

What's Age Got to Do With It?

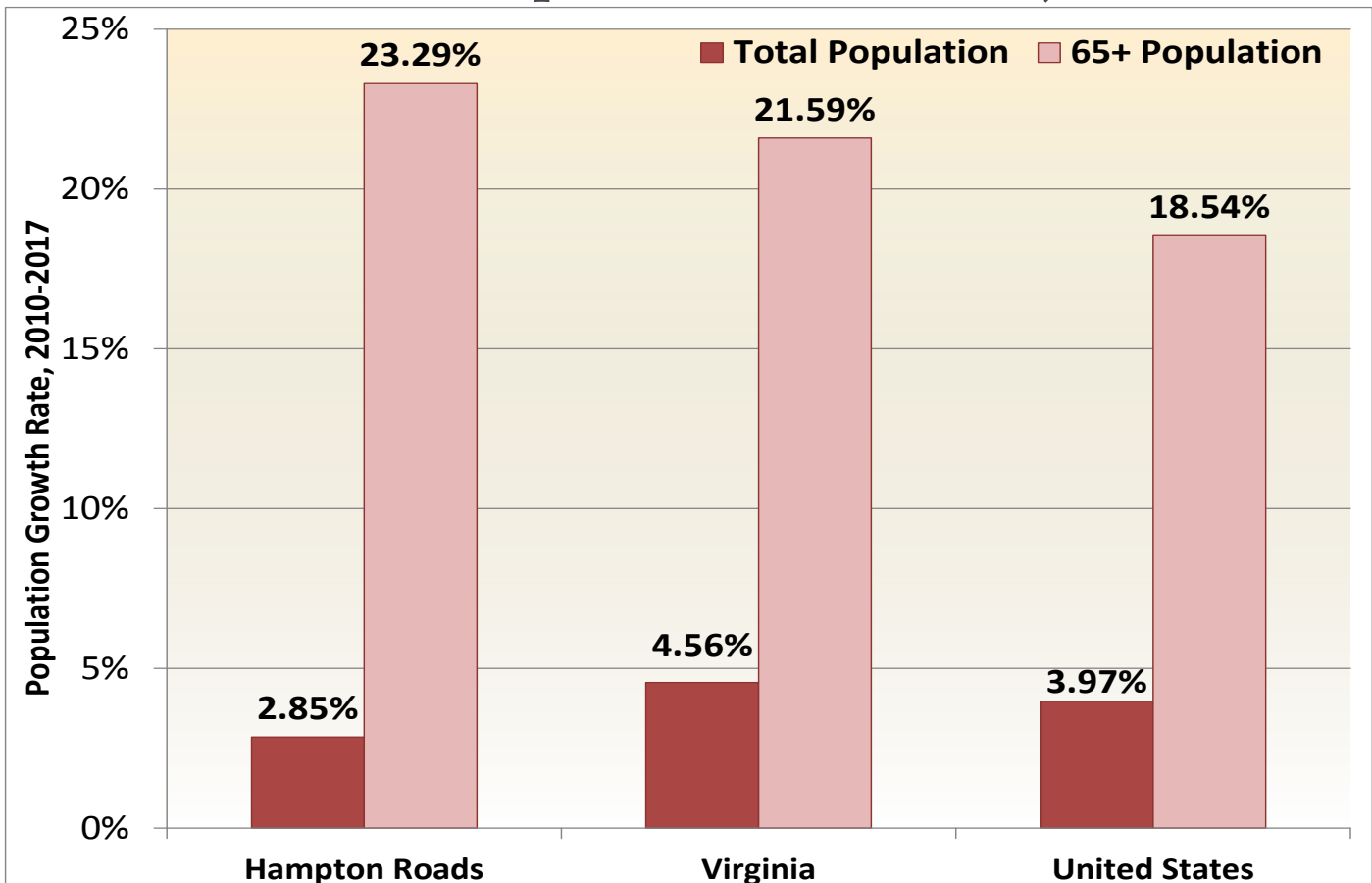
Aging is an indisputable fact of life, and as the nation prepares for the 2020 Census, what might the data we already have tell us about the aging of our population here in Hampton Roads?

Demographics are a leading indicator of economic growth, as productivity gains are tied to the composition of the workforce. As the baby boomer generation begins to retire in earnest, the nation is realizing a spike in growth rates of the 65+ population, leading to worries about growing demands on Social Security, pensions, healthcare needs and more.

According to U.S. Census Bureau data, from 2010 to 2017, the total population of Hampton Roads grew by 2.85%, while the senior population grew by over 23%. During the same time period, the total population of the U.S. grew by just under 4%, while the senior population grew by less than 19%, revealing that the region's population is aging more quickly than that of the nation. The relative percentage of the total population aged 5-19 (school age) in Hampton Roads has hovered around 18% since 2011, with the Weldon Cooper Center projections suggesting that the school age population will remain between 18.4% and 18.7% through 2040. The relative percentage of those over 65 has increased from 11.4% in 2011 to 13.3% in 2017, and is projected to be nearly 19% in 2040, therefore leading to a shrinking portion of the population in the middle: the prime working-age demographic.

With a smaller portion of the population working to provide support for the aging population, the economic impacts to our region are significant. Steve Zollos, CEO of Senior Services of Southeastern Virginia, is using this data in order to better understand how to best support and engage this important population within Hampton Roads. This generation of seniors is different than others: they are working longer, meaning they can bring decades of experience, education, and productivity to the region's workforce, they are healthy and active, and have more disposable income than ever before.

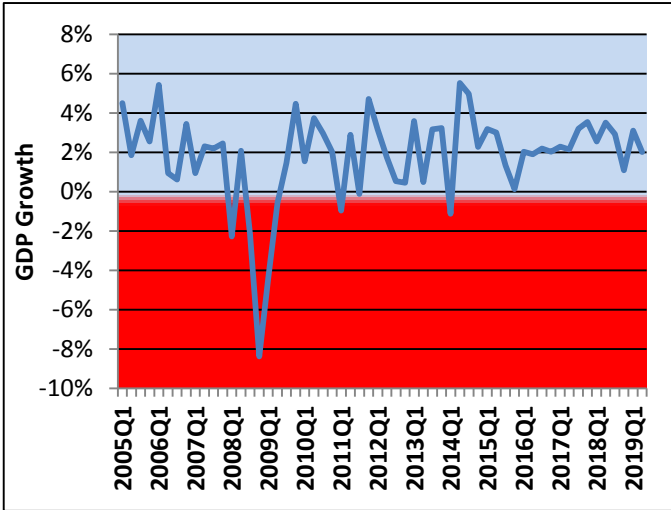
Total vs. Senior Population Growth Rate, 2010-2017



Source: U.S. Census Bureau, American Community Survey, HRPDC

GDP, Annualized Growth Rate

United States, 2005Q1 – 2019Q2, Quarterly

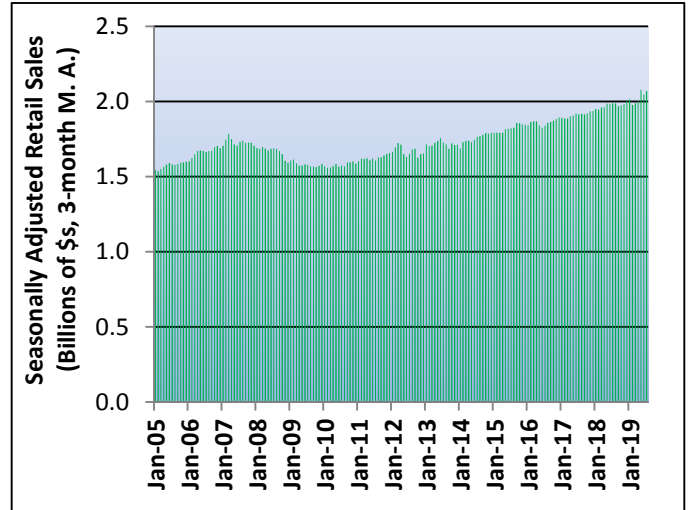


Source: Bureau of Economic Analysis, HRPDC

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Real GDP slowed to 2.0% in Q2 2019, with that growth driven by a strong rebound in consumer spending (+4.7% over the previous quarter). Investment decreased by 6.1%, though this was largely driven by changes to inventories. Significant regionally, national defense spending grew for the 7th consecutive quarter (+3.1%).

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2005– Jul 2019, Monthly

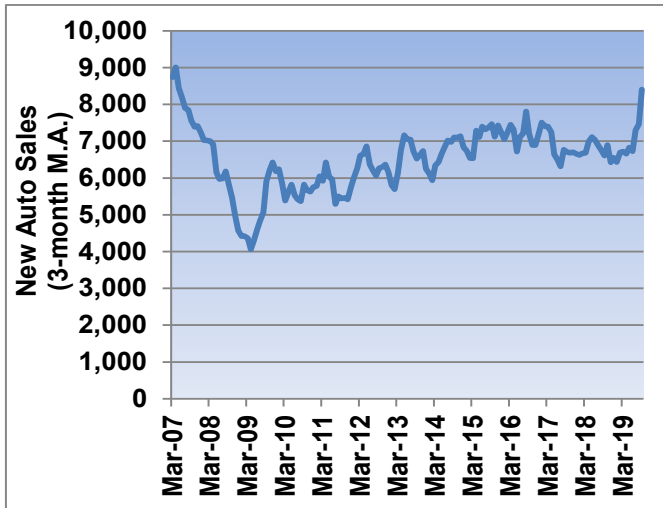


Source: Virginia Department of Taxation, HRPDC

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 have recovered again in July, increasing to \$2.07B (seasonally adjusted 3 month M.A.). Sales increased by 7.9% year-over-year in July, which was even higher growth than seen in May (7.3%); May in particular has seen strong growth over the past several years.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2005 – Sep 2019, Monthly

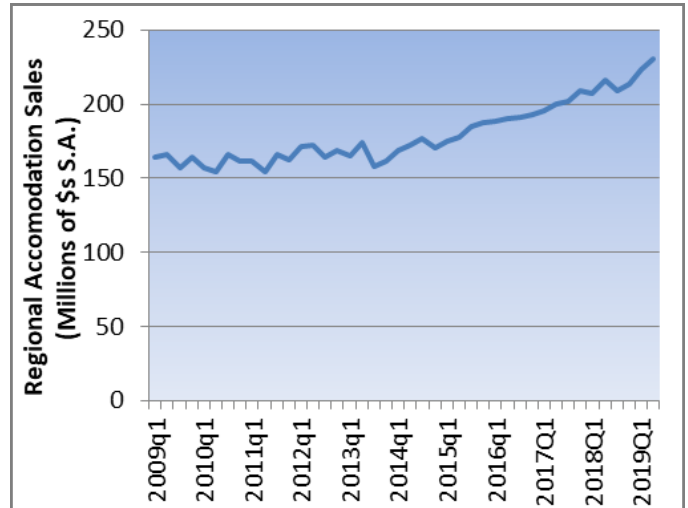


Source: Virginia Automobile Dealers Association, HRPDC

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. While the industry saw a decline in *national* car sales in September due to Labor Day sales counting in August, Hampton Roads numbers tell a different story. Car sales in the region increased significantly compared to both last month and September of 2018. This continues the trend of strong summer sales, and will be interesting to see if it continues.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2009Q1 – 2019Q2, Quarterly

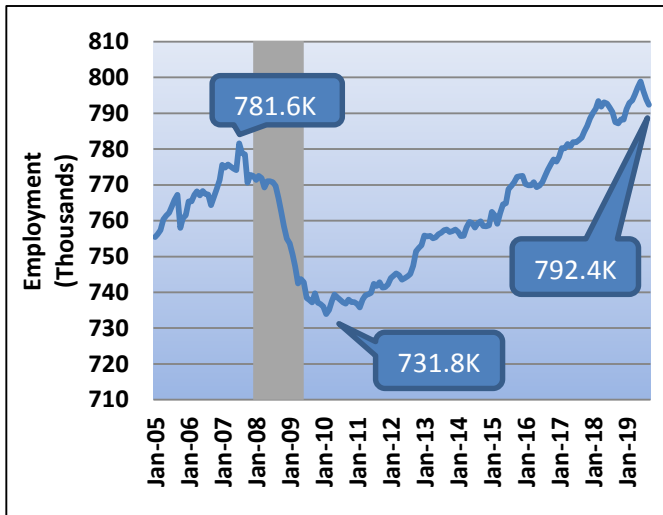


Source: Virginia Department of Taxation, HRPDC

Estimated Hotel Revenue: Hotel sales indicate the performance of the region’s tourism sector. In Q2 2019, accommodation sales increased by 6.8%, growing to \$231.7 million. This continues a pattern of strong growth stretching back to the third quarter of 2014. The tourism industry continues to play a significant role in the regional economy as one of Hampton Roads’ basic sector industries.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2005 – Sep 2019, Monthly

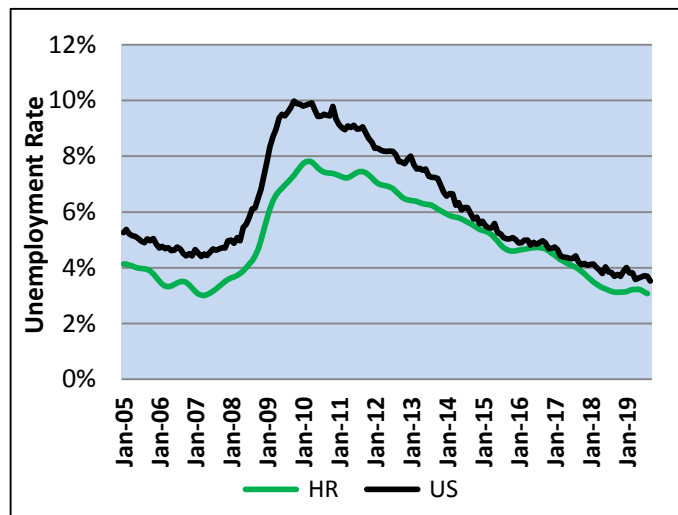


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. According to data from the BLS, Hampton Roads employment continues to decline for the third month in a row, to 792,400 positions in September of 2019. While the lower estimates of August were revised upwards slightly, the downward trend is something to keep an eye on; especially as U.S. employment continues to grow, albeit slower than the previous three months.

Unemployment Rate, Seasonally Adjusted

U.S. & Hampton Roads, Jan 2005 – Aug 2019, Monthly

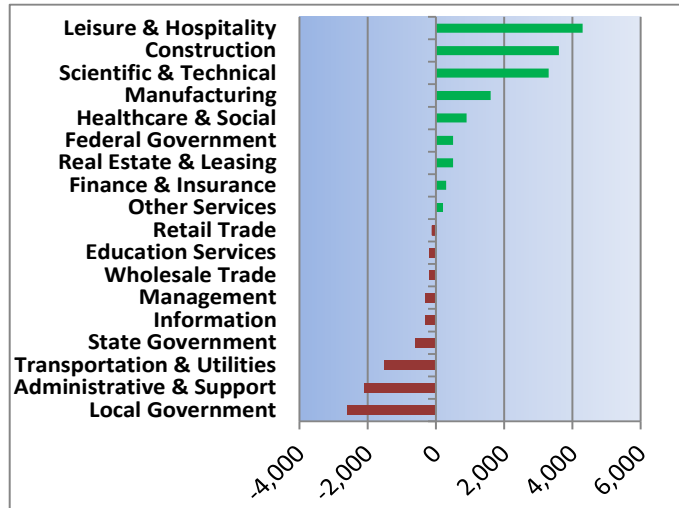


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work but unable to obtain a position. Hampton Roads' unemployment rate decreased yet again to 3.07% in August 2019, making it the lowest unemployment rate recorded in the region since spring of 2007, before the Great Recession.

Employment Growth by Industry

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

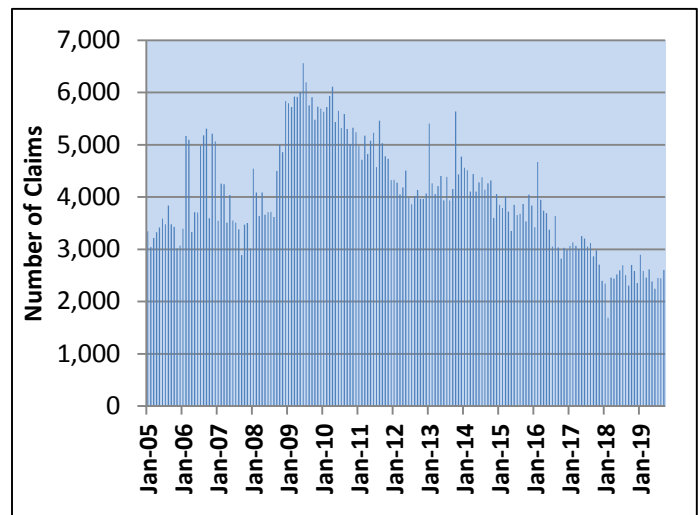


Source: Bureau of Labor Statistics, HRPDC

Employment Growth by Industry: As the job market grows or declines, there will be some industries that do not resemble the regional trend. Several industries have seen significant decline year-over-year using BLS data, including Administrative & Support industries, Local Government, and Transportation. Manufacturing jobs in the region, an important indicator of economic health in the current political climate, continue to show positive growth over the previous year, although it should be noted that the rate of increase each month is shrinking (with a loss from August to September both regionally and nationally).

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2005 – Sep 2019, Monthly

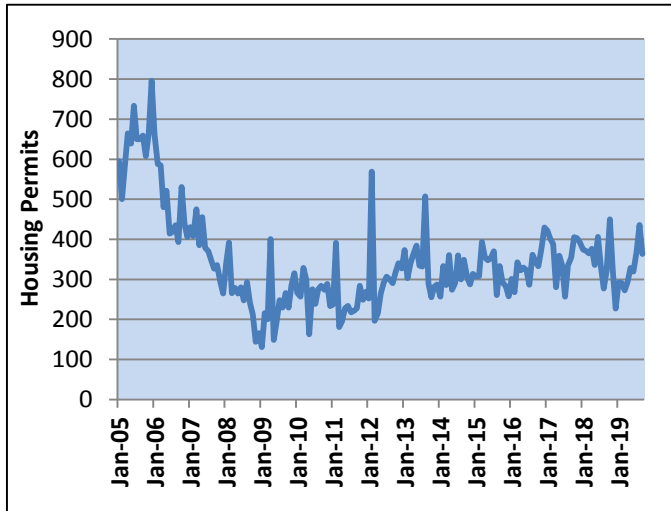


Source: Virginia Department of Labor, HRPDC

Initial Unemployment Claims: The number of initial unemployment claims is a leading economic indicator reflecting those who are forced to leave work unexpectedly, thus revealing the strength of the job market with little lag time. Seasonal adjusted unemployment claims increased in August of 2019 to 2,601 claims. While this is still below the long term average, it has risen above the average levels of the past twelve months. As employment in the region continues its slight downward trend, initial unemployment claims may respond accordingly.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2005 – Sep 2019, Monthly

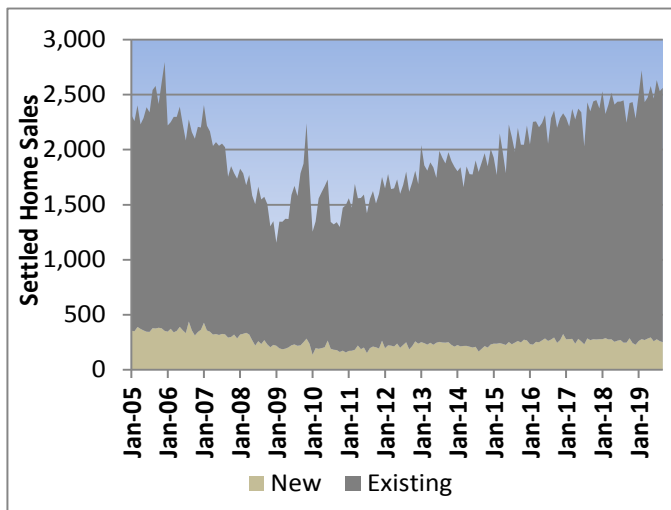


Source: U.S. Census Bureau, HRPDC

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 in September decreased from August’s 2019 high of 435 permits to 362, yet still rising compared to earlier this year. As the market responds to the Federal Reserve lowering interest rates in August and September, this indicator will be interesting to watch closely.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2005 – Sep 2019, Monthly

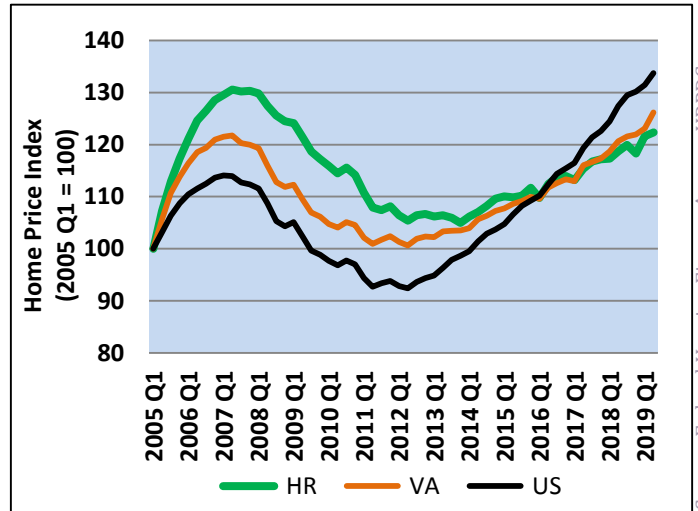


Source: REIN, HRPDC

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 have been strong recently, with sales maintaining the same average level as during the housing boom in 2005. While the new construction segment of the market continues to lag, notable is a 16% year-over-year increase in existing home sales from September of 2018 to 2019.

Home Price Index, All Transactions

Hampton Roads, 2005Q1 – 2019Q2 Quarterly

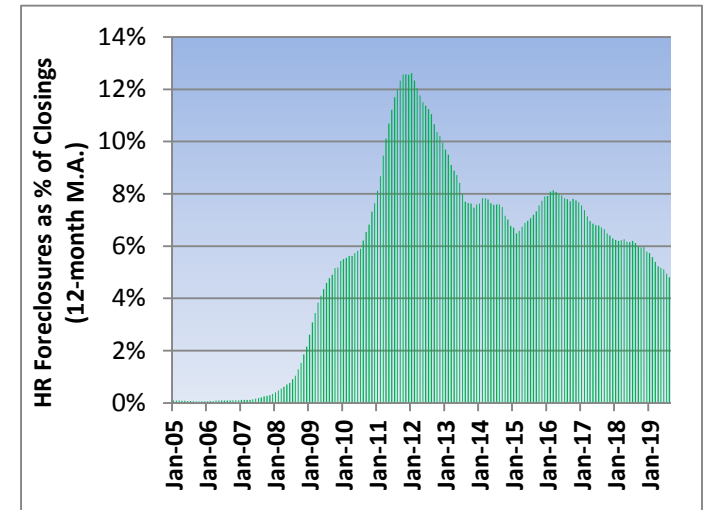


Source: Federal Housing Finance Agency, HRPDC

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 3.1% in Q2 2019, remaining below both the state and the nation. Regional housing values remain 6.2% below those seen during the peak of the housing boom.

Foreclosures and Distressed Sales

Hampton Roads, Jan 2005 – Aug 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 the sale price of existing homes. The foreclosure level is still elevated from the housing boom. Foreclosures constituted 4.8% of all home resales in August of 2019, down from a high of 8.1% in April of 2016 (12-month average).