

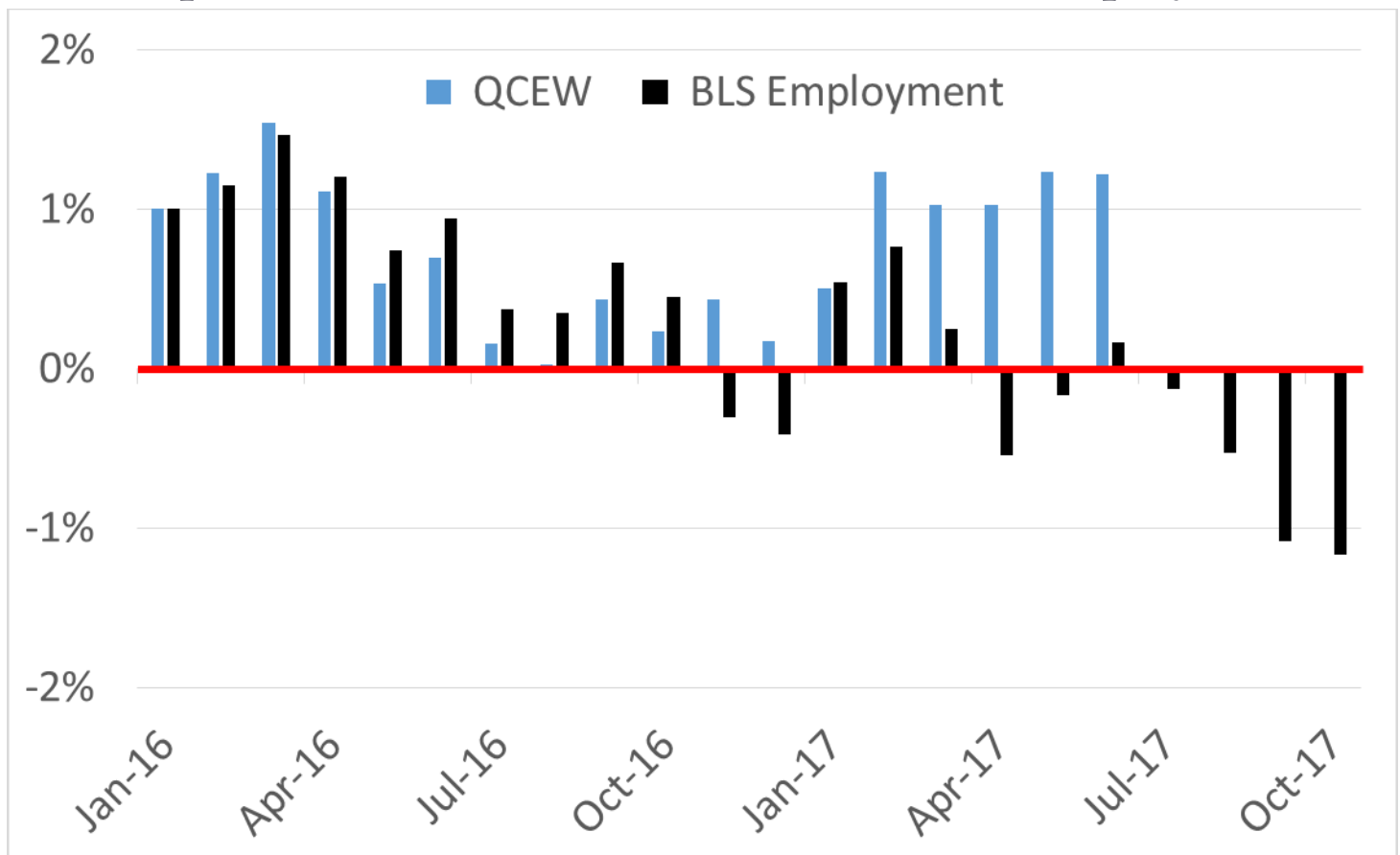
Is the Region Really Losing Jobs? The Answer Depends on the Source of the Data

Hampton Roads experienced another confounding jobs report, given negative data showing a decline in employment by 900 jobs between September and October 2017, which challenges other available data. The region lost 11,000 jobs year-over-year according to the Current Employment Statistics (CES), which is often referred to as the Jobs Report or Payroll Report. At the same time, Initial Unemployment Claims remain at their lowest levels ever sustained, national GDP has grown, defense spending has increased, and retail sales numbers remain strong.

It is important to note that the CES is an estimate of employment. It is derived from a survey of employers within a region and changes in the national and regional economy, which are assessed to determine how employment in the region has changed. Typically, this technique works very well, but when the size of the economy rapidly changes, the estimate fails to capture that change. It also has a difficulty measuring shifts in employment when various underlying characteristics of the economy change.

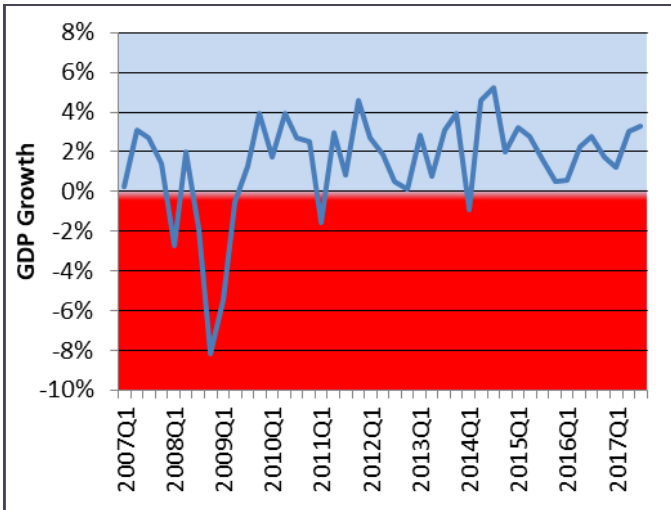
There is another employment report called the Quarterly Census of Employment and Wages (QCEW). Rather than an estimate, it is a count of all employees in a region eligible for unemployment insurance. Unfortunately, it is released several months later than the CES, but is subject to less revision as an actual count. At the same time the CES report started to show job loss in the region (November 2016), the QCEW showed slight job growth, and showed continued growth through June 2017. It seems likely that the employment estimates will be adjusted significantly higher when they are revised in March.

Hampton Roads, Year-over-Year Growth in Employment



GDP, Annualized Growth Rate

United States, 2007Q1 – 2017Q3, Quarterly

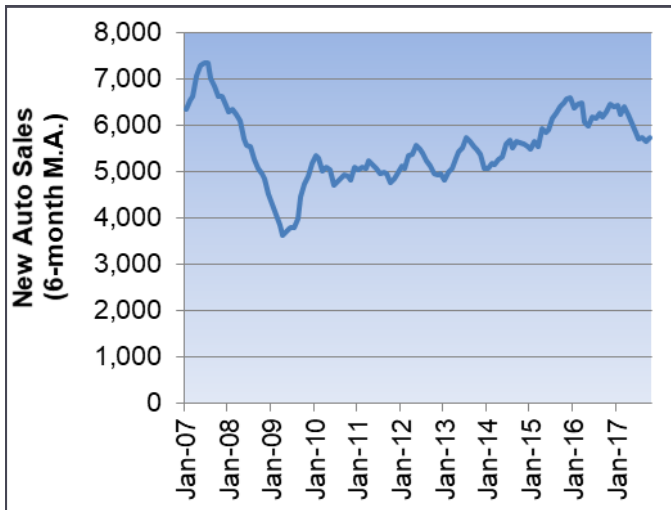


Source: Bureau of Economic Analysis, HRPDC

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Real GDP grew at a 3.3% annualized rate in the third quarter, continuing from strong growth of 3.1% in the second quarter. The most important news for Hampton Roads results from a 2.4% expansion in national defense expenditures between the second and third quarter, and an increase in national defense spending over two consecutive quarters for the first time

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2007 – Oct 2017, Monthly

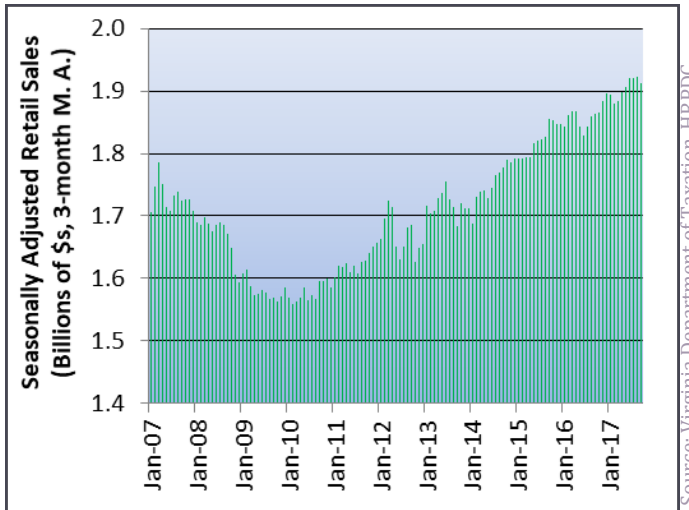


Source: Virginia Automobile Dealers Association, HRPDC

New Car Sales: Car sales, as a durable good, may be delayed 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 data has exhibited a greater degree of volatility in the past few months. Overall, sales remain at or below the region’s long term average of 5,994, with the 6-month average falling to 5,744 in October 2017.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2007– Sep 2017, Monthly

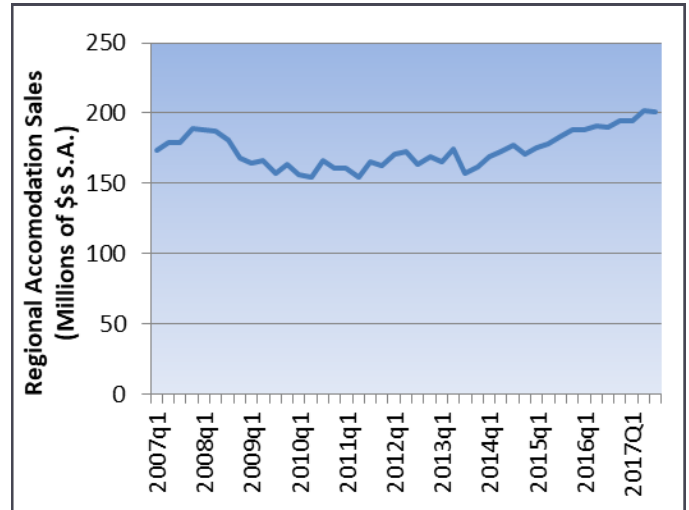


Source: Virginia Department of Taxation, HRPDC

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 declined slightly to \$1.91B in September 2017 (seasonally adjusted 3-month average). Retail sales still remain 3.6% higher than in September 2016. The decline reflects June 2017 moving out of the average, as it was an exceptionally strong month for the region and the state.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2007Q1 – 2017Q3, Quarterly

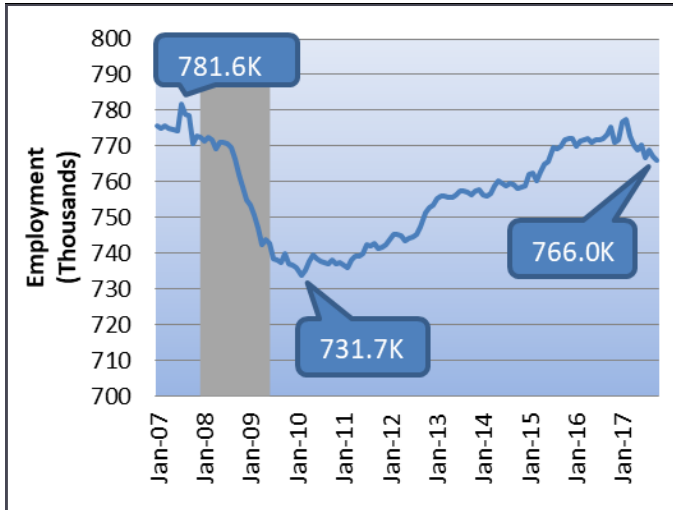


Source: HRPDC

Estimated Hotel Revenue: Hotel sales indicate the performance of the region’s tourism sector. Tourism significantly contracted during the Great Recession and had been following a slow, steady growth trend until weakness in the third quarter caused sales to fall to \$201 million, from \$202 million in the second quarter (seasonally-adjusted). Rather than reflecting a weakness in the third quarter, this likely illustrates the strength of the second quarter (particularly June).

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2007 – Oct 2017, Monthly

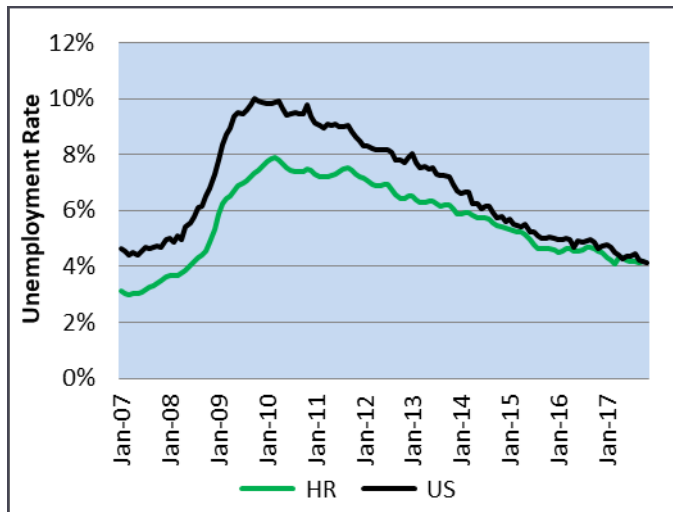


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. Regional civilian employment fell to 766,000 in October 2017, down from 766,900 in September 2017, but this was higher than the preliminary estimate for employment in September, which indicates a sluggish labor market. Regardless, employment is down by 11,100 positions year-over-year, and if accurate, 2017 will be the worst year for employment since the recession.

Unemployment Rate, Seasonally Adjusted

Hampton Roads and U.S, Jan 2007 – Oct 2017, Monthly

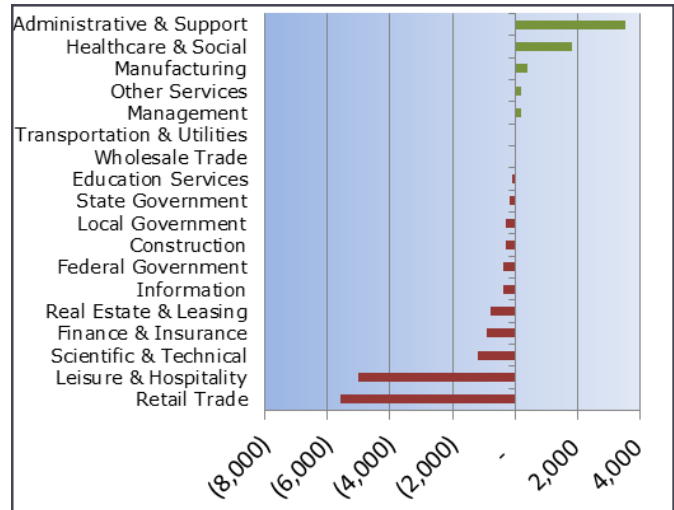


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. Hampton Roads' unemployment rate came in at 4.19% in October 2017, the third consecutive month at this level. Some of the underlying data for this rate were surprising as both the labor force and the number of employed persons declined in October, the first significant decline in these fundamentals in the region.

Employment Growth by Industry

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

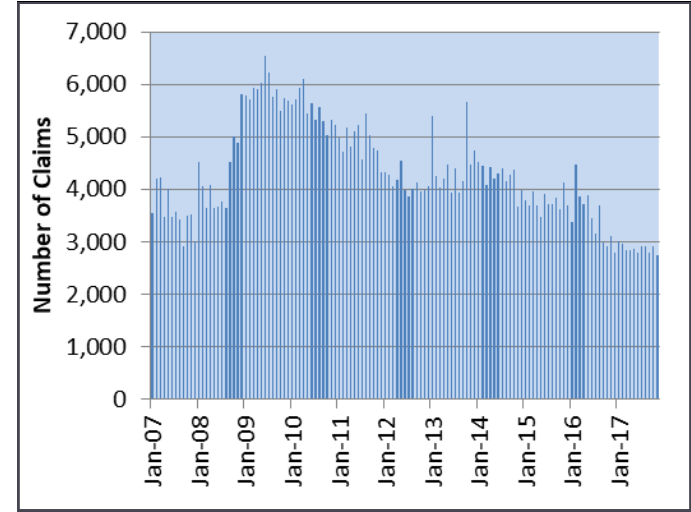


Source: Bureau of Labor Statistics, HRPDC

Employment Growth by Industry: As the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. Regional employment in retail trade and leisure & hospitality have declined precipitously year-over-year according to the employment data released by the Bureau of Labor Statistics; however, these lower levels of employment do not align with strong retail sales seen over the summer.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2007 – Sep 2017, Monthly

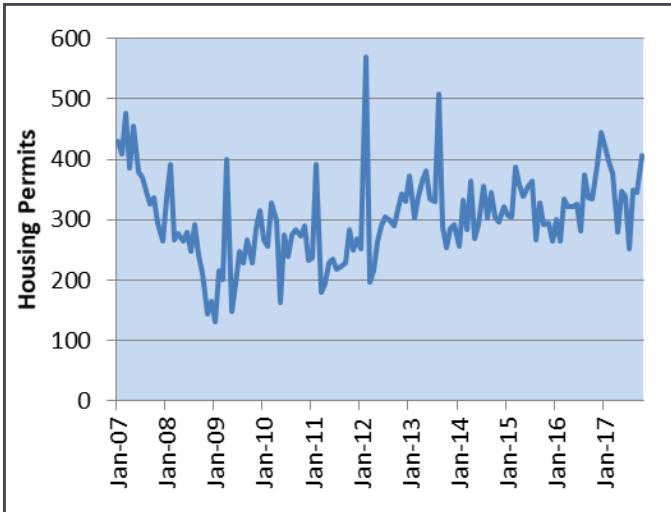


Source: Virginia Department of Labor, HRPDC

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 inched down to 2,742 in November of 2017. Regional claims have fallen to their lowest level since October 1999, and second lowest since regional records were made available in 1984.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2007 – Oct 2017, Monthly

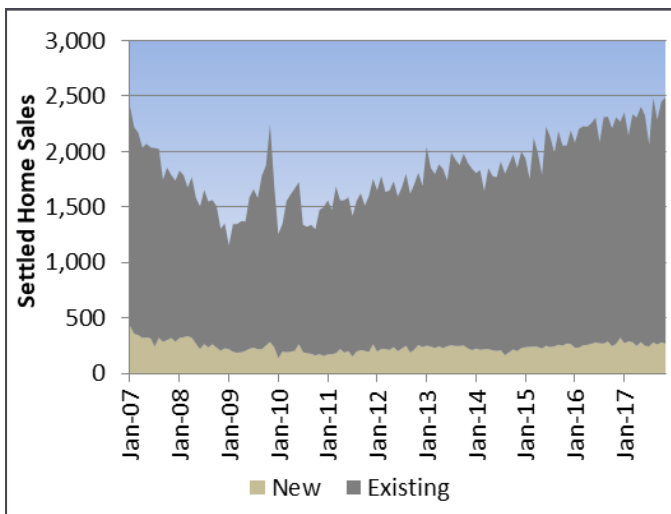


Source: U.S. Census Bureau, HRPDC

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Single family permits jumped to 407 units in October 2017, from 344 units in September (seasonally adjusted). The region continues to lag below the long-term average of 453 single family permits per month, but this is the strongest month for single family permitting since last winter. Additionally, the value of the permits were at the highest level since February 2012.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2007 – Nov 2017, Monthly

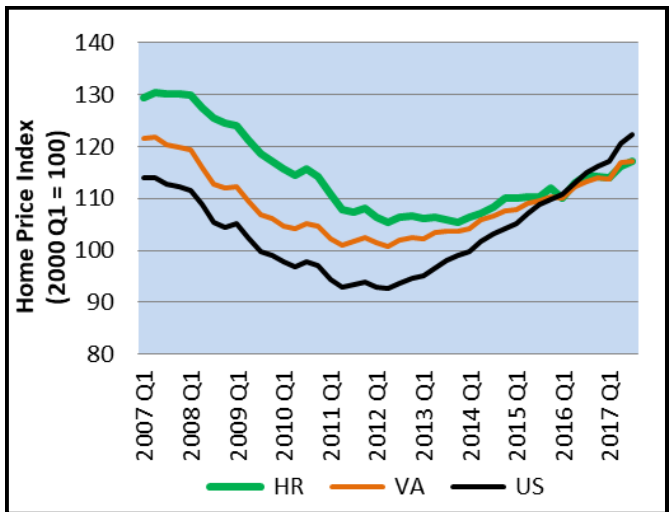


Source: REIN, HRPDC

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 increased to 2,223 in November 2017, the highest level since the recession, and continue a four-month period of higher closings. This indicates a healthy real estate market, though new construction sales have not increased at a similar rate.

Home Price Index, All Transactions

Hampton Roads, 2007Q1 – 2017Q3, Quarterly

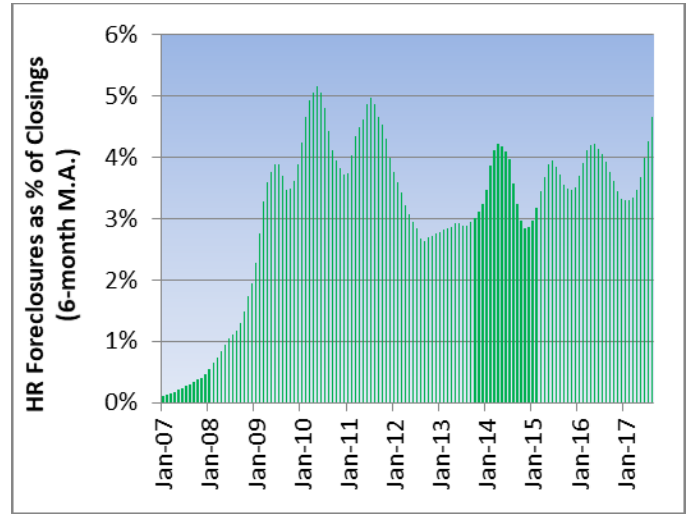


Source: Federal Housing Finance Agency, HRPDC

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 the third quarter of 2017, and are 2.26% above the price levels last year, though this growth rate was below that of the nation (6.3%) and the state (3.5%). Regional home values remain 10.2% below 2007 levels.

Foreclosures

Hampton Roads, Jan 2007 – Aug 2017, 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 July 2011. Distressed sales increased to 4.7% of all Hampton Roads existing home sales in August 2017 from 3.3% in March.