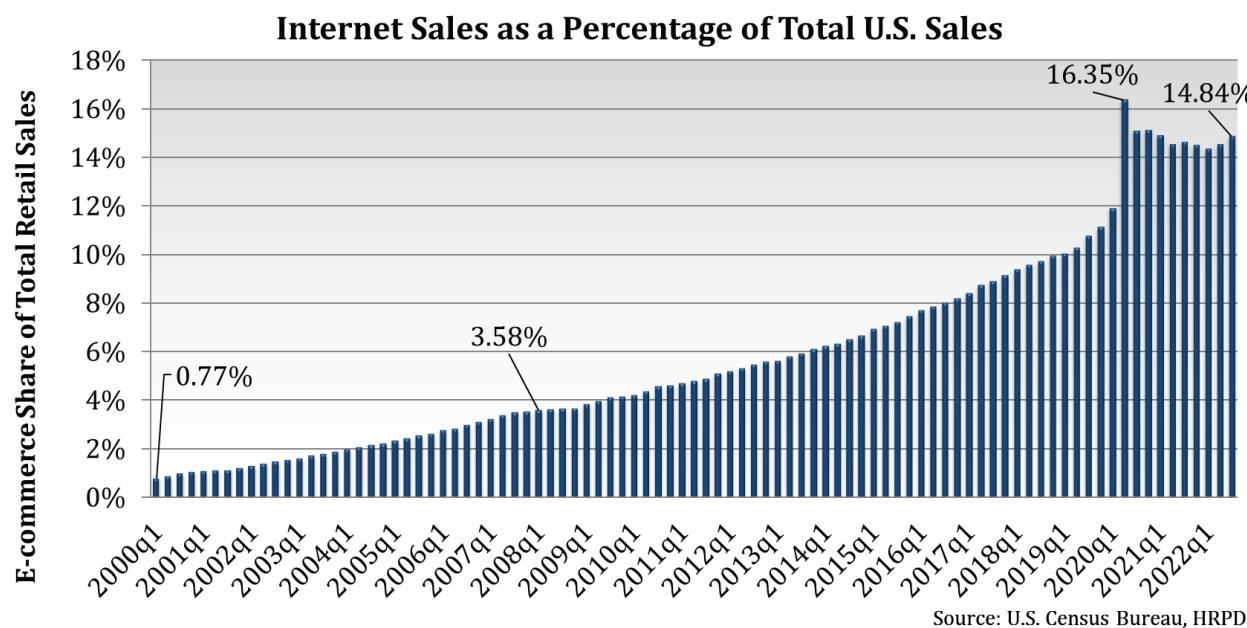


THE RISE OF E-COMMERCE

The holiday season is upon us – and along with turkeys, twinkle lights, and maybe the return of office holiday parties always comes something else – shopping. And in recent decades – online shopping. As holiday packages are delivered to the front steps of homes all over the country, have you ever wondered how e-commerce sales have changed over time?

The US Census defines e-commerce sales as sales of goods and services where the buyer places an order, or the price and terms of the sale are negotiated via the Internet, mobile device, email, or other comparable online system. This statistic is measured quarterly, and began being reported in 2000, right after Y2K but actually six years after Amazon – the now notorious online marketplace – was founded. As shown in the chart below, in early 2000 internet sales represented just under one percent of total US sales, growing at a steady pace through to the end of 2019, with a brief slowdown during the Great Recession. As is clear in the chart, COVID-19 changed a lot about how Americans live – and how they shopped was definitely one of them. In the second quarter of 2020, internet sales represented over 16% of total US sales, a jump from the previous quarter of over 30%. While there was a clear spike in “distance shopping” during the early months of the pandemic due to stay-at-home orders and fear of catching the virus, the decline in quarters following strongly suggests e-commerce sales are falling back to the pre-established trend of gradual (yet slightly faster than the 2000's and early 2010's) increases. The pandemic-related boost may have been temporary, but the trend is going nowhere but up.

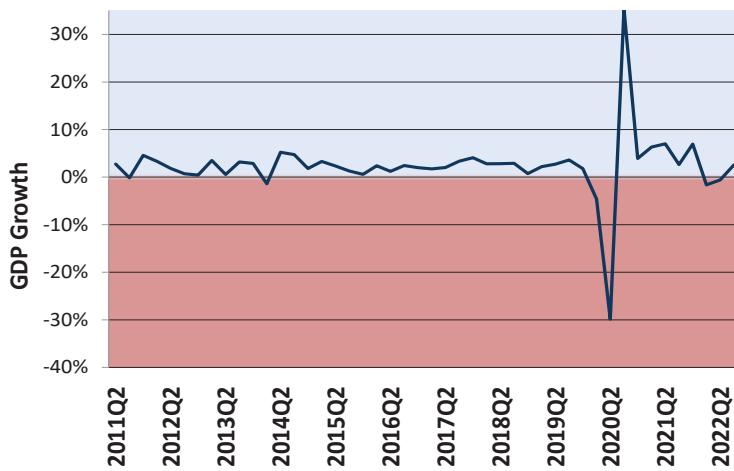


While this data is only available at a national level, there are certainly regional implications. As the share of internet sales continues to increase, local businesses are likely to feel the impact, since consumers who may have shopped locally are instead doing their shopping online, with retailers all over the globe. Those retailers are also less likely to have local hires or pay property taxes to localities, since they may be located anywhere. However, in 2018 the Supreme Court of the United States ruled on *South Dakota v. Wayfair, Inc.*, changing the way sales tax is collected in the country. Under the old rule, if an out-of-state seller lacked a physical presence in a state, that state could not require it to collect sales tax from the buyer. After the *Wayfair* decision, a state may require an out-of-state seller—even one with no physical presence in that state—to collect sales tax, as long as the state can demonstrate a connection (like volume of in-state sales). This ruling made it easier for states to collect sales tax from out-of-state sellers, partially explaining an increase in sales tax collections alongside declining retail employment in Hampton Roads in the past few years.

GDP, ANNUALIZED GROWTH RATE (Q) SOURCE: BUREAU OF ECONOMIC ANALYSIS, HRPDC

	Q3 2021	Q3 2022	Trend
United States	2.7%	2.6%	▲

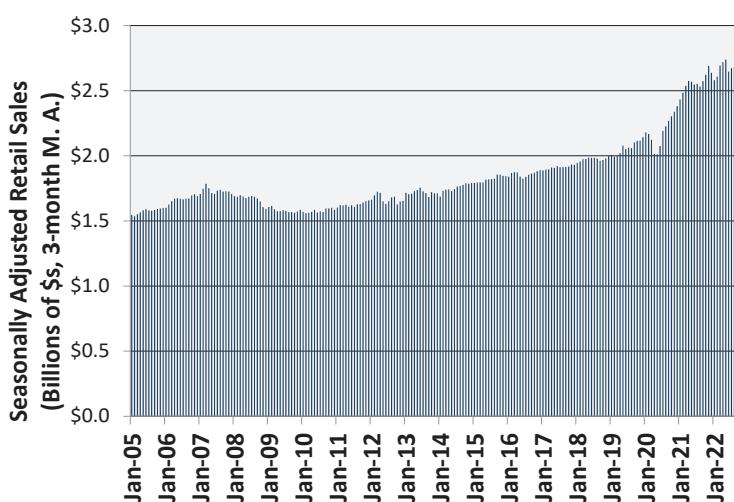
GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Real GDP increased by 2.6% in Q3 2022, the first quarter of increases after two quarters in a row of declines. Q3 increases were driven strongly by net exports of goods and services (mostly in the goods category), the second quarter in a row of increases after seven consecutive quarters of declines. Personal consumption expenditures also increased by 1%, driven solely by increases in spending on services.



RETAIL SALES, SEASONALLY ADJUSTED (3 MONTH M.A.) SOURCE: VIRGINIA DEPARTMENT OF TAXATION, HRPDC

	Aug '22	Sep '22	Trend
Hampton Roads	\$2.68B	\$2.78B	▲
Virginia	\$14.48B	\$14.87B	▲

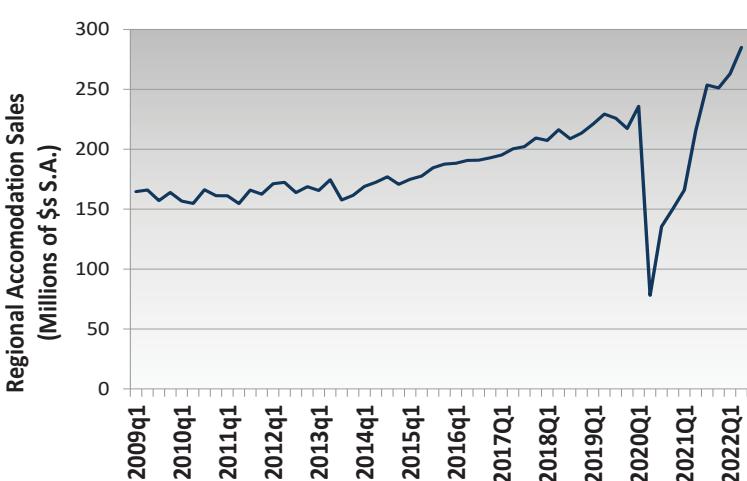
Retail Sales: Retail sales in Hampton Roads, as measured by the 1% local option sales tax, serve as an indicator for consumption in the region. When seasonally adjusted and averaged over 3 months, September shows increased sales for the third month in a row after a slight decline in June. Unadjusted, Sept 2022 shows a 4.5% increase over Sept 2021, and a 24% increase over August 2020. Retail sales are continuing to rise as consumers spend more on goods and prices increase, but the pace continues to slow.



ESTIMATED HOTEL REVENUE, SEASONALLY ADJUSTED (Q) SOURCE: VIRGINIA DEPARTMENT OF TAXATION, HRPDC

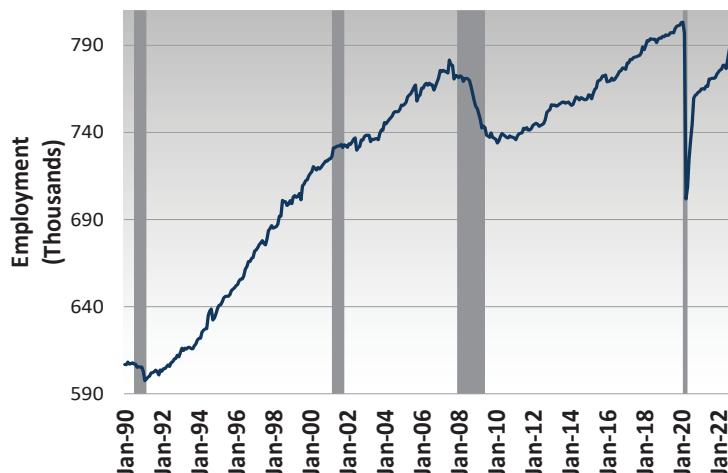
	Q2 2021	Q2 2022	Trend
Hampton Roads	\$216M	\$285M	▲
Virginia	\$689M	\$1.09T	▲

Estimated Hotel Revenue: Hotel sales indicate the performance of the region's tourism sector. When seasonally adjusted, Q2 2022 hotel revenue once again saw significant improvement from the historic lows realized in Q2 2020 due to pandemic-related closures, increasing over the preceding quarter by over 8%. Hotel revenue in Q2 2022 represented over 32% increase over the previous year, and roughly 25% increase from Q2 2020.

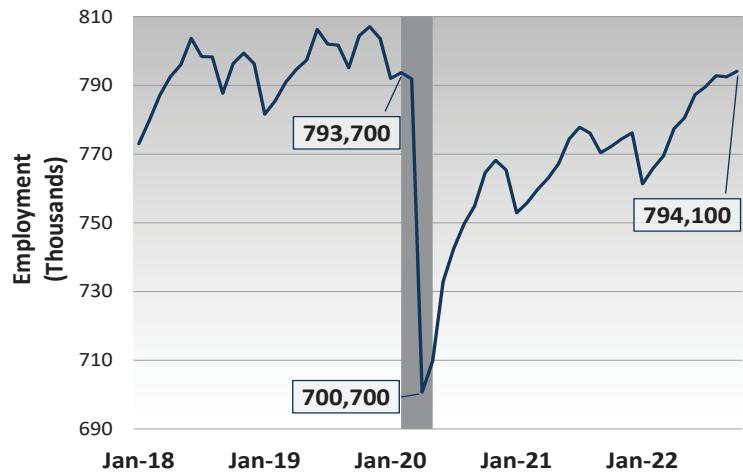


CIVILIAN PAYROLL EMPLOYMENT (M) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

HISTORICAL TREND, SEASONALLY ADJUSTED



3-YEAR, NOT SEASONALLY ADJUSTED



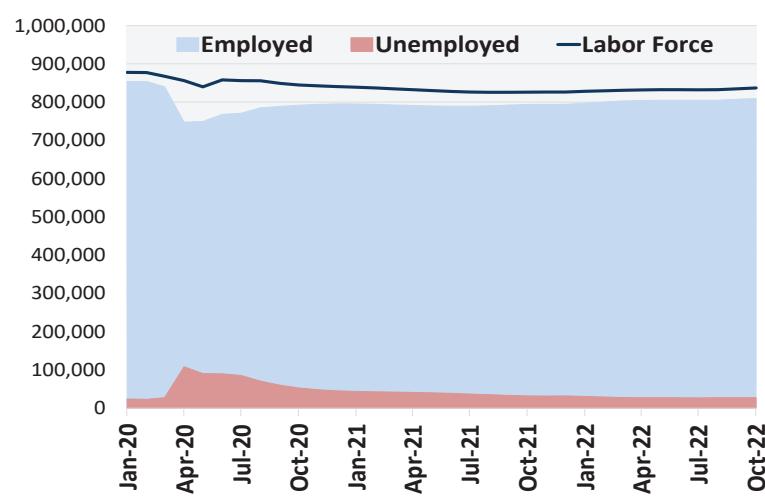
(seasonally adjusted)	Oct 2021	Sep 2022	Oct 2022	YoY % Change	MoM Trend
Hampton Roads	771,000	792,600	791,600	2.67%	▼
Virginia	3,973,000	4,094,000	4,101,000	3.21%	▲
United States	148,005,000	153,047,000	153,308,000	3.58%	▲

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 Bureau of Labor Statistics, Hampton Roads employment (seasonally adjusted) decreased by 0.13% from September to October 2022, marking a decline after three months of increases. Unadjusted employment levels increased after a slight decline the previous month. In Hampton Roads, year-over-year growth is recorded at 2.67%, continuing to signal that overall the workforce is recovering from COVID losses, but the recent slowdown may be a sign of stagnation. Compared to the rest of Virginia and the US, Hampton Roads is lagging significantly in annual employment growth. Total adjusted payroll employment in the region remains roughly 1.42% below pre-COVID highs, with the gap continuing to shrink in the long-term.

LABOR FORCE, SEASONALLY ADJUSTED (M) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

	Labor Force	Emp	Unemp	LF Trend
Sep 2022	834,671	807,487	27,184	
Oct 2022	836,782	809,358	27,424	▲

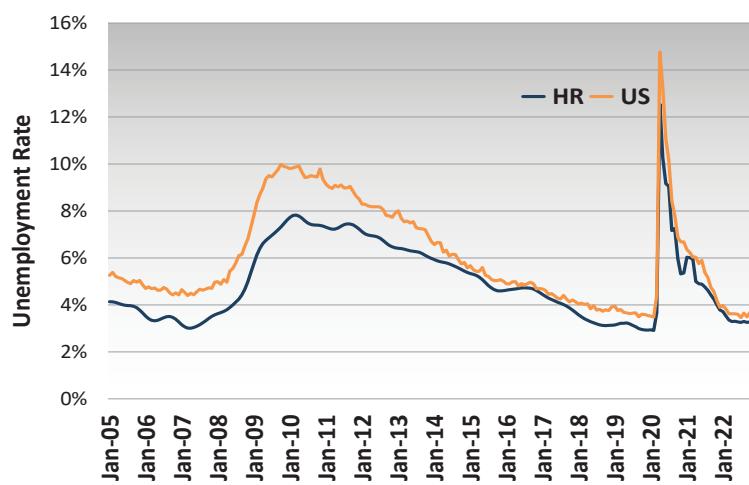
Labor Force: An economy's labor force is defined as those who are either employed or actively seeking work, and the breakdown of the labor force is often used in conjunction with the unemployment rate to offer some perspective into the true state of the economy. The region's labor force was slowly declining since the onset of the pandemic, but began increasing roughly one year ago. Since the low in August 2021, the Labor Force has grown 1.3%, but levels still sit roughly 4.7% below January 2020 levels.



UNEMPLOYMENT RATE, SEASONALLY ADJUSTED (M) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

	Oct '21	Sep '22	Oct '22	Trend
Hampton Roads	3.89%	3.26%	3.28%	▲
Virginia	3.55%	2.60%	2.69%	▲
United States	4.56%	3.49%	3.68%	▲

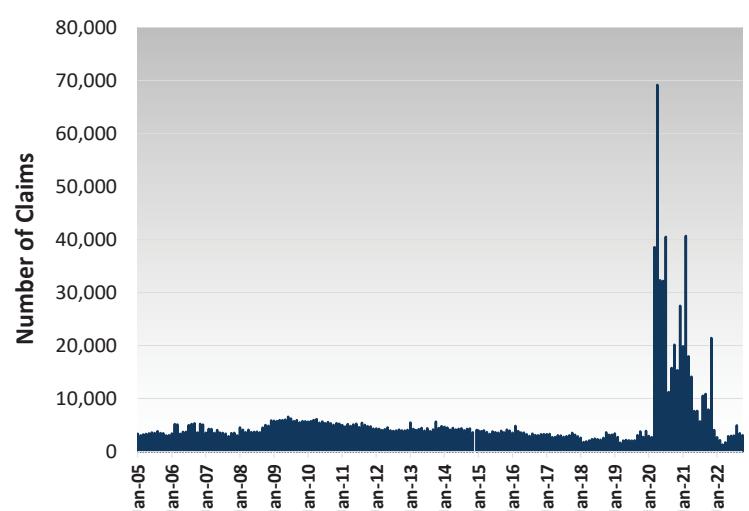
Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work but unable to obtain a position. Hampton Roads' unemployment rate increased slightly to 3.28% in October 2022, reflected by an increase in the labor force and the number of employed persons and small increase in unemployed persons (all seasonally adjusted).



INITIAL UNEMPLOYMENT CLAIMS, SEASONALLY ADJUSTED (M) SOURCE: VIRGINIA DEPT OF LABOR, HRPDC

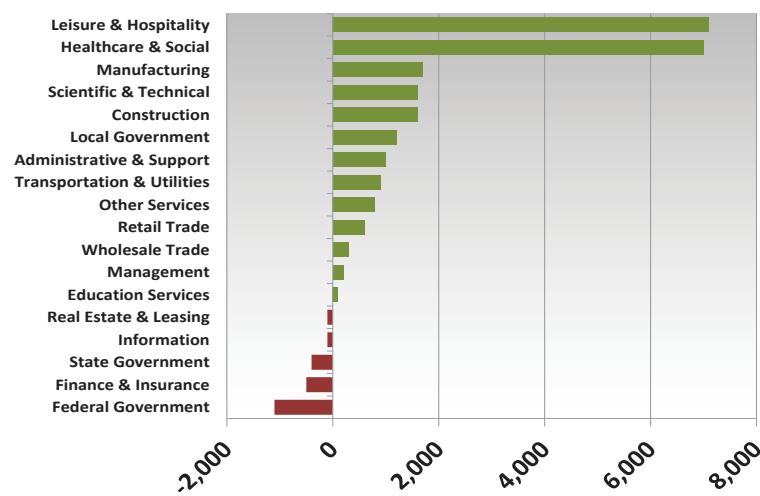
	Sep '22	Oct '22	Trend
Hampton Roads	3,440	3,072	▼
Virginia	16,224	13,602	▼

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. In October 2022, initial unemployment claims decreased by 10%, the second month in a row of declines after five months of increases. As talk of a possible recession continues, this indicator will be one to watch closely, as it is the first one to show movement in the data.



EMPLOYMENT GROWTH BY INDUSTRY (OCT, YEAR-OVER-YEAR) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

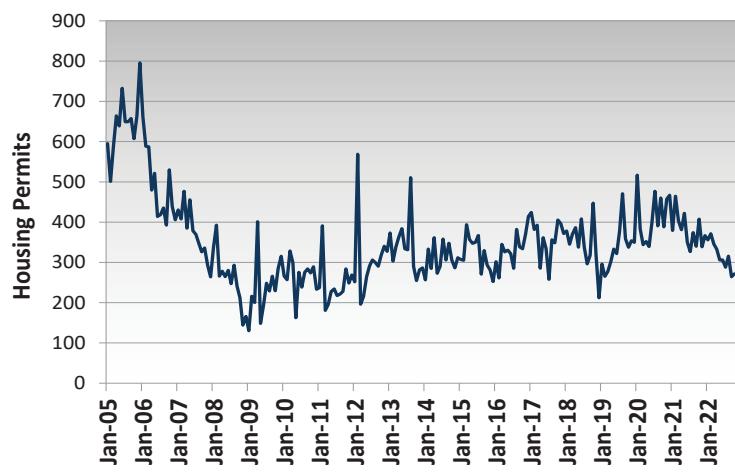
Employment Growth by Industry: As the job market grows or contracts, there will be some industries whose experience does not resemble the regional trend. In October, the majority of Hampton Roads industries experienced a decrease in year-over-year employment compared to October 2021. Most significant gains were Leisure & Hospitality, which added 7,100 jobs compared to October 2021, followed by Healthcare & Social and Manufacturing. Federal Government and Finance & Insurance realized the highest losses compared to 2021.



SINGLE FAMILY HOUSING PERMITS, SEASONALLY ADJUSTED (M) SOURCE: US CENSUS BUREAU, HRPDC

	Oct '21	Sep '22	Oct '22	Trend
Hampton Roads	408	264	271	▲

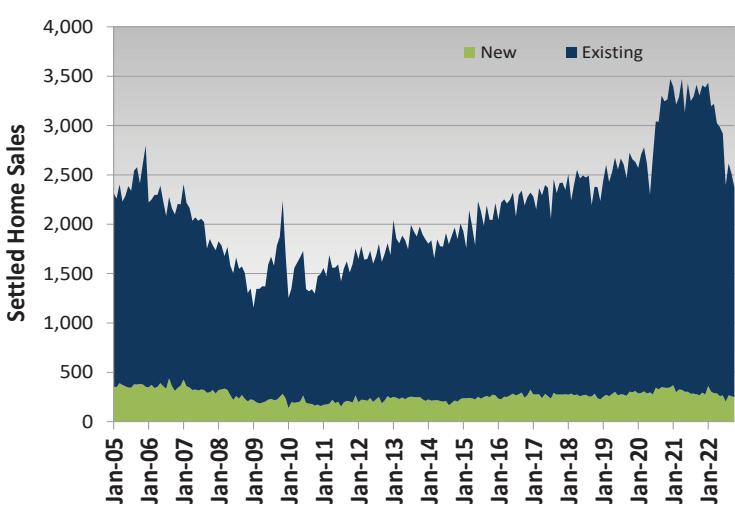
Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. When seasonally adjusted, there were 271 new construction permits issued for single family homes in October 2022 - a slight increase after a decrease the previous month. After about a year of plateauing data, the trend is still pointing towards steady declines. As interest rates and materials prices continue to rise, construction may decline due to rising costs of borrowing money to build.



NUMBER OF HOMES SOLD, SEASONALLY ADJUSTED (M) SOURCE: REIN, HRPDC

	Oct '21	Sep '22	Oct '22	Trend
Hampton Roads	3,303	2,511	2,373	▼

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. Seasonally adjusted, total settled home sales in October decreased from September with 2,373 homes sold, the second-lowest monthly total sales since the onset of the pandemic. The sale of new homes in September represented 10% of total sales, reaching back into the double digits after averaging the majority of 2021 and 2022 at 9%.



HOME PRICE INDEX, ALL TRANSACTIONS (Q) SOURCE: FEDERAL HOUSING FINANCING AGENCY, HRPDC

	Q3 2021	Q3 2022	Trend
Hampton Roads	146.3	165.2	▲
Virginia	147.9	169.1	▲
United States	161.6	188.4	▲

Home Price Index: The home price index measures the value of homes by evaluating changing price levels through repeated sales of properties. Hampton Roads' home prices increased by 13% over the previous year in Q3 2022, a lower rate than both the state and the nation—still a record high. While the HPI increased across the board, the rate of growth has decreased, reflecting a slowdown in the real estate market.

