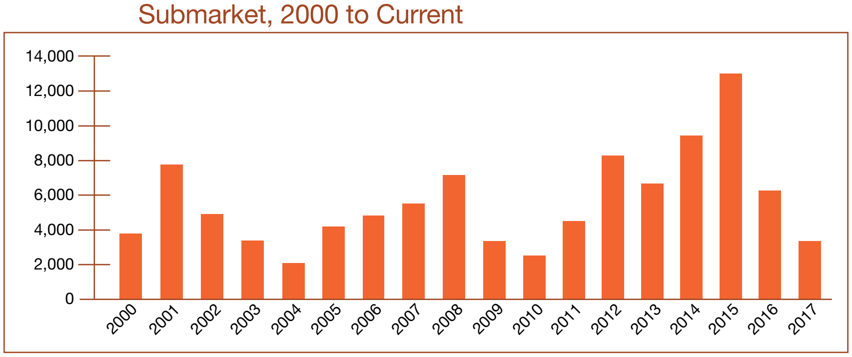
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Along with the declining vacancy rate in the submarket, the average rents started to increase and, by 2013, averaged $984, an average increase of 34 percent, or 4 percent, annually. During 2014, the apartment vacancy rate crept up to 5.4 percent as the number of new apartment deliveries outpaced demand slightly, but by 2015, the average apartment vacancy rate declined back down to 4.4 percent as in-migration during 2015 increased the absorption of units. Rent growth was extremely strong during this period, and by 2015, the average rent in the submarket was $1,105, an average increase of $60, or 6 percent, annually since 2013.

Multifamily building activity, as measured by the number of units permitted, totaled 6,675, a decline of 775 units, or more than 10 percent, from the previous 12 months as the increasing vacancy rates caused developers to slow down production. Production during the past 12 months is down 49 percent from the peak year of 2015, when 13,100 multifamily units were permitted. Many of the units that were permitted during 2015 are beginning to come on line and contribute to an increased vacancy rate. Multifamily production since 2012 has been extremely strong in this submarket and averaged 8,175 units annually from 2012 through 2014. The level of production in the submarket during the 12 months ending June 2017 is still above the historical norms from earlier time periods. From 2000 through 2008, an average of 4,900 multifamily units were permitted annually but declined to an average of 3,500 units annually from 2009 through 2011 with the onset of the economic downturn. Figure 13 shows the number of multifamily units permitted from 2000 to 2017.

Though not to the scale of the Dallas County submarket, the types of apartments built in this submarket are starting to change. Rising land costs in this submarket have developers building more midrise buildings to put more units on a smaller footprint. Large-scale, mixed-use developments in this submarket, such as CityLine in Richardson, Legacy West in Plano, and in the Stonebriar section of the city of Frisco, contain a significant number of midrise apartment buildings. Prior to 2000, only garden style apartments were built in this submarket, but between 2000 and 2009, more than 21 percent of all apartment units delivered in this submarket were in midrise buildings. Since 2010, this trend has increased significantly with more than 51 percent of all apartment units in midrise buildings. Previously, no highrise apartment buildings existed in this submarket, but a 29-story apartment building recently broke ground in the Legacy West development in the city of Plano near the Toyota and Liberty Mutual campuses. With the increasing number of jobs in this submarket and people moving in, several other highrises are in the planning stages.

Figure 13. Multifamily Units Permitted in the Northern Suburbs Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Many of the new apartments are being built in the fast-growing cities of Frisco and McKinney. Currently, 14,700 apartment units are in the city of Frisco, with 7,550, or more than 51 percent, built since 2010 (ALN). Currently, 2,000 units are under construction in the city of Frisco. The apartment vacancy rate in the city of Frisco is 7.4 percent, up from 5.2 percent 1 year earlier, and the average rent is $1,366, an increase of $38, or nearly 3 percent, from 1 year earlier. In the city of McKinney, multifamily production is strong but not to the levels of Frisco. Currently, 14,300 apartment units are in the city of McKinney, with 5,000, or 35 percent, of all apartment units in the city built since 2010. The apartment vacancy rate in the city of McKinney is 5.0 percent, up from 4.5 percent 1 year earlier. The average rent for an apartment in the city of McKinney is $1,172, an increase of $19, or less than 2 percent, from the previous 12 months. Currently, 1,525 units are under construction in the city of McKinney.

Some recent developments in the submarket include Origin at Frisco Bridges in the city of Frisco. This development is a 345-unit, midrise building with one- and two-bedroom units and rents ranging from $1,217 to $2,293. In the city of McKinney, The Mansions McKinney opened in late 2016. This complex is 595-unit development with one- and two-bedroom units and rents ranging from $1,010 to $1,621.

During the 3-year forecast period, demand is estimated for 19,550 rental units (Table 1). The 9,275 units currently under construction will satisfy a portion of this demand. Demand for new rental units is likely to be strongest north of the Sam Rayburn Tollway, south of U.S Highway 380, east of Interstate 35E, and west of Highway 75, which are the major travel corridors across this submarket. Demand will be greatest for one-bedroom units that rent from $1,500 to $1,999. Table 7 shows estimated demand by unit size and price range.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Northern Suburbs 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
800 to 999	120	850 to 1,199	990	1,035 to 1,249	470	1,425 to 1,749	190
1,000 to 1,249	190	1,200 to 1,499	1,875	1,250 to 1,499	860	1,750 to 1,999	330
1,250 to 1,499	250	1,500 to 1,999	4,175	1,500 to 1,999	2,600	2,000 to 2,499	450
1,500 or more	25	2,000 to 2,499	3,175	2,000 to 2,499	2,050	2,500 to 2,999	260
		2,500 to 2,999	550	2,500 to 2,999	470	3,000 to 3,499	110
		3,000 or more	220	3,000 or more	200	3,500 or more	25
Total	590	Total	10,950	Total	6,650	Total	1,375

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 9,275 units currently under construction will likely satisfy some of the estimated demand. The forecast period is July 1, 2017, to July 1, 2020.

Source: Estimates by analyst

Sales Market—Southeastern Counties Submarket

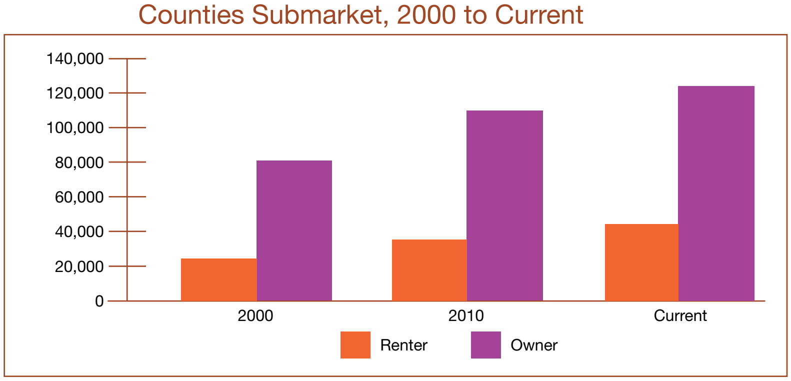
The sales housing market in the Southeastern Counties submarket is currently tight with a vacancy rate of 0.9 percent, down from 2.2 percent during 2010 and 1.9 percent in 2000. This submarket has the highest homeownership rate in the HMA at 74.1 percent but has been declining since 2000. Figure 14 shows the number of households by tenure. As the amount of available land in the other two submarkets declines and land prices increase, new home construction started to shift to this submarket, because the cost of development is significantly lower.

During the 12 months ending June 2017, new home sales in the submarket totaled 3,500, an increase of 920, or 36 percent, from the previous 12 months, and the average sales price of a new home was $286,700, an increase of $10,400, or nearly 4 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 2,400 during 2013, an average annual 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 June 2017, the regular resale of homes in the submarket reached a new peak of 11,300, an increase of 50, or less than 1 percent, from the previous 12 months, and the average sales price of a regular resale of a home was $246,300, an increase of $43,600, or nearly 22 percent. The regular resale of homes in the submarket previously peaked in 2006, with 10,700 home sales, and declined for the next 5 years by an average of 1,075, or nearly 13 percent, annually to 5,375 sales during 2011. With the economic turnaround starting to take hold during 2012, the regular resale of existing homes began to increase again and, by 2015, totaled 10,750, an average increase of 1,325, or 19 percent, annually. The average sales price in 2006 was $197,500 and, by 2009, declined by an average of $12,200, or nearly 7 percent, annually to $161,000. During 2010, the average sales price began to increase once more and, by 2015, totaled $199,100, an average increase of $6,350, or nearly 4 percent, annually.

In June 2017, 2.1 percent of home loans in the HMA were seriously delinquent or had transitioned into

Figure 14. Number of Households by Tenure in the Southeastern Counties Submarket, 2000 to Current



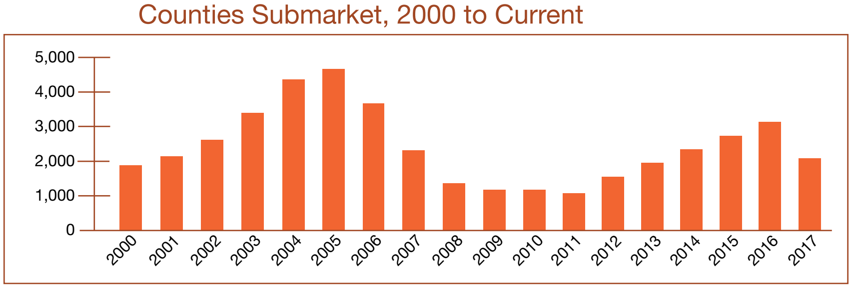
Note: The current date is July 1, 2017.

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

REO status, down from 2.8 percent a year earlier (CoreLogic, Inc.). The percentage of seriously delinquent loans and REO properties in both the submarket and the nation peaked in January 2010 at 7.2 and 8.6 percent, respectively. The significant decline in delinquent mortgages also impacted the number of REO sales in the submarket. During the 12 months ending June 2017, REO sales totaled 700, a decline of 200, or 22 percent, from the previous 12 months. The number of REO sales is near the previous low of 680, which occurred during 2005. REO sales peaked in 2009 at 1,950. The average sales price of an REO property is currently $175,500, an increase of $4,975, or 3 percent, from the previous 12 months.

Single-family homebuilding, as measured by the number of homes permitted, increased significantly during the 12 months ending June 2017, with 3,850 single-family homes permitted, an increase of 925 units, or slightly more than 31 percent, from the previous 12 months (preliminary data). During 2000, 1,900 single-family homes were permitted, a figure that increased by an annual average of 560, or 20 percent, during the next 5 years to an all-time peak of 4,675 in 2005. Strong population growth contributed to increased demand in the submarket during the period. Following the peak, construction declined by an average of 600, or 21 percent, annually to only 1,100 units permitted in 2011, however. Production has increased each year since 2012, and 2,750 single-family homes were permitted in 2015, an average increase of 410, or 20 percent, annually. Figure 15 shows the number of single-family homes permitted in the submarket since 2000.

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



Notes: Includes townhomes. Current includes data through June 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

One of the largest ongoing developments in the submarket is the $250 million Clements Ranch off of Highway 80 in the city of Forney in Kaufman County, a 20-minute drive from downtown Dallas. This development began delivering homes in the spring of 2017 and, when complete, is estimated to have more than 800 homes. Prices start at $225,000 for three-bedroom homes. The North Grove master-planned community also began construction during 2016 in the city of Waxahachie, off Interstate 35E in Ellis County. It is a 25-minute drive from downtown Dallas and, when complete, will be a 1,200-home development, with home prices starting at $225,000.

Demand is estimated for 10,600 owner units during the 3-year forecast period (Table 1). The 1,350 homes currently under construction will meet a portion of that demand during the first year. Demand is expected to be greatest for homes in the $200,000 to $249,999 price range. Demand is likely to be strongest in Rockwall and Kaufman Counties near Interstate 30 and Highway 80. Table 8 shows estimated demand for new market-rate housing sales in the submarket by price range.

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		
110,000	149,999	210	2.0
150,000	199,999	1,175	11.0
200,000	249,999	3,400	32.0
250,000	299,999	2,750	26.0
300,000	349,999	1,800	17.0
350,000	399,999	850	8.0
400,000	499,999	320	3.0
500,000	and higher	110	1.0

Notes: The 1,350 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 July 1, 2017, to July 1, 2020.
Source: Estimates by analyst

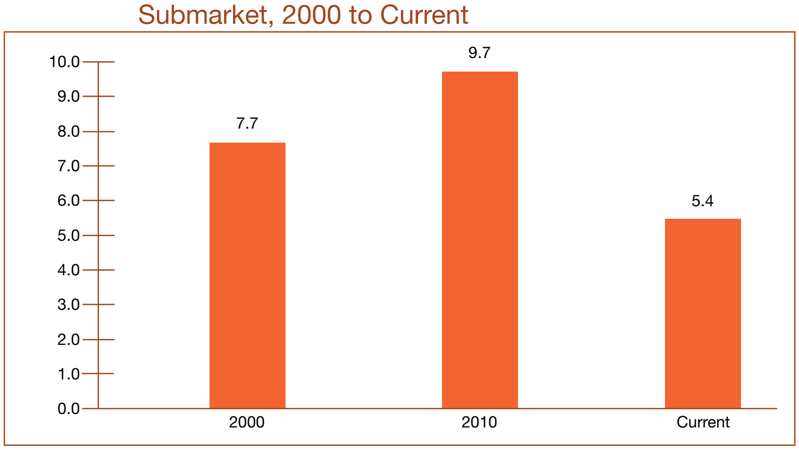
Rental Market—Southeastern Counties Submarket

The rental housing market in the Southeastern Counties submarket is currently slightly tight with a 5.4-percent vacancy rate, down from 9.7 percent during 2010 (Figure 16). More than 45 percent of all rental households in this submarket live in single-family homes, the highest percentage of any of the submarkets in the Dallas HMA (2015 ACS 1-year data).

The apartment market is currently slightly tight with a 3.5-percent vacancy rate as of June 2017, up from 2.2 percent 1 year earlier as an increased number of multifamily units entered the market during the past year (ALN). The average apartment rent during June 2017 was $959, up $59, or nearly 7 percent, from 1 year earlier. During June 2017, average rents by bedroom count in the submarket were $922, $1,107, and $1,199 for one-, two-, and three-bedroom units respectively. Absorption of apartment units in this submarket averaged 20 units a month during the 12 months ending June 2017, down from 40 units a month during the previous 12 months. Prior to 2016, when developers increased production of apartment units in this submarket, the vacancy rate had been declining fairly steadily as the increasing population absorbed a significant number of existing units. During 2012, the apartment vacancy rate was at 5.6 percent, but by 2015, it had declined to 2.8 percent. With the declining vacancy rate, the average rent started to increase. During 2012, the average rent was $802, and by 2015, it had increased to $867, an average increase of $22, or nearly 3 percent, annually.

As development costs increased in Dallas County and available land for development in the Northern Suburbs

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



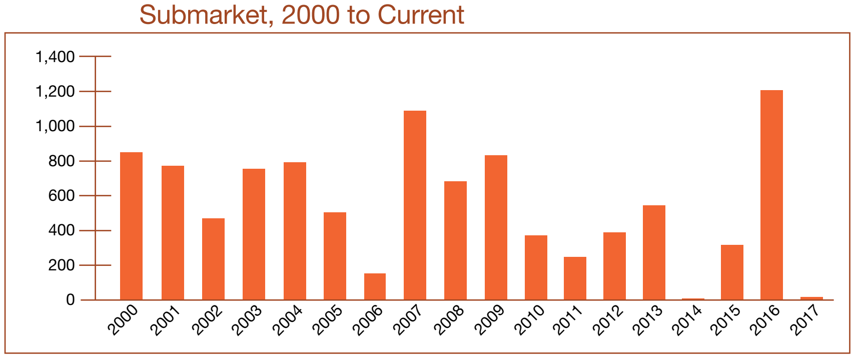
Note: The current date is July 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

submarket became increasingly limited to areas further from the downtown Dallas business district, development picked up in the submarket due to lower rents and shorter driving distances to the city center. Building activity, as measured by the number of multifamily units permitted, totaled 600 during the 12 months ending June 2017, a decline of 340 units, or 36 percent, from the previous 12 months. In this submarket, multifamily production took longer to recover from the economic downturn during 2009 than any of the other submarkets, as most multifamily production in the HMA was geared toward denser urban areas or near developing employment centers. From 2000 through 2009, an average of 700 multifamily units were permitted annually, a figure that declined to an average of barely 320 annually from 2010 through 2015. Figure 17 shows the number of multifamily units permitted by year from 2000 to 2017.

Some recent developments include Gateway Oaks, a 313-unit development in the city of Forney in Kaufman County. This development has one-, two-, and three-bedroom units, with rents ranging from $875 to $1,750. Another recent development is Cypress Creek at Parker Boulevard. This development in Royse City has 220 one- to four-bedroom units, with rents ranging from $999 to $1,575 per month.

During the 3-year forecast period, demand is estimated for 2,975 rental units (Table 1). The 330 units currently under construction will satisfy a portion of this demand. Most of the new development in this submarket likely is to occur in the areas closer to Dallas County, especially in Rockwall and Kaufman Counties along Interstate 30 and Highway 80. Demand will be strongest for one-bedroom units that rent from $1,180 to $1,379 per month (Table 9).

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



Notes: Excludes townhomes. Current includes data through June 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

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
780 to 979	270	975 to 1,174	150	1,250 to 1,449	75
980 to 1,179	620	1,175 to 1,374	340	1,450 to 1,649	110
1,180 to 1,379	800	1,375 to 1,574	440	1,650 or more	20
1,380 or more	90	1,575 or more	50		
Total	1,775	Total	980	Total	210

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 330 units currently under construction will likely satisfy some of the estimated demand. The forecast period is July 1, 2017, to July 1, 2020.

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	2010 to Current
Total resident employment	1,849,127	2,016,423	2,426,000	0.9	2.9
Unemployment rate	3.5%	8.0%	3.9%		
Nonfarm payroll jobs	1,995,400	2,055,800	2,546,000	0.3	3.3
Total population	3,445,899	4,230,520	4,897,000	2.1	2.0
Total households	1,253,153	1,523,999	1,767,000	2.0	2.1
Owner households	732,244	914,815	1,010,000	2.3	1.4
Percent owner	58.4%	60.0%	57.2%		
Renter households	520,909	609,184	757,000	1.6	3.0
Percent renter	41.6%	40.0%	42.8%		
Total housing units	1,330,125	1,657,686	1,862,000	2.2	1.6
Owner vacancy rate	1.5%	2.1%	0.8%		
Rental vacancy rate	7.2%	11.1%	6.3%		
Median Family Income	$58,200	$68,300	$70,400	1.6	0.5

** 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 June 2017. Median Family Incomes are for 1999, 2009, and 2015.

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	2,607,000	0.7	1.3
Total households	807,621	855,960	943,600	0.6	1.4
Owner households	424,847	455,741	466,900	0.7	0.3
Percent owner	52.6%	53.2%	49.5%		
Renter households	382,774	400,219	476,700	0.4	2.4
Percent renter	47.4%	46.8%	50.5%		
Total housing units	854,119	943,257	1,002,000	1.0	0.8
Owner vacancy rate	1.3%	2.3%	0.8%		
Rental vacancy rate	6.3%	12.0%	6.6%		

Notes: Numbers may not add to totals because of rounding. The current date is July 1, 2017.

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

Table DP-3. Northern Suburbs 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	1,806,000	4.6	3.1
Total households	340,873	524,048	656,200	4.4	3.2
Owner households	227,325	349,917	419,300	4.4	2.5
Percent owner	66.7%	66.8%	63.9%		
Renter households	113,548	174,131	236,900	4.4	4.3
Percent renter	33.3%	33.2%	36.1%		
Total housing units	362,961	557,099	681,700	4.4	2.8
Owner vacancy rate	1.8%	1.8%	0.7%		
Rental vacancy rate	10.1%	9.2%	5.8%		

Notes: Numbers may not add to totals because of rounding. The current date is July 1, 2017.

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	302,349	417,426	484,600	3.3	2.1
Total households	104,659	143,991	167,600	3.2	2.1
Owner households	80,072	109,157	124,200	3.1	1.8
Percent owner	76.5%	75.8%	74.1%		
Renter households	24,587	34,834	43,400	3.5	3.1
Percent renter	23.5%	24.2%	25.9%		
Total housing units	113,045	157,330	178,100	3.4	1.7
Owner vacancy rate	1.9%	2.2%	0.9%		
Rental vacancy rate	7.7%	9.7%	5.4%		

Notes: Numbers may not add to totals because of rounding. The current date is July 1, 2017.

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: 7/1/2017—Estimates by the analyst
Forecast period: 7/1/2017–7/1/2020—Estimates by the analyst

The metropolitan division definition in this report is 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 this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), 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_17.pdf.

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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 the Economic and Market Analysis Division within HUD. 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.