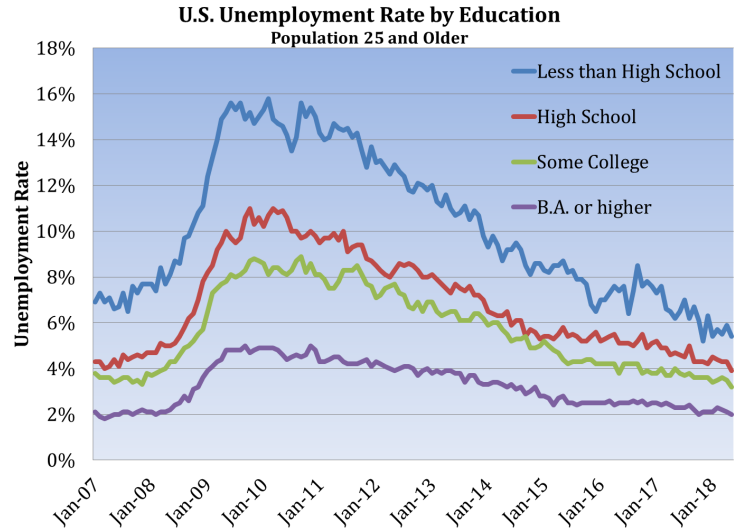


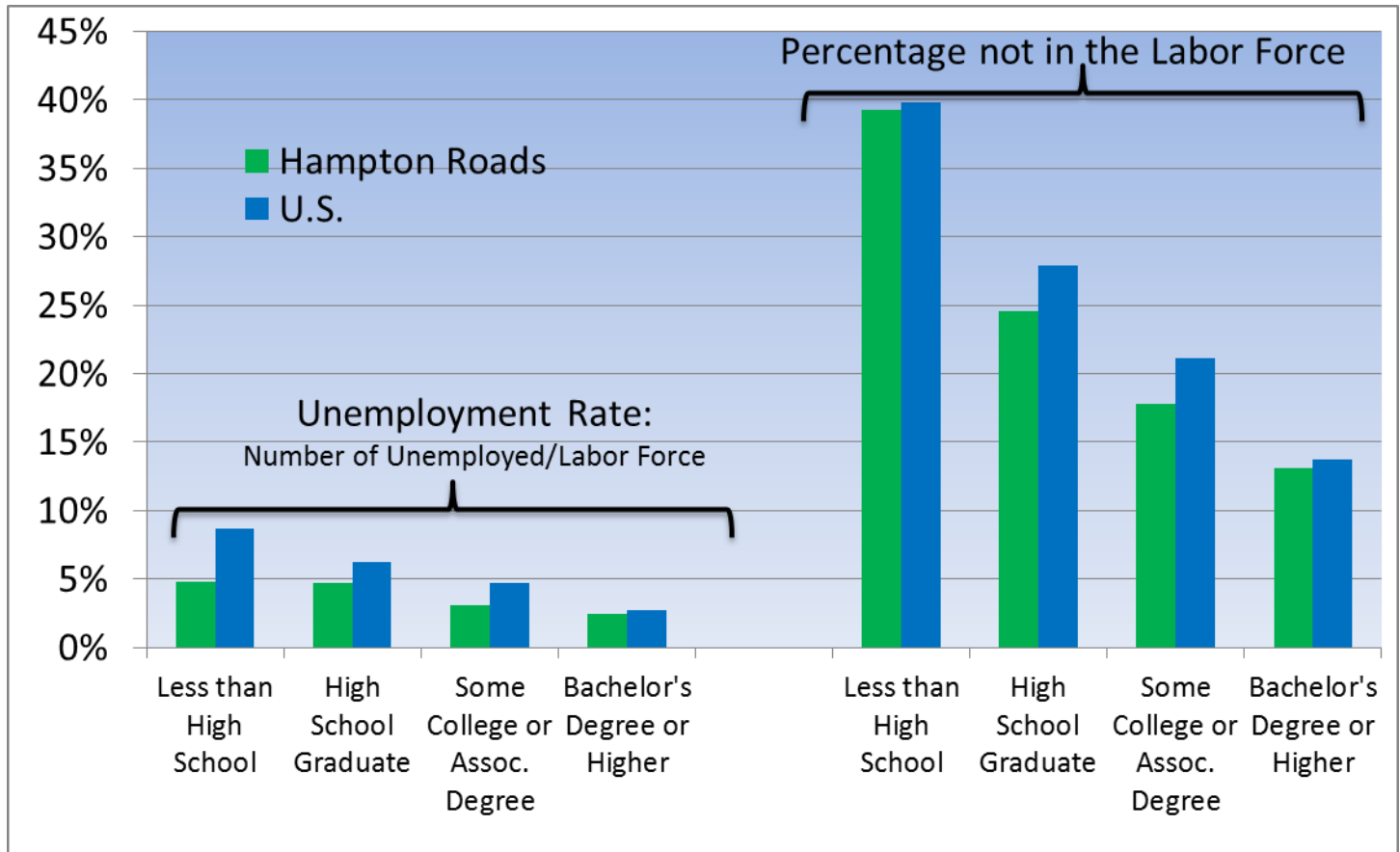
Education and Employment

This past spring, we saw greater economic recovery in Hampton Roads as employment increased to 784,200 in May and unemployment fell to 3.45% in April. Interestingly, the gap in the unemployment rate between individuals with different levels of education decreases as the labor market tightens. In a tighter labor market, individuals who previously exited the labor market are more likely to return to work, no matter whether they left due to discouragement, disability, or a host of other reasons. It also encourages firms to invest more into training and retaining their workforce.



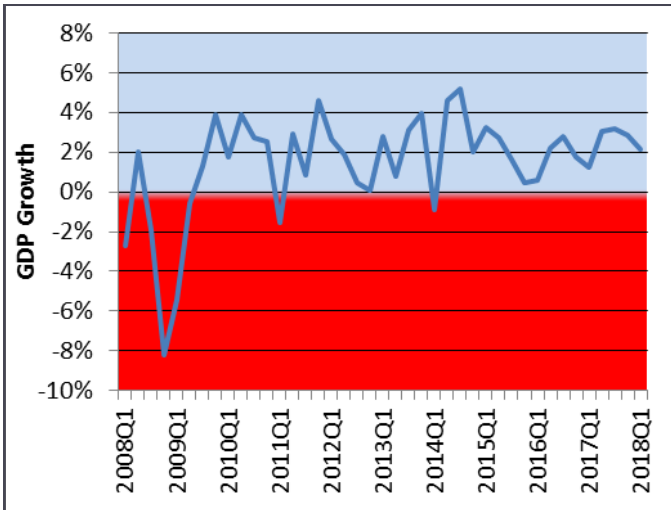
While the Bureau of Labor Statistics does not provide regional information regarding employment by level of education, it is available on an annual basis from the U.S. Census Bureau. The table below shows how much higher the unemployment rate was in 2016 for those with lower levels of education. Additionally, those individuals were less likely than others to be in the labor force, which means they are neither working nor actively looking for work. The national chart shows the improvement in the unemployment rate for those without high school equivalency, and hopefully a similar impact has been occurring regionally.

Education Impacts Prime Age Employment (25-64 years old) Unemployment Rate and Percentage not in Labor Force, 2016



GDP, Annualized Growth Rate

United States, 2008Q1 – 2018Q1, Quarterly

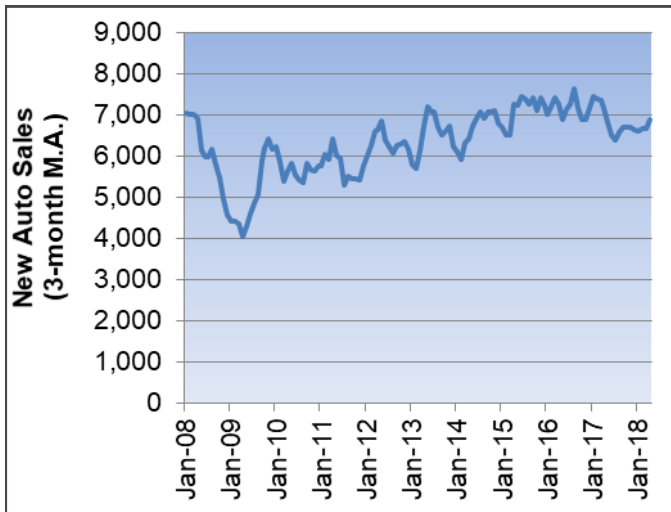


Source: Bureau of Economic Analysis, HRPDC

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Real GDP growth slowed again from 2.9% in 2017 Q4 to 2.2% in 2018 Q1, and lower than the preliminary estimate of 2.3%. Unusual for such a strong employment situation, personal consumption expenditures slowed, growing only 1%, though this may be explained given last quarter’s 4% growth. Domestic defense spending grew for the fourth consecutive quarter.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2008 – Apr 2018, Monthly

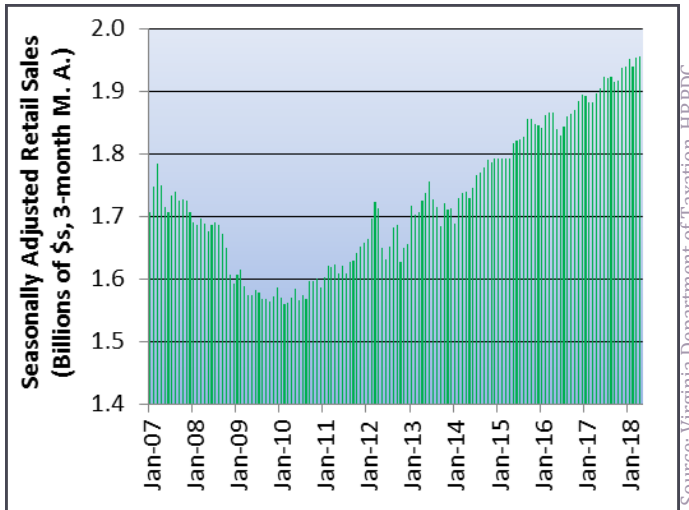


Source: Virginia Automobile Dealers Association, HRPDC

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 slightly to 6,818 from 6,970 in March 2018 (seasonally adjusted), below their long-term average of 7,000 per month. Car sales have exhibited a high level of variability over the past 12 months and it is difficult to establish a trend in either direction from the data.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2007– Apr 2018, Monthly

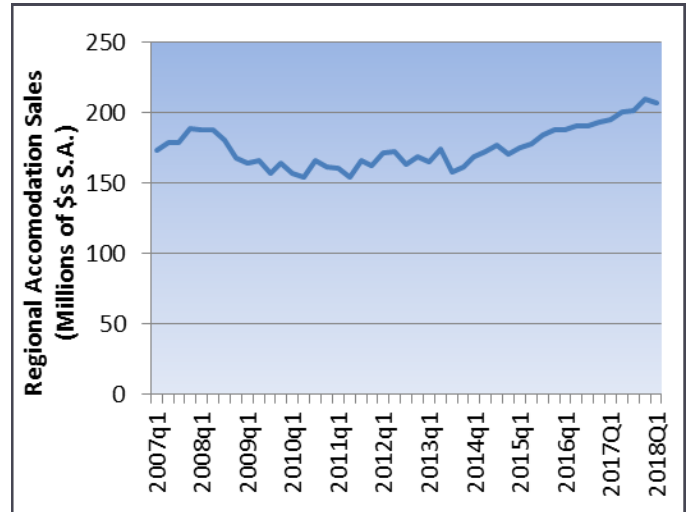


Source: Virginia Department of Taxation, HRPDC

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 continued to grow in April 2018, albeit at a slowing rate. Sales were 2.2% higher year-over-year, and at \$1.96B (seasonally adjusted 3-month average), are now 9.6% above pre-recession highs and 25.5% greater than during the recession.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2007Q1 – 2018Q1, Quarterly

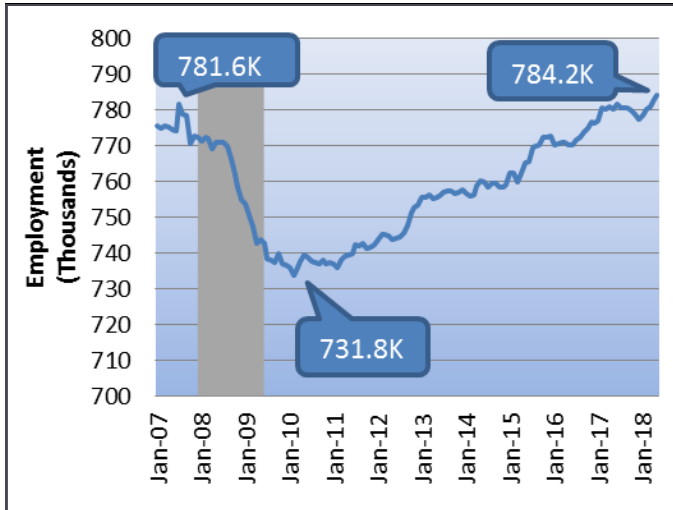


Source: HRPDC

Estimated Hotel Revenue: Hotel sales indicate the performance of the region’s tourism sector. The 1st Quarter accommodation sales fell by 1.2% regionally, to \$207 million (seasonally adjusted). While this was a small step back, sales were still 6.0% higher than in 2017 Q1, and the first quarter typically has the lowest level of sales regionally, and thus less impact on the industry. As employment & leisure and hospitality has already grown in May, they are high expectations for this summer.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2007 – May 2018, Monthly

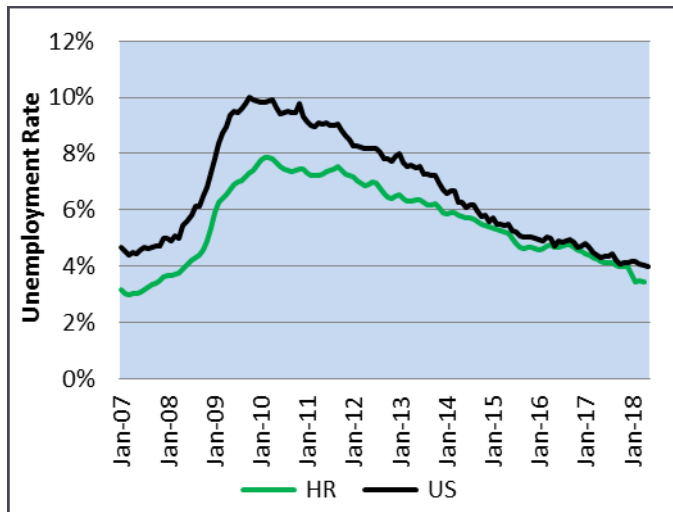


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. In May 2018, Hampton Roads employment increased again, gaining 1,700 jobs from the April 2018 employment estimate (itself revised up by 700). The regional employment has grown at a rate of 1,400 jobs per month in 2018. If this trend continues, it would position 2018 for the best year for job growth since 1997 (1,475 per month).

Unemployment Rate, Seasonally Adjusted

Hampton Roads and U.S, Jan 2007 – Apr 2018, Monthly

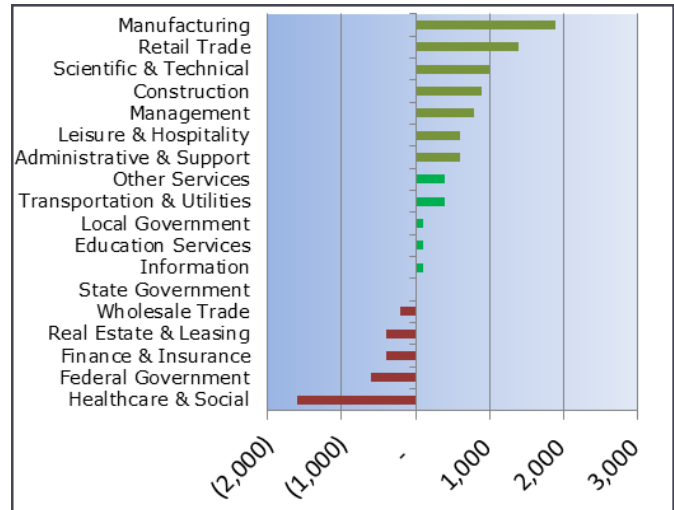


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. Hampton Roads' unemployment rate declined to 3.45% in April 2018 from 3.51% in March, and the regional unemployment rate remains more than 0.5 percentage points below that of the nation. Hampton Roads unemployment remains remarkably low compared to its reference MSAs, and has returned to the unemployment level of the Commonwealth.

Employment Growth by Industry

Hampton Roads May 2017 – May 2018, Year-over-Year

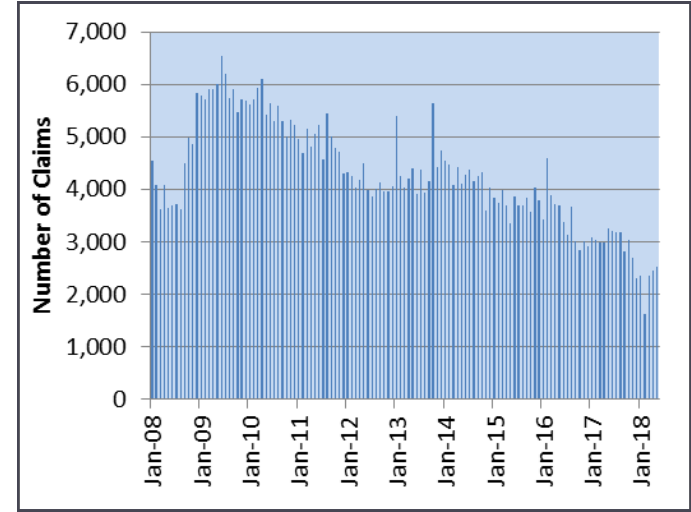


Source: Bureau of Labor Statistics, HRPDC

Employment Growth by Industry: As the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. Manufacturing continues to see strong year-over-year growth (+1,900), and retail employment also grew (+1,400). The biggest decrease came from healthcare and social assistance employment (-1,600), an industry that had grown through the recession.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2008 – May 2018, Monthly

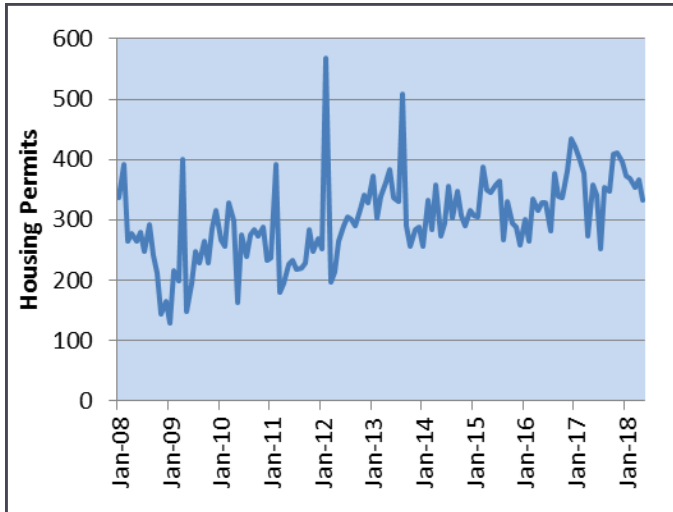


Source: Virginia Department of Labor, HRPDC

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 continue to increase since falling to an extremely low level in February 2018, making another significant jump to 2,523 claims in May 2018. While increasing claims produce a certain level of concern, the level of claims remains below the long-term average (3,805/month).

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2008 – May 2018, Monthly

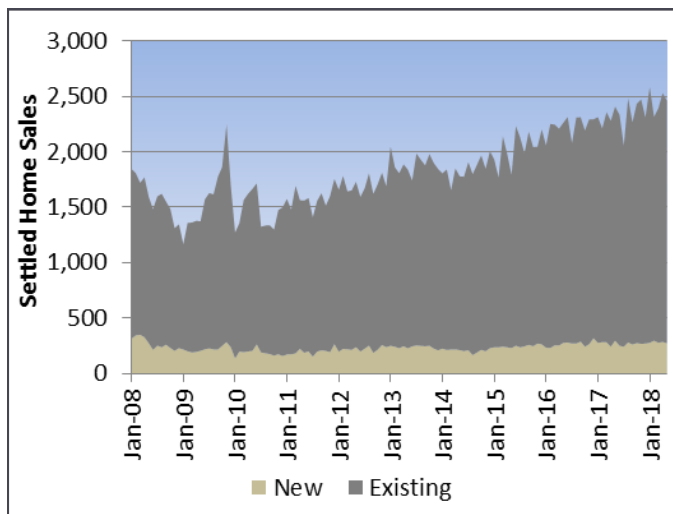


Source: U.S. Census Bureau, HRPDC

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Seasonally adjusted single family permits decreased by 33 in May 2018, and there has been a lower level of permitting this year, which seems inconsistent with recent employment growth. Multifamily permitting has also declined regionally, indicating either a timing issue or another impact in the housing market.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2008 – May 2018, Monthly

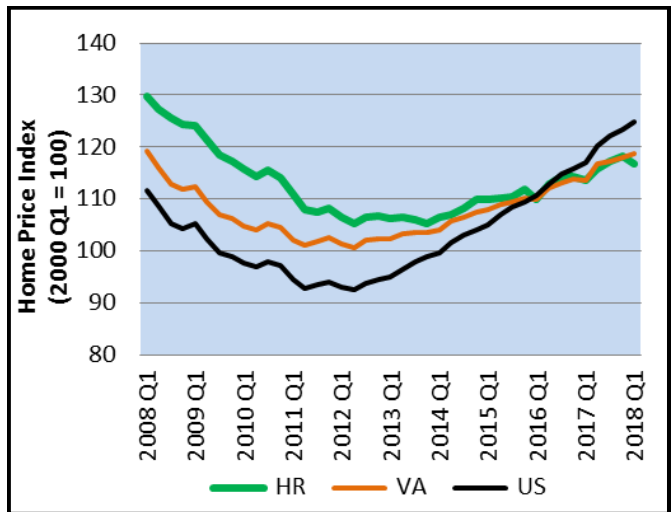


Source: REIN, HRPDC

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 decreased slightly in May 2018, failing to 2,186 (-57). While this is a high level for existing sales, and resales remain strong, it is surprising that this has not created more momentum in either home price growth or the level of new construction.

Home Price Index, All Transactions

Hampton Roads, 2008Q1 – 2018Q1 Quarterly

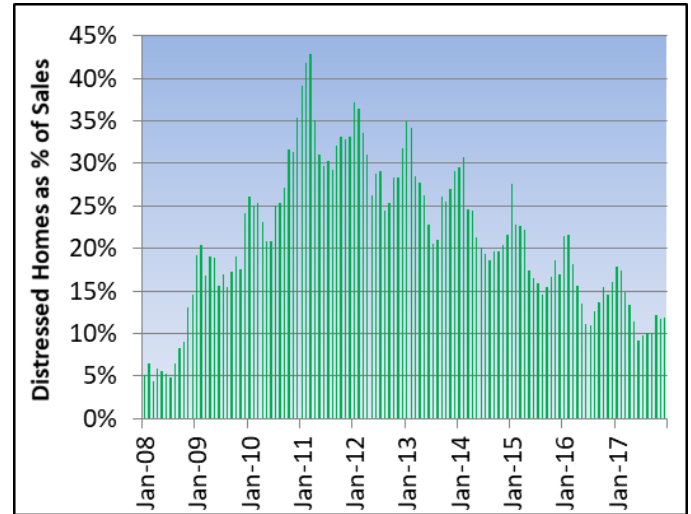


Source: Federal Housing Finance Agency, HRPDC

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 prices increased in 2017 Q3, and are 2.8% above the price levels during the same time last year, but below the growth rate of home prices statewide (4.4%), and below the national growth rate (6.6%). Regional home values remain 10.4% below 2007 levels.

Foreclosures and Distressed Sales

Hampton Roads, Jan 2008 – Dec 2017, Monthly



Source: REIN, Old Dominion Forecasting Project, 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. The dataset provided by REIN and analyzed by ODU indicates a sharp rise in distressed properties (REO and short sales), which comprised 45% of closings. Distressed sales have declined since the recession, but still represented 12.8% of sales in December.