

D

Economy

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A MONTHLY BRIEFING

In this issue of *D Economy*, read about new multifamily residences in the medical district, in Uptown, and in the Design District (page 2). Also, learn about the increase in employed persons living in Dallas, a recent high (page 3), as well as the most recent Dallas leading index (page 4).

A NEW LOOK FOR AN OLD NEIGHBORHOOD IN NORTH OAK CLIFF

Real estate firm INCAP Fund has set the stage for a massive redevelopment of a large swath of north Oak Cliff (Council Districts 1 and 3). The company amassed 204 acres of land primarily along W. Davis Street between Westmoreland Road and Beckley Avenue beginning a few years ago. INCAP acquired the properties with their dilapidated apartment complexes to clear the buildings and prep the land for redevelopment.

INCAP is experienced in redeveloping once-overlooked nooks of the city; it is the firm behind the resurgence of the Knox-Henderson area.

INCAP has a master plan for each of the 11 sites. The master plans contain proposals for the ideal mix of new development; in total, the land could potentially support 5,000 multifamily units, 2,000 condominiums, 1,000 townhouses and up to a million square feet of retail space. Once the horizontal development is complete, INCAP plans to sell the properties or form a joint venture with other developers for construction of new buildings (Figure 1).



Figure 1. EXAMPLE OF INCAP REDEVELOPMENT PROJECT

Redeveloping promising but untapped areas is tricky because to have a significant impact, it is first necessary to have a large assemblage of land. However, amassing infill land is problematic because of fractured ownership and entitlement issues that can take years to clear. Once the land is successfully acquired, there are typically issues with environmental

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AT&T MOVING HQ TO DALLAS

AT&T has announced that it will be moving its global corporate headquarters to Dallas from San Antonio. The move is a great win for Dallas and downtown.

About 700 corporate staff will move from San Antonio to the company's existing office space at 208 S. Akard Street in downtown. AT&T will evaluate other potential office space after the move is complete.

AT&T's chairman and CEO Randall Stephenson says a Dallas location will give the company "better access to its customers and operations around the world." The area's concentration of telecommunications workers and tech firms will also benefit the company. Addi-

tionally, the ease of domestic and international travel out of Dallas factored into the decision.

AT&T already employs 3,500 workers downtown. The addition of 700 more corporate workers will mean more patrons for downtown restaurants and retailers as well as customers for local suppliers. It also gives downtown another Fortune 500 corporation—*Fortune* magazine ranked AT&T 10th in the U.S. in 2008.

The City of Dallas is in discussions with AT&T regarding relocation incentives, and the corporate community has already agreed to provide additional critical support for the relocation, such as spousal job placement.



City of Dallas

OFFICE OF
ECONOMIC DEVELOPMENT

Center City News

- Trammell Crow Residential broke ground in May on a new apartment complex a block away from Parkland Memorial Hospital and next to a DART light rail station that will open in 2010 (Council District 2). The project will have close to 400 apartments and should be ready for occupancy in 11 or 12 months. The upcoming DART station and proximity to the medical district, central business district and the Stemmons corridor is driving new development in the area. SOURCE: DALLAS MORNING NEWS, MAY 12, 2008.
- Gables Residential is building a 380-unit apartment complex at Fairmount and Carlisle streets in Uptown, near the Katy Trail (Council District 14). The complex will replace several existing buildings on the block, and construction will begin this summer with completion expected in 2010. Gables plans to build the complex so that it has three distinct looks, as if it were built at different times. It will also have 3,500 square feet of ground floor retail. SOURCE: DALLAS MORNING NEWS, MAY 20, 2008.
- The Design District is the site of Harwood International's planned \$300 million apartment and retail development, on 10 acres just south of Oak Lawn Avenue between Dragon and Slocum streets (Council District 2). The low-, mid- and highrise buildings will be built in three phases and will have 950 apartment units along with 100,000 square feet of space for retail, restaurants and showrooms, along with some office space. Harwood plans to start the first phase in the next five years with full build-out in 10 to 15 years. SOURCE: DALLAS BUSINESS JOURNAL, MAY 30, 2008.
- The Joule hotel located at 1530 Main Street downtown opened on May 30. The hotel is in the renovated former Dallas National Bank building, built in 1929, plus an adjacent new 10-story building. A distinctive feature of the hotel is a pool on the top floor of the newer building that extends eight feet over the sidewalk 10 stories below. With prices starting at \$380 a night, the 129-room hotel caters to wealthy clients seeking luxury service. The hotel leverage TIF funding from the City Center TIF District for environmental remediation, interior demolition, façade restoration and related design costs. SOURCE: DALLAS MORNING NEWS, MAY 30, 2008 AND OFFICE OF ECONOMIC DEVELOPMENT.
- Chef Wolfgang Puck is returning to Dallas with a new special events venue in the Grand Hall of Union Station, as well as new restaurant atop Reunion Tower (Council District 2). Union Station, the historic railroad station downtown built in 1916, is undergoing renovations and is expected to open by the end of the year. SOURCE: DALLAS MORNING NEWS, JUNE 6, 2008.

Business News

- Switch and Data has expanded its operations in the Dallas Infomart by 20,000 square feet (Council District 2). The expansion gives the company connectivity to 120 network and bandwidth providers. Switch and Data provides Internet exchange and collocation services for high-tech companies. SOURCE: BUSINESS-WIRE.COM, MAY 28, 2008.
- Celanese Corp.'s Chinese affiliate is building a new office in the Zhangjiang High-Tech Park in Shanghai. The building, expected to be complete in 2010, will serve as headquarters for Celanese China's various business groups as well as customer application development and research and development operations. Celanese is headquartered in Dallas (Council District 6). SOURCE: DALLAS BUSINESS JOURNAL, JUNE 18, 2008.

City Council News

- City Council approved an \$850,000 forgivable loan on May 28 with the City Wide Community Development Corporation to purchase and demolish two hotels on Lancaster Road and to construct two new commercial buildings that will address the shortage of office space in the area. The site will also have a job training center (Council District 5).
- Also on May 28, Dallas City Council entered into a development agreement with Ambassador Aviation at Dallas Executive Airport to support the construction of infrastructure and two new hangars that will replace smaller, 50-year-old hangars. The city also extended Ambassador's lease in exchange for a commitment of an additional \$1 million in capital improvements (Council District 8).

Southern Dallas News

- The University of North Texas System's Board of Regents has extended the opening date for UNT Dallas to the Fall 2010 semester, a year later than was scheduled (Council District 8). The extension gives the university more time to arrange state funding for additional faculty and staff, as well as to acquire more space for anticipated enrollment growth. SOURCE: OAK CLIFF TRIBUNE, MAY 29, 2008.
- Construction has begun on a new distribution center adjacent to Dallas Executive Airport. Holt Lunsford Commercial, Inc. is building the Executive Distribution Center at 5220 S. Westmoreland Road (Council District 8). The building will have 345,600 square feet and is expected to be complete in December 2008. SOURCE: COSTAR.COM, JUNE 20, 2008.

Employment

The unemployment rate in Dallas rose to 4.7 percent in May. The metropolitan statistical area (MSA) unemployment rate rose 0.5 percentage points to 4.4 percent. The state and national rates grew 0.4 percentage points each to 4.3 and 5.2 percent, respectively (Table 1).

The number of unemployed persons in the city increased by 11.4 percent while the labor force increased by 0.6 percent during the month (Table 2).

Despite the unemployment rate increase, the city continued to either beat or match the national unemployment rate for the fifth consecutive month. The city outperformed the national rate by a 0.5 percentage point positive gap in May. A positive gap means that the city's rate is lower than the nation's (Figure 3).

Figure 4 depicts the number of employed persons living in the city in the month of May as 571,605. This was not only an increase from April's level of 570,716, but it is also greater than the previous post-recession high value of 569,249 in November 2007.

Dallas payroll employment levels (jobs in Dallas that could also be held by non-residents) grew. Initial Office of Economic Development estimates show that payroll employment grew 6.6 percent annualized in May to slightly over 1.084 million, which follows April's revised total of 1.078. The Professional and Business Services sector had the largest net employment gains with over 3,850 jobs.

- Earnest Lloyd

Table 1. ANNUAL UNEMPLOYMENT RATES

	2008 May	2008 Apr	Point Change
City of Dallas	4.7	4.2	0.5
DFW MSA	4.4	3.9	0.5
Texas	4.3	3.9	0.4
U.S.	5.2	4.8	0.4
Largest U.S. Cities Avg.*		5.9	

Table 2. CITY OF DALLAS LABOR FORCE (PERSONS)

	Unem- ployed	Labor Force
2008 May	28,154	599,759
2008 Apr	25,272	595,988
Change	2,882	3,771
% Change	11.4	0.6

SOURCE: TEXAS WORKFORCE COMMISSION, U.S. BUREAU OF LABOR STATISTICS, VALUES NOT SEASONALLY ADJUSTED. .
 * LARGEST U.S. CITIES EXCLUDING DALLAS ARE: NEW YORK, LOS ANGELES, CHICAGO, HOUSTON, PHILADELPHIA, SAN ANTONIO, SAN DIEGO, SAN JOSE, AND DETROIT.

Figure 3. CITY OF DALLAS—U.S. UNEMPLOYMENT GAP

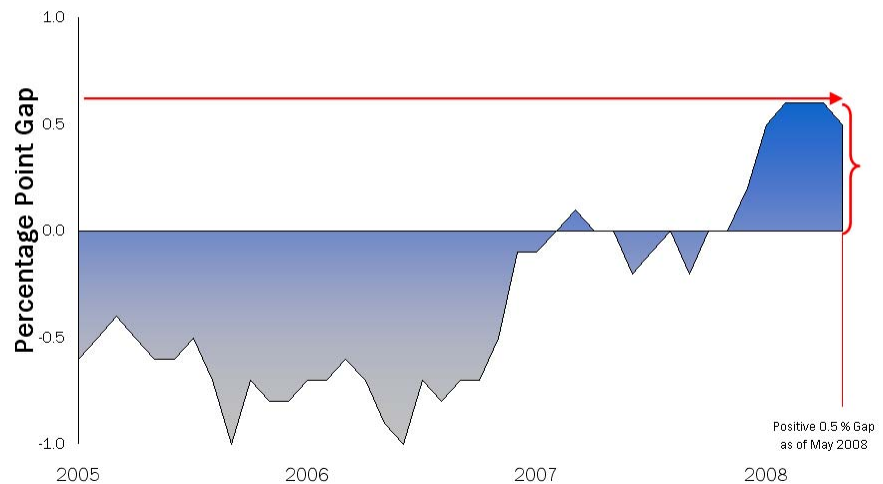
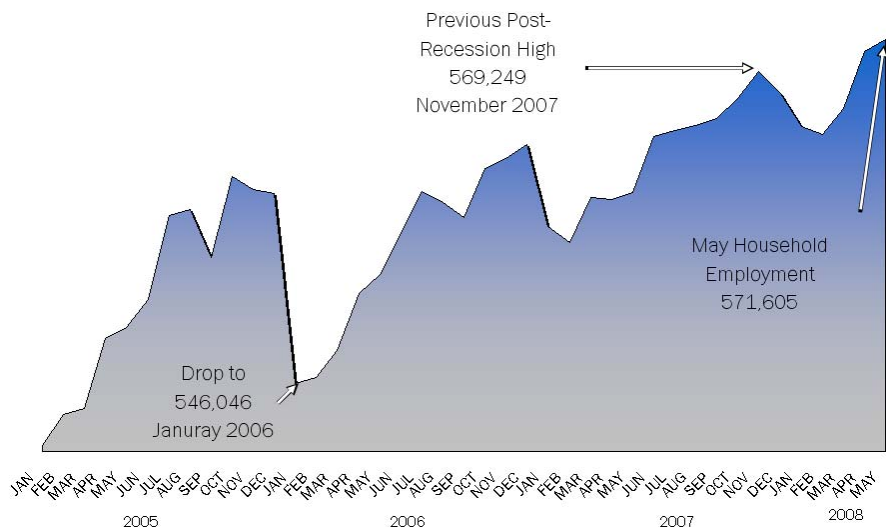


Figure 4. CITY OF DALLAS EMPLOYMENT



A NEW LOOK FOR NORTH OAK CLIFF

(Continued from page 1)

remediation of the existing buildings as well as infrastructure needs that must be met before new construction can begin.

To encourage INCAP's venture in north Oak Cliff, the Dallas City Council approved tax increment financing (TIF) participation in the project. Some of INCAP's projects are located in the Davis Garden TIF District. TIF District funds will reimburse the developer for demolition and environmental remediation associated with the apartment complexes on the properties as well as for median improvements along Davis Street between Hampton Road and Montclair Avenue (Figure 2).

The Davis Garden TIF District and INCAP's efforts to create a new environment for this in-town neighbor-



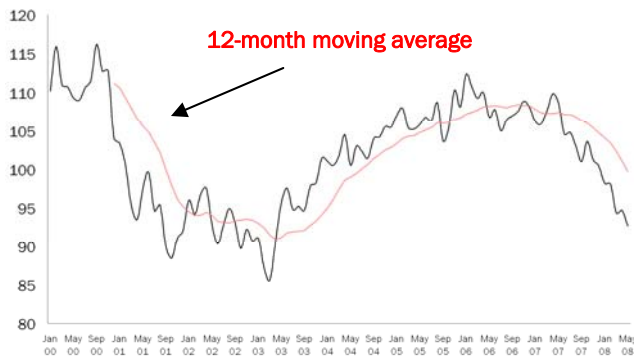
Figure 2. CHATEAU CREEK APARTMENT BEFORE DEMOLITION

hood are in line with the City of Dallas' economic vision to make Dallas a city of great neighborhoods. This project has high potential to entice further investment that could result in much-needed new retail and residential options.

-Sonya Smith

INDEX OF LEADING INDICATORS

FIGURE 5. CITY OF DALLAS LEADING INDICATOR INDEX



The City of Dallas Leading Index, a projection of the city's economic performance three to six months in advance, is providing mixed signals with three components declining. Since May 2007, the index has dipped below its 12-month average trend line. An index consistently above or below the average signals the city's economic direction in three to six months. For example, the May to August 2006 index period below the trend preceded the gross city product slowdown in the 2006 third quarter. Currently, three of the four indicators that make up the leading index contributed negatively in May. The leading index for May stands at 92.7. (1997=100). This is a 2.1 percent decrease from the previous month's value of 94.7. The outlook is for marginal economic growth for another three months.

TABLE 3. DALLAS INDIVIDUAL INDICATOR VALUES—APRIL 2008

	UNEMPLOYMENT CLAIMS (INVERTED-SEASONALLY ADJ)	CONSUMER EXPECTATION	STOCK INDEX	SINGLE FAMILY PERMITS (SEASONALLY ADJ)
VALUE	6,928	60.9	102.8	102
IMPACT	POSITIVE	NEGATIVE	NEGATIVE	NEGATIVE

Source: City of Dallas Office of Economic Development, Texas Workforce LMI, Conference Board

In comparison, the U.S. Leading Index increased slightly in May, following a small increase in April. The leading index now stands at 102.1 (2004=100). Based on revised data, this index increased 0.1 percent in April and remained unchanged in March. Four of the ten indicators that make up the leading index increased in May. The interest rate spread, stock prices, manufacturers' new orders for consumer goods and materials, and manufacturers' new orders for capital goods improved this month. Real money supply, index of consumer expectations, building permits, index of supplier deliveries (vendor performance), and average weekly initial claims for unemployment insurance (inverted) experienced declines. Average weekly manufacturing hours held steady in May. The current behavior of the index still suggests continued weak economic activity in the near term.

- Earnest Lloyd