

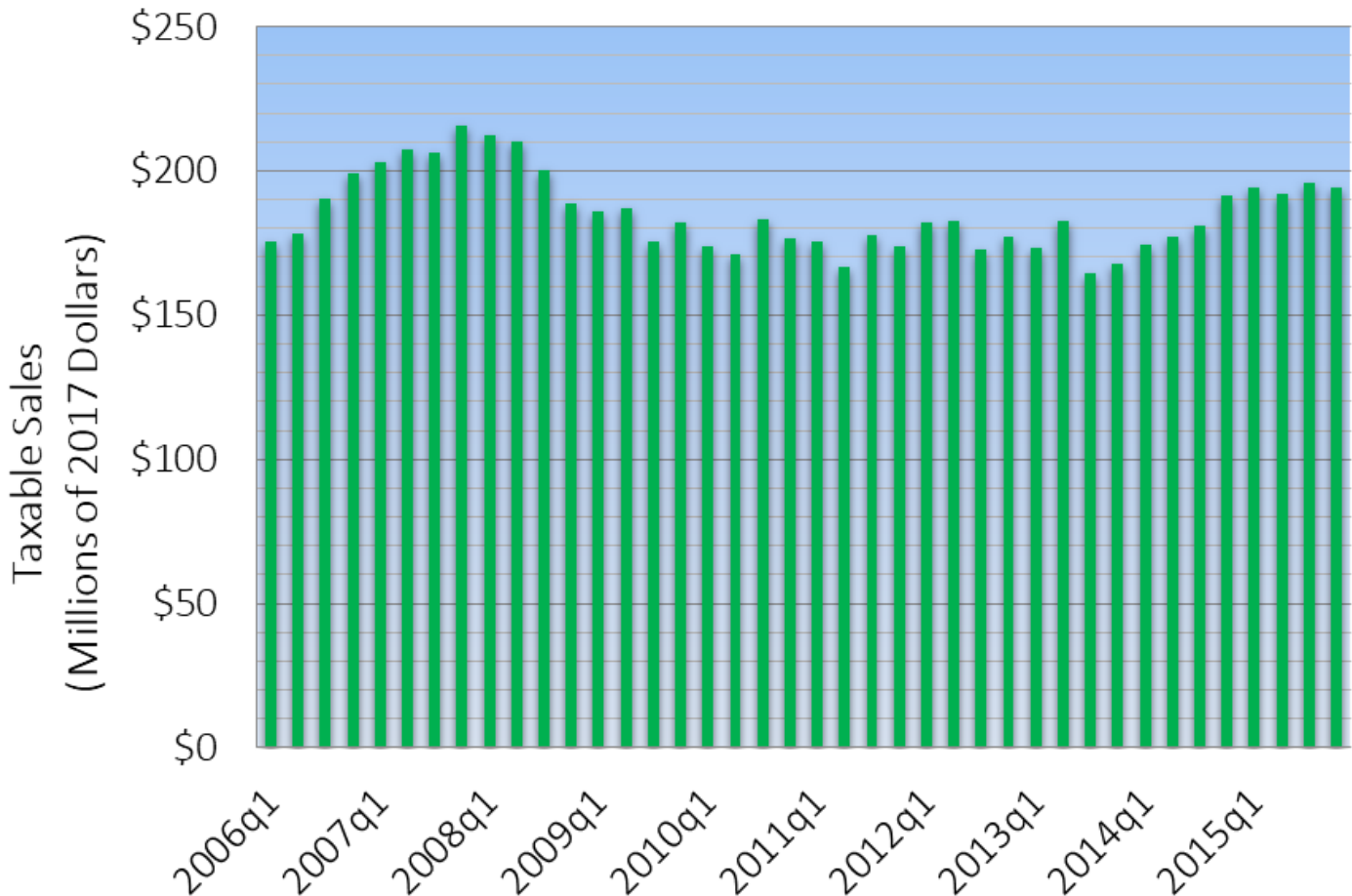
A Note on Tourism:

Tourism plays an important role in the Hampton Roads' economy, not only forming a large percentage of employment and income in the region, but also serving as one of the region's basic sector industries that bring in outside dollars which allow local businesses and services to grow. The Virginia Tourism Corporation indicates that June and July are the most important months for tourism in Hampton Roads, and thus this is a good time to check in on the progress of the industry.

Regional leisure and hospitality employment was 95,600 in June of 2017, representing 12.3% of regional civilian employment. While this represents a decline of 2,800 jobs in the industry from the previous year, June 2016 registered an abnormally high month for tourism employment. In the summer months, leisure and hospitality employment comprises the largest share of employment, though the industry is highly cyclical, and employment falls from the summer peaks.

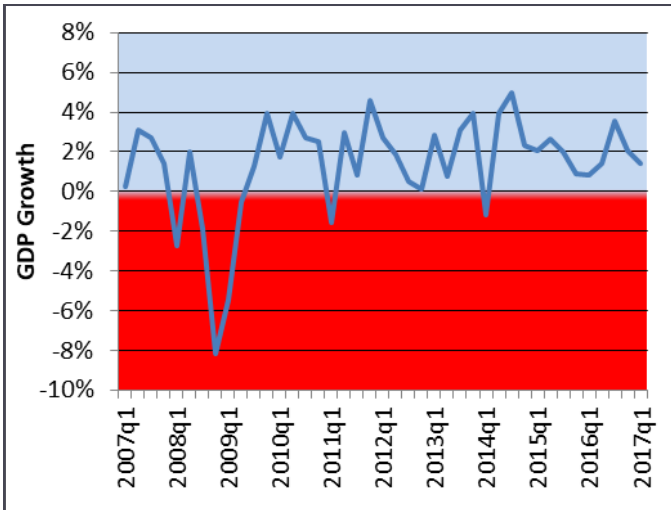
Unfortunately, even as employment in leisure and hospitality (+2.2%) and tourism expenditures (+17.1% to \$4.48B in 2015) have exceeded pre-recession highs, tax revenue from tourism has not kept up. Adjusting for inflation, tax revenues associated with tourism have declined by 3.7% from the pre-recession peak, with regional hotel occupancy tax collections down by 10.1% from the pre-recession peak. While Hampton Roads' room revenues and revenue-per-available-room (RevPAR) increased in 2016, the increase was realized due to a 3.29% decline in the region's supply of rooms.

Taxable Hotel Sales (Seasonally-Adjusted and Inflation-Adjusted)



GDP, Annualized Growth Rate

United States, 2007Q1 – 2017Q1, Quarterly

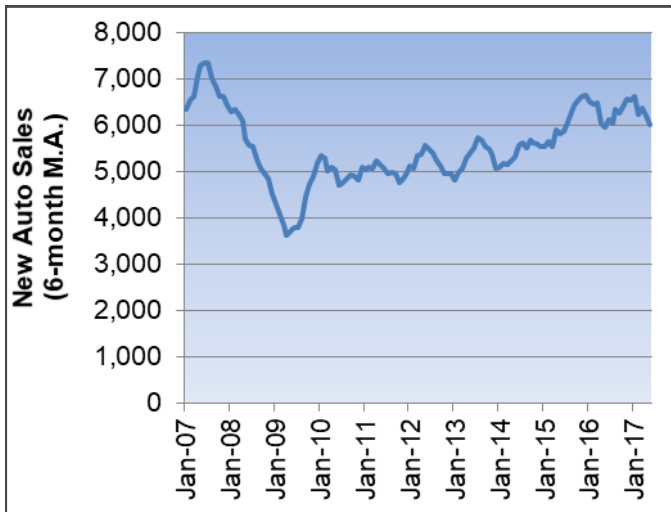


Source: Bureau of Economic Analysis, HRPDC

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. GDP growth in the first quarter of 2017 was revised up slightly, growing at seasonally-adjusted annual rate of 1.4%. This improvement came from continued positive revisions to personal consumption expenditures.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2007 – May 2017, Monthly

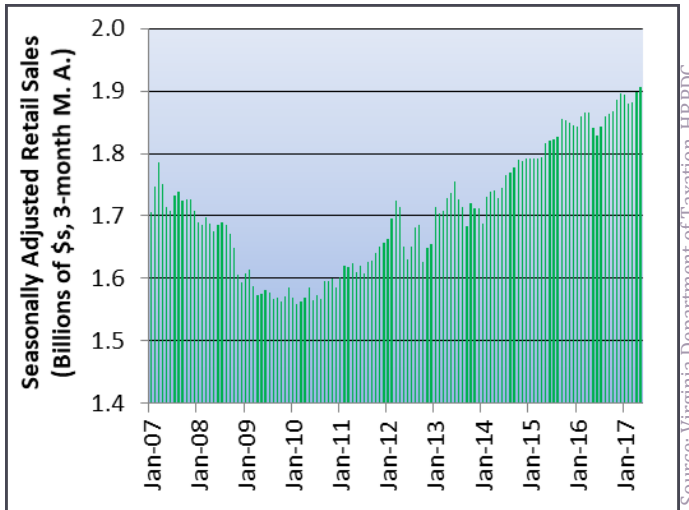


Source: Virginia Automobile Dealers Association, HRPDC

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 dipped further to 5,149 in May, almost 850 fewer cars than the long-term average.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2007–Mar 2017, Monthly

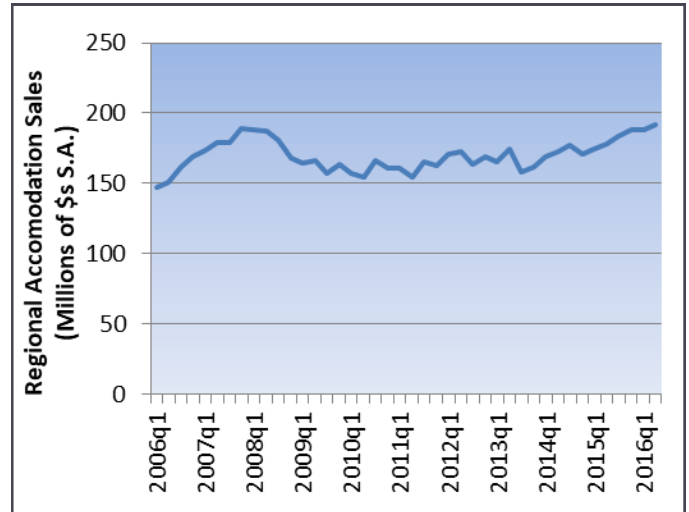


Source: Virginia Department of Taxation, HRPDC

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 \$1.90B in April 2017 (seasonally adjusted), reaching a new high for the region. This stands in stark contrast to the continued erosion in retail employment both nationally and regionally.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2007Q1 – 2017Q1, Quarterly

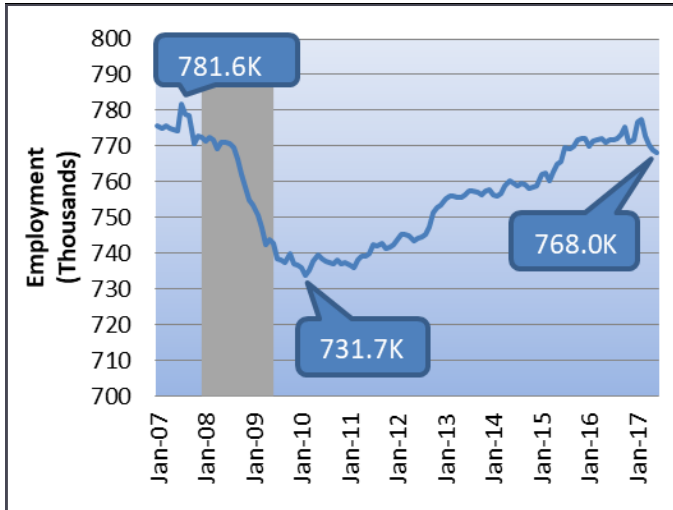


Source: HRPDC

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 fell slightly in the first quarter of the year, falling to \$194M (-0.22%). The relatively strong trend in hotel revenues stands in contrast to recent weakness in leisure and hospitality employment.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2007 – Jun 2017, Monthly

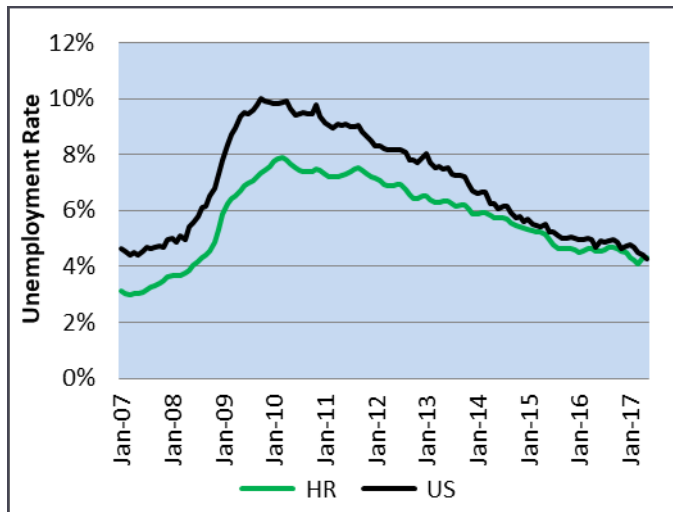


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. Hampton Roads' employment has plummeted by 9,400 since February, and regional civilian employment sits at 768,000, the lowest level since June 2015. Over the past 2 years Hampton Roads has added an average of 100 jobs per month, which would require another decade for the region to return to 2007 levels of employment.

Unemployment Rate, Seasonally Adjusted

Hampton Roads, Jan 2007 – May 2017, Monthly

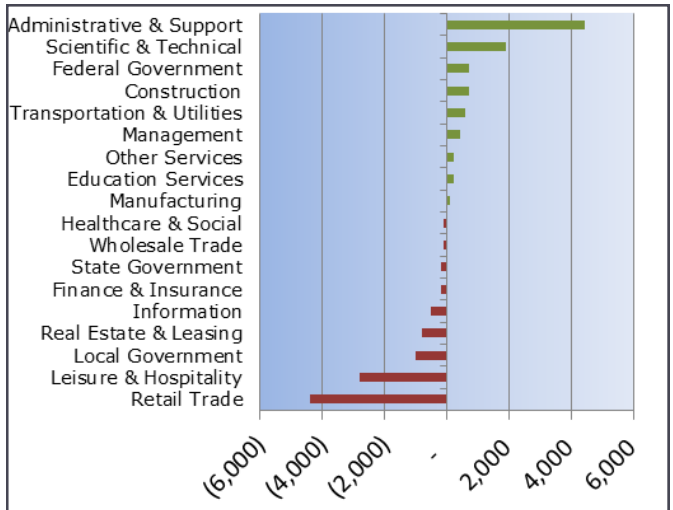


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. Hampton Roads' unemployment rate remained essentially unchanged in May, increasing from 4.31% to 4.33%. There was very little change in either the labor force or the number of people indicating they were employed regionally.

Employment Growth by Industry

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

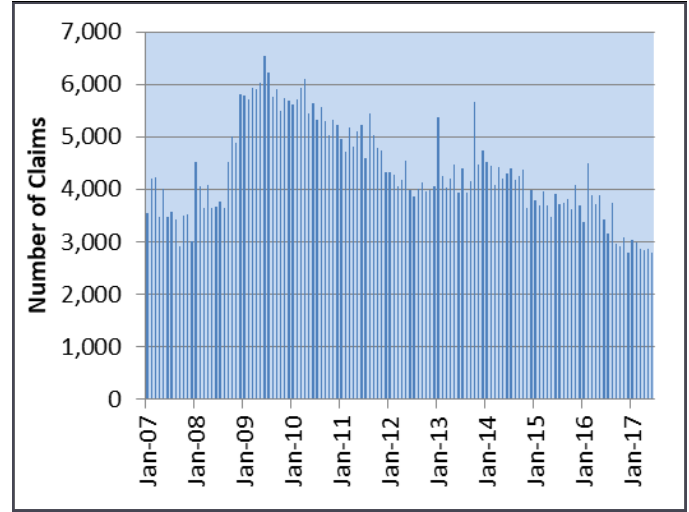


Source: Bureau of Labor Statistics, HRPDC

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. Retail trade employment declined by 4,400 year-over-year, and leisure and hospitality employment has also declined by 2,800 positions. Administrative and support (+4,400) as well as scientific and technical industries (+1,900) have realized the most growth.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2007 – Jun 2017, Monthly

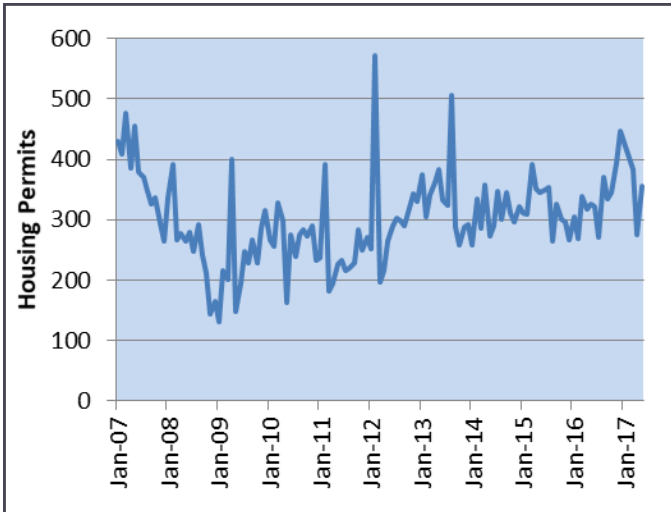


Source: Virginia Department of Labor, HRPDC

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 decreased to 2,784, the second lowest month for claims in the past 30-years. It is difficult to reconcile the low levels with of initial unemployment claims with the poor performance of payroll employment.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2007 – May 2017, Monthly

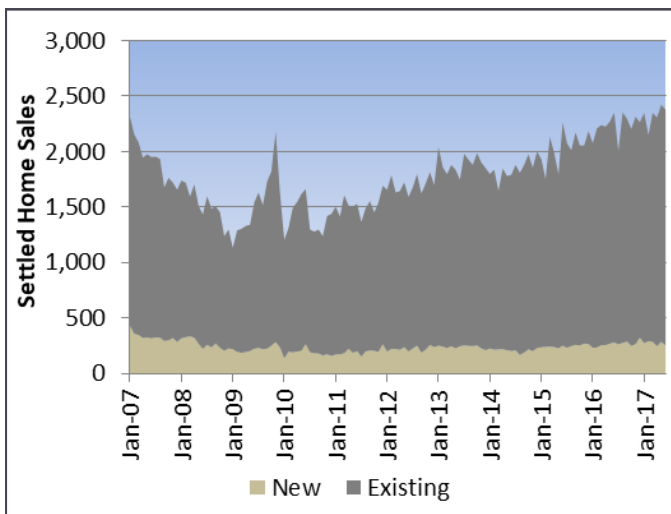


Source: U.S. Census Bureau, HRPDC

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 rebounded to 356 units in May 2017, an increase of 86 units per month. This allays concerns that construction was slowing down in Hampton Roads.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2007 – Jun 2017, Monthly

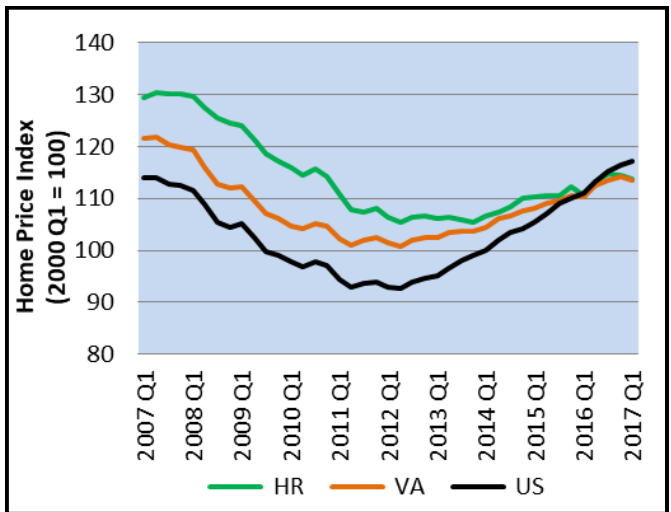


Source: REIN, HRPDC

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 slightly to 2,125 in June 2017, remaining above the recent trend of approximately 2,000 per month. New home sales bounced back down to 253 per month from 286 in May, displaying the high degree of volatility in new construction sales.

Home Price Index, All Transactions

Hampton Roads, 2007Q1 – 2017Q1, Quarterly

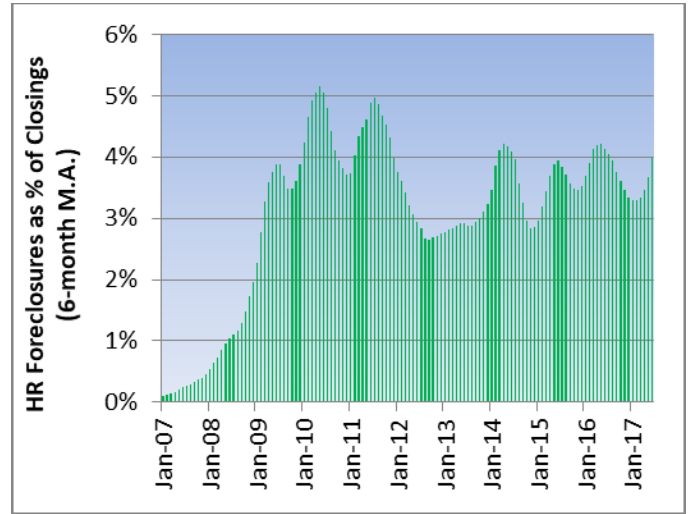


Source: Federal Housing Finance Agency, HRPDC

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 slipped again in the first quarter of 2017, declining by 0.6% from the fourth quarter of 2016. Home prices regionally are still 3.0% above the levels in the first quarter of 2016.

Foreclosures

Hampton Roads, Jan 2007 – Jun 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 significantly to 4.0% of all Hampton Roads existing home sales in June 2017 from 3.3% in March.