

Hampton Roads Payroll Employment Data Continues to Disappoint... in an Odd Fashion

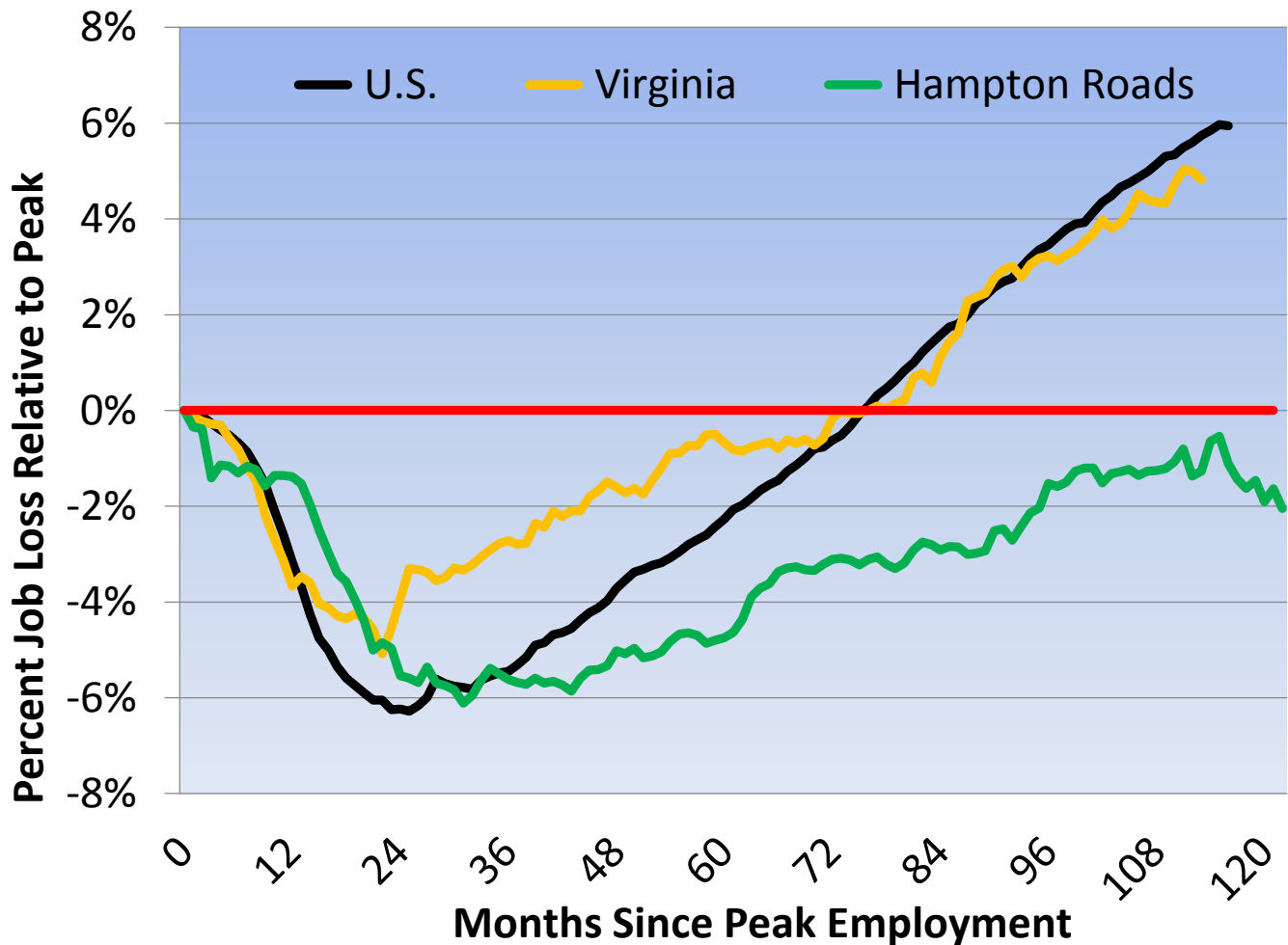
Hampton Roads non-farm, civilian payroll employment estimates have been coming in very low. Extremely low.

Since February 2017, payroll employment data suggests regional employment fell by 11,800 positions (-1.52%) on a seasonally adjusted basis. This is notable because regional employment generally does not decline to such an extent outside the context of a national recession. The region has underperformed the state and nation throughout the recovery, where as, had Hampton Roads experienced similar employment growth to the state, the region would have an additional 54,000 jobs. These extremely low employment figures are troubling.

While the payroll employment numbers are low, the more recent declines seem to mesh poorly when compared with other regionally available indicators. Although the majority of reported payroll employment declines have been in the retail and tourism sectors, actual retail regional sales have remained steady or grown during the past year, as have hotel sales. Additionally, one would expect to see a spike in initial unemployment claims if a large number of persons were losing their jobs, yet claims remain at historical lows. Car sales have not fallen off, national levels of defense spending were steady in the second quarter, and home sales, values, and permitting levels have not signaled a massive decline. Most importantly, the region's labor force remains relatively strong, with low unemployment levels and labor force employment levels well above the region's pre-recession low.

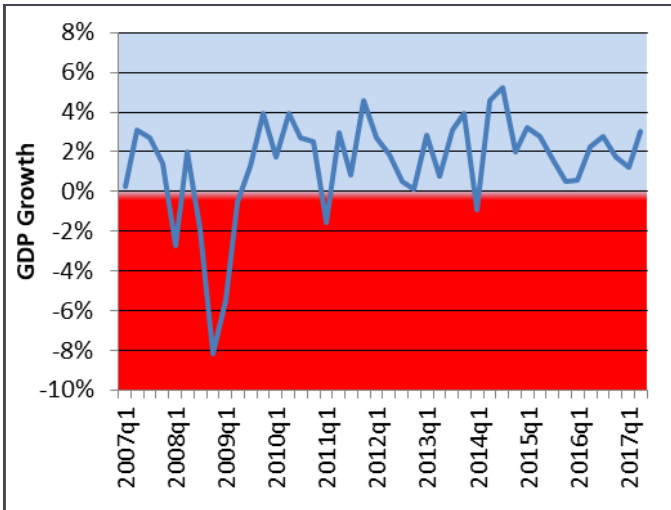
Put all this data together and one might conclude that there is an estimation issue with the region's payroll employment data. Staff will continue to look for answers to this incongruous data, but we are confident that a regional recession is not in our near future.

Recession and Recovery– Hampton Roads vs the State & Nation



GDP, Annualized Growth Rate

United States, 2007Q1 – 2017Q2, 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 increased in the second quarter to 3.0%, from 1.7% in the first quarter of 2017. The most important news for Hampton Roads results from a 4.7% expansion in national defense expenditures between the first and second quarter. Additionally, personal consumption expenditures continued to strongly expand.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2007 – Sep 2017, Monthly

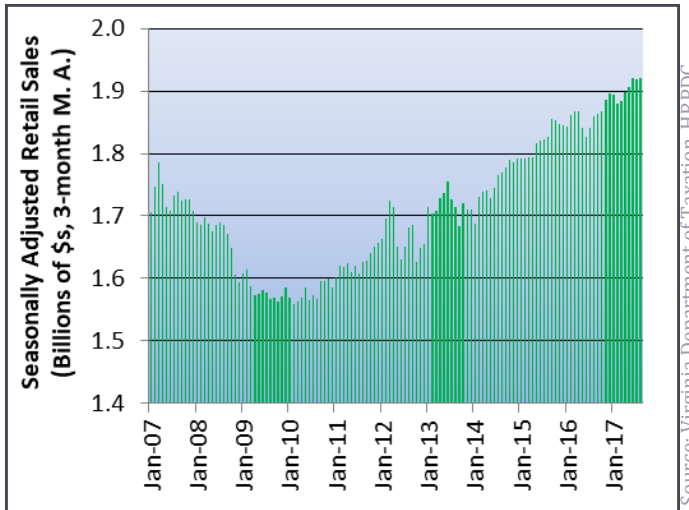


Source: Virginia Automobile Dealers Association, HRPDC

New Car Sales: Car sales, as a durable good, may be put off until individuals' 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 declined slightly in September, falling by 200 vehicles per month, but remain slightly above the region's long-term average.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2007– Aug 2017, Monthly

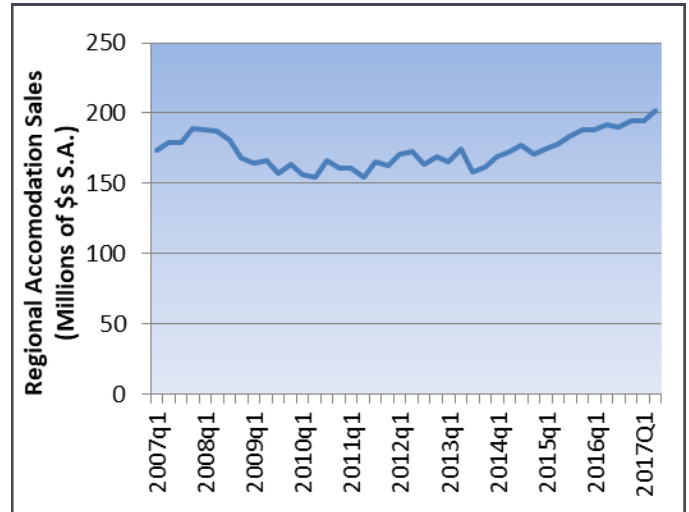


Source: Virginia Department of Taxation, HRPDC

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' taxable monthly sales totaled \$1.92B in August of 2017 (seasonally adjusted), the third consecutive month at this level. August sales were 2.2% above 2016 sales, and if this growth continues into the fall and winter, would provide an excellent catalyst for regional expansion.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2007Q1 – 2017Q2, Quarterly

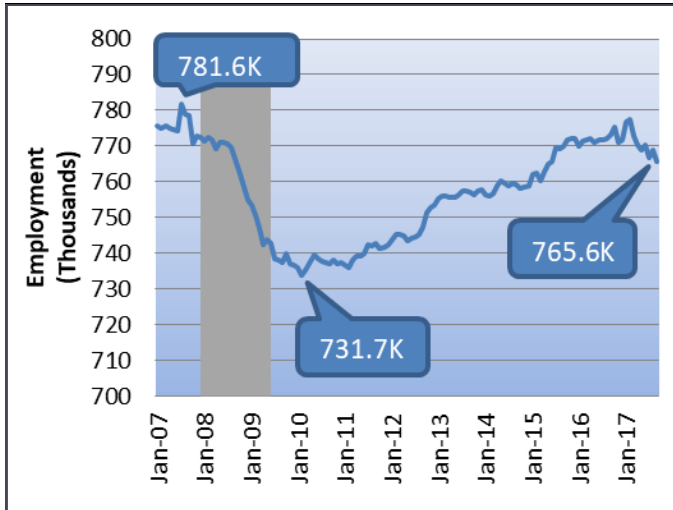


Source: HRPDC

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 increased significantly in the third quarter of 2017, reaching \$202M (3.9%).

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2007 – Aug 2017, Monthly

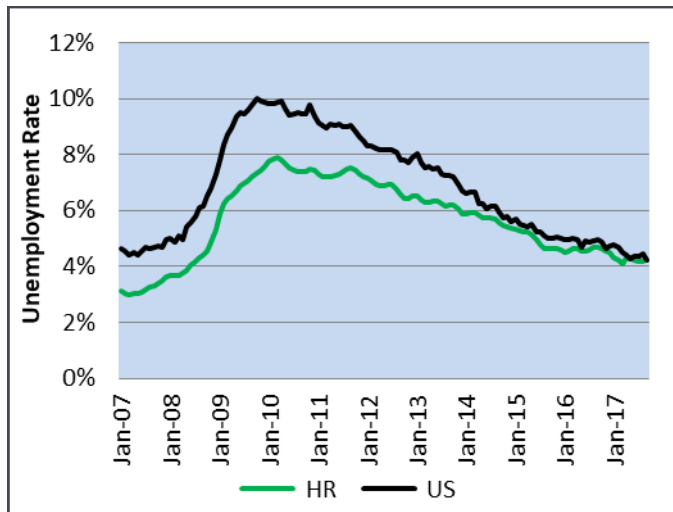


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. Regional civilian employment fell to 765,600 in September 2017 from 768,800 in August, and a decline of 11,700 jobs since September 2016 (-1.2%). Over the same time period, the state added 42,400 jobs, an increase of 1.1%.

Unemployment Rate, Seasonally Adjusted

Hampton Roads, Jan 2007 – Jul 2017, Monthly

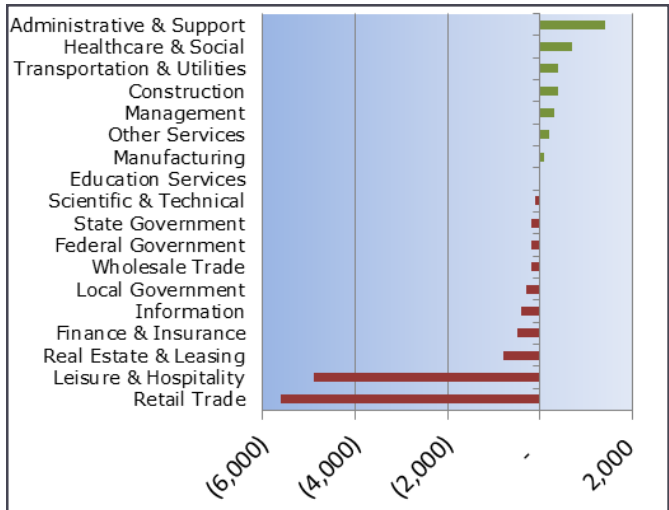


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. Hampton Roads' unemployment rate came in at 4.20% in August 2017, the third consecutive month at this level. Over the past six months there has not been sustained change in either the size of the regional labor force or in the number indicating that they are employed.

Employment Growth by Industry

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

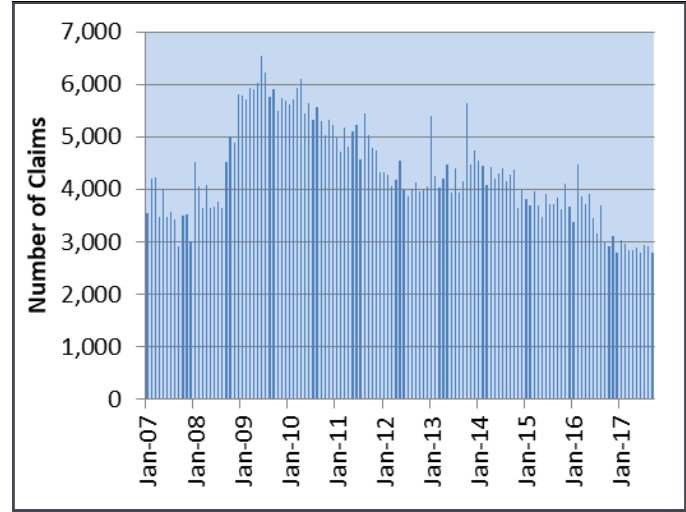


Source: Bureau of Labor Statistics, HRPDC

Employment Growth by Industry: As the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. Regional employment in retail trade and leisure & hospitality have declined precipitously year-over-year according to the employment data released by the Bureau of Labor Statistics; however, these lower levels of employment do not align with strong retail sales seen over the summer.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2007 – Sep 2017, Monthly

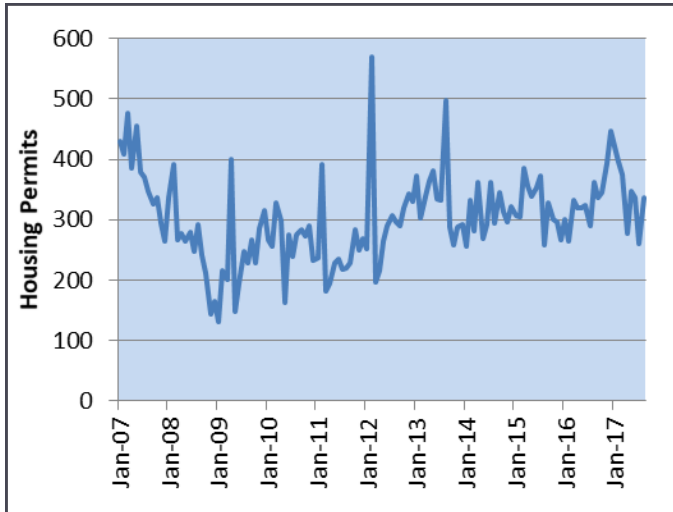


Source: Virginia Department of Labor, HRPDC

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 inched down to 2,789 in September 2017. Regional Claims have fallen to their lowest level since Dec 2016, and fourth lowest in the history of the region.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2007 – Aug 2017, Monthly

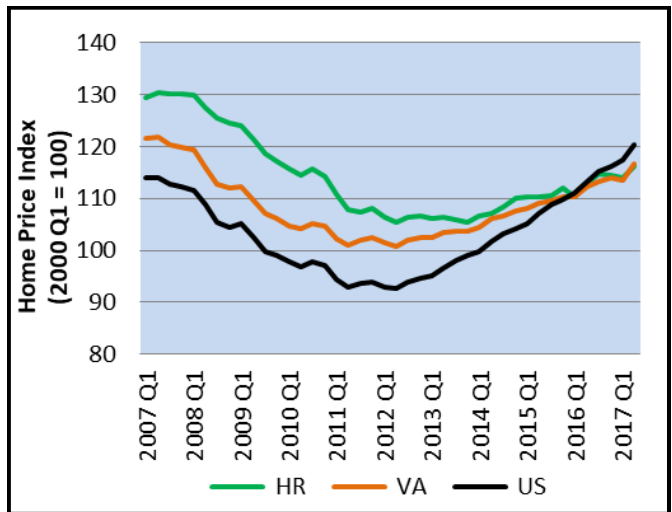


Source: U.S. Census Bureau, HRPDC

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Single family permits popped up to 336 in August 2017, after declining to 260 in July (seasonally adjusted). The region continues to lag below the long-term average of 453 single family permits per month.

Home Price Index, All Transactions

Hampton Roads, 2007Q1 – 2017Q2, Quarterly

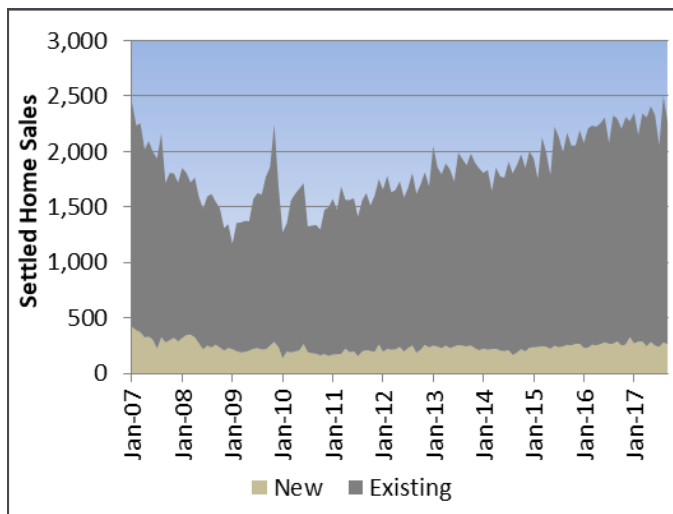


Source: Federal Housing Finance Agency, HRPDC

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 in the second quarter of 2017, and are 2.86% above the price levels last year, though this growth rate was below that of the nation and the state.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2007 – Sep 2017, Monthly

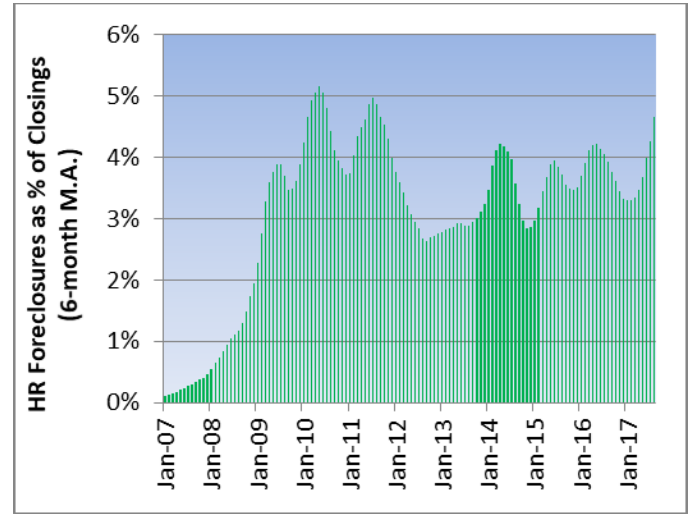


Source: REIN, HRPDC

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. Existing home sales decreased to 2,005 in September 2017, in line with the recent trend of approximately 2,000 per month. New home sales edged down to 263 per month from 278 in August, in line with the recent trend of 250-260 sales per month.

Foreclosures

Hampton Roads, Jan 2007 – Aug 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 increased to 4.7% of all Hampton Roads existing home sales in August 2017 from 3.3% in March.