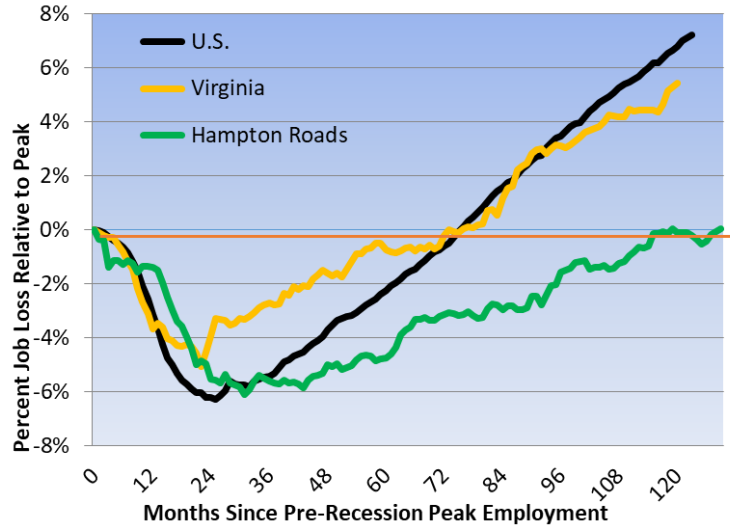


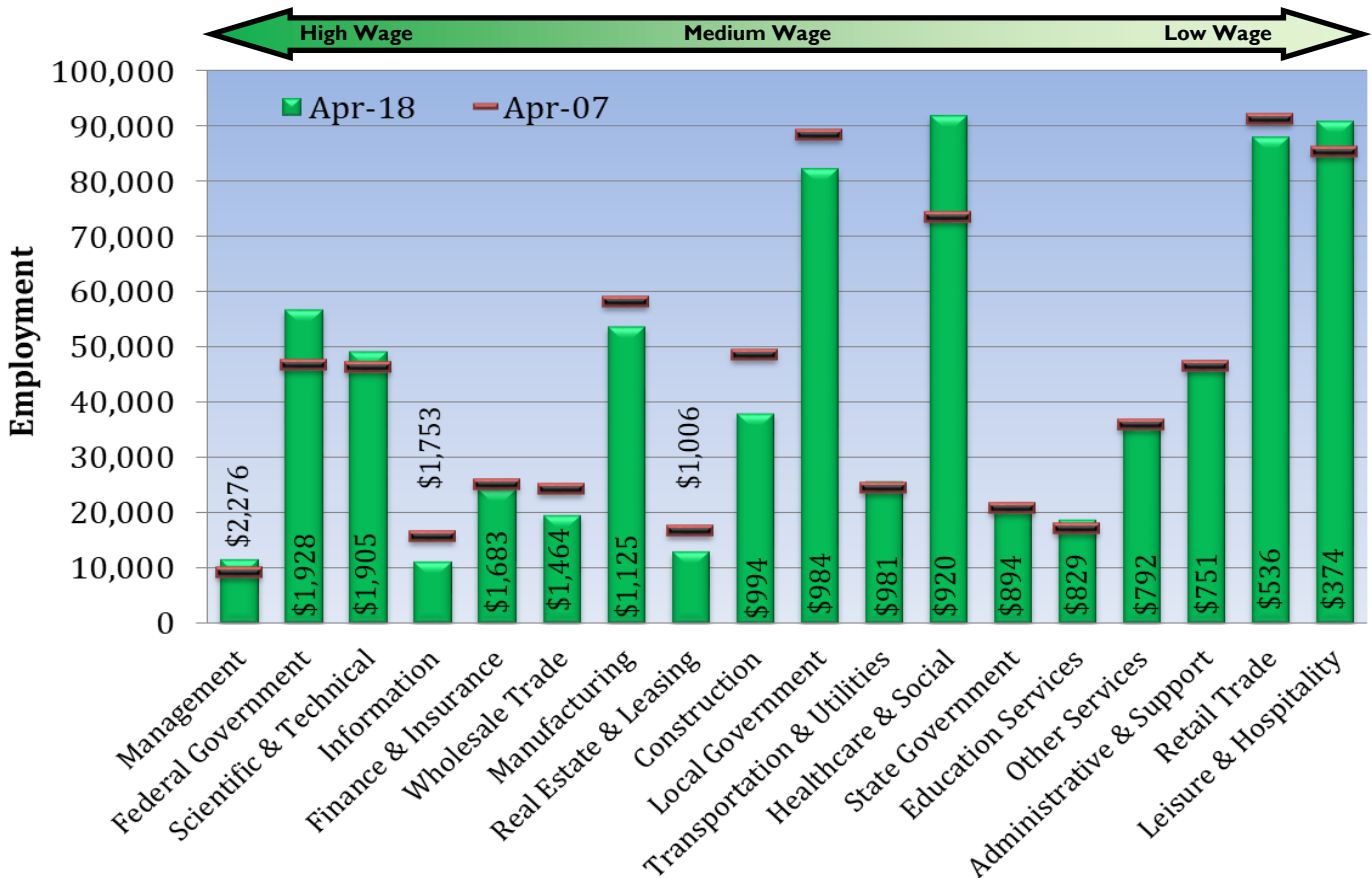
Happy Days Are Here Again

A return to pre-recession peak employment is one key benchmark of recovery following an economic downturn. Indeed the chart on the right has been one economists at the HRPDC have used for almost a decade to track Hampton Roads compared to the state and the nation. While the state and the nation returned to this benchmark after 72 months, it took 129 months for the region to reach its pre-recession peak employment rate.

Another way to examine the employment recovery is to analyze the wages paid to industries that have grown or shrunk since the recession. Comparing April 2007 to April 2018, jobs paying \$1,500+ per week in the region have increased (+10,000), driven by the strong increase in federal government employment, but are also hampered by the shrinking information sector. Unfortunately, jobs in the next wage-tier paying between \$1,000 and \$1,500 per week have experienced declines driven by three main categories: wholesale trade, manufacturing, and real estate/leasing. Lower income jobs have increased overall, with declines in employment by local government and construction matched by increases in healthcare jobs. Overall, the shift in employment between various industries in the region resulted in wages that are 0.7% higher, or roughly \$5 million more in wages per week.

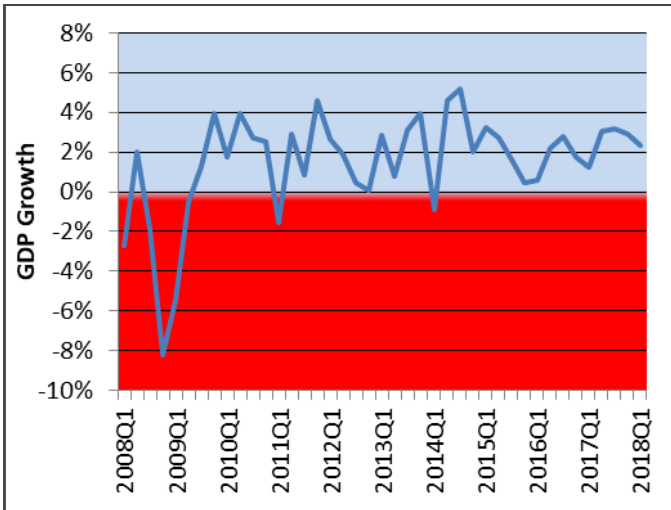


Hampton Roads' Industry Employment, by Weekly Wage



GDP, Annualized Growth Rate

United States, 2008Q1 – 2018Q1, Quarterly

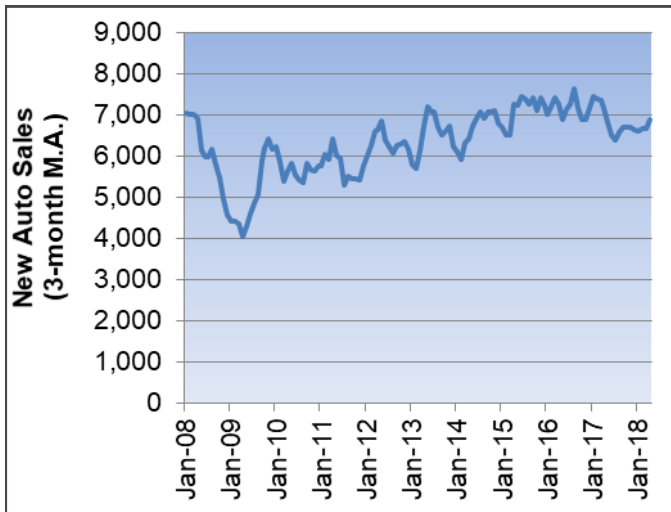


Source: Bureau of Economic Analysis, HRPDC

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 from 2.9% in 2017 Q4 to 2.3% in 2018 Q1, though remained higher than the consensus forecast of 2.0% growth. Personal consumption expenditures slowed, growing only 1.1% following last quarter’s impressive 4% growth rate. Domestic defense spending grew for the fourth consecutive quarter.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2008 – Apr 2018, Monthly

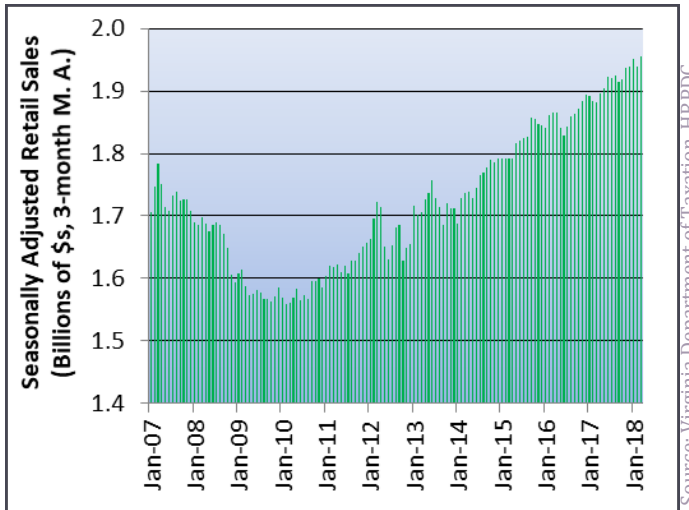


Source: Virginia Automobile Dealers Association, HRPDC

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– Mar 2018, Monthly

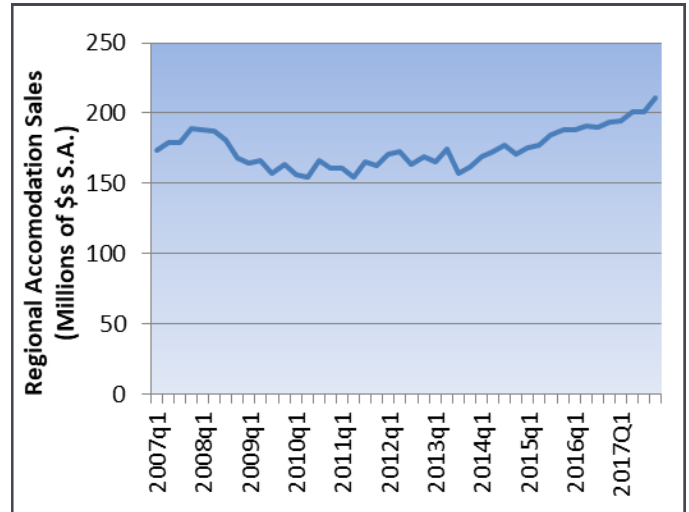


Source: Virginia Department of Taxation, HRPDC

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 reached a new peak in March 2018. This is still a strong result for retail sales, as sales are 4.7% higher year-over-year, and at \$1.95B (seasonally adjusted 3-month average), are now 9.5% above pre-recession highs, and 25.4% greater than sales during the recession.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2007Q1 – 2017Q4, Quarterly

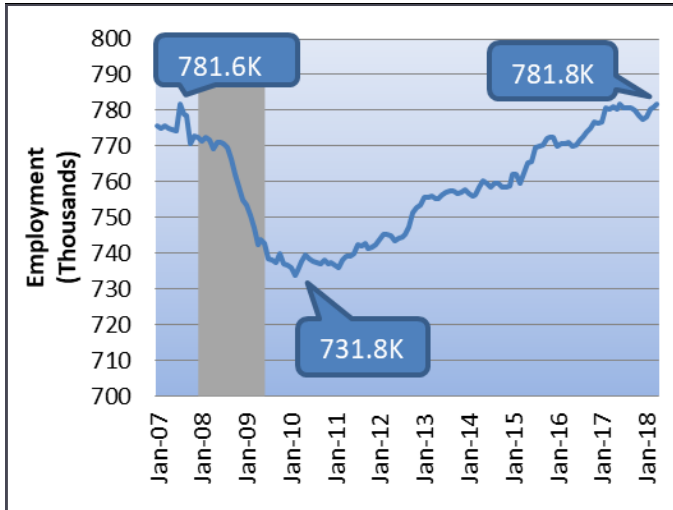


Source: HRPDC

Estimated Hotel Revenue: Hotel sales indicate the performance of the region’s tourism sector. The 4th Quarter accommodation sales increased by 4.7% regionally, to \$211 million (seasonally adjusted). While there was a pause in growth during the third quarter, this is in line with both the higher retail sales and the recent revisions to the tourism employment data.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2007 – Apr 2018, Monthly

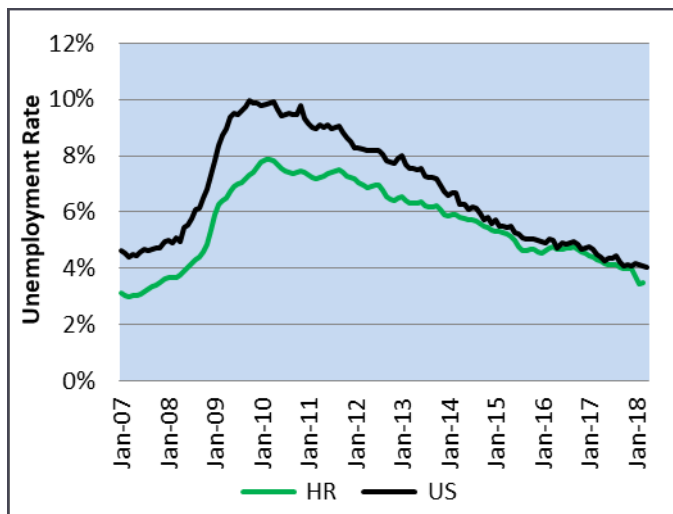


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. In April 2018, Hampton Roads employment broke through the pre-recession peak of 781,600 from July 2007, increasing by 800 jobs from the March 2018 employment estimate. This is great news, but also a reminder of how long the economic recovery has been in Hampton Roads, with the employment decline from the recession lingering for nearly 11 years.

Unemployment Rate, Seasonally Adjusted

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

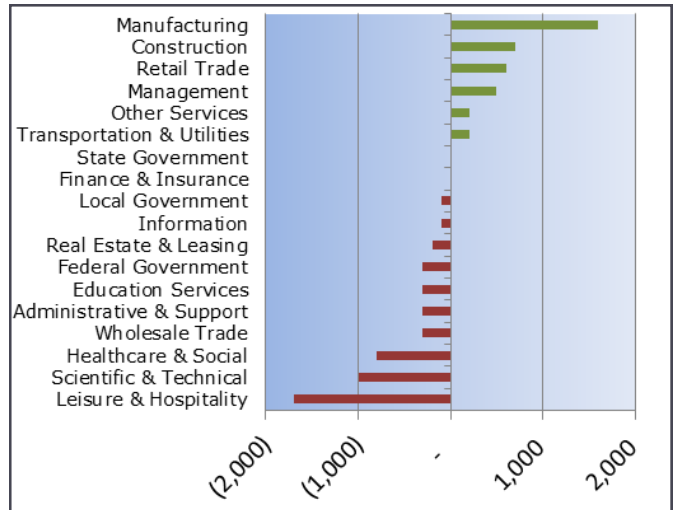


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. Hampton Roads' unemployment rate ticked up slightly to 3.51% in March 2018 from 3.44% in February, but this increase was driven by an increase in labor force, as employment continued to grow. While the labor force has increased slightly year-over-year (+0.1%), the number of persons indicating they are employed has increased by 1.0%.

Employment Growth by Industry

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

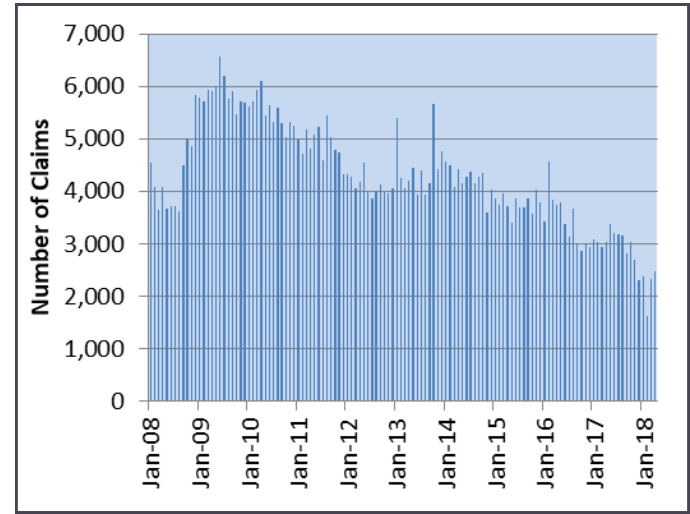


Source: Bureau of Labor Statistics, HRPDC

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 (+1,600), and construction gained (+700) as well. Surprisingly, the biggest decrease came from leisure & hospitality employment (-1,700), an industry that is tightly correlated with the tourism industry, and one that has been difficult for the Bureau of Labor Statistics to model in this region.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2008 – Apr 2018, Monthly

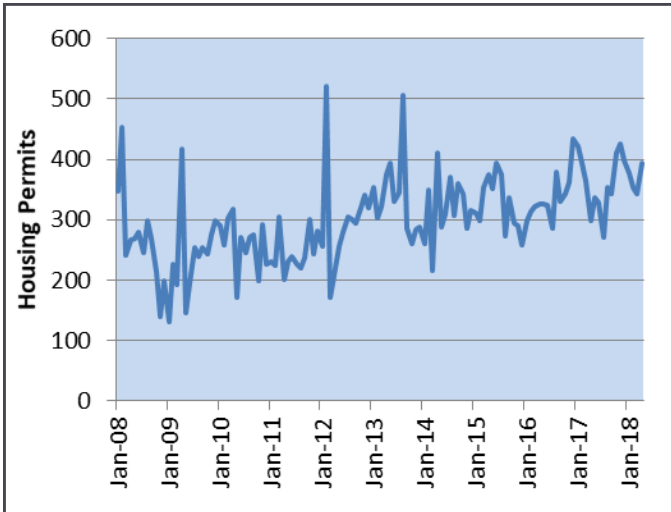


Source: Virginia Department of Labor, HRPDC

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 claims continue to increase, making another significant jump to 2,471 claims in April 2018. While increasing claims produce a certain level of concern, the level of claims remain below the long-term average (3,805/month) and the average for the past 12 months (2,759).

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2008 – Apr 2018, Monthly

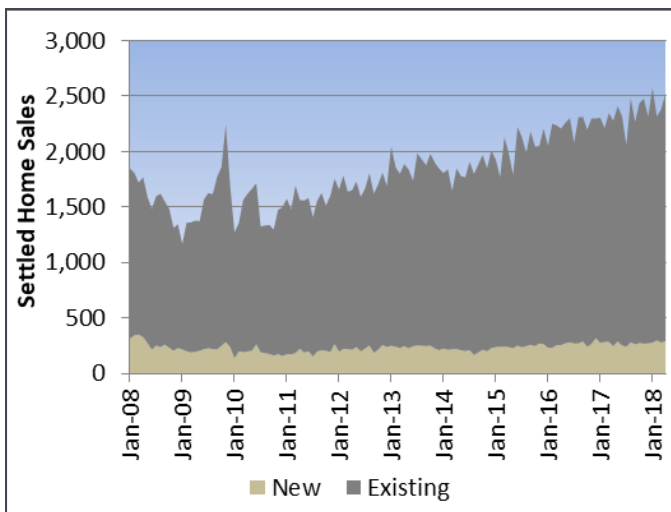


Source: U.S. Census Bureau, HRPDC

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 increased by 52 in April 2018 to 394 units for the month; however, unadjusted permits held steady at 438 units, and the multi-family units declined for the month, so this indicator indicates that one should wait and see.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2008 – Apr 2018, Monthly

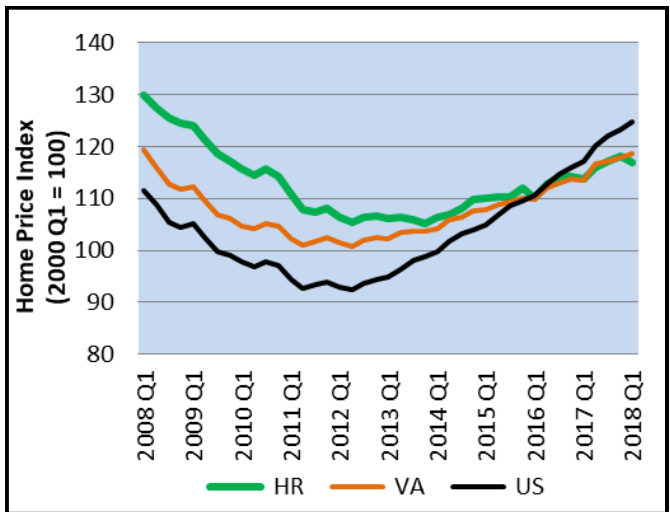


Source: REIN, HRPDC

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 rose to 2,236 in April 2018, returning to the levels the highest levels since the housing bubble. This level of sales seems in line with recent improvement seen in regional employment indicators.

Home Price Index, All Transactions

Hampton Roads, 2008Q1 – 2018Q1 Quarterly

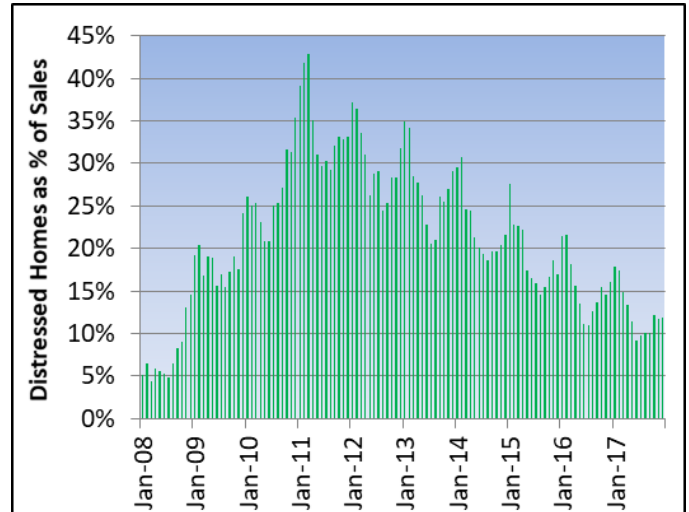


Source: Federal Housing Finance Agency, HRPDC

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 Q3 2017, and are 2.8% above the price levels during the same time last year, as well as below the growth rate of home prices statewide (4.4%), and across the nation (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.