

# The North Carolina Connection



# THE NORTH CAROLINA CONNECTION: HAMPTON ROADS SOUTH OF THE BORDER?

The announcement of the forthcoming closure of Ford Motor Co.'s Norfolk Assembly Plant made many aware for the first time that about 10 percent of Ford's workers commute from North Carolina. Recent trends in real estate markets, especially rapidly increasing prices in Hampton Roads, have caused many people to consider moving to nearby North Carolina counties. The recent expansion of Route 17 to four lanes from Great Bridge in Chesapeake to the North Carolina border has made this an easier prospect.

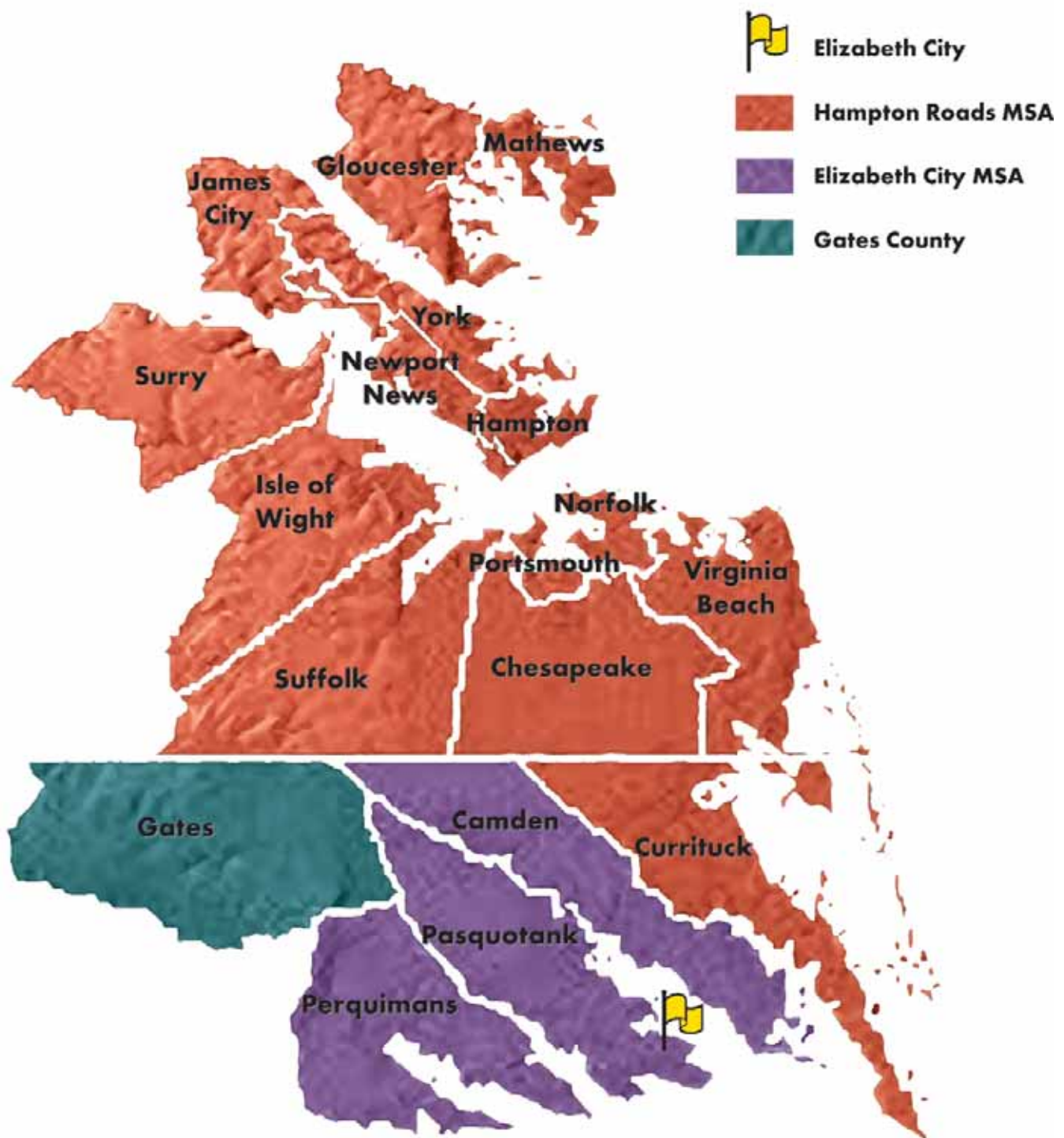
These developments naturally lead to a series of questions. Who lives in the North Carolina counties adjacent to Hampton Roads? What is the nature and size of these economies? How are the counties connected to the Hampton Roads economy? Is it likely some or all of them soon will be included in the official definition of Hampton Roads (formally the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area)?

To begin to answer these questions we will delve into the economic nitty-gritty of the North Carolina counties that are contiguous to Hampton Roads. First, we will take the measure of their economic activity and nature and then examine their economic connection to Hampton Roads. Finally, we will address the question of whether any of these counties might one day be considered part of Hampton Roads.

## WHICH COUNTIES REALISTICALLY ARE OUR NEIGHBORS?

**Figure 1 indicates there are five North Carolina counties that realistically might be candidates for inclusion in Hampton Roads by virtue of their location and possible economic and cultural connections: Camden, Pasquotank, Perquimans, Currituck and Gates.** The first three counties form the Elizabeth City "Micropolitan" Statistical Area, about which we will say more. Currituck County, which borders Virginia Beach and Chesapeake, essentially functions as an integral part of Hampton Roads and it already is included in the Hampton Roads Metropolitan Statistical Area (MSA). A significant percentage of Currituck County workers hold jobs in Hampton Roads, for example, at the Ford Motor Co. plant. Gates County, which maintains a long border with Suffolk, has strong economic connections to Hampton Roads and perhaps will be added to the Hampton Roads MSA after the 2010 census. We will now examine each of these counties in turn.

**FIGURE 1**  
**THE NORTH CAROLINA COUNTIES BORDERING HAMPTON ROADS**



# THE ELIZABETH CITY “MICROPOLITAN” STATISTICAL AREA

The Elizabeth City MSA includes Pasquotank, Camden and Perquimans counties. Because of the area’s population concentration in Elizabeth City (which is located in Pasquotank County), and the overall size of its population and inter-county commuting patterns, the U.S. Office of Management and Budget designates these three counties as an economically integrated Micropolitan Statistical Area.

Displayed in Table 1 are the most recent economic and demographic data for the Elizabeth City MSA. In 2004, this MSA boasted a population of 57,267, about 3.5 percent of the size of the Hampton Roads region. In the same year, personal income in the Elizabeth City MSA totaled \$1.4 billion; this approximates 2.6 percent of Hampton Roads personal income. Thus, the Elizabeth City MSA generates economic activity about one-fortieth the size of Hampton Roads.

**Per capita income, a statistic frequently used to measure overall economic well-being, was \$23,875 in the Elizabeth City MSA in 2004. This is about three-quarters of the level of per capita income of Hampton Roads and 72 percent of the national average of \$33,050.**

TABLE 1		
ELIZABETH CITY MSA INCOME AND EMPLOYMENT (2004)		
	Elizabeth City MSA	Hampton Roads
Personal Income	\$1.4 Billion	\$52.5 Billion
Per Capita Personal Income	\$23,875	\$31,811
Total Employment	28,541	1,000,101
Population	57,267	1,641,671
Unemployment Rate	4.5%	4.1%
Sources: U.S. Department of Commerce, North Carolina Employment Commission		

The unemployment rate in the Elizabeth City MSA (4.5 percent) was higher than that of Hampton Roads in 2004, though considerably below the 5.6 percent U.S. rate. However, the Elizabeth City MSA created new jobs at a more rapid rate than Hampton Roads. **Between 1994 and 2004, employment in the Elizabeth City MSA rose 27 percent, compared to 14.4 percent in Hampton Roads. Employment in the Elizabeth City MSA also grew more rapidly than Hampton Roads between 1999 and 2004, even though these were superb economic years for Hampton Roads. Hence, it is fair to conclude that economic conditions in the Elizabeth City MSA have improved significantly in recent years.**

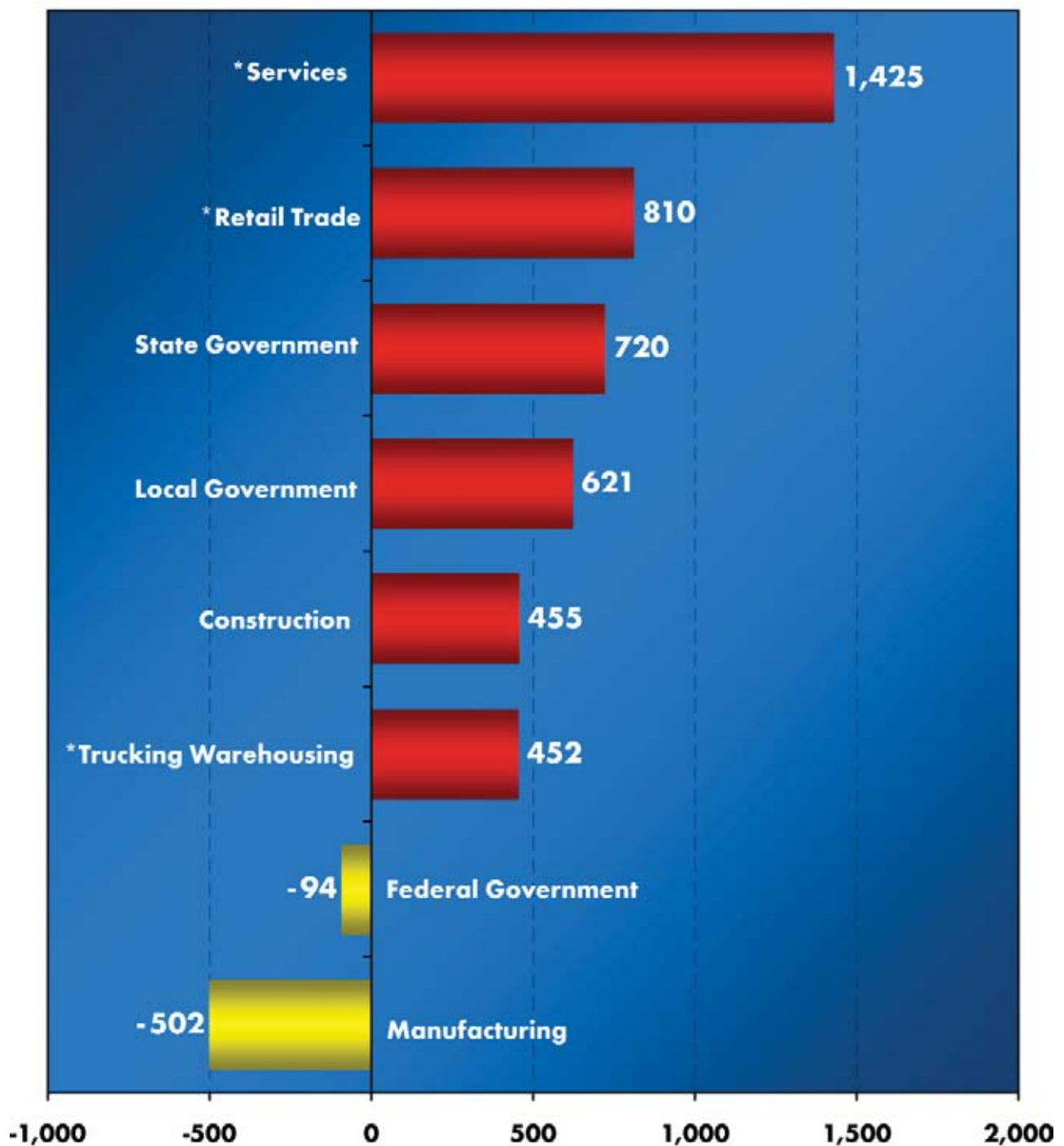
**What kinds of jobs do people hold in the Elizabeth City MSA? Military personnel account for 2.7 percent of the jobs (about the national average), compared to 11.2 percent in Hampton Roads. This means the economy of the Elizabeth City MSA is less sensitive to defense expenditures than Hampton Roads. This could prove to be an advantage during the next few years if defense expenditures decelerate.**

Interestingly, state and local governmental units employ a much larger proportion of workers in the Elizabeth City MSA (21.4 percent) than is true in Hampton Roads (10.6 percent). This is not necessarily a good thing, for ultimately government must rely on the private sector for financial sustenance. The private sector in the Elizabeth City MSA is proportionately smaller than that of Hampton Roads, though as we show below, it has been growing faster.

Over the 10-year period, 1994 to 2004, the Elizabeth City MSA gained 6,063 jobs and, as noted above, considerably outpaced the nation in its percentage job growth. Displayed in Graph 1 are the primary industry sources of job growth in the MSA. The service sector (including, for example, health care, educational and social services, management services, restaurants and hotels) led the way in estimated new job creation, accounting for almost one-quarter of new jobs over the period. If state and local government are combined, the two created 1,341 new jobs, 22 percent of the total.



**GRAPH 1**  
**ELIZABETH CITY MSA EMPLOYMENT GAINS AND LOSSES BY SECTOR**  
**(1994-2004)**



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

**The Elizabeth City MSA is becoming increasingly self-sufficient in the provision of services and shopping opportunities for its residents.** This economic deepening has occurred primarily in the MSA's core city of Elizabeth City and in Pasquotank County. As a result, **Elizabeth City, like a planet with its orbiting moons, has increased its figurative "economic gravity" with respect to tightening its economic pull on the outlying counties of Perquimans and Camden.**

Table 2 demonstrates this. Almost 41 percent of Camden County workers commute to Pasquotank County, while 32 percent of Perquimans County workers do so. Fewer than 4 percent of Pasquotank County residents commute to the other two counties for their work. Meanwhile, 49 percent of the income earned by Perquimans County residents comes from outside of their county; the comparable figure is 58 percent for Camden County.

TABLE 2 COMMUTING PATTERNS WITHIN THE ELIZABETH CITY MSA (CENSUS 2000)		
	Camden	Perquimans
Proportion of Pasquotank Workers Commuting to Camden and Perquimans	1.31%	2.47%
Proportion of Camden or Perquimans Workers Commuting to Pasquotank	40.9%	32.0%
Sources: U.S. Census and the Old Dominion University Economic Forecasting Project		

Pasquotank County generates about twice as much income as the other two counties in the Elizabeth City MSA combined (Table 3). Still, despite its large relative aggregate income position among the three counties, Pasquotank has a lower per capita income than both the other counties and in addition, exhibits a lower income growth rate than either of the other two counties.

**Camden, measured both in income and population, is the fastest growing county among the three.** Notably, despite the predominantly rural character of these counties, agricultural income is not very important in any of them.

TABLE 3 2004 INCOME AND POPULATION OF THE COUNTIES IN THE ELIZABETH CITY MSA			
	Pasquotank	Perquimans	Camden
Personal Income	\$861.8 Million	\$282.9 Million	\$222.5 Million
Population	37,057	11,742	8,468
Per Capita Income	\$23,256	\$24,096	\$26,276
% Income Growth (1994-2004)	57.6%	73.9%	107.5%
% Population Growth (1994-2004)	11.8%	10.4%	33.4%
Farm Income as a Proportion of Personal Income	0.9%	5.4%	1.4%
Sources: U.S. Department of Commerce and the Old Dominion University Economic Forecasting Project			

As Table 4 reveals, none of the three counties is highly dependent upon military retirement benefits as a source of income, but Perquimans County is somewhat dependent upon Social Security payments as an income source (10.6 percent of all income). Both Pasquotank and Perquimans counties rely more heavily upon welfare payments than the typical county in the United States.

This has a bearing on the incidence of poverty in the three counties. Poverty is particularly high in Pasquotank and Perquimans counties, while, as might be expected, Camden with its high per capita income and lower level of transfer payments (military retirement, Social Security, welfare), records a 10.1 percent poverty rate, well below the national average of 12.1 percent. The percentage of people living in poverty increased slightly in Pasquotank and Perquimans counties between 1990 and 2000, but declined noticeably in Camden County.

TABLE 4

## THE ELIZABETH CITY MSA: TRANSFER PAYMENTS AND POVERTY, 2004

	Pasquotank	Perquimans	Camden	U.S.
Military Retirement Benefits as a Proportion of Personal Income	0.8%	0.9%	0.8%	0.3%
Social Security Payments as a Proportion of Personal Income	7.2%	10.6%	6.5%	5.0%
Income Maintenance Payments (Welfare) as a Proportion of Personal Income	3.0%	3.1%	1.4%	1.5%
Proportion of Population Living Below the Poverty Level (Census 2000)	18.4%	17.9%	10.1%	12.1%
Proportion of Population Living Below the Poverty Level (Census 1990)	17.7%	16.5%	13.8%	13.5%

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

One of the attractions of the Elizabeth City MSA is the relatively low level of housing prices, at least compared to nearby locations such as Chesapeake, Suffolk and Virginia Beach. Housing prices in Pasquotank County in 2005 were more than \$75,000 below the average for Hampton Roads (a 30 percent difference). The gap in Perquimans County is even greater: \$91,000 and 63 percent. Camden County's situation is different; here the gap is only \$17,000 (7 percent). Housing prices have been growing rapidly in all of these locations. Still, this has not discouraged home ownership. Home ownership rates in Perquimans (79 percent) and Camden (83 percent) counties are higher than the Hampton Roads average of about 73 percent. The Pasquotank County home ownership rate is only 66 percent.

## CURRITUCK COUNTY

Of these five North Carolina counties, Currituck County is the most tightly connected to Hampton Roads. Table 5 indicates that almost 39 percent of Currituck workers commute to Hampton Roads and nearly 62 percent of the county's personal income is earned outside the county. In fact, in contrast to the other counties, Currituck County has been a part of the Virginia Beach-Norfolk-Newport News MSA (Hampton Roads) since 1994.

Currituck's 2004 aggregate personal income of \$625.5 million, seen in Table 6, is 1.2 percent of the total personal income and 1.3 percent of the population of Hampton Roads. Economically speaking, Currituck has been doing rather well in recent years. **Tables 7 and 8 reveal that Currituck County's unemployment rate (2.9 percent) is well below the Hampton Roads average of 4.1 percent. Further, total employment and personal income in Currituck have been growing much more**

TABLE 5

## CURRITUCK COUNTY INCOME AND COMMUTING, 2004

Proportion of Currituck's Personal Income Earned Outside of the County	61.6%
Proportion of Currituck Residents Commuting to:	
North Carolina Counties	25.3%
Virginia Portion of Hampton Roads	38.6%
Sources: U.S. Department of Commerce, U.S. Census and the Old Dominion University Economic Forecasting Project	

rapidly than in Hampton Roads. It would be fair to say that Currituck County has experienced an economic boom over the past decade.

Job growth in the county has tended to come from the private sector rather than from government, which bodes well for the future.

Currituck County is much less dependent on government transfer payments (military retirement, Social Security, welfare) than the three counties in the Elizabeth City MSA and, not surprisingly, a lower percentage of its population lives in poverty. Home prices in Currituck County reflect this relative prosperity. **Table 8 demonstrates that the average price paid for a home in Currituck is \$17,000 (or 7 percent) higher than the Hampton Roads average. Oceanfront and near-ocean properties have spurred this development.** Almost 82 percent of Currituck households own their own home. Slightly more than one-third of all homes, however, are "seasonal" in nature and function primarily as vacation homes rather than as permanent residences. This means home prices in

TABLE 6 INCOME AND EMPLOYMENT IN CURRITUCK COUNTY, 2004		
	Currituck	Hampton Roads
Personal Income	\$625.5 Million	\$52.5 Billion
Per Capita Personal Income	\$28,362	\$31,811
Total Employment (jobs located within the geographic area)	8,497	1,000,101
Population	22,055	1,641,671
Unemployment Rate	2.9%	4.1%
Sources: U.S. Department of Commerce, North Carolina Employment Commission		

TABLE 7 CURRITUCK COUNTY AND HAMPTON ROADS: PERSONAL INCOME AND EMPLOYMENT		
	Currituck	Hampton Roads
Ten-Year Growth Rate (1994-2004)		
Personal Income	115.8%	67.3%
Employment (jobs located within the geographic area)	83.8%	14.4%
Proprietors	74.7%	38.9%
Five-Year Growth Rate		
Personal Income	46.5%	34.0%
Employment (jobs located within the geographic area)	39.9%	6.6%
Proprietors	39.0%	22.8%
Sources: U.S. Department of Commerce and the Old Dominion University Economic Forecasting Project		

TABLE 8 AVERAGE HOUSE PRICES: CURRITUCK, THE ELIZABETH CITY MSA AND HAMPTON ROADS, 2005			
	Currituck (Mainland)	Elizabeth City MSA	Hampton Roads
2005	\$267,597	\$179,371	\$250,304
2000	\$107,371	\$95,055	\$130,960
2000-2005 Percent Change	149.2%	88.7%	91.1%
Sources: Albemarle Area Association of Realtors, the Virginia Association of Realtors and the Old Dominion University Economic Forecasting Project			



Currituck County are more sensitive to national and regional economic trends than housing prices in many other areas within the region. Hence, a “boom followed by bust” scenario in housing prices in Currituck is not beyond the realm of possibility.

## GATES COUNTY

Gates County is different from the other four counties. First, it is not part of the Elizabeth City MSA, as are Pasquotank, Perquimans and Camden counties. Second, it is not part of the Hampton Roads MSA, as is Currituck County. However, as seen in Tables 9 and 10, it is a county whose economic profile bears some similarities to Perquimans and Camden counties, though it trails both in most important categories. Gates’ 2004 per capita income trailed Perquimans by 10 percent and Camden by 20 percent. **Eight of every 10 jobs held by Gates County residents are located outside the county and \$6 of every \$10 of income earned by Gates County workers comes from outside of the county, primarily from Hampton Roads. The unfortunate truth is that Gates County commuters tend to occupy lower-paying jobs in Hampton Roads.**

**TABLE 9**  
**INCOME AND EMPLOYMENT IN GATES COUNTY, 2004**

	<b>Gates</b>	<b>Perquimans</b>	<b>Camden</b>
Personal Income	\$241.1 Million	\$282.9 Million	\$222.5 Million
Population	10,872	11,742	8,468
Per Capita Income	\$22,179	\$24,096	\$26,276
Total Employment	2,600	3,901	2,942
Unemployment Rate	4.1%	4.7%	3.5%
Farm Income as a Proportion of Personal Income	4.4%	5.4%	1.4%

Sources: U.S. Department of Commerce, North Carolina Employment Commission

**TABLE 10**  
**INCOME AND EMPLOYMENT GROWTH IN GATES, PERQUIMANS AND CAMDEN COUNTIES**

	<b>Gates</b>	<b>Perquimans</b>	<b>Camden</b>
Ten-Year Growth Rate (1994-2004)			
Personal Income	52.6%	73.9%	107.5%
Employment (jobs located within the geographic area)	2.4%	18.6%	41.2%
Five-Year Growth Rate			
Personal Income	24.8%	31.2%	41.6%
Employment (jobs located within the geographic area)	0.4%	17.1%	21.0%

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

Table 10 discloses that between 1994 and 2004, income growth in Gates County significantly lagged that of Perquimans and Camden counties. Gates’ income growth was less than half that of Camden over the period. The growth rate of jobs within Gates was particularly small for the five-year period from 1999 to 2004.

Gates County’s indigenous business base is relatively anemic. In 2004, less than one in five jobs held by Gates County residents was in Gates and in the previous 10 years (1994 to 2004), only 61 net new jobs were created in the county.

The generally lower level of economic activity in Gates County is also reflected in housing prices. Table 11 lists the average price of houses in the five counties. The average price of a house in Gates County is only \$120,636, which is only 45 percent of the average housing price in the mainland portion of Currituck County and less than half of the average housing price in Hampton Roads. Further, though housing prices increased by 57.9 percent in Gates County between 2000 and 2005, this figure was dwarfed by the increases in the other counties, particularly Currituck, where prices inflated more than 149 percent during the same time period.

**Gates County, then, presents an interesting set of conditions with respect to Hampton Roads. More than 36 percent of workers there commute to Hampton Roads, but when they do so, they tend to occupy lower-paying jobs, often in the city of Suffolk. The general economic prosperity of Hampton Roads has yet to spill over to Gates County in any substantial manner. Incomes and housing prices are low, and the county’s poverty rate is high.**

TABLE 11					
AVERAGE HOUSE PRICES IN THE NORTH CAROLINA COUNTIES ADJACENT TO HAMPTON ROADS					
	Gates	Pasquotank	Perquimans	Camden	Currituck (Mainland)
2005	\$120,636	\$174,480	\$159,301	\$233,379	\$267,597
2000	\$74,468	\$92,165	\$77,281	\$123,343	\$107,371
2000-2005 Percent Change	57.9%	89.3%	106.1%	89.2%	149.2%
Sources: Albemarle Area Association of Realtors and the Old Dominion University Economic Forecasting Project					

# ARE THE NORTH CAROLINA COUNTIES CANDIDATES FOR JOINING THE HAMPTON ROADS MSA?

Currituck County already is a part of the Hampton Roads MSA. Should the other four counties be added?

The U.S. Office of Management and Budget (OMB) is the federal agency charged with defining MSAs. The standards for creating a Core Based Statistical Area, or CBSA (a CBSA can be a Metropolitan Statistical Area like Hampton Roads or a Micropolitan Statistical Area like Elizabeth City), are set forth in “Part IX, Office of Management and Budget, Standards for Defining Metropolitan and Micropolitan Statistical Areas; Notice,” Federal Register, Wednesday, Dec. 27, 2000. The Federal Register sets out a simple rule for combining counties into MSAs or merging MSAs: “(a) at least 25 percent of the employed residents of the county work in the CBSA’s central county or counties, or (b) at least 25 percent of the jobs in the potential outlying county are accounted for by workers who reside in the CSBA’s central county or counties.” Further, two separate MSAs can merge “based on an employment interchange of at least 15 percent but less than 25 percent,” if local opinion is in favor of such a merger.

**Given the criteria laid down by OMB for including counties and/or smaller MSAs into larger MSAs and the commuting data presented earlier, it seems unlikely that the Elizabeth City MSA will be merged into Hampton Roads in the near future.** Consider the current commuting patterns between the areas: 13.1 percent of resident workers from the Elizabeth City MSA commute to Hampton Roads, while only .1 percent of resident workers from Hampton Roads commute to the

Elizabeth City MSA. This falls considerably below the OMB inter-area commuting standard and is not enough, as yet, to allow the interested counties to petition for a merger, if indeed they would wish to do so. The 2010 census could change this situation.

**Gates County presents a different case – 36.4 percent of its resident workers are employed in Hampton Roads and 27.4 percent of all income earned in the county comes from employment in Hampton Roads.** Once again, however, only a very small fraction of Hampton Roads resident workers commutes to Gates County for employment. Nevertheless, Gates County would appear to qualify for inclusion in the Hampton Roads MSA.

More than one-quarter of all personal income in Currituck and Gates counties is earned from employment in Hampton Roads. By contrast, only 10 percent of personal income in the Elizabeth City MSA can be attributed to earnings in Hampton Roads. Further, as we have pointed out, the Elizabeth City MSA, and Elizabeth City in particular, is steadily becoming more economically self-sufficient and therefore less tied to Hampton Roads for daily shopping needs. The proportion of resident workers commuting from the Elizabeth City MSA to Hampton Roads *actually declined* from 14.2 percent in the 1990 census to 13.1 percent in the 2000 census.

If and when they become eligible, will it actually be in the best interests of the four non-member counties to join the Hampton Roads MSA? Perhaps, but this will not be a slam-dunk. On the plus side, being included in the Hampton Roads MSA probably would enhance these counties' ability to market themselves to prospective businesses. It would be legitimate for them to cite the assets of Hampton Roads in their presentations and to become members of regional economic organizations such as the Hampton Roads Economic Development Alliance. On the negative side, the North Carolina counties would constitute only a tiny proportion of the Hampton Roads MSA and therefore might not receive extensive attention for their specific needs.

**So, will the Hampton Roads MSA be expanded further into North Carolina? The only plausible expansion would be the inclusion of Gates County. Gates, with 36.4 percent of its resident workers commuting to Hampton Roads and 27.4 percent of its income derived there, more than meets the Office of Management and Budget's basic commuting requirements for inclusion in the MSA. After the 2010 census, this may occur. If so, it will officially recognize a long-term trend in economic activity.**