

RETAIL IN HAMPTON ROADS: POST-COVID CHECK-IN

Try as they might, economists have a tough time predicting the future. When COVID hit the US economy in March of 2020, a wave of layoffs (some temporary, some permanent) followed as business as usual ceased to exist. Across the region (and the country and globe), every major industry was impacted differently. One of the most interesting to watch over the past two years has been the retail industry – which has experienced a rapid recovery in ways that would have been very difficult to predict in March 2020.

During typical recessions, retail sales decline and employment in the retail industry declines along with it – this is what the region experienced during the recessions in recent history in the early 90's, 00's, and the Great Recession. The pandemic associated recession of 2020 proved quite different. While employment in the retail industry has been declining each year since 2017, there was a significant decline of over 5% between 2019 and 2020 – consistent with businesses closing and economic uncertainty at the onset of the pandemic. What has been atypical about this recession and associated recovery is that retail sales only dipped for a few short months in early 2020, and made an extremely strong rebound (see the following page of this report for monthly retail sales data). From 2020 to 2021, inflation-adjusted retail sales in Hampton Roads increased by over 9%, after staying roughly stagnant for the previous six years. This came in conjunction with a significant increase of over 6% in personal incomes from 2019 and 2020 (the most recent year data is available for currently) – likely due to a combination of federal stimulus and decreased opportunity to spend on services like travel. As people spent more time at home and had more money in their pockets, they spent more money on goods. These two datapoints are depicted in the chart below.



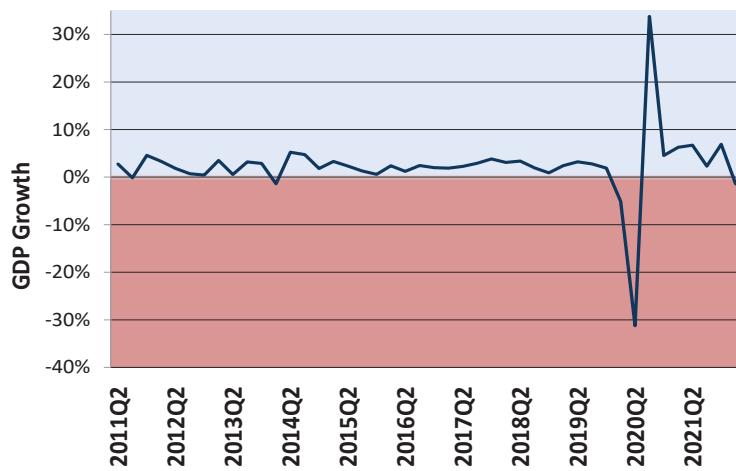
The pandemic isn't the only cause for increased retail sales as of late. In June of 2018, the Supreme Court of the United States ruled on *South Dakota v. Wayfair, Inc.*, changing the way sales tax is collected in the country. Under the old rule, if an out-of-state seller lacked a physical presence in 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.

Hampton Roads is not the only metro area experiencing declining retail employment - of the 39 similarly sized metro areas in the US, 30 have not yet recovered to 2019 retail employment levels. Hampton Roads sits in the middle of the metro areas that have not regained retail employees, and at number 22 overall, with 2021 retail employment levels sitting at 2.5% below those in 2019. Seattle comes in at number one, having experienced a nearly 5% increase in retail employment in 2021 compared to 2019, while San Jose brings up the rear of the group with levels over 10% below where they were in 2019.

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

	Q1 2021	Q1 2022	Trend
United States	6.3%	-1.4%	▼

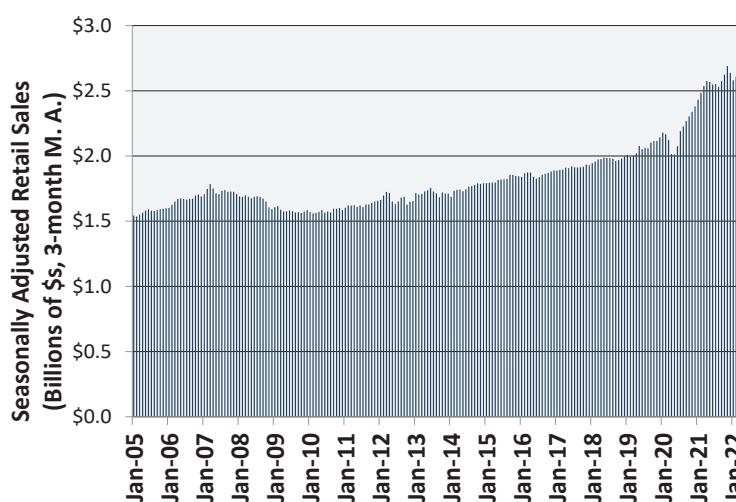
GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Real GDP decreased 1.4% in Q1 2022, reflecting continued supply chain issues. Q1 declines were driven strongly by a 3.2% decrease in net exports, the largest quarterly decline since Q3 2020. The largest quarterly decline in government expenditures and investment also contributed, as federal aid post-COVID has dried up. Consumer spending on services however, was strong.



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

	Feb '22	Mar '22	Trend
Hampton Roads	\$2.61B	\$2.69B	▲
Virginia	\$14.12B	\$14.35B	▲

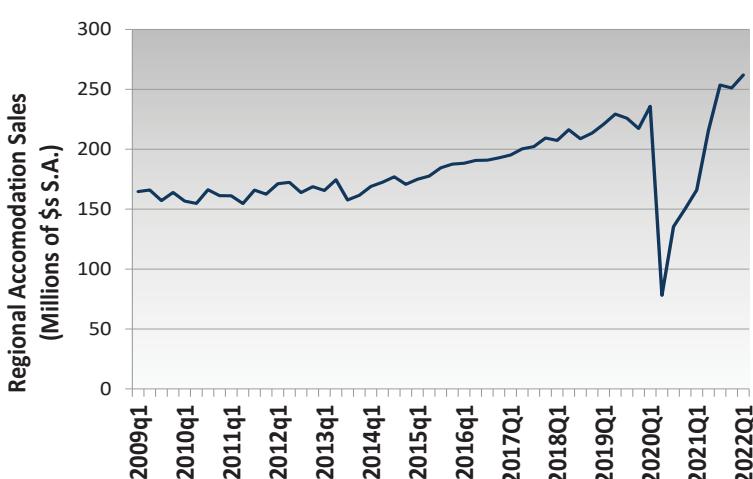
Retail Sales: Retail sales in Hampton Roads, as measured by the 1% local option sales tax, serve as an indicator for consumption in the region. When seasonally adjusted and averaged over 3 months, March shows increased sales for the second month in a row. Unadjusted, March 2022 shows a 6% increase over March 2021, but a 38.5% increase over March 2020. Retail sales are continuing to rise long-term as consumers spend more on goods and inflation drives up prices.



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

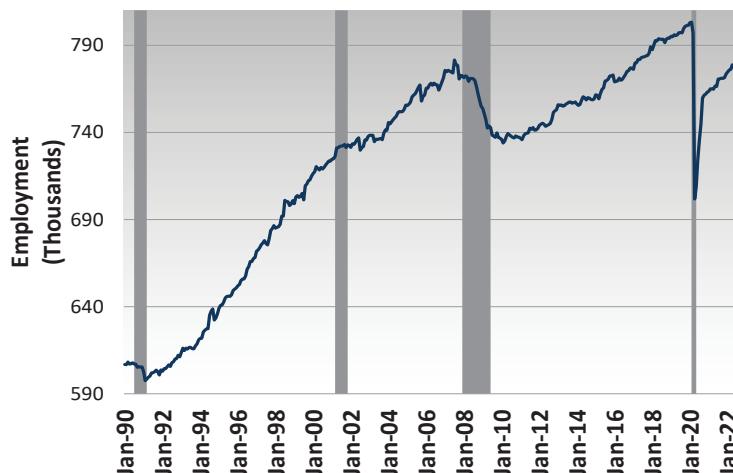
	Q1 2021	Q1 2022	Trend
Hampton Roads	\$166M	\$262M	▲
Virginia	\$553M	\$887M	▲

Estimated Hotel Revenue: Hotel sales indicate the performance of the region's tourism sector. When seasonally adjusted, Q1 2022 hotel revenue once again saw improvement from the historic lows realized in Q2 2020 due to pandemic-related closures, increasing over the preceding quarter after a quarter of winter declines. Hotel revenue in Q1 2022 represented nearly 60% increase over the previous year, and roughly 4% increase from Q4 2021.

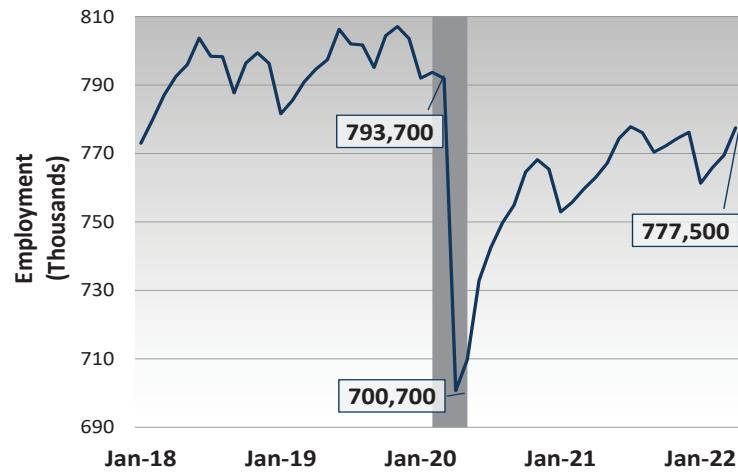


CIVILIAN PAYROLL EMPLOYMENT (M) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

HISTORICAL TREND, SEASONALLY ADJUSTED



3-YEAR, NOT SEASONALLY ADJUSTED



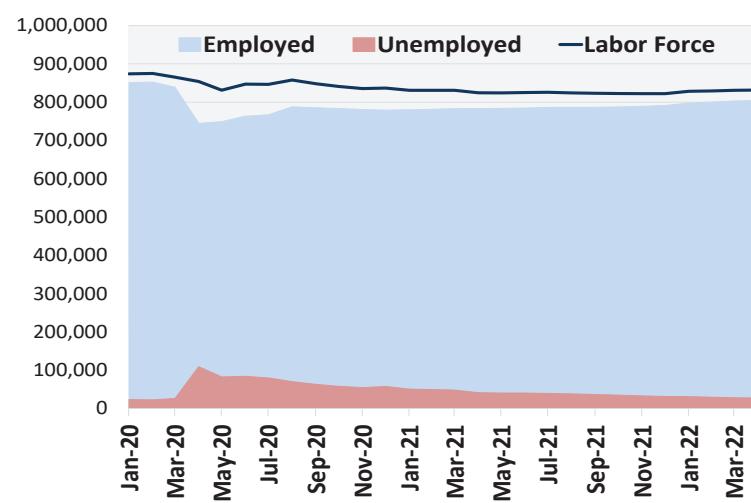
(seasonally adjusted)	Apr 2021	Mar 2022	Apr 2022	YoY % Change	MoM Trend
Hampton Roads	764,800	776,200	778,800	1.83%	▲
Virginia	3,913,000	4,024,000	4,038,000	3.18%	▲
United States	144,694,000	150,856,000	151,292,000	4.56%	▲

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) increased by 0.33% from March to April 2022, the sixth month in a row of increases. Unadjusted employment levels also increased for the third month in a row after a steep drop in January. In Hampton Roads, year-over-year growth is recorded at 1.83%, continuing to signal that winter of 2021-22 fared much better than 2020-21, despite COVID surges both years. Compared to the rest of Virginia and the US however, Hampton Roads is lagging significantly in annual employment growth. Total payroll employment in the region remains roughly 3% below pre-COVID highs, with the gap continuing to shrink, but at a very slow pace.

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

	Labor Force	Emp	Unemp	LF Trend
Mar 2022	830,895	802,996	27,899	
Apr 2022	831,663	804,277	27,386	▲

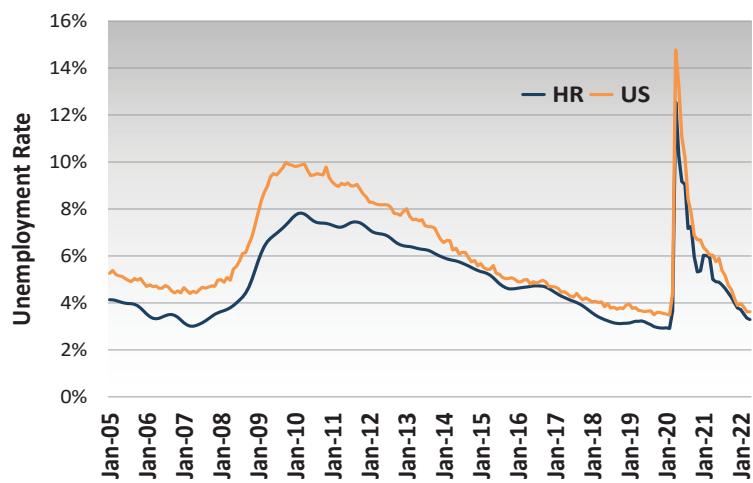
Labor Force: An economy's labor force is defined as those who are either employed or actively seeking work, and the breakdown of the labor force is often used in conjunction with the unemployment rate to offer some perspective into the true state of the economy. The region's labor force was slowly declining since the onset of the pandemic, but has been on the rise - increasing by 1% in the past four months, but still sitting 5% below January 2020 levels.



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

	Apr '21	Mar '22	Apr '22	Trend
Hampton Roads	5.00%	3.36%	3.29%	▼
Virginia	4.32%	3.04%	3.00%	▼
United States	6.04%	3.62%	3.62%	---

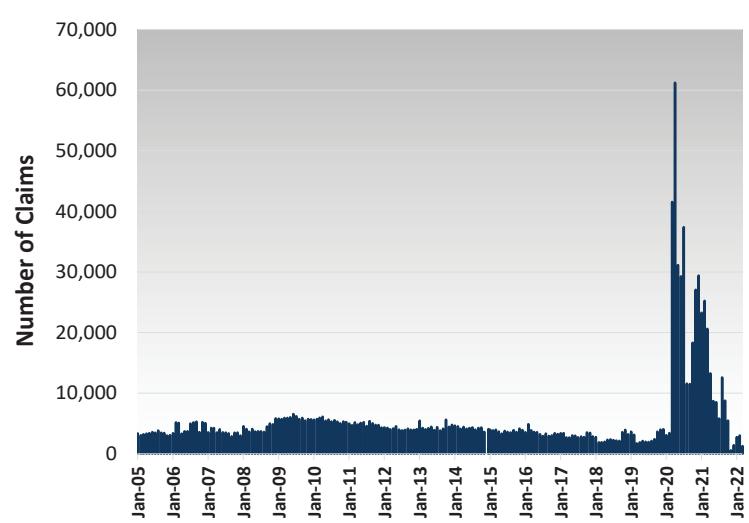
Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work but unable to obtain a position. Hampton Roads' unemployment rate decreased again to 3.29% in April 2022, reflected by an increase in the labor force, increase in employment, and a decrease in the number of unemployed persons (all seasonally adjusted).



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

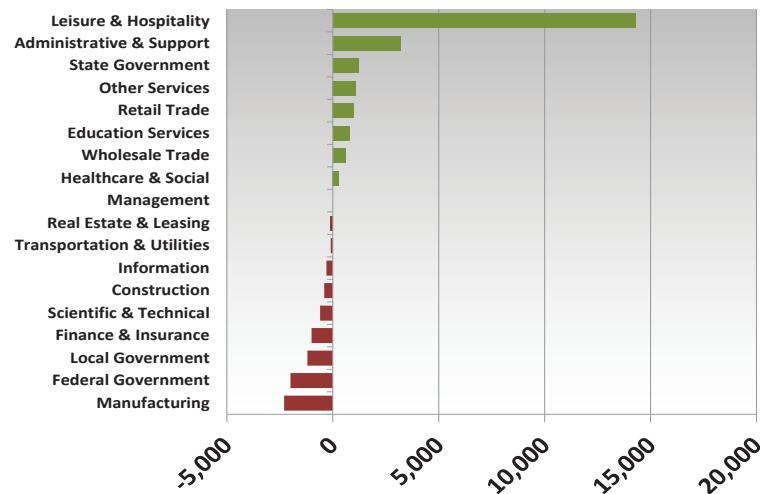
	Feb '22	Mar '22	Trend
Hampton Roads	3,011	1,260	▼
Virginia	7,444	4,602	▼

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 March 2022, initial unemployment claims decreased once again when compared to the previous month, continuing the recent trend of initial claims on par with pre-COVID numbers.



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

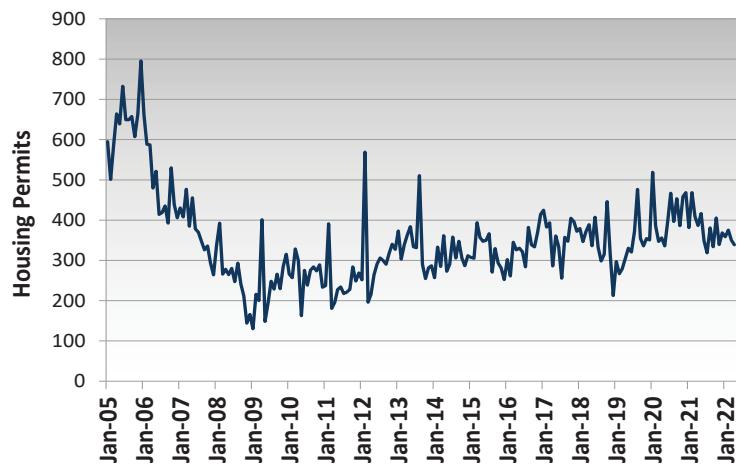
Employment Growth by Industry: As the job market grows or contracts, there will be some industries whose experience does not resemble the regional trend. In April, roughly half of Hampton Roads industries experienced a decrease in year-over-year employment compared to April 2021. Most significant gains were Leisure & Hospitality, which added nearly 15,000 jobs compared to April 2021, followed by Administrative & Support and State Government. Manufacturing, Federal Government, and Local Government realized the highest losses compared to 2021.



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

	Apr '21	Mar '22	Apr '22	Trend
Hampton Roads	386	350	339	▼

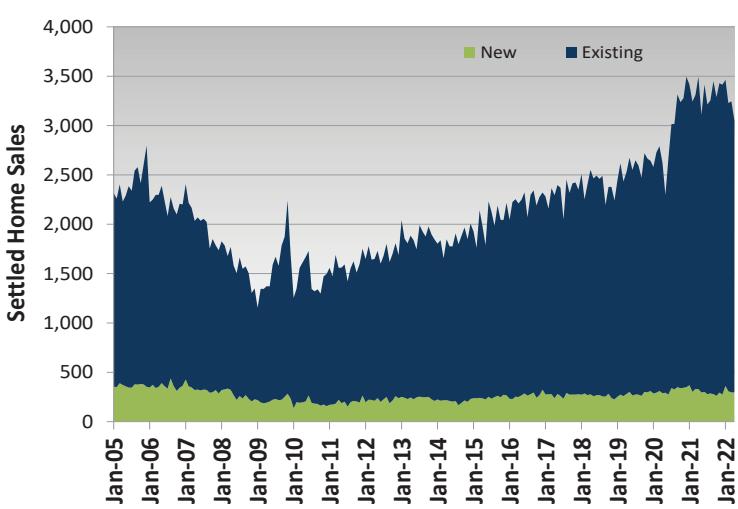
Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. When seasonally adjusted, there were 339 new construction permits issued for single family homes in April 2022. The data continues to show small variances month to month over the past year, but the trend is maintaining its plateau of the past 12 months. 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

	Apr '21	Mar '22	Apr '22	Trend
Hampton Roads	3,493	3,245	3,050	▼

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, existing home and total settled sales in April decreased from March, remaining elevated with 3,050 homes sold, but certainly the trend is declining. Unadjusted, total home sales climbed steeply from February to March, but declined from March to April, continuing the signals that the market is cooling off, since Spring is peak season.



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

	Q1 2021	Q1 2022	Trend
Hampton Roads	133.9	154.7	▲
Virginia	135.2	156.1	▲
United States	145.1	173.2	▲

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, yet again, by 15.5% over the previous year in Q1 2022, slightly higher rate than the state and about 4 percentage points lower than the nation—still a record high.

