Putt, Putting Along: Our Regional Economy

PUTT, PUTTING ALONG: OUR REGIONAL ECONOMY

Since 1970, the regional economy has grown at an average rate of 2 percent annually. Our 2011 growth rate is likely to be slightly less than 3 percent. However, the region's gross output is expected to approach $82.9 billion in 2011; this is larger than two-thirds of the nations of the world.

TABLE 1

ESTIMATED HAMPTON ROADS GROSS REGIONAL PRODUCT (GRP), NOMINAL AND REAL (PRICE ADJUSTED), 2000-2011

Year	Nominal GRP Billions$	Real GRP (2005=100) Billions$	Real GRP Growth Rate Percent
2000	49.23	55.54	3.3
2001	52.48	57.89	4.2
2002	56.06	60.85	5.1
2003	60.64	64.44	5.9
2004	64.20	66.35	3.0
2005	68.43	68.43	3.1
2006	72.37	70.09	2.4
2007	76.41	71.88	2.6
2008	77.71	71.55	-0.5
2009	77.47	70.68	-1.2
2010	80.40	72.67	2.8
2011	82.85	74.05	1.9

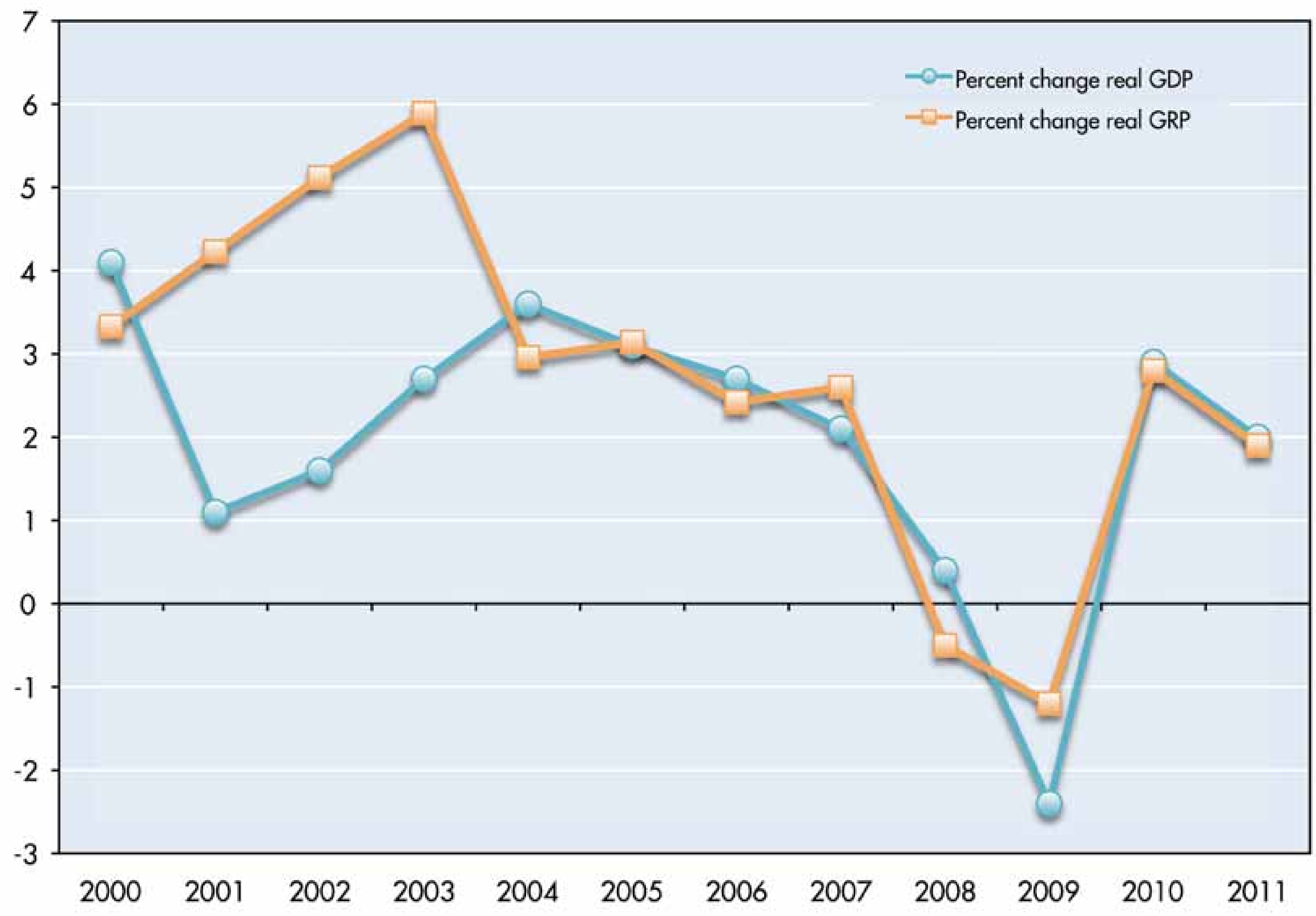
Source: Old Dominion University Economic Forecasting Project. Data incorporate U.S. Department of Commerce Personal Income revisions through May 2011.

The years in the first half of the previous decade were golden, economically, for Hampton Roads. As Graph 1 illustrates, the regional economy grew much faster than that of the national economy. The major reason for this was the rapid increase in Department of Defense spending in Hampton Roads between 2000 and 2004. Our lower rates of regional economic growth in subsequent years reflect a deceleration (though not a decline) in defense spending. Nevertheless, in an overall sense, the past decade was a good one, economically speaking, for Hampton Roads. Our gross regional product (GRP) grew by 29.3 percent, while the national gross domestic product (GDP) grew by only 20.3 percent.

Median household income has risen nicely in Hampton Roads in recent years. One can see in Graph 2 that in 1999, median household income in the United States and in the region was virtually the same. Since then, however, median household income has risen more rapidly in our region than in the nation, and in 2011 will increase to more than $57,000 per household. This is about 10 percent higher than that of the nation.

GRAPH 1

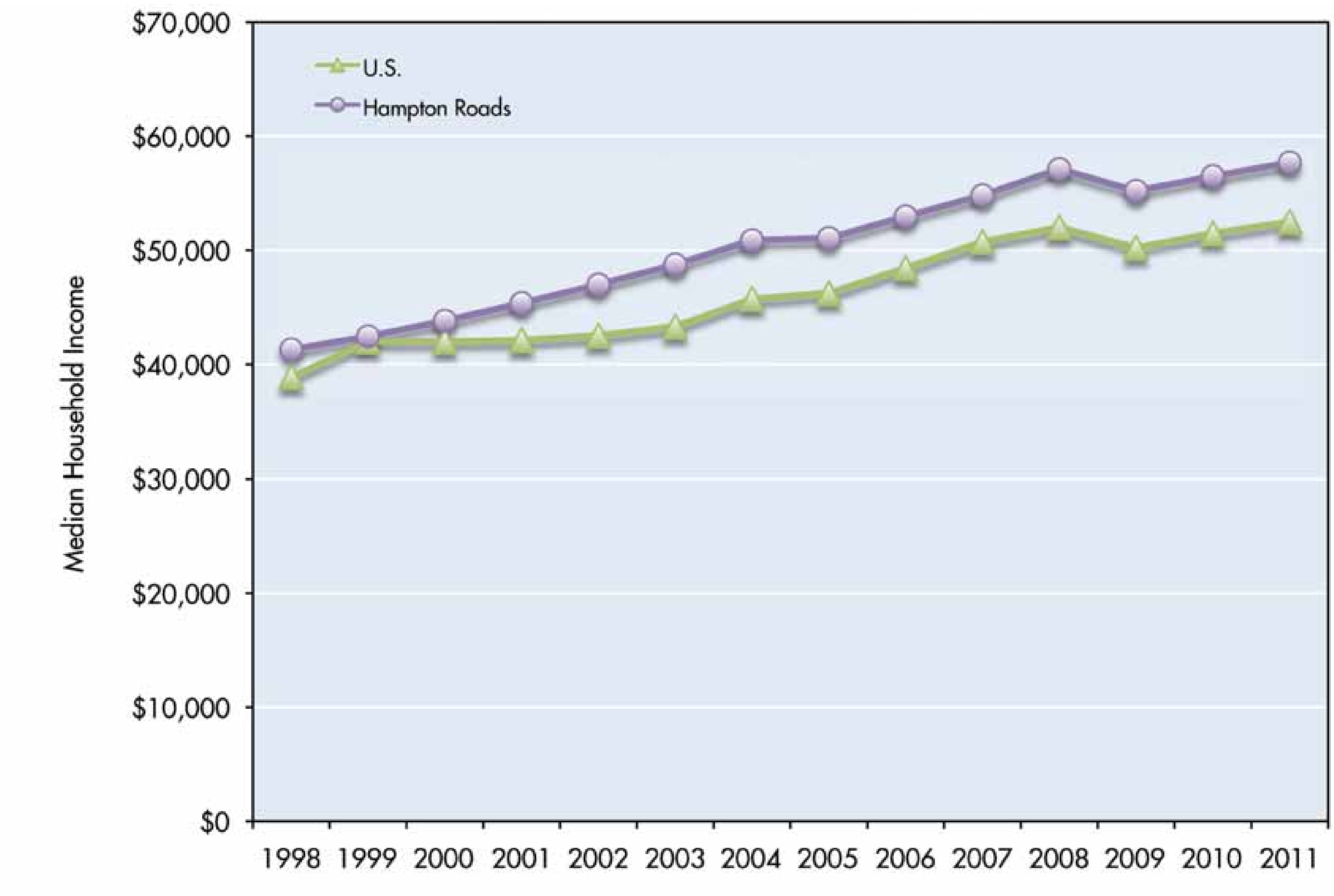
ANNUAL GROWTH RATES FOR GDP (U.S.) AND GRP (HAMPTON ROADS)



Source: Old Dominion University Economic Forecasting Project

GRAPH 2

COMPARING MEDIAN HOUSEHOLD INCOME: HAMPTON ROADS VERSUS THE U.S., 1998-2011



Sources: U.S. Census Bureau and the Old Dominion University Economic Forecasting Project

Employment, Unemployment and Wages

Despite some growth in employment in 2011, total civilian employment in Hampton Roads has fallen since 2007. **In 2011, the region's civilian employment is well below its 2007 peak. The worldwide recession is the primary culprit here, and Graph 3 reveals that total civilian employment in our region today remains 40,000 below the record 2007 level.**

Another way to look at Hampton Roads' job recession is to examine the number of net new civilian jobs created annually (see Graph 4). Note that forecasts indicate only 1,900 new civilian jobs being created in the region in 2011. While the increase constitutes a welcome change from the job losses of the three previous years, this does not begin to compensate for the 26,800 civilian jobs lost in 2009.

Where were jobs gained and lost in our region between 2009 and 2010? **Graph 5 reveals that the federal government was easily the fastest growing employer of civilian workers in 2010. Many of these additional jobs were concentrated at the Norfolk Naval Shipyard.** The business and professional services and manufacturing sectors absorbed the brunt of the job reductions. Local governments, tightening their belts in response to reduced revenues, also contributed to the shrinking employment picture.

A beneficial, though perhaps unintended, outcome of the recession was the pressure it placed on employers, particularly those in manufacturing, to become more efficient. Graph 6 reports that real (inflation-adjusted) manufacturing output per worker has increased dramatically in the United States since World War II. Indeed, between 1997 and 2010, real manufacturing output per worker increased from $75,000 to $149,000 annually. The good part of this story is that this surge in manufacturing productivity stimulated the profitability of firms such as Stihl regionally and Caterpillar nationally. The short-run downside of the equation is that these firms no longer needed as many employees to produce the same output as they did previously. This adjustment process can be painful.

But this dynamic is hardly new and eventually makes us, as a region, better off. There is little doubt that we are better off today because only 2 percent of our population is engaged in the farming that feeds us rather than the 70 percent required in 1800. Similarly, increased manufacturing productivity will raise our standard of living in the future. It may not involve as many workers, however, and there will be some pain as these people move to growth occupations and industries.

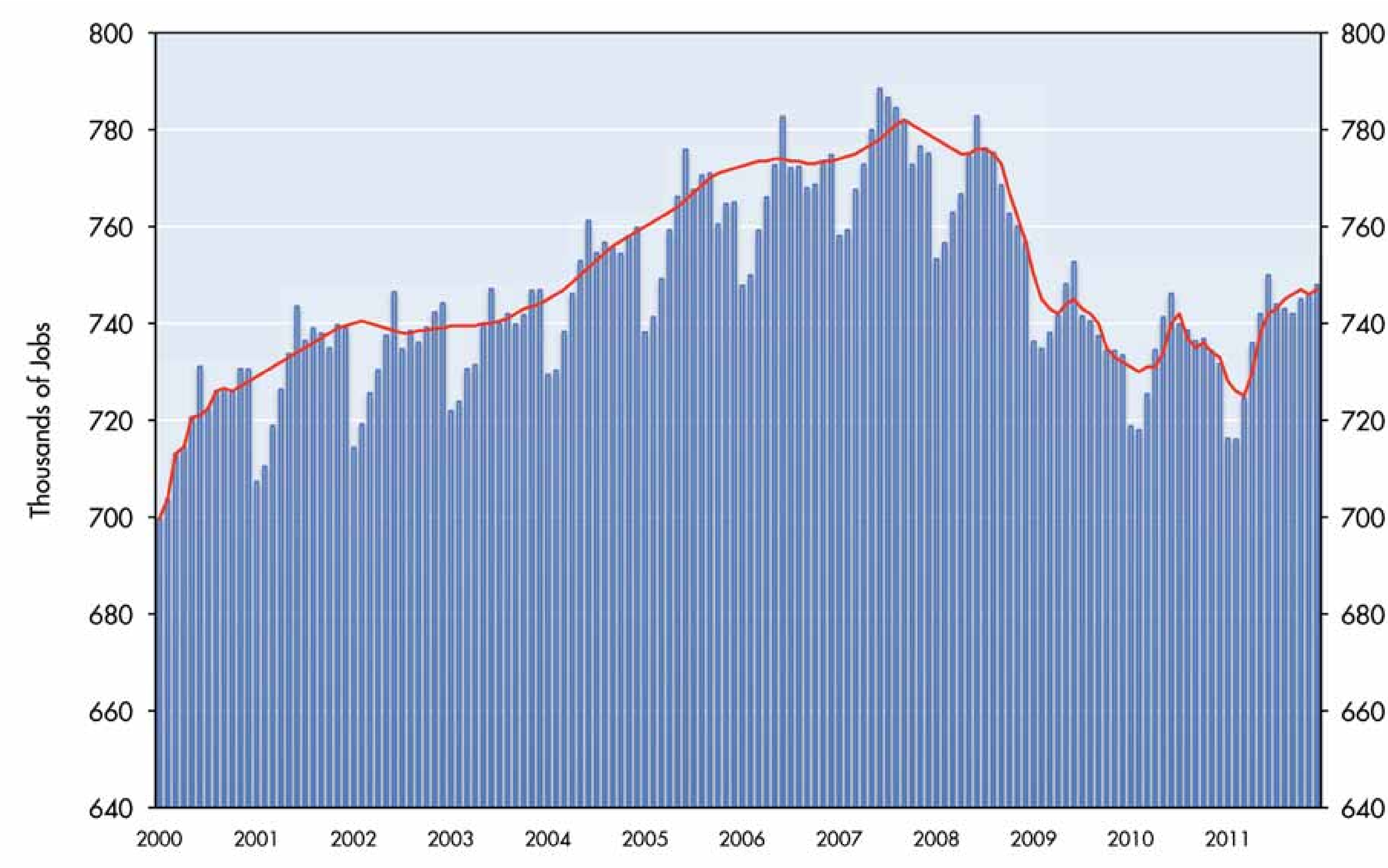
Even though Hampton Roads has been shedding jobs in recent years, the regional unemployment rate consistently has been about two percentage points lower than that of the nation (see Graph 7). Our lower unemployment rate is primarily the result of the relative dependence on defense spending. However, as has been true elsewhere in the country, it appears that regional labor force participation rates have fallen in recent years. Bluntly speaking, this means that increasing numbers of people within the region have been dropping out of the labor force and no longer are seeking employment. Some of these individuals are "discouraged workers" who give up when they cannot find employment. The upshot is that they are not counted as being unemployed.

What has been happening to wage rates during the recent economic upheaval? Surprisingly, as Graph 8 demonstrates, between 2007 and 2010, nominal hourly earnings in Hampton Roads increased by 11.3 percent. Nevertheless, after adjusting for inflation, regional hourly private-sector earnings did fall by almost 2 percent between 2009 and 2010.

Thus, the overall labor and employment picture in Hampton Roads is mixed. Employment and labor force participation are down, while the rate of unemployment is up – all relative to a few years ago. Even so, wages have increased and our region is doing better than many other parts of the country. We're not doing as well economically as hot spots such as North Dakota, but our position looks very good compared to states such as Florida and Nevada, whose economies remain in the doldrums.

GRAPH 3

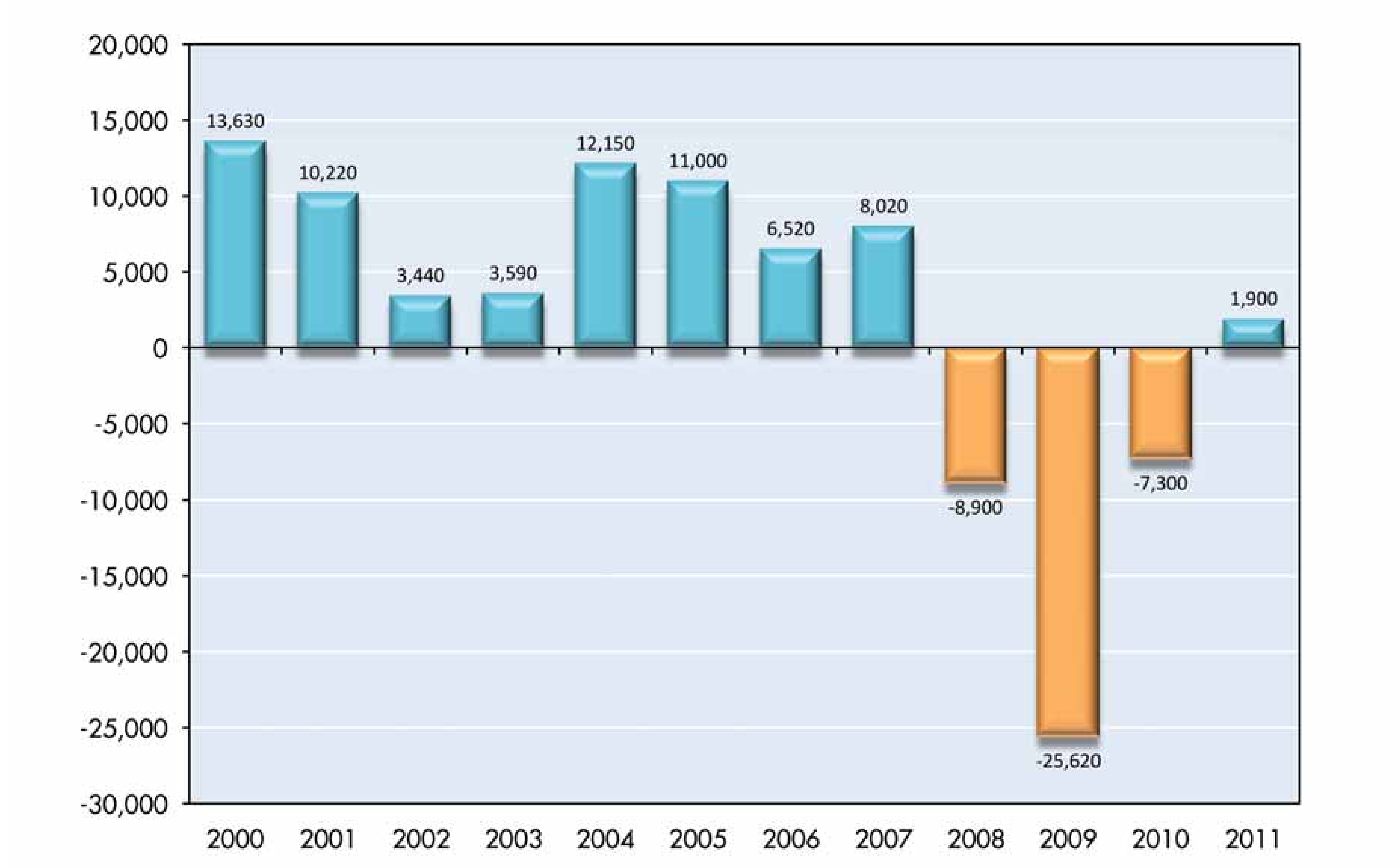
CIVILIAN EMPLOYMENT IN HAMPTON ROADS
(THOUSANDS OF JOBS, 2000-2011)



Sources: U.S. Department of Labor and the Old Dominion University Economic Forecasting Project

GRAPH 4

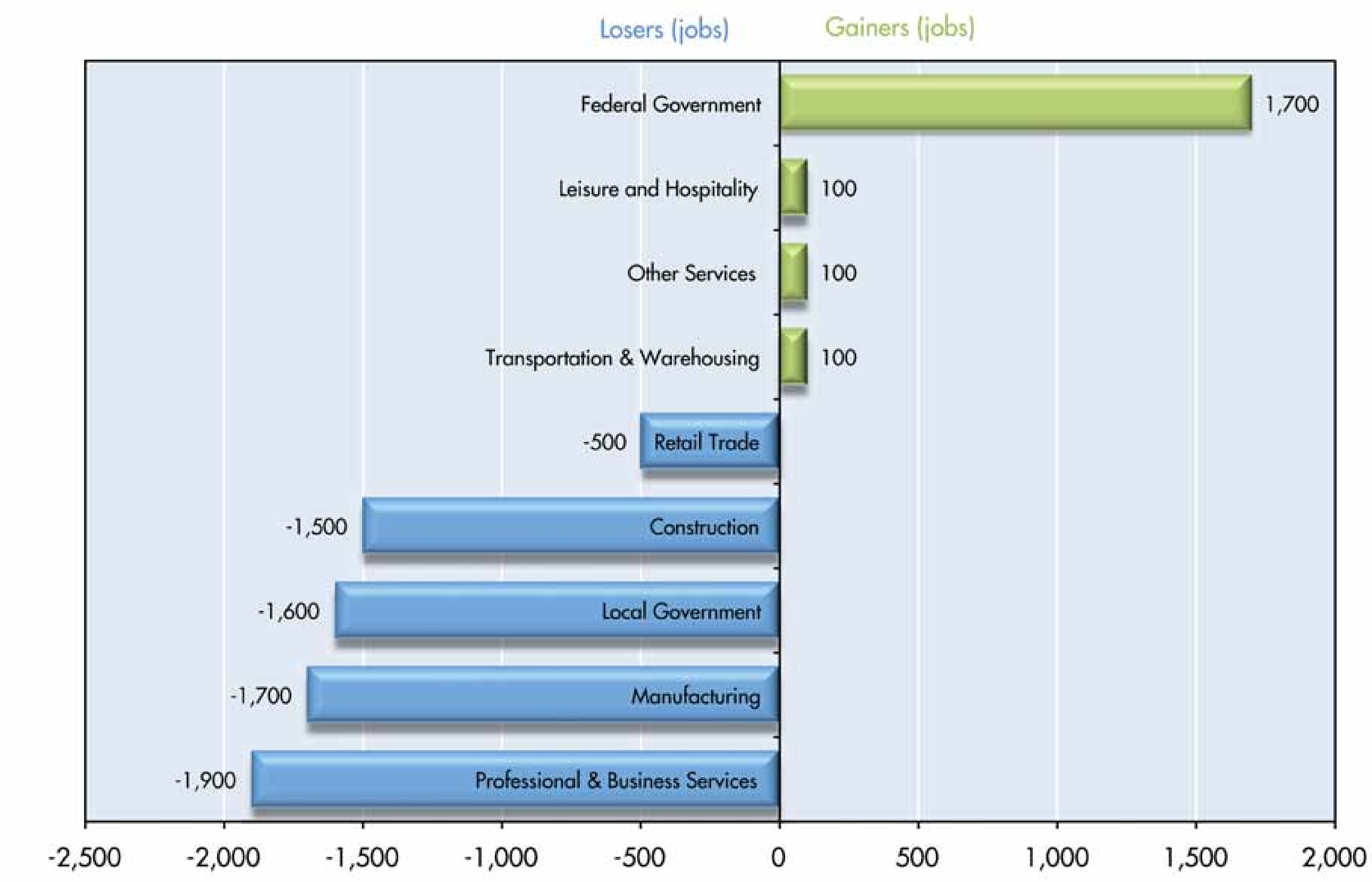
NET NEW CIVILIAN JOBS CREATED IN HAMPTON ROADS, 2000-2011



Sources: U.S. Department of Labor and the Old Dominion University Economic Forecasting Project

GRAPH 5

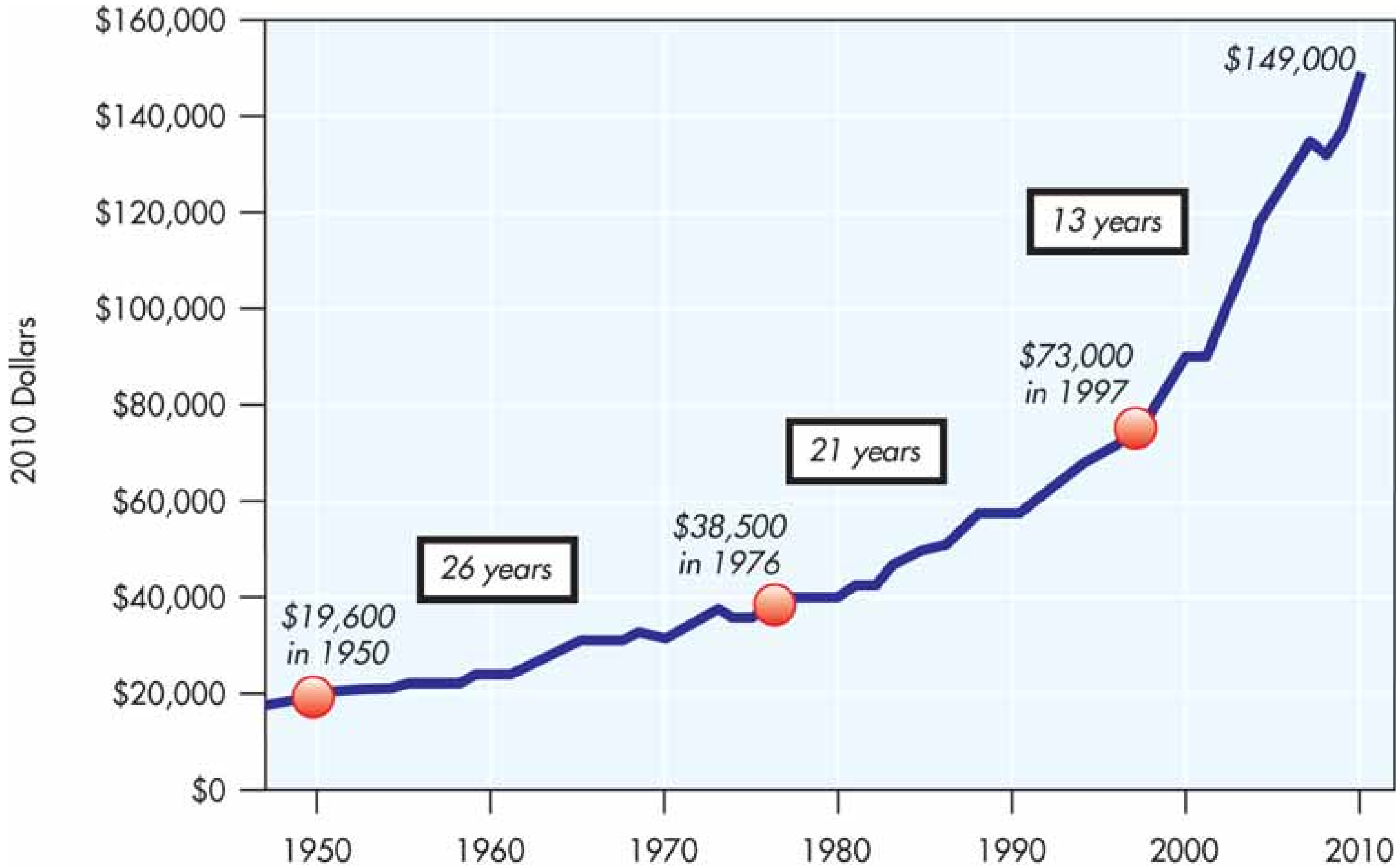
EMPLOYMENT GAINS AND LOSSES IN HAMPTON ROADS, 2009-2010



Sources: U.S. Department of Labor, U.S. Department of Commerce and the Old Dominion University Economic Forecasting Project

GRAPH 6

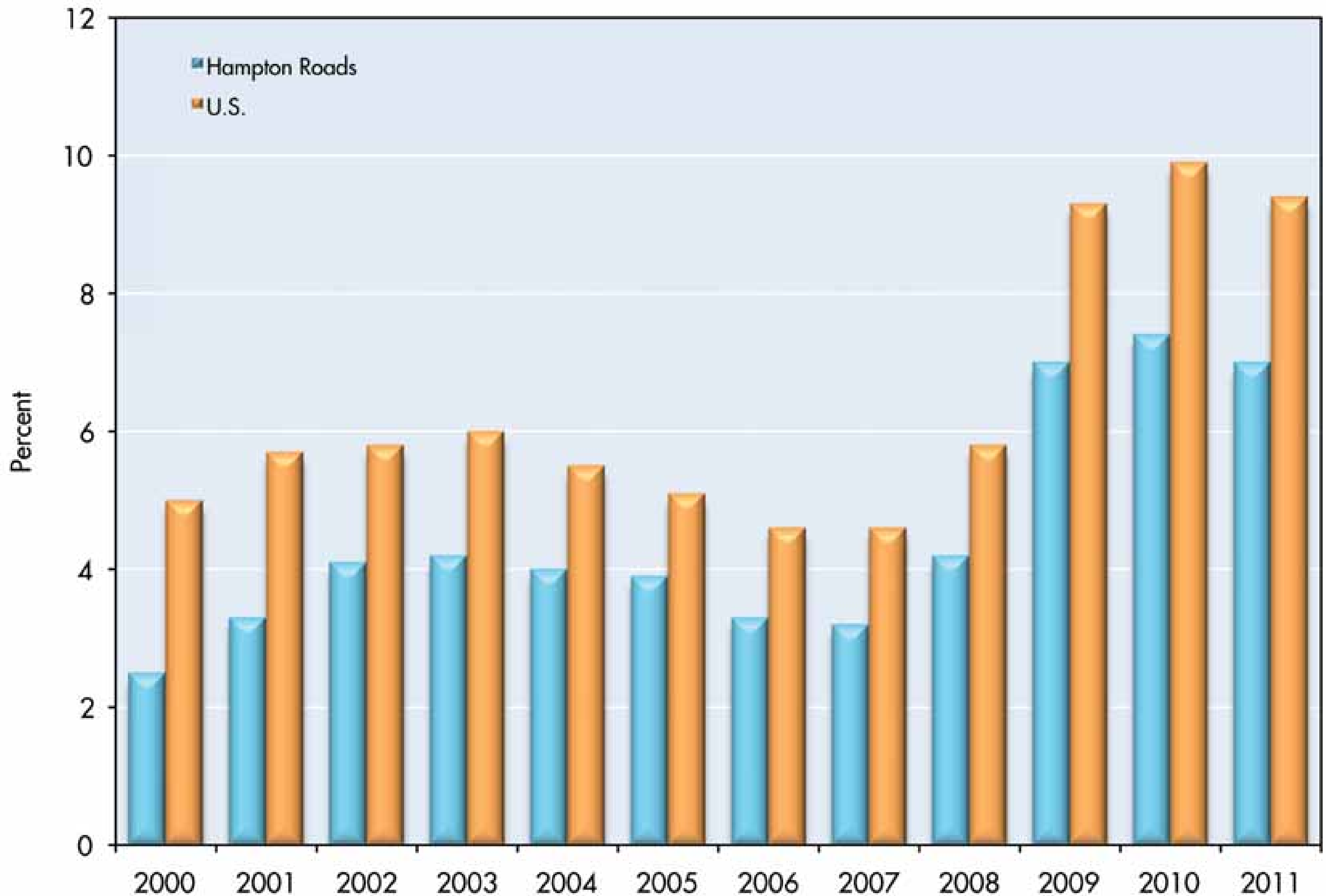
REAL MANUFACTURING OUTPUT PER WORKER, 1947-2010



Sources: Bureau of Economic Analysis and Bureau of Labor Statistics

GRAPH 7

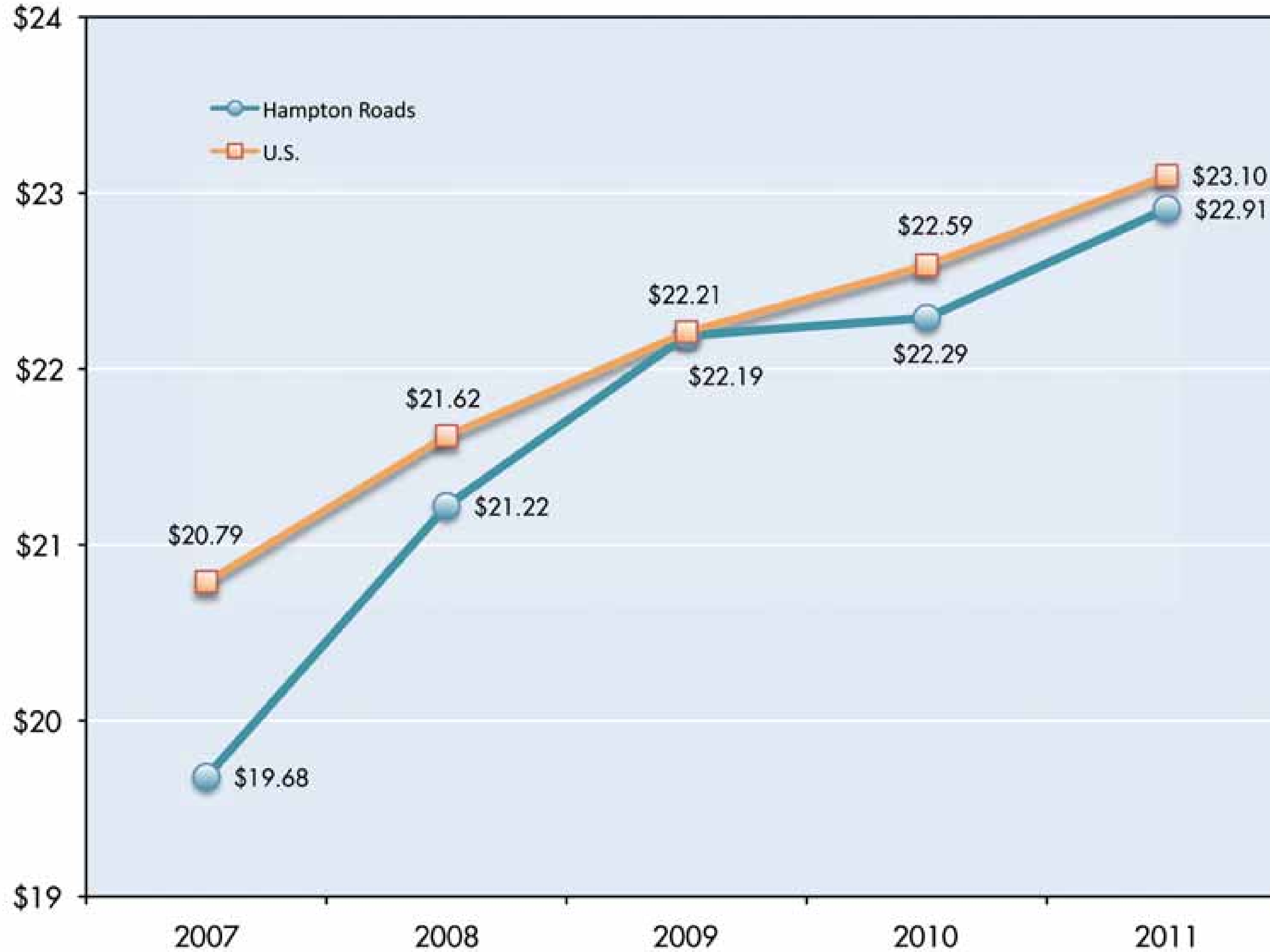
UNEMPLOYMENT RATES IN THE U.S. AND HAMPTON ROADS, 2000-2011



Sources: US Department of Labor and the Old Dominion University Economic Forecasting Project

GRAPH 8

MEAN PRIVATE-SECTOR HOURLY EARNINGS, U.S. AND HAMPTON ROADS, 2007-2011



Sources: U.S. Department of Labor CES wages and the Old Dominion University Economic Forecasting Project

Taking A Closer Look: Defense, The Port And Tourism

DEFENSE SPENDING

Defense spending, which is so critically important to the regional economy, increased by slightly less than 3 percent between 2010 and 2011 and now approximates $20.7 billion annually (see Graph 9). Between 2000 and 2011, defense spending within the region more than doubled and grew at an average annual rate of nearly 7 percent per year. Defense spending continues to increase, but at lower rates than previously.

The decade-long infusion of defense dollars into the region's economy has dramatically expanded the military's relative importance to economic activity in Hampton Roads. **Graph 10 shows that estimated defense spending will have accounted for more than 45 percent of the region's gross output in 2011. This approaches the level we experienced as a result of the Reagan administration's defense buildup in the early 1980s.**

Only those who are not paying attention can miss the significant economic import of Graph 10. **Our regional economy is much less diversified today than it was in 2001. Instead, we are more dependent than ever upon defense spending for our regional prosperity.** Thus, when former Secretary of Defense Robert Gates or current Secretary of Defense Leon Panetta speak of cuts or reallocations in defense spending, Hampton Roads should be paying great attention.

It is not unthinkable that we will lose one or more aircraft carrier groups sometime during this decade. The loss of an aircraft carrier group might cost the region $800 million annually; this is almost 1 percent of our gross product. It also is not unthinkable for the U.S. Navy to diminish its presence at Oceana Naval Air Station, which employs approximately 11,000 people. Already, we have begun to see the impact of the elimination of the Joint Forces Command.

These possibilities must be viewed in the context of Hampton Roads already sporting an economic growth rate that is below that of the commonwealth as a whole and experiencing a net outmigration of population in recent years. We are, as the title of this chapter suggests, just "putt, putting along." **If defense spending is stagnant, then the region's economy also will be stagnant, though the ill effects of reduced growth will not be evenly distributed. Obvious among the wounded will be the shipbuilding and repair industry as well as many people and firms connected to the housing industry. However, other sufferers will include a wide range of merchants and employees who sell everything from automobiles to pizza. Local governments will experience declining revenues and this will impact schools, law enforcement and a host of other services and activities.**

The bottom line is this: Hampton Roads currently finds itself in a vulnerable situation because of its dependence upon defense spending. The region needs renewed focus on diversification of its economy and on stimulating alternate sources of economic growth. Whether or not one agrees with all of the positions of organizations such as the Hampton Roads Partnership, or with its Vision Hampton Roads economic plan, it is increasingly evident that the efforts of such organizations are vital to the region's economic future.

THE PORT

Port activity is another important contributor to the region's economic well-being and Graph 11 shows why this is so. In 2011, port general cargo movement is on schedule to increase to almost 16 million tons; this is a 3.2 percent increase over 2010. Nevertheless, the 2011 general cargo tonnage is expected to be about 11.3 percent below the 2008 peak.

The port has taken major steps in recent years to position it favorably in what has become a highly contested, even brutal competition among ports. The Heartland Rail Corridor to the Midwest, the leasing of the APM facility in Portsmouth, the budding development of Craney Island, the repositioning of the Portsmouth Marine Terminal, the initiation of financial incentives for those who use the port for shipping – all are significant moves designed to improve the port's competitive position. That said, the refashioning of the Panama Canal (which will be completed in 2014), the powerful challenge of ports such as Savannah, and the need for further improvements in truck and rail transportation will put our port to the test. Our uniquely deep-draft port is a job generator for the region and perhaps is responsible for 10 percent of our regional economic activity. The competitive marketplace in which it operates, however, is changing rapidly and our success is not guaranteed.

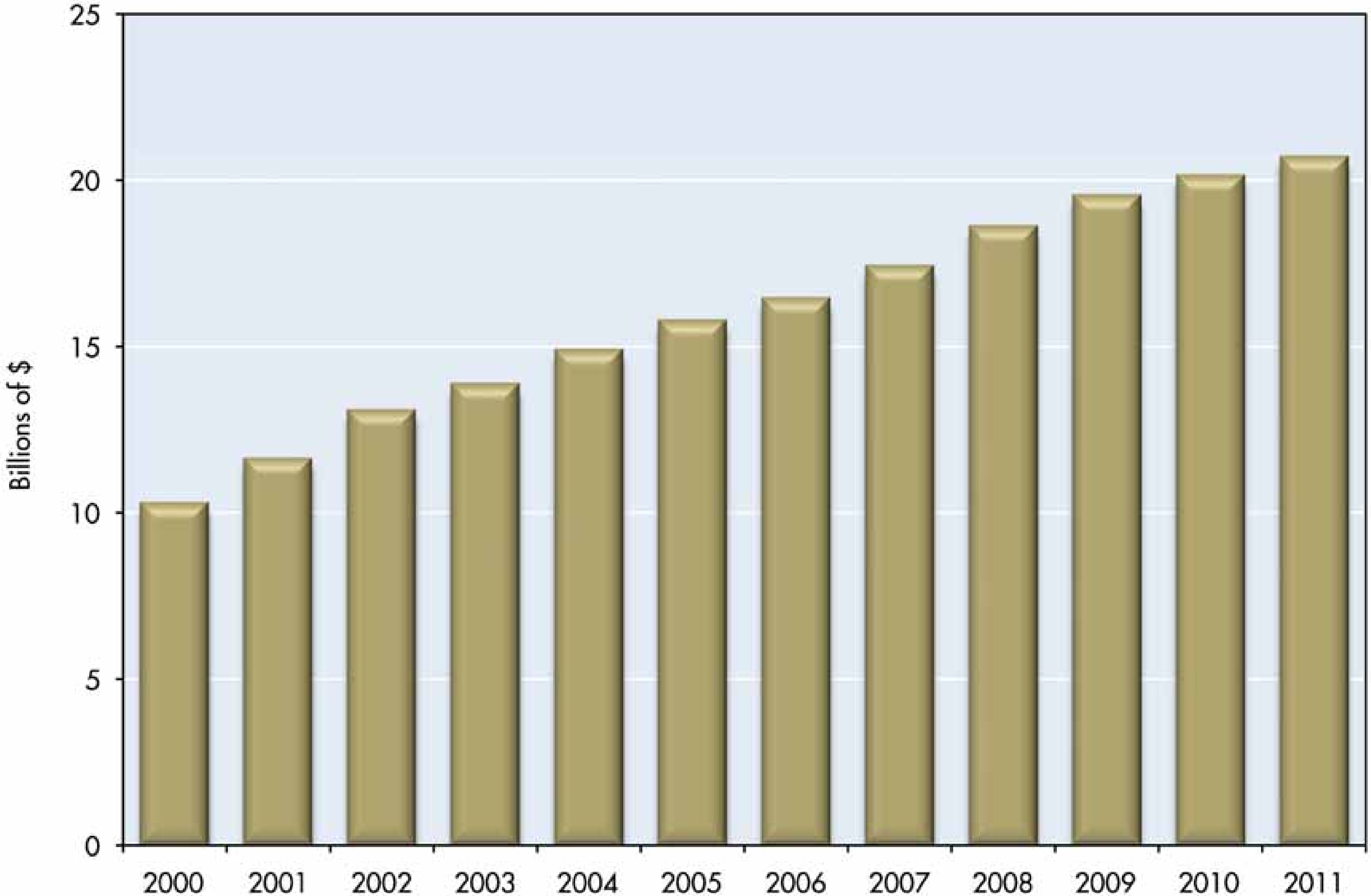
TOURISM

After bucking stiff recessionary headwinds nationally, Hampton Roads' travel and tourism industry has begun a relatively slow recovery. Graph 12 shows the region's travel industry struggled to grow in 2010 with a .6 percent gain, compared to 4.2 percent and 7.5 percent in Virginia and the nation, respectively. Year-to-date Smith Travel data through April 2011 indicate the regional hotel industry is doing better, with revenue expanding by 6.7 percent. Over the same year-to-date period, Hampton Roads outpaced Virginia (3.4 percent growth), but still lagged national growth (9.7 percent). This, however, follows several years when the region did better than both the state and the nation in terms of hotel revenue growth.

Regardless, the tourism industry is another one of Hampton Roads' economic kingpins and accounts for approximately 8 percent of our GRP. It remains to be seen how rising gasoline prices and modest economic recovery will affect tourism.

GRAPH 9

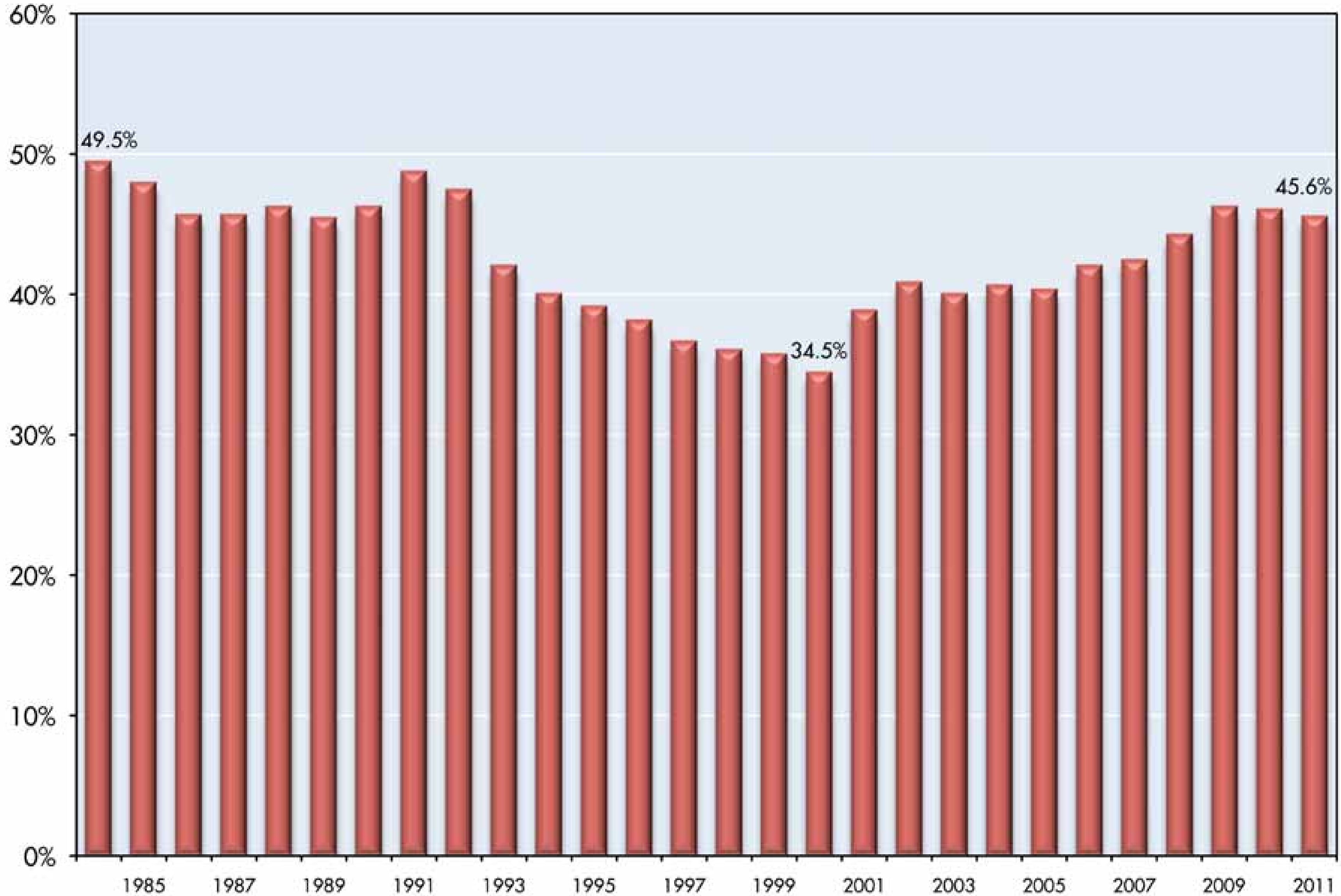
ESTIMATED DIRECT DOD SPENDING* IN HAMPTON ROADS, 2000-2011



Source: Old Dominion University Economic Forecasting Project
*Includes federal civilian and military personnel and procurement

GRAPH 10

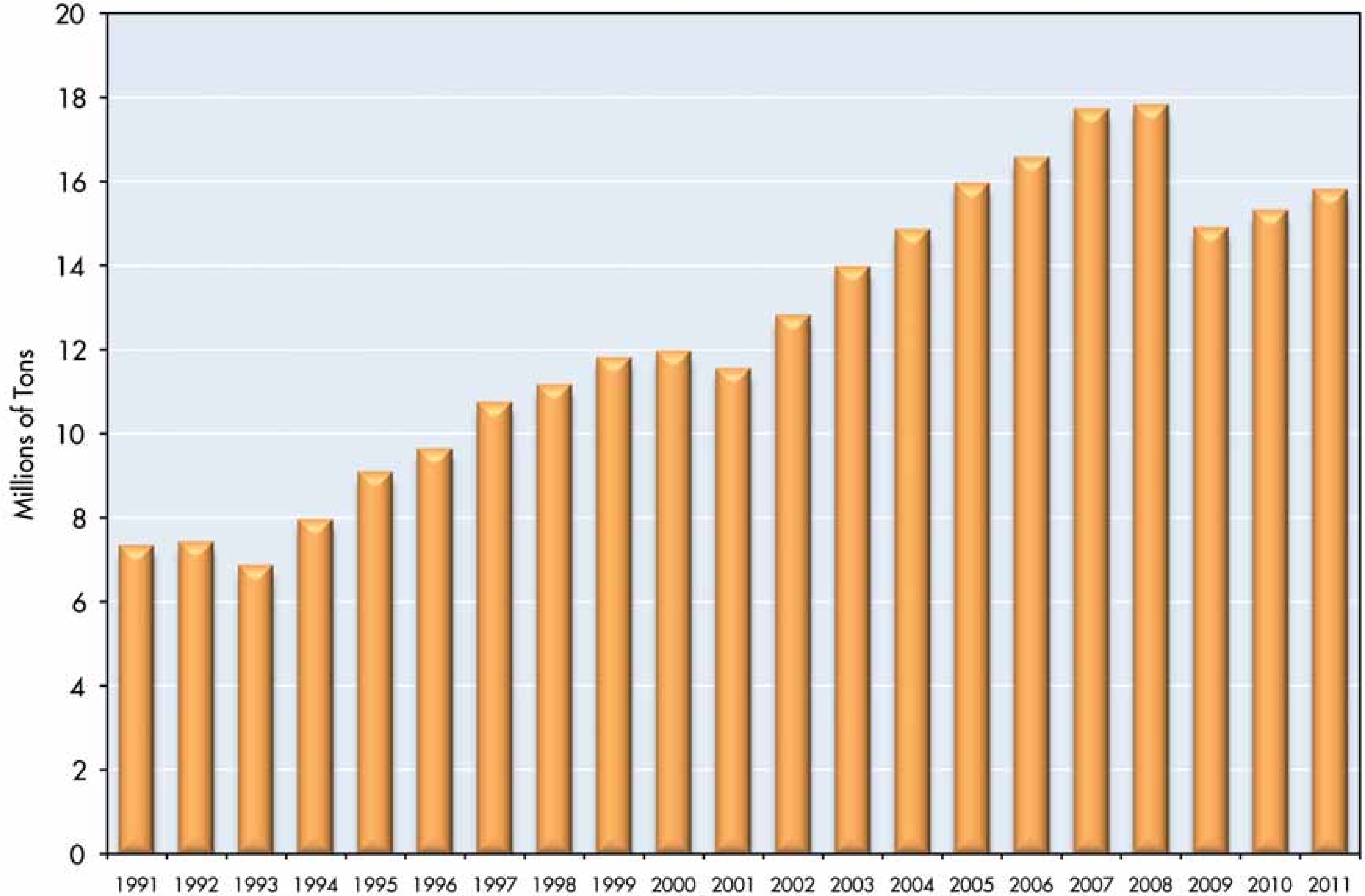
GROSS REGIONAL PRODUCT ATTRIBUTABLE TO DOD SPENDING IN HAMPTON ROADS, 1984-2011



Sources: U.S. Department of Defense, U.S. Department of Commerce and the Old Dominion University Economic Forecasting Project

GRAPH 11

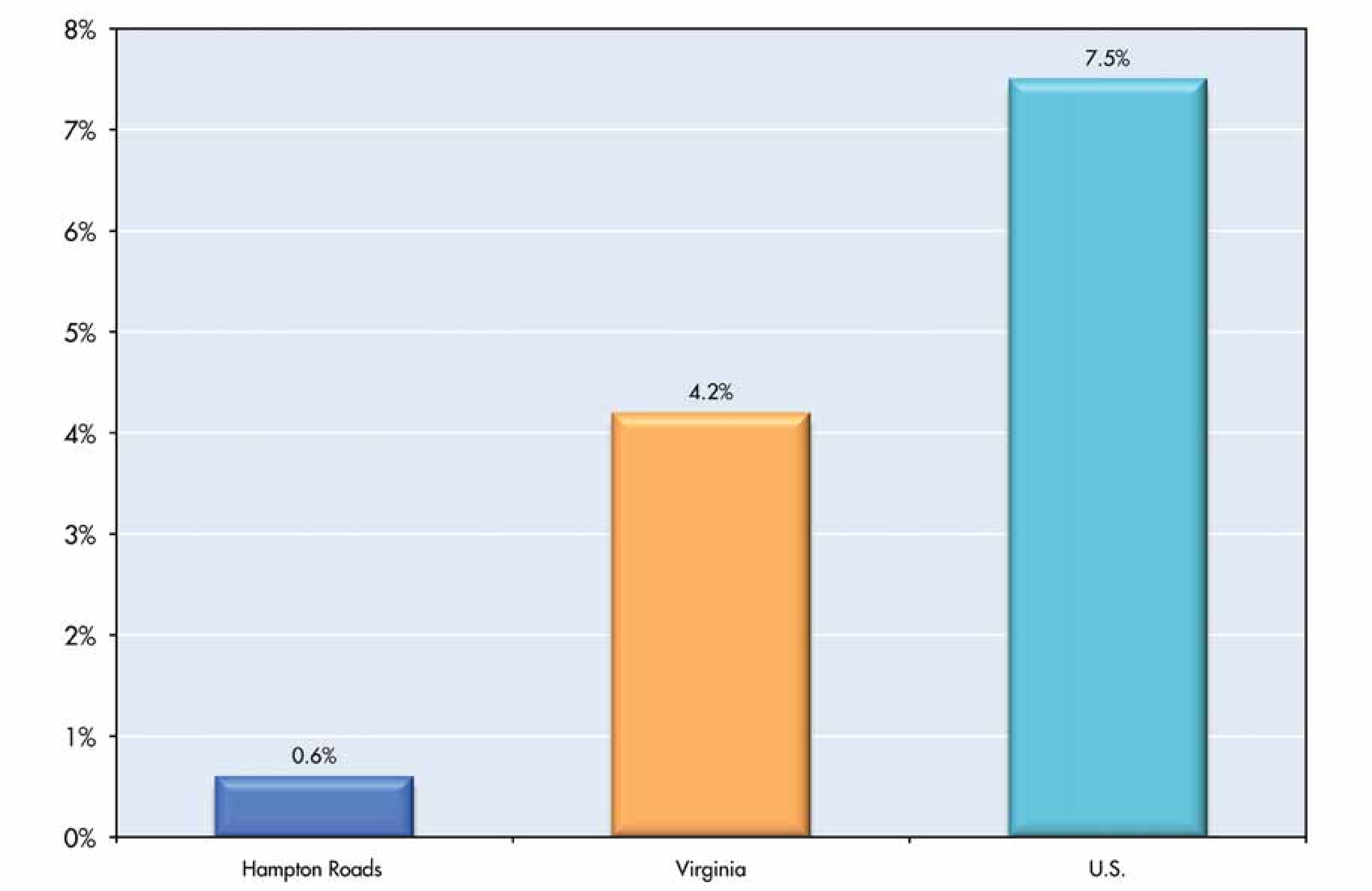
GENERAL CARGO TONNAGE, PORT OF HAMPTON ROADS, 1991-2011



Sources: Virginia Port Authority and the Old Dominion University Economic Forecasting Project

GRAPH 12

PERCENT CHANGE IN HOTEL REVENUE, HAMPTON ROADS, VIRGINIA AND THE U.S., 2009-2010



Source: Smith Travel Research Trends Report, June 7, 2011

Housing: Still A Struggle

Housing markets in Hampton Roads continue to exhibit declining prices. Graph 13 reveals that by the first quarter of 2011, the region's median single-family home price had fallen 23.4 percent since peaking in the third quarter of 2007. Even so, the comparable decline nationally has been larger – 29.4 percent. For the year to date in June 2011, the median price for a single-family *existing* home in Hampton Roads was $179,900; this was 11.2 percent below the median price a year ago.

On a more positive note, both the number of foreclosed homes (see Graph 14) and the size of the "for sale" home inventory have begun to decline in Hampton Roads. Nevertheless, **the high volume of residential foreclosures over the past few years has created a backlog of distressed properties (bank-owned and short-sale), which is an important reason why housing prices have continued to fall. The data in Table 2 tell us that the number of distressed sales in Hampton Roads was 63 times greater in 2010 than in 2006.** It appears that about one-third of all residential home sales in Hampton Roads will be "distressed sales" in 2011. This is hardly good news for those who wish to sell homes, but will provide buyers with many attractive opportunities. It is an almost inevitable part of the painful, but necessary, workout of the excesses relating to the housing price bubble that appeared in the first half of the previous decade and the subsequent real estate crash that began in 2008.

TABLE 2

NUMBER OF EXISTING DISTRESSED* AND NON-DISTRESSED RESIDENTIAL HOMES SOLD IN HAMPTON ROADS, 2006-2011

Year	All Sales	Distressed Sales	Non-Distressed Sales	Percent Distressed Sales
2006	22,173	59	22,114	0.27
2007	18,924	259	18,665	1.37
2008	14,851	1,040	13,811	7.00
2009	15,657	2,843	12,814	18.16
2010	14,467	3,756	10,711	**25.96**
2011**	6,190	2,320	3,870	**37.48**

Sources: Real Estate Information Network Inc. and the Old Dominion University Economic Forecasting Project
Information deemed reliable but not guaranteed.
*Distressed Sales represent bank-owned homes and short sales.
**Year-to-date (May)

The inventory of unsold homes in the region declined modestly in 2011, but at more than 14,000, this total still is approximately 5,000 above the regional average over the past 15 years (see Graph 15). If home prices decline further, then the inventory of unsold homes will become more attractive to buyers. Unfortunately, declining home prices also will push more homeowners "underwater" so that they owe more on their home than it is worth. This could lead to additional foreclosures.

HOME SALES AND TIME ON THE MARKET

With the exception of 2009, when tax incentives caused a slight increase in existing home sales, annual home sales within our region have declined steadily since 2005 (see Graph 16). Significantly, after a precipitous fall in existing home sales between 2005 and 2008, it appears we may have reached bottom. Similarly, the average market time necessary to sell a house in Hampton Roads, which tripled between 2005 and 2009, also may have stabilized in this case, at around three months.

NEW RESIDENTIAL CONSTRUCTION

In 2010, new home construction in Hampton Roads reached a 30-year low. New homes accounted for only 18.5 percent of the unsold inventory of regional homes, down substantially from the 2008 peak of 27.1 percent. This is directly related to the rise in foreclosures and distressed home sales. It's difficult to contemplate constructing and selling a new home when large numbers of existing homes are being sold at bargain prices.

Graph 17 also illustrates a familiar theme in this report, namely, the close relationship between new home construction and employment in the region. People who don't have jobs don't purchase homes, and they may abandon homes they may have purchased in the past. In 2011, civilian employment in

Hampton Roads is about 40,000 below its 2007-08 peak. This has thrown a wrench into the real estate recovery machine. **Reality is that the regional real estate market is unlikely to show significant recovery unless and until the Hampton Roads economy improves, more jobs are created and more independent households are formed as a result.**

IS THE REGIONAL HOUSING MARKET CLOSE TO BOTTOM?

A review of Graph 16 has led some to suggest that we may be reaching the end of hard times in the regional housing market. Both the average days required to sell a home and the number of existing homes sold appear to be bottoming out. There are two additional factors that could help the Hampton Roads housing market reach the bottom and recover. First, as Table 3 reveals, the ratio of monthly principal and interest paid for a mortgage on a typical home to the cost of renting a similar home has been falling steadily since 2006. The owning versus renting price ratio in 2011 is at its lowest level since 2002. **Simply put, owning a home has become considerably more attractive over the past few years and arguably now is more attractive than renting for many people.** Of course, this assumes the individuals in question both have a job and are able to obtain financing.

Second, relative to household median incomes, homes in Hampton Roads have not been this affordable since 1999, which was another low point in the regional residential real estate market. Graph 18 computes the monthly payment on a median-priced home divided by the region's median income. One can see that only 21.5 percent of median household income is required to purchase a home in 2011 versus 33 percent in 2006 and 35.5 percent in 1979. This augurs well for future sales, although recovery could be derailed by a double-dip national recession or reductions in defense spending within the region.

Alas, although owning a home has become more attractive relative to renting, and homes are very attractively priced in our region relative to household incomes, we still have a distance to travel before we are likely to see a legitimate housing turnaround. Graph 19 portrays estimated excess demand and estimated excess supply for housing in Hampton Roads since 1995 and

TABLE 3

ESTIMATED COST OF RENTING A HOUSE VERSUS THE PRINCIPAL AND INTEREST REQUIRED TO OWN A HOUSE IN HAMPTON ROADS, 2000-2011

	Median Monthly Rent for a Three-Bedroom House	P&I Monthly for a Median House	Ratio of Monthly P&I to Rent
2000	$822	$854	0.97
2001	911	809	0.89
2002	1,037	827	0.89
2003	1,044	799	0.75
2004	1,087	971	0.89
2005	1,118	1,202	1.08
2006	1,164	1,459	1.25
2007	1,247	1,495	1.19
2008	1,236	1,447	1.17
2009	1,277	1,190	0.93
210	1,300	1,082	0.83
2011	1,319	1,061	0.80

Sources: HUD and the Old Dominion University Economic Forecasting Project

their relationships to real, or price-adjusted, home prices. Excess demand and excess supply are measured by comparing the supply of unsold houses (review Graph 15) to sales rates. For example, at 2011 home sales rates, there is an oversupply of approximately 4,000 houses. **Hence, there is still considerable excess housing inventory in the market that is exerting downward pressure on prices.**

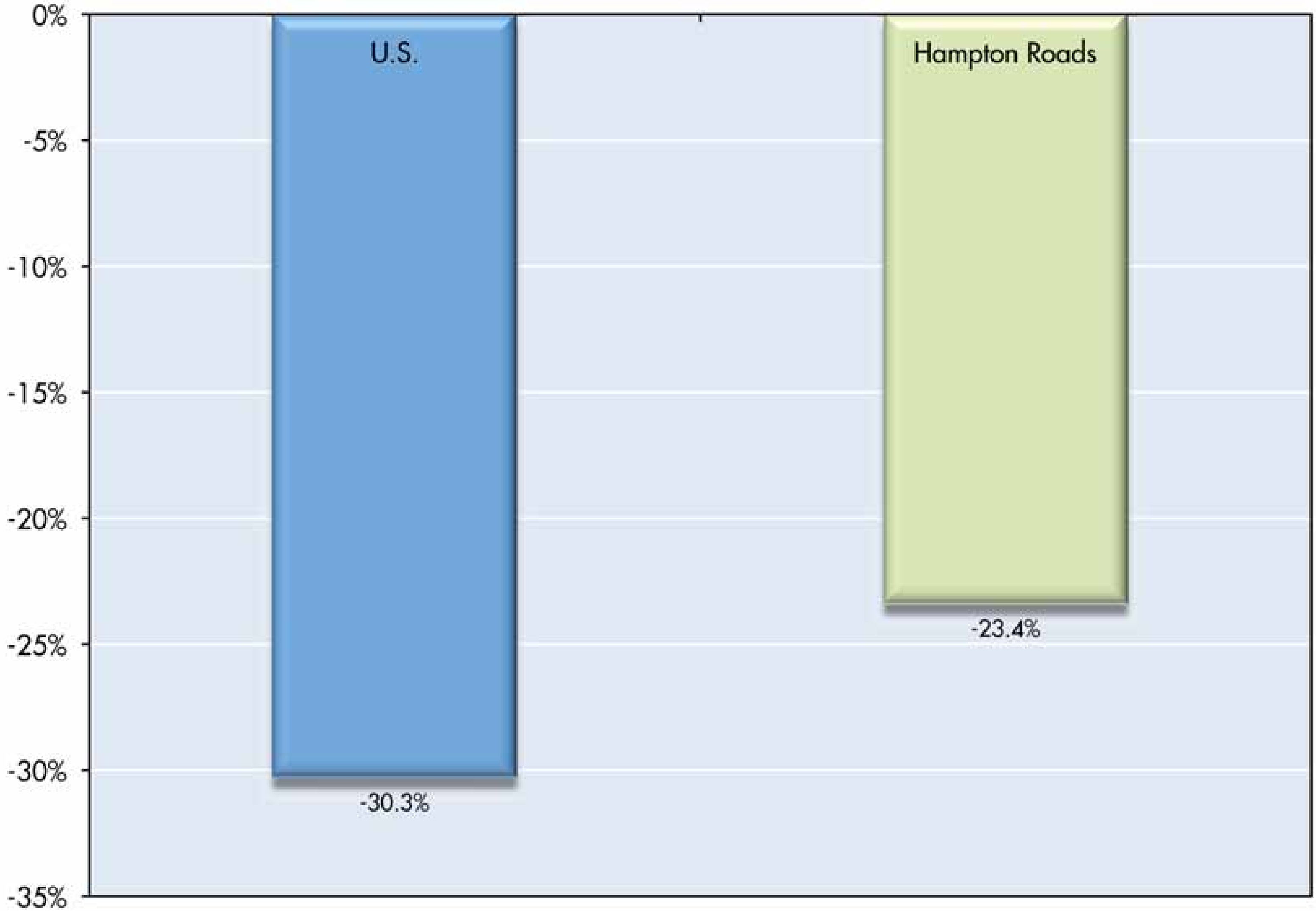
While falling prices hardly are good news for those who wish to sell homes, declining prices are the way a market system straightens out markets characterized by excess supply and how it brings those markets into equilibrium. This is not unique to housing. We could instead be talking about tickets to a not-so-popular concert that one might purchase at a discount on stubhub.com, or perhaps an oversupply of television sets.

The falling prices we observe in Graph 19 will reduce the excess supply of housing that currently exists, but this will take time. Meanwhile, there will be a negative "wealth effect" attached to the falling prices. As the wealth of consumers declines, they typically reduce their annual spending by 2 percent to 4 percent of the amount of the decline in their wealth.

All of this leads us to say, "We're not there yet" with respect to the stabilization of our regional housing market. The worst pain has passed, but there's still a bit more on the horizon.

GRAPH 13

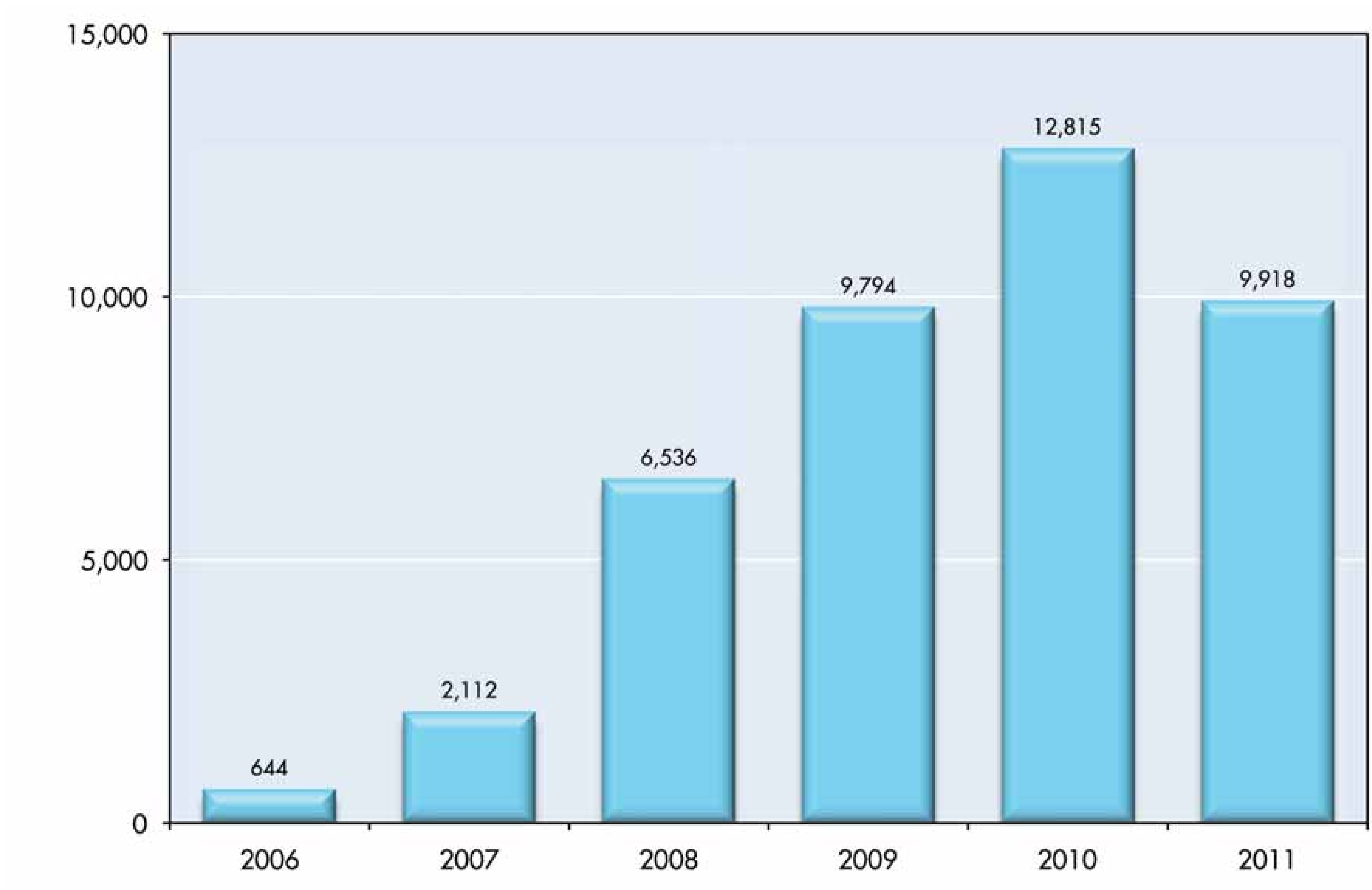
CUMULATIVE DECLINE (QUARTER PEAK* TO 1ST QUARTER 2011) IN MEDIAN SINGLE-FAMILY HOUSE PRICES FOR EXISTING HOMES



Sources: National Association of Realtors (NAR), Real Estate Information Network Inc. (REIN) and the Old Dominion University Economic Forecasting Project
*U.S. house prices peaked in Q3 2005 (NAR); Hampton Roads in Q3 2007 (REIN).

GRAPH 14

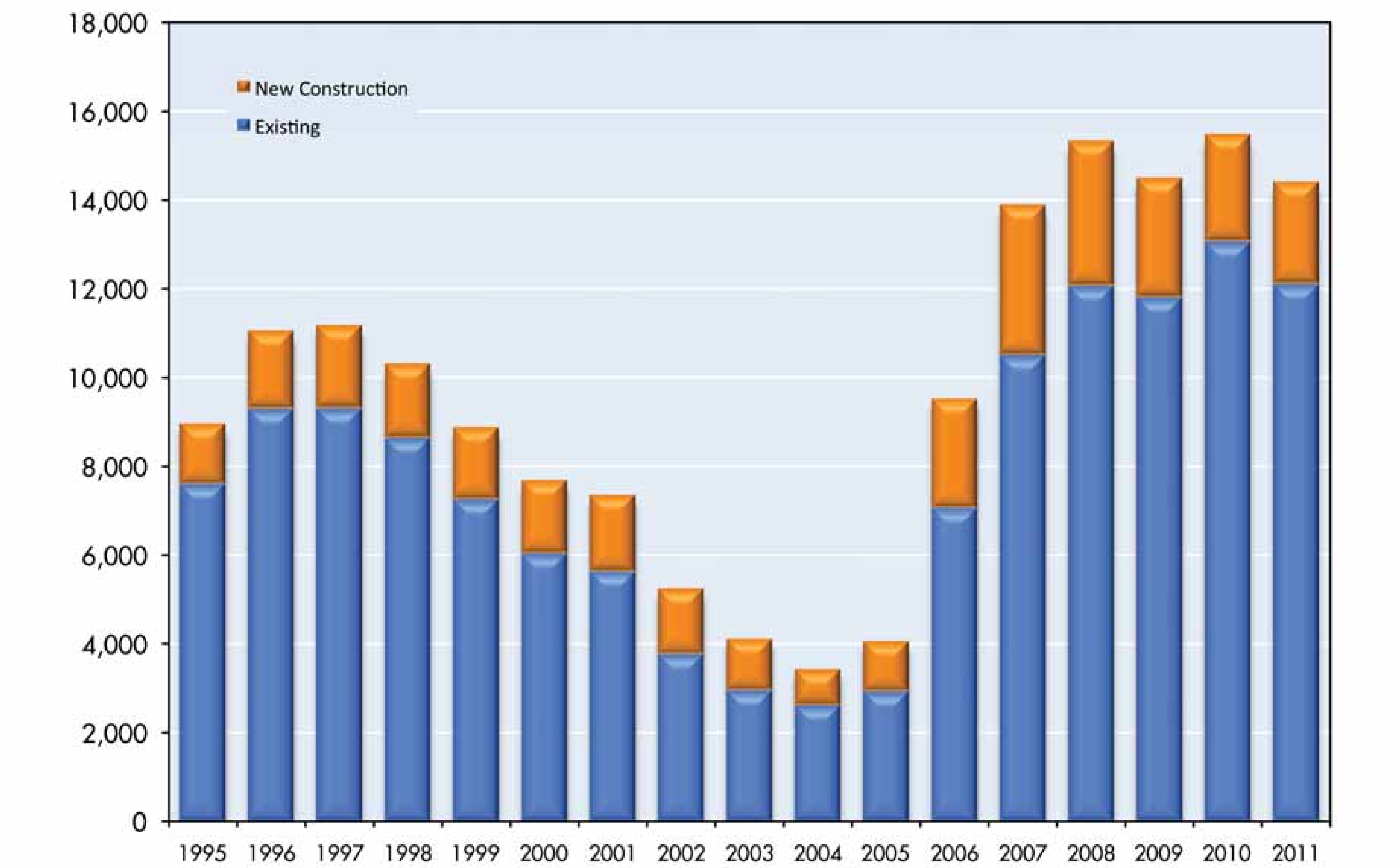
RESIDENTIAL FORECLOSURE FILINGS IN HAMPTON ROADS, 2006-2011



Sources: Realty Trac and the Old Dominion University Economic Forecasting Project

GRAPH 15

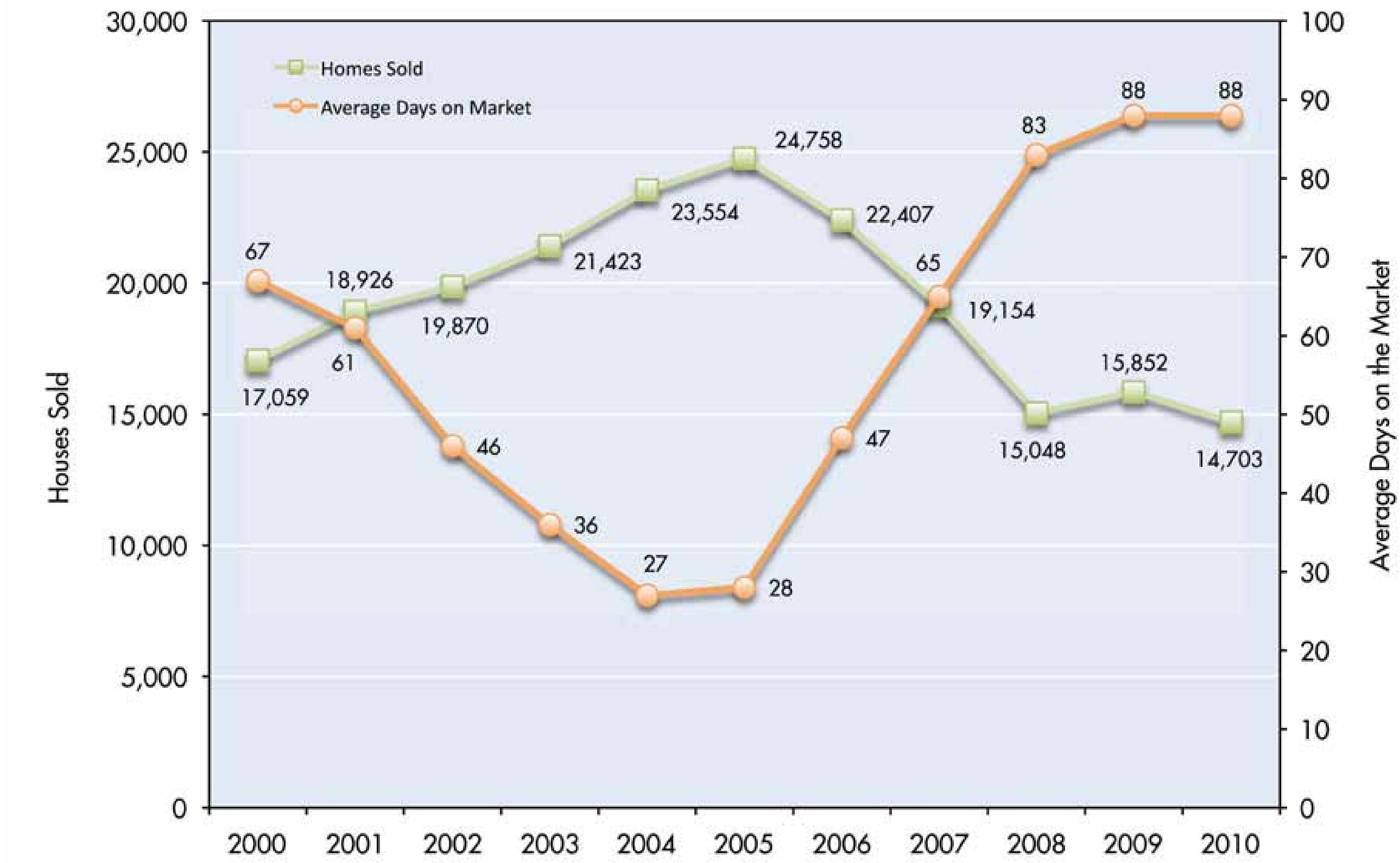
ESTIMATED INVENTORY OF UNSOLD RESIDENTIAL HOMES IN HAMPTON ROADS (BOTH NEW CONSTRUCTION AND EXISTING) ON MAY 31, 1995-2011



Sources: Real Estate Information Network Inc. and the Old Dominion University Economic Forecasting Project. Information deemed reliable but not guaranteed.

GRAPH 16

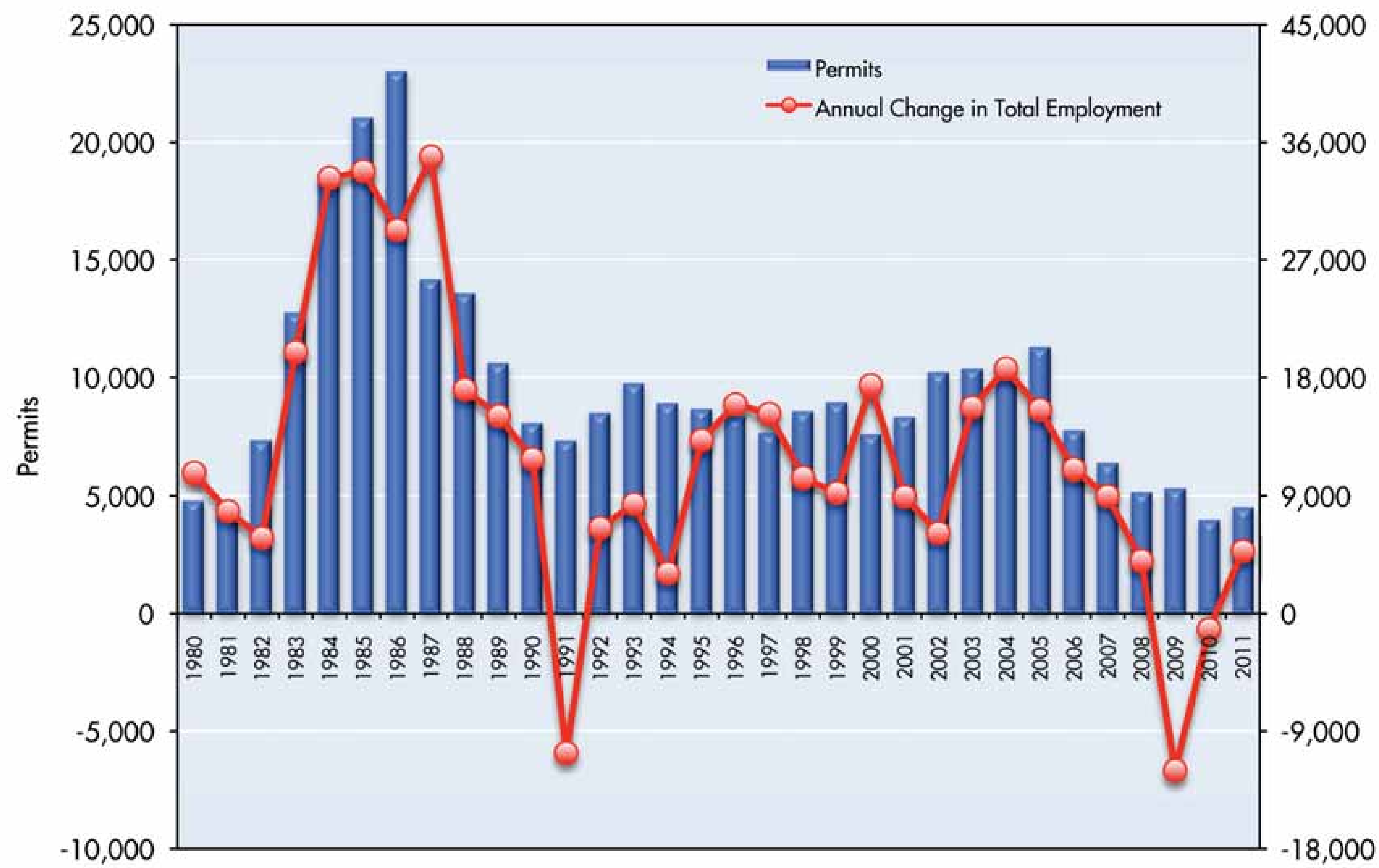
***EXISTING* RESIDENTIAL HOMES SOLD AND AVERAGE NUMBER OF DAYS ON THE MARKET, 2000-2010**



Sources: Real Estate Information Network Inc. and the Old Dominion University Economic Forecasting Project

GRAPH 17

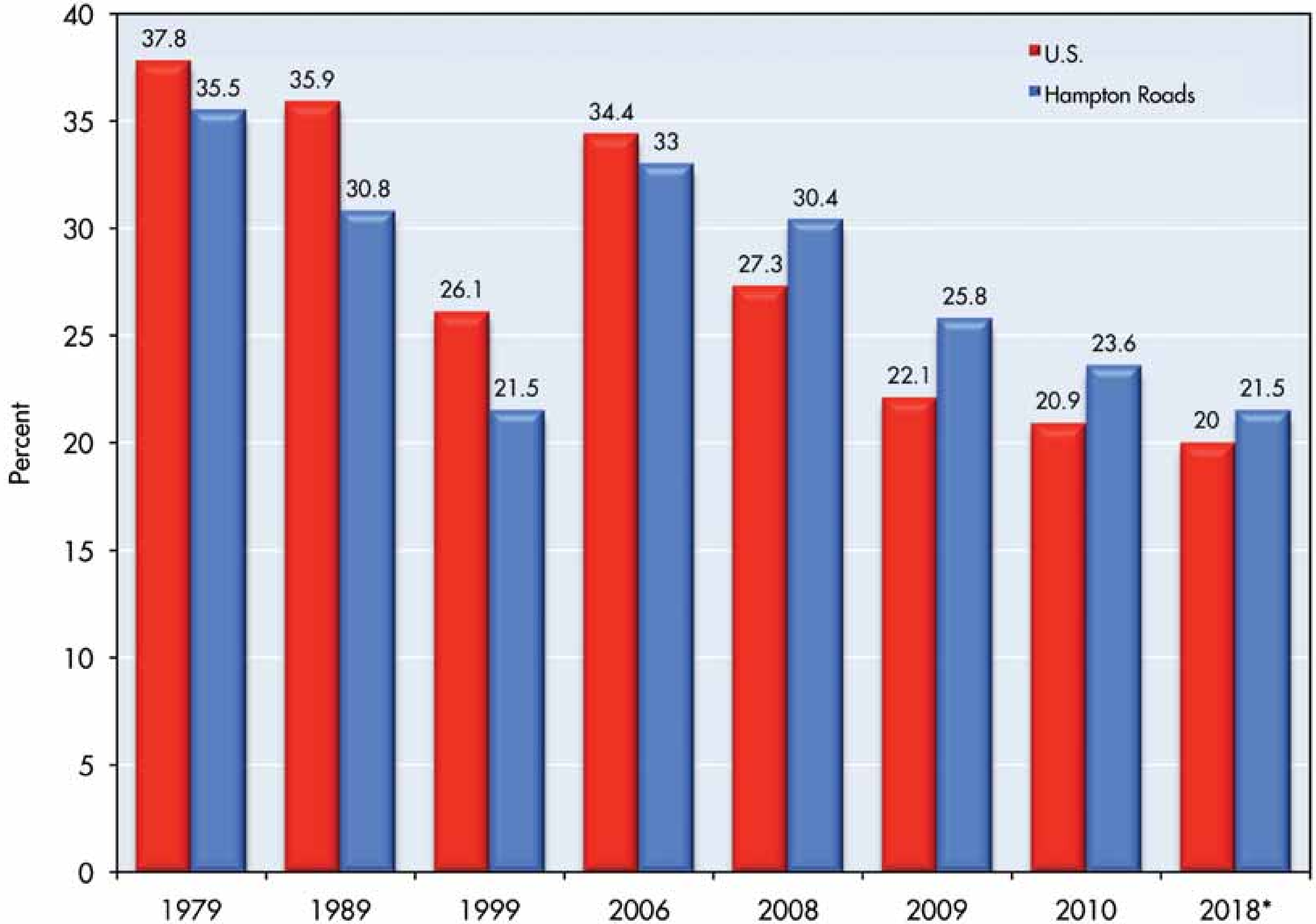
ANNUAL CHANGE IN *TOTAL* EMPLOYMENT AND *TOTAL* NEW HOUSING PERMITS (SINGLE AND MULTI-UNIT) IN HAMPTON ROADS, 1980-2011



Sources: U.S. Census Bureau, U.S. Department of Commerce and the Old Dominion University Economic Forecasting Project

GRAPH 18

HOUSING AFFORDABILITY: MONTHLY PAYMENT FOR A MEDIAN PRICE RESALE HOME AS A PERCENT OF MEDIAN-HOUSEHOLD INCOME, HAMPTON ROADS AND THE U.S., 1979-2011



Source: Old Dominion University Economic Forecasting Project
*Assumes 4.8% mean mortgage rate in 2011

GRAPH 19

ESTIMATED EXCESS SUPPLY/EXCESS DEMAND FOR EXISTING HOUSES RELATIVE TO ANNUAL CHANGES IN REAL HOUSING PRICES, HAMPTON ROADS, 1995-2011

Source: Old Dominion University Economic Forecasting Project

Job Locations, Residential Locations And Commuting Patterns

The location of a job is one thing, while the residential location of a worker is another. People don't always live where they work. Table 4 reports the ratio of workers (full-time and part-time) to population in 13 Hampton Roads cities and counties. The ratio of workers to population increased in seven of the 13 jurisdictions between 2001 and 2009, led by York/Poquoson, whose ratio increased by .114.

Elected officials and citizens often assume that the higher the workers-to-population ratio, the better. There is of course some sense to this notion because higher ratios often mean more income being generated in a jurisdiction, larger tax collections and the potential for a higher standard of living. Nevertheless, there also is some nonsense to this notion because all jobs are not created equal. Compare a $30,000 job in a bar whose patrons frequently misbehave with a $100,000 job in a technology industry. Further, job hosting is not free. Large numbers of jobs in a particular jurisdiction may impose infrastructure, education, policing and social service costs on that jurisdiction and, in some cases, these job generators cannot be taxed.

The moral to the story is one should not assume that higher worker-to-population ratios are necessarily better. Sometimes it is the better part of wisdom to allow a second city or county to host jobs to which a first city or county's workers commute.

What is true in Hampton Roads is that many workers commute to other cities and counties for their jobs. Table 5 indicates where jobs and workers are located within our region. For example, only 27.8 percent of the workers in Norfolk actually reside there and only 32.8 percent of workers in Newport News reside in that city. Norfolk and Newport News, along with the cities of Chesapeake, Hampton, Portsmouth and Suffolk, import many workers. Virginia Beach tends to supply many workers to other cities, and many of these individuals earn substantial incomes, most of which they spend in Virginia Beach.

TABLE 4

RATIO OF WORKERS TO POPULATION

	2001	2009	Change
Gloucester	0.371	0.374	0.003
Isle of Wight	0.523	0.452	-0.071
Mathews	0.375	0.497	0.122
Surry	0.391	0.427	0.036
Chesapeake	0.532	0.539	0.007
Hampton	0.564	0.541	-0.023
Newport News	0.622	0.601	-0.021
Norfolk	0.957	0.913	-0.044
Portsmouth	0.516	0.572	0.056
Suffolk	0.411	0.397	-0.014
Virginia Beach	0.537	0.558	0.021
James City and Williamsburg	0.829	0.762	-0.067
York and Poquoson	0.402	0.516	0.114
Region	0.605	0.602	-0.003

Notes:
1) Both full-time and part-time paid jobs are counted.
2) The ratios reflect job locations, not places of residence.

The lesson here is that the economic interdependence of the cities and counties in Hampton Roads is very high. Of the 15 jurisdictions covered in Table 5, only two contribute more than half of the workers to the jobs located in their own city or county. Workers in Hampton Roads are highly mobile; for example, 16.5 percent of the workers in Norfolk cross the James River to get to work. Similarly, 19.2 percent of the workers in Newport News cross the James River from the

TABLE 5

WHERE PEOPLE LIVE AND WORK IN HAMPTON ROADS: 2Q 2009

If the Non-Military Job Is Located Here	Number of Jobs	Here Is Where These Workers Live (Percent)															
		Gl'ster	Is Wight	James C	Mathews	Surry	York	Chesap	Hampton	N News	Norfolk	P'son	P'mouth	Suffolk	Va Bch	Wm'bg	Outside
Gloucester County	9,051	46.4%	0.4%	3.0%	5.1%	0.0%	4.0%	1.3%	2.9%	7.2%	0.9%	0.7%	0.9%	0.7%	2.1%	0.3%	24.2%
Isle of Wight County	12,110	0.4%	30.8%	1.1%	0.1%	2.1%	1.1%	3.5%	4.9%	8.4%	1.8%	0.3%	4.7%	11.4%	1.8%	0.1%	27.6%
James City County	25,217	3.9%	0.7%	31.5%	0.6%	0.9%	8.4%	1.3%	4.3%	16.4%	1.2%	0.7%	1.1%	0.8%	2.1%	2.9%	23.4%
Mathews County	1,543	15.6%	0.1%	1.3%	55.5%	0.0%	1.5%	1.1%	1.2%	1.9%	0.7%	0.3%	0.7%	0.6%	0.6%	0.2%	18.6%
Surry County	2,798	1.6%	9.2%	3.9%	0.4%	24.1%	2.7%	3.5%	1.8%	5.3%	1.2%	0.8%	1.6%	2.1%	3.4%	0.4%	38.1%
York County	19,527	6.8%	1.2%	10.4%	0.7%	0.3%	22.2%	1.6%	8.1%	19.2%	1.3%	2.1%	1.5%	1.4%	3.1%	1.6%	18.4%
Chesapeake	97,538	0.3%	1.1%	0.4%	0.1%	0.0%	0.5%	32.2%	2.1%	2.4%	10.1%	0.1%	7.4%	4.5%	22.7%	0.1%	16.0%
Hampton	53,158	1.7%	2.2%	1.9%	0.2%	0.0%	5.6%	4.4%	33.5%	18.8%	5.0%	1.8%	2.6%	2.4%	6.5%	0.3%	13.0%
Newport News	90,874	3.7%	3.5%	3.0%	0.6%	0.1%	7.4%	3.4%	16.4%	32.8%	2.9%	1.6%	2.5%	3.0%	4.5%	0.3%	14.2%
Norfolk	135,050	0.3%	0.9%	0.6%	0.1%	0.0%	0.8%	14.2%	3.3%	2.9%	27.8%	0.1%	5.6%	3.5%	26.8%	0.1%	13.0%
Poquoson	2,123	2.1%	1.3%	1.4%	0.4%	0.0%	10.9%	1.6%	11.4%	15.0%	1.0%	38.1%	1.8%	0.9%	3.7%	0.2%	10.1%
Portsmouth	32,605	0.3%	2.0%	0.4%	0.1%	0.1%	0.5%	18.1%	2.6%	3.1%	10.6%	0.1%	29.1%	8.2%	13.8%	0.1%	11.0%
Suffolk	23,209	0.5%	5.5%	0.8%	0.1%	0.3%	0.8%	10.9%	2.2%	3.5%	4.3%	0.2%	8.2%	36.3%	7.7%	0.1%	18.6%
Virginia Beach	157,581	0.3%	0.6%	0.5%	0.1%	0.0%	0.5%	11.3%	1.8%	2.0%	11.1%	0.1%	3.2%	2.0%	53.0%	0.1%	13.3%
Williamsburg	14,145	5.5%	0.6%	32.4%	0.4%	0.8%	10.1%	1.2%	2.4%	10.5%	1.7%	0.6%	1.3%	1.0%	2.9%	9.0%	19.7%

Sources: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (2nd Quarter of 2009)
Note that no military jobs are included.

Southside as they commute to their jobs. Decision makers should keep this in mind as they develop regional transportation plans. To the extent that congestion discourages workers from accessing jobs within the region, both workers and their employers are disadvantaged. Workers will have fewer realistic choices and consequently probably earn lower incomes; employers will be forced to deal with a smaller hiring pool and/or increase their costs in order to overcome the disincentive effects of congestion.

While there are some doubters, the truth is that a job created in one city or county in Hampton Roads typically benefits all the other jurisdictions. Consider Suffolk, which has attracted impressive modeling and simulation jobs in recent years. People who live outside of Suffolk hold almost 64 percent of these jobs. Residents of Chesapeake hold an estimated 10.9 percent of these new jobs, Portsmouth 8.2 percent, Virginia Beach 7.7 percent, Isle of Wight 5.5 percent, Norfolk 4.3 percent, Newport News 3.5 percent and so forth.

Hence, yet another lesson we can derive from Table 5 is that economic development efforts that attract jobs to one city or county in the region nearly always benefit all of the other cities and counties in Hampton Roads. Elected officials and citizens should be less concerned about precisely where in Hampton Roads a new job appears and more concerned about how we can increase the total number of jobs in our region, wherever those jobs are located.

Summing It Up

The Hampton Roads economy in 2011 continued its recovery from the recent recession, but did so at modest rates that were well below historic averages. In particular, overall regional employment is still 40,000 below pre-recession levels. Imitating what has been true nationally, our economic recovery often has been "jobless."

Defense spending, the prime component of economic activity in Hampton Roads, reached an all-time high in 2011, but the increase over 2010 was far below the robust rates recorded in the first half of the previous decade.

General cargo tonnage at the port has recovered, but still is significantly below its 2008 high. The same general story holds for regional tourism; hotel revenue remains well below its 2007 peak.

The region's housing market continues to go through difficult adjustments and the current trend of declining home prices may be nearing a bottom, but has yet to reach it. Unsold inventory remains high, but could decline through 2011 if the high rate of foreclosures continues to abate. Rising household income and employment, combined with a high degree of housing affordability and the relatively low cost of owning a home as opposed to renting, should help accelerate the rate of inventory absorption.

Job location and commuting data demonstrate that economic interdependence among the cities and counties in Hampton Roads is very high, not the least because the mobility of workers in our region is so high. The direct implication is that every city and county benefits when a new job appears somewhere in Hampton Roads, not just the city or county where that new job is located.