

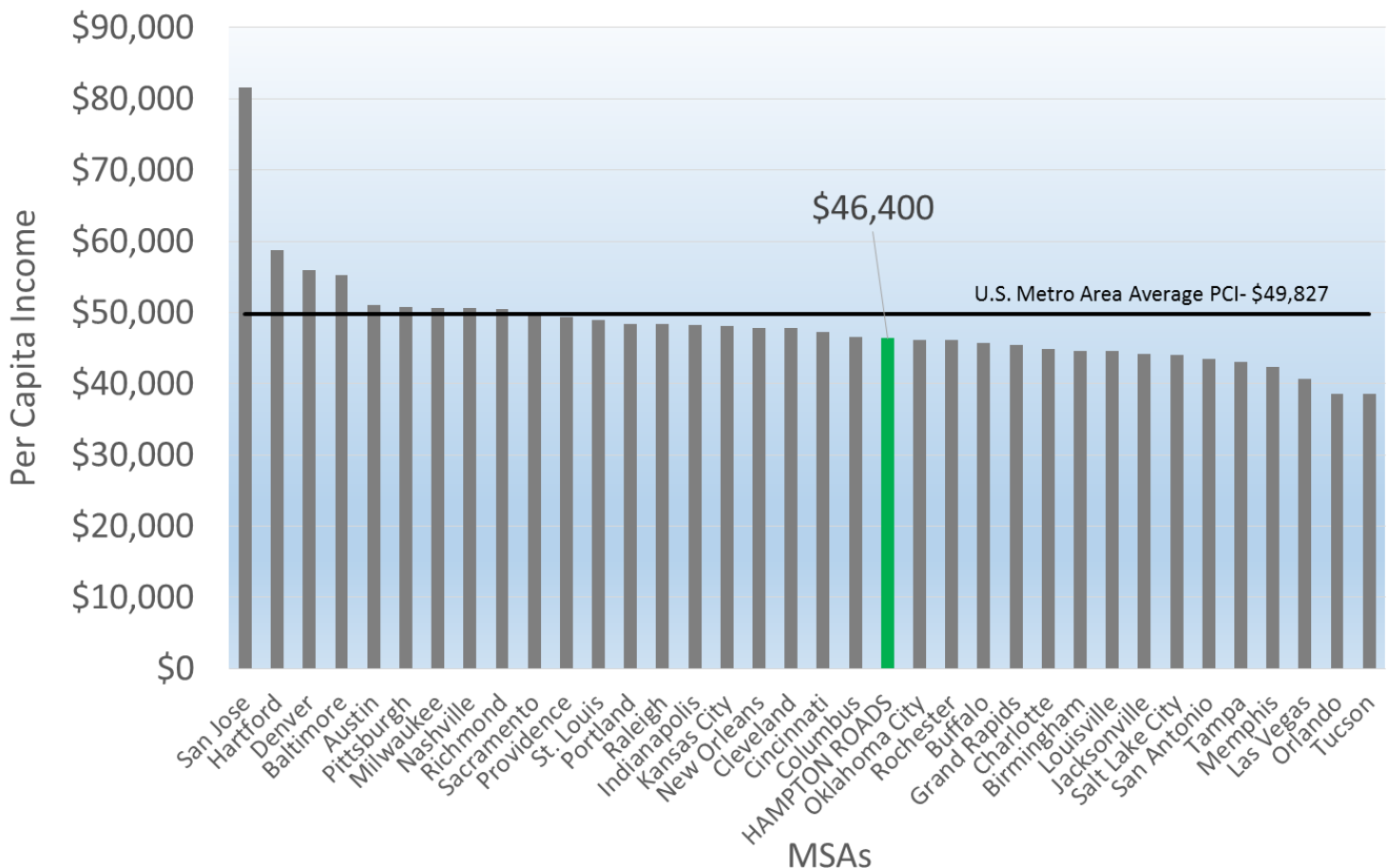
Hampton Roads' Economic Update: Per Capita Income Grows in 2015

Hampton Roads per capita income grew to \$46,400 in 2015, increasing by 3.7% over 2014 (inflation-adjusted). This growth outpaces that of the average U.S. metropolitan area (3.4%), and is the 17th fastest rate of growth amongst the region's reference metropolitan areas (the 36 MSAs with populations between 1 and 3 million). The rise in 2015 per capita income was welcome because the region realized a decline in 2013 and very slow income growth in 2014.

Regional incomes remain slightly below the average for U.S. metropolitan areas and rank 21st amongst Hampton Roads' peers. Regional incomes reflect many different factors, including labor scarcity, the region's relative productivity, the growth of industries with a regional presence, and the cost of living in the region. For instance, while San Jose has a much higher per capita income, many workers find it difficult to live there on the wages they earn because of the high cost of real estate and other services.

Hampton Roads experienced significant headwinds both to employment and income growth as a result of federal budget issues impacting the defense industry; however, if the federal spending on defense begins to increase in line with the federal budget, Hampton Roads would likely see increasing income growth as a result of its many defense assets.

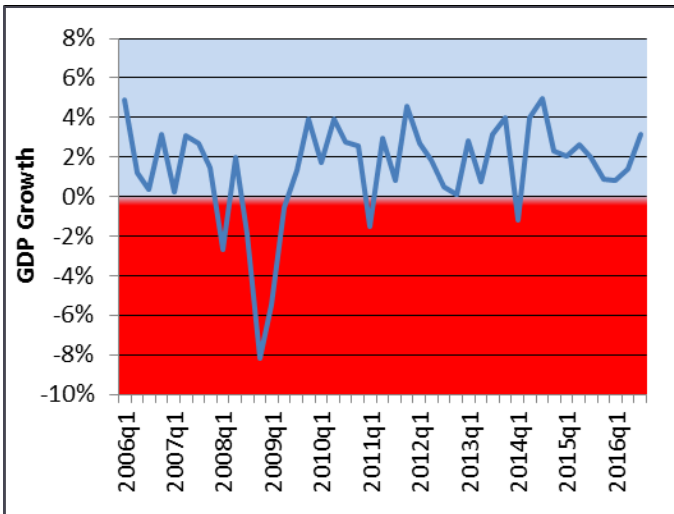
Per Capita Income, 2015
Hampton Roads and Reference Metropolitan Areas



Source: U.S. Bureau of Economic Analysis, HRPDC

GDP, Annualized Growth Rate

United States, 2006Q1 – 2016Q3, Quarterly

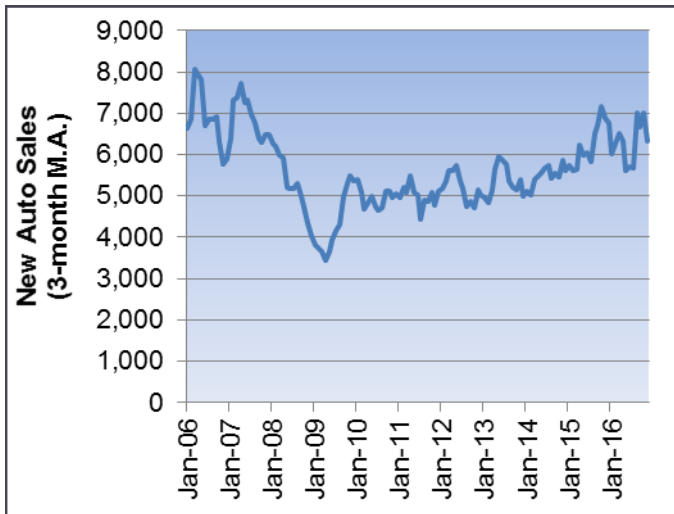


Source: Bureau of Economic Analysis, HRPDC

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. GDP accelerated in the third quarter, growing at a 3.2% real annualized rate (from 1.4% in the first quarter). Economic growth came from increases in personal consumption expenditures as well as exports.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2006 – Nov 2016, Monthly

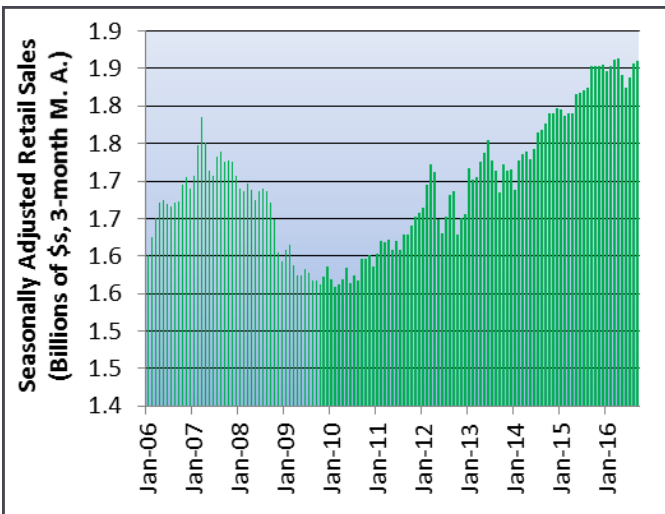


Source: Virginia Automobile Dealers Association, HRPDC

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 have hovered around 6,300 since the beginning of the year, above the long term average of 6,000.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2006– Sep 2016, Monthly

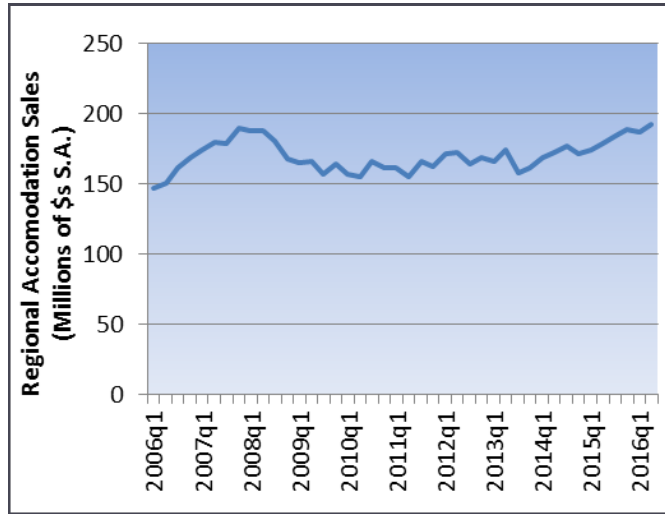


Source: Virginia Department of Taxation, HRPDC

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 have increased slightly from \$1.85B in October 2015 to \$1.86B in October 2016, growing to 19.3% above the region's recession lows (though only 4.5% over its prerecession peak). Seasonally adjusted sales had dipped in June through July, before growing to the current levels.

Taxable Accommodation Sales, Seasonally Adjusted

Hampton Roads, 2006Q1 – 2016Q2, Quarterly

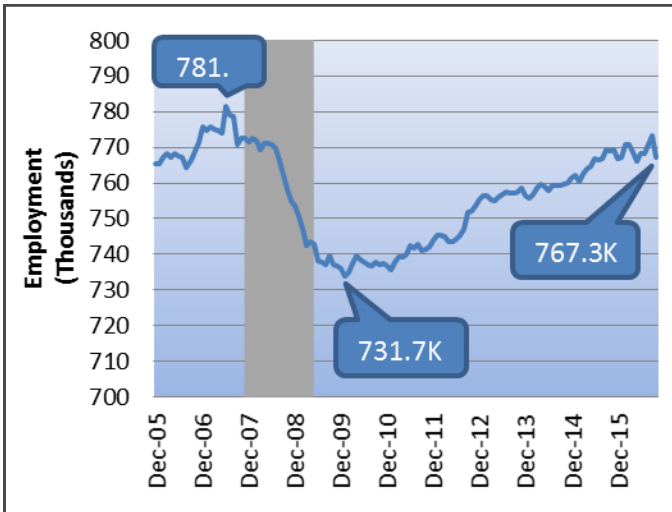


Source: Virginia Department of Taxation, HRPDC

Taxable Accommodation Sales: Accommodations 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. While seasonally adjusted sales have now passed their prerecession peak, the region's tourism industry still has room for growth, and the third quarter continues to be the most important for the region's tourism industry.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2006 – Nov 2016, Monthly

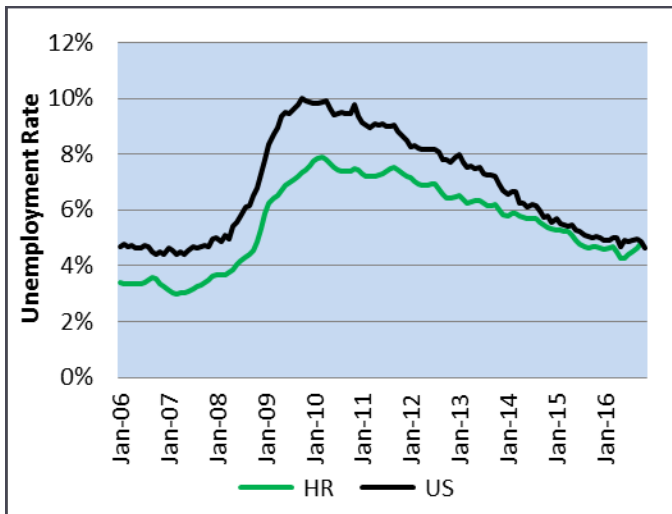


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. Hopefully, the Nov 2016 estimate of employment will either be revised up or it represents a single-month deviation. Civilian employment fell by 5,900 in November, declining 0.76% and falling 0.22% below Nov 2015 levels; this is the first time employment growth has been negative year-over-year since Feb 2014.

Unemployment Rate, Seasonally Adjusted

Hampton Roads, Jan 2006 – Oct 2016, Monthly

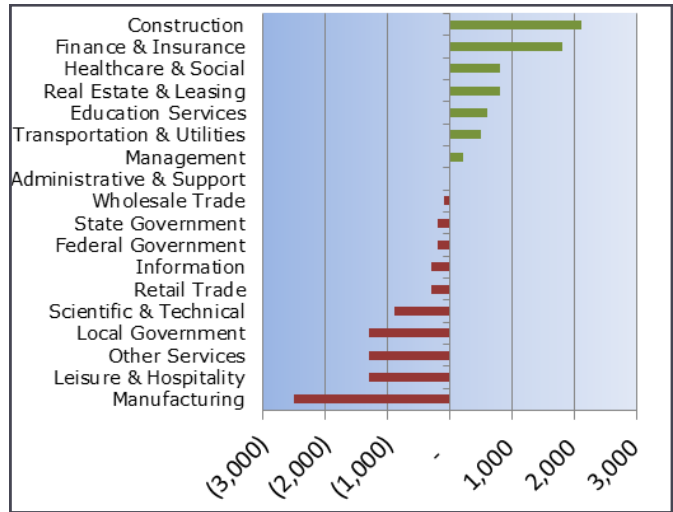


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. The Hampton Roads unemployment rate increased for the fourth straight month in Oct 2016, increasing to 4.8%. While this appears negative, it was driven by labor force growth in the region, as employment was also up in October.

Employment Growth by Industry

Hampton Roads, Nov 2015 – Nov 2016, Year-over-Year

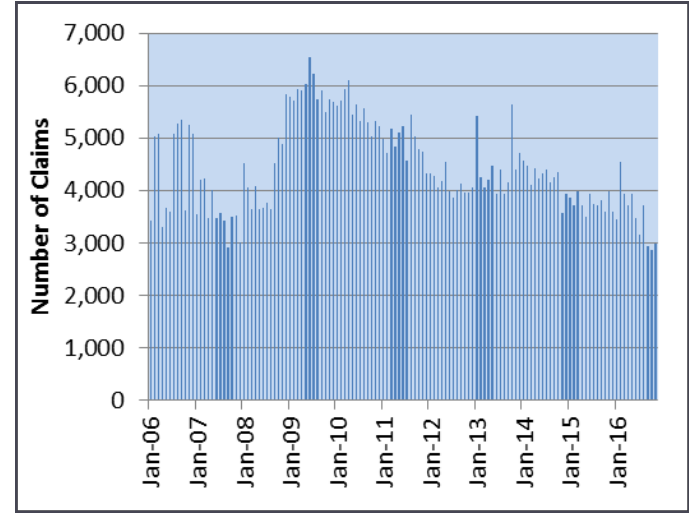


Source: Bureau of Labor Statistics, HRPDC

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. The regional decline in manufacturing employment continued, as there were 2,500 less jobs in manufacturing in Nov 2016 than existed in the previous year. Leisure and Hospitality employment is down year-over-year as well, which might indicate an exacerbation in the industry's seasonal pattern of activity.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2006 – Nov 2016, Monthly

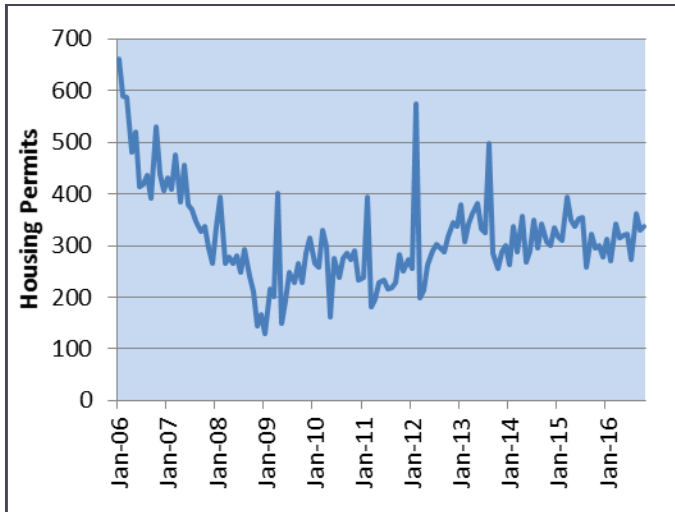


Source: Virginia Department of Labor, HRPDC

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 regions new unemployment claims increased to 2,994 in Nov 2016, but this remains significantly below the long-term average.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2006 – Sep 2016, Monthly

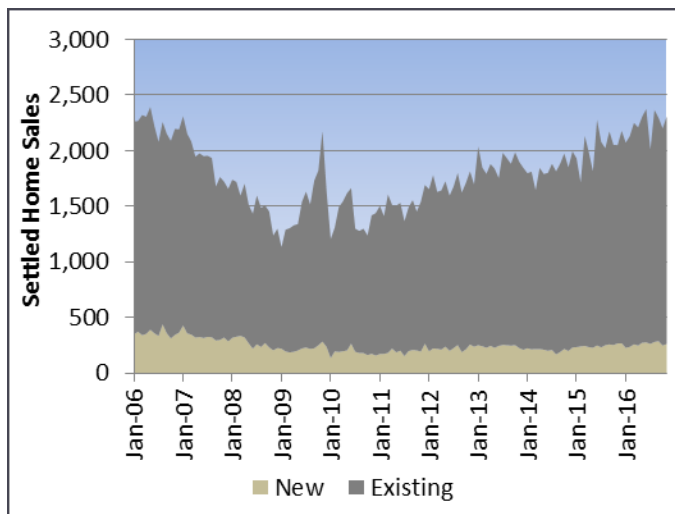


Source: U.S. Census Bureau, HRPDC

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Hampton Roads' localities issued 336 single family permits (seasonally adjusted) in Oct 2016, and continue to remain at the same level as exhibited over the past three years. This represents almost 33% fewer building permits issued compared to the long-term average.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2006 – Nov 2016, Monthly

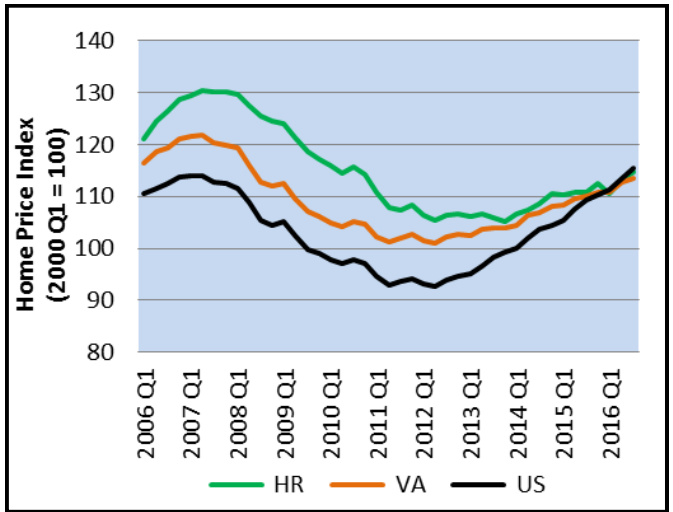


Source: REIN, HRPDC

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 have remained around 2,000 per month for 2016, while new home sales have had higher levels of variability.

Home Price Index, All Transactions

U.S., VA., & Hampton Roads, 2006Q1 – 2016Q2, Quarterly

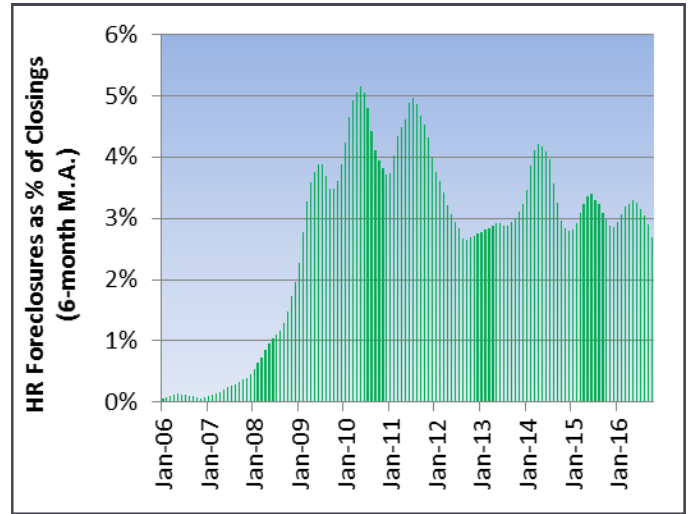


Source: Federal Housing Finance Agency, HRPDC

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 has increased over the past two quarters, and regional home prices have returned to 2010 levels.

Foreclosures as a Share of Homes Sold

Hampton Roads, Jan 2006 – Oct 2016, 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. During the housing boom, foreclosures were a negligible part of the local real estate market, but rose to 5.0% of all sales in Jul 2011. Distressed sales constituted 2.7% of all Hampton Roads existing home sales in Oct 2016.