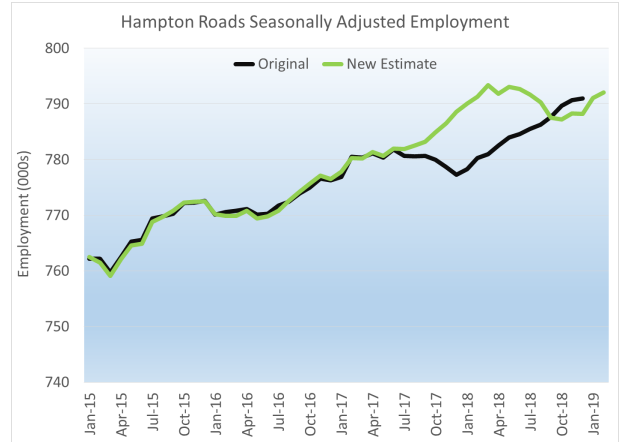


Employment Revision Changes the Story

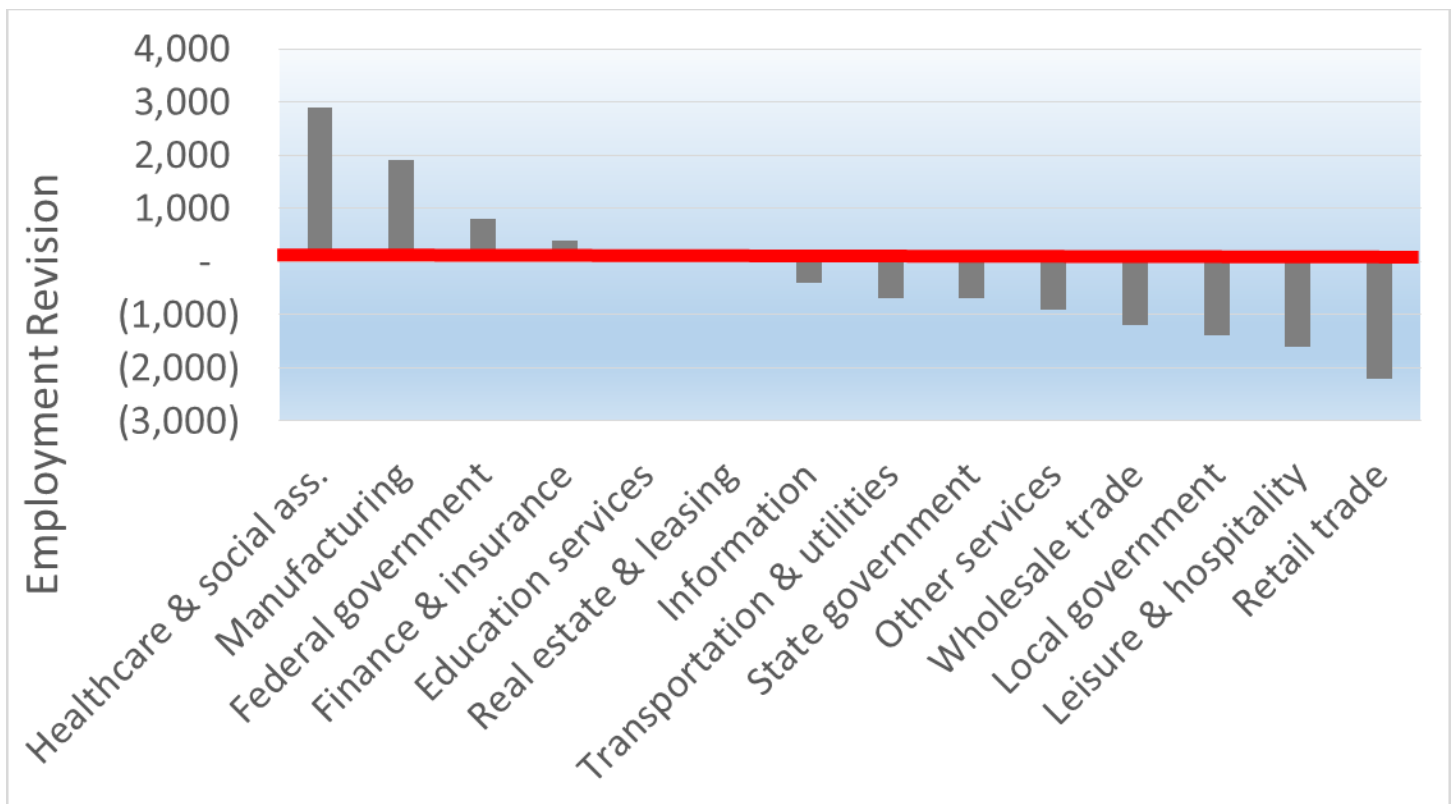
The estimates for overall and industry employment, which is provided jointly by the Bureau of Labor Statistics (BLS) and the Virginia Employment Commission (VEC), use surveys of employers to determine the level of payroll employment in the Hampton Roads metropolitan area. Every year, the BLS & VEC go back and index those estimates to the number of individuals for whom all the companies in the region pay unemployment insurance, using this data to revise prior estimates and improve the quality of future estimates.



The most recent revision changed some of the story that the data was telling the region. As opposed to employment dipping regionally at the end of 2017, and then growing steadily through the end of 2018, the employment data now suggests strong growth starting in the second half of 2017, followed later by a decline in the second half of 2018. While the final numbers are exceptionally close, this changes the timing of economic activity in the region. This, in turn, changes the interpretation of causality for regional economic moves in the region.

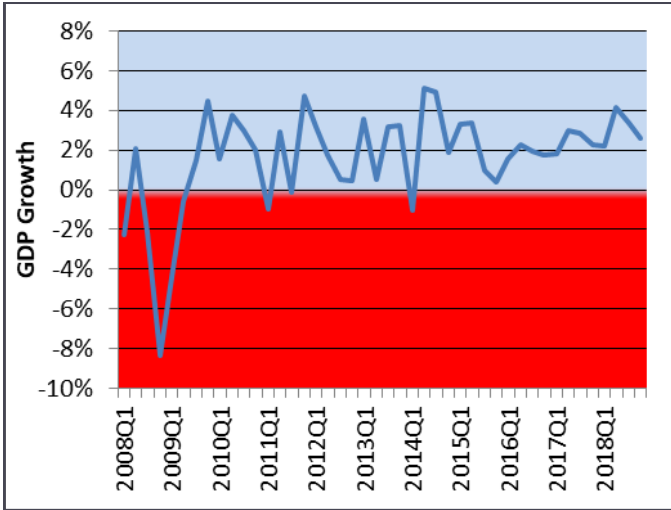
Furthermore, the estimates for individual industries also changed. Initially leisure & hospitality employment was thought to have grown rapidly, while the new estimate indicates a slight decline. Additionally, the initial increase in retail trade employment was revised to reflect a total of 3,700 jobs lost over 2018. Conversely, healthcare employment and manufacturing employment were both revised higher. Overall, this mix moves from a lower paying group of industries to a higher paying group of industries, which is a positive for Hampton Roads but should temper the level of significance attributed to initial regional payroll employment estimates.

Revision to Industry Employment in Hampton Roads (December of 2018 Employment)



GDP, Annualized Growth Rate

United States, 2008Q1 – 2018Q4, Quarterly

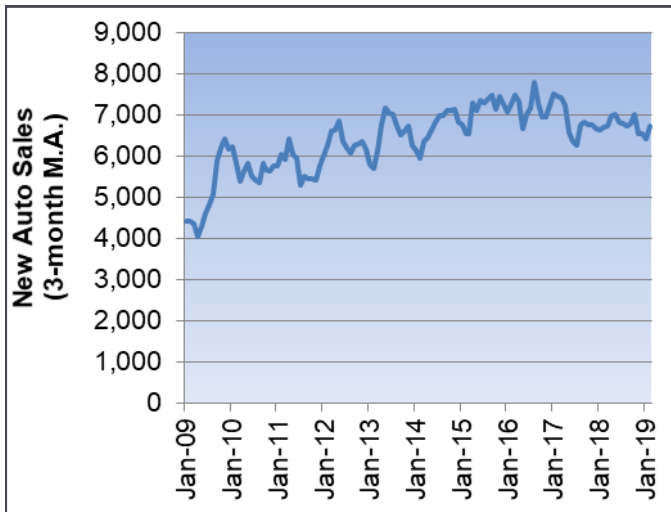


Source: Bureau of Economic Analysis, HRPDC

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Real GDP increased by 2.6% in Q4 2018 continuing the slowing of growth seen in the third quarter (3.4% in Q3 2018, down from 4.2% in Q2 2018). Consumer spending growth slowed to 2.8% in the 4th quarter, and government spending remained essentially flat (+0.4%); however, National Defense spending expanded for the 5th consecutive quarter growing 6.9%.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2009 – Feb 2019, Monthly

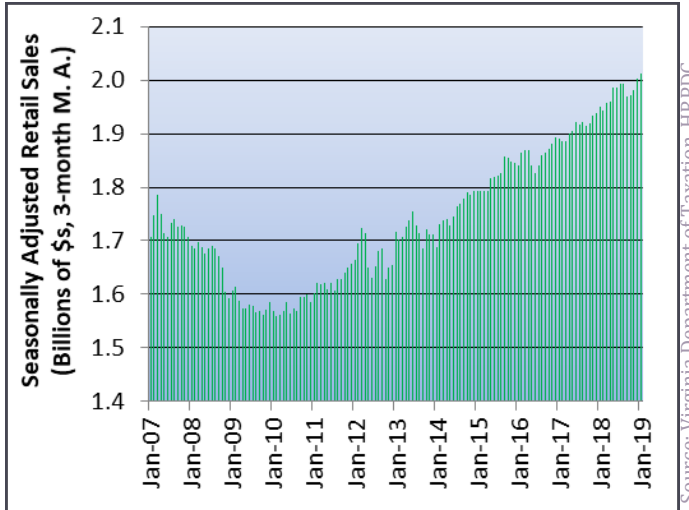


Source: Virginia Automobile Dealers Association, HRPDC

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 move significantly from month-to-month, but looking at the overall trend typically provides a better signal. Car sales have continued essentially flat over the past 2.5 years, moving around the level of 6,700 per month.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2007– Jan 2019, Monthly

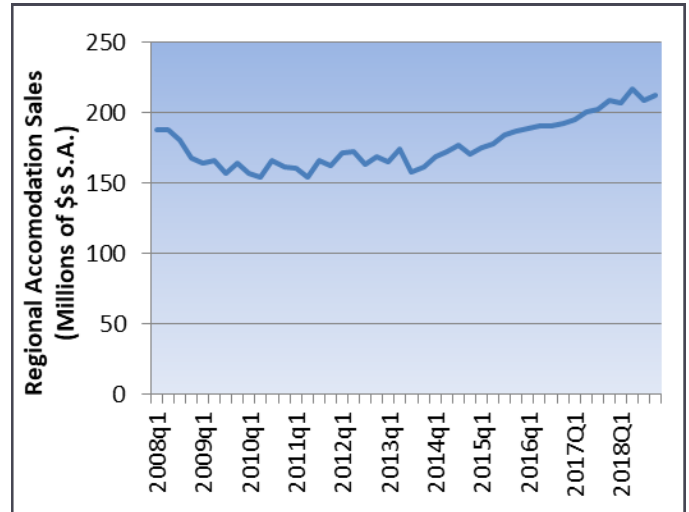


Source: Virginia Department of Taxation, HRPDC

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 grew slightly to \$20.1 Billion in January of 2019 (seasonally adjusted 3-month average), and regional sales have grown 12.7% above pre-recession highs and 29.0% higher than the recession lows. National retail sales had a significant dip in December, as did Virginia, but Hampton Roads did not see quite the same level of decline.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2007Q1 – 2018Q4, Quarterly

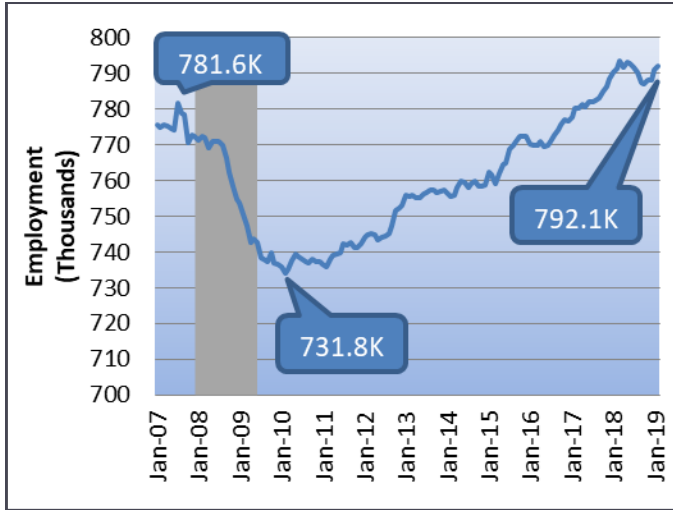


Source: Virginia Department of Taxation, HRPDC

Estimated Hotel Revenue: Hotel sales indicate the performance of the region’s tourism sector. In Q4 2018, accommodation sales increased by 1.95% on a seasonally adjusted basis, growing to \$213 billion, and this matches the year-over-year growth of 2.0%. Accommodation sales and the tourism industry overall, continues to see steady growth regionally.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2007 – Feb 2019, Monthly

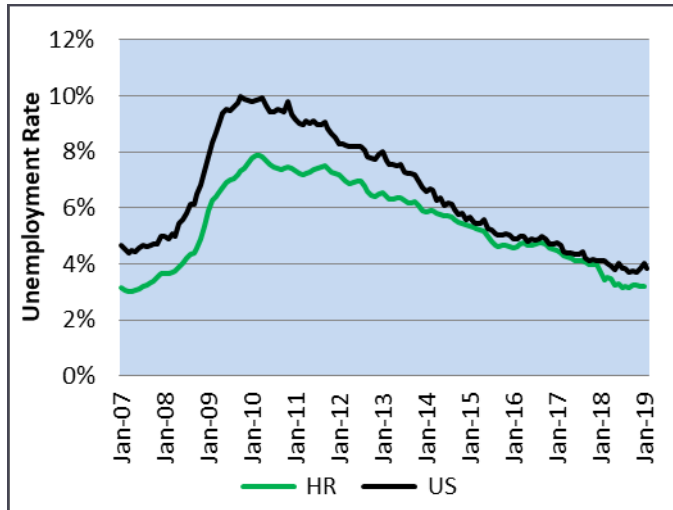


Source: Bureau of Labor Statistics, HRPDC

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 grew in February of 2019, increasing by 1,000 to 792,100 jobs regionally. Unfortunately, the trends in employment have shifted significantly with a recent revision in employment data showing that new positions mainly came in the first half of 2018, and that the second half of the past year saw a mild decline in jobs.

Unemployment Rate, Seasonally Adjusted

Hampton Roads and U.S, Jan 2007 – Jan 2019, Monthly

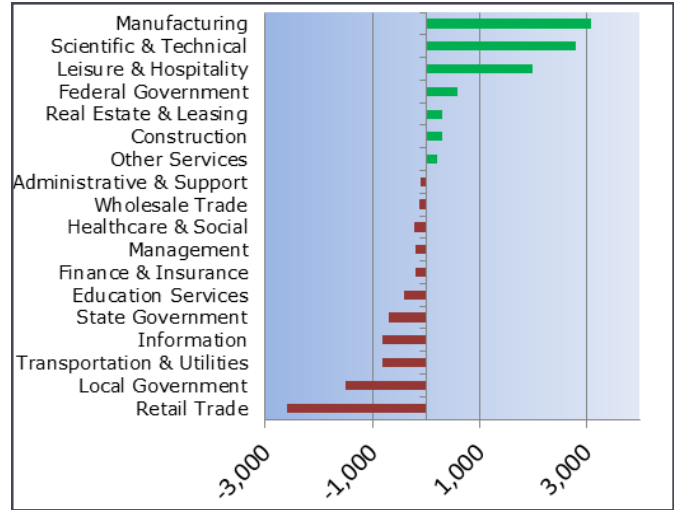


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work but unable to obtain a position. Hampton Roads' unemployment rate continued essentially flat in January of 2019 at 3.20%. For the past 9 months, the region's unemployment rate has bounced between 3.14% and 3.31%; however, it is a concern that the labor force contracted in January of 2019, falling by almost 3,200 on a seasonally adjusted basis.

Employment Growth by Industry

Hampton Roads, Feb 2018 – Feb 2019, Year-over-Year

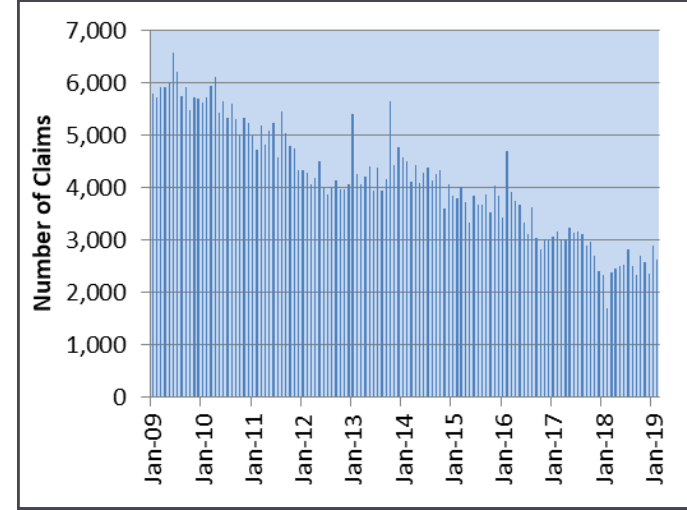


Source: Bureau of Labor Statistics, HRPDC

Employment Growth by Industry: As the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. Regionally, manufacturing (+3,100), scientific & technical (+2,800) and leisure & hospitality employment (+2,000) have grown strongly over the past year. Scientific & technical and manufacturing employment have been tightly correlated with defense spending regionally, and are related to the growth in national defense spending over the past five quarters.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2009 – Feb 2019, Monthly

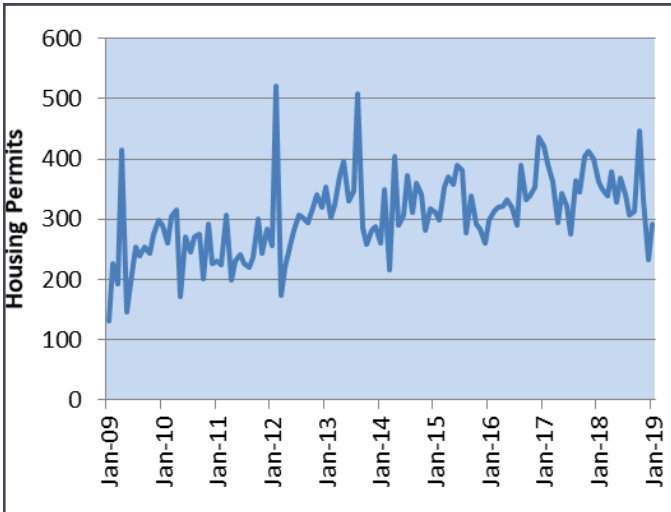


Source: Virginia Department of Labor, HRPDC

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. In February, the region's initial unemployment claims rose to 2,615 from 2360 in December of 2018 (seasonally adjusted), but this is consistent with the levels of the past six months. The level of individuals applying for initial unemployment is significantly below the region's long-term average (3,776).

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2009 – Jan 2019, Monthly

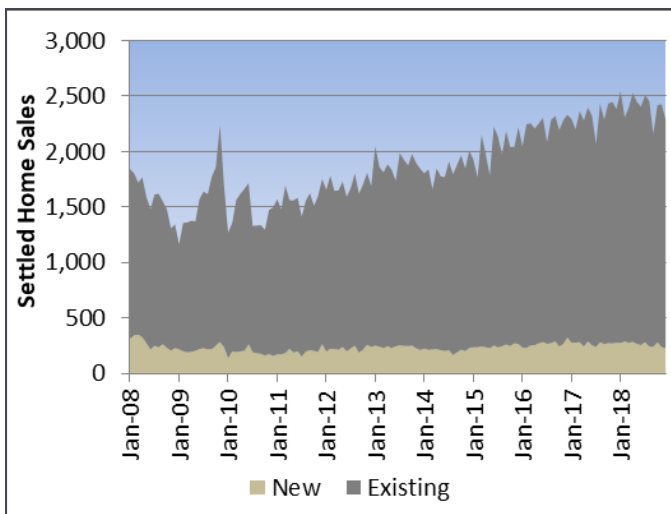


Source: U.S. Census Bureau, HRPDC

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. New single family permitting fell significantly in December of 2018 to 232 from 444 in November, before seeing a bounce in January of 2019 (291). Significant concerns about the federal budget could have caused builders to slow down construction at that time, as it seems inconsistent with continued growth in the sales of homes.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2008 – Feb 2019, Monthly

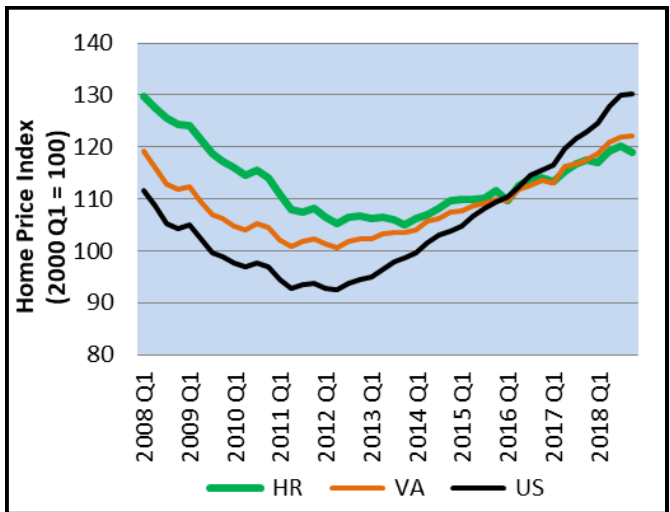


Source: REIN, HRPDC

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. The levels of existing home sales increased to 2,422 in February of 2019 (seasonally adjusted), and new construction sales grew to 280 per month. There has been a strong growth trend in the total number of home sales despite a dip in the fall of 2018.

Home Price Index, All Transactions

Hampton Roads, 2008Q1 – 2018Q4 Quarterly

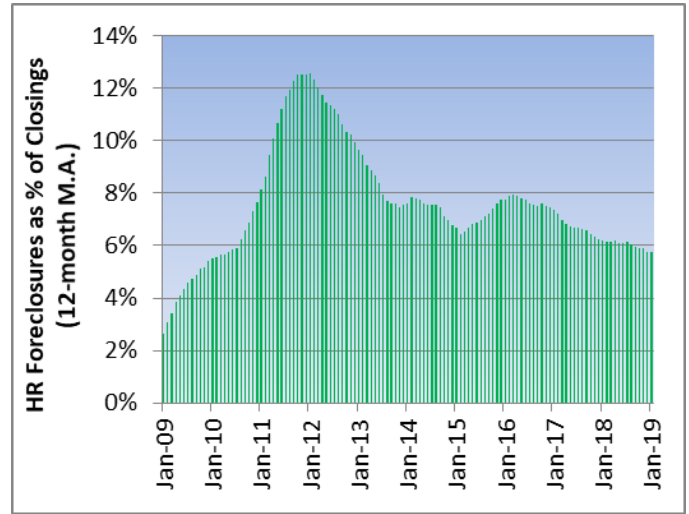


Source: Federal Housing Finance Agency, HRPDC

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 decreased by 1.1% in Q4 of 2018, but this contrasted with the purchase only index that increased by 1.25%. There are several explanations for why these two indices could head in different directions so significantly, but without more data which is correct remains unclear.

Foreclosures and Distressed Sales

Hampton Roads, Jan 2009 – Jan 2019, Monthly



Source: Zillow, 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. While there continue to be fluctuations in the foreclosures percentage of the home market, the level is still elevated from the housing boom. Foreclosures constituted 5.7% of all home resales in January of 2019, down from a recent high of 8.0% in March of 2016 (12-month average).