

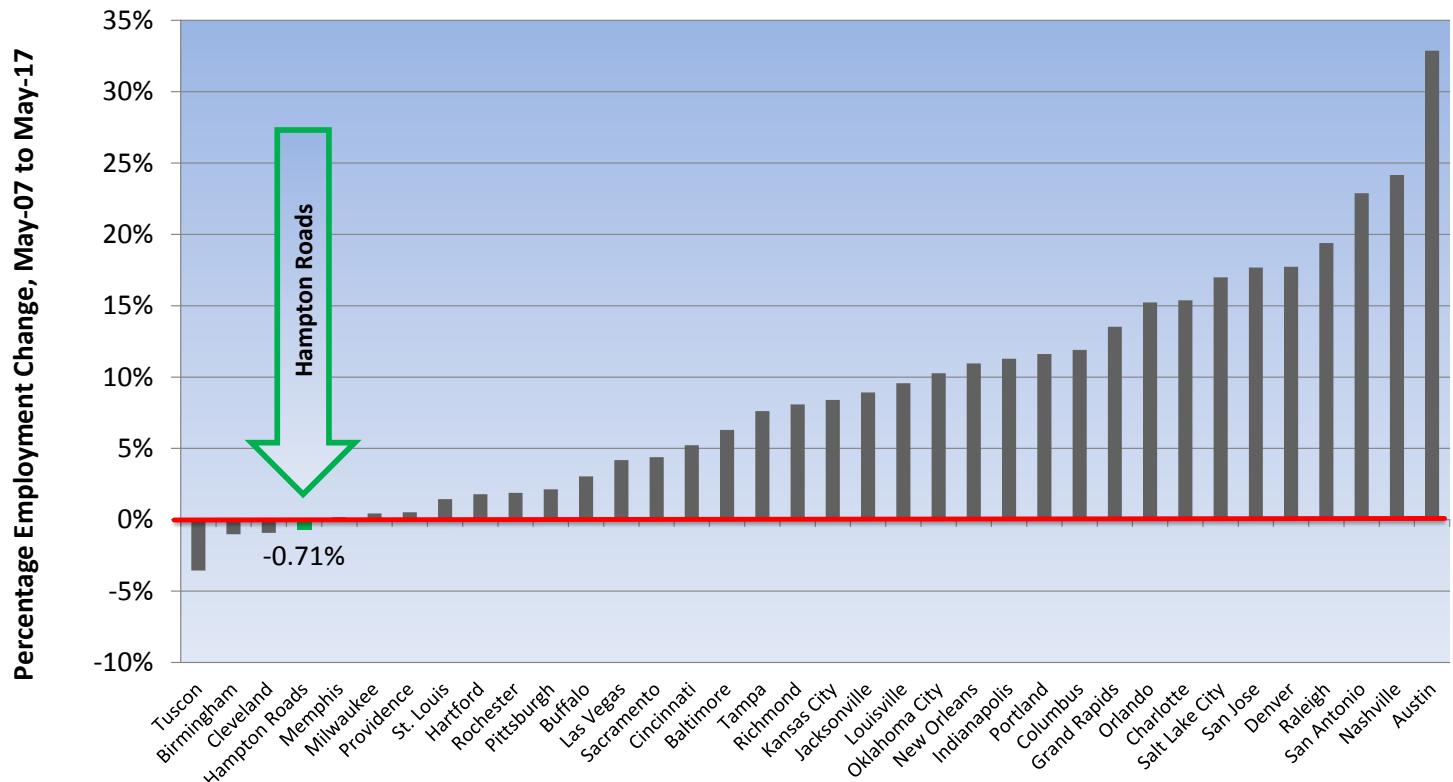
Concerning Hampton Roads' Employment:

Hampton Roads' employment has painted a bleak picture recently, with non-farm employment declining by 8,300 jobs over the past three months, the region's first three month period of losing employment since 2010. While the budget picture had been improving according to headline figures, defense spending has been declining over the past year nationally, and the echoes of the declining spending are likely affecting Hampton Roads' employment.

What is interesting about the weak employment estimates is the contrast they provide with the other indicators, which have generally been either steady or improving. The region is experiencing relatively strong growth in retail sales and initial unemployment claims continue at historically low levels. Car sales have been declining from a recent peak, but the most recent housing data does not suggest cause for concern, and sales of both new and existing homes were strong in May.

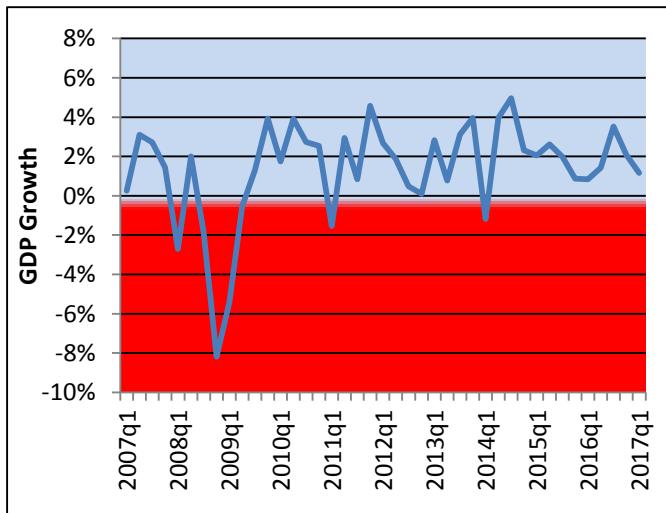
It is important to put the weakness of the Hampton Roads' employment report in context; only four of Hampton Roads' reference MSAs (those with populations between 1 and 3 million) have had declines in year-over-year employment. Additionally, only four MSAs with populations between 1 and 3 million have seen employment declines over a ten year period, with Hampton Roads and Tucson, AZ being the only two regions that have experienced both long-term and recent declines.

10 Year Change in Non-Farm Civilian Employment



GDP, Annualized Growth Rate

United States, 2007Q1 – 2017Q1, 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 in the first quarter of 2017 was revised up slowly, growing at seasonally-adjusted annual rate of 1.2%. This improvement came from slight gains in several different categories, including personal consumption and gross investment.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2007 – May 2017, Monthly

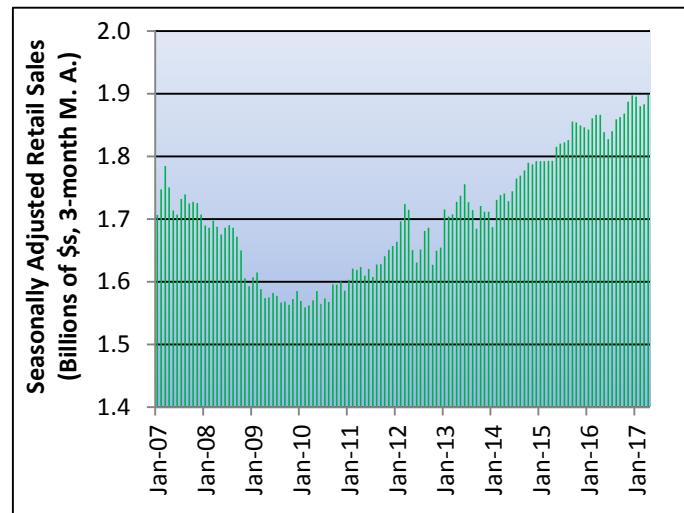


Source: Virginia Automobile Dealers Association, HRPDC

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 dipped further to 5,149 in May, almost 850 fewer cars than the long-term average.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2007–Apr 2017, Monthly

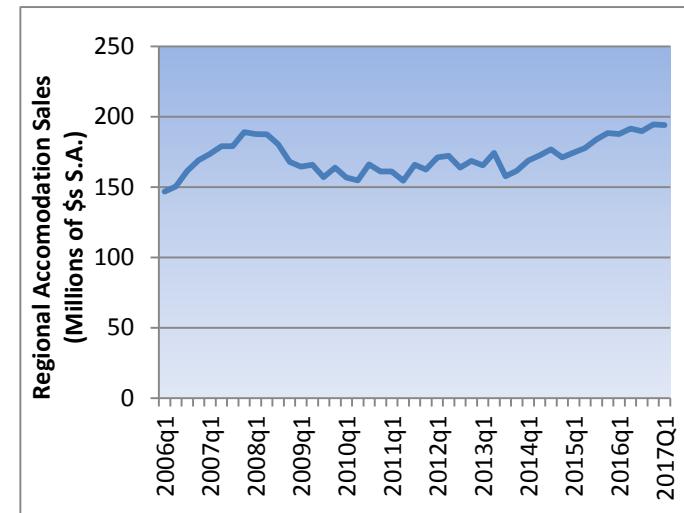


Source: Virginia Department of Taxation, HRPDC

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 totaled \$1.90B in April of 2017 (seasonally adjusted), reaching a new high for the region. This stands in stark contrast to the continued erosion in retail employment both nationally and regionally.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2006Q1 – 2017Q1, Quarterly



Source: 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. Seasonally adjusted hotel sales fell slightly in the first quarter of the year, falling to \$194M (-0.22%). This strong performance stands in contrast to recent weakness in leisure and hospitality employment.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2007 – May 2017, Monthly

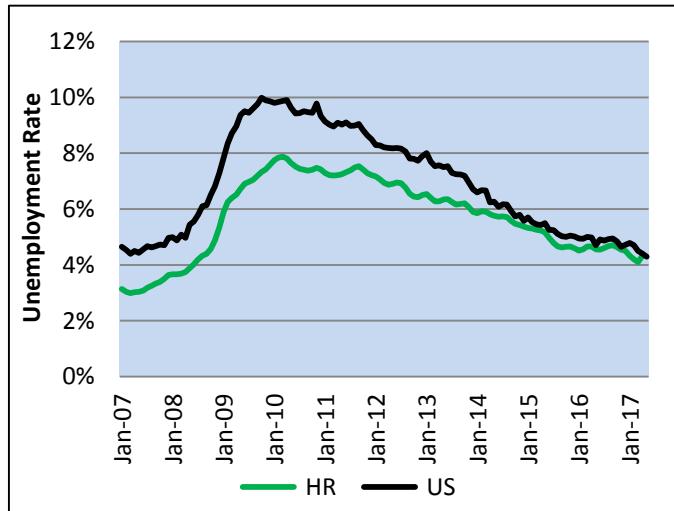


Source: Bureau of Labor Statistics, HRPDC

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 has declined by 8,300 jobs since February. While other indicators do not suggest the same measure of weakness, the relative importance of payroll employment on overall economy cannot be dismissed. It is likely that a decline in national defense spending of 7.4% over the past year is manifesting itself in the region's lackluster employment figures.

Unemployment Rate, Seasonally Adjusted

Hampton Roads, Jan 2007 – Apr 2017, Monthly

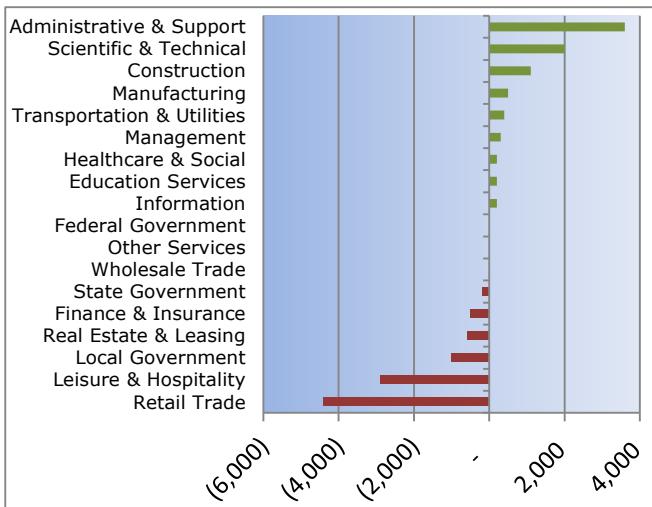


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. Hampton Roads' seasonally adjusted unemployment rate bumped up slightly to 4.31% in April of 2017, though still below the national rate that month (4.40%). Unfortunately, this month featured slightly weaker details, with a decrease in the region's labor force (-927) and an increase in those who are unemployed (+1,767).

Employment Growth by Industry

Hampton Roads, May 2016 – May 2017, Year-over-Year

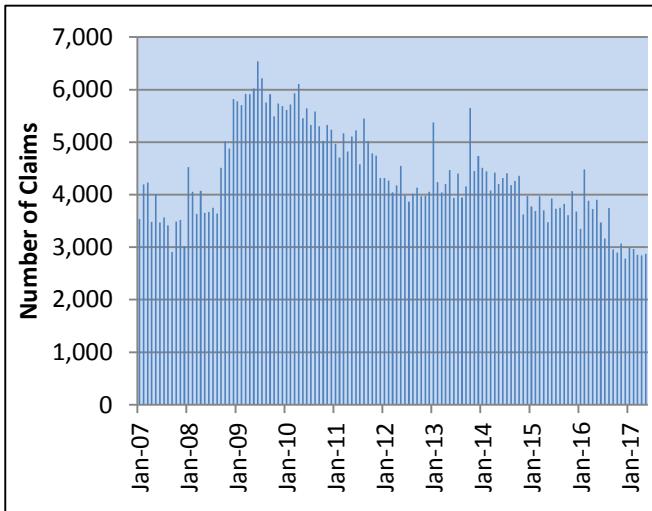


Source: Bureau of Labor Statistics, HRPDC

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. Retail trade employment declined by 4,400 year-over-year, and while national retail employment fell in May, it is still up 1.5% year-over-year. Leisure and hospitality employment has also declined by 2,900 positions. Administrative and support (+3,600) as well as scientific and technical industries (2,000) have experienced the most growth.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2007 – May 2017, Monthly

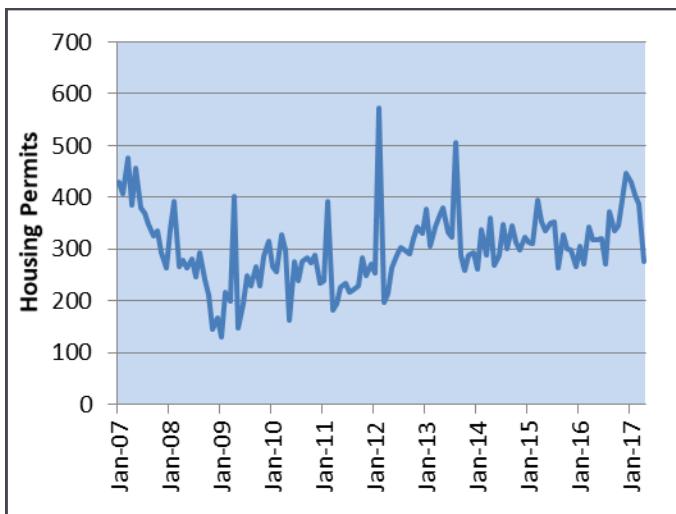


Source: Virginia Department of Labor, HRPDC

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 increased slightly to 2,876 in May 2017, below the long-term average (4,350). This strong performance in unemployment claims somewhat contradicts the weakness in the employment and unemployment reports.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2007 – Apr 2017, Monthly

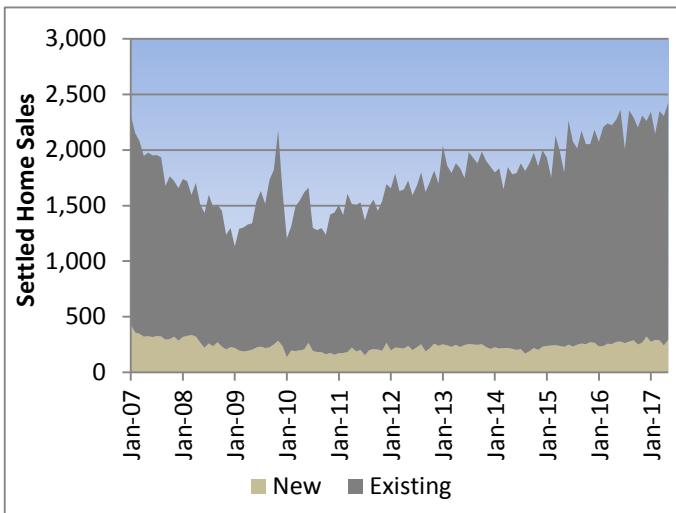


Source: U.S. Census Bureau, HRPDC

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Single family permits fell precipitously in April of 2017 to 276; however, this came after several months of high permitting, and might reflect other factors. On the other hand, new construction closings also declined over the past two months, and this will require further monitoring.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2007 – May 2017, Monthly

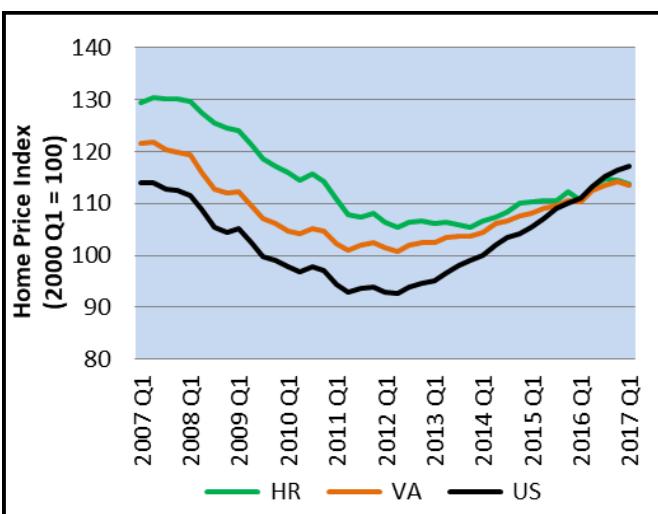


Source: REIN, HRPDC

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. Existing home sales increased to 2,136 in May of 2017, significantly above the recent trend of approximately 2,000 per month. New home sales bounced back to 291 per month, at the high end of recent sales for new homes.

Home Price Index, All Transactions

Hampton Roads, 2007Q1 – 2017Q1, Quarterly

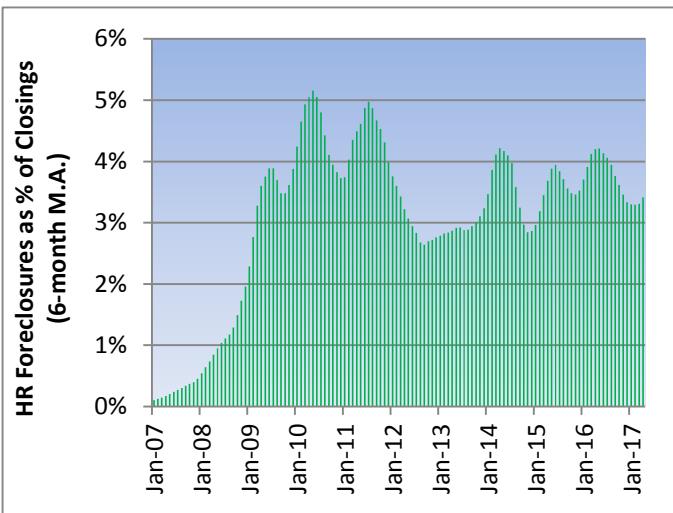


Source: Federal Housing Finance Agency, HRPDC

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 price index slipped again in the first quarter of 2017, declining by 0.6% from the fourth quarter of 2016. Home prices regionally are still 3.0% above the levels in the first quarter of 2016.

Foreclosures

Hampton Roads, Jan 2007 – Apr 2017, Monthly



Source: RealtyTrac, 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. During the housing boom, foreclosures were a negligible part of the local real estate market, but rose to 5.0% of all sales in July 2011. Distressed sales ticked up to 3.4% of all Hampton Roads existing home sales in April 2017 from 3.3% the previous month. (6-month M.A.).