

## Economic Indicators Paint a Positive Future for Hampton Roads:

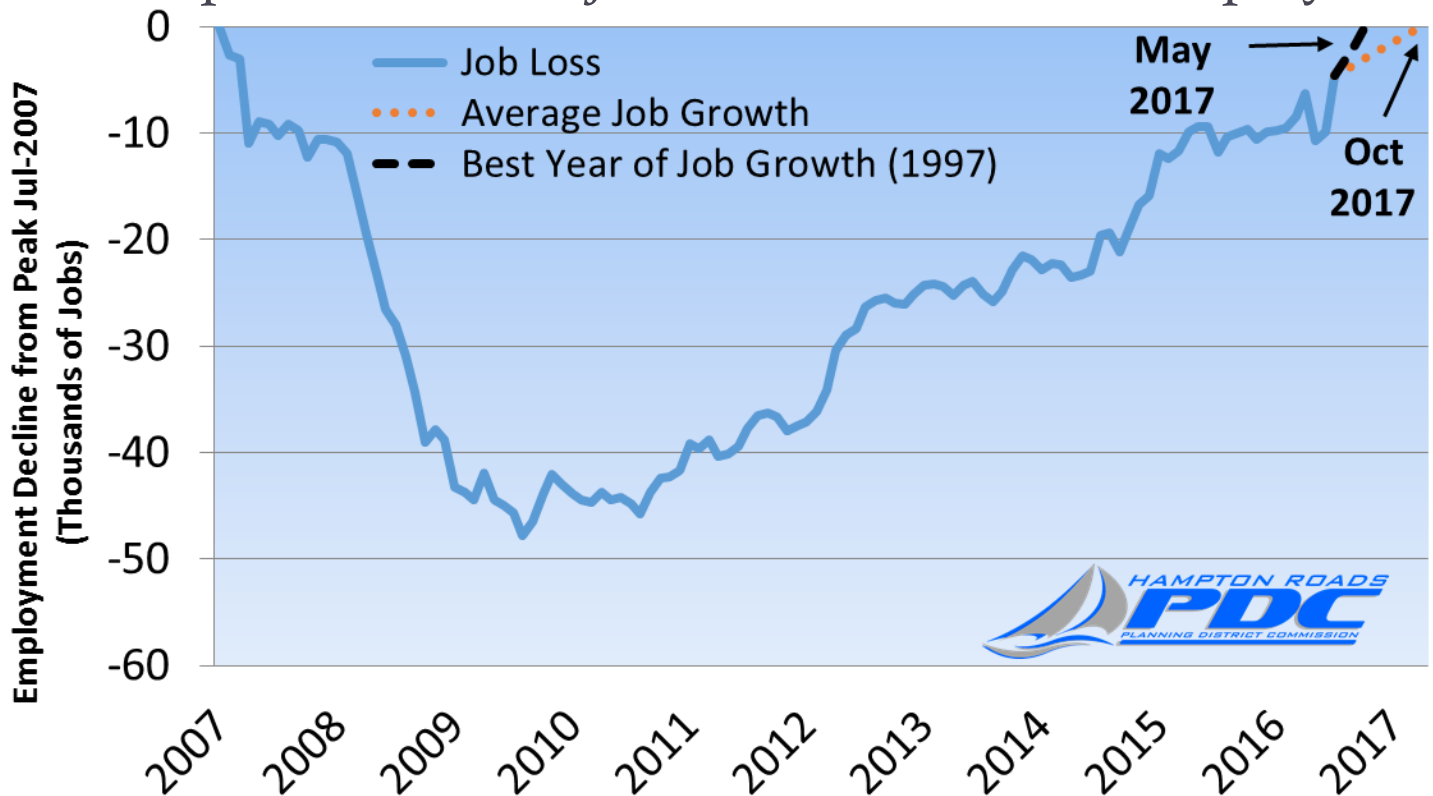
This month's report features the strongest set of economic indicators for the region since 2010. Hampton Roads' employment grew in January (with upwards revisions to previous estimates) and the unemployment rate fell even as the labor force grew. Permitting and initial unemployment claims remained constant, while pressure from foreclosures continued to (slowly) decline. While the Hampton Roads economy remains fragile, and especially susceptible to swings in defense spending/employment, the most recent data suggests the region could realign with national levels of growth.

### Employment Numbers Revised up in March

Every year, the Bureau of Labor Statistics (BLS) revises the estimates for regional employment using data from unemployment insurance collections that every employer pays. This revision can cause significant changes to both the levels of the estimates, and the overall rate of change at both the industry and aggregate levels. Hampton Roads' employment figure was revised up by 4,100 jobs in December of 2016, which puts recovery of post-recession levels of employment in sight.

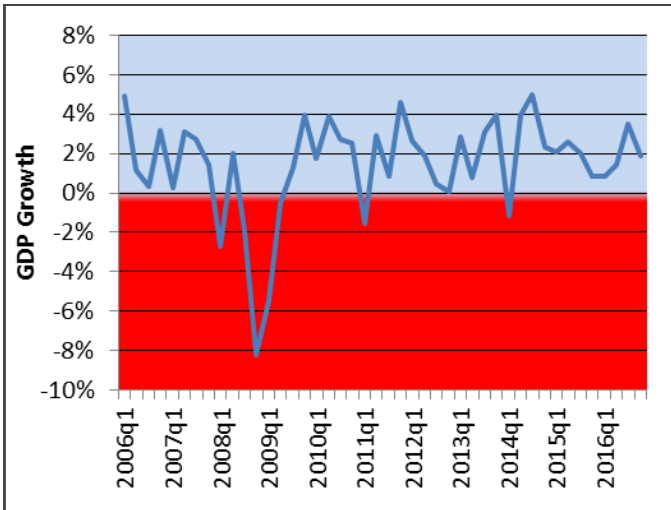
The BLS revisions were especially significant for summer employment levels as well as leisure and hospitality employment, which were much higher than initially estimated. Given the revised employment figures, it appears that Hampton Roads' might finally return to the peak pre-recession employment level for non-farm, civilian employment that was set in July of 2007,

## Hampton Roads Projected Return to Peak Employment



### GDP, Annualized Growth Rate

United States, 2006Q1 – 2016Q4, Quarterly

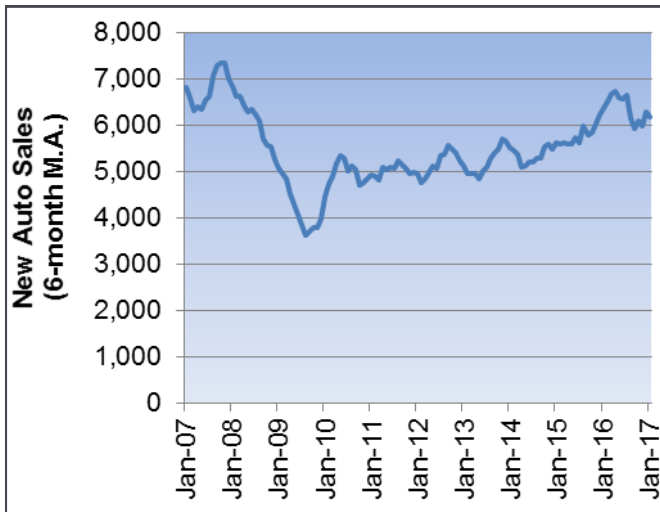


Source: Bureau of Economic Analysis, HRPDC

**GDP:** Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. GDP growth slowed at the end of 2016, growing at an annualized rate of 1.9%. The weaker growth was a result of both declining exports and increasing imports in the 4th quarter; both consumption and investment grew strongly.

### New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2007 – Jan 2017, Monthly

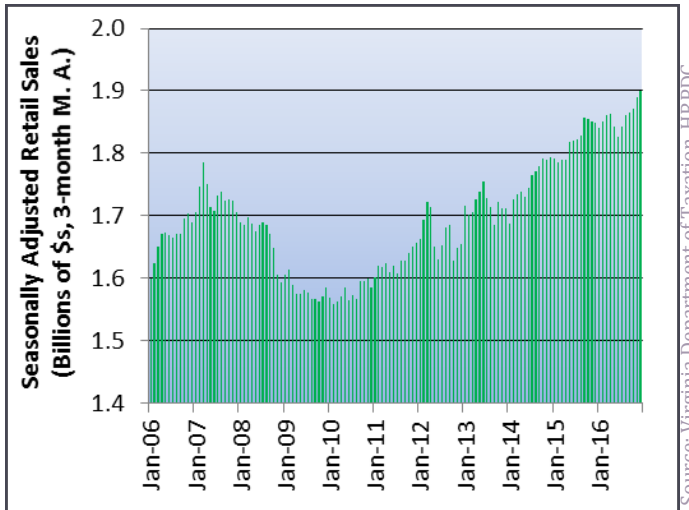


Source: Virginia Automobile Dealers Association, HRPDC

**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 in the region declined to 6,100 in January 2017, showing some signs of weakness despite remaining above the long-term average of 6,000.

### Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2006– Dec 2016, Monthly

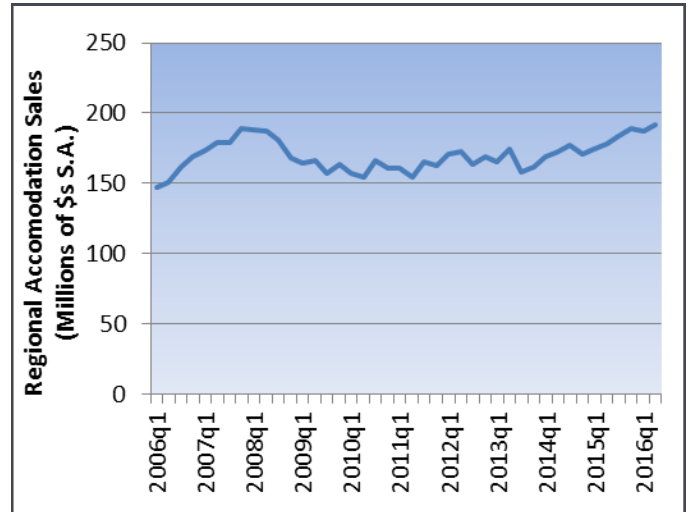


Source: Virginia Department of Taxation, HRPDC

**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 monthly sales continued to grow in December 2016 increasing to \$1.90 billion for the month, a 1.4% increase from December 2015. While this did not equal the growth in November, Hampton Roads’ retail sales are now 6.5% above their prerecession peak.

### Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2006Q1 – 2016Q4, Quarterly

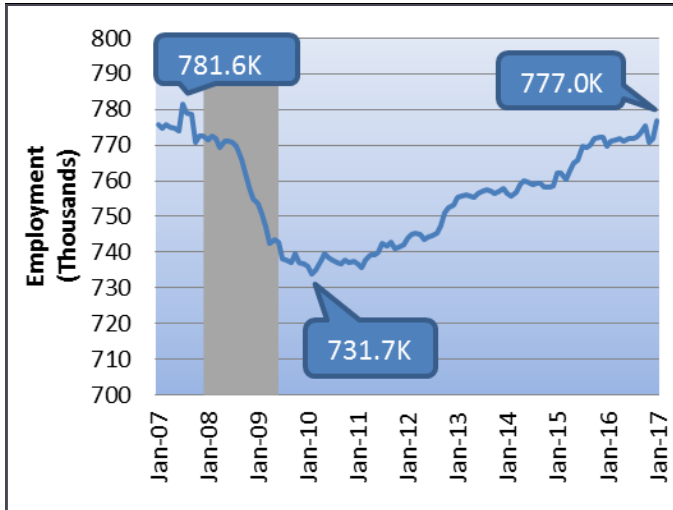


Source: HRPDC

**Estimated Hotel Revenue:** Hotel sales indicate the performance of the region’s tourism sector. Tourism significantly contracted during the Great Recession and has been following a slow steady growth trend ever since. Seasonally adjusted hotel sales were at \$190M and \$195M in the third and fourth quarters of 2016, respectively. Sales for both quarters were 20% above their 2013 levels when tourism dipped as a result of decreases in government spending.

### Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2007 – Jan 2017, Monthly

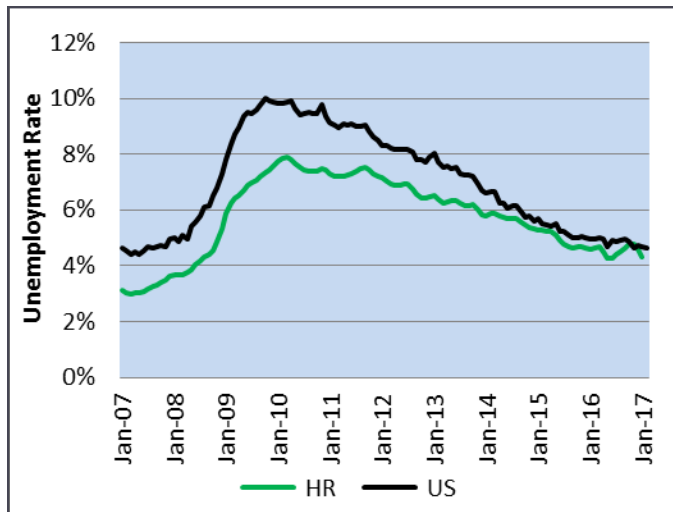


Source: Bureau of Labor Statistics, HRPDC

**Employment:** Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. Hampton Roads employment showed significant growth in January, increasing by 5,300 positions to 777,000. Added to the positive revisions released with the employment report, regional employment is only 4,600 jobs below its prerecession peak.

### Unemployment Rate, Seasonally Adjusted

Hampton Roads, Jan 2007 – Jan 2017, Monthly

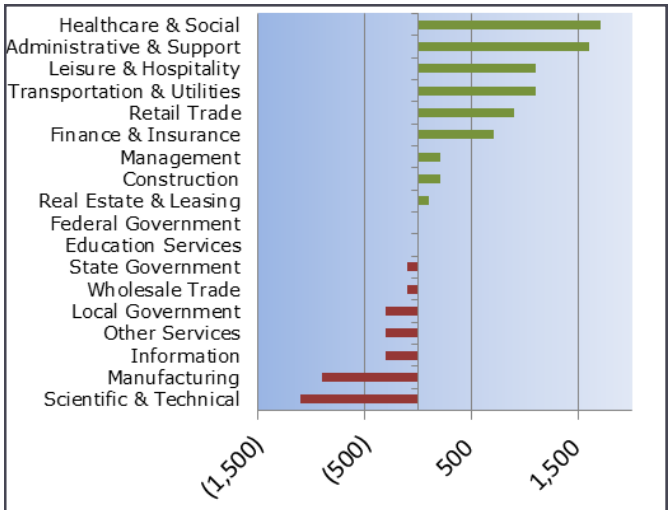


Source: Bureau of Labor Statistics, HRPDC

**Unemployment Rate:** The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. Hampton Roads' unemployment rate improved for the second straight month, decreasing to 4.33% in January 2017, below the national rate of 4.68%. This represents real growth in the regional economy, as it has coincided with both an 8,000 person increase in the labor force, as well as a 10,400 increase in the number of residents who say they are employed.

### Employment Growth by Industry

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

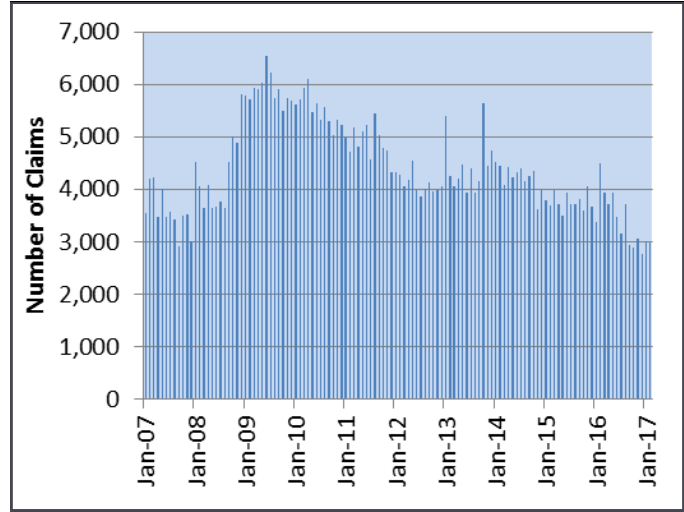


Source: Bureau of Labor Statistics, HRPDC

**Employment Growth by Industry:** Even as the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. While many industries have shown strong gains recently, manufacturing (-900) and scientific & technical (-1,100) have been noteworthy exceptions. Healthcare continues to add jobs in Hampton Roads, increasing by 1,700 year-over-year, and 20,900 over the past decade.

### Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2007 – Feb 2017, Monthly

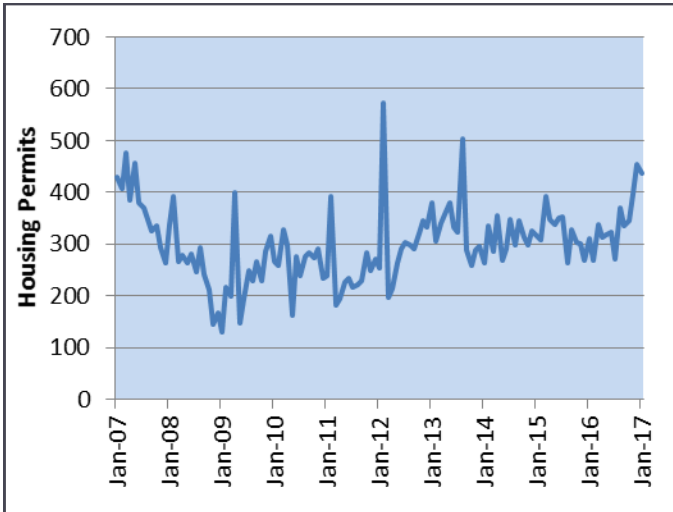


Source: Virginia Department of Labor, HRPDC

**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 fell to 2,980 in February 2017, below the long-term average (4,367) while elevated over recent levels. This continues to reflect strength in the local labor market.

### Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2007 – Jan 2017, Monthly

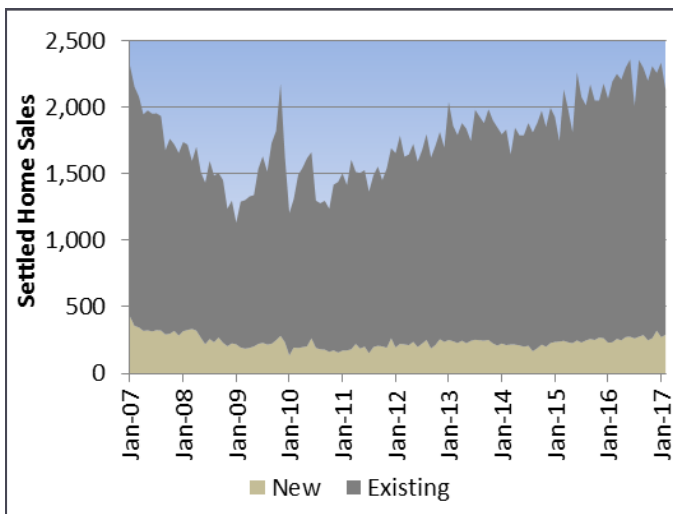


Source: U.S. Census Bureau, HRPDC

**Single Family Housing Permits:** Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Regional permitting activity continued to be strong, with 438 permits issued in January 2017, down slightly from December (453), but significantly above the levels after the housing correction. It is important to note that this higher level of single family permitting has not coincided with an uptick in construction employment.

### Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2007 – Feb 2017, Monthly

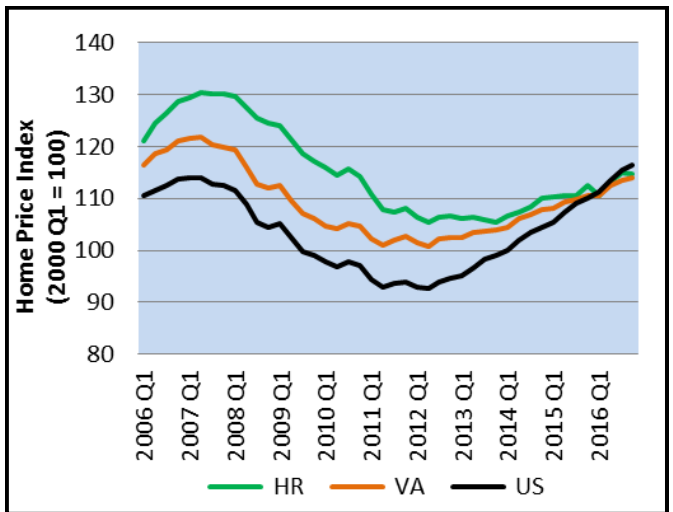


Source: REIN, HRPDC

**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. Hampton Roads' real estate transactions were unnaturally elevated during the boom and dropped substantially during the housing correction. Existing home sales slipped slightly in February 2017, falling to 1,843. This is slightly below 2016 levels, but could be driven by fewer units on the market as compared to a similar time period last year.

### Home Price Index, All Transactions

Hampton Roads, 2006Q1 – 2016Q4, Quarterly

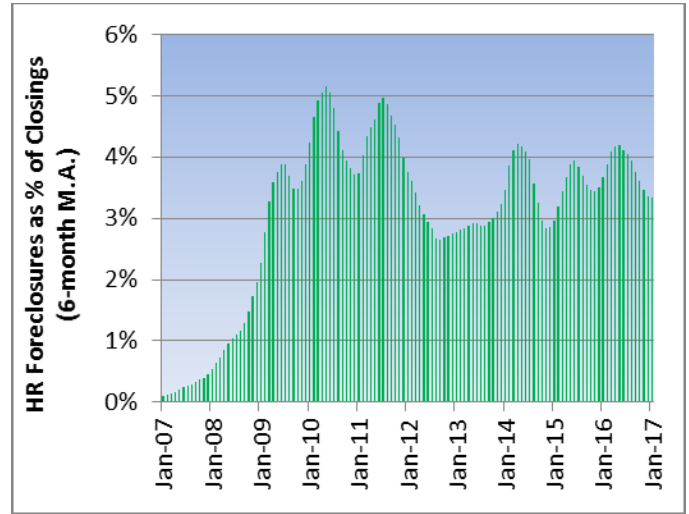


Source: Federal Housing Finance Agency, HRPDC

**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 price index slipped slightly in the fourth quarter of 2016, but still is in line with that of the state and the nation.

### Foreclosures

Hampton Roads, Jan 2007 – Jan 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 constituted 3.3% of all Hampton Roads existing home sales in January 2017 (6-month M.A.).