

A Very Shellfish Economy

Whether it's oyster stuffing at the Thanksgiving table, an oyster roast outside as the weather starts to cool down, or good old oysters on the half shell in a month ending with "R," if it's at a Hampton Roads restaurant, it is almost certainly an Eastern Oyster. The species was once so ubiquitous in the Chesapeake Bay that the Latin name for the shellfish is actually *Crassostrea Virginica*.

Hampton Roads' identity is closely tied with its waterways – could its economy be connected as well?

According to the National Oceanic and Atmospheric Administration (NOAA), harvests of oysters are now at 1% or less of historical levels due to harvesting, disease and changes in water quality, among other factors. When oyster harvests began to collapse in Virginia (and nationwide) in the 1960's through 80's, the value of those landed (brought to shore to be sold) did not change drastically. However, as oysters begin to recover, their associated values are skyrocketing.

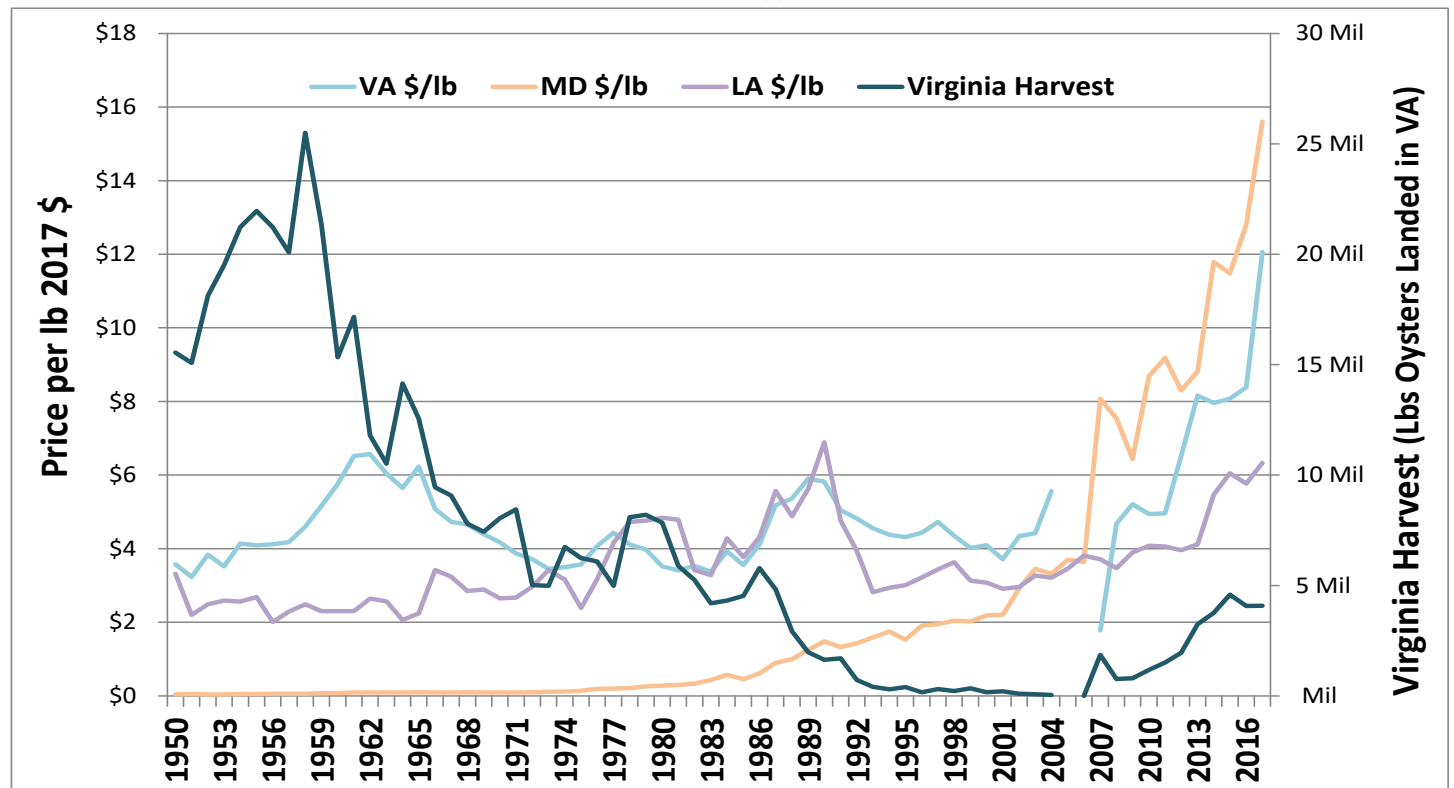
Louisiana, once the largest oyster producing state in the nation, faced major disruptions in oyster harvests after Hurricane Katrina in 2005, the Deepwater Horizon oil spill in 2010, and the record rain and snow in the Midwest, inundating the Gulf of Mexico with freshwater. Because oysters need salty water to survive, this has led to shortages and soaring prices. The below chart shows NOAA data through 2017 only, comparing Louisiana oyster prices with Virginia and Maryland – Chesapeake Bay states.

If there are shortages of oysters landed in the region, local businesses could be affected in several ways. Watermen will turn less of a profit if they are unable to harvest as many bushels as in previous years, and may in turn need to increase their prices per bushel, which will trickle its way down to the consumer, who may pay a higher market price at the oyster bar.

Here in Hampton Roads, seafood wholesaler George's of Norfolk reported similar prices to the 2018 season for oysters from the eastern shore, and a slight increase in those from the James River. Interestingly, heavy rainfall doesn't affect the eastern shore harvest, but the high tides and northerly winds the region has been experiencing this season has made it more difficult for oystermen to reach the beds. In contrast, those higher tides have pushed salty water further into the James River this season, improving its harvest – likely one of the most important oyster producing areas in the world according to Virginia Marine Resources Commission. In 2018, oysters harvested in the James River alone accounted for nearly 40% of Virginia's market value.

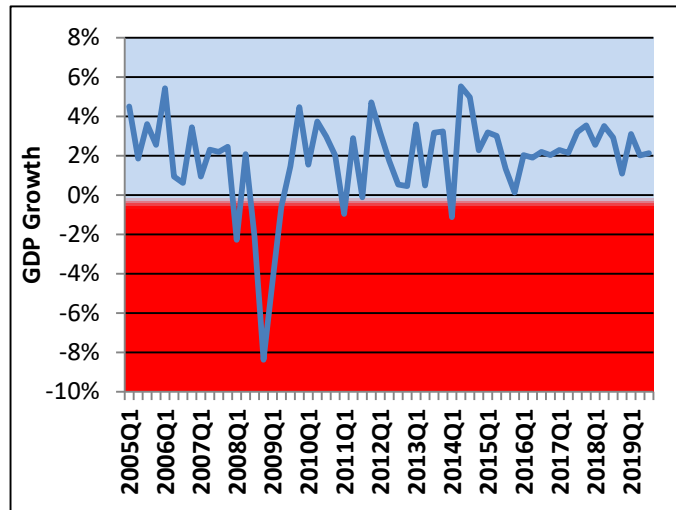
What was once an affordable food for the masses is now becoming more expensive. But as areas like Louisiana struggle with their harvests, could Hampton Roads step in?

Historical Oyster Price per lb — VA/MD/LA



GDP, Annualized Growth Rate

United States, 2005Q1 – 2019Q3, Quarterly

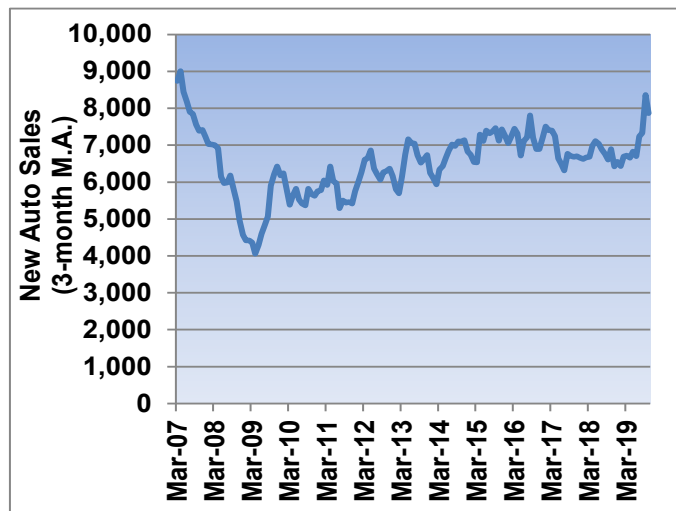


Source: Bureau of Economic Analysis, HRPDC

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Real GDP grew, albeit slightly, to 2.1% in Q3 2019 (revised from initial estimates for a Q3 slowdown at the end of Oct). The growth is driven in part by consumer spending (+2.9% over Q2), residential investment, which rose 5.1% over Q2 after six consecutive quarters of declines, and exports (+0.9% over Q2, following a 5.7% loss compared to Q1). National defense spending grew for the 8th consecutive quarter (+2.2%).

New Car Sales, Seasonally Adjusted

Hampton Roads, Mar 2007 – Oct 2019, Monthly

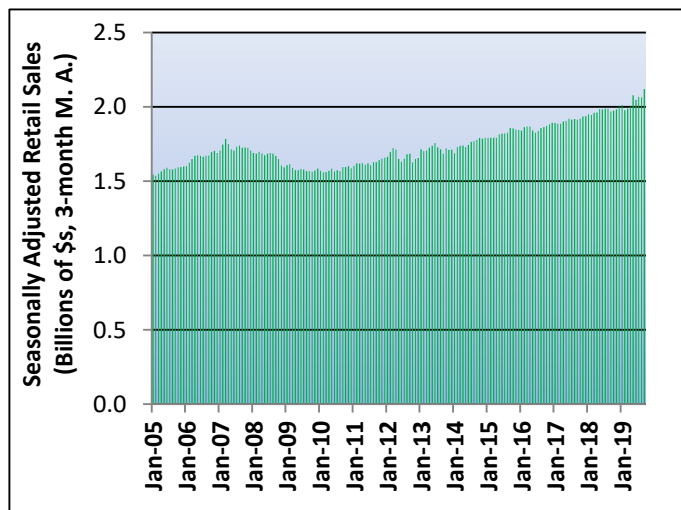


Source: Virginia Automobile Dealers Association, HRPDC

New Car Sales: Car sales, as a durable good, may be put off until an individual's economic prospects improve; thus, the number of new car sales indicates the level of confidence that households in Hampton Roads have in their financial future. Car sales in October decreased from the previous month (an unusually strong September), still following the upward trend that has been observed over the past year or so.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2005– Sep 2019, Monthly

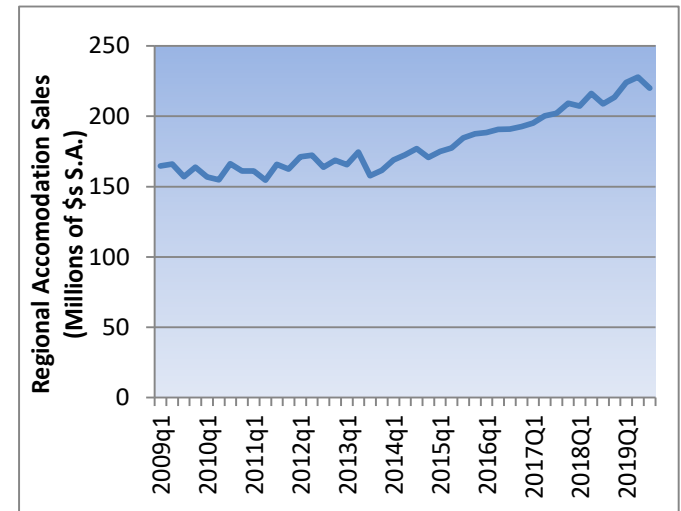


Source: Virginia Department of Taxation, HRPDC

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. Retail sales have bounced around, but after a surprisingly weak June, they recovered in July, followed by two more strong months (seasonally adjusted 3 month M.A.). Sales increased by 7.8% year-over-year in August, and 6.6% in September, making it Hampton Roads' best September for retail sales in recent years.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2009Q1 – 2019Q3, Quarterly

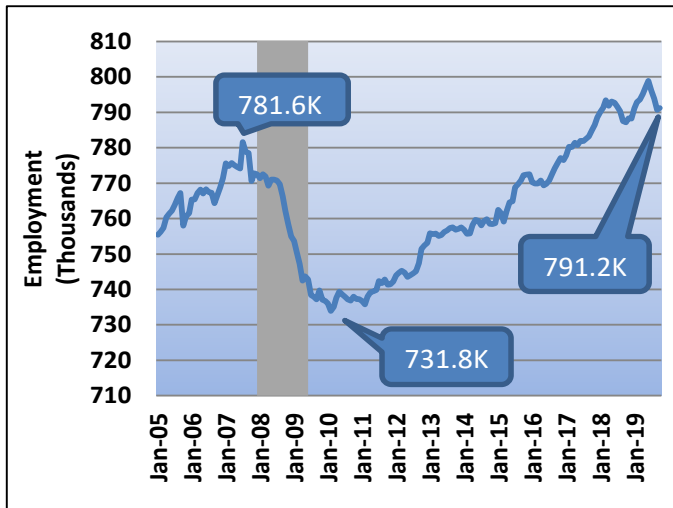


Source: Virginia Department of Taxation, HRPDC

Estimated Hotel Revenue: Hotel sales indicate the performance of the region's tourism sector. In Q3 2019, accommodation sales decreased by 3.5%, settling at \$220 billion for the quarter. This continues a pattern of slowing sales between second and third quarters in recent years, however, Q3 accommodation sales in 2019 increased 5.4% over Q3 2018. This shows accommodation sales are still trending upward from late-2013 lows.

Civilian Employment, Seasonally Adjusted

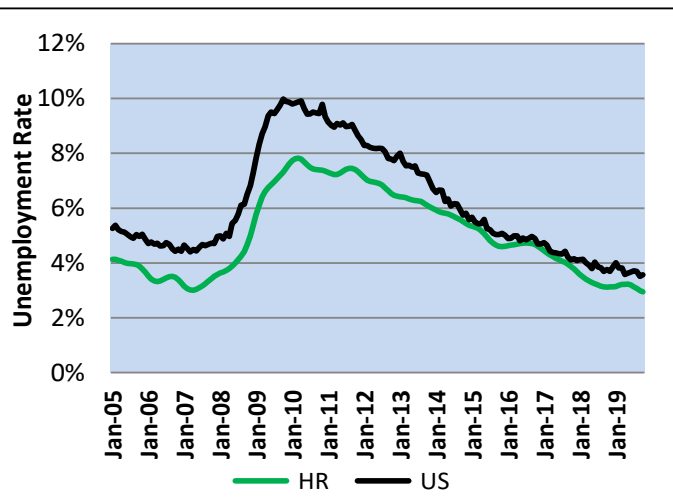
Hampton Roads, Jan 2005 – Sep 2019, Monthly



Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. According to data from the BLS, Hampton Roads employment increased for the first month since a recent high in June, to 791,200 positions in October of 2019. These trends will be important to watch as U.S. employment numbers continue to grow.

Unemployment Rate, Seasonally Adjusted

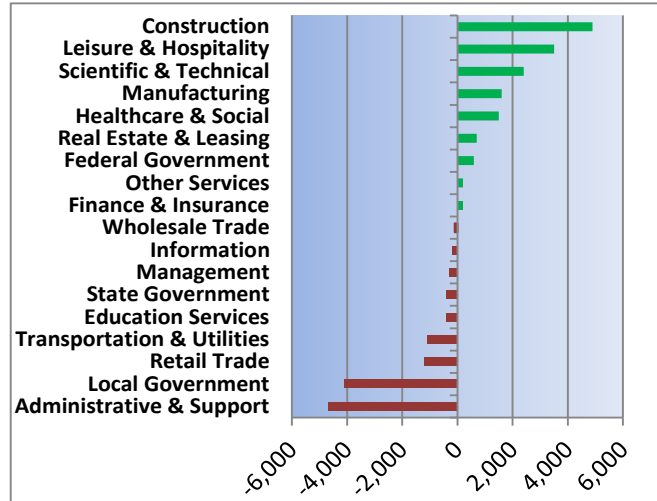
U.S. & Hampton Roads, Jan 2005 – Oct 2019, Monthly



Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work but unable to obtain a position. Hampton Roads' unemployment rate decreased yet again in both September and October 2019 to 2.95%, making it the lowest unemployment rate recorded in the region since spring of 2007, before the Great Recession. Comparatively, the national unemployment rate increased slightly in October from the previous month, still hovering at record lows.

Employment Growth by Industry

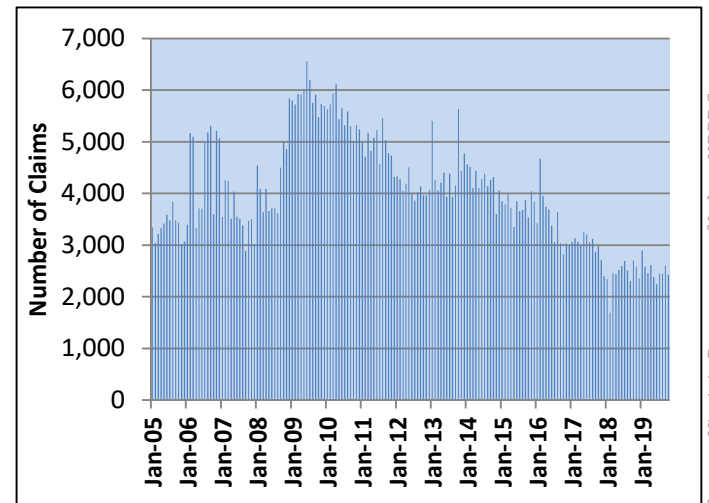
Hampton Roads, Oct 2018 – Oct 2019, Year-over-Year



Employment Growth by Industry: As the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. Several industries have seen significant decline year-over-year using BLS data, including Administrative & Support and Local government. The Construction and Leisure & Hospitality industries continue to see the largest increases in jobs when compared to the previous year, signs of strength due to their key role in the regional economy.

Initial Unemployment Claims, Seasonally Adjusted

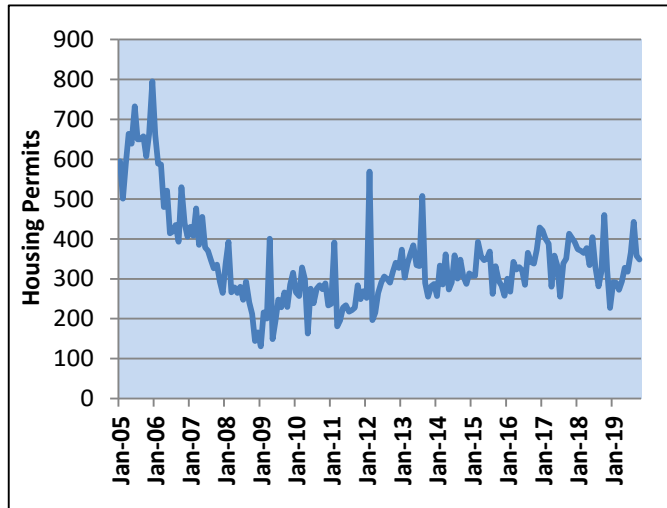
Hampton Roads, Jan 2005 – Oct 2019, Monthly



Initial Unemployment Claims: The number of initial unemployment claims is a leading economic indicator reflecting those who are forced to leave work unexpectedly, thus revealing the strength of the job market with little lag time. Seasonal adjusted unemployment claims decreased in October of 2019 to 2,426 claims. This decrease in claims represents a 10.2% decrease from this same month last year.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2005 – Oct 2019, Monthly

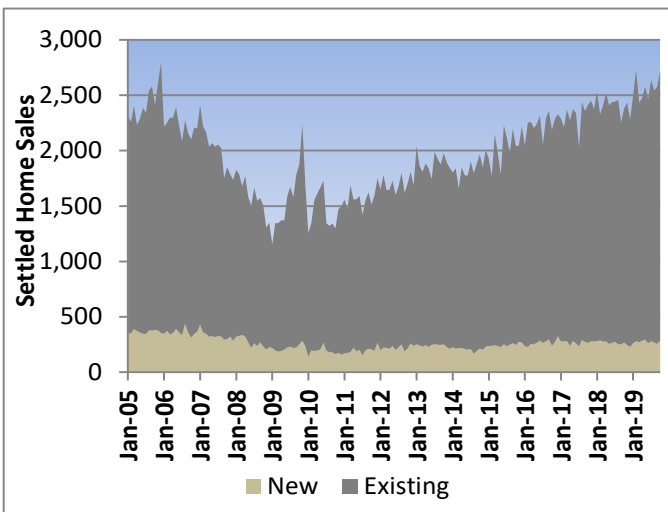


Source: U.S. Census Bureau, HRPDC

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. The level of new construction permitting for single family homes in October decreased for the second month in a row to 348 permits, yet still well above the numbers for the first half of 2019. As the market continues to respond to the recently lowered federal interest rates, this indicator will be interesting to watch closely.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2005 – Oct 2019, Monthly

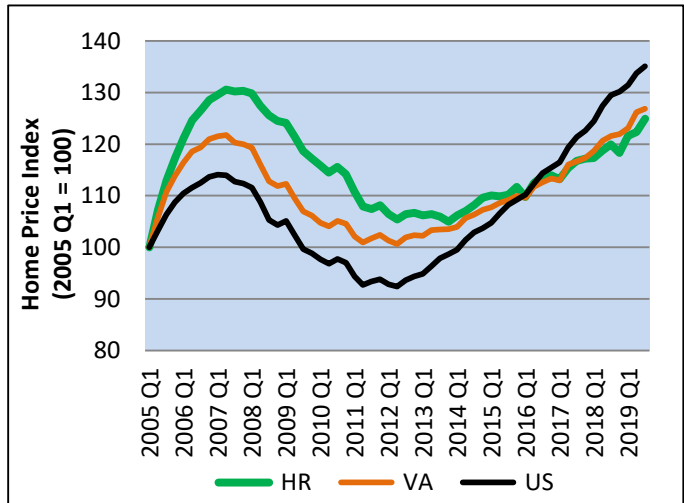


Source: REIN, HRPDC

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. The levels of existing home sales have been strong recently, with sales maintaining the same average level as during the housing boom in 2005. New construction sales saw their highest numbers since May of this year, continuing to represent roughly 10% of all sales.

Home Price Index, All Transactions

Hampton Roads, 2005Q1 – 2019Q3 Quarterly

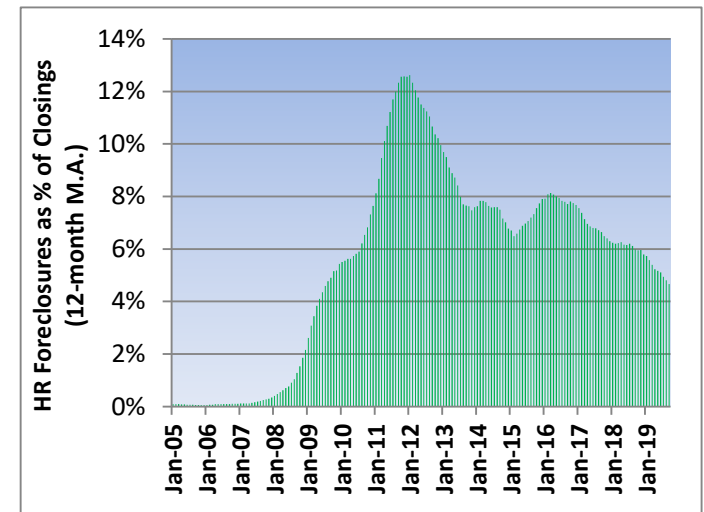


Source: Federal Housing Finance Agency, HRPDC

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' home prices increased, yet again, by 4.2% over the previous year in Q3 2019, remaining below both the state and the nation. Regional housing values remain 4.3% below those seen during the peak of the housing boom.

Foreclosures and Distressed Sales

Hampton Roads, Jan 2005 – Sep 2019, Monthly



Source: Zillow, HRPDC

Foreclosures: Foreclosures have a significant impact on the real estate market and community, depressing home values on a neighborhood and regional level. Distressed homes' share of total sales has particularly been shown to impact the sale price of existing homes. The foreclosure level is still elevated from the housing boom. Foreclosures constituted 4.7% of all home resales in August of 2019, down from a recent high of 8.1% in April of 2016 (12-month average).