

HAMPTON ROADS 2026 ECONOMIC OUTLOOK

2025 was a year of federal policy shifts and pronounced economic uncertainty. Despite these changes, the national economy remained remarkably resilient. Economic activity and consumer spending stayed strong. Labor market conditions slowed considerably, but remained positive. So far, tariffs introduced in 2025 have not had the impact on inflation many expected, largely because many businesses appear to be absorbing the added costs rather than passing them on to consumers. The full effect, however, is likely to be delayed. At the same time, there is growing evidence of an increasingly K shaped economy; much of the income growth and spending has been concentrated among higher income households, while the bottom half of households have experienced slower gains and greater financial strain.

That national resilience, however, has been less true for Hampton Roads, where federal cuts have had an outsized impact. Hampton Roads is home to the third largest federal civilian workforce in the country. As shown in Figure 1, the region lost more than 6,000 federal civilian jobs in 2025. Overall, Hampton Roads lost nearly 12,000 civilian jobs in 2025. Labor market conditions have also weakened considerably. The number of residents employed in the region fell below levels observed before the pandemic in 2019. The unemployment rate rose to 4.1% in November 2025, nearly a full percentage point higher than at the start of the year. A key question for 2026 is how many displaced federal workers will find employment locally versus leaving the region. Federal civilian workers tend to be older, have higher levels of educational attainment, and thus earn significantly higher compensation than private sector workers. The average compensation of a federal civilian employee is nearly twice that of a private sector worker. In practical terms, for every federal job lost, the region would need to add roughly two private sector jobs to maintain the same level of total compensation. While federal cuts were a major drag on the regional economy, defense spending remained a bright spot. Defense contract spending grew considerably in 2025. The \$900 billion defense budget passed for fiscal year 2026 includes pay increases for service members and expanded investments in shipbuilding. Together, these should provide a meaningful anchor for the Hampton Roads economy in 2026.

Figure 1: Federal Civilian Employment
Hampton Roads, Jan 1990 - Dec 2025

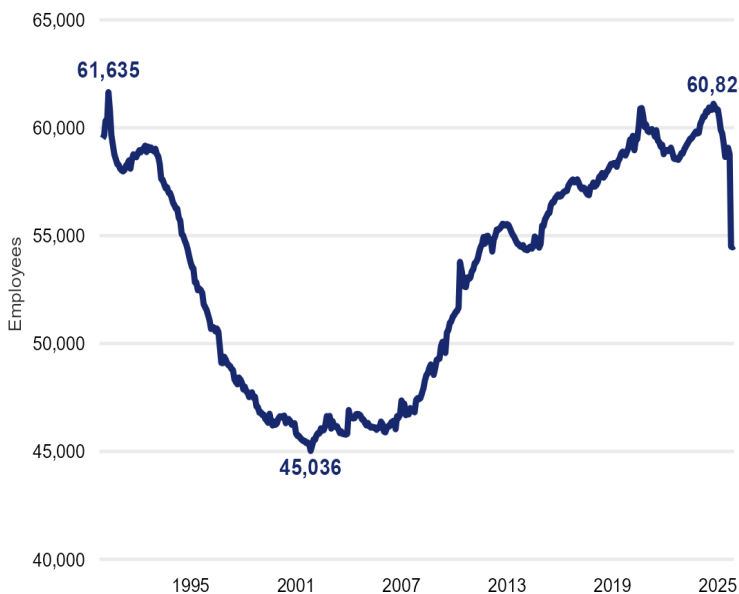
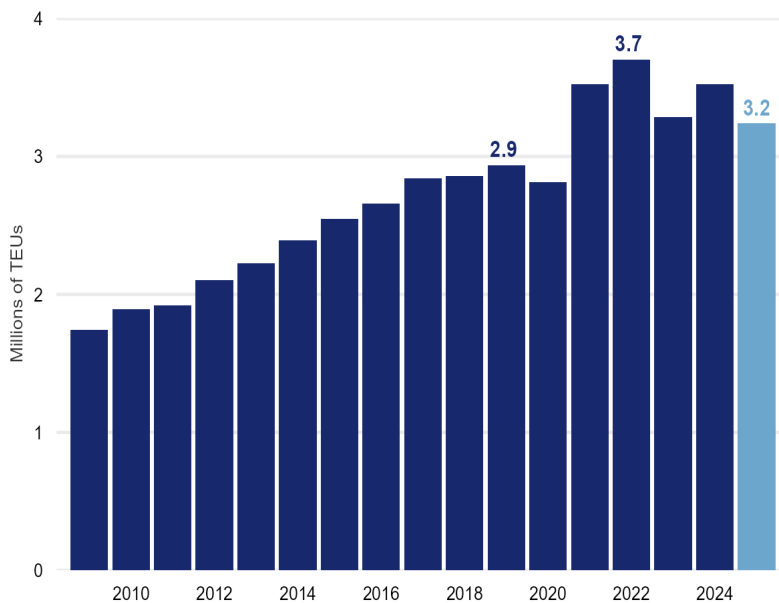


Figure 2: Port of Virginia Twenty-foot Equivalent Units (TEUs)
2009 - 2025



Source: HRPDC, Port of Virginia, Bureau of Labor Statistics CES. Hampton Roads reflects the Virginia Beach-Chesapeake-Norfolk, VA-NC MSA. Excludes workers in national security roles.

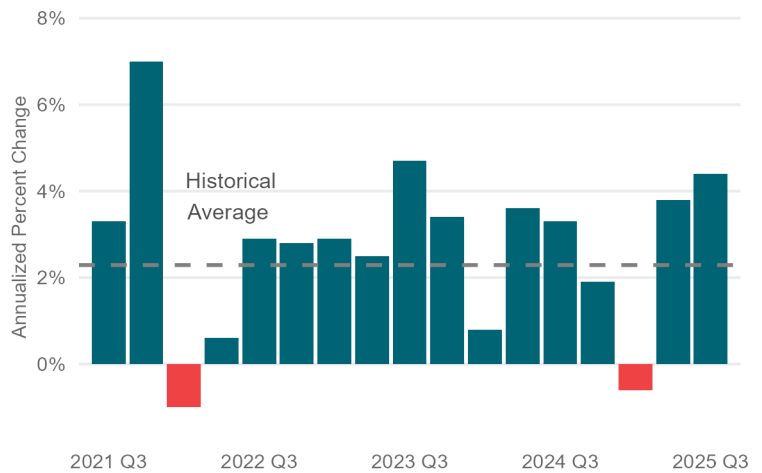
However, the region's other major pillars have softened. Container volumes at the Port of Virginia slowed in 2025 following trade policy shifts. As shown in Figure 2, twenty foot equivalent units moving through the port fell to their lowest level since 2020. Tourism has also cooled from its post pandemic surge, as middle and lower tier hospitality markets have seen weakening demand.

The forecast for 2026 reflects that balance. Growth is expected to continue, but at a modest pace. Defense spending should provide stability, but federal workforce uncertainty and weaker demand among the region's other two pillars remain key risks. Hampton Roads remains highly dependent on a handful of industries, and the lesson is familiar. When Washington changes course, Hampton Roads feels it first, and often feels it most.

GDP, ANNUALIZED GROWTH RATE (Q)

	Q2 2025	Q3 2025	Trend
United States	3.8%	4.4%	↗

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Inflation-adjusted GDP rose 4.4% in Q3 2025. Personal consumption expenditures accounted for 2.3 percentage points of GDP growth, followed by Net exports (1.6), government spending (0.3), and gross private domestic investment (0.03). In the first three quarters of 2025, GDP growth averaged 2.5%, compared to 2.6% over the same period in 2024.

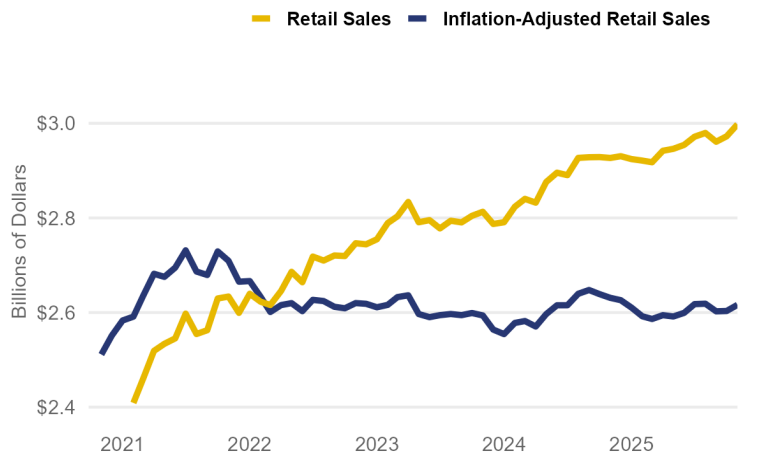


Source: Bureau of Economic Analysis, HRPDC

RETAIL SALES (M)

	Nov-24	Nov-25	Trend
Hampton Roads	\$2.86B	\$3.00B	↗
Virginia	\$15.53B	\$16.38B	↗

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 in November 2025 rose 4.6% when compared with the same month one year earlier. When seasonally adjusted, retail sales in November were up 3.0% from the previous month. Year to date, retail sales through November have decreased 0.7% when compared to the same period in 2024.

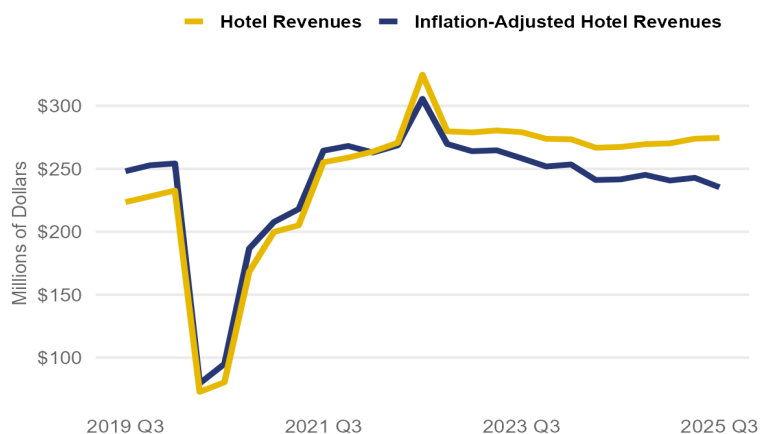


Source: Virginia Department of Taxation, HRPDC. Seasonally adjusted 5-month moving-average. Inflation-adjusted sales in 2022 dollars

ESTIMATED HOTEL REVENUE (Q)

	Q3 2024	Q3 2025	Trend
Hampton Roads	\$351.3M	\$344.6M	↘
Virginia	\$1,131.5M	\$1,139.4M	↗

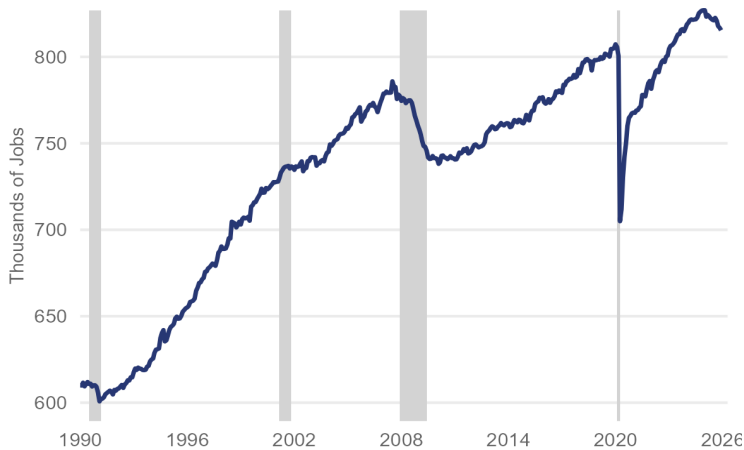
Estimated Hotel Revenue: Hotel revenues indicate the performance of the region's tourism sector. Hotel revenues in Q3 2025 were up 0.9% year over year. Seasonally adjusted revenues in 2025 Q3 increased 0.2% from the previous quarter. After more than seven quarters of inflation adjusted declines, hotel revenues briefly improved in Q2 2025, but the recovery faded as Q3 returned to negative year over year growth.



Source: Virginia Department of Taxation, BLS CPI-U, HRPDC. Seasonally adjusted data.

CIVILIAN PAYROLL EMPLOYMENT (M)

HISTORICAL TREND, SEASONALLY ADJUSTED



Source: Bureau of Labor Statistics, HRPDC

5-YEAR, SEASONALLY ADJUSTED



Source: Bureau of Labor Statistics, HRPDC

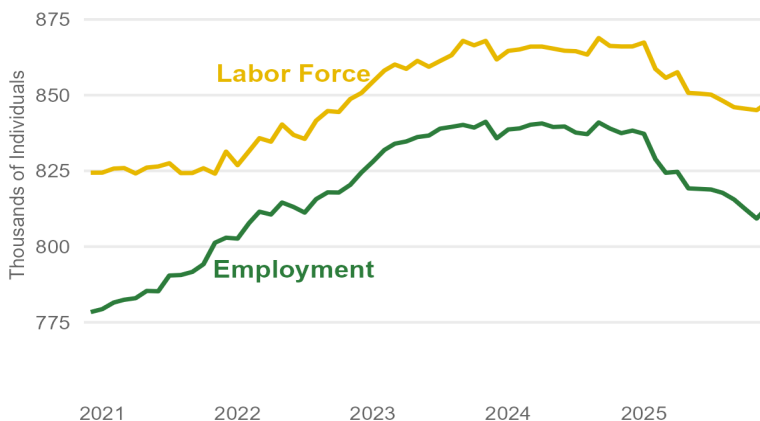
	Dec 2024	Nov 2025	Dec 2025	MoM Trend	YoY % Change
Hampton Roads	827,000	816,800	815,400	↘	-1.4%
Virginia	4,273,900	4,266,300	4,262,200	↘	-0.3%
United States	158,942,000	159,476,000	159,526,000	↗	0.4%

Employment: A leading indicator of labor market activity, the Bureau of Labor Statistics' payroll survey of businesses and government establishments measures the number of nonfarm civilian jobs. In Hampton Roads, non-seasonally adjusted civilian jobs in December were down 1.3% year over year. Seasonally adjusted civilian jobs were down 0.1% from the previous month. In December Hampton Roads and Virginia lost jobs from the previous month while the nation added jobs. In Hampton Roads, December marked the fourth straight months of job losses. In 2025, civilian jobs in Hampton Roads declined 0.15% from the prior year while both Virginia (0.81%) and the United States (0.09%) added jobs. The latest estimates continue to highlight the outsized impact of federal cuts on labor market conditions in the Hampton Roads region.

CIVILIAN LABOR FORCE (M)

	Dec 24	Dec 25	Trend
Labor Force	857,962	839,406	↘
Employed	834,304	809,104	↘
Unemployed	23,658	30,302	↗

Labor Force: The Bureau of Labor Statistic's household survey measures the employment status of the civilian population 16 years and older. An area's labor force is comprised of the number of people working (employed) and those actively seeking work (unemployed). In December the HRPDC's civilian labor force increased 0.3% from the previous month. On a year-over-year basis, the labor force was 2.2% lower. December marked the first month-over-month increase in the labor force since April.

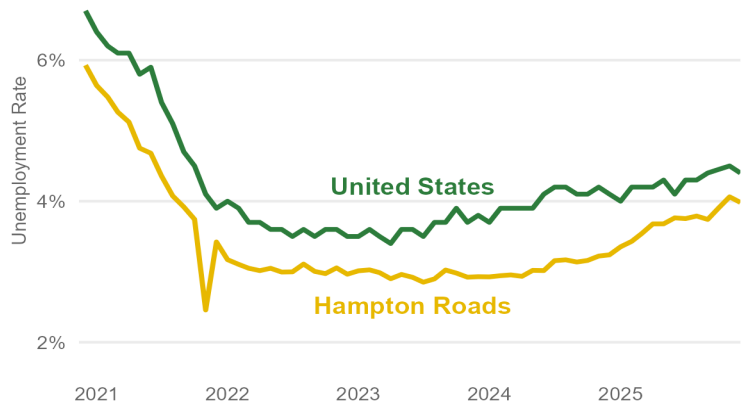


Source: Bureau of Labor Statistics, HRPDC. Seasonally adjusted data

UNEMPLOYMENT RATE (M)

	Dec 24	Nov 25	Dec 25	MoM Trend
Hampton Roads	3.2%	4.1%	4.0%	↘
Virginia	2.9%	3.5%	3.6%	↗
United States	4.1%	4.5%	4.4%	↘

Unemployment Rate: The unemployment rate reflects the percentage of the labor force unemployed and actively seeking work. Hampton Roads' unemployment rate in December decreased from the prior month. Since January, Hampton Roads unemployment rate has risen 0.6 percentage points, compared to a 0.4 percentage point increase observed for the nation.

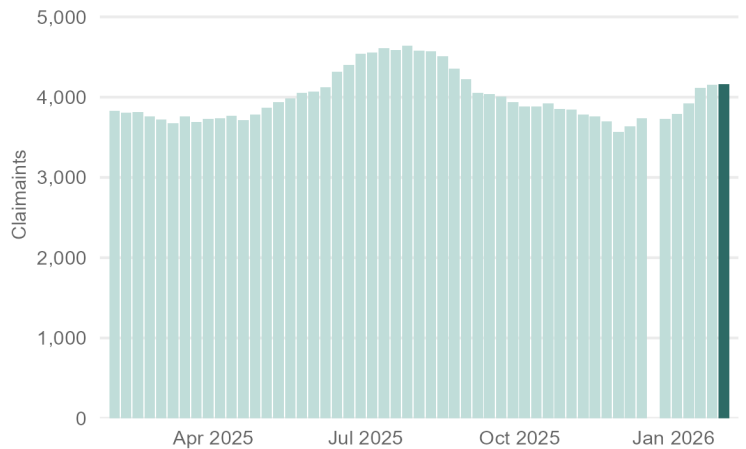


Source: Bureau of Labor Statistics, HRPDC. Seasonally adjusted data

UNEMPLOYMENT CLAIMS (W)

Week Ending	Feb 1, 2025	Jan 31, 2026	YoY Trend
Hampton Roads	3,829	4,165	↗
Virginia	16,431	20,106	↗

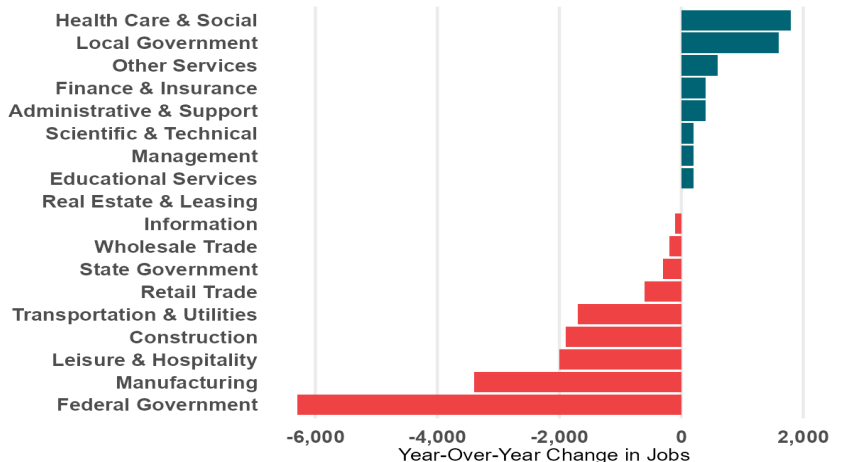
Continuing Unemployment Claims: The number of continuing unemployment claims is a coincident indicator reflecting those who remain unemployed after filing an initial claim, thus showing ongoing labor market weakness with minimal delay. In Hampton Roads, the number of continuing claims for unemployment benefits filed for the week ending January 31, 2025 are up 8.8% from the comparable week in 2025.



Source: Virginia Employment Commission, HRPDC. Aggregate weekly claims of HRPDC localities.

JOB GROWTH BY INDUSTRY (DEC, YEAR-OVER-YEAR CHANGE)

Civilian Job Growth by Industry: As the job market grows or contracts, there will be some industries whose experience does not resemble the regional trend. Less than half of the region's selected industry sectors added jobs in December when compared to the prior year. The largest gains were in Healthcare, & Social Assistance, which added 1,800 jobs year over year. Local Government (+1,600) and Other Services (+600) recorded the second and third largest gains. The largest year-over-year declines were in Federal Government (-6,300), Manufacturing (-3,400) and Leisure & Hospitality (-2,000).



Source: Bureau of Labor Statistics, HRPDC

BUILDING PERMITS (M)

	Oct 2024	Sep 2025	Oct 2025	MoM Trend
Hampton Roads	321	362	258	↘

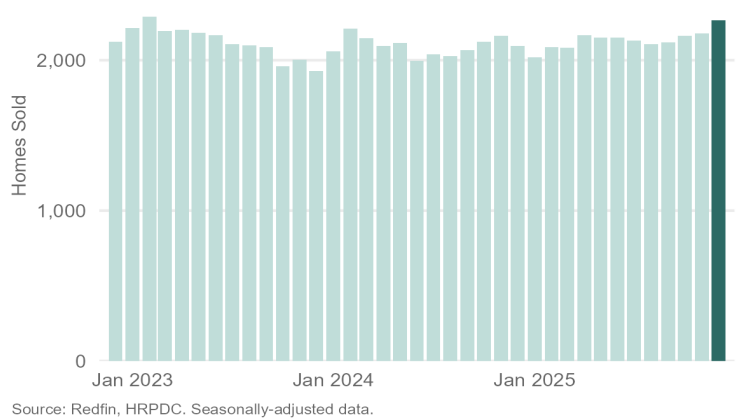
Building Permits: Permits issued across all unit types offers a snapshot of construction activity, housing demand, and trends in construction employment. In October local governments issued 258 new construction permits for both single and multi-unit structures, a decline from the previous month. Residential construction has remained below the historical average since mid-2022. Year-to-date totals remain well below last year's pace, down 10.1% compared with the same period in 2024.



RESIDENTIAL HOMES SOLD (M)

	Dec 2024	Nov 2025	Dec 2025	MoM Trend
Hampton Roads	2,097	2,178	2,264	↗

Homes Sold: Home sales measure the level of transactions in the real estate market over time, and a healthy real estate market should have a consistent level of activity. Seasonally adjusted home sales in December increased 4.0% from November. Sales were 11.5% higher than in November 2024. In 2025, homes sold were up 1.7% from the prior year. A positive rebound after three straight years of declines in homes sold. Despite this increase, home sales remain 14.9% below the pre-pandemic levels of February 2020.



30-YEAR FIXED RATE MORTGAGE AVERAGE (M)

	Jan 2025	Dec 2025	Jan 2026	MoM Trend
United States	7.0%	6.2%	6.1%	↘

30-Year Mortgage Rate: Shifts in the cost of borrowing for housing have a substantial impact on housing market trends. The 30-year fixed-rate mortgage represents the average interest rate paid by borrowers on newly issued mortgage loans, and these rates typically fluctuate in tandem with interest rate cycles. In January 2026, mortgage rates declined slightly from the prior month. This marks the seventh straight monthly decline in the mortgage rate. Year-over-year, the average rate was down 0.9 percentage points.

