

Hampton Roads' Economic Update:

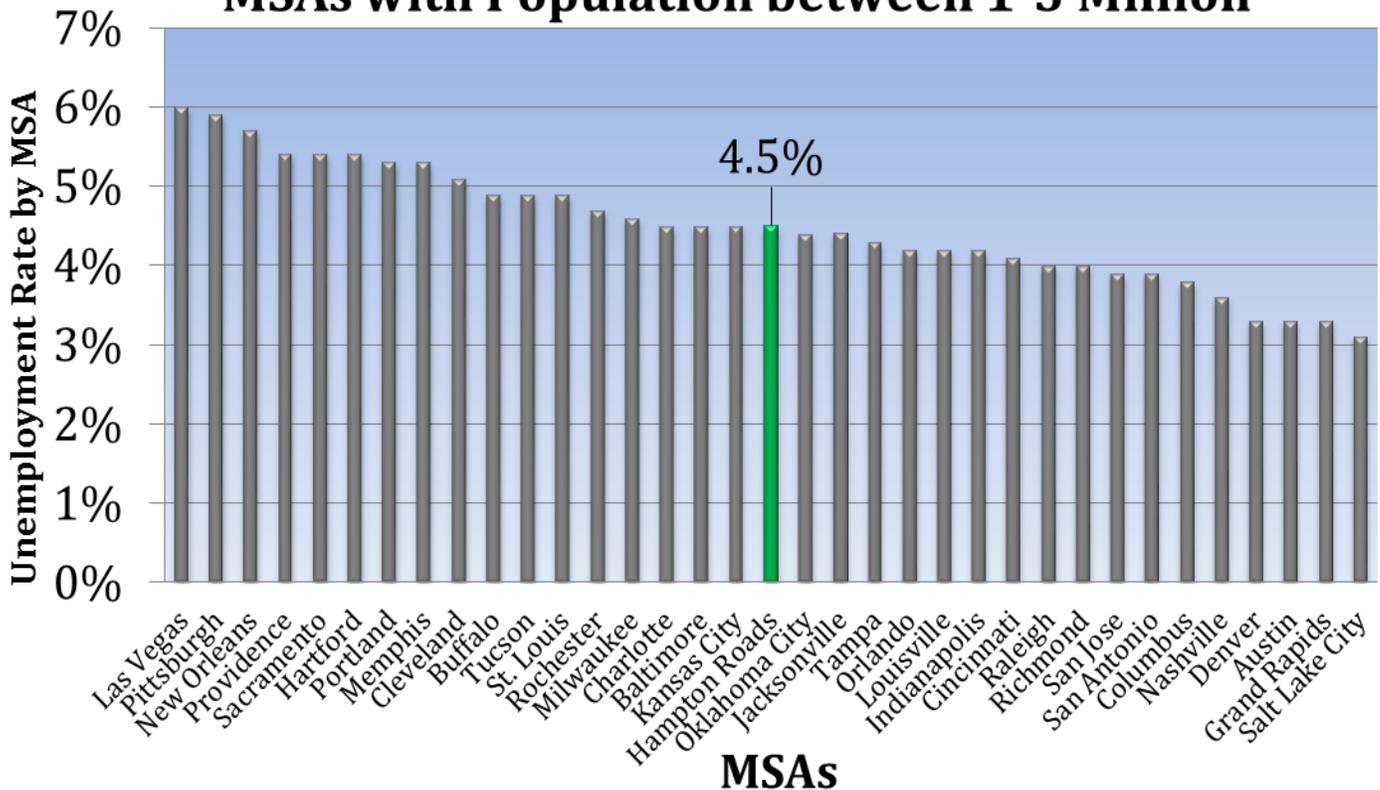
While the nation continues along its consistent and steady recovery path, the Hampton Roads economy continues to struggle in search of solid growth. Among the region's mixed economic signals are several areas that provide a measure of encouragement. Hampton Roads continues to experience relatively low levels of initial unemployment claims and an increasing number of home sales. New cars sales compare favorably over recent years, as do tourism expenditures.

Several of the region's economic indicators are rather stagnant, such as the slow but consistent level of building permit activity, and lackluster growth in retail sales (despite low energy costs).

Then there are the indicators that are extremely disappointing, most notably the employment numbers. Civilian employment in Hampton Roads has decreased by 1,000 jobs since April of this year, a stark contrast from the consistent expansion in employment experienced at the national level. The region's unemployment rate is better than the national rate and is in line with other similar sized MSAs (see below), but while the nation's labor force has been growing over the past year (+1.5%), Hampton Roads labor force has decreased by 0.7% over the same period.

The disparate experience between the U.S. and Hampton Roads is likely to be partly the result of lower levels of federal expenditures in the region, as 2nd quarter GDP estimates indicate that national defense spending has declined slightly over the first half of 2016.

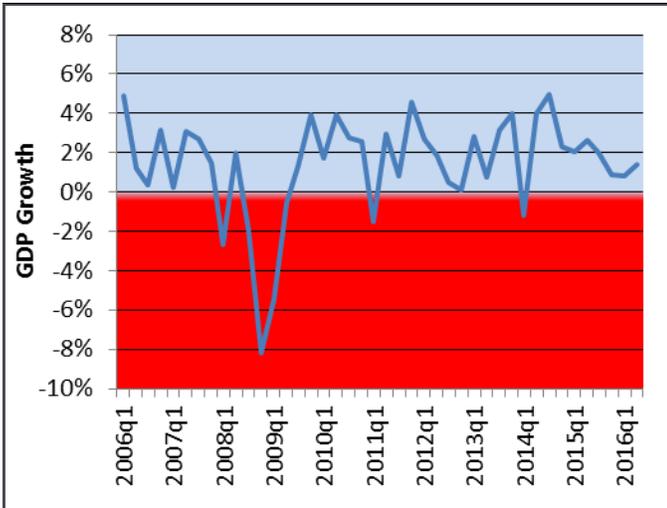
Unemployment Rate in Aug 2016 MSAs with Population between 1-3 Million



Source: Virginia Bureau of Labor Statistics, HRPDC

GDP, Annualized Growth Rate

United States, 2006Q1 – 2016Q2, 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 was revised up to 1.4% in the second quarter (from the preliminary estimate of 1.1%). The second quarter saw a rapid expansion in personal consumption expenditures, particularly in the purchase of goods. On the other hand, investment reduced overall growth, driven primarily by a decline in inventories.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2006 – Sep 2016, Monthly

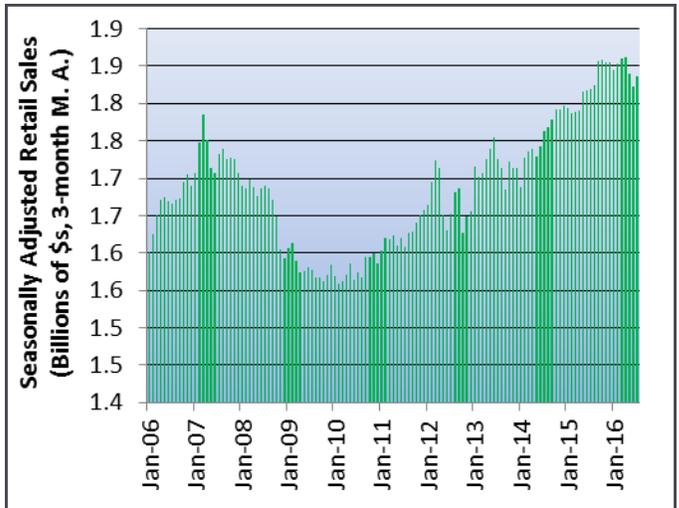


Source: Virginia Automobile Dealers Association, HRPDC

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 over the past sixth months, above the long term average of 5,900.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2006– Jul 2016, Monthly

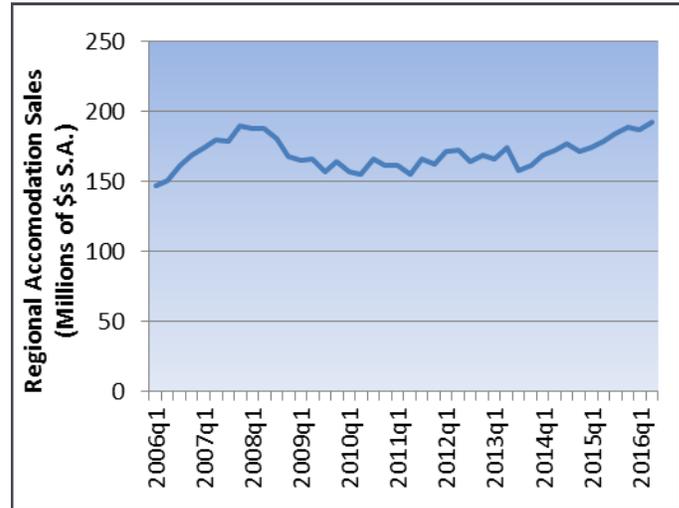


Source: Virginia Department of Taxation, HRPDC

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 to \$1.84B in July 2016 from \$1.82B in June, but down from the peak of \$1.86B in April 2016 (seasonally adjusted). Hampton Roads retail sales are only 2.8% above their prerecession peak, while US retail sales are 20.8% above their prerecession sales.

Taxable Accommodation Sales, Seasonally Adjusted

Hampton Roads, 2006Q1 – 2016Q2, Quarterly



Source: Virginia Department of Taxation, HRPDC

Taxable Accommodation Sales: 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. 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 – Aug 2016, Monthly

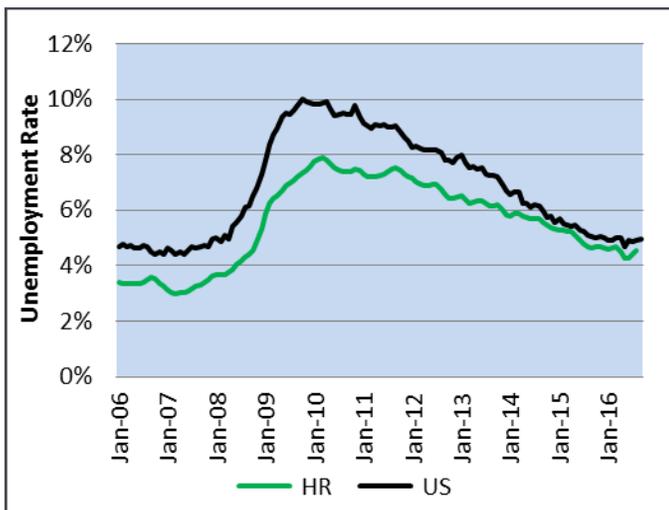


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. Hampton Roads saw a small increase in employment between July and August, with employment growing by 1,500 (0.2%). There has not been a strong trend in employment emerging, as employment has varied between 766,200 and 770,600 over the past twelve months.

Unemployment Rate, Seasonally Adjusted

Hampton Roads, Jan 2006 – Aug 2016, Monthly

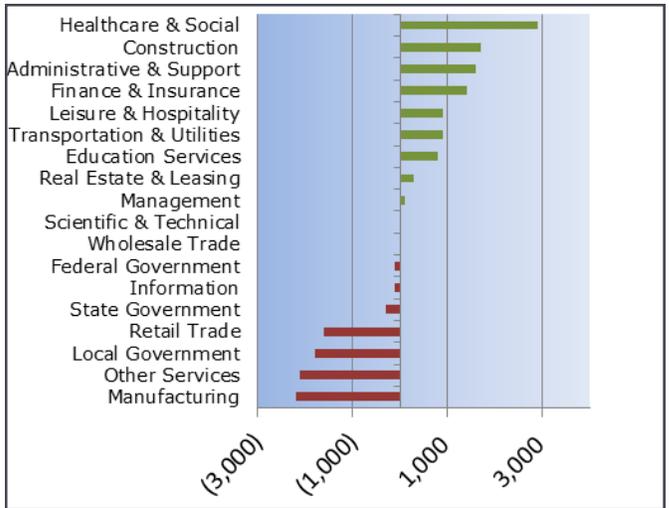


Source: Bureau of Labor Statistics, HRPDC

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 popped up slightly in August 2016 to 4.53%, but remains almost half a percentage point below the national rate. The region's unemployment rate does not account for the uniformed military personnel, which if they were included, would further drive down the region's unemployment rate.

Employment Growth by Industry

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

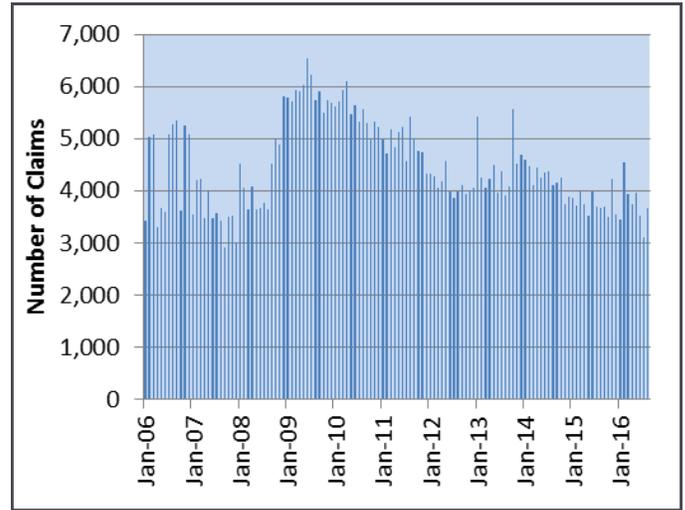


Source: Bureau of Labor Statistics, HRPDC

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. Pressure on Manufacturing employment nationwide, and Ship and Boat Building & Repair regionally has resulted in fewer jobs in these industries. Also noteworthy is the 1,700 year-over-year growth in Construction employment, the Construction industry employment remains 11,800 below its August 2006 level.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2006 – Aug 2016, Monthly

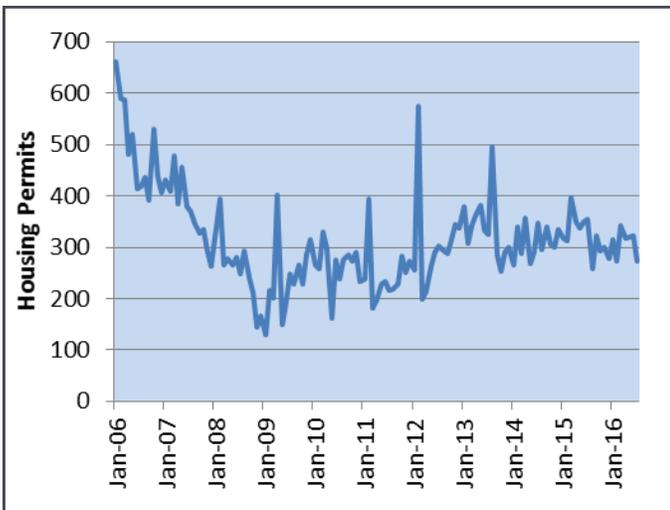


Source: Virginia Department of Labor, HRPDC

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 region's new unemployment claims declined to 3,432 in August, almost 1,000 claims less than the long-term average.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2006 – Jul 2016, Monthly

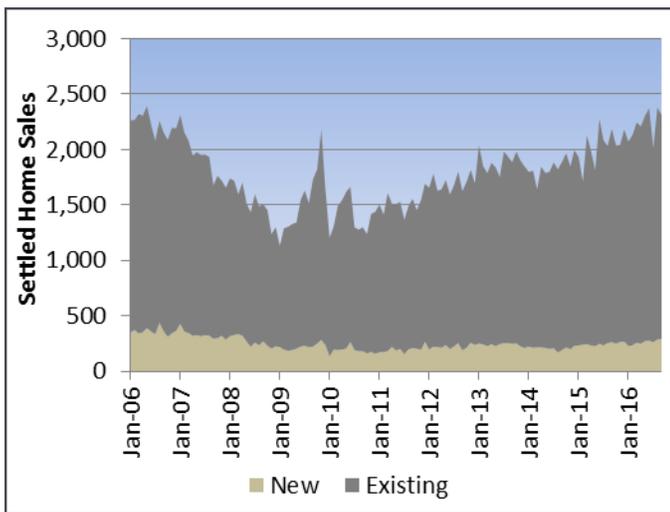


Source: U.S. Census Bureau, HRPDC

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 362 permits (seasonal adjusted) in August 2016, and while this is below the long term average, this represents growth over the 2015 levels. Continued growth in construction is important for the region's recovery.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2006 – Sep 2016, Monthly

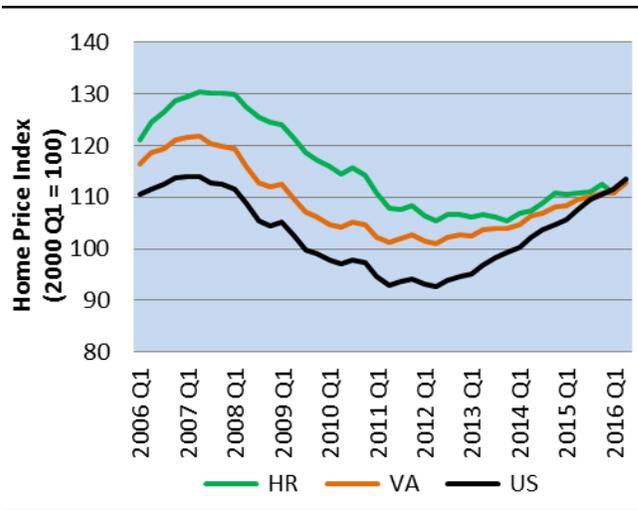


Source: REIN, HRPDC

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. Recently, existing home sales have increased significantly, achieving levels not experienced since 2005. If home sales continue at this level, increased liquidity in the residential real estate market will encourage further development.

Home Price Index, All Transactions

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

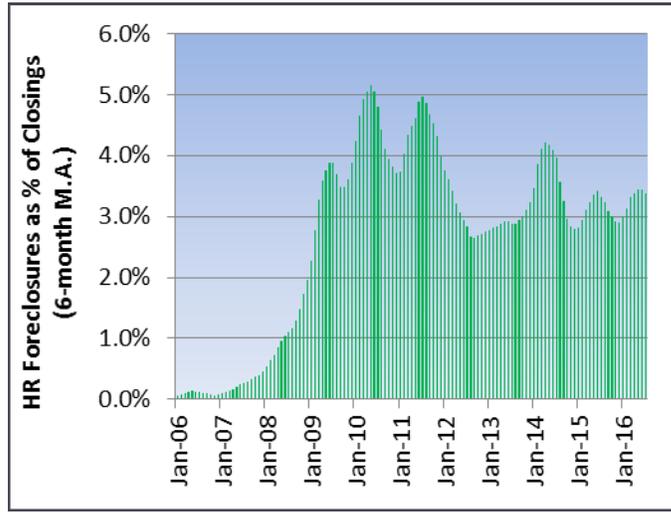


Source: Federal Housing Finance Agency, HRPDC

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' real estate values began to increase rapidly in 2003 and grew more rapidly than the nation and the state through 2007. While the region experienced the same level of decline in housing prices as the nation and the Commonwealth, it has yet to experience a similar recovery in home prices.

Foreclosures as a Share of Homes Sold

Hampton Roads, Jan 2006 – Aug 2016, Monthly



Source: Zillow, HRPDC

Foreclosures: Foreclosures have a significant impact on the real estate market and the community, as they depress home values on both a neighborhood and regional level. In particular, distressed homes share of total sales have 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 August 2016.