

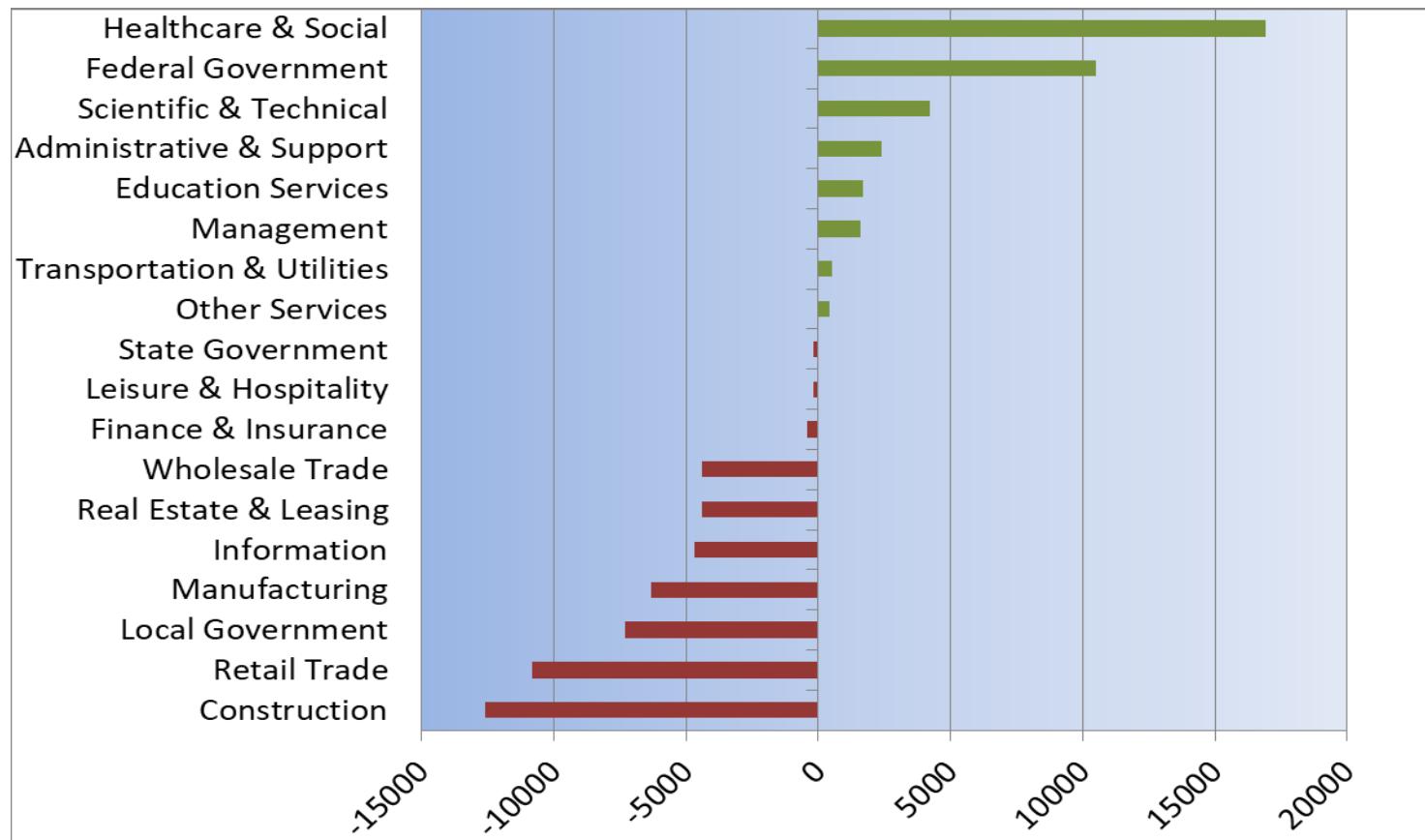
Ten Years Later:

Ten years ago, Hampton Roads non-farm civilian employment peaked with 781,600 people on the region's payrolls. A decade later the nation has long-since recovered, but our region is still languishing in its attempt to replace the jobs lost during the Great Recession. The closure of the Ford plant coupled with a national economy showing signs of strain from the housing correction, drove Hampton Roads into recession half a year earlier than the rest of the nation. Typically, national defense spending insulates the region from the full effects of a recession, however, declines in defense spending due to reduced operations in the Middle East, followed by national budget issues resulting in sequestration, caused the region to experience recession as severe as the rest of the nation.

While Virginia and the nation both attained their pre-recession levels of civilian employment in 2013, July 2017 estimates indicate regional employment lags its prerecession peak by 16,600 jobs, a 2.1% decline. This decline can be attributed to variations in defense spending, as growth from spending increases in 2003 to 2007 became hampered by rapid declines in the following years, weakening the economic recovery. The region's rapid expansion from 2003-2007 fed into a housing bubble, with regional home prices 119% above 2000 levels by 2007, while national prices only stood at 65% above their levels in 2007 compared with 2000. The subsequent correction from the Great Recession led to lower levels of employment in construction (-12,600) and in local government (-7,300) in Hampton Roads.

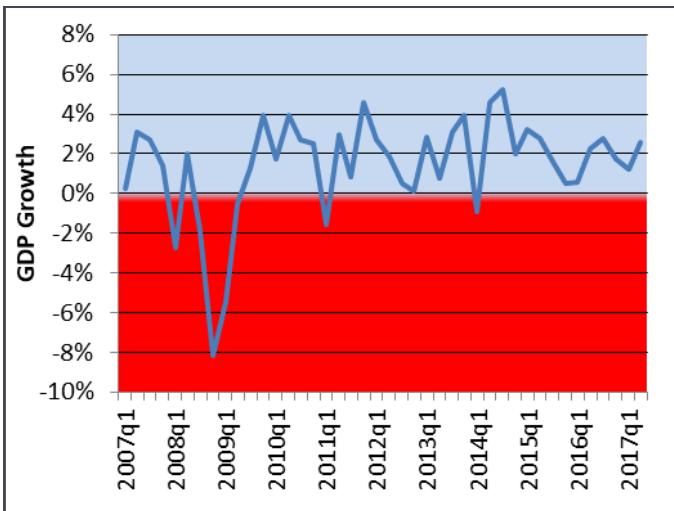
Unfortunately, economic silver bullets do not exist. The path forward requires us to work towards increasing educational attainment in the region, and enhancing Hampton Roads competitiveness with other regions.

Change in Hampton Roads Industry Employment (July 2007 to July 2017)



GDP, Annualized Growth Rate

United States, 2007Q1 – 2017Q2, 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 increased in the second quarter of 2017 to 2.6%, from 1.7% in the first quarter. The most important news for Hampton Roads results from a 5.2% expansion in national defense expenditures between the first and second quarter. Additionally, personal consumption expenditures continued to strongly expand.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2007 – Jun 2017, Monthly

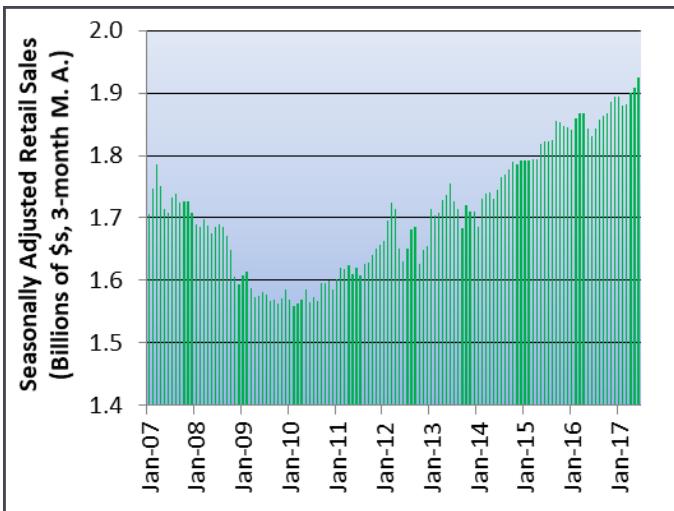


Source: Virginia Automobile Dealers Association, HRPDC

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 rebounded slightly to 5,384, but this continued to drag down the 6-month moving average of car sales. Car sales also have slowed at the national level.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2007– Jun 2017, Monthly

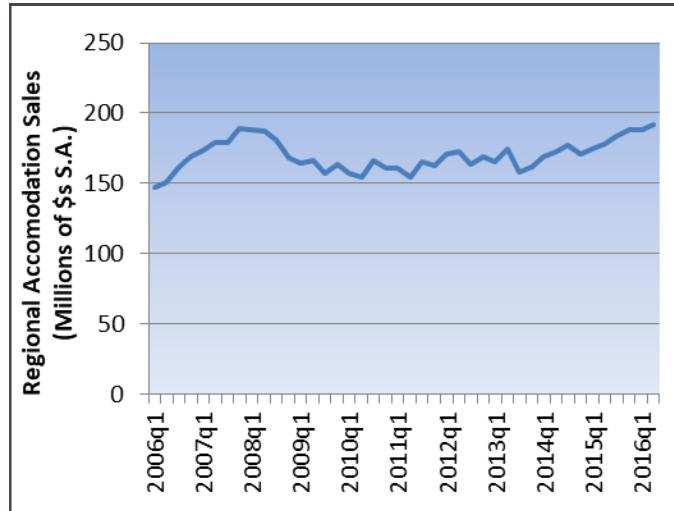


Source: Virginia Department of Taxation, HRPDC

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 \$1.92B in June of 2017 (seasonally adjusted), reaching a new high for the region. Once again this represents a strong expansion of retail sales, and a growth of 5.2% over sales in June of 2016.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2007Q1 – 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 2017, 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 – Jul 2017, Monthly

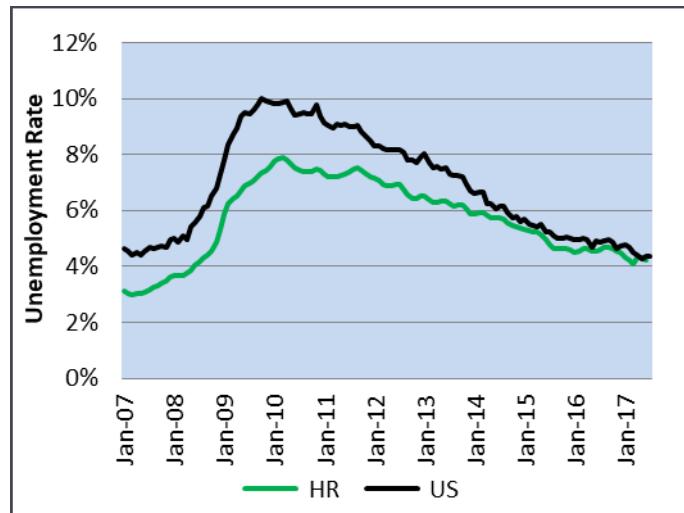


Source: Bureau of Labor Statistics, HRPDC

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 plummeted by 12,400 since February, and regional civilian employment sits at 765,000 in July of 2017, the lowest level since May of 2015. Of note, while this was a significant decline of 5,200 from the previous month, employment in June of 2017 was revised up to 770,200.

Unemployment Rate, Seasonally Adjusted

Hampton Roads, Jan 2007 – May 2017, Monthly

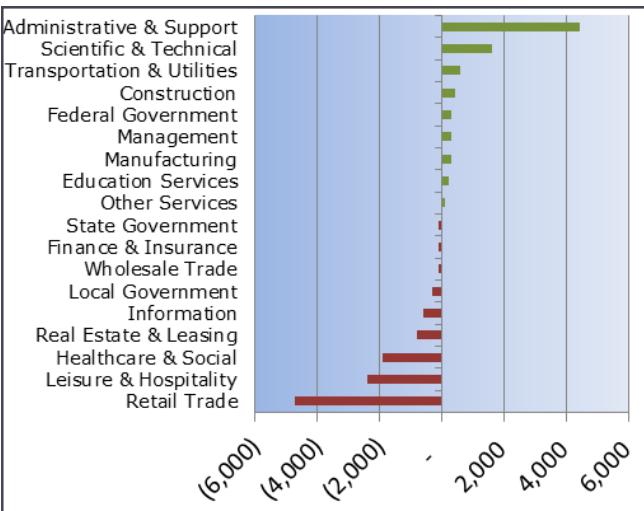


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. Hampton Roads' unemployment rate improved in June of 2017, falling from 4.33% to 4.23%. The improvement in the unemployment rate resulted from an increasing number of individuals indicating they have found employment (+4,062, seasonally adjusted).

Employment Growth by Industry

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

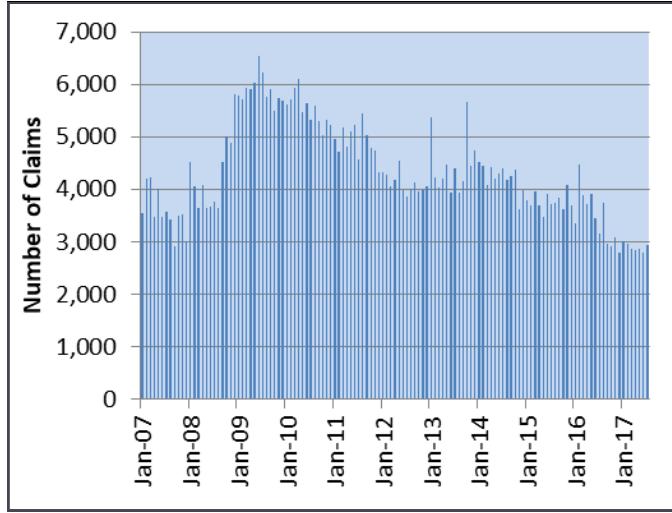


Source: Bureau of Labor Statistics, HRPDC

Employment Growth by Industry: Even as the job market grows or declines, some industries do not follow the regional trend. Retail trade employment declined by 4,700 year-over-year, and leisure and hospitality employment declined by 2,400 positions. These numbers are difficult to reconcile with higher taxable retail trade levels in June of 2017. Another notable change is a significant decline in healthcare employment of 1,900 year-over-year.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2007 – Jun 2017, Monthly

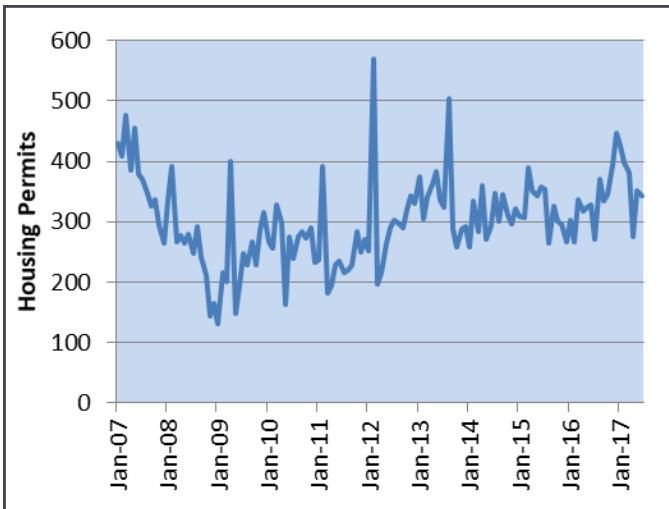


Source: Virginia Department of Labor, HRPDC

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 to 2,923 in July 2017. While one never wants to see this number increase, the level continues to remain low on both a short-term and long-term time horizon and is inconsistent with the declines in payroll employment the region has experienced.

Single Family Housing Permits, Seasonally Adjusted

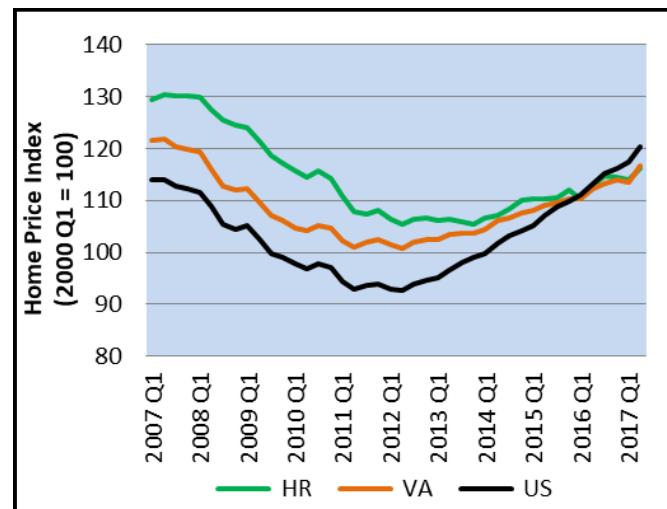
Hampton Roads, Jan 2007 – May 2017, Monthly



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 declined to 342 units in June of 2017, a decrease of 10 units per month from May. While this is in line with the post-recession building levels, the region continues to lag below the long-term average of 455 single family permits per month.

Home Price Index, All Transactions

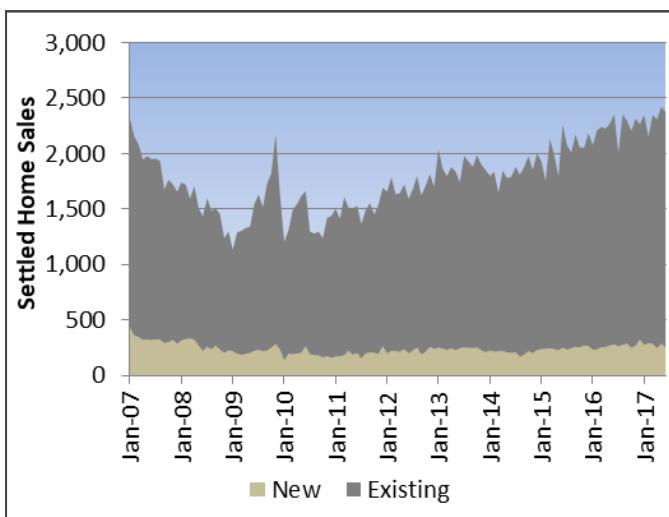
Hampton Roads, 2007Q1 – 2017Q1, Quarterly



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 in the second quarter of 2017, and are 2.86% above the price levels last year, though this growth rate was below that of the nation and the state.

Number of Homes Sold, Seasonally Adjusted

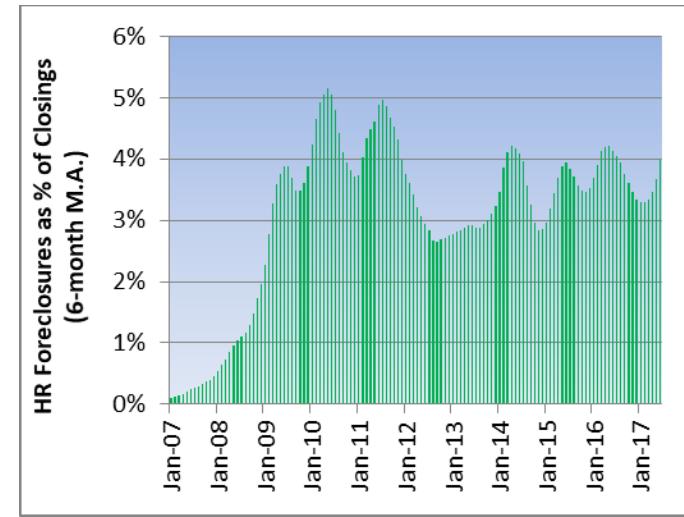
Hampton Roads, Jan 2007 – Jun 2017, Monthly



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 decreased slightly to 2,125 in June 2017, remaining above the recent trend of approximately 2,000 per month. New home sales bounced back down to 253 per month from 286 in May, displaying the high degree of volatility in new construction sales.

Foreclosures

Hampton Roads, Jan 2007 – Jun 2017, Monthly



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. Distressed homes' share of total sales has particularly been shown to have an impact on the sale price of existing homes. 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 increased significantly to 4.0% of all Hampton Roads existing home sales in June 2017 from 3.3% in March.