

## Idiosyncrasies in Construction Data

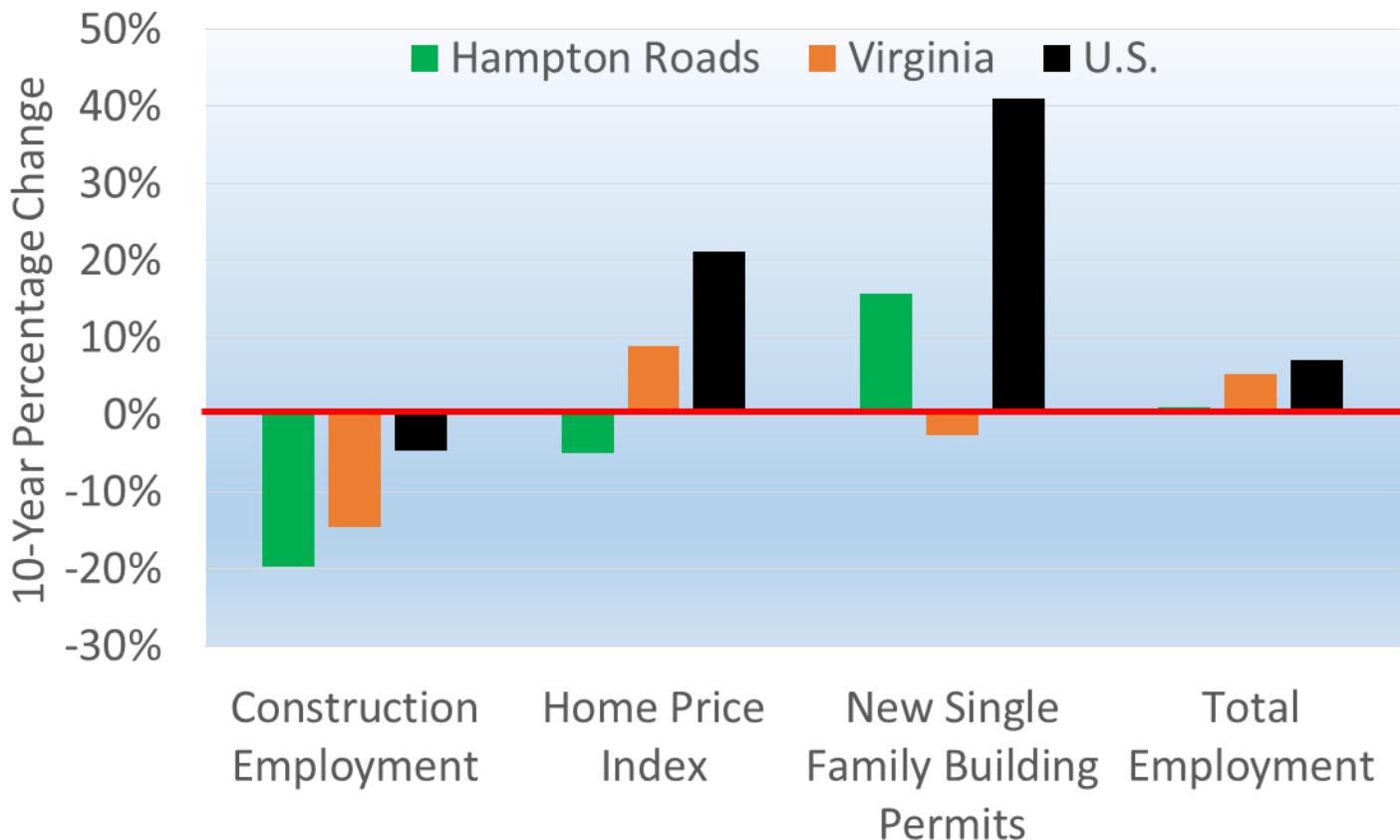
Hampton Roads' construction employment remains 7,800 positions below employment levels of a decade ago. This is unsurprising given the size of the housing bubble when it burst in 2007 and the impacts of the Great Recession. As a baseline, total employment has increased 1.0% in the region, 5.2% in Virginia, and 7.0% nationally. Holding all else constant, changes in the housing market should be proportional to those employment changes. However, interesting differences arise when comparing these indicators on the regional, state, and national levels.

First, construction employment remains significantly lower in Hampton Roads and Virginia as compared to the nation over a similar period. To some extent, this reflects the ability of the labor force to move about the country to areas that remain in high demand, as well as the varied nature of the construction industry, which includes industrial construction and commercial construction in addition to residential construction.

The home price index remains below its 2008 levels in Hampton Roads, and home prices in Virginia have not grown at the same pace as in other states. While slower economic recovery could be attributed to this trend, the Commonwealth has recovered similarly to the nation as a whole. One explanation is that both the region and the state saw home prices increase more quickly than the nation during the bubble, so both require greater adjustment to prices and more time to properly recover.

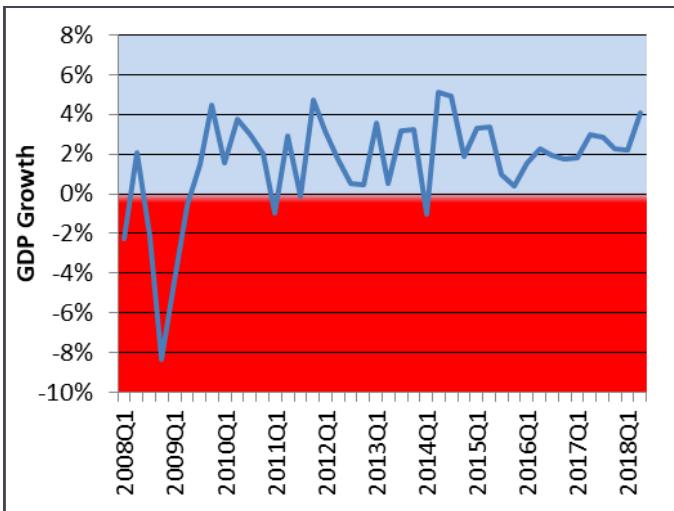
Lastly, single family permitting remains extremely depressed in the Commonwealth, though not in the region. This is remarkable given that employment and single family permitting are decoupled at all levels.

## Construction and Real Estate 10-Year Change (12-month Moving Average)



## GDP, Annualized Growth Rate

United States, 2008Q1 – 2018Q2, 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. Real GDP growth jumped to 4.1% in Q2 2018, driven primarily by strong consumer spending (also grew 4.1%). Additionally, national defense spending grew an impressive 5.5% last quarter, which usually yields large benefits to the region.

## New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2007 – Jul 2018, Monthly

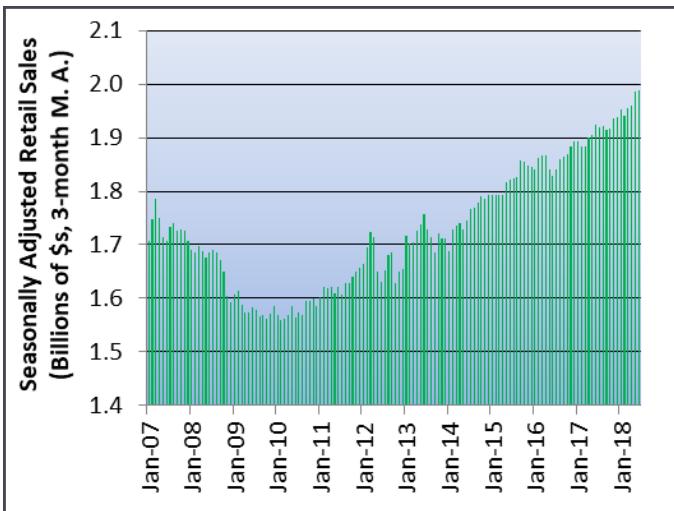


Source: Virginia Automobile Dealers Association, HRPDC

**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 continued to be slightly weaker than recent history, falling to 6,753 in July, below the long-term average of 7,010 for the region. While sales have not fallen to a disturbing level, one would expect a higher level of sales in Hampton Roads if the economy continues to expand.

## Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2007– Jun 2018, Monthly

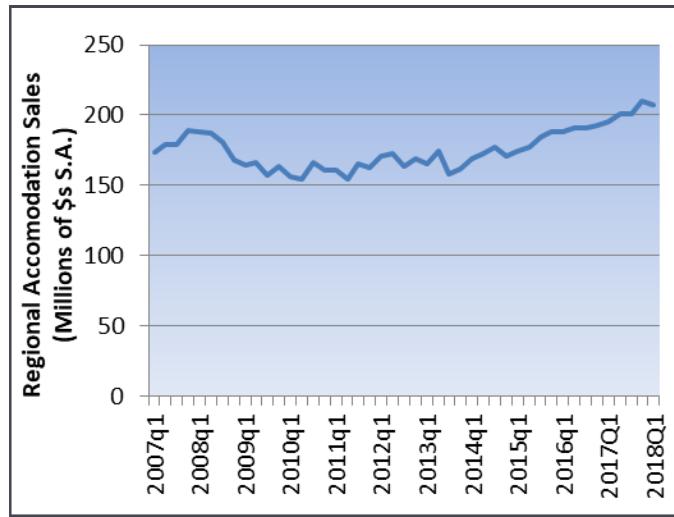


Source: Virginia Department of Taxation, HRPDC

**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. Hampton Roads' taxable monthly sales, which inched slightly higher to \$1.99B (seasonally adjusted 3-month average) in June 2018, are now 11.4% above pre-recession highs and 27.5% greater than sales during the recession. Typically there is a pattern of sales accelerating in summer months, and while May's sales grew strongly year-over-year, June's growth disappointed by that standard.

## Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2007Q1 – 2018Q1, Quarterly



Source: Virginia Department of Taxation, HRPDC

**Estimated Hotel Revenue:** Hotel sales indicate the performance of the region's tourism sector. In Q1 2018, accommodation sales fell by 1.2% regionally to \$207 million (seasonally adjusted). While this was a small step back, sales were still 6.0% higher than in Q1 2017. The first quarter typically has the lowest level of sales and thus less impact on the industry. As employment & leisure and hospitality has already grown in May, there are high expectations for this summer.

## Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2007 – Jul 2018, Monthly

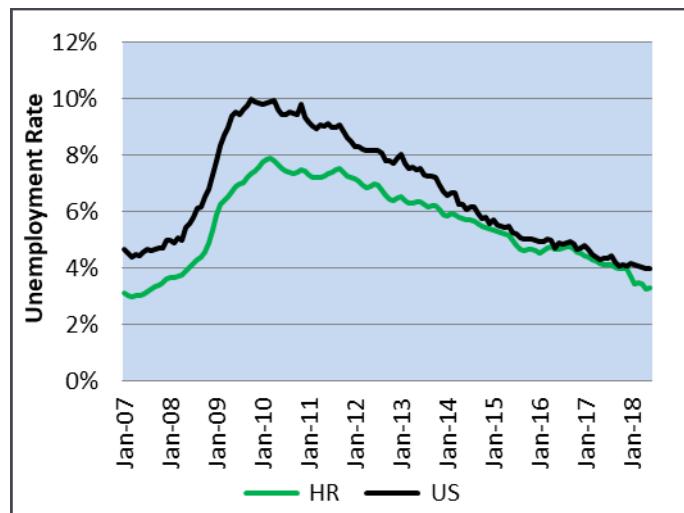


Source: Bureau of Labor Statistics, HRPDC

**Employment:** Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. Hampton Roads' employment reached a new apex as employment grew by 600 jobs to 785,200 in July 2018. While the region needs to continue to grow significantly to catch up with the state and the nation, it is hard to argue against continued economic growth since employment was up 1.03% year-over-year in July.

## Unemployment Rate, Seasonally Adjusted

Hampton Roads and U.S., Jan 2007 – Jun 2018, Monthly

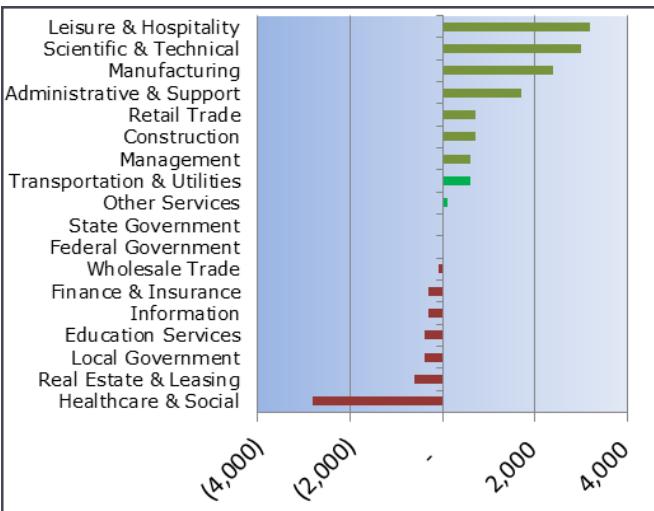


Source: Bureau of Labor Statistics, HRPDC

**Unemployment Rate:** The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. Hampton Roads' unemployment rate remained steady at 3.31% in June 2018 up just slightly from 3.25% in May, but increasing labor force participation drove this small increase. Hampton Roads' unemployment remains remarkably low compared to its reference MSAs, and has returned to reflect unemployment similar to the rest of the state.

## Employment Growth by Industry

Hampton Roads Jul 2018 – Jul 2017, Year-over-Year

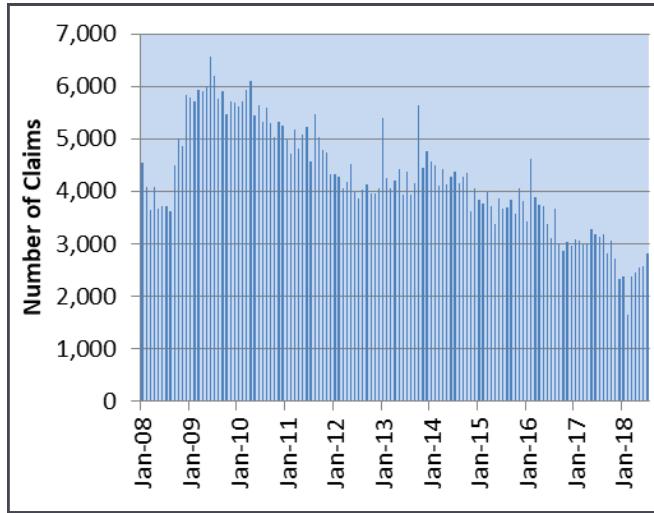


Source: Bureau of Labor Statistics, HRPDC

**Employment Growth by Industry:** As the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. What a different a decade makes. Leisure & hospitality (3,200), scientific & technical (3,000), as well as manufacturing (2,400) employment have all grown strongly. These industries employ individuals with a range of education and signal that current economic growth has had impacts throughout the workforce.

## Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2008 – Jul 2018, Monthly

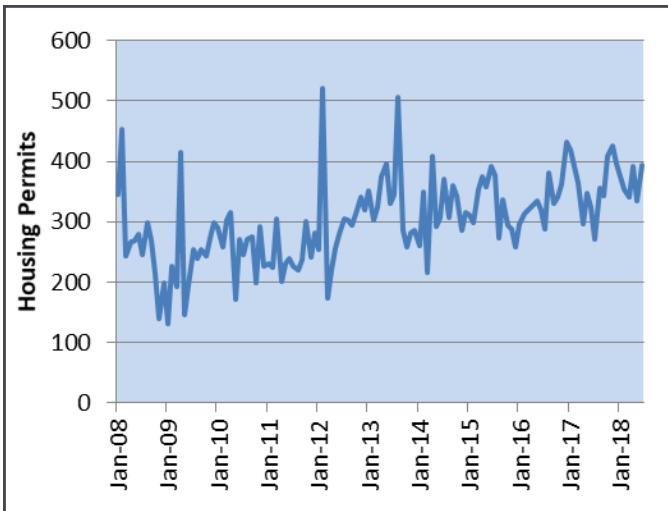


Source: Virginia Department of Labor, HRPDC

**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. The region's initial unemployment claims continue to increase since hitting an extremely low level in February 2018, making another significant jump to 2,802 claims in July 2018. While increasing claims produce a certain level of concern, the level of claims are consistent with the region's long-term average (3,805/month).

## Single Family Housing Permits, Seasonally Adjusted

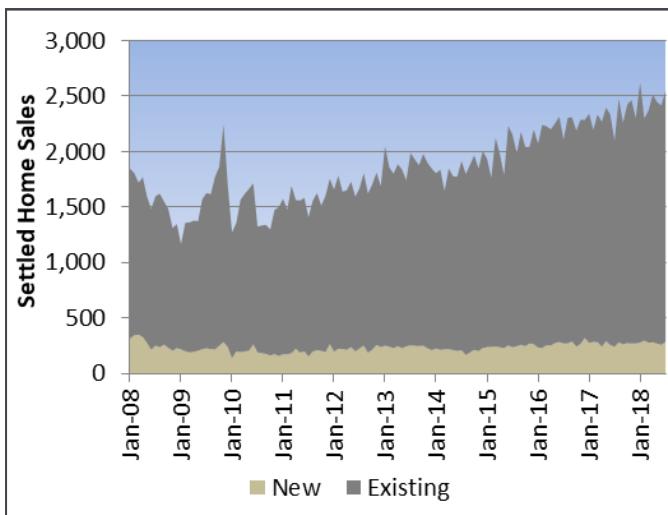
Hampton Roads, Jan 2007 – Jun 2018, Monthly



**Single Family Housing Permits:** Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Seasonally adjusted single family permits increased by 94 in June 2018, and while this level remains below the long-term average (394 vs 451), it reinforces the strength trend experienced by other parts of the regional economy.

## Number of Homes Sold, Seasonally Adjusted

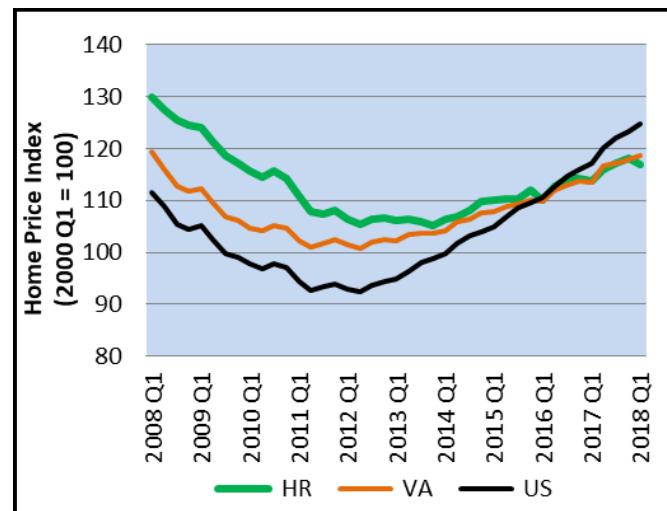
Hampton Roads, Jan 2007 – Jul 2018, Monthly



**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. Existing home sales rose to 2,264 in July 2018, the highest level since December of 2005. This was also a strong month for new home sales, increasing to 285 on a seasonally adjusted basis, though this remains below the levels seen during the housing boom.

## Home Price Index, All Transactions

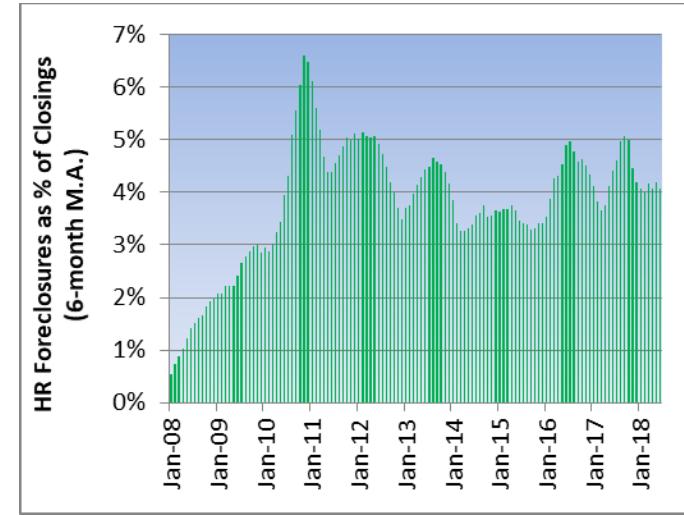
Hampton Roads, 2008Q1 – 2018Q1 Quarterly



**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' home prices increased in Q3 2017, and are 2.8% above the price levels during the same time last year, as well as below the growth rate of home prices statewide (4.4%), and nationwide (6.6%). Regional home values remain 10.4% below 2007 levels.

## Foreclosures and Distressed Sales

Hampton Roads, Jan 2008 – Jun 2018, Monthly



**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. Distressed homes' share of total sales has particularly been shown to have an impact on the sale price of existing homes. While there continue to be fluctuations in foreclosures percentage of the home market, the level is still elevated from the housing boom. Foreclosures are at the upper end of the range one would expect given regional market conditions.