

Thoughts on Home Prices

One of the key problems when considering an economic indicator is how to evaluate the data. While people often compare against last year's numbers in business, there are considerably more options for indicators given the longer sweep of time and economic cycles.

The Home Price Index, which compares the change in price from the repeat sales of the same home, continues to be one of the best measures of the underlying home values in a region. As you can see on the table above, the performance of Hampton Roads on this metric depends on where one chooses to place the endpoints. The region underperforms the state and the nation from the trough and pre-recession peak, but is in line with their performance on a 20-year time horizon.

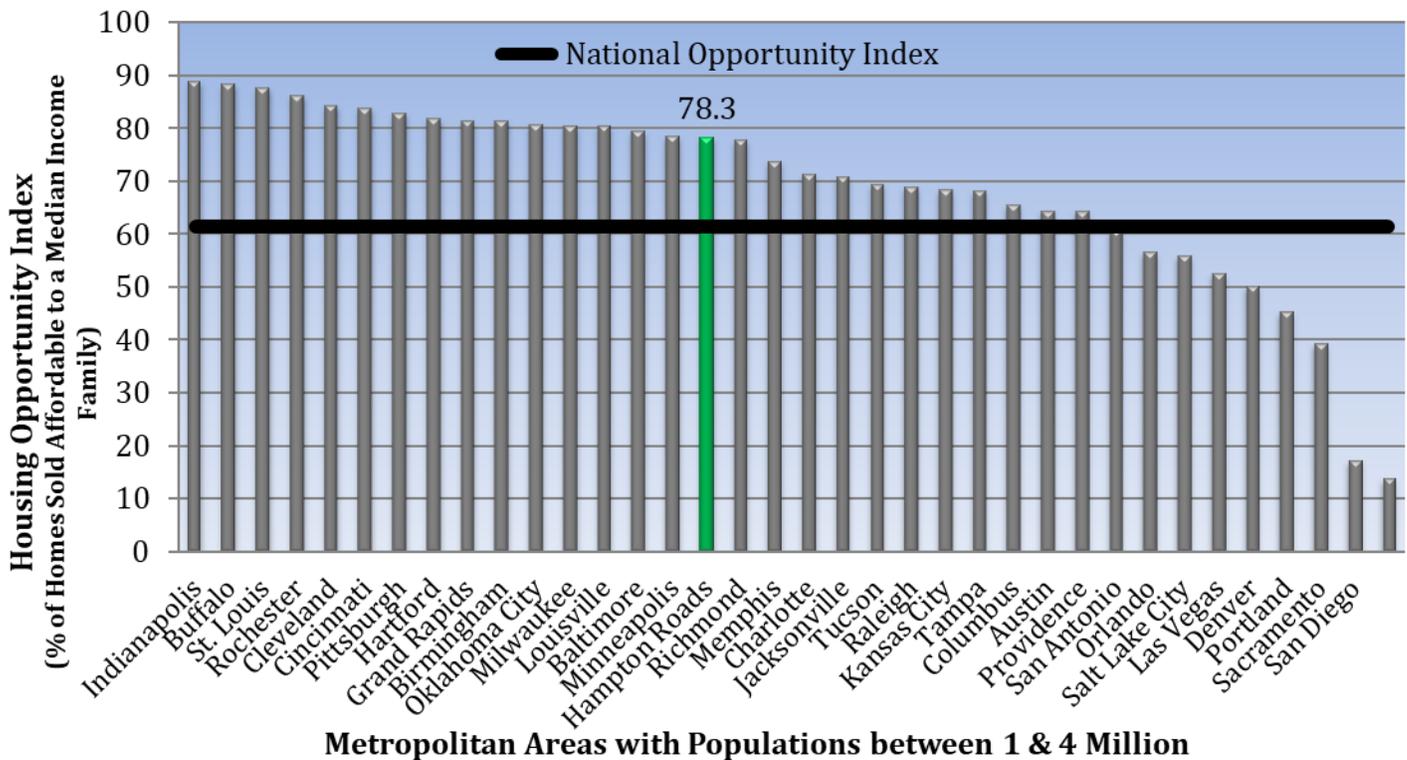
Thus, relative measures are another tool that economists use to provide a better picture of certain indicators. One such relative measure is the NAHB/Wells Fargo Housing Opportunity index, which measures how many of the homes on the market are affordable to a family earning the median income in the region. As with all metrics, there are some issues with this one, but it gives us additional context into home prices.

The chart below shows 78.3% of all homes sold in Hampton Roads are affordable to the median family, which compares favorably to similarly sized metropolitan areas. Regional home affordability is also far above that of the nation overall.

Change in FHFA Home Price Index

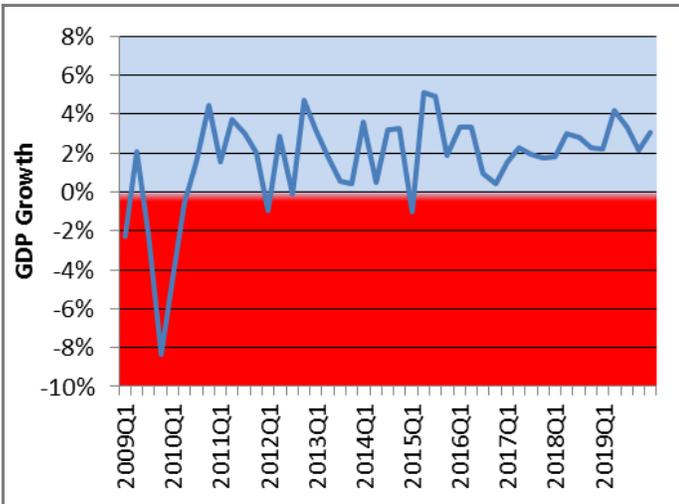
Time Period	H.R.	Va.	U.S.
30-year	158%	162%	179%
20-year	111%	119%	102%
10-year	-2%	10%	25%
5-year	14%	18%	32%
From Peak	-2%	10%	25%
From Trough	16%	22%	42%

NAHB/Wells Fargo Housing Opportunity Index, 2019 Q1



GDP, Annualized Growth Rate

United States, 2009Q1 – 2019Q1, Quarterly

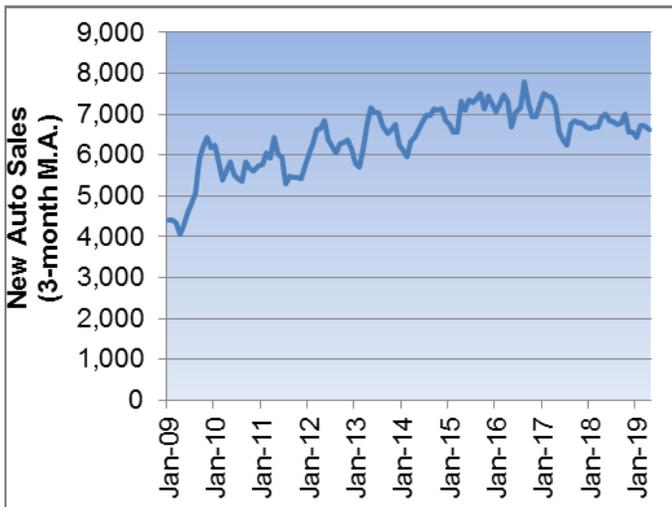


Source: Bureau of Economic Analysis, HRPDC

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 3.1% in Q1 2019, but it would be wise to not put too much weight into the headline number. Consumer spending grew an anemic 1.3%, and while private investment grew by 4.3% from the end of 2018, three-quarters of that growth was driven by inventory growth, which is highly transitory.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2009 – Apr 2019, Monthly

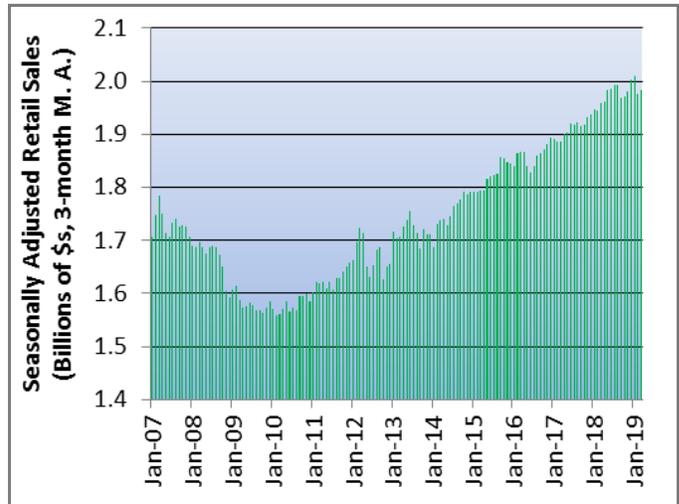


Source: Virginia Automobile Dealers Association, HRPDC

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 remained 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 – Mar 2019, Monthly

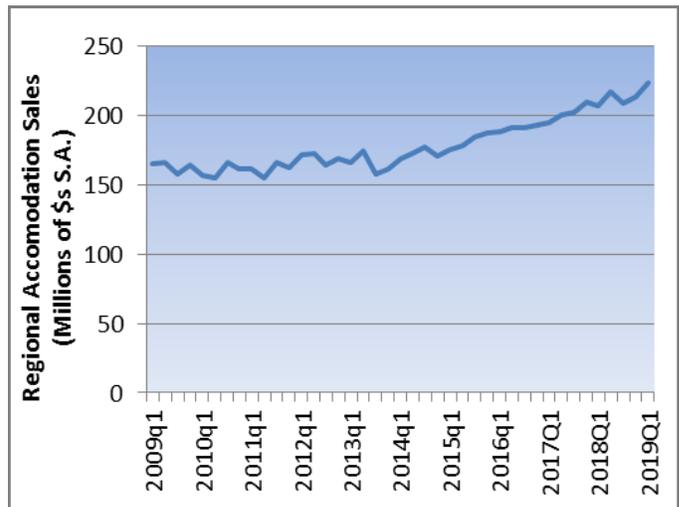


Source: Virginia Department of Taxation, HRPDC

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. Following the national and state trend, Hampton Roads' taxable monthly sales continued at \$1.98 billion in March 2019. (seasonally adjusted 3-month average). While there was some improvement in the underlying numbers, it was not the rebound similar to retail sales on the national level.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2009Q1 – 2019Q1, Quarterly



Source: Virginia Department of Taxation, HRPDC

Estimated Hotel Revenue: Hotel sales indicate the performance of the region's tourism sector. In Q1 2019, accommodation sales increased by 4.54% on a seasonally adjusted basis, growing to \$223 million, and this is an exceptionally strong reading. Caution should be applied, as the first quarter of the year has the lowest volume of accommodation sales, and thus may not be significant compared to summer months.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2007 – Apr 2019, Monthly

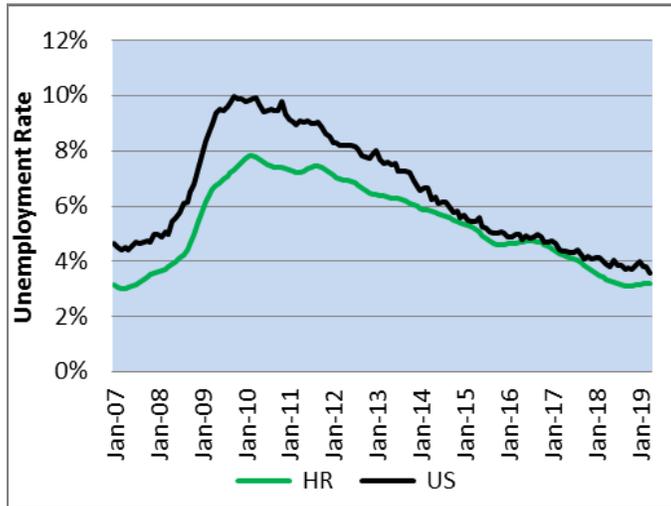


Source: Bureau of Labor Statistics, HRPDC

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 April 2019 to 795,800, a growth of 2,200 jobs over the previous month (seasonally adjusted). It is worth noting that the estimate for employment in March 2019 was revised down by 400 positions.

Unemployment Rate, Seasonally Adjusted

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

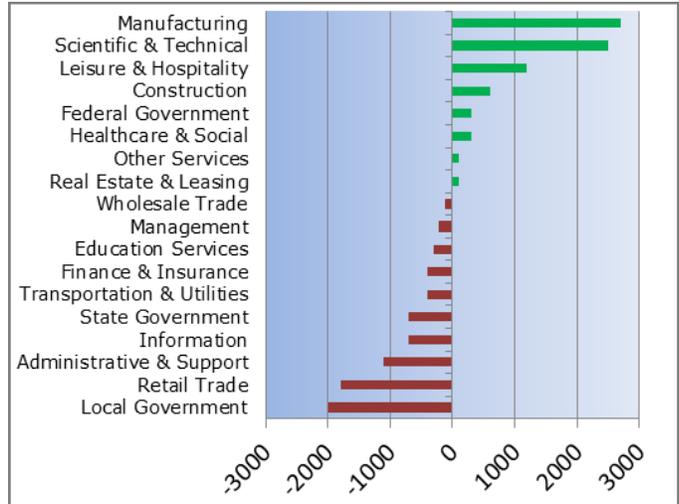


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work but unable to obtain a position. Hampton Roads' unemployment rate held steady at 3.22% in April 2019, but this reading, which is already quite low, continues to show strong fundamentals. For the past five months, the number in the labor force has grown steadily while the number reporting they were unemployed has also grown.

Employment Growth by Industry

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

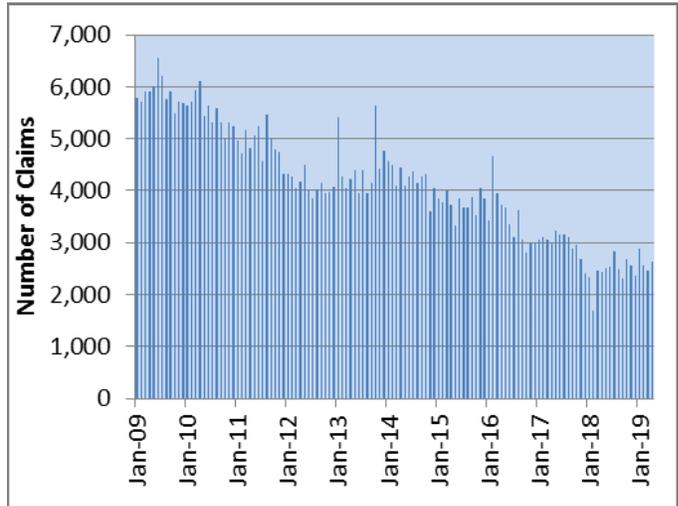


Source: Bureau of Labor Statistics, HRPDC

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 (+2,900), scientific & technical (+2,700) and finally construction (+1,300) have grown strongly over the past year. Local government employment (-1,700) and retail employment (-1,500) continues to fall.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2009 – Apr 2019, Monthly

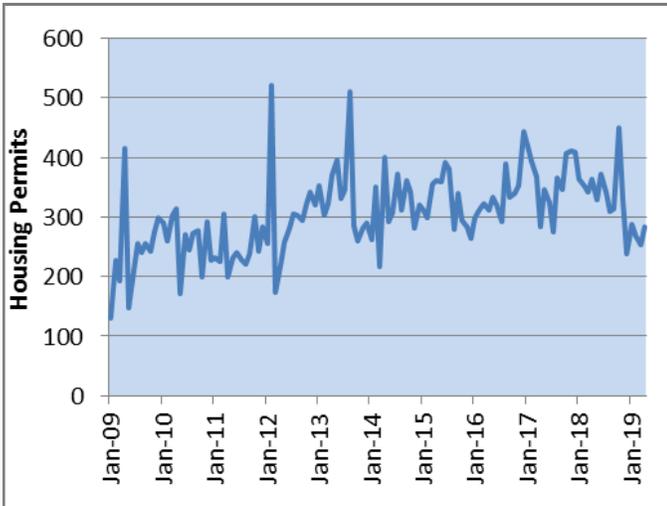


Source: Virginia Department of Labor, HRPDC

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 April, the region's initial unemployment claims rose to 2,624 from 2,360 in December 2018 (seasonally adjusted), but this is consistent with the levels over the past six months.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2009 – Apr 2019, Monthly

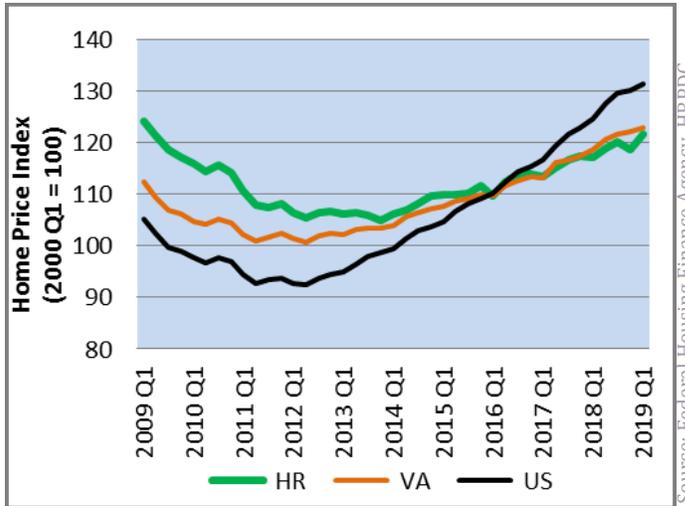


Source: U.S. Census Bureau, HRPDC

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. The level of new construction permitting for single family homes has stayed below 300 for five consecutive months, and was at only 283 permits in April 2019 (seasonally adjusted). This is significantly below the 25-year average of 444 permits per month.

Home Price Index, All Transactions

Hampton Roads, 2009Q1 – 2019Q1 Quarterly

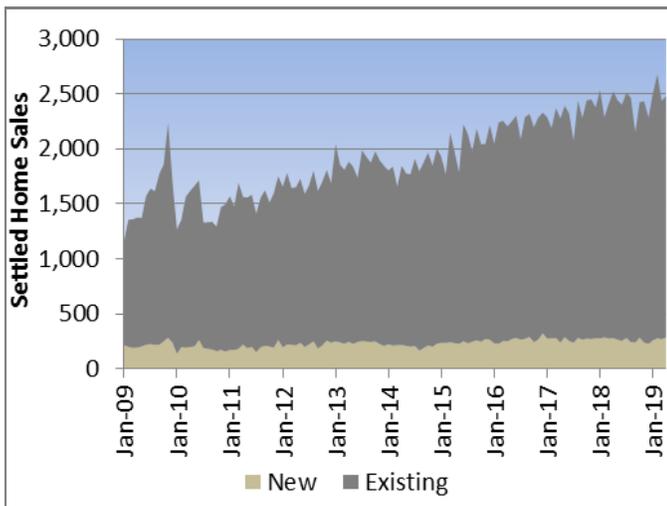


Source: Federal Housing Finance Agency, HRPDC

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 by 2.5% in Q1 2019, and this matches Virginia's appreciation year-over-year (though still lags the nation). Regional housing values have surpassed those of Q2 2009.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2009 – Mar 2019, Monthly

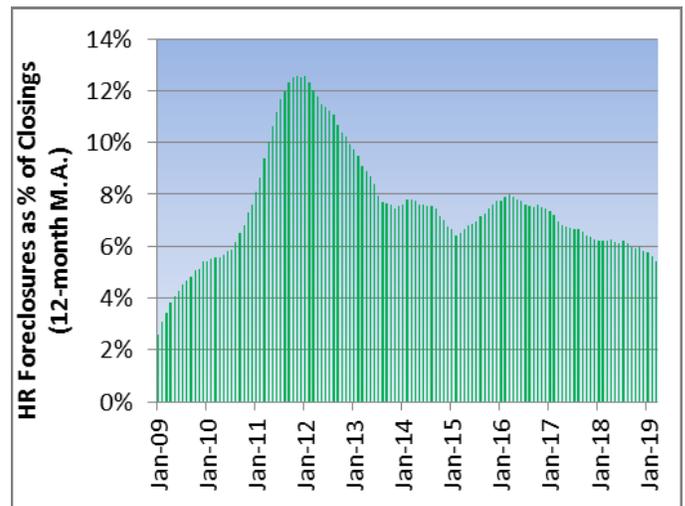


Source: REIN, HRPDC

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 continue to fluctuate, increasing slightly to 2,195 in April 2019, but new home sales continued to stay in the upper end of the post-recession range (287 settled sales in April, seasonally adjusted).

Foreclosures and Distressed Sales

Hampton Roads, Jan 2009 – Mar 2019, 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 on the sale price of existing homes. The foreclosure level is still elevated from the housing boom. Foreclosures constituted 5.4% of all home resales in April 2019, down from a high of 8.0% in March 2016 (12-month average).