THE WAY WE WERE: 2010-2019

Never erase your past.
It shapes who you are today and will help you to be the person you’ll be tomorrow.
– Ziad K. Abdelnour, Wall Street financier, trader and author

The immediacy of the “now” often triumphs over our ability to reflect on the past. In a 24-hour news cycle, there are constant demands on our attention. 2020 has been no exception. The COVID-19 pandemic has challenged us socially and economically and its impacts are likely to reverberate over the coming decade. Even amid these turbulent times, when looking back over the previous decade, it is important to reflect on what went right and what did not turn out as expected, and to think about how we can improve.

Hampton Roads has much to offer: a natural environment that is intertwined with water, a diverse and unique history and culture, an important role in national security and a relatively high quality of life. The last decade, however, might be characterized as one in which Hampton Roads was largely left behind. The nation and Virginia grew faster than the region. More jobs were created elsewhere. While Virginia was “open for business,” it seemed that Hampton Roads was on the outside, looking in.

Yes, the COVID-19 pandemic will lead to an economic contraction in 2020, but the underlying strengths of the region remain. The question is whether we can leverage these strengths and mitigate our weaknesses to grow over the coming years.

To answer this question, we cannot merely tout the region’s successes, we must ask what has not worked, and, more importantly, why it did not work. Our successes and failures are a product of decisions and the environment in which actions take place. If we are to grow in the current decade, we must first ask what restrained the regional economy in the past decade.
A (Mostly) Lost Decade?

By looking back, we can assess what went right and wrong and what defied our expectations. The 2010 State of the Region Report reflected on the impact of the Great Recession and concluded that the region’s long-term growth prospects were imperiled by a reliance on defense spending, a lack of private-sector job creation, net outmigration of residents to other locales in the United States and a transportation infrastructure that imposed increasing costs on residents and businesses. These astute observations are as applicable today as they were in 2010.

The recently concluded decade can be best characterized as largely lost in terms of economic growth. As illustrated in Table 1, the real (inflation-adjusted) size of the Hampton Roads economy declined from $88.03 billion in 2010 to $86.85 billion in 2016, a decline of 1.3%. Only in the last three years of the decade did the region return to economic growth, with regional gross domestic product (GDP) increasing at an annual rate of 1.1% in 2017, 2.2% in 2018 and 2.4% in 2019. While not exactly a “happy days are here again” scenario, it was a welcome reprieve from the economic malaise that permeated our discussion in the early years of the decade.

The reasons for our malaise were the same reasons for our increased economic vigor: the pillars of the regional economy – defense spending, the Port of Virginia and the tourism and hospitality industries. Rapid increases in defense spending during the first years of the Trump administration, continued improvements in the tourism and hospitality industries and improvements in both the financial position and cargo traffic at the Port of Virginia combined to lift growth in the last three years of the decade. While the challenges noted in the 2010 State of the Region Report remained, prospects were, one might say, looking up.

**TABLE 1**

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal GDP</th>
<th>Real GDP (Base Year – 2012)</th>
<th>Year-Over-Year Change in Real GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$85,103</td>
<td>$88,031</td>
<td>0.1%</td>
</tr>
<tr>
<td>2011</td>
<td>$85,243</td>
<td>$87,037</td>
<td>-1.1%</td>
</tr>
<tr>
<td>2012</td>
<td>$86,110</td>
<td>$86,110</td>
<td>-1.1%</td>
</tr>
<tr>
<td>2013</td>
<td>$88,250</td>
<td>$86,595</td>
<td>0.6%</td>
</tr>
<tr>
<td>2014</td>
<td>$89,436</td>
<td>$85,851</td>
<td>-0.9%</td>
</tr>
<tr>
<td>2015</td>
<td>$93,392</td>
<td>$87,340</td>
<td>1.7%</td>
</tr>
<tr>
<td>2016</td>
<td>$94,442</td>
<td>$86,845</td>
<td>-0.6%</td>
</tr>
<tr>
<td>2017</td>
<td>$96,826</td>
<td>$87,801</td>
<td>1.1%</td>
</tr>
<tr>
<td>2018</td>
<td>$100,976</td>
<td>$89,776</td>
<td>2.2%</td>
</tr>
<tr>
<td>2019*</td>
<td>$105,365</td>
<td>$91,930</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Sources: Bureau of Economic Analysis and the Dragas Center for Economic Analysis and Policy, Old Dominion University. *2018 is the advance estimate while 2019 is our estimate.

The region’s economic performance (or lack thereof) over the last decade is more apparent when compared to the United States and Virginia. As illustrated in Graph 1, the Commonwealth and the nation grew faster and more consistently than the region over the decade. By the end of the decade, the U.S. economy was 22.3% larger than it was at the beginning. Virginia’s economy was 11.1% larger, while the regional economy was only 4.4% larger. On average, this meant that for every dollar of new output created in Hampton Roads, Virginia created nearly three dollars, while the nation created five dollars of new output.
GRAPH 1

INDEX OF REAL GROSS DOMESTIC PRODUCT:
UNITED STATES, VIRGINIA AND HAMPTON ROADS, 2010-2019*

Sources: Bureau of Economic Analysis and the Dragas Center for Economic Analysis and Policy, Old Dominion University. *Data on GDP incorporate the latest BEA revisions in December 2019. Data for 2018 for Hampton Roads are the advance estimates and the 2019 data represent our estimate. Index is equal to 100 in 2010.
In Table 2, we present the annual average growth in real GDP for the U.S., Virginia and selected metropolitan areas over the last two decades. Between 2001 and 2009, the Hampton Roads economy grew at an average annual rate of 2%, outpacing the nation and several peer metropolitan areas. While the region did not grow as fast, on average, as the Commonwealth, growth was respectable.

The last decade, however, saw the region lag the nation, the Commonwealth and every peer metropolitan area. From 2010 to 2018, Hampton Roads grew at an annual average rate of 0.2%, much slower than the next lowest member in the peer group, Memphis, which managed to grow 1.1% annually over the same period. We can only look wistfully at the economic performance of Nashville and Raleigh, where annual growth rates averaged above 4% from 2010 to 2018.

The slowing rate of economic growth in the region manifested itself in numerous ways. A lack of vibrancy made it more difficult to attract and retain businesses. Even though Hampton Roads produces thousands of college graduates annually, it became increasingly difficult to persuade graduates to stay. Outmigration increased, especially among workers in their 30s and 40s. The lack of private-sector job growth continued to inhibit attempts to diversify the economy, increasing the region’s vulnerability to budgetary decisions made in Washington, D.C. These challenges have not left us, but have subsided in the face of the COVID-19 pandemic and recession.

<table>
<thead>
<tr>
<th>Metropolitan Statistical Area</th>
<th>Average Growth 2001-2009</th>
<th>Average Growth 2010-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1.7%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Virginia</td>
<td>2.2%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Charlotte-Concord-Gastonia, NC-SC</td>
<td>3.0%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Cincinnati, OH-KY-IN</td>
<td>0.5%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Cleveland-Elyria, OH</td>
<td>0.1%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Fresno, CA</td>
<td>3.1%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Jacksonville, FL</td>
<td>1.5%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Memphis, TN-MS-AR</td>
<td>-0.1%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Nashville-Davidson-Murfreesboro-Franklin, TN</td>
<td>2.9%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Raleigh, NC</td>
<td>2.8%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Richmond, VA</td>
<td>0.4%</td>
<td>1.5%</td>
</tr>
<tr>
<td>San Diego-Carlsbad, CA</td>
<td>2.3%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Virginia Beach-Norfolk-Newport News</td>
<td>2.0%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Sources: Bureau of Economic Analysis and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Real GDP in 2012 chained dollars. Annual growth rate is the compound annual growth rate.
Economic Performance At The City And County Level

Measuring economic performance at the local level typically is a difficult undertaking because of the many factors specific to the time period and region in question. The inflows and outflows of military personnel and ships that distinguish Hampton Roads are but one example. Nevertheless, in 2018 the Bureau of Economic Analysis (BEA) released prototype estimates of GDP for counties in the United States for 2012 through 2015. In 2019, the BEA expanded and revised these estimates, with county and county-equivalent GDP estimates ranging from 2001 to 2018. These estimates provide comparable measures of economic activity across counties in the United States. While by no means perfect, these estimates offer insight into economic activity at the local level in Hampton Roads.1

Table 3 illustrates how the decade of slow growth played out among the cities and counties in the region. For some cities and counties, GDP in 2018 was lower in real terms than in 2010. In other words, estimated economic activity had not recovered to levels observed at the start of the decade. It is likely that the continued growth in 2019 lifted some of the localities into positive territory, but we must also recognize that some of the declines are so stark that these localities may still be in a state of economic decline. The highest annual average growth rate was observed in North Carolina’s Currituck County (2.3%), but since Currituck accounts for only 0.7% of the regional economy, this did not move overall economic performance that much.

Hampton Roads’ seven largest cities accounted for 88.2% of GDP in 2018, and this approaches 93% if one adds James City County and Williamsburg to the mix. Norfolk and Virginia Beach alone generated nearly half of all economic activity in the region in 2018, but the estimates suggest a tale of two different economies: Virginia Beach growing slowly and Norfolk contracting slowly. If we focus on the last two years of data, a more hopeful picture emerges. More than half of the cities and counties in the region experienced positive year-over-year growth in real economic activity in 2017 and 2018.

1 We must caveat our discussion with two points. First, these estimates (as with the metro-level estimates) are revised annually. Second, the county-level and metro estimates are not directly comparable; that is, the county estimates do not sum to the metro estimates.
## TABLE 3

**REAL GROSS DOMESTIC PRODUCT: CITIES AND COUNTIES OF HAMPTON ROADS, 2010-2018**

*(IN THOUSANDS OF 2012 DOLLARS)*

<table>
<thead>
<tr>
<th>Location</th>
<th>2010 Real GDP</th>
<th>2018 Real GDP</th>
<th>Annual Growth in Real GDP 2010-2018</th>
<th>Percent of Hampton Roads 2018 Real GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camden County, NC</td>
<td>$224,529</td>
<td>$150,096</td>
<td>-4.9%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Chesapeake</td>
<td>$9,266,588</td>
<td>$9,671,615</td>
<td>0.5%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Currituck County, NC</td>
<td>$525,247</td>
<td>$632,304</td>
<td>2.3%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Gates County, NC</td>
<td>$160,776</td>
<td>$148,159</td>
<td>-1.0%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Gloucester County</td>
<td>$821,678</td>
<td>$839,170</td>
<td>0.3%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Hampton</td>
<td>$6,908,712</td>
<td>$6,525,663</td>
<td>-0.7%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Isle of Wight County</td>
<td>$1,698,348</td>
<td>$1,608,390</td>
<td>-0.7%</td>
<td>1.8%</td>
</tr>
<tr>
<td>James City County and Williamsburg</td>
<td>$4,152,334</td>
<td>$4,089,508</td>
<td>-0.2%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Mathews County</td>
<td>$193,012</td>
<td>$181,338</td>
<td>-0.8%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Newport News</td>
<td>$11,213,678</td>
<td>$12,053,270</td>
<td>0.9%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Norfolk</td>
<td>$21,688,665</td>
<td>$20,628,226</td>
<td>-0.6%</td>
<td>23.0%</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>$5,290,236</td>
<td>$5,719,664</td>
<td>1.0%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Southampton County and Franklin</td>
<td>$718,082</td>
<td>$703,487</td>
<td>-0.3%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Suffolk</td>
<td>$4,023,458</td>
<td>$4,409,998</td>
<td>1.2%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Virginia Beach</td>
<td>$18,788,299</td>
<td>$20,081,231</td>
<td>0.8%</td>
<td>22.4%</td>
</tr>
<tr>
<td>York County and Poquoson</td>
<td>$2,356,377</td>
<td>$2,332,335</td>
<td>-0.1%</td>
<td>2.6%</td>
</tr>
<tr>
<td><strong>Hampton Roads</strong></td>
<td><strong>$88,030,767</strong></td>
<td><strong>$89,775,562</strong></td>
<td><strong>0.2%</strong></td>
<td><strong>--</strong></td>
</tr>
</tbody>
</table>

Sources: Bureau of Economic Analysis, Prototype Estimates of County Level GDP, and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Real GDP in 2012 chained dollars. Percentages may not sum to 100% due to rounding. When necessary, the BEA combines localities to produce GDP estimates. Estimated annual growth is the compound annual growth rate. September 2018 definition of the Virginia Beach-Norfolk-Newport News MSA.
Per Capita Personal Income

Personal income captures individuals’ earnings from wages, their own businesses, dividends, interest, rents and government benefits. Real personal income per capita provides a measure of the average, inflation-adjusted income for residents in a region. Typically, rising income per capita is a signal of a thriving economy, where incomes are rising faster than increases in the population. On the other hand, stagnant or declining average income may point to economic difficulties. The challenge for a region is to foster economic conditions that attract new residents and businesses, spurring economic activity and increasing average incomes over time.

As illustrated in Graph 2, real personal income per capita in Hampton Roads mirrored that of regional GDP in the last decade – a faltering start followed by a rising finish. From 2010 to 2018, this measure increased by 8.6%, but that measure conceals the true story. Real personal income per capita was the same level in 2013 as it was in 2010, reflecting the stagnation of the regional economy. From 2013 to 2018, however, real personal income per capita increased from $40,500 to $44,000, an 8.6% jump. We expect that, given the favorable economic conditions in 2019, real personal income per capita will have continued to grow in 2019.

While this is a modicum of good news, we must draw our gaze upon how the region performed relative to the state and nation. From 2010 to 2018, real personal income per capita in Hampton Roads grew at an average annual rate of 1%, below the 1.3% average annual growth rate for Virginia, and approximately half of the growth rate of 2% for the United States. While these differences may seem small, the cumulative nature of growth means that the region fell further behind the Commonwealth and nation from 2010 to 2018. It remains to be seen whether Hampton Roads’ performance improved, relative to Virginia and the nation, in 2019.
GRAPH 2
REAL PERSONAL INCOME PER CAPITA: HAMPTON ROADS, 2010-2018
(IN THOUSANDS OF 2012 DOLLARS)

Sources: Bureau of Economic Analysis, Personal Income Per Capita by Metropolitan Area, and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Base year is 2012.
Median Household Income

While real personal income per capita provides insight into how average income per person is changing over time, it is also important to examine how households are faring in Hampton Roads. In Graph 3, we use data from the U.S. Census Bureau to examine median household income by race and ethnicity.

Median household income for all households in Hampton Roads was $65,604 in 2018, compared to $72,577 in Virginia and $61,937 in the United States. When we examine median household income by race, we find that several groups have higher levels of household income in Hampton Roads than the national average. Black and African American median household income was $46,143 in 2018, above the national average ($41,511), but below Virginia ($50,064). Asians were the only minority group in the region to have a lower median household income than the national average.

National-level data also point to significant disparities in household wealth. The latest Survey of Consumer Finances from the Federal Reserve System’s Board of Governors finds persistent and significant differences in household wealth among families of different racial and ethnic groups. Graph 4 illustrates median and mean net worth by race. The median wealth of white households was almost 10 times that of Black and African American households. Mean net housing wealth was lower for Black and African American households ($94,400) relative to white households ($215,800). Black and African American households also held a greater proportion of their wealth (37%) in housing compared to white households (32%). Lower levels of income and wealth decrease the ability of households to weather economic shocks, in particular those that undermine the value of housing.

These inequities were accentuated by the Federal Reserve Bank’s accommodative monetary policies. In an effort to stimulate and sustain economic growth, the Federal Reserve maintained relatively low interest rates. As interest rates declined, capital flowed into equities and real estate in search of higher returns. As stock prices increased, the portfolios of Americans who held individual stocks or mutual funds rose, leading to increased household wealth. However, only about half of American households have sufficient savings to invest in the stock market, so these gains in wealth were not equally distributed across the population.

The gains in housing values increased the wealth of homeowners, but since homeownership rates are higher for whites relative to African Americans and Hispanics, these gains were not proportionally distributed by race. Furthermore, increasing housing values “priced out” many Americans, shifting their demand to rental housing, leading to increased rental prices. In other words, if you owned a house, the last decade was likely beneficial to your personal wealth. If you rented, however, you were not able to partake in these gains.

The net effect of the Federal Reserve’s monetary policy was to exacerbate existing inequalities in the distribution of wealth. The gains of the top of the income distribution dwarfed the gains of those in the middle or at the bottom. Hispanics and African Americans also found that, relative to whites and Asians, their gains in wealth were relatively small over the last decade.
GRAPH 3

MEDIAN HOUSEHOLD INCOME BY RACE AND ETHNICITY:
U.S., VIRGINIA AND HAMPTON ROADS, 2018

Sources: U.S. Census Bureau, 2018 ACS 1-Year Estimates Subject Tables, and the Dragas Center for Economic Analysis and Policy, Old Dominion University. In 2018 inflation-adjusted dollars.
**GRAPH 4**

**MEDIAN AND MEAN HOUSEHOLD NET WORTH BY RACE AND ETHNICITY:**

**UNITED STATES, 2016**

**(THOUSANDS OF DOLLARS)**

Poverty Rate

The U.S. Census Bureau uses a set of income thresholds that vary by family size and composition to determine who is in poverty. If a family’s total income is less than the poverty threshold, then every member of the family is considered in poverty. The poverty rate captures the number of people in poverty relative to the population.

In 2010, the poverty rate in the United States had reached 15.1% as the aftereffects of the Great Recession continued to reverberate through the nation (Graph 5). However, as the national economy grew over the decade, the percentage of people in poverty fell. By 2018, the national poverty rate had fallen to 11.8% and likely declined in 2019.

In 2010, the poverty rate in Hampton Roads was 12.3%, almost three percentage points lower than the nation, though somewhat higher than the Commonwealth. Unlike the nation and the state, however, the poverty rate did not decline in the region from 2010 to 2018. In fact, the poverty rate increased slightly to 12.4% in 2018. Anemic economic growth, relatively stagnant private-sector job creation and tepid growth in personal incomes created significant headwinds against efforts to lower the poverty rate in Hampton Roads. Even with the projected growth in 2019, it is likely the poverty rate in the region did not change significantly. The persistence of poverty in the region and the nation is closely correlated with food insecurity, a topic we explore in more detail later in this report.
**GRAPH 5**

**POVERTY RATE:**

**U.S., VIRGINIA AND HAMPTON ROADS, 2010-2018**

Individual Employment Grows After A Slow Start

The civilian labor force is equal to the number of individuals in the population who are 16 years or older and employed or actively seeking employment.\(^2\) As illustrated in Graph 6, the civilian labor force only grew by 3.1% from 2010 to 2019, significantly slower than the 1990s (9%) and 2000s (12.3%). As with other measures of economic activity, the labor force grew slowly in the first half of the decade (1.2%) compared to the second half of the decade (3.1%).

Individual employment increased by about 8.2% from 2010 to 2019, that is, almost 8% more residents of Hampton Roads reported they were working at the end of the decade than at the beginning of the decade (Graph 7). The impact of the 2008-2009 Great Recession continued to reverberate in the early years of the next decade as it took Hampton Roads nearly five years to return to the level of individual employment observed prior to the onset of the recession. Individual employment accelerated at the end of the decade, rising 5.1% from 2015 to 2019, and approximately 833,500 residents were employed in 2019.

With individual employment increasing more rapidly than the civilian labor force over the decade, the unemployment rate in Hampton Roads ended this period at 3.1%, less than half the level observed in 2010 (Graph 8). Entering 2020, the question for the region was how to increase the number of workers, especially skilled workers, across several industries.

\(^2\) The civilian labor force does not include members of the armed services or institutionalized members of the population.

Individual employment and establishment employment data attempt to measure how many people are working at a given time. These data are from two different surveys: the Current Population Survey (CPS) and the Current Establishment Survey (CES). The CPS asks individuals whether they are working, looking for work or not attached to the labor force. The CES asks employers about their employees. There is an important difference between the CPS and CES. An individual can only be employed once in the CPS; that is, an individual either is working, unemployed or not seeking to work. In the CES, an individual can show up multiple times if he or she has different jobs with different employers. For clarity, we present the CPS data as “individual employment” and the CES data as “jobs.”
GRAPH 6
CIVILIAN LABOR FORCE IN HAMPTON ROADS, 2010-2019

Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Annual averages of non-seasonally adjusted data.
GRAPH 7

INDIVIDUAL EMPLOYMENT IN HAMPTON ROADS,
2010-2019

Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Annual averages of non-seasonally adjusted data.
GRAPH 8
AVERAGE ANNUAL UNEMPLOYMENT RATE IN HAMPTON ROADS, 2010-2019

Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Annual averages based on non-seasonally adjusted data.
Weak Job Growth: Hampton Roads Falls Behind

As illustrated in Graph 9, Hampton Roads added 58,200 jobs over the 2010-2019 decade. It took the region 10 years to recover all the jobs lost during the Great Recession. To put this in perspective, it took Virginia 75 months and the United States 76 months to reach job levels equivalent to the prerecession peak. As seen in Graph 10, the number of jobs in Hampton Roads increased 7.9% over the decade, behind Virginia (11.3%) and the nation (15.8%). On a proportional basis, for every job added in Hampton Roads over the decade, the nation added two.

Hampton Roads also performed worse than most of the selected peer metropolitan areas (Graph 10). Only two of the 10 metros, Lynchburg (2.7%) and Roanoke (4.8%), fared worse than Hampton Roads in job creation. Most of the selected peer areas added jobs at more than twice the rate of our region, including the Raleigh, North Carolina, metropolitan statistical area, which added four jobs for every one job added in Hampton Roads.

Taking a deeper dive into job growth, Graph 11 shows which industry sectors added or lost jobs over the decade. The largest gains were in the education and health services sector, which added 19,100 jobs, followed by professional and business services (15,800) and leisure and hospitality (9,100). The largest losses occurred in the local government (-5,900), information (-1,800) and state government sectors (-1,000). The absolute change in the number of jobs over the decade is quite small relative to the total number of jobs, illustrating how weak job growth was in the previous decade.

Fewer jobs in the information sector is concerning, given the region’s goal of becoming a cybersecurity and information technology hub. However, a far more troubling sign for the region is the two industry sectors which added the most jobs over the decade, education and health services and leisure and hospitality, since they have been among those most significantly impacted by COVID-19 and associated measures, such as social distancing.
GRAPH 9
AVERAGE CIVILIAN NONFARM EMPLOYMENT (JOBS):
HAMPTON ROADS, 2010-2019

Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Annual averages of non-seasonally adjusted data.
GRAPH 10

PERCENTAGE CHANGE IN NET NEW CIVILIAN JOBS:
U.S., VIRGINIA, HAMPTON ROADS AND SELECTED METROPOLITAN AREAS, 2010-2019

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lynchburg, VA</td>
<td>2.7%</td>
</tr>
<tr>
<td>Roanoke, VA</td>
<td>4.8%</td>
</tr>
<tr>
<td>Hampton Roads</td>
<td>7.9%</td>
</tr>
<tr>
<td>Virginia</td>
<td>11.3%</td>
</tr>
<tr>
<td>Northern Virginia</td>
<td>15.1%</td>
</tr>
<tr>
<td>United States</td>
<td>15.8%</td>
</tr>
<tr>
<td>Richmond, VA</td>
<td>16.1%</td>
</tr>
<tr>
<td>Charlottesville, VA</td>
<td>17.8%</td>
</tr>
<tr>
<td>Durham, NC</td>
<td>18.9%</td>
</tr>
<tr>
<td>Jacksonville, FL</td>
<td>24.9%</td>
</tr>
<tr>
<td>Charlotte, NC</td>
<td>29.5%</td>
</tr>
<tr>
<td>Raleigh, NC</td>
<td>30.1%</td>
</tr>
</tbody>
</table>

Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Annual averages of non-seasonally adjusted data.
GRAPH 11
CHANGE IN ANNUAL COVERED EMPLOYMENT (JOBS) IN SELECTED INDUSTRIES:
HAMPTON ROADS, 2010-2019

<table>
<thead>
<tr>
<th>Industry</th>
<th>Change in Annual Covered Employment (Jobs)</th>
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<tr>
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<tr>
<td>State Government</td>
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<tr>
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<tr>
<td>Manufacturing</td>
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Sources: Virginia Employment Commission: Covered Employment and Wages, and the Dragas Center for Economic Analysis and Policy, Old Dominion University
Federal Spending And Employment

The Department of Defense (DOD) is one of the three pillars of the Hampton Roads economy, and while times changed, the story remained the same over the previous decade. The region’s economic fortunes have been closely tied to budgetary decisions made in Washington, D.C. As illustrated in Graph 12, direct DOD spending in Hampton Roads fell from $19.8 billion in 2012 to $18.9 billion in 2013. This reduction and subsequent stagnation of DOD direct spending tapped the brakes on economic growth in the region. It took another four years for direct DOD spending to finally eclipse the level previously observed in 2012.

The last years of the decade saw a rapid increase in direct DOD spending in Hampton Roads and, with it, a return to sustained economic growth. With approximately 40% of economic activity in the region tied in some way to DOD spending, it should be no surprise that the rapid increases fueled economic expansion. However, entering the new decade, questions remained whether these increases were sustainable, or whether future-spending increases would merely equal the rate of inflation. If the latter scenario proves true, then the prospects for future regional growth would certainly dim.

Graph 13 shows the number of military and federal civilians employed in the region from 2010 to 2018. While the number of military personnel stationed in Hampton Roads declined by 13,800 over the decade, the number of federal civilian employees increased by approximately 7,900 over the period. A recent news release from the U.S. Navy, however, suggests that the number of Navy personnel increased in the region in FY 2018.3 If this trend continues, it would bode well for the region’s economic prospects.

Even while the region’s total number of military personnel and federal civilian employees declined from 2010 to 2018, total compensation increased over the period. Graph 14 illustrates that, in 2018, the total compensation of military personnel and federal civilian employees was $14.7 billion. The growth in total compensation over the decade primarily has been driven by the increase in federal civilian employees.

Military personnel and federal civilian employees are “fiscal gold” for Hampton Roads. The federal government foots the bill, and the region benefits from the skills and compensation of these employees (as well as those of their family members in many cases). In 2018, average compensation for a private-sector job in Hampton Roads was $43,136. The average compensation for military service members and federal employees in the region was $96,985 and $116,544, respectively. In other words, the compensation of a military service member equaled, on average, 2.2 private-sector jobs. For federal civilian employees, the ratio was 2.7 private-sector jobs per one federal job in Hampton Roads.

The challenge for Hampton Roads now is to leverage its strength with the federal government while fostering private-sector job growth. To say this will be difficult in the current economic environment is an understatement. However, to borrow an overused cliché, every journey begins with a single step. Let’s take a look at some of the other segments of the regional economy and how they fared over the last decade.

GRAPH 12

ESTIMATED DIRECT DEPARTMENT OF DEFENSE SPENDING:
HAMPTON ROADS, 2010-2019*
(IN BILLIONS OF NOMINAL DOLLARS)

GRAPH 13

MILITARY AND FEDERAL CIVILIAN EMPLOYMENT:
HAMPTON ROADS, 2010-2018

Sources: Bureau of Economic Analysis, CAEMP25N, Total Full-Time and Part-Time Employment by NAICS Industry, and the Dragas Center for Economic Analysis and Policy, Old Dominion University

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THE WAY WE WERE: 2010-2019
GRAPH 14

MILITARY AND FEDERAL CIVILIAN TOTAL COMPENSATION: HAMPTON ROADS, 2010-2018
(IN BILLIONS OF NOMINAL DOLLARS)

Sources: Bureau of Economic Analysis and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Last updated by BEA on Nov. 14, 2019.
The Port Of Virginia: A Promising Decade Of Growth

The Port of Virginia provides an example to the region of how effective leadership, wise investments and vision can change the fortunes of an organization. In the early part of the decade, the Port’s finances were, at best, troublesome. By 2019, however, operating income (revenues minus expenses) rose from -$18.64 million in 2010 to $61.03 million.\(^4\) The Port was profitable and continuing significant investments were aimed at improving its efficiency and capacity.

Unlike the regional economy, which is more beholden to changes in federal defense spending, the Port is connected to the global economy. In 2009, for example, general cargo tonnage declined by 2.9 million tons as a result of the Great Recession. By 2013, cargo tonnage at the Port had not only recovered, but it exceeded its prerecession peak (Graph 15). General cargo tonnage levels increased by about 6.6 million tons over the decade. Faster growth might have occurred if not for capacity constraints and the fallout of an ill-advised trade conflict with China and other major trading partners.

While cargo tonnage increased over the decade, the Port’s share of loaded 20-foot equivalent container units (TEUs) ended the decade where it started, at 16.5% (Graph 16). Among its major competitors on the East Coast, the largest port, New York-New Jersey, lost approximately 5.6% of its loaded TEU traffic. The Port of Savannah gained the most market share over the decade, rising from 22.9% of loaded TEUs in 2010 to 26.1% in 2019. One reason for the Port’s inability to gain market share has been the relatively dynamic economic growth in the southeastern United States. Goods flow where there is demand, and growth in Georgia and surrounding states over the decade was superior to that of the Commonwealth.

The Port of Virginia made significant investments to bolster operations, which include the $320 million expansion of the Virginia International Gateway (VIG) terminal in Portsmouth and the $350 million expansion of Norfolk International Terminals (NIT). The completion of both expansion projects in 2020 should increase capacity by 1 million containers. As container ships have become larger, the ability to service larger cargo ships will be key to future growth.

If one evaluated the Port of Virginia in the first half of the decade rather than at the end, the conclusions would be markedly different. Financial difficulties, the loss of market share and inefficiencies marred the operation of the Port, but the story did not end in 2015. The Port’s financial turnaround is a hopeful sign of better times ahead.

Yet, even with new investments, the Port faces significant challenges. It must find a way to increase its market share. While some factors (trade wars and regional growth) may be outside the Port’s control, the loss of market share over the second half of the decade is concerning. If the Port is no longer viewed as a necessary stop to deliver cargo to the Mid-Atlantic and other states, then financial difficulties may return. For now, the Port appears headed in the right direction, but it needs to pick up steam or face the prospect of falling behind its competitors to the south.

\(^4\) Virginia Port Authority, 2019 Comprehensive Finance Reports.
GRAPH 15
GENERAL CARGO TONNAGE:
PORT OF VIRGINIA, 2010-2019

15.32 19.98 21.94


Millions of Tons

Sources: Virginia Port Authority and the Dragas Center for Economic Analysis and Policy, Old Dominion University
SHARES OF TOTAL LOADED TEUS FOR SELECTED EAST COAST PORTS, 2010-2019

Sources: American Association of Port Authorities, port websites and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Market shares are based on TEUs for Baltimore, Boston, Charleston, Virginia, New York/New Jersey and Savannah.
Hospitality And Lodging: A Decade Of Good News

The lodging and hospitality industries emerged as a bright spot in the previous decade. While many other sectors ebbed and flowed, the hotel sector exhibited growth over the entire decade in almost every category. Not only did hotel revenues and occupancy increase, but the region also ended the decade on a high note with the Something in the Water festival in April 2019.

Graph 17 shows two factors were in play in the hotel industry in Hampton Roads. First, the region had 3,000 fewer hotel rooms at the end of the decade than the beginning. Second, the average occupancy rate for rooms in the region increased as the decade progressed, reflecting smaller supply and the region’s increasing popularity for travel and tourism. It should be no surprise that hoteliers were able to earn more revenue in nominal and real terms at the end of the decade than at the start of the decade (Graph 18).

The standard measure for determining the health of hotels is called Revenue per Available Room, or RevPAR. RevPAR accounts for the demand and supply of rooms – that is, the number of people who are willing to pay for rooms and the number of rooms available for rent. Graph 19 shows the percentage change in real RevPAR over the decade for the United States, Virginia, Hampton Roads and selected markets within the region. Real RevPAR in the Hampton Roads market increased 28.4% over the decade, above the Commonwealth (14%), but slightly below the national average of 31.1%. The Williamsburg submarket performed better than all the selected markets over the last decade, increasing 36.2%.

The ability of hoteliers to command higher prices for rooms is not only dependent upon fewer rooms and increasing demand. The decade saw the introduction of new, upscale hotels in the region, including The Main in Norfolk and the remodeled Cavalier in Virginia Beach. Several hotels also upgraded their rooms and facilities.

Our interviews with hoteliers strongly suggest that improvements in quality increased their ability to charge higher prices. This, in turn, created a virtuous cycle of development, where higher returns created an incentive for existing and new hotels to improve the quality of their lodgings. These efforts proved to be an economic boon for the region.

The performance of Hampton Roads hotels would likely have been even better if not for the emergence of the short-term rental industry. Airbnb, HomeAway, FlipKey and Vrbo introduced additional room supply to the regional hotel market, increasing competition especially during periods of peak demand. Airbnb, which is the largest online short-term rental firm in the region, saw rental revenues in Hampton Roads grow from $3 million in 2015 to $105 million in 2019. While we do not know exactly how much of this revenue would have flowed to hotels in the absence of these online short-term rental companies, there was undoubtedly some degree of substitution away from hotels to these companies. The continuing challenge for localities in Hampton Roads and throughout the Commonwealth is how to appropriately regulate these properties. We should expect this debate will continue well into the new decade.
NUMBER OF AVAILABLE HOTEL ROOMS AND OCCUPANCY RATE:
HAMPTON ROADS, 2010-2019

Source: STR Trend Reports, Jan. 24, 2017, and Jan. 23, 2020

Available Rooms

Occupancy Rate

Source: STR Trend Reports, Jan. 24, 2017, and Jan. 23, 2020
GRAPH 18

NOMINAL AND REAL HOTEL REVENUE:
HAMPTON ROADS, 2010-2019

Sources: STR Trend Report, various years; Bureau of Economic Analysis, Consumer Price Index for all Urban Consumers (base year is chained; 1982-84=100); and the Dragas Center for Economic Analysis and Policy, Old Dominion University.
PERCENTAGE CHANGE IN REAL REVPAR:
U.S., VIRGINIA AND SELECTED MARKETS IN HAMPTON ROADS, 2010-2019

Sources: STR Trend Report, various years, and the Dragas Center for Economic Analysis and Policy, Old Dominion University
**Single-Family Housing: Recovery And Growth**

As with other parts of the Hampton Roads economy, the impacts of the Great Recession and defense sequestration lingered in the housing market during the recently completed decade. Single-family residential building permits peaked in the region at 7,555 in 2005 and had fallen to 3,149 by 2010. The decline in single-family permits from the prerecession peak is not unique to Hampton Roads, however, as the Great Recession appears to have shifted construction away from single-family to multifamily units in many metropolitan areas in the country. Even with these shifts, there was a recovery in housing permits. As illustrated in Graph 20, between 2010 and 2019, the number and value of housing permits rose by 35% and 53%, respectively.

The single-family residential sales market in Hampton Roads continued to be dominated by existing construction. As illustrated in Graph 21, new-construction single-family home sales grew by 47.9% from 2010 to 2019, but the increase was from 2,265 to 3,350 units sold. Existing home sales increased by 80.2% over the same period. For every new single-family residence sold in Hampton Roads in 2019, almost eight existing homes were sold.

Residential foreclosure filings are, depending upon one’s perspective, either good or bad news. Over the decade, annual foreclosure filings fell from 12,800 in 2010 to 3,347 in 2019 (Graph 22). This good news is tempered by the realization that foreclosure filings in 2019 were still almost 60% higher in 2019 than in 2007. While the overall health of the real estate market appears to have improved in Hampton Roads, some residents still appear to be in financial straits, unable to meet their mortgage obligations.

The single-family residential housing market ended the decade in a markedly improved position. Foreclosure filings were significantly lower and demand for homes continued to increase near the end of the decade. In response, the median sales price of existing homes in Hampton Roads, which had reached its nadir in 2011 at $180,000, started to improve.

It was not until 2018, however, that median home prices for the region exceeded the prerecession peak. At the end of the decade, nominal median home prices exceeded the prerecession peak in all but three cities: Hampton, Newport News and Suffolk (Table 4).
GRAPH 20
NUMBER AND VALUE OF ONE-UNIT SINGLE-FAMILY RESIDENTIAL BUILDING PERMITS: HAMPTON ROADS, 2010-2019

Source: U.S. Census Bureau, Building Permits Survey by Metropolitan Area (2019)
GRAPH 21

EXISTING AND NEW-CONSTRUCTION HOME SALES:
HAMPTON ROADS, 2010-2019

Sources: Real Estate Information Network (REIN) and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Figures reported here represent only those properties that are listed through REIN by REIN members and may not represent all new-construction activity in our region.
GRAPH 22
NUMBER OF RESIDENTIAL FORECLOSURE FILINGS:
HAMPTON ROADS, 2010-2019

Sources: Attom Data Solutions (formerly known as RealtyTrac) and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Filings include Notice of Trustee Sale and Real Estate Owned (owned by the lender).
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<td>$155,000</td>
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<td>$234,000</td>
<td>14.8%</td>
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Sources: Real Estate Information Network and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Williamsburg represents Poquoson, Williamsburg, James City County, York County and Gloucester County.
Single-family Ownership Vs. Multifamily Rentals In Hampton Roads

Homeownership has long been the American dream; however, some would argue that increasing housing prices and relatively stagnant incomes have placed this dream out of reach for many Americans. While this narrative may be appealing, we must also recognize that other factors may be in play. Americans saddled with student loans and other forms of debt are less likely to purchase a home. Older Americans are transitioning into smaller homes or out of homes entirely. These factors have led to an increase in the demand for multifamily housing in Hampton Roads and in many metropolitan areas across the country.

Graph 23 compares median monthly rent in Hampton Roads to the monthly cost of homeownership, which includes the combined principal, interest and taxes paid. Prior to the Great Recession, it was cheaper to rent than to own in Hampton Roads. We will conclude by echoing the sentiments of previous State of the Region reports. In 2010, the cost of renting and owning was roughly equivalent. By the middle of the decade, owning (due to the relatively slow growth in housing prices and lower mortgage rates) was clearly preferred to renting. At the end of the decade, owning still provides a financial advantage to renting in our example, although the gap between the two has narrowed considerably from earlier in the decade.

While the monthly cost of homeownership may be favorable to renting, it only answers part of the question of home affordability. If housing prices are growing faster than wages, a larger percentage of monthly income will be needed to own a home. Graph 24 shows the median price of a home in relation to median income for the United States and Hampton Roads. For the median household in Hampton Roads, the percentage of income spent on housing declined over the decade.

In 2010, the median household in Hampton Roads would have paid 22.2% of its income in housing, declining to 20.1% in 2019. This trend compares favorably to the median household for the nation, which spent 24.9% of its income on housing in 2019.
GRAPH 23
ESTIMATED HOUSE RENTAL AND PRINCIPAL, INTEREST AND TAXES FOR A HOUSE PAYMENT:
HAMPTON ROADS, 2010-2019

Sources: Department of Housing and Urban Development and the Dragas Center for Economic Analysis and Policy, Old Dominion University. It is assumed that the real estate tax rate is 1%, and the tax reduction received by homeowners would compensate for homeowner’s insurance and maintenance expenditures. Prevailing 30-year average mortgage rate is used for each year.
MONTHLY PAYMENT FOR A MEDIAN PRICE RESALE HOUSE AS A PERCENTAGE OF MEDIAN HOUSEHOLD MONTHLY INCOME:
HAMPTON ROADS AND THE U.S., 2010-2019

Source: Department of Housing and Urban Development and the Dragas Center for Economic Analysis and Policy, Old Dominion University. It is assumed that the real estate tax rate is 1%, and the tax reduction received by homeowners would compensate for homeowner’s insurance and maintenance expenditures. Prevailing 30-year average mortgage rate is used for each year.
Final Thoughts

From 2010 to 2019, one could, to paraphrase a famous novel, argue that it was “the best of times and worst of times” in Hampton Roads. One could easily look at the decade and conclude that the region fell behind Virginia and the nation and is likely to remain behind in the coming decade. We must be honest and recognize that many of the problems that were identified at the start of the decade remained at the end of the period. These challenges, including regional collaboration, inequalities in education, income and wealth, and concerns regarding racial equality, persist.

Yet, it would not be accurate to say the decade was lost. Defense sequestration is unlikely to be repeated soon. The Port of Virginia transformed its operations and ended the latest decade in a much stronger position than where it started, although it continues to be challenged in its efforts to increase market share. The hotel and tourism sector continued to grow and ended the decade with a record year in terms of revenues. The housing sector had mostly recovered (slowly) from the Great Recession but that worked to the region’s advantage in terms of attractiveness regarding the cost of living.

We do, however, need to express a cautionary note about the region’s dependence on federal and, specifically, defense spending. Hampton Roads’ role in national security depends, in some part, on the building, maintenance and training of legacy systems. As weapons systems (ships, planes and, yes, people) have become more expensive, the ability of the nation to afford large numbers of these systems is diminished. Advances in anti-ship missile technology, for example, serve to push the engage envelopment for carriers beyond the range of many ship-borne aircraft. When a ship or submarine costs billions of dollars, risking it becomes an increasingly hazardous proposition. If the DOD decides to change course and invest instead in smaller, cheaper and relatively more autonomous systems, the flow of defense funds to the region could change dramatically in a short period of time.

While the region desires to move toward emerging technologies and systems (cybersecurity, for example), it is at a competitive disadvantage relative to Northern Virginia and other regions. Federal spending will continue to play a role in the regional economy, but it is likely to diminish in the coming years. Recognizing these changes and fostering an environment conducive to private-sector growth are paramount for the region to grow.

We will conclude by echoing the findings of previous reports. Hampton Roads must leverage its strengths, particularly with regard to support from the federal government, in order to foster private-sector job growth. To do so, it must continue to promote regional collaboration and seek efficiencies among local governments in the region. The recent collaboration between Virginia Beach and Norfolk on tourism advertising is a welcome development and hopefully a signal of increased cooperation in the future.

Longer-term investments in the quality of K-12 education and transportation infrastructure are needed as well, as is a concerted effort to adapt to climate change. These actions will be neither easy nor cheap, but we should recognize that the cost of inaction is an economically stagnant region that, in time, will lose population as well as its ability to adapt economically and socially. To paraphrase the Roman poet Horace, we should continue our efforts to move forward, be bold in the pursuit of these policies, and, finally, venture to be wise by learning from the past.