

COVID-19: What Might be in Store for Hampton Roads

Here in Hampton Roads, it seems like the response to the Coronavirus pandemic has things changing daily. Local coffee shops, breweries, restaurants, and so much more that make the 757 special are open one day, taking-to-go orders only the next, and completely closed for the foreseeable future days later. Hotel reservations are being cancelled, music festivals and large events have been called off, and earlier this week Governor Northam announced that all schools in the Commonwealth would remain closed for the remainder of the academic year.

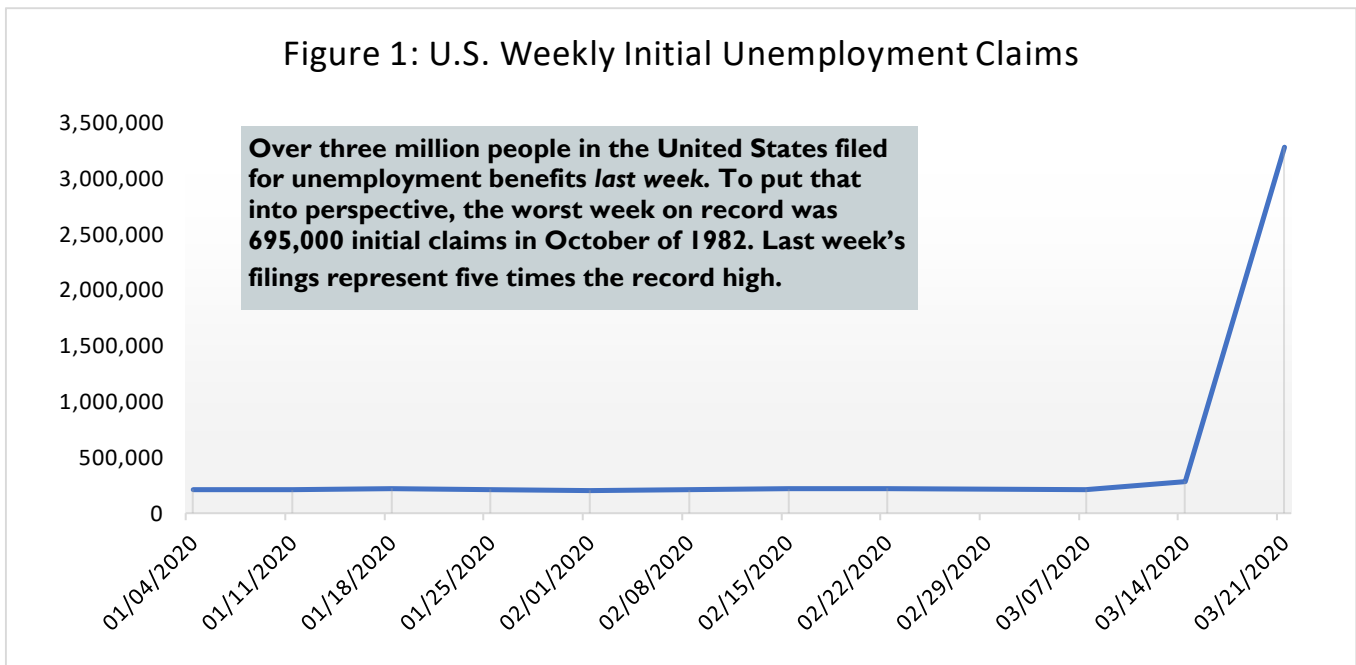
This is an unprecedented global event, and the lack of a solid comparable occurrence is a key reason the global stock markets are experiencing such panic. **All of the information normally summarized in this monthly report are on a one- to three-month lag, which means the impacts of this pandemic will not become apparent in reliable regional data for a couple of months.**

The Hampton Roads economy has been described as a three-legged stool: Defense, Port, and Tourism. Defense funding and federal employment is least likely to be immediately impacted by COVID-19, which serves as a bright spot in the potential economic impacts to our region. On the opposite end of the spectrum, the tourism industry stands to be severely impacted. Data from STR, a company providing data analysis on the hospitality sector, shows Hampton Roads revenue per available hotel room (RevPAR) decreased by over 50% from March 3 to March 14. The segmented data for this 10-day timeframe shows a roughly 50% decrease in group bookings, indicating conferences, large meetings, and events being cancelled, along with a 25% decrease in transient bookings, indicating individual vacations are being cancelled as well. As for the third leg, the impacts on the Port are becoming apparent. Coupled with the residual impact of trade tariffs, the Coronavirus already resulted in a 9% drop in cargo volumes at the Port. As this economic shock hits both the supply (production of goods and services) and the demand (consumption of goods and services) sides of the economy at the same time, it is clear that the Port, and port-related employment, will be impacted.

From the limited weekly data that is available, it is clear the coming months will show a significant impact. It appears likely there will be a one- or two-quarter hit to GDP, the size of which is not yet apparent, and depends on how long businesses are closed and travel is restricted. While the Virginia Employment Commission does not release weekly initial unemployment claims numbers, the U.S. government does. Figure 1 shows the unprecedented increase in claims nationwide (over three million); this trend will likely be experienced in Hampton Roads as the majority of businesses are either closed or working with skeleton crews.

Staff at the HRPDC are following this economic shock very closely, and will continue to include insights on the impact in each monthly report. As Governor Northam recently stated, “We have a health crisis and an economic crisis, but the sooner that we can get the health crisis under control, the sooner our economy will recover.” If you have any questions or comments, please feel free to contact us at krainone@hrpdcva.gov or ggrootendorst@hrpdcva.gov.

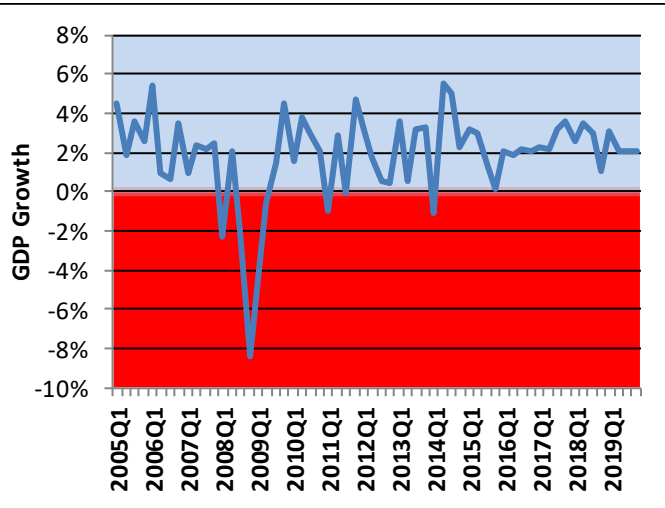
Figure 1: U.S. Weekly Initial Unemployment Claims



Source: U.S. Employment and Training Administration, HRPDC

GDP, Annualized Growth Rate

United States, 2005Q1 – 2019Q4, Quarterly

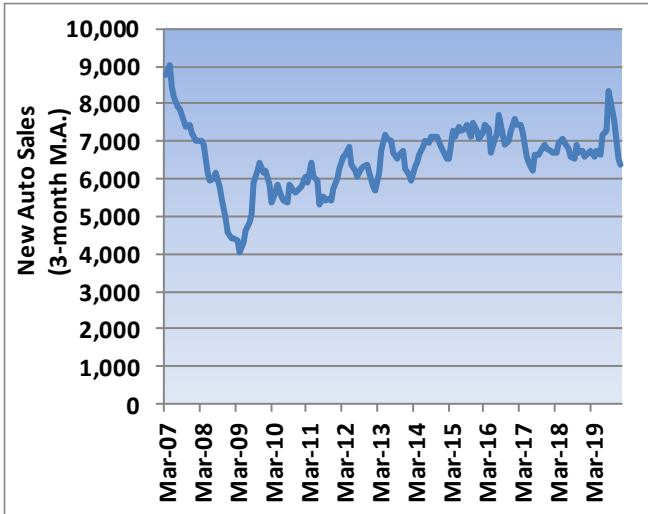


Source: Bureau of Economic Analysis, HRPDC

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 2.1% in Q4 2019 (GDP also grew by 2.1% in Q3 2019). This data does not reflect the expected impact that COVID-19 may have on national GDP growth. It is expected that Q1 will be slightly impacted and Q2 will bear the brunt of the impact, depending on how long businesses remain closed and how the global supply chain is impacted.

New Car Sales, Seasonally Adjusted

Hampton Roads, Mar 2007 – Jan 2020, Monthly

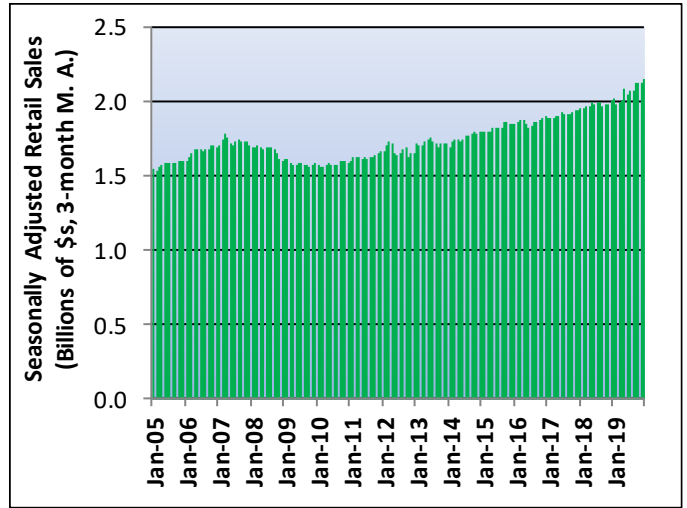


Source: Virginia Automobile Dealers Association, HRPDC

New Car Sales: Car sales, as a durable good, may be put off until an individual’s economic prospects improve; thus, the number of new car sales indicates the level of confidence that households in Hampton Roads have in their financial future. Car sales have decreased and stabilized after an unusually strong September, hovering near the averages that have been observed over the past few years.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2005– Dec 2019, Monthly

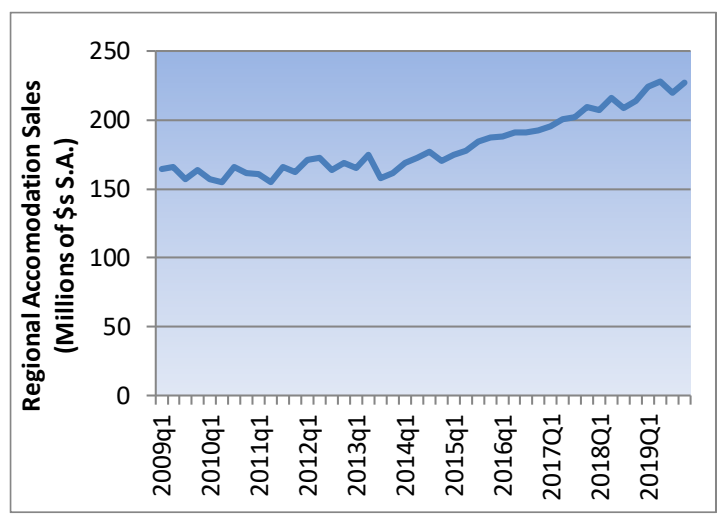


Source: Virginia Department of Taxation, HRPDC

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. Retail sales have bounced around, but after a surprisingly weak June, they continue to recover handily through to December (seasonally adjusted 3 month M.A.). Sales increased by 7.4% in December, making it Hampton Roads’ best December for total retail sales in recent years. 2020 numbers have not yet been released, but the coming months will show how the closures of many businesses in the Commonwealth will impact our economy in the near-term.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2009Q1 – 2019Q4, Quarterly

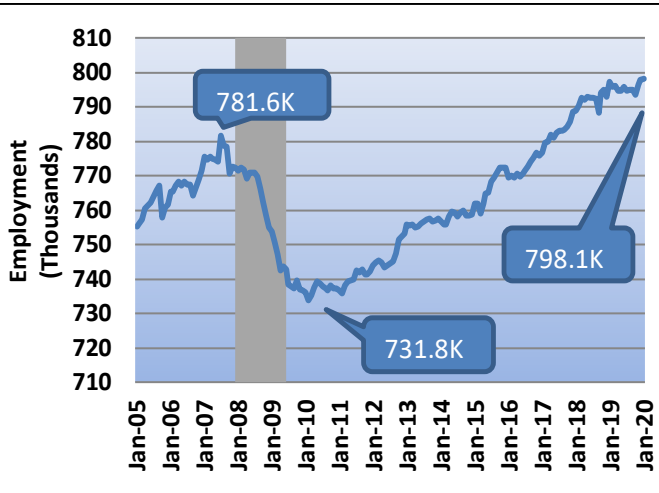


Source: Virginia Department of Taxation, HRPDC

Estimated Hotel Revenue: Hotel sales indicate the performance of the region’s tourism sector. In Q4 2019, accommodation sales increased by 3.2%, settling at \$227 billion for the final quarter of 2019. This continues a pattern of growing sales between third and fourth quarters in recent years. While 2019 ended on a high note, hotel revenue is likely to be significantly impacted by COVID-19 as music festivals, conferences, and other events are canceled and restaurants and bars are unable to stay open for patrons.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2005 – Jan 2020, Monthly

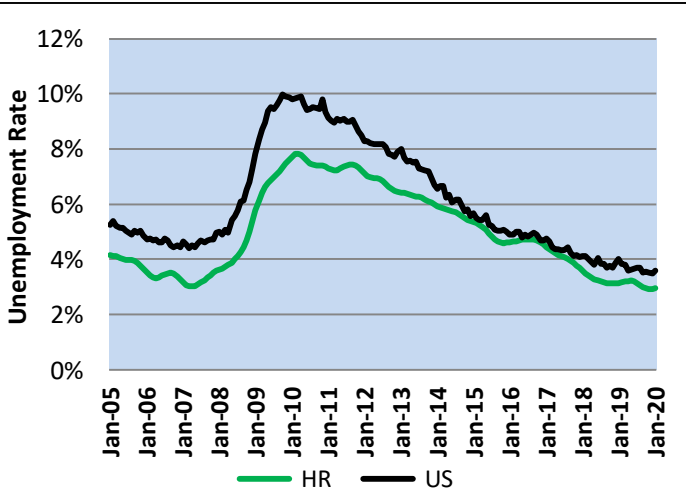


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. According to data from the Bureau of Labor Statistics, Hampton Roads employment is at its highest in recent recordings at 798,100 positions in January of 2020. This figure represents a 0.10% growth from the same month in the previous year, and also takes the most recent BLS revisions into account. The BLS released the region’s annual revised employment numbers this month, reflecting a 1,400 increase in jobs for December 2019.

Unemployment Rate, Seasonally Adjusted

U.S. & Hampton Roads, Jan 2005 – Jan 2020, Monthly

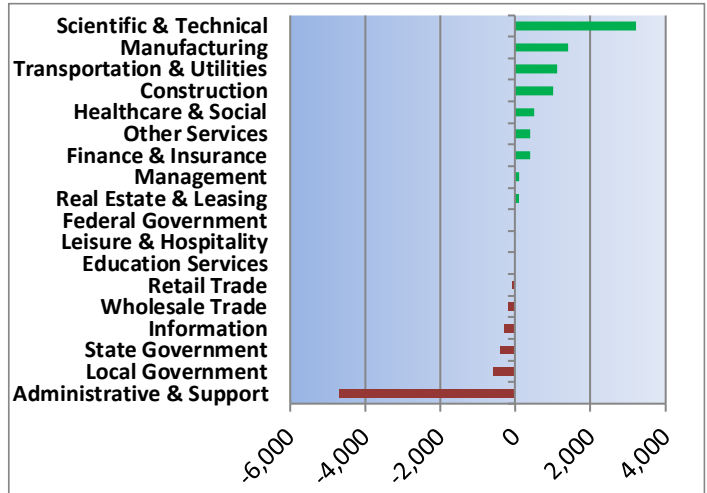


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work but unable to obtain a position. Hampton Roads’ unemployment rate leveled off in January 2020 at 2.94%, a slight increase from the previous month. Comparatively, the national unemployment rate increased slightly as well, from 3.5% to 3.6% in January. As businesses continue to close nationwide in response to the COVID-19 pandemic and unemployment claims begin to rise, it is likely this chart will begin to trend upwards in the next few months.

Employment Growth by Industry

Hampton Roads, Jan-19 to Jan-20, Year-over-Year

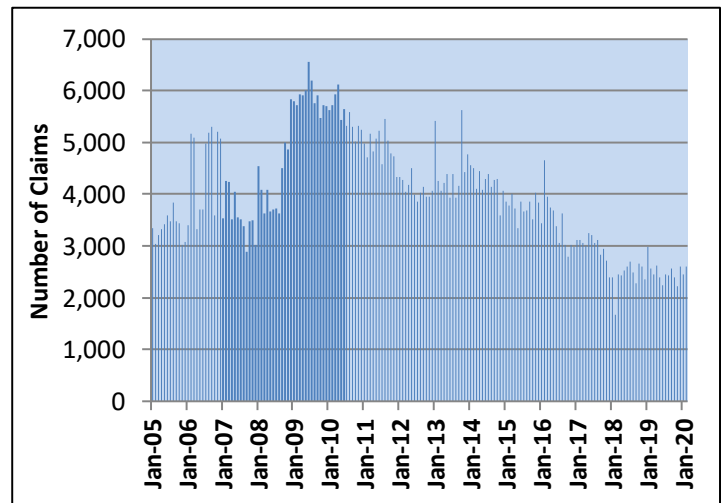


Source: Bureau of Labor Statistics, HRPDC

Employment Growth by Industry: As the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. Several industries have experienced significant declines in year-over-year employment, including Administrative & Support, which showed an especially large decline in January 2020, and Local Government. The Scientific & Technical and Manufacturing industries saw the largest increases in jobs when compared to the previous year.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2005 – Feb 2020, Monthly

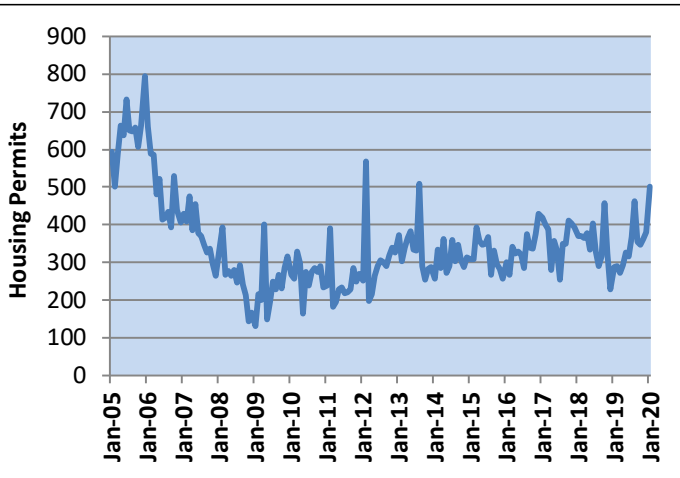


Source: Virginia Department of Labor, HRPDC

Initial Unemployment Claims: The number of initial unemployment claims is a leading economic indicator reflecting those who are forced to leave work unexpectedly, thus revealing the strength of the job market with little lag time. Seasonal adjusted unemployment claims increased in February 2020 to 2,597 claims, a decrease from December of 2019 but still above November’s recent low. This February number of claims represents a 1.6% increase from the same month in 2019, and will be an important number to watch as the impacts of COVID-19 are realized.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2005 – Jan 2020, Monthly

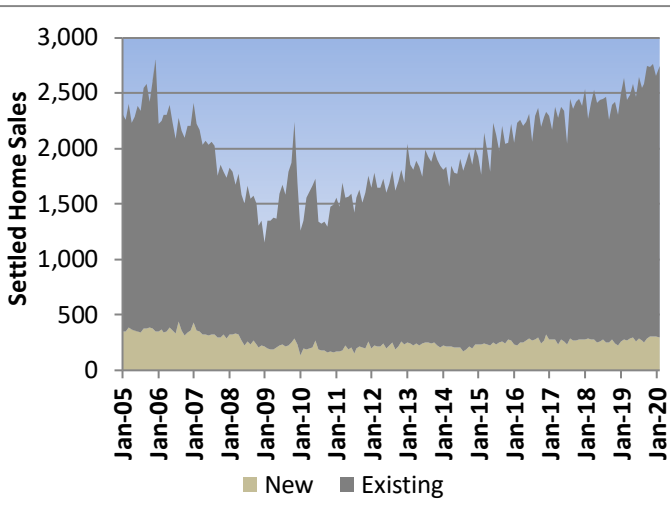


Source: U.S. Census Bureau, HRPDC

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. The level of new construction permitting for single family homes in January 2020 nearly doubled to 690 permits, still representing a significant increase when seasonally adjusted relative to December. As the market begins to respond to both COVID-19 as well as the recently lowered federal interest rates (currently 0%), this indicator will be watched closely.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2005 – Feb 2020, Monthly

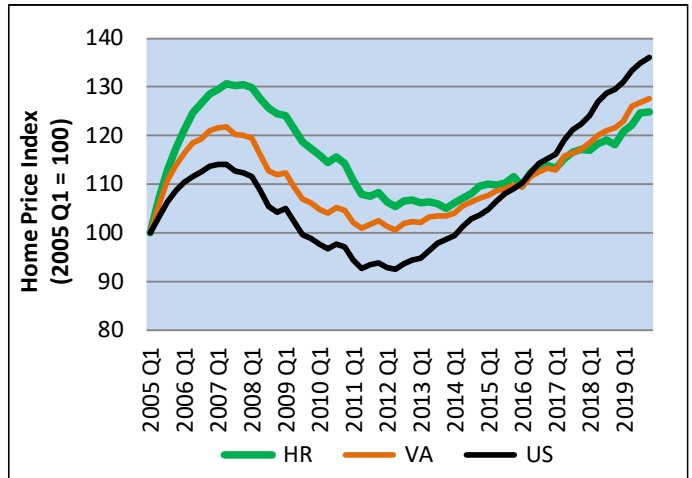


Source: REIN, HRPDC

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 have been strong recently, with sales maintaining the same average level as during the housing boom in 2005. New construction sales in February once again saw a slight dip from the previous month, continuing to represent roughly 11% of all sales.

Home Price Index, All Transactions

Hampton Roads, 2005Q1 – 2019Q4 Quarterly

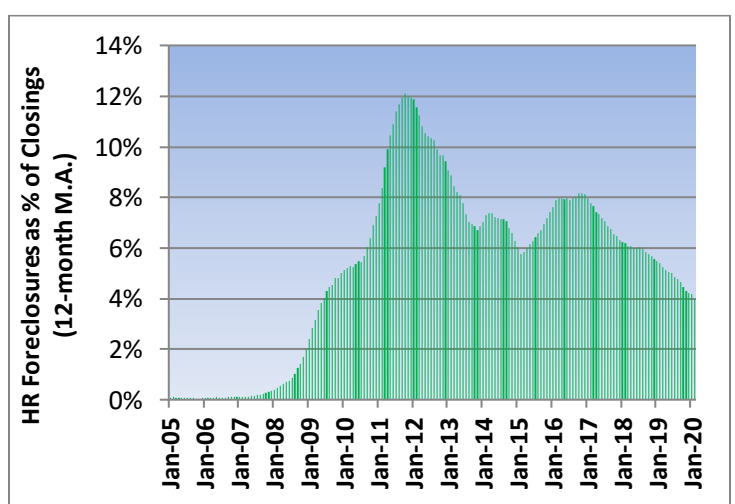


Source: Federal Housing Finance Agency, HRPDC

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, yet again, by 5.7% over the previous year in Q4 2019, rising above both the state and the nation. Regional housing values remain 4.3% below those seen during the peak of the housing boom.

Foreclosures and Distressed Sales

Hampton Roads, Jan 2005 – Jan 2020 Monthly



Source: Zillow, HRPDC

Foreclosures: Foreclosures have a significant impact on the real estate market and community, depressing home values on a neighborhood and regional level. Distressed homes' share of total sales has particularly been shown to impact the sale price of existing homes. The foreclosure level is still elevated from the housing boom, but has been steadily declining, showing some of the lowest rates since 2009. Foreclosures constituted 4% of all home resales in January of 2020, down from a recent high of 8.1% in April of 2016 (12-month average).