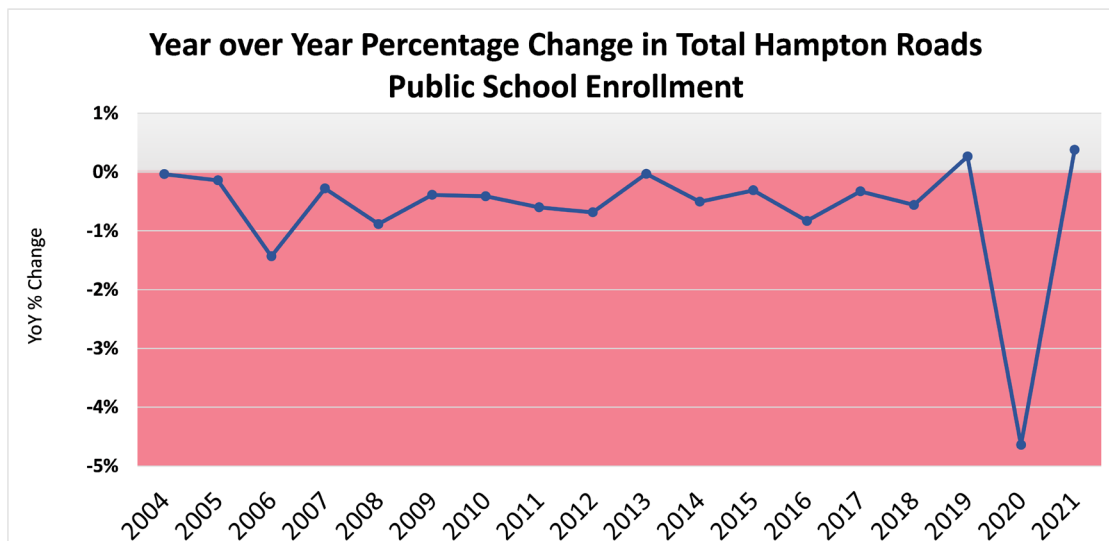


SCHOOL BACK IN SESSION “POST-COVID” - FOR WHO?

Last summer, we dug into the Virginia Department of Education's fall enrollment data to understand the impact COVID-19 may have had on students in the region for the 2020-2021 school year, with the promise to follow up with the following year's data.

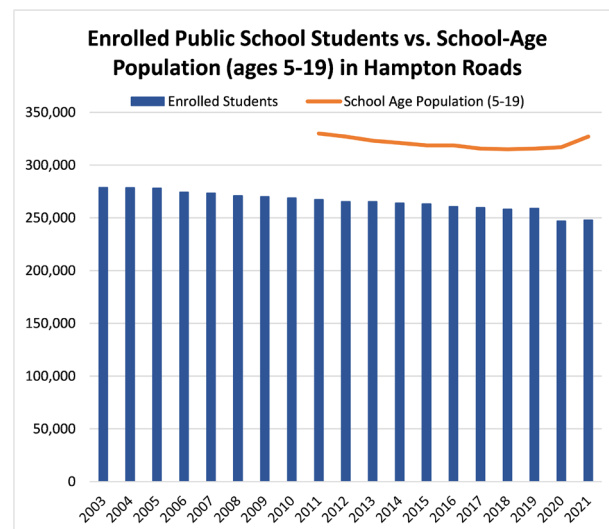
As reported last year, many states, including Virginia, reported declines in public school enrollment for the fall of 2020. From 2019 to 2020, fall enrollment overall in Hampton Roads declined by over 4.5%, while public school enrollment in the same time period in Virginia declined by nearly 3.5%. Overall fall public school enrollment in Hampton Roads has been declining for the past 15 years at roughly .5% per year, so a slight decline would not have been out of the ordinary, but this was over eight times the 15-year average annual rate of decline. The data showed that most of the decline was concentrated primarily at the pre-K and kindergarten levels with double digit drops in enrollment.



Moving to the most recent year data is available for – fall of 2021 – enrollment was up, as expected with schools opening for in-person learning. Enrollment for the 2021-2022 school year saw a .38% increase from the previous year, which is just one of two years of growth in the past 15 years (see chart). Similar to last year's drop, the most dramatic increases were seen in Pre-K and Kindergarten, with a 14% and 12% increase in 2021 enrollment compared to 2020 respectively. Elementary and Middle school student enrollment continued to decline instead of course-correcting, roughly 1% lower enrollment each, while high school levels remained unchanged.

However, year-over-year comparisons against 2020 are difficult because levels dropped so significantly directly following the pandemic, so anything by comparison would look like a major improvement. When compared to 2019 fall enrollment, total 2021 enrollment was still down by nearly 4.3%. Again, this was primarily concentrated in Pre-K and Kindergarten students, with a decline of 14.4% and 6.5% respectively from fall of 2019 to fall of 2021, compared to declines of 24.7% and 16.4% from 2019 to 2020. However, while the change in Pre-K and Kindergarten enrollment from 2019 to 2021 was less drastic than from 2020 to 2021, Elementary and Middle school enrollment in 2021 when compared to 2019 saw a larger decline when compared to the decline seen between 2019 and 2020. In the first year following the pandemic, Elementary fall enrollment was down by 5.7%, and Middle school down by 2.2%. With further declines in 2021 enrollment, the change from 2019 to 2021 was 6.6% for Elementary students and 3.7% for Middle school students.

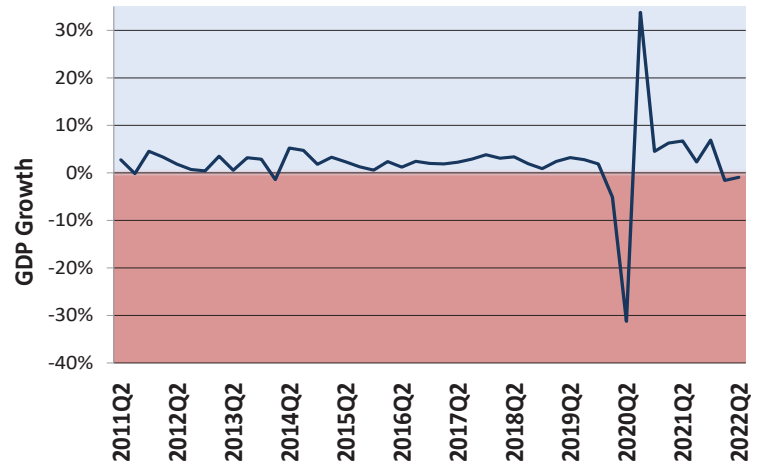
As previously mentioned, public school enrollment in Hampton Roads has been declining for the past nearly 20 years at a slow but steady rate (0.5%), as depicted by the year-over-year percent change chart above, but also the chart to the right showing annual level of enrollment. This chart also shows the school-age population in Hampton Roads over the past 11 years, which overall has been on the decline, albeit at a much slower annual rate, 0.1% per year. This trend in population decline could help to explain the decline in enrollment, but likely is not the entire story. Parents may have chosen to home school their children for the 2021-2022 school year or transitioned to private school. Data in the coming years will continue to tell this interesting story.



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

	Q2 2021	Q2 2022	Trend
United States	6.7%	-0.9%	▼

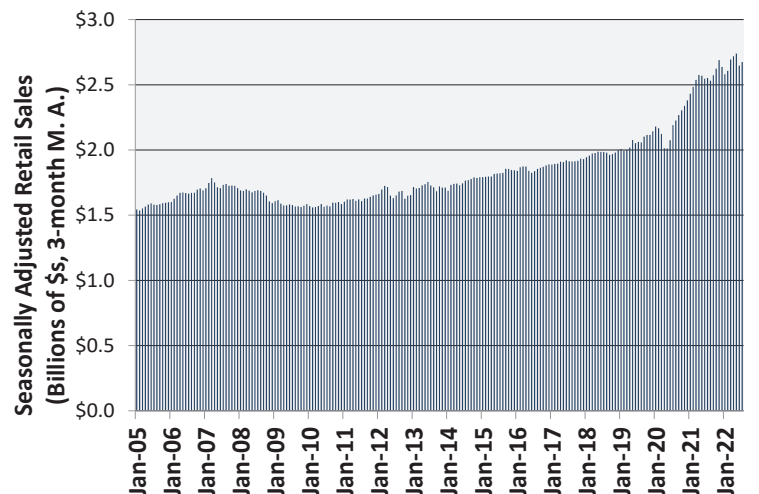
GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Real GDP decreased 0.9% in Q2 2022, declining for the second quarter in a row. Q2 declines were driven strongly by a 2.73% decrease in private domestic investment, the largest quarterly decline since Q3 2020. Consumer spending still displayed growth, however at 0.7%, the smallest growth rate since the onset of COVID. Net exports grew for the first quarter since mid-2020, helping keep GDP shrinkage low.



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

	Jun '22	Jul '22	Trend
Hampton Roads	\$2.65B	\$2.67B	▲
Virginia	\$14.33B	\$14.43B	▲

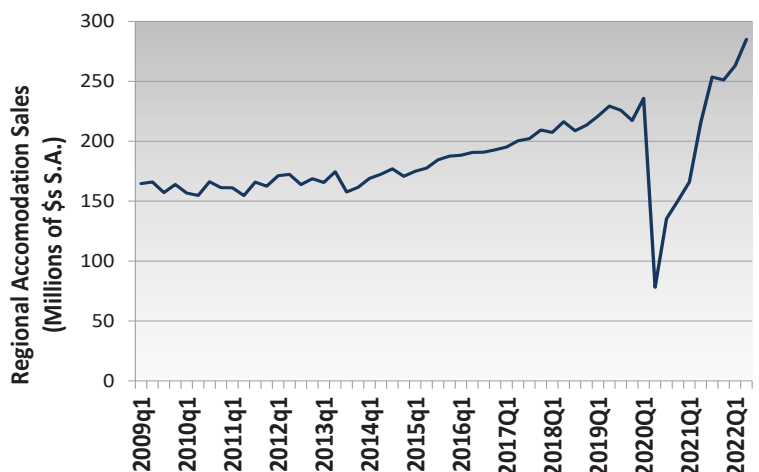
Retail Sales: Retail sales in Hampton Roads, as measured by the 1% local option sales tax, serve as an indicator for consumption in the region. When seasonally adjusted and averaged over 3 months, July shows increased sales after last month showed a decline. Unadjusted, July 2022 shows a 6.8% increase over July 2021, and a 25% increase over July 2020. Retail sales are continuing to rise long-term as consumers spend more on goods and inflation drives up prices, but the pace is beginning to slow.



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

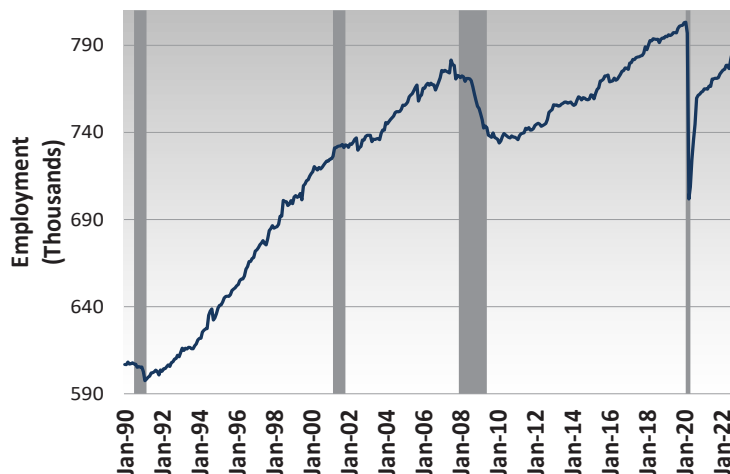
	Q2 2021	Q2 2022	Trend
Hampton Roads	\$216M	\$285M	▲
Virginia	\$689M	\$1.09T	▲

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.

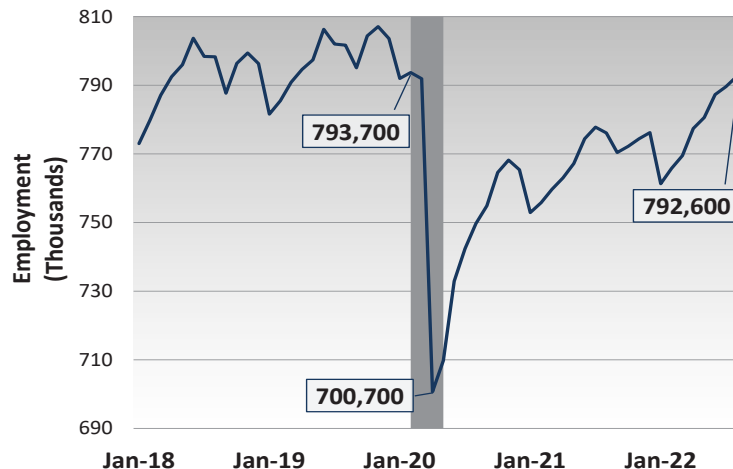


CIVILIAN PAYROLL EMPLOYMENT (M) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

HISTORICAL TREND, SEASONALLY ADJUSTED



3-YEAR, NOT SEASONALLY ADJUSTED



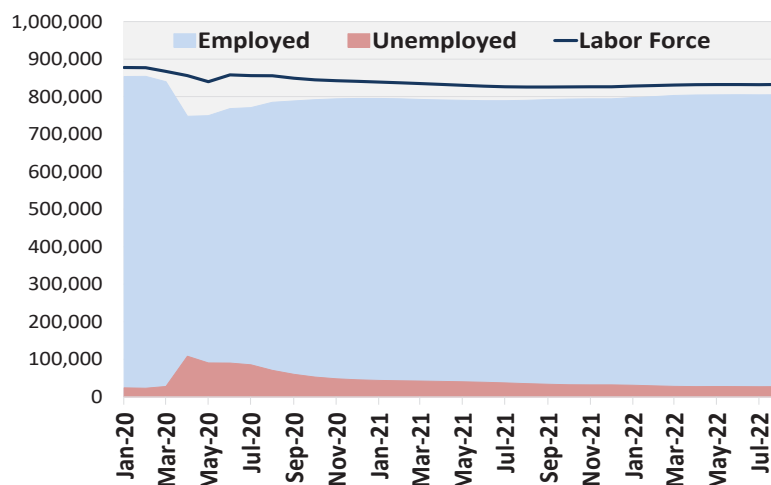
(seasonally adjusted)	Aug 2021	Jul 2022	Aug 2022	YoY % Change	MoM Trend
Hampton Roads	770,800	782,000	786,200	2%	▲
Virginia	3,967,000	4,069,000	4,085,000	2.98%	▲
United States	146,904,000	152,429,000	152,744,000	3.98%	▲

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 0.54% from July to August 2022, another increase after a decline in June. Unadjusted employment levels increased for the seventh month in a row after a steep drop in January. In Hampton Roads, year-over-year growth is recorded at 2%, continuing to signal that overall the workforce is continuing to recover 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 payroll employment in the region remains roughly 2.1% below pre-COVID highs, with the gap continuing to shrink - picking up pace in the past few months.

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

	Labor Force	Emp	Unemp	LF Trend
Jul 2022	831,967	804,892	27,075	
Aug 2022	832,394	804,953	27,441	▲

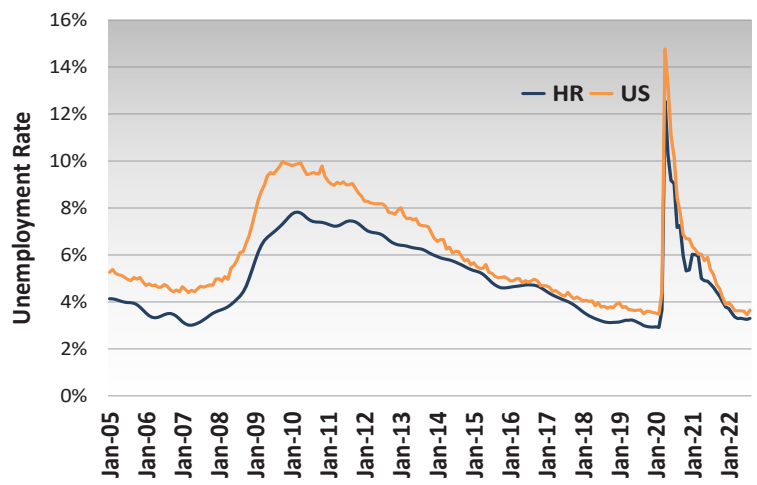
Labor Force: An economy's labor force is defined as those who are either employed or actively seeking work, and the breakdown of the labor force is often used in conjunction with the unemployment rate to offer some perspective into the true state of the economy. The region's labor force was slowly declining since the onset of the pandemic, saw seven months of increases until June and July 2022, which realized slight decreases from previous months. August realized a slight increase, but Labor Force levels still sit roughly 5% below January 2020 levels.



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

	Aug '21	Jul '22	Aug '22	Trend
Hampton Roads	4.27%	3.25%	3.30%	▲
Virginia	3.59%	2.67%	2.62%	▼
United States	5.16%	3.46%	3.65%	▲

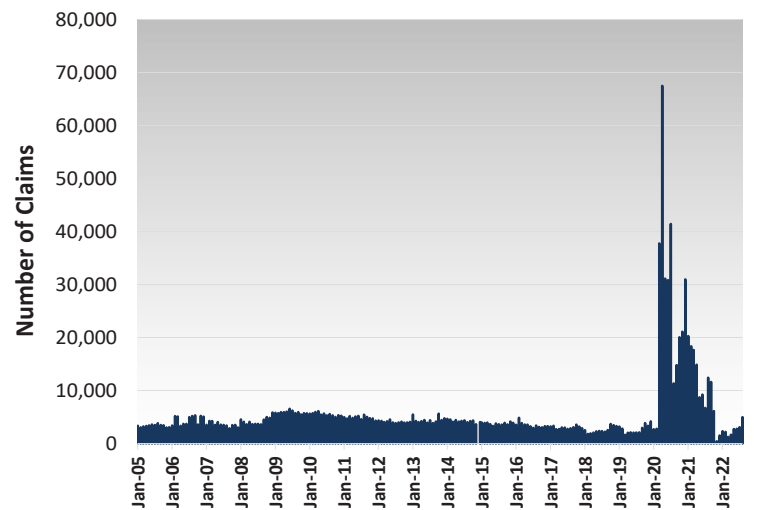
Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work but unable to obtain a position. Hampton Roads' unemployment rate increased slightly to 3.3% in August 2022, reflected by an increase in the labor force, coupled with a slight increase in the number of employed persons and small but larger increase in unemployed persons (all seasonally adjusted).



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

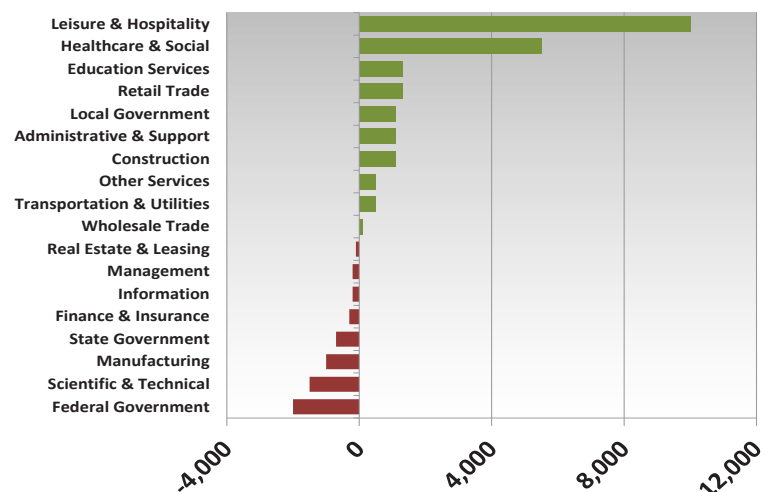
	Jul '22	Aug '22	Trend
Hampton Roads	3,081	4,982	▲
Virginia	16,655	24,829	▲

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 August 2022, initial unemployment claims increased for the third month in a row by a significant 62% from the previous month, continuing a trend of increases over the past few months. This may reflect a start of labor market tightening.



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

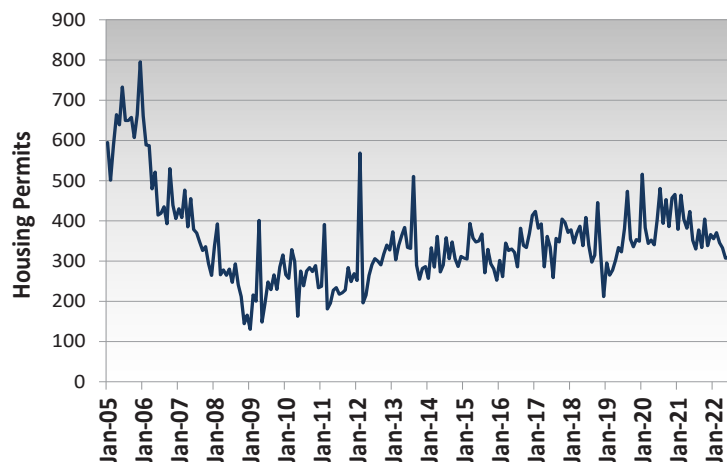
Employment Growth by Industry: As the job market grows or contracts, there will be some industries whose experience does not resemble the regional trend. In July, roughly half of Hampton Roads industries experienced a decrease in year-over-year employment compared to August 2021. Most significant gains were Leisure & Hospitality, which added 10,000 jobs compared to August 2021, followed by Healthcare & Social and Education Services. Federal Government, Scientific & Technical, and Manufacturing, realized the highest losses compared to 2021.



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

	Aug '21	Jul '22	Aug '22	Trend
Hampton Roads	378	291	319	▲

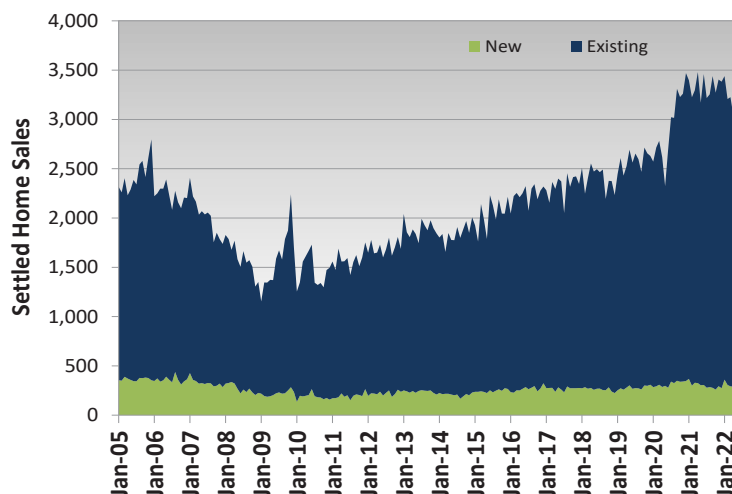
Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. When seasonally adjusted, there were 319 new construction permits issued for single family homes in August 2022 - the first monthly increase in roughly six months. 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

	Jun '21	May '22	Jun '22	Trend
Hampton Roads	3,459	3,026	2,946	▼

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 Jun decreased from April and May with 2,946 homes sold, the first month in two years the adjusted total homes sold has dipped below 3,000 per month. Unadjusted, total home sales rose from May to June due to peak season, but as interest rates rise the time for a seller's market might be coming to a close for now.



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

	Q2 2021	Q2 2022	Trend
Hampton Roads	139.6	163.6	▲
Virginia	141.5	166.9	▲
United States	153.2	185.1	▲

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 17.2% over the previous year in Q2 2022, slightly higher rate than the state and about 4 percentage points lower than the nation—still a record high.

