

## Retail Sales Grow, but Impacted by E-commerce:

by James Clary

Hampton Roads retail sales grew by \$656 million between 2014 and 2015, a growth of 3.5%. Regional retail sales growth outgrew inflation (1.2%), and several categories of retailers posted even stronger growth. Food and beverage stores (supermarkets, etc.) and food service and drinking places (restaurants and bars) did particularly well, growing by 6% each over the past year.

Only three categories of retailers experienced decline. Electronics and appliance stores have been noted as seeing significant competition from online retailers, as well as from general merchandise stores (Walmart, Target, etc). Sporting goods, hobby, books, and music stores have seen pressure both from e-commerce, but also from the shift to digital formats, and have seen a 6% decline over the past year (they are down 15% from 2006). E-commerce now constitutes 7.52% of all U.S. retail sales, and it will continue to shape the form of retail in the region.

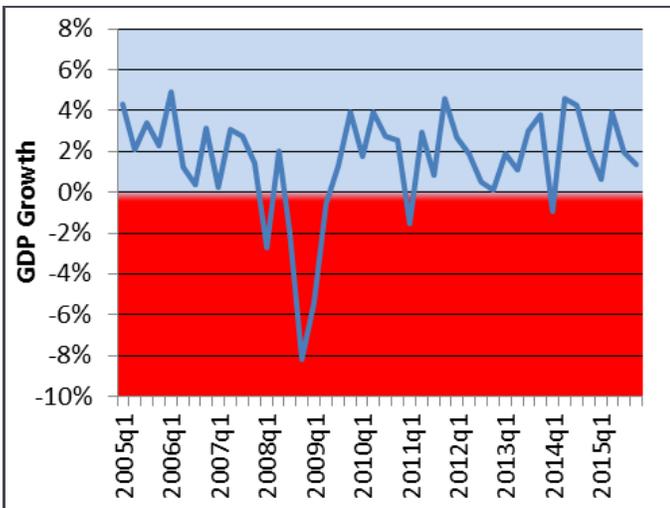
The preliminary estimate of employment growth in March-2016 was 4,600, indicating an expanding economy. That places regional employment within 10,000 of its prerecession peak. The region should reach prerecession civilian employment levels by the end of 2017, 30 months after the nation.

## Hampton Roads Taxable Retail Sales, 2015

Category of Retailer	Sales in Billions	Share of Total	Change '14-'15
General Merchandise Stores	\$3.49	18%	1%
Food and Beverage Stores	\$3.01	15%	6%
Food Services and Drinking Places	\$2.89	15%	6%
Building Material and Garden Equipment and Supplies Dealers	\$1.19	6%	2%
Clothing and Clothing Accessories Stores	\$1.09	6%	2%
Merchant Wholesalers, Durable Goods	\$0.74	4%	-2%
Accommodation	\$0.73	4%	5%
Miscellaneous Store Retailers	\$0.68	3%	4%
Motor Vehicle and Parts Dealers	\$0.59	3%	6%
Furniture and Home Furnishings Stores	\$0.42	2%	2%
Health and Personal Care Stores	\$0.36	2%	5%
Electronics and Appliance Stores	\$0.33	2%	-3%
Repair and Maintenance	\$0.33	2%	6%
Sporting Goods, Hobby, Book, and Music Stores	\$0.31	2%	-6%
All Other	\$3.35	17%	4%
<b>Total</b>	<b>\$19.50</b>	<b>100%</b>	<b>3%</b>

### 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 grew at a 1.4% annualized rate in the 4th quarter of 2015. Economic growth in the fourth quarter was driven by consumption, primarily services for households. Federal government spending and defense spending also expanded in the 4th quarter.

### New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2006 – Mar 2016, Monthly

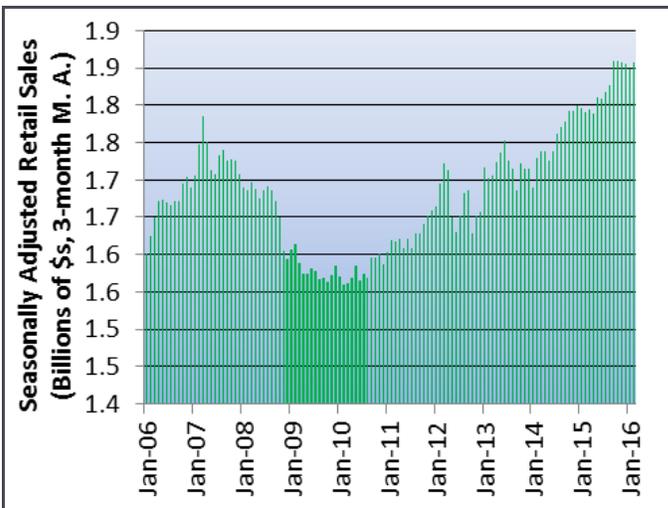


Source: Virginia Automobile Dealers Association, HRPDC

**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 (+17.8%), and this has been one of the strongest positive economic indicators in the region.

### Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2006– Feb 2016, Monthly

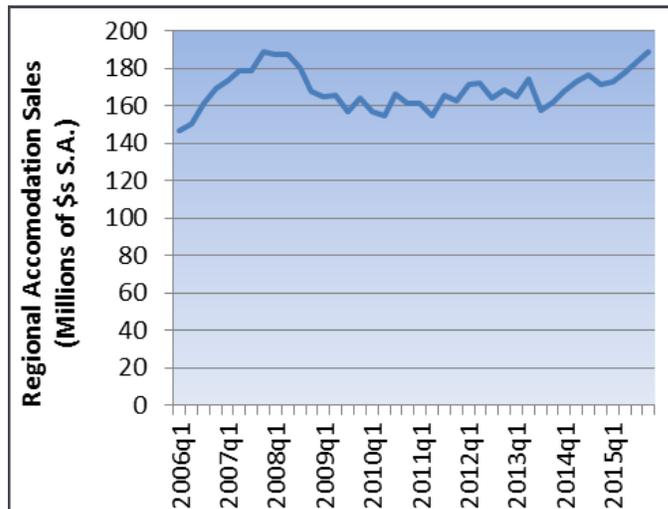


Source: Virginia Department of Taxation, HRPDC

**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 comprises 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 continue to hover around \$1.86B per month in Hampton Roads, 19.1% above the depths of the recession.

### Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2006Q1 – 2006Q2, Quarterly



Source: Virginia Department of Taxation, HRPDC

**Estimated Hotel Revenue:** Hotel sales indicate the performance of the region's tourism sector. Tourism significantly contracted during the great recession and has been following a slow steady growth trend ever since. While seasonally adjusted sales have now passed their prerecession peak, the region's tourism industry still has room for growth.

### Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2006 – Mar 2016, Monthly

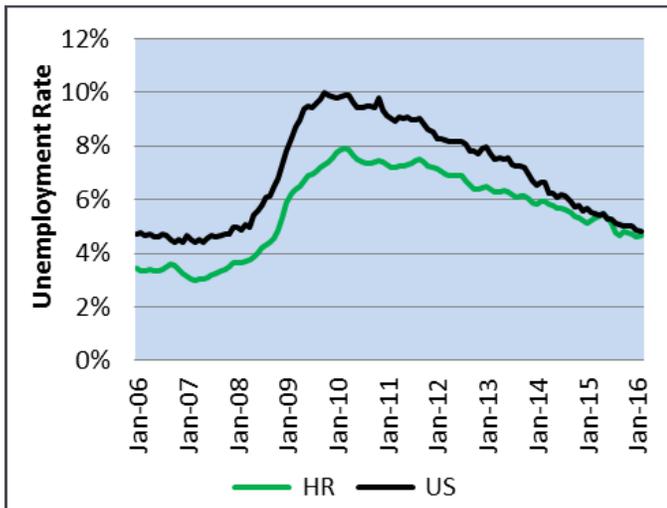


Source: Bureau of Labor Statistics, HRPDC

**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. While growth continues to vary from month-to-month, a stronger trend has emerged, and employment in March-16 was within 10,000 jobs of the prerecession peak. This suggests that the region should fully recover its prerecession employment by the end of 2017.

### Unemployment Rate, Seasonally Adjusted

Hampton Roads, Jan 2006 – Feb 2016, Monthly

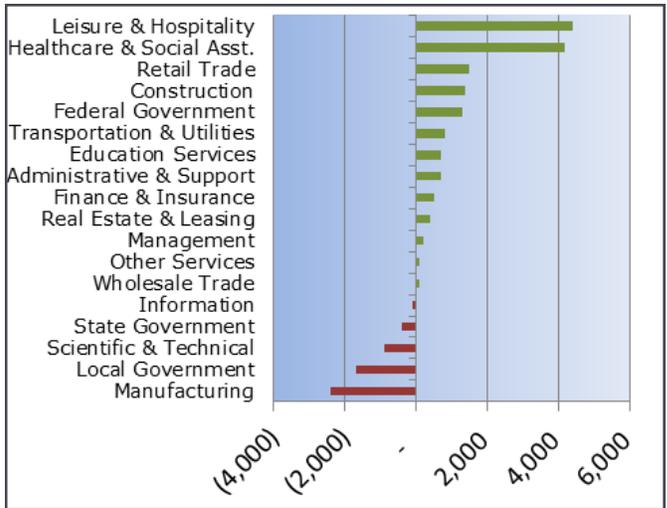


Source: Bureau of Labor Statistics, HRPDC

**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 8,250 persons between February 2015 and 2016, and the number of people indicating they were employed declined by 3,000 during that same time period, indicating weakness in the labor market.

### Employment Growth by Industry

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

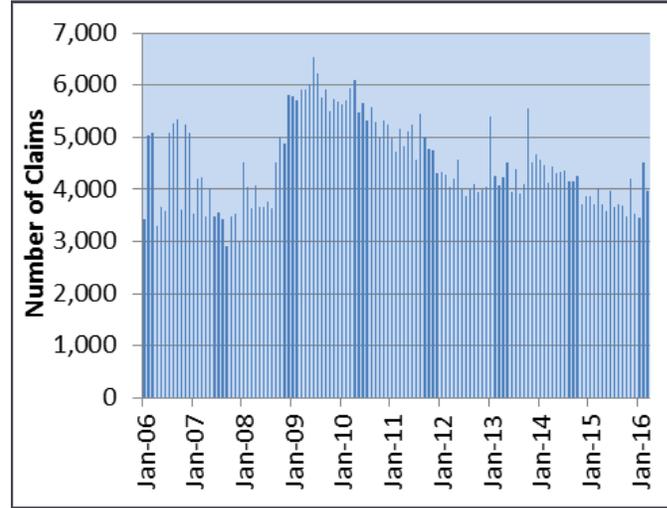


Source: Bureau of Labor Statistics, HRPDC

**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. Pressure on manufacturing employment nationwide, and ship and boat building and repair regionally has resulted in fewer jobs in this industry. Local government employment continues to decline year-over-year, as the housing price correction continues to decrease local government revenue, increasing budget pressures. Leisure and hospitality employment continues to grow.

### Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2006 – Mar 2016, Monthly

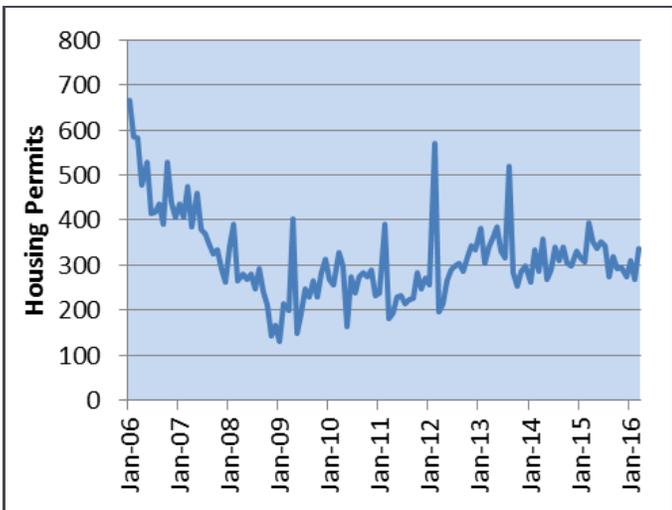


Source: Virginia Department of Labor, HRPDC

**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. Over the past two months initial unemployment claims have increased regionally, which is inconsistent with the growth in regional unemployment over the past two months. It is likely that these claims are a short term phenomena, but it bears watching.

### Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2006 – Mar 2016, Monthly

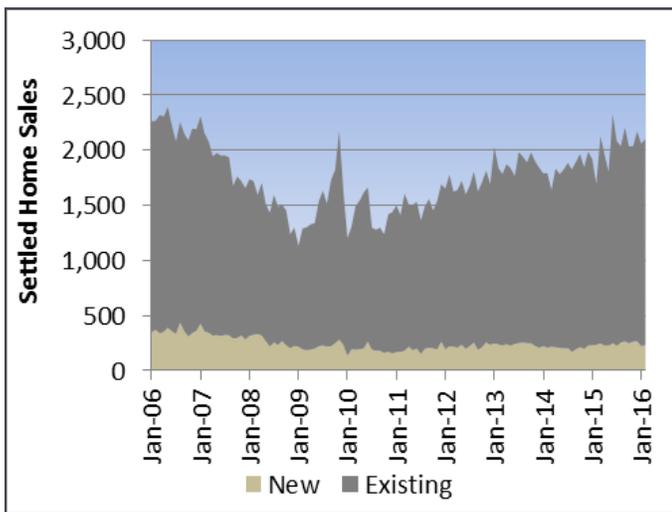


Source: U.S. Census Bureau, HRPDC

**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

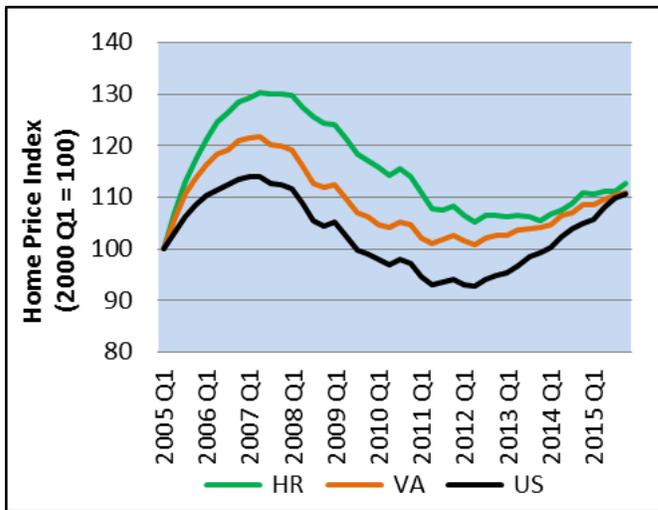


Source: REIN, HRPDC

**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

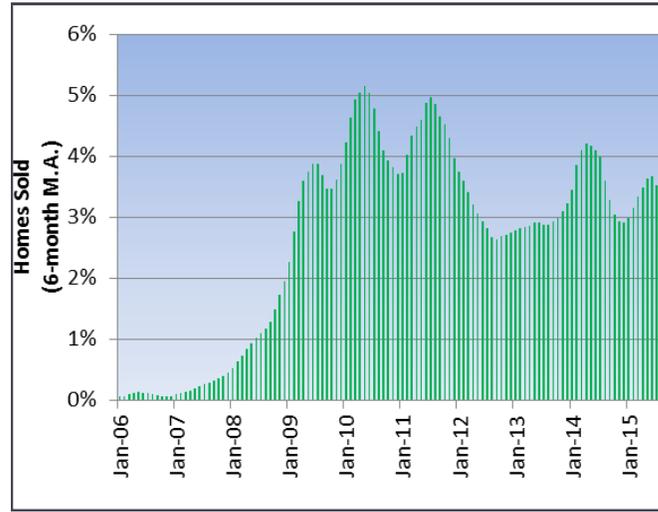


Source: Federal Housing Finance Agency, HRPDC

**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 2006 – Mar 2016, Monthly



Source: Zillow, 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.