

THE HAMPTON ROADS ECONOMIC QUARTERLY

Presented to the Hampton Roads Planning District Commission

Greg C. Grootendorst
Chief Economist
July 15, 2009

Purpose . . .

- Deliver timely regional economic information to the Hampton Roads community.
 - Feature editorial on a current issue
 - Brief write-up on the current economic outlook for the region
 - Six recurring charts that illustrate regional economic conditions

Quarterly Releases



THE HAMPTON ROADS ECONOMIC QUARTERLY

Bruce C. Goodson, Chair • Dwight L. Farmer, Executive Director

Paul D. Frasin, Chair • Dwight L. Farmer, Executive Director

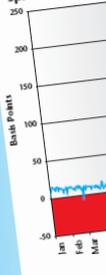
HRPDC Economics Staff
 Greg G. Grootendorst
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 James A. Clary
 Economist

Vol. 1, No. 1 • Fall 2008

The Fed

The worldwide credit market has become a market of uncertainty. As financial institutions have been forced to undergo mergers of credit and to run on deposit, Bush recently signed a \$7 trillion stimulus package to provide relief to the financial institutions. Financial institutions enter their capital owners for correction. The correction as a result of new investment market to an even greater (MBS) allowed a bank to by selling individuals into a mortgage with many of would then sell claims on

Spread Between



The London interbank rate is lower than the prime rate, but it often rises (the spread) is



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The Hampton

While asset prices real estate, bonds, or equities impact on consumer confidence ability to buy goods and services falls, thus lowering production and employment. As a result, there are job cuts, pushing the economy into a recessionary spiral that has led to a deterioration in the short-term skills deteriorate and they my. **State of the National** U.S. non-farm payroll of Economic Research market, and the U.S. has economy shedding 2.6 million jobs at the end of the year, as 2 million times to fall in a variety of professional services health care and education. The Bureau of a survey of individuals What a tremendous an is subject to greater variance. The national as April 2008, the unemployment rate is 8.3% of this increase.

- ### Change in
- Construction
 - Manufacturing
 - Retail Trade
 - Transport/Warehousing
 - Professional Business
 - Education/Health Services
 - Government

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Bruce C. Goodson, Chair • Dwight L. Farmer, Executive Director

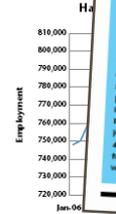
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Employment

Economists report Employment Survey (CES). The CES, commonly referred to as the payrolls report, provides data on the number of employees in the economy. This year errors in the payrolls report have been reported by both the State of Virginia and the U.S. Department of Labor. The Federal and collects information from level, and reports both the Virginia Employment Commission and the U.S. Department of Labor. The BLS estimates the employment of businesses contained in 14,000 businesses. This to both sampling error and non-response error, while non-sampling error is the result of the processing/calculating. The VEC annual employment insurance currently available. The from April 2007 to May payroll estimates were



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Bruce C. Goodson, Chair • Dwight L. Farmer, Executive Director/Secretary • John M. Carlock, Deputy Executive Director

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The Region's Real Estate Market

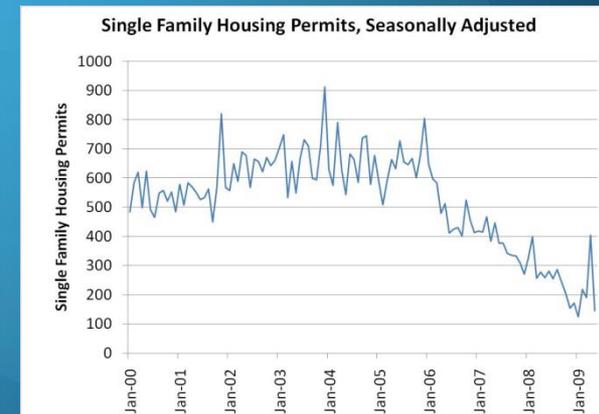
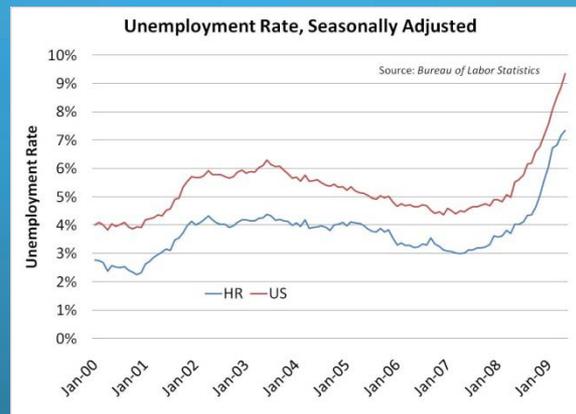
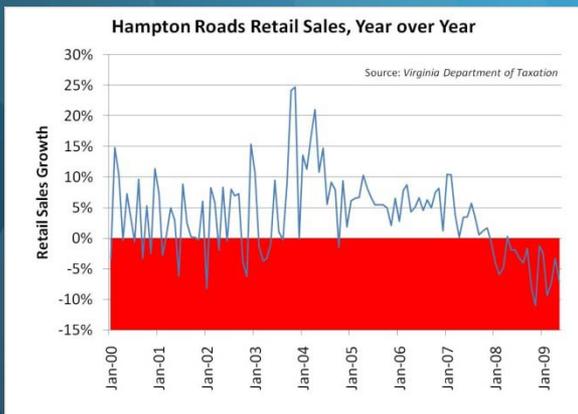
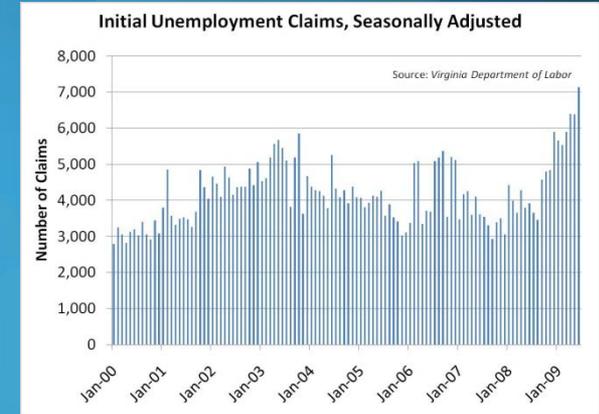
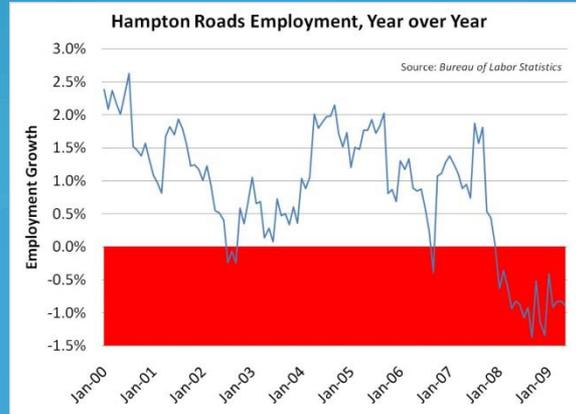
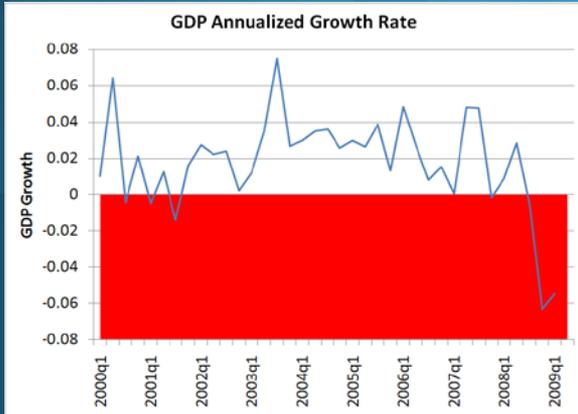
Both new and existing home sales have accelerated nationally, encouraging discussion regarding the bottom of the housing market. Unfortunately, talk about where many commentators can misinterpret both the nature of a housing bottom as well as the proximity of the market bottom. **What will the bottom of the housing market look like?** Actually, it is not one bottom, but two, and these bottoms typically don't occur simultaneously. The first bottom occurs when housing starts and new home sales stop declining, i.e. a construction bottom. The construction industry, as measured by fixed residential investment, played a large role in the economic growth after the 2001 recession. When the residential real estate market slowed, it resulted in significant job loss, both regionally and nationally. While the real estate market will not return to the fevered pitch of the bubble years, a return to normal levels of construction will be instrumental in expanding Gross Regional Product. The decrease in fixed residential investment over the past two years has dimmed GDP by 1% annually and, more recently, the fall in fixed residential investment contributed to 25% of the decline in GDP in the first quarter of 2009. Some indicators suggest that a bottom in construction is near, which has led to mistaken calls that the market has reached a second bottom-where existing home prices have stopped declining. Currently, the excess of supply and the limited demand for homes suggest that market prices should be lower in order to clear the housing market. Sticky housing prices are preventing the market from clearing, resulting in typically high levels of inventory, freezing the housing market. Historically, every housing bust has separated the bottom into these two distinct categories, and they have often occurred more than a year apart. Unfortunately, housing bottoms are not trampolines, and the end of a declining market does not imply it will quickly return to long term trends. Employment remains extremely weak. With national unemployment already above 9%, it will be difficult for the housing market to accelerate until employment recovers. New household

Indexed Seasonally Adjusted Single Family Housing Permits



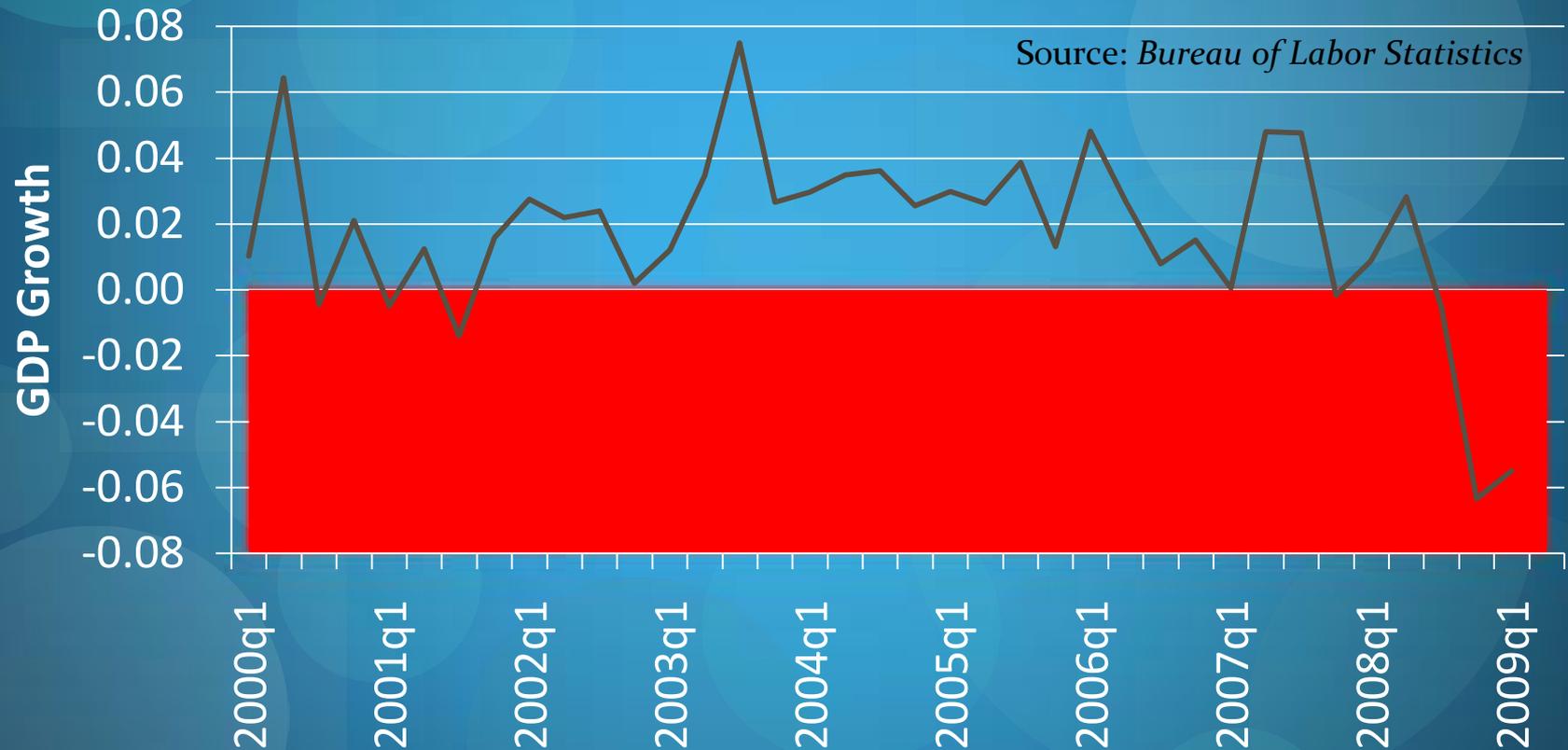
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Recurring Charts



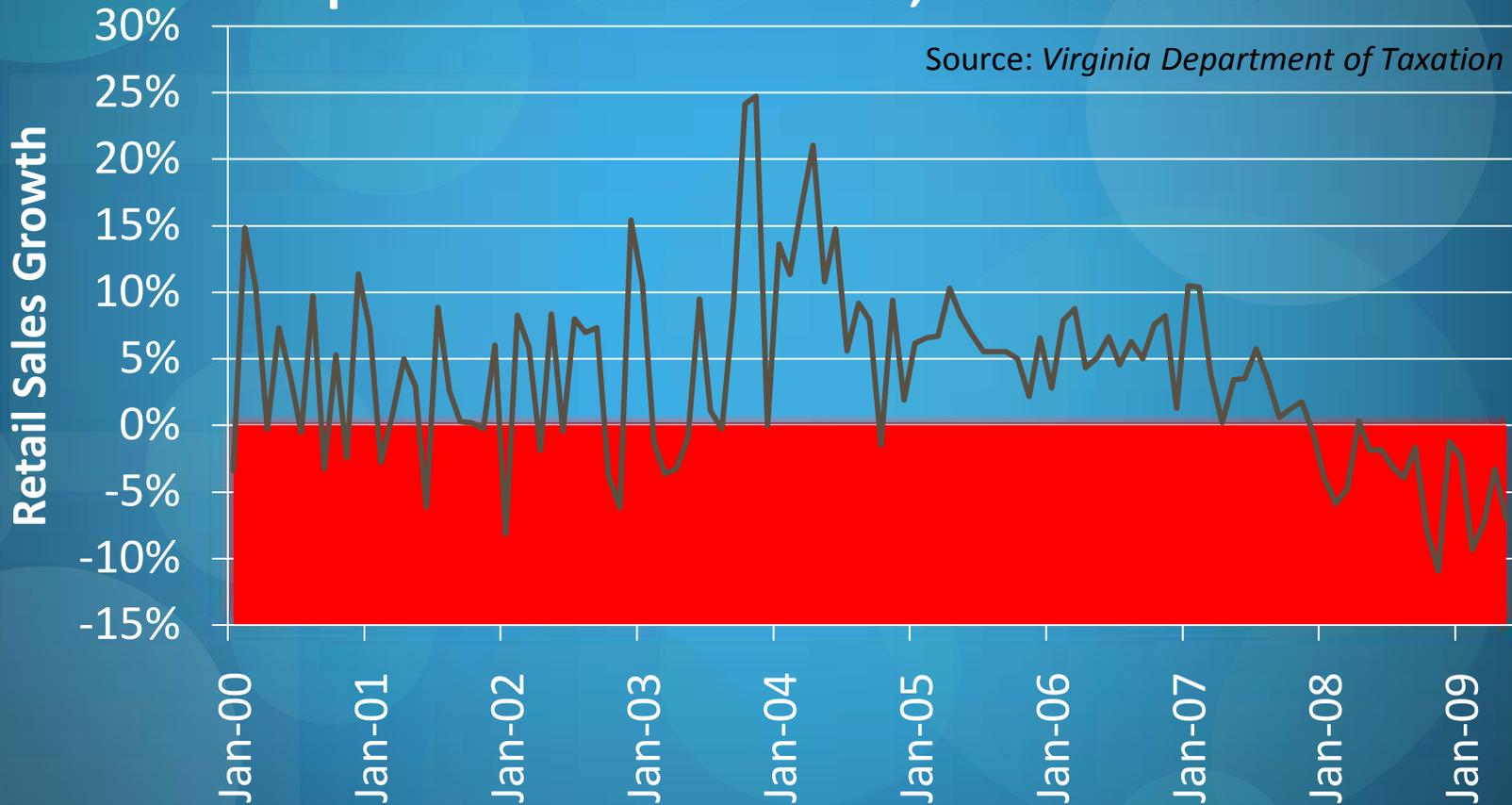
Recurring Charts – Chart 1

GDP Annualized Growth Rate



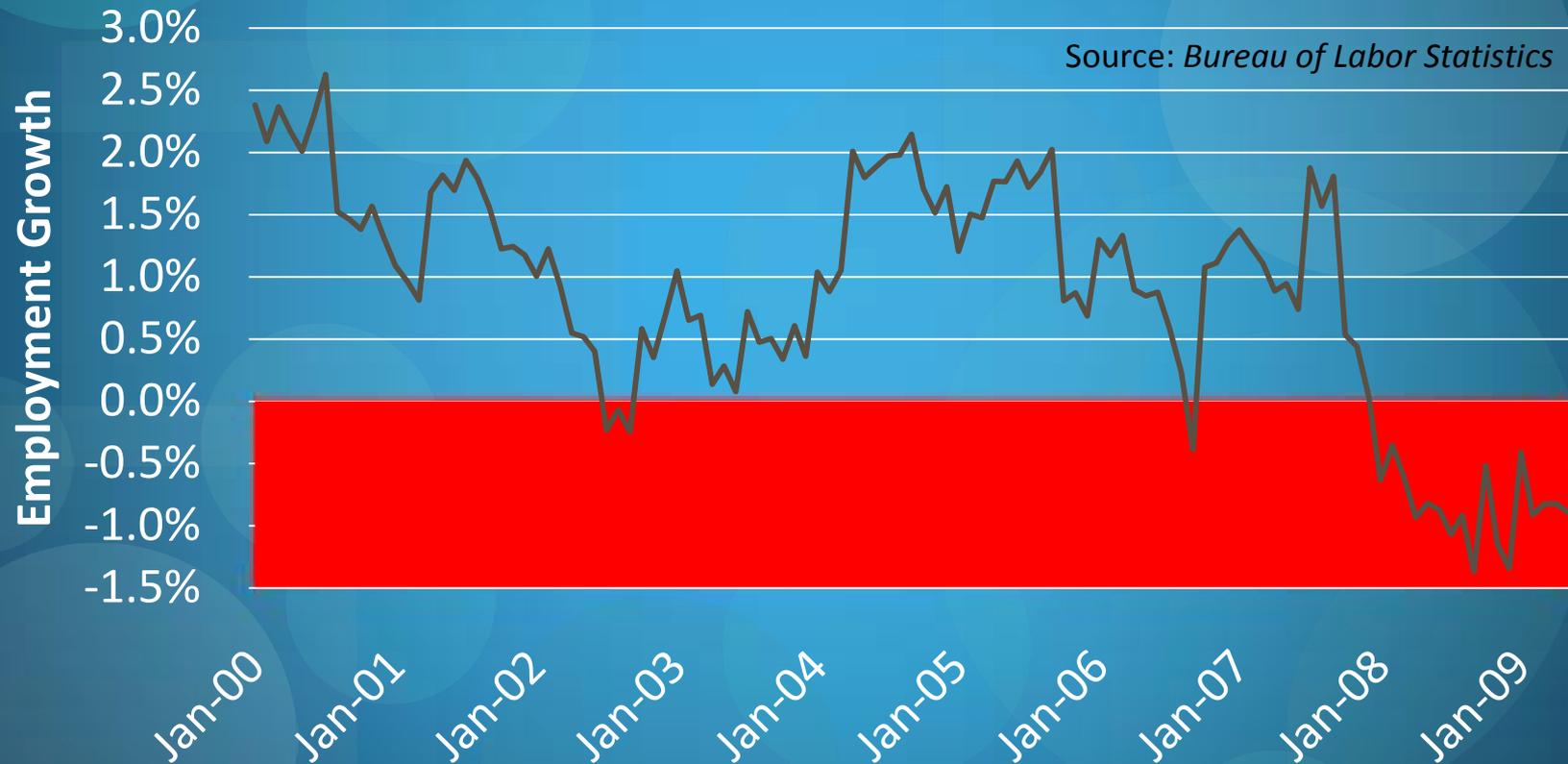
Recurring Charts – Chart 2

Hampton Roads Retail Sales, Year over Year



Recurring Charts – Chart 3

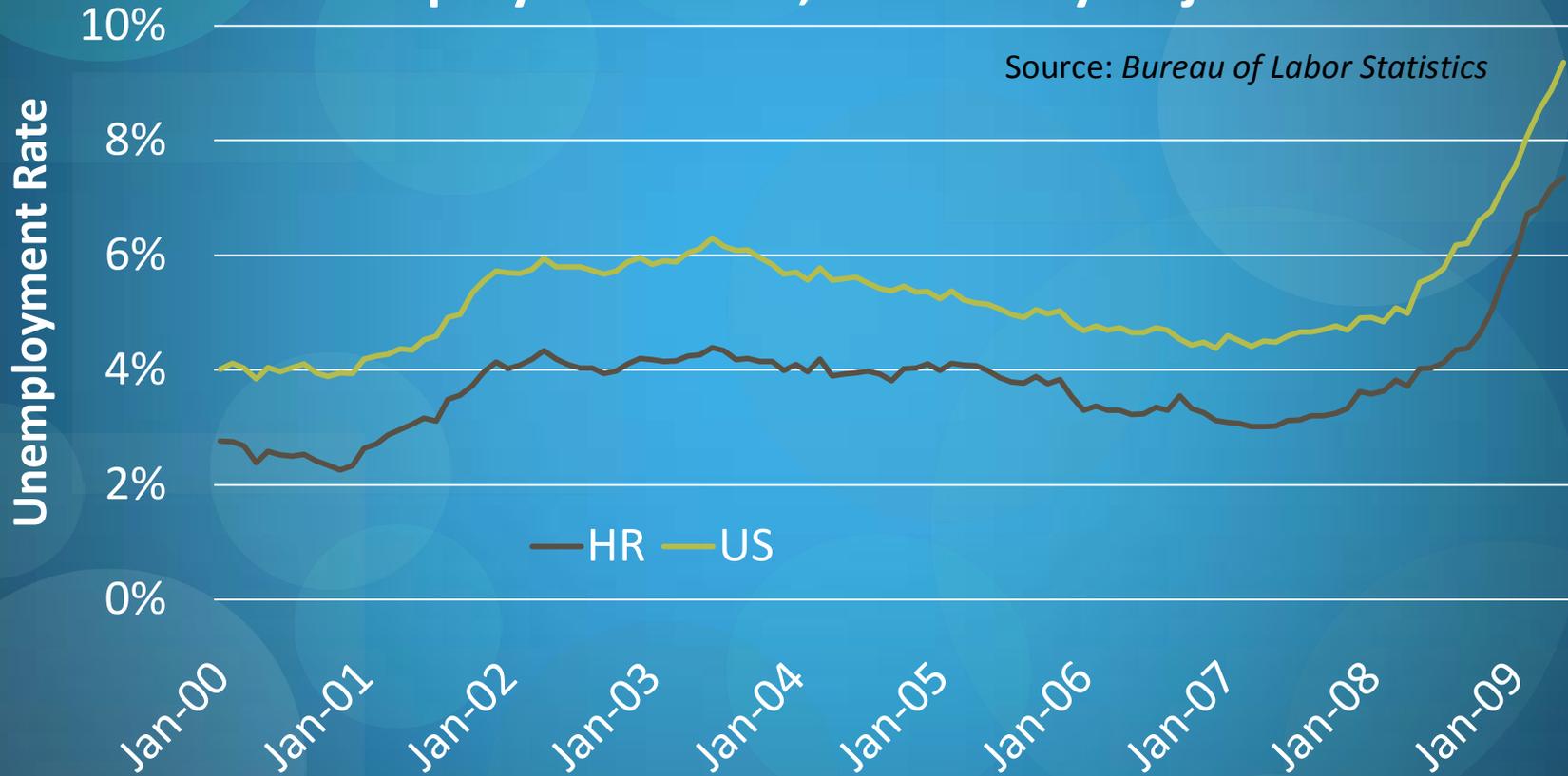
Hampton Roads Employment, Year over Year



Recurring Charts – Chart 4

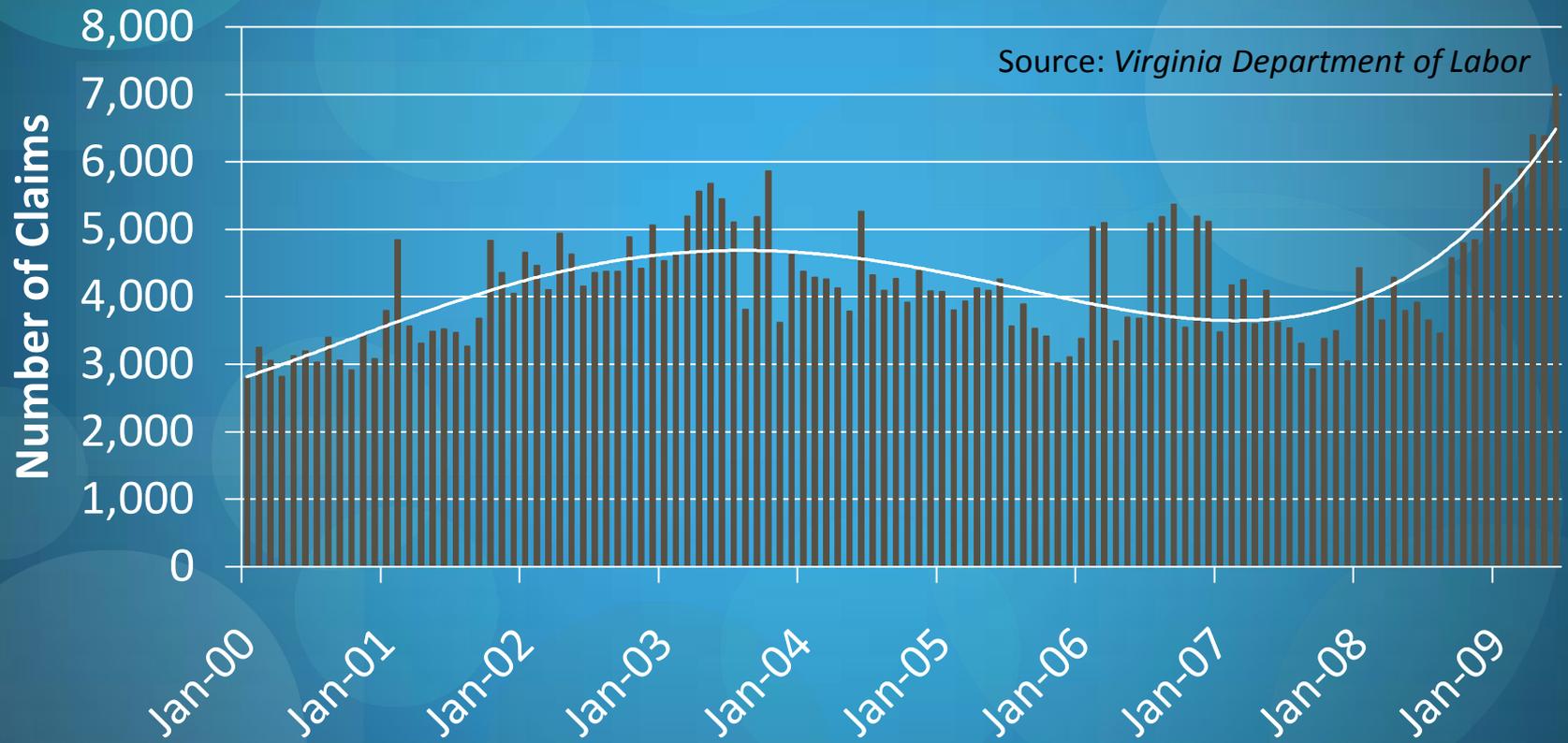
Unemployment Rate, Seasonally Adjusted

Source: Bureau of Labor Statistics



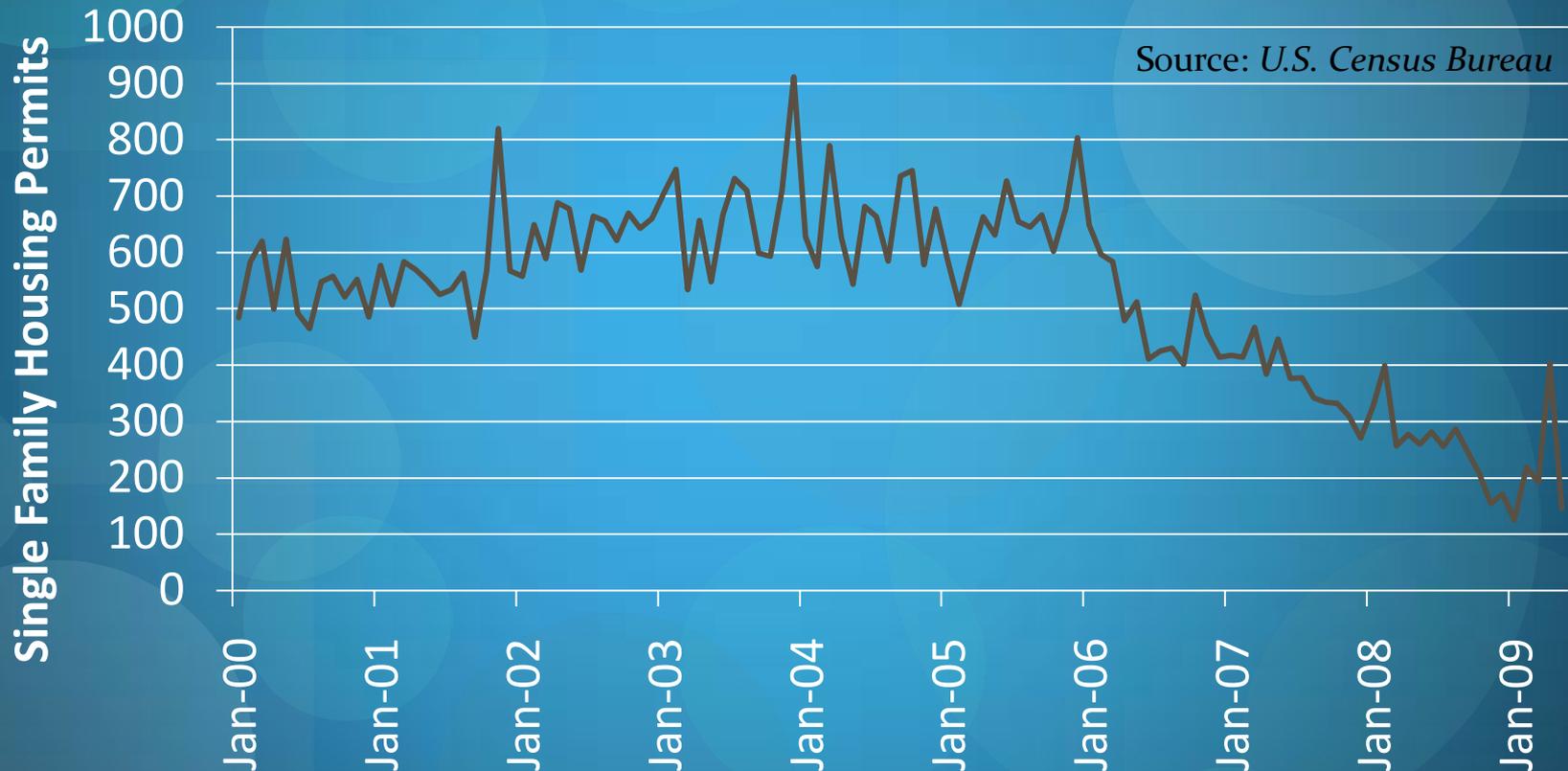
Recurring Charts – Chart 5

Initial Unemployment Claims, Seasonally Adjusted



Recurring Charts – Chart 6

Single Family Housing Permits, Seasonally Adjusted



Staff Recommendation

- Electronic Publication of the Hampton Roads Economic Quarterly
- Release on a quarterly basis to Board Members as well as organizations and individuals who have signed on to the distribution list