

2020: Hampton Roads to Outpace the National Economy

The last year that Hampton Roads outperformed the national economy was in 2009. That year, the region's gross product declined by 0.8%, compared with a national decline of 2.5%. The years that have followed the Great Recession have been tough for Hampton Roads. Since 2003, the region has lost almost 32,000 uniformed military personnel. This significant loss to the region's military employment base has been exacerbated by a reduction in defense contracts resulting from cuts to federal expenditures (sequestration) that began in 2011. Over the past decade, the region's private sector has been struggling against a consistent outflow of federal resources. When compared to similar sized metropolitan areas, Hampton Roads' 10-year growth rate in gross product ranks 37th out of the 39 metropolitan statistical areas with populations between 1 – 4 million.

Over the past year, economic conditions in Hampton Roads have begun to improve. The steady out-flow of federal resources has receded, and we are once again beginning to see increases in federal expenditures. Civilian employment grew modestly over the past year, continuing the slow growth trend that the region has experienced since early in 2010. Employment gains in the Construction, Leisure & Hospitality, Scientific, and Healthcare industries more than offset employment declines in the Retail Trade, Local Government, and Administrative sectors.

The region experienced healthy growth in the labor force, adding 12,000 participants over the past year while reducing the number of unemployed residents by over 2,000. Unfortunately, the healthy labor force figures and the low unemployment rate have not yet resulted in significant gains in regional wages, though wage rate growth is expected to increase in 2020.

Tourism expenditures continued to grow in the region, notching 10 continuous years of growth for Hampton Roads' tourism industry. Hotel revenues, employment in the leisure and hospitality industry, and visitor expenditures have all experienced positive growth in the past year.

Residential real estate has continued to see a slow but steady climb in home values, as building permit activity remains below long-term averages. While housing price growth remains tepid, the housing market is healthy and vibrant, with record average home sales prices, a record number of housing sales, and continued declines in the average length of time it takes to sell a home.

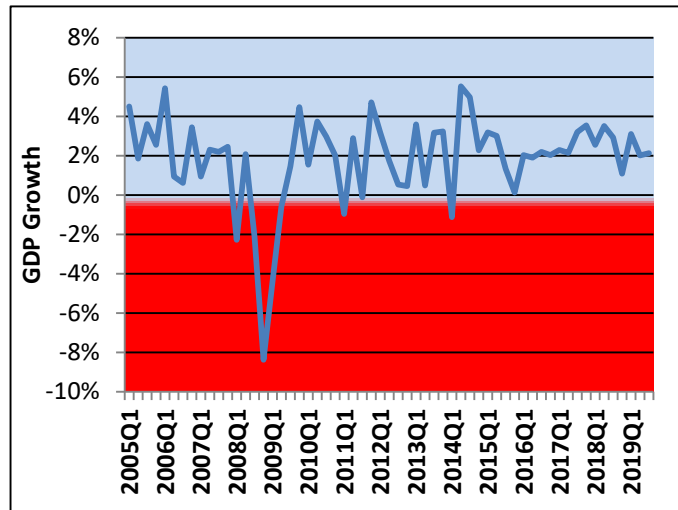
Projected increases in Department of Defense spending, unprecedented transportation infrastructure construction projects, continued growth at the Port of Virginia, and a healthy regional labor force are expected to push Hampton Roads' economic growth rate past that of the Nation for the first time in a decade. 2020 looks to be a good year!

2020 HRPDC Regional Economic Forecast

	2019 (Year to Date)	2020 Forecast
U.S.		
Real GDP	2.3%	1.8%
Interest Rates		
Short Government Rates	2.1%	1.5%
Long Government Rates	2.2%	1.9%
Hampton Roads		
Gross Product	2.3%	2.7%
Civilian Employment	0.5%	1.9%
Unemployment Rate	3.1%	2.8%
Retail Sales	4.0%	1.5%
Value of Single-Family Residential Building Permits	-10.5%	2.9%

GDP, Annualized Growth Rate

United States, 2005Q1 – 2019Q3, Quarterly

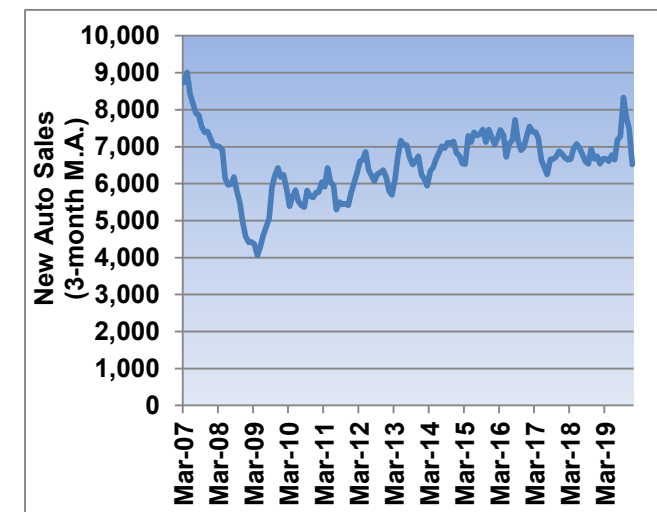


Source: Bureau of Economic Analysis, HRPDC

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 – Dec 2019, Monthly

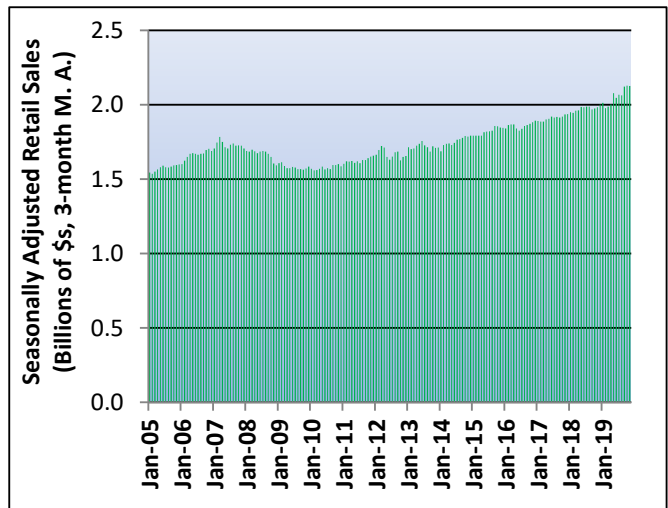


Source: Virginia Automobile Dealers Association, HRPDC

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 have decreased and stabilized after an unusually strong September, hovering near the averages that have been observed over the past few years.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2005– Nov 2019, Monthly

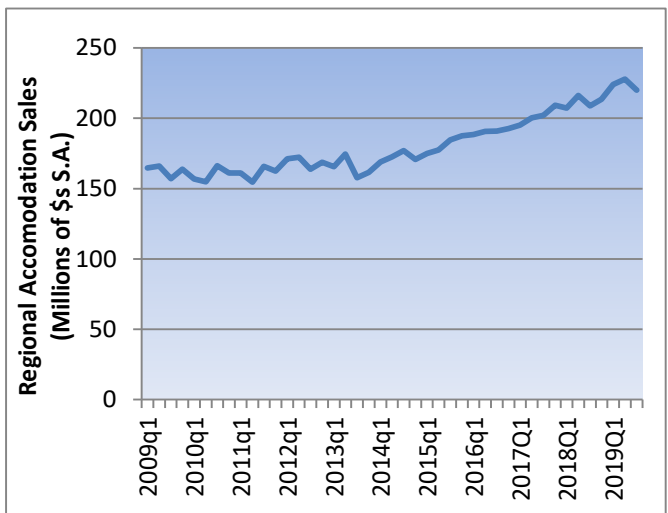


Source: Virginia Department of Taxation, HRPDC

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 handily through to November (seasonally adjusted 3 month M.A.). Sales increased by 8.2% year-over-year in October, and 5.8% in November, making it Hampton Roads' best November for retail sales in recent years. Much of the recent growth in retail sales across the Commonwealth has been the result of increases in the number of online sales that are subject to tax.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2009Q1 – 2019Q3, Quarterly

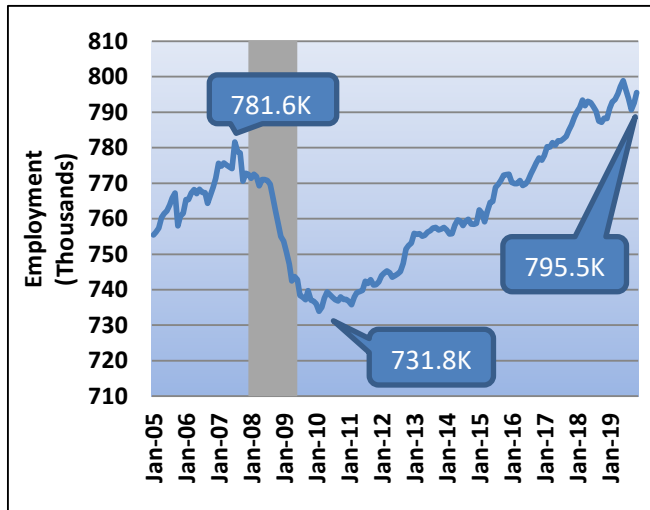


Source: Virginia Department of Taxation, HRPDC

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 – Nov 2019, Monthly

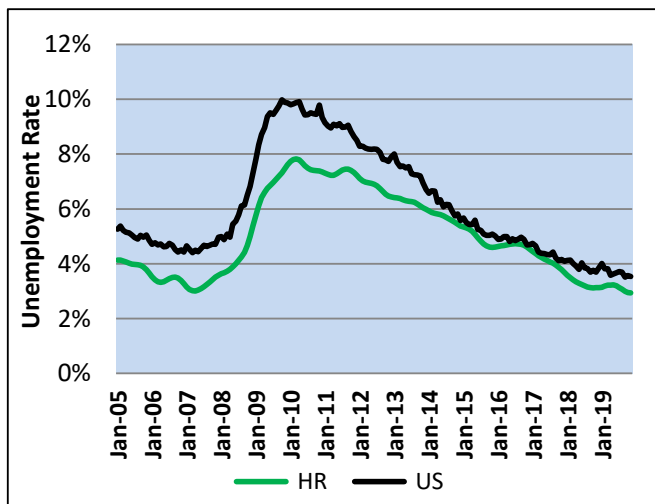


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. According to data from the Bureau of Labor Statistics, Hampton Roads employment increased for the second month in a row since a recent high in June, to 795,500 positions in November of 2019. These trends will be important to watch as growth in U.S. employment figures has begun to slow down.

Unemployment Rate, Seasonally Adjusted

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

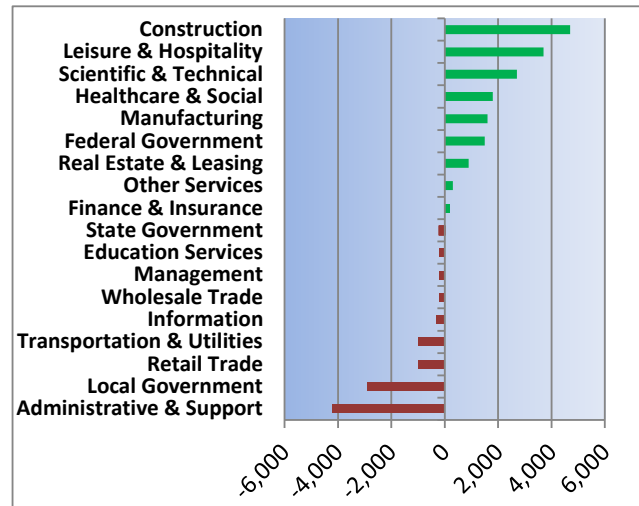


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work but unable to obtain a position. Hampton Roads' unemployment rate decreased yet again in November 2019 to 2.93%, making it the lowest unemployment rate recorded in the region since spring of 2007, before the Great Recession. Comparatively, the national unemployment rate decreased again in November from the previous month, hovering at record lows.

Employment Growth by Industry

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

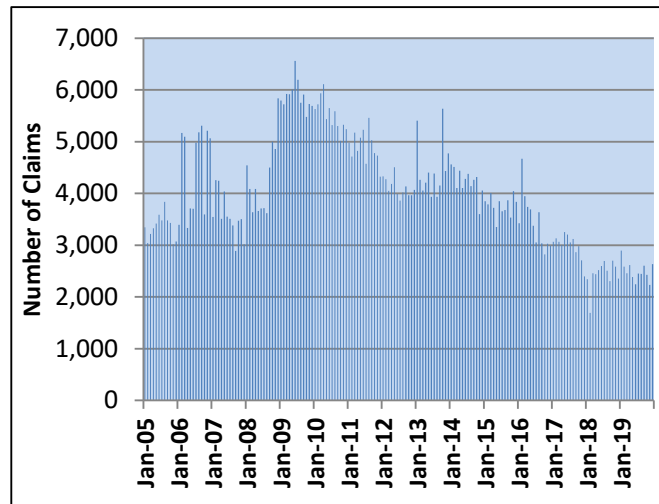


Source: Bureau of Labor Statistics, HRPDC

Employment Growth by Industry: As the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. 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 – Dec 2019, Monthly

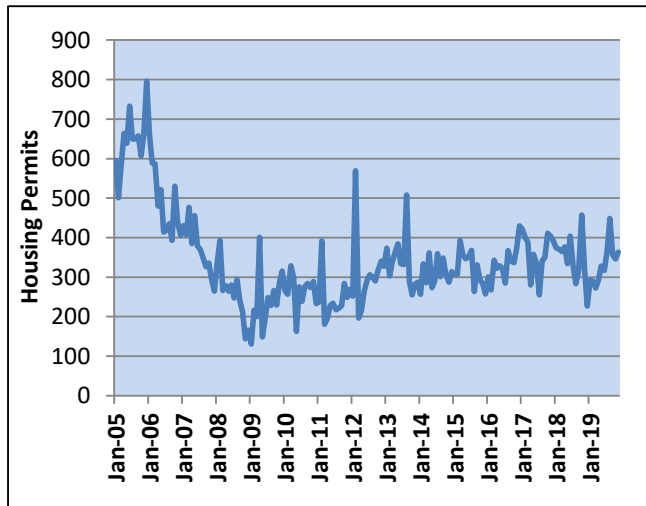


Source: Virginia Department of Labor, HRPDC

Initial Unemployment Claims: The number of initial unemployment claims is a leading economic indicator reflecting those who are forced to leave work unexpectedly, thus revealing the strength of the job market with little lag time. Seasonal adjusted unemployment claims decreased in November of 2019 to 2,140 claims, yet increased to 2,900 claims in December of 2019. This December increase in claims represents a 10.4% increase from the same month in 2018.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2005 – Nov 2019, Monthly

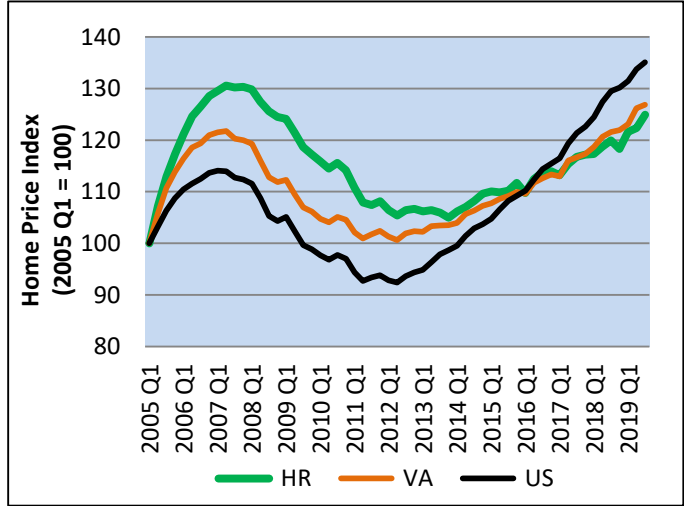


Source: U.S. Census Bureau, HRPDC

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 November increased significantly to 592 permits, 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.

Home Price Index, All Transactions

Hampton Roads, 2005Q1 – 2019Q3 Quarterly

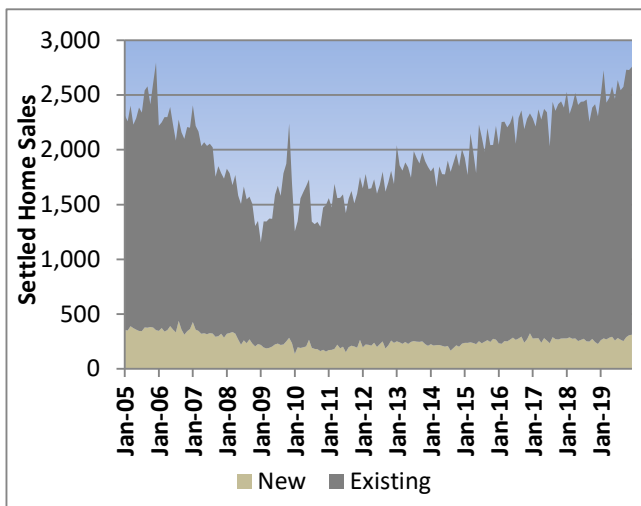


Source: Federal Housing Finance Agency, HRPDC

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.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2005 – Dec 2019, Monthly

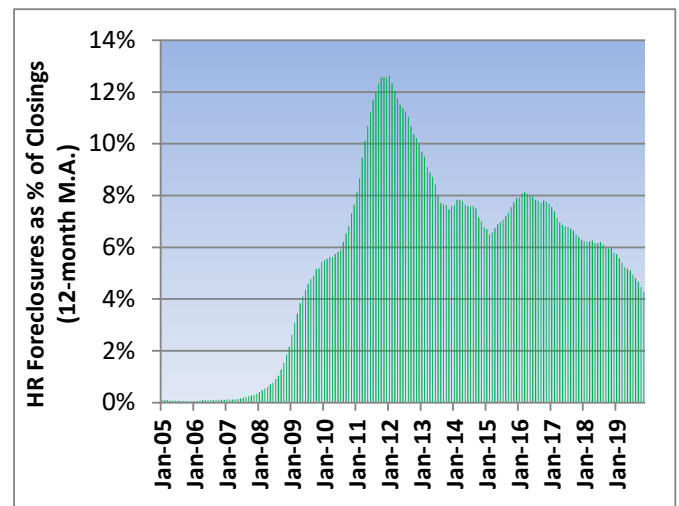


Source: REIN, HRPDC

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 in December saw their highest numbers of 2019, continuing to represent roughly 11% of all sales.

Foreclosures and Distressed Sales

Hampton Roads, Jan 2005 – Nov 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, but has been steadily declining, showing some of the lowest rates since 2009. Foreclosures constituted 4.3% of all home resales in November of 2019, down from a recent high of 8.1% in April of 2016 (12-month average).