

## The Dallas Economy and Real Estate mid-2016 Market Update

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Dallas is a city on the move. The Texas economy grew by 5.2% in 2015, twice that of the US overall rate of growth while North Texas – where Dallas/Fort Worth is situated, grew even faster. The Dallas Fort Worth Metropolitan Statistical Area (DFW) added a net 360 people a day in 2015. The region is amongst the top 4 hubs for corporate headquarters in the US including American Airlines, Exxon Mobil, JC Penny, Texas Instruments and contains America's biggest inland port and logistical hub. Little wonder that businesses are choosing to relocating their corporate HQs to Dallas: witness Toyota, State Farm and Liberty Mutual, which are all moving to Dallas from other US states.

The strength of the Dallas-Fort Worth economic boom comes from a thriving cohort of middle class families. The egalitarian nature of Texas's growth has fostered a mood of excitement seldom found outside developing countries: a 2011 poll of Dallas residents found that 65% felt optimistic about the future; the same poll in 2014 found that 78% expected the economy to improve.

The locals point to a combination of small government, low prices and pro-business legislation: Texas is one of only seven American states with no personal-income tax and one of six with no corporate-income tax. It is also an employer-friendly state with weak trade unions and light regulations, and a pro- business attitude which condones budgetary expenditure based on affordability and its impact to the local economy.

Roads and airports are better maintained than in most other states thanks to a combination of tolls and targeted spending. Even its schools and municipal offices and positions are being redesigned for the age of the internet and dual working parent households.

## MARKET ANALYSIS BY GREYSTONE



*The virtues of pro-business focus can be seen in Dallas's revival of its downtown economy that has been somewhat neglected until recently. The city is investing public money in parks, bicycle paths and free trams, but it is also leveraging public-private initiatives: Trinity Groves, west of downtown, has been transformed into a vibrant, urban gastronomic hub thanks to Phil Romano, founder of Macaroni Grill, who spearheaded a restaurant "incubator" providing budding chef-entrepreneurs assistance with their training and job placement.*

While Texas has had a long tradition of economic cycles related to the price of oil, North Texas is today far more independent of oil as a primary source of economic importance than in past decades, preferring instead to focus on a diversification of its primary economic drivers. Indeed, a sign of the health of the local economy is the willingness of local companies to invest big into mega leisure infrastructure which is targeting North East Texas as a state-wide leisure destination.

Greystone considers Dallas an excellent long term investment proposition due to its rock-solid economic fundamentals that continue to drive demand for housing and rental accommodation. A Metrostudy.com article dated Apr 25th on Dallas-Fort Worth showed housing annual starts up by 22% YoY. Due to rapidly rising land and development costs, developers argue that there is little hope of the revival of the sub-\$200,000 new home market as the next round of new developments hit the market in 2016/17.

"First quarter starts data presents further evidence of Dallas-Ft. Worth's market-shift in price," said Paige Shipp, Regional Director of Metrostudy's Dallas Office. "Historically, most of DFW's starts and closings occurred below \$200,000. The new normal reflects a meteoric rise in starts above \$200,000. This will remain an issue until municipalities, developers and builders understand and deliver higher-density lots and smaller homes to the market."

*East of Dallas, there is a dramatic investment focus in leisure infrastructure centered around Lake Ray Hubbard aiming to position this area as a premiere leisure destination towards the latter part of the decade. Dallas developer Kent Donahue has broken ground on a \$1bn resort development which will include an 8-Acre Cabo-inspired blue lagoon, two condo towers, a resort and marina, luxury residential accommodation and more than 1 million square feet of mixed use retail, residential and office space. The lagoon will be the biggest in Texas and will host the biggest Bellagio-style fountains in the state.*



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