

Regional Economy Continues to Sputter:

by James Clary

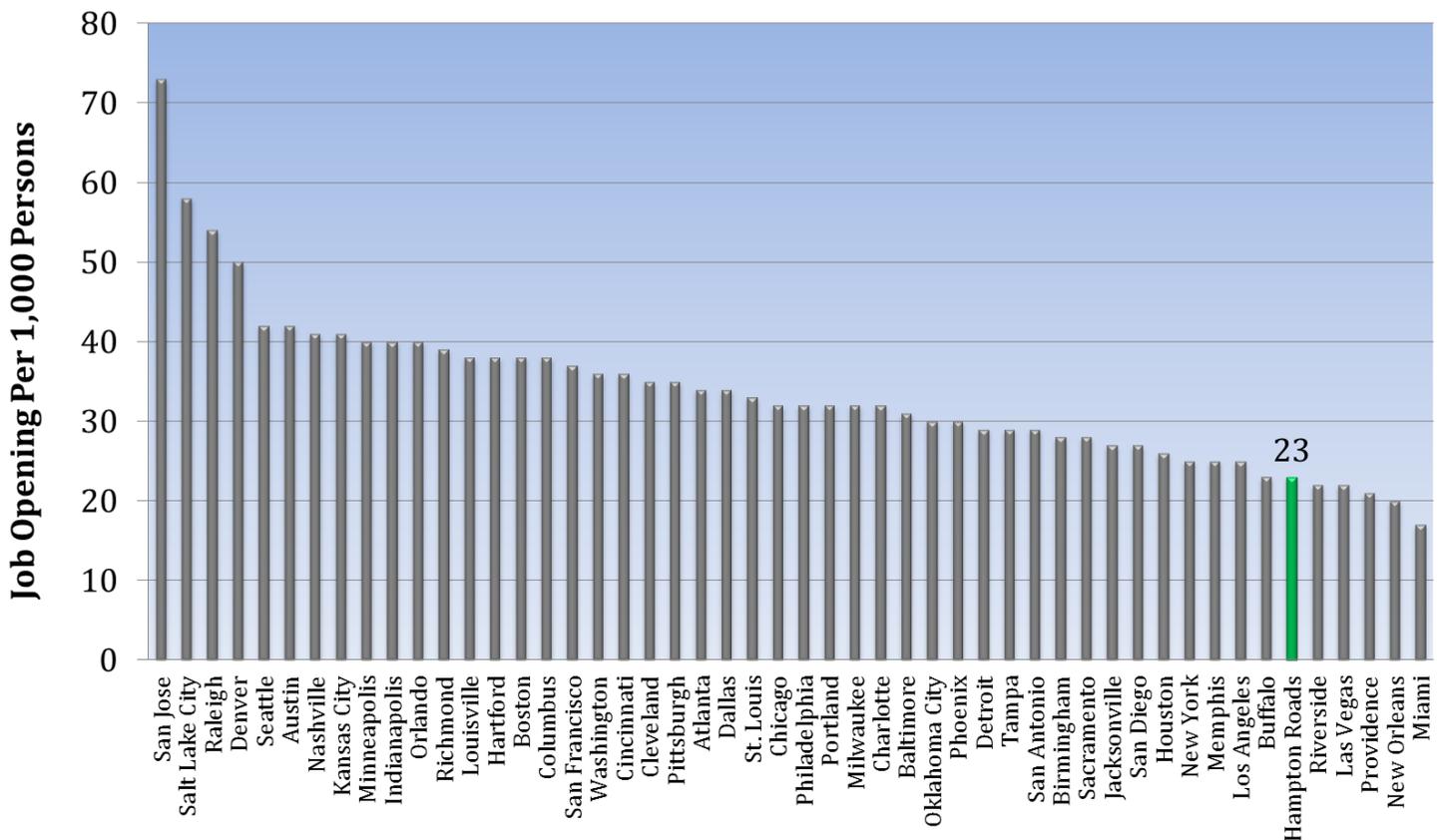
The most recent slate of regional economic indicators illustrates the continued struggle in Hampton Roads' search for sustained economic growth.

Hampton Roads retail sales declined by 0.5% in January 2015 on a seasonally adjusted basis, matching the decline of the nation over the first two months of the year. Unlike the U.S., regional employment fell by 3,600 jobs in January. The nation has added almost 3 million jobs over the past 12 months, while the region has added 4,200 jobs (1.9% growth in employment nationally versus 0.6% growth in Hampton Roads).

Furthermore, other underlying employment dynamics are indicating weakness regionally. The labor force has decreased by 1% over the past year, while nationally the labor force has grown by 0.8%. Regional initial unemployment claims, while highly variable, aren't able to maintain the promising levels demonstrated in early fall.

New job listings demonstrate the dynamism of the economy in a slightly different way. New job listings not only indicate a willingness by companies to hire, but also the need to recruit candidates. Indeed.com tracks the number of job openings per 1,000 people in an economy, and Hampton Roads performs 45th out of the 50 largest MSAs, demonstrating slack in the labor market. Measures of job competition, comparing the number of job listings to the number of unemployed, also shows weakness in the region (42nd out of the 50 largest MSAs).

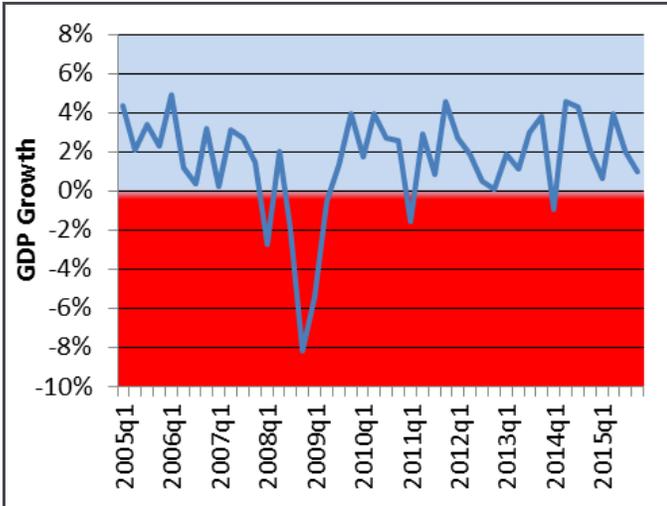
MSA Job Openings Per Capita, February 2016 (Top 50 Metro Areas)



Source: Indeed.com, HRPDC

GDP, Annualized Growth Rate

United States, 2005Q1 – 2015Q4, Quarterly



Source: Bureau of Economic Analysis, HRPDC

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. GDP growth slowed again to a 1.0% annualized rate. Personal consumption growth slowed, and a decrease in exports helped to pull down GDP even further. Investment and government expenditures did not experience significant change between the third and fourth quarters.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2006 – Feb 2016, Monthly

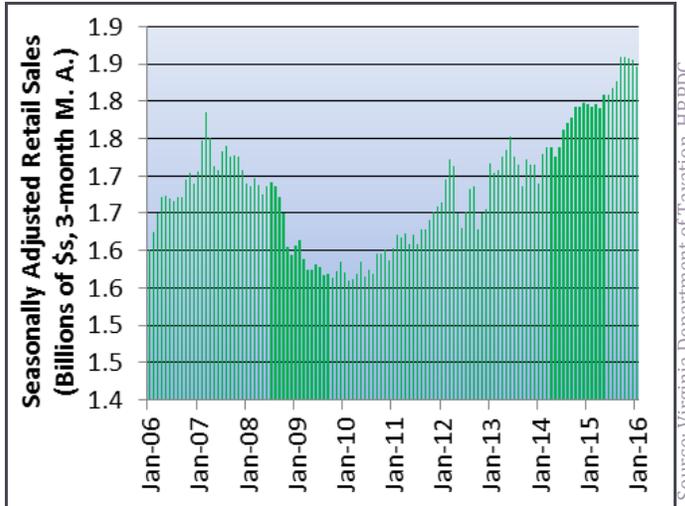


Source: Virginia Automobile Dealers Association, HRPDC

New Car Sales: Car sales, as a durable good, may be put off until such time as an individual's economic prospects improve; thus, the number of new car sales indicate the level of confidence that households in Hampton Roads have in their financial future. Car sales have been growing strongly over the past 18 months, and this has been one of the strongest positive economic indicators in the region.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2006– Jan 2016, Monthly



Source: Virginia Department of Taxation, HRPDC

Retail Sales: Retail Sales in Hampton Roads, as measured by the 1% local option sales tax, serve as an indicator for consumption in the region. Since consumption composes 68% of economic activity in the U.S., the growth or decline of retail sales gives a strong indication of the direction of the local economy. Seasonally adjusted retail sales fell to \$1.85B from \$1.86B in December 2015. The regional decline in retail sales mirrored a national decline in retail sales, which declined in January and continued to decline in February.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, Jan 2005 – Aug 2015, Monthly

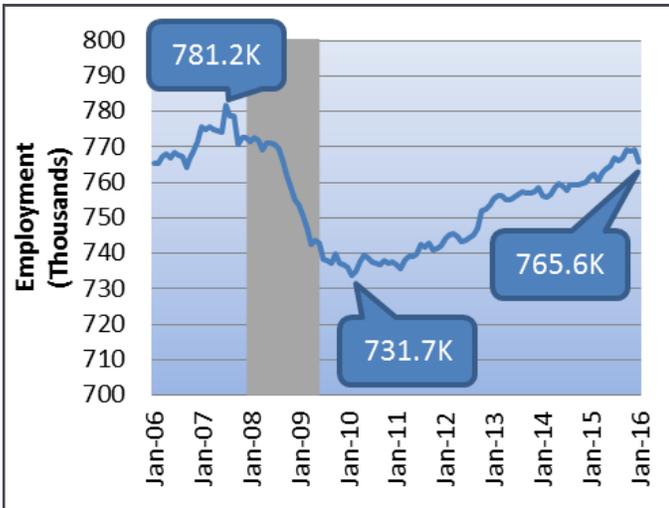


Source: HRPDC

Estimated Hotel Revenue: Hotel sales indicate the performance of the region's tourism sector. Tourism significantly contracted during the great recession and had been following a slow steady growth trend ever since. This trend was interrupted in 2012 as budget issues resulted in a decline in federal government travel. It is notable that while taxable hotel receipts are 15.2% above their prerecession level, tourism employment is only 3.5% above its level in 2007.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2006 – Jan 2016, Monthly

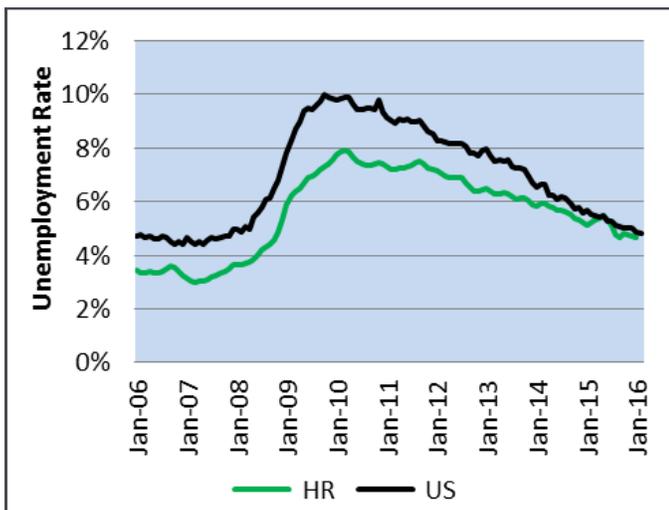


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. One of the difficulties in analyzing trends results from selecting the correct endpoints. The preliminary estimate for regional employment in January 2016 was 765,600, a decline of 3,600 jobs from December. Further, year-over-year employment growth fell below Hampton Roads' long-term average to 4,200.

Unemployment Rate, Seasonally Adjusted

Hampton Roads, Jan 2006 – Jan 2016, Monthly

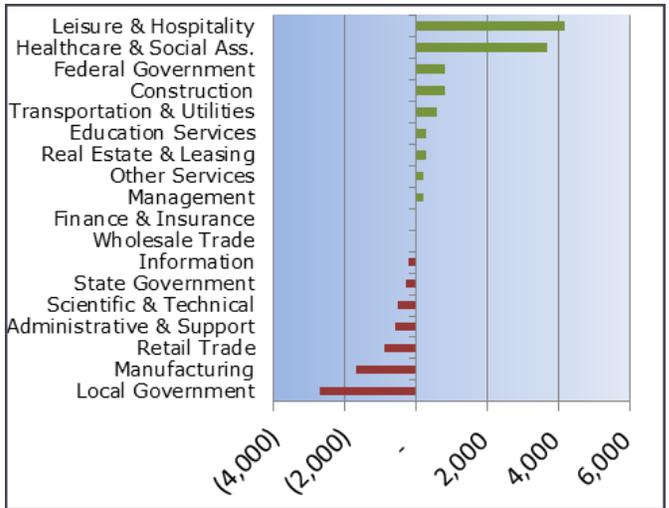


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. The Hampton Roads unemployment rate remained at 4.7% in January of 2016; however, it is the underlying details of the unemployment report that reveal a disturbing trend. The regional labor force declined by 8,500 persons between January 2015 and 2016, and the number of people indicating they were employed declined by 4,500 during that same time period, indicating weakness in the labor market.

Employment Growth by Industry

Hampton Roads, Jan 2016 – Jan 2015, Year-over-Year

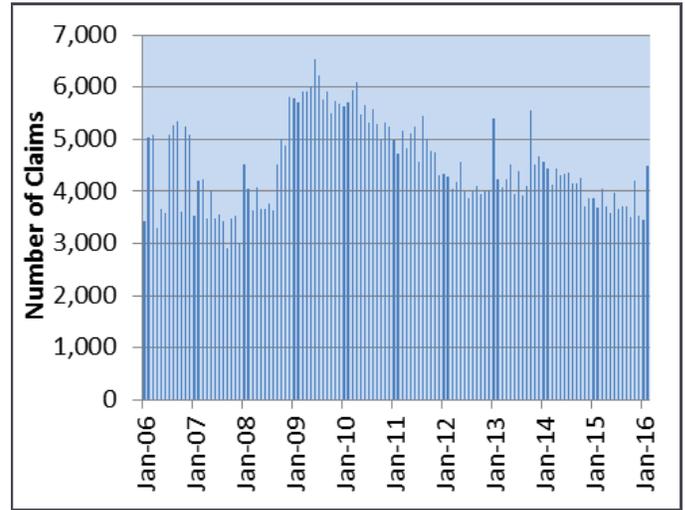


Source: Bureau of Labor Statistics, HRPDC

Employment Growth by Industry: Even as the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. Local government employment continues to decline year-over-year, as the housing price correction continues to decrease local government revenue, increasing budget pressures. Pressure on manufacturing employment nationwide, and ship and boat building and repair regionally has resulted in fewer jobs in this industry. Leisure and hospitality employment continues to grow.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2006 – Feb 2016, Monthly

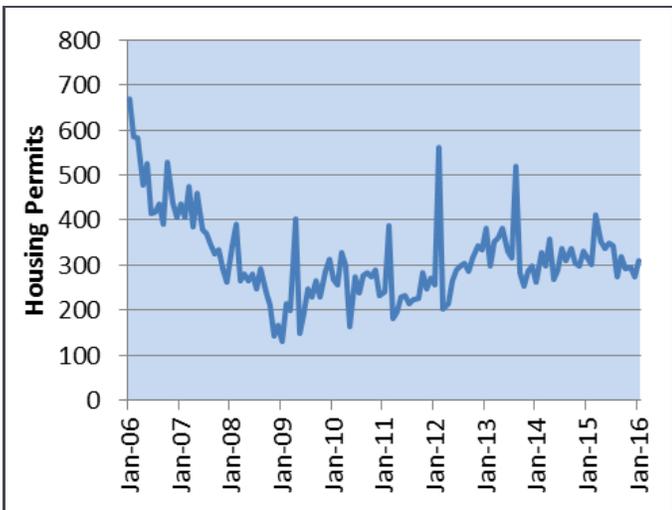


Source: Virginia Department of Labor, HRPDC

Initial Unemployment Claims: The number of Initial Unemployment Claims is a leading economic indicator, reflecting those who are forced to leave work unexpectedly, and thus revealing the strength of the job market with little lag time. Highly variable indicators continue to be highly variable, as initial claims have bounced between 3,400 a month and 4,500 a month over the last six months. What that trend underlying the variation reveals this indicator stopped improving regionally, but currently has seen claims below its long-term average.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2006 – Jan 2016, Monthly

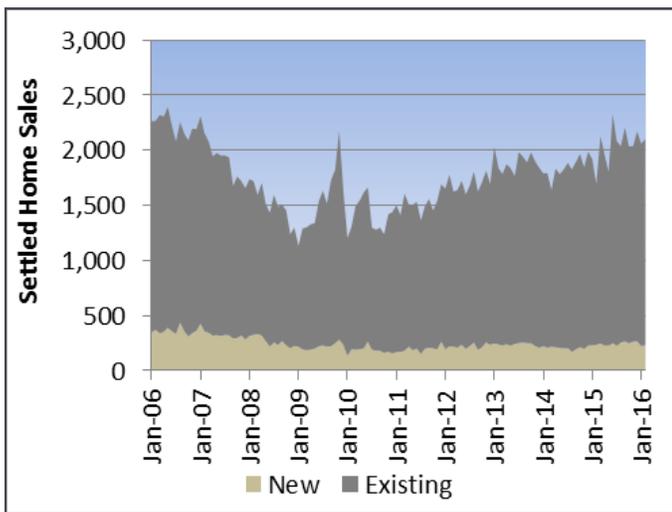


Source: U.S. Census Bureau, HRPDC

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Hampton Roads localities issued 309 building permits in Jan 2016, and has averaged 300 single family permits over the past six months (seasonally adjusted). This is two-thirds the level of permitting historically seen in Hampton Roads. Low levels of permitting are expected to continue until the region generates a period of strong/stable employment growth.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2006 – Feb 2016, Monthly

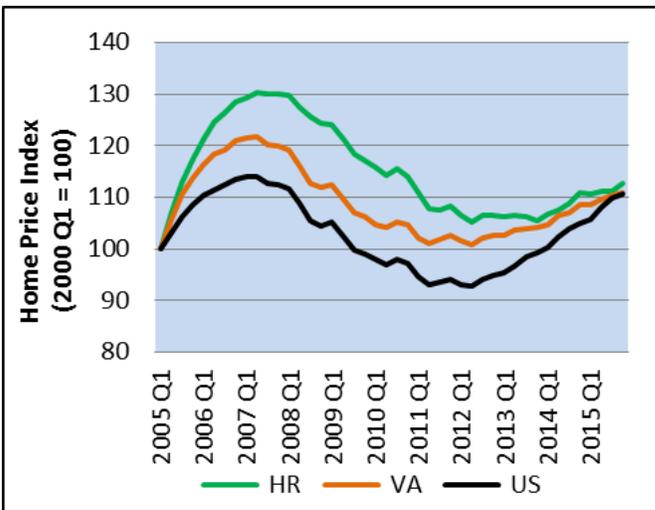


Source: REIN, HRPDC

Home Sales: Settled home sales measure the level of transactions on the real estate market over time, and a healthy real estate market should have a consistent level of activity. Hampton Roads' real estate transactions were unnaturally elevated during the boom and dropped substantially during the housing correction. Recently, existing home sales have increased significantly, achieving levels not experienced since 2005. If home sales continue at this level, increased liquidity in the residential real estate market will encourage further development.

Home Price Index, All Transactions

U.S., VA., & Hampton Roads, 2005Q1 – 2015Q4, Quarterly

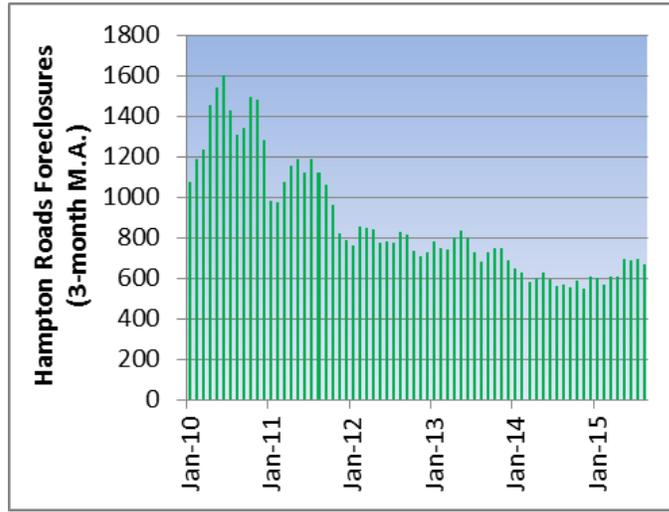


Source: Federal Housing Finance Agency, HRPDC

Home Price Index: The home price index measures the value of homes by evaluating changing price levels through repeated sales of properties. The index provides the highest quality data available on the trends in the real estate market. Hampton Roads' real estate values began to increase rapidly in 2003, and continued through 2007. While the region experienced the same level of decline in housing prices as the nation and the Commonwealth, it has yet to experience a similar recovery in home prices.

Foreclosures

Hampton Roads, Jan 2010 – Sep 2015, Monthly



Source: RealtyTrac, HRPDC

Foreclosures: Foreclosures have a significant impact on the real estate market and the community, and depress home values on both a neighborhood and regional level. Hampton Roads' foreclosure filings have fallen steadily throughout the recovery, but have increased recently, growing to 790 in September. Federal reserve data indicates as of September 2015, 2.16% of owner-occupied homes were 90+ days past due in Hampton Roads, the second highest level in the state. Additionally, another 0.83% of homes regionally were in foreclosure.