

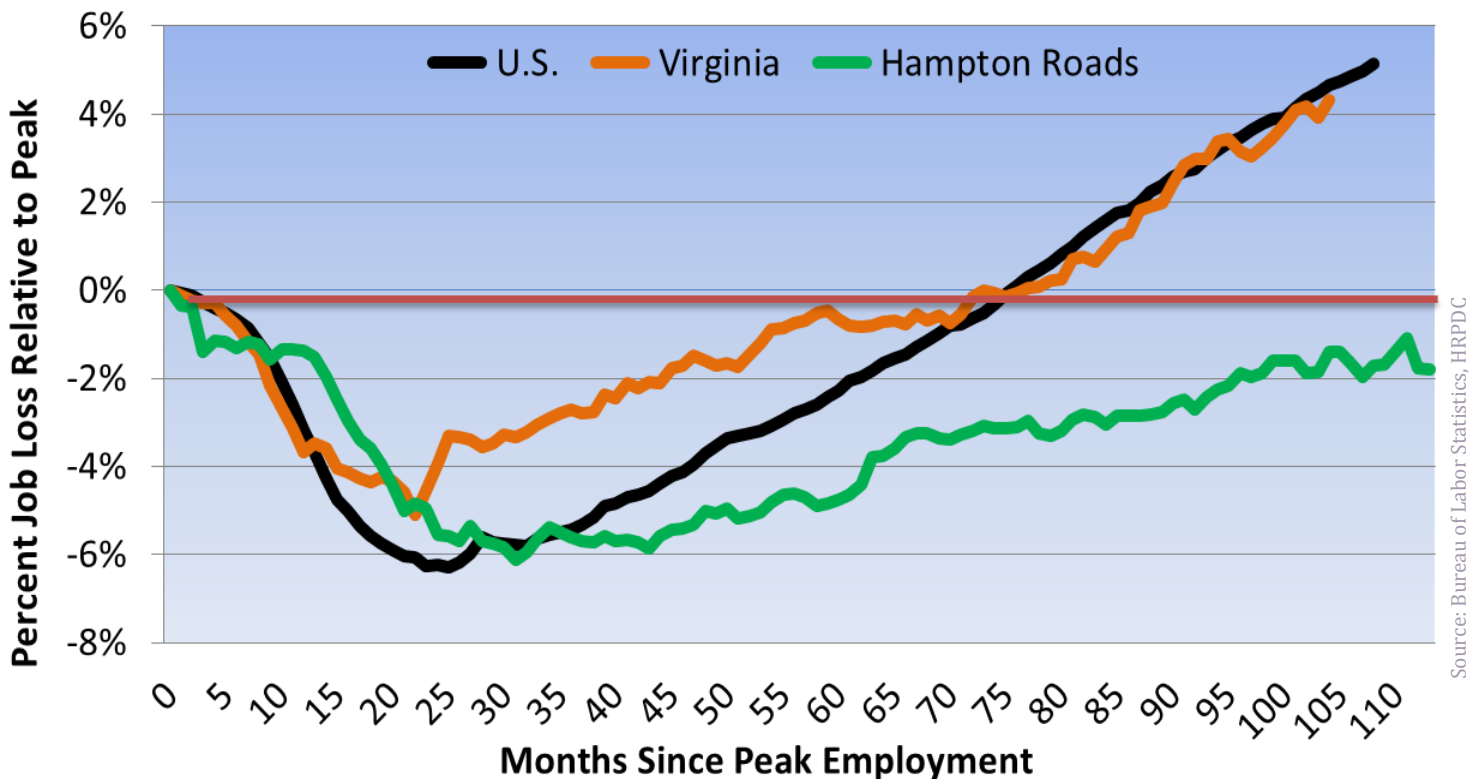
Hampton Roads Economic Indicators Continue to Disagree:

While national trends in retail sales, employment, and the overall economy have improved steadily, the regional economy has featured far more turbulence as a result of changes in government spending, particularly in the Department of Defense. While U.S. employment is now 5.1% above its pre-recession level, Hampton Roads remains 1.8% below its pre-recession level. Had Hampton Roads recovered at the same rate as the nation, the region would have 54,000 more civilian jobs on the payroll than it does right now.

On the other hand, the unemployment numbers suggest more people are entering the labor force, and more people are indicating they are employed in the region. Initial unemployment claims were slightly higher in January, but still are below the long-term average. Seasonally adjusted housing permits increased to 451 in December, near the long term average, and car sales continue to be strong, both of which indicate more confidence about the regional economy than one might expect given the employment chart below.

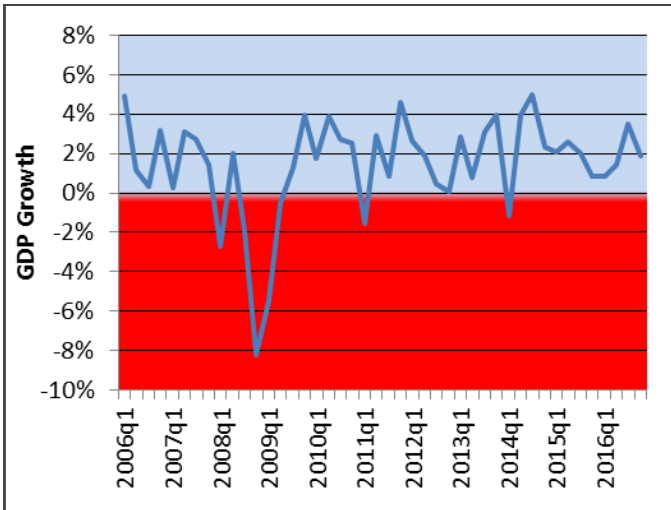
The annual revision of the employment numbers by the Bureau of Labor Statistics will be released in March of this year, aligning the industry employment numbers with the employment insurance paid by employers. The March revision will shed more light on Hampton Roads' current economic condition by revealing if small business creation has taken place that has not revealed itself in the monthly employment releases.

Civilian Employment Decline and Recovery



GDP, Annualized Growth Rate

United States, 2006Q1 – 2016Q4, Quarterly

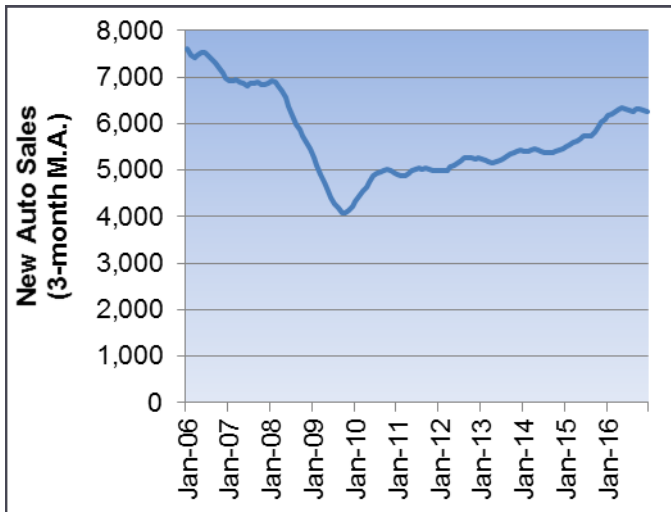


Source: Bureau of Economic Analysis, HRPDC

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. GDP growth slowed down at the end of 2016, growing at an annualized rate of 1.9%. The weaker growth was a result of both declining exports and increasing imports in the 4th quarter, as both consumption and investment grew strongly.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2006 – Dec 2016, Monthly

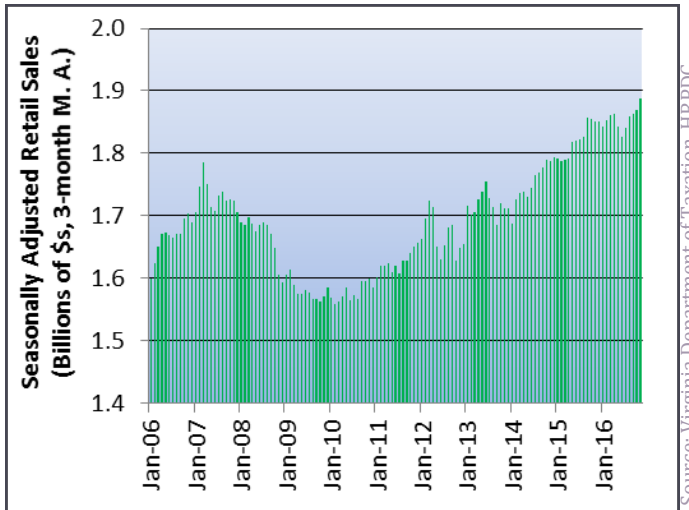


Source: Virginia Automobile Dealers Association, HRPDC

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 in the region have hovered around 6,300 since the beginning of the year, above the long term average of 6,000.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2005– Nov 2016, Monthly

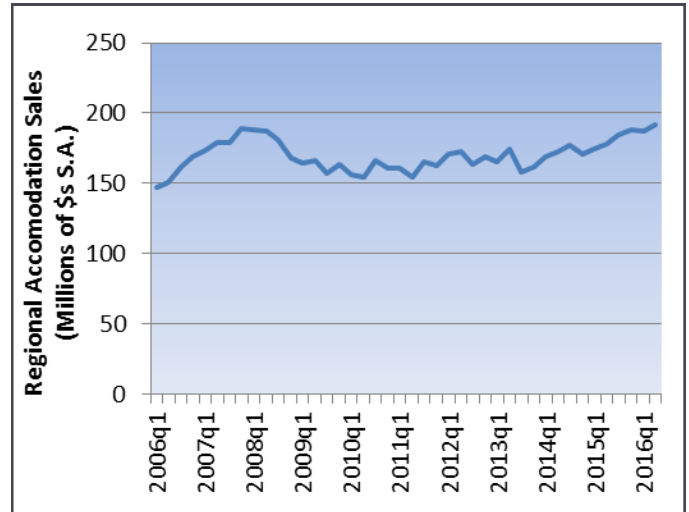


Source: Virginia Department of Taxation, HRPDC

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. Since consumption composes 68% of economic activity in the U.S., the growth or decline of retail sales gives a strong indication of the direction of the local economy. Regional retail sales continued to move sideways in November, averaging \$1.86B per month for the third month in a row. While this is 19.2% above the lows of the recession, this only represents 4.1% growth from the 2007 level of sales.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2006Q1 – 2016Q2, Quarterly

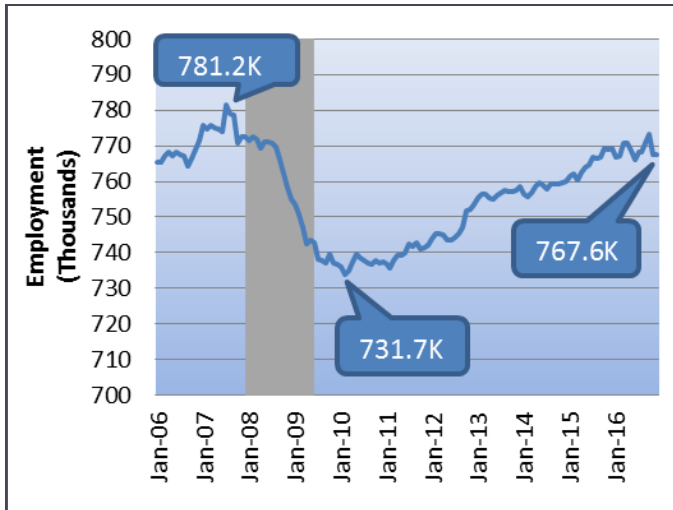


Source: HRPDC

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. While seasonally adjusted sales have now passed their pre-recession peak, the region's tourism industry still has room for growth, and the third quarter continues to be the most important for the region's tourism industry.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2006 – Dec 2016, Monthly

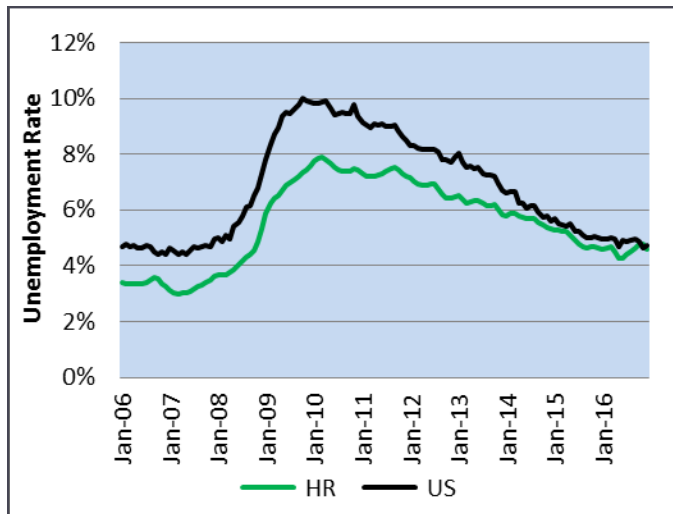


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. Employment declined by 100 in December 2016, following a 5,500 decline in employment in November 2016. As a result, there has been no meaningful growth in non-farm payrolls since August of 2015.

Unemployment Rate, Seasonally Adjusted

Hampton Roads, Jan 2006 – Dec 2016, Monthly

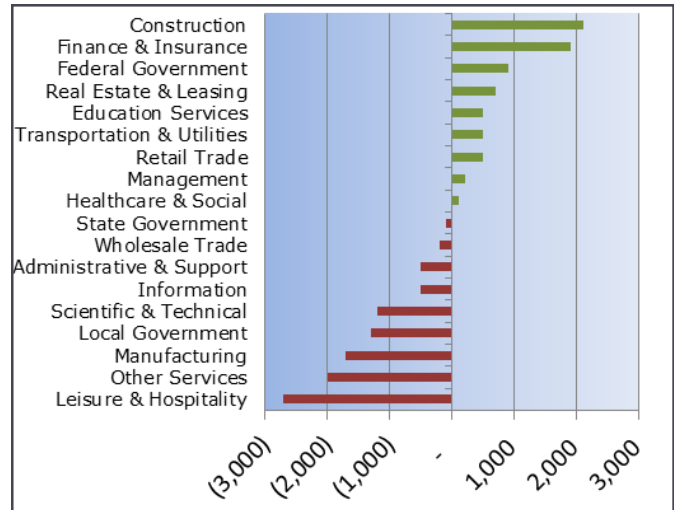


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. The Hampton Roads unemployment rate improved strongly in December 2016, declining to 4.57%. This decline was driven by a significant increase in persons indicating they found employment (+4,873) and a decrease in those indicating they were unemployed (-1,566, labor force increased by 3,307). Hampton Roads unemployment rate was below that of the U.S. once again.

Employment Growth by Industry

Hampton Roads, Dec 2015 – Dec 2016, Year-over-Year

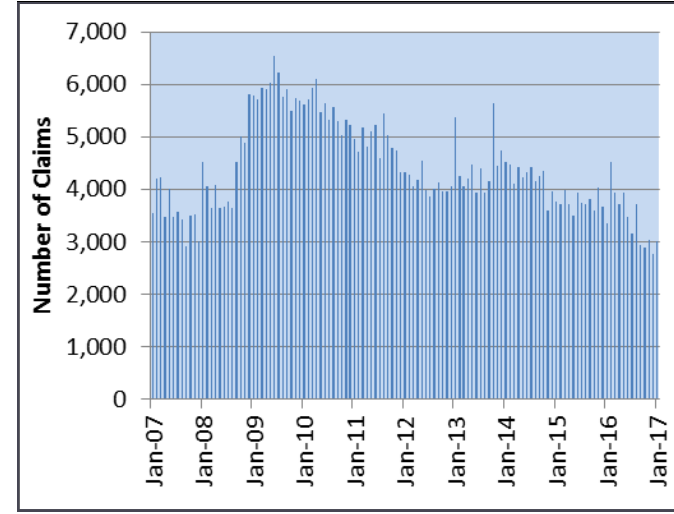


Source: Bureau of Labor Statistics, HRPDC

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. Leisure and hospitality employment was down significantly year-over-year in December of 2016 (-2,700), which is interesting because December traditionally is the third largest tourism month in the region, suggesting the increasing importance of the summer season. Construction employment increased year-over-year (2,100), while remaining significantly below the December 2006

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2007 – Jan 2017, Monthly

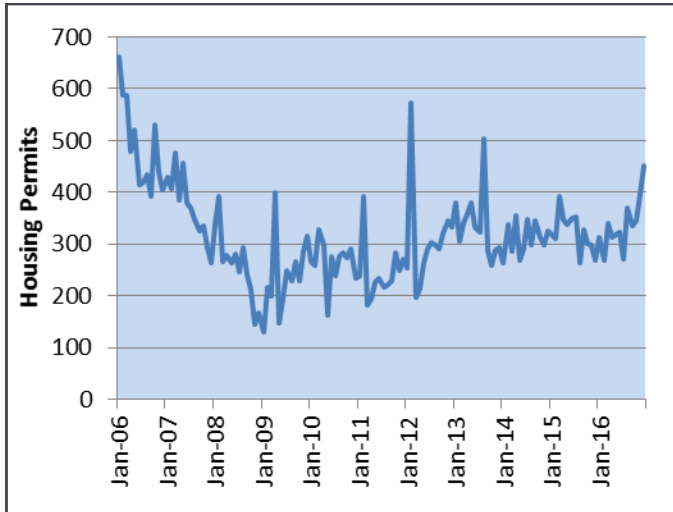


Source: Virginia Department of Labor, HRPDC

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 2,999 in December, but this remains below the long-term average (4,367). Low levels of initial unemployment claims continue to reflect positively on the future of the Hampton Roads labor market.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2006 – Dec 2016, Monthly

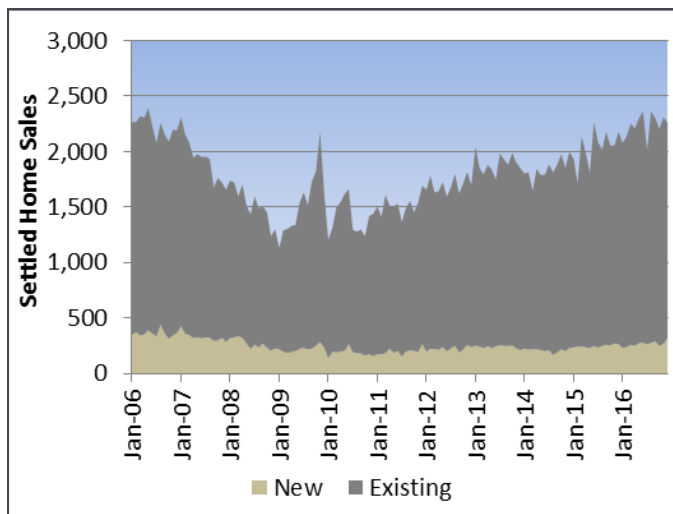


Source: U.S. Census Bureau, HRPDC

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Hampton Roads' localities issued 451 single family permits (seasonally adjusted) in Dec 2016 continuing the strong rise from November. On a seasonally adjusted basis, this puts permitting at the long-term average and explains the growth in year-over-year construction employment.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2006 – Dec 2016, Monthly

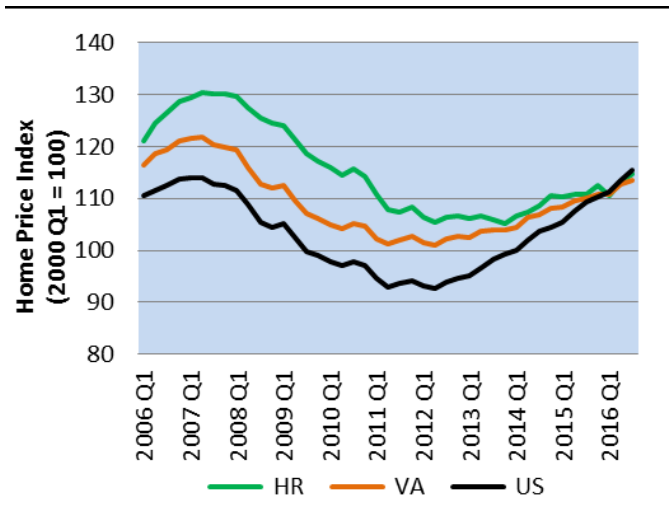


Source: REIN, HRPDC

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. Hampton Roads' real estate transactions were unnaturally elevated during the boom and dropped substantially during the housing correction. Recently, existing home sales have increased significantly, achieving levels not experienced since 2005. If home sales continue at these levels, it would allow for a higher level of construction regionally.

Home Price Index, All Transactions

Hampton Roads, Jan 2006 – Dec 2016, Monthly

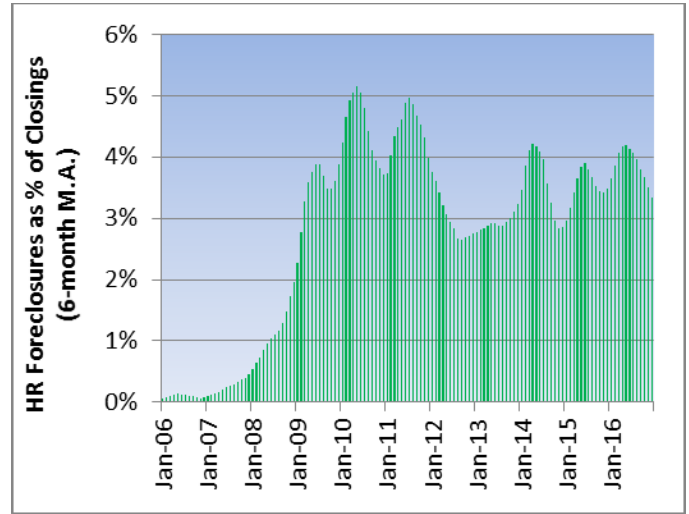


Source: Federal Housing Finance Agency, HRPDC

Home Price Index: The home price index measures the value of homes by seeing how the price has changed through different sales of the same property. The index provides the highest quality data available on the trends in the real estate market. Hampton Roads' real estate values began to increase rapidly in 2003, and continued through 2007. While the region experienced the same level of decline in housing prices as the Nation and the Commonwealth, it has yet to experience a similar recovery in home prices.

Foreclosures

Hampton Roads, Jan 2006 – Dec 2016, 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. 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 Jul 2011. Distressed sales constituted 2.5% of all Hampton Roads existing home sales in Dec 2016.