ECONOMIC INDICATORS

CITY OF NORFOLK
OFFICE OF BUDGET AND GRANTS MANAGEMENT

Last Update: February 10, 2014

IN THIS ISSUE…..

- ☐ Norfolk's unemployment rate in December was 6.3 percent (not seasonally adjusted), which was below the previous year's rate of 7.3 percent and the previous month's rate of 6.6 percent. (See page 1)
- ☐ Virginia's nonfarm employment (not seasonally adjusted) rose in December by 0.8 percent (31,200 jobs) to 3,793,800 jobs from 3,762,600 jobs last year (December 2012), the 44th consecutive month of year-over-year increase. (See page 2)
- ☐ Hampton Roads nonfarm employment (not seasonally adjusted) rose 1.2 percent (9,200 jobs) to 763,700 from 754,500 jobs last year (December 2012), the 35th consecutive month of year-over-year increase. (See page 2)
- ☐ In 2013, the average sales price of homes sold in Hampton Roads rose 3.8 percent, from $223,862 last year to $232,282 this year. (See page 3)
- ☐ In Norfolk, the average sales price of homes sold in 2013 increased for the second consecutive year, rising by 6.7 percent, from $182,224 to $194,520, after increasing 5.1 percent in 2012. The increase was mainly in the average sales price of existing homes. (See page 3)
- ☐ The number of housing units in Norfolk authorized by building permits in 2013 rose by 269 units (or 36 percent), mainly due to housing units permitted in multi-family structures. (See page 4)
- ☐ Through December, Norfolk sales taxes were up 3.3 percent. However, adjusting for the correction of an overpayment to Norfolk last year, sales taxes were down 2.8 percent. Over the November—December ("holiday sales") period Norfolk sales taxes were down 7.0 percent from last year. Similarly, all the seven major cities in the region, except Suffolk, had a decrease in sales taxes during the holiday sales period. (See page 5)
- ☐ Real GDP rose at an annual rate of 3.2 percent (first estimate) in the fourth quarter of 2013, after rising at a 4.1 percent rate in the third quarter. For all of 2013, real GDP grew 1.9 percent (first estimate); in comparison, real GDP grew 2.8 percent in 2012. (See page 6)

The ***City of Norfolk Economic Indicators*** is available online at:
http://www.norfolk.gov/index.aspx?NID=437

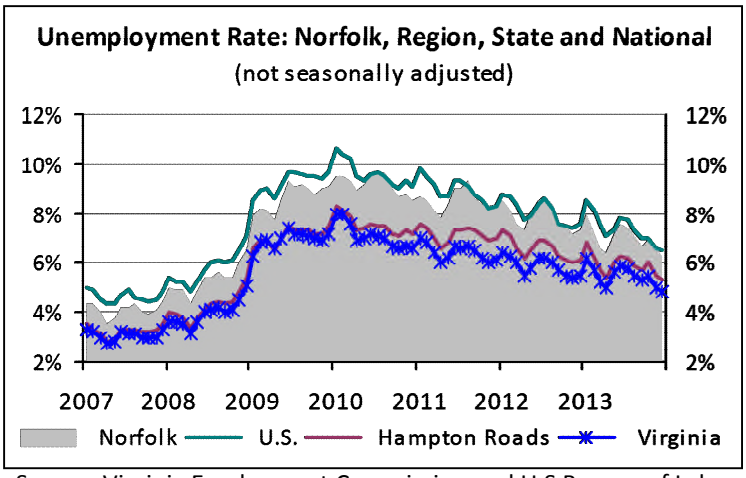
Residential Employment

Hampton Roads and State Unemployment Rate
(not seasonally adjusted)

	December 2013*	November 2013	December 2012	10-Year Average
Norfolk	**6.3%**	**6.6%**	**7.3%**	**6.4%**
Chesapeake	4.8%	5.1%	5.6%	4.8%
Hampton	6.3%	6.6%	7.2%	5.9%
Newport News	6.0%	6.1%	6.6%	5.7%
Portsmouth	6.6%	6.8%	7.4%	6.5%
Suffolk	5.3%	5.5%	6.0%	5.3%
Virginia Beach	4.7%	4.9%	5.5%	4.4%
Hampton Roads	5.3%	5.5%	6.1%	5.1%
Virginia	4.8%	5.0%	5.5%	4.8%

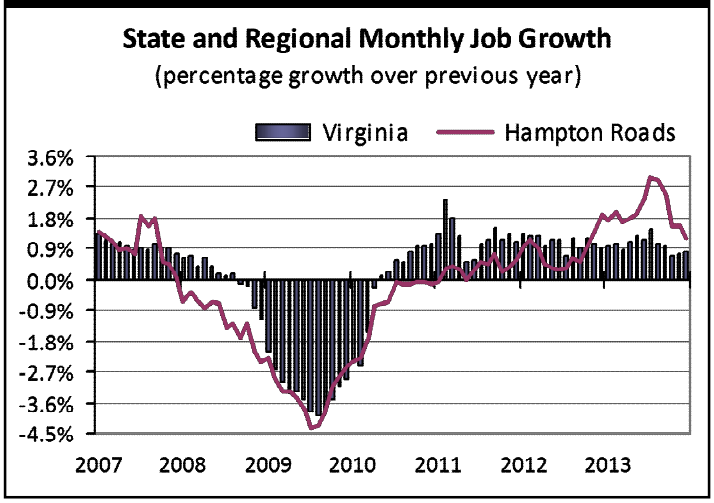
The Virginia Employment Commission (VEC) reported that Norfolk's unemployment rate (not seasonally adjusted) was 6.3 percent in December, which was 1.0 percentage point below last year (December 2012) and 0.3 percentage point below last month (November 2013). The unemployment rate fell from last year, as the number of unemployed residents fell by 998 (13.2 percent), while the Norfolk labor force and number of employed residents grew by 431 (0.4 percent) and 1,429 (1.5 percent), respectively. Norfolk's unemployment rate was below the national rate (not seasonally adjusted).

The state and region's unemployment rate both fell from the previous month by 0.2 percentage point and was below the previous year by 0.7 and 0.8 percentage point, respectively. Likewise, the unemployment rate of all the seven major cities in the region followed the same trend, declining from both the previous month and previous year.



Source: Virginia Employment Commission and U.S Bureau of Labor Statistics. * Preliminary, subject to revision.

State and Regional Job Growth



Statewide nonfarm employment (not seasonally adjusted) continued to rise year-over-year in December, rising by 0.8 percent (31,200 jobs) to 3,793,800 jobs from 3,762,600 jobs last year (December 2012), the 44th consecutive month of year-over-year job growth that began May 2010. In Hampton Roads, nonfarm employment (not seasonally adjusted) grew year-over-year for the 35th consecutive month in December, rising by 1.2 percent (9,200 jobs) to 763,700 from 754,500 jobs last year. The table below shows employment grew year-over-year in most major industries, except transportation and utilities, information, federal government, and professional and business services (Virginia only).

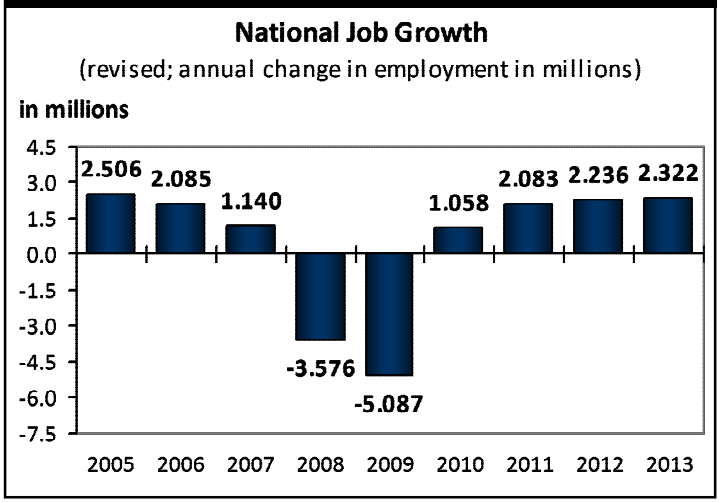
Nonfarm employment also rose in most metropolitan areas in Virginia, declining only in Charlottesville, Danville and Lynchburg. The Virginia Employment Commission indicated employment statewide continues to trend upward, but has yet to surpass its pre-recession peak.

December Job Change in Select Industries

(**not** seasonally adjusted[1]; job changes are from previous year)

	Hampton Roads[2]	Virginia[2]
Construction	2,100	5,400
Manufacturing	1,100	400
Trade (Retail and Wholesale)	800	9,100
Transportation and Utilities	-100	-1,200
Information	-200	-900
Financial Activities	2,200	7,400
Professional and Business Services	500	-7,100
Educational and Health Services	3,700	12,400
Leisure and Hospitality	500	7,300
Government	-1,600	-2,100
Federal Government	*-1,800*	*-3,600*
State Government	*500*	*1,300*
Local Government	*-300*	*200*

National Job Growth



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) rose by 113,000 jobs in January. As a result of the annual benchmark process, employment figures in 2013 and 2012 were revised upwards by 179,000 jobs. The job growth in 2013 and 2012 were revised to 2.322 million and 2.236 million, respectively, from the previous estimate of 2.186 million and 2.193 million jobs. Since February 2010, when total employment was at its lowest, the economy added 7.844 million jobs (revised). Growth have mainly been in the private sector, although local government had its first annual increase in employment since 2008, while the revised state government employment had two straight years of growth. In January, the seasonally adjusted unemployment rate fell to 6.6 percent from 6.7 percent.

National Job Change by Industry

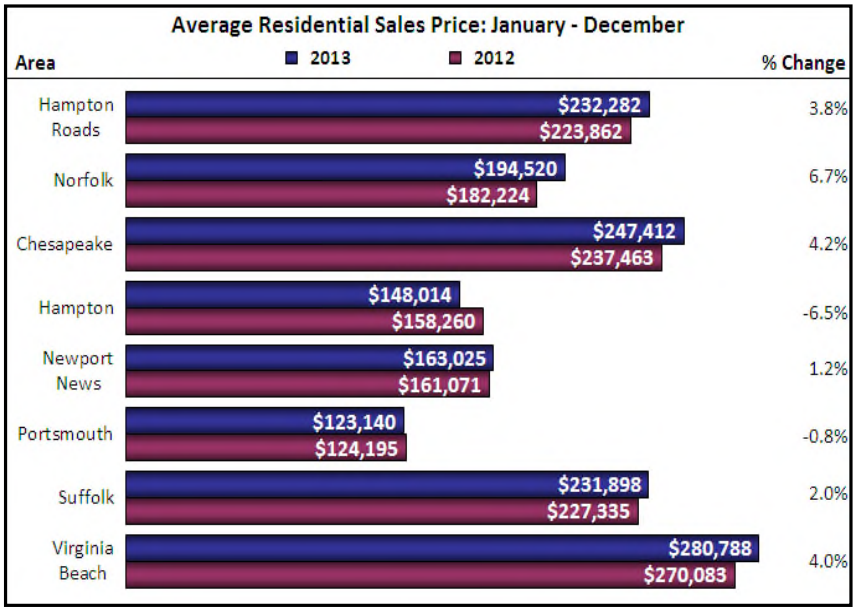
(seasonally adjusted; Jan. growth are from previous month)

	Jan. 2014[2]	Jan. - Dec. 2013[2]	Jan. - Dec. 2012[3]
Mining & Logging	7,000	32,000	19,000
Construction	48,000	154,000	114,000
Manufacturing	21,000	89,000	167,000
Trade/Transportation/Utilities	10,000	534,000	373,000
Information	0	5,000	-9,000
Finance	-2,000	75,000	94,000
Professional/Business Services	36,000	665,000	555,000
Educational/Health Services	-6,000	329,000	494,000
Leisure and Hospitality	24,000	456,000	439,000
Other Services	4,000	29,000	48,000
Government	-29,000	-46,000	-58,000
Federal Government	*-12,000*	*-78,000*	*-25,000*
State Government	*-6,000*	*9,000*	*9,000*
Local Government	*-11,000*	*23,000*	*-42,000*
Total Job Growth	**113,000**	**2,322,000**	**2,236,000**

Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. [1] Data on employment in Hampton Roads by industry available on a not seasonally adjusted basis only. [2] Preliminary. [3] Revised.

Regional Housing Market

Jan. - Dec. Home Sales	Housing Units Sold		Average Days on Market	
	2012	2013	2012	2013
Hampton Roads	19,517	21,662	97	88
Norfolk	2,343	2,621	97	90
Chesapeake	3,165	3,514	82	72
Hampton	1,358	1,439	108	99
Newport News	1,609	1,661	101	96
Portsmouth	1,088	1,253	107	96
Suffolk	1,150	1,356	100	90
Virginia Beach	5,643	6,140	84	72



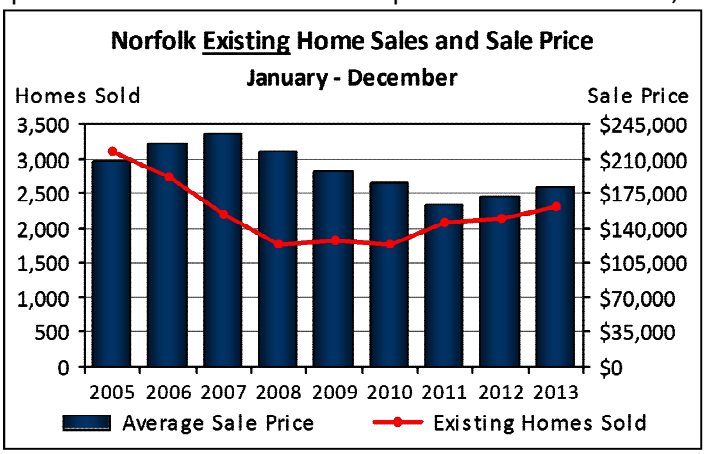
In 2013, the Real Estate Information Network (REIN) reported the average sales price of homes sold in Hampton Roads rose 3.8 percent, to $232,282 from $223,862, after increasing 2.2 percent in 2012. Among the seven major cities in the region, only Hampton and Portsmouth had a decline. In Norfolk, the average sales price of homes sold rose 6.7 percent, the largest percentage increase among the seven major cities in the region. The median sales price in 2013 also showed the same trend, rising in all but Hampton and Portsmouth, and Norfolk having the highest percentage increase (10.6 percent). However, REIN reported that the region's median sales price for the month of December alone was down 1.1 percent year-over-year. Also, distressed homes sold fell from last year but remained significant, accounting for 29.05 percent of homes sold in December, the third highest percentage in 2013.

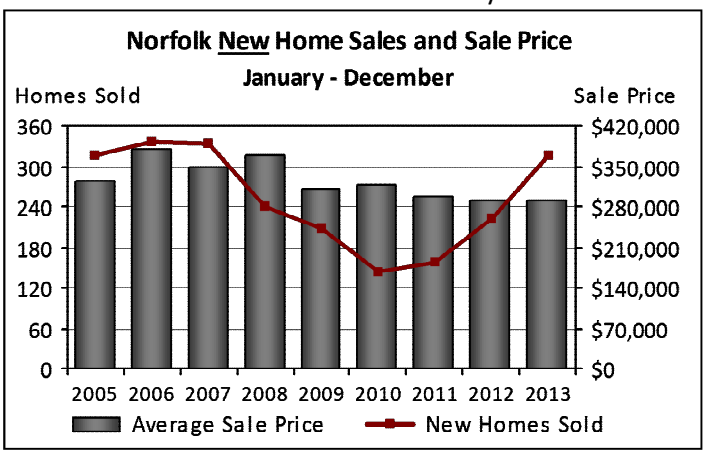
Home sales in the region rose 11 percent in 2013, with all seven major cities in the region seeing an increase. With a year-over-year increase in residential pending sales and listings of 15.6 percent and 2.3 percent, respectively, in December, home sales should continue to rise in the short-term. All in all, REIN indicated that, "increased sales, stabilizing inventories, more real estate agents entering the business, and other factors contribute to an improved level of confidence in the real estate market that has not been experienced for years."

Norfolk Housing Market

In 2013, the number of existing homes sold in Norfolk rose for the third consecutive year, rising by 8.8 percent (186 homes), to 2,306 from 2,120 in 2012. Like existing homes, new home sales also increased in 2013 for the third straight year, by 41 percent (92 homes), from 223 homes to 315 homes sold this year.

The average sales price of existing homes sold rose 6.3 percent to $181,400 from $170,700 in 2012, after increasing 4.1 percent in 2012. The rise in price reflected fewer existing homes sold for under $100,000 (8.1 percent decline). Also, more than half the increase in the number of existing homes sold were of homes priced $200,000 and above, which rose 25.5 percent in 2013. In contrast, the average sales price of new homes sold fell slightly by 0.5 percent to $290,300 from $291,900 in 2012. However, the median sales price rose 2.1 percent. Moreover, compared to the 2.2 percent decline in 2012 and 5.9 percent decline in 2011, the decline in 2013 was the smallest in three years.



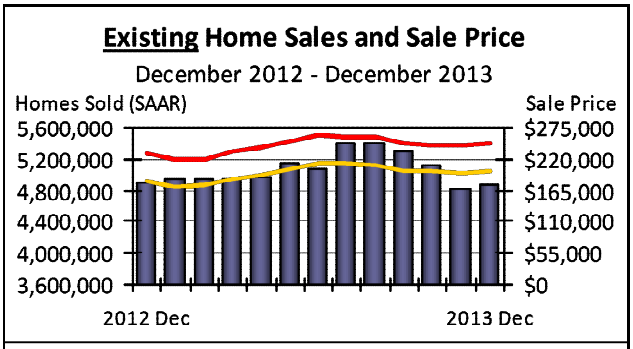


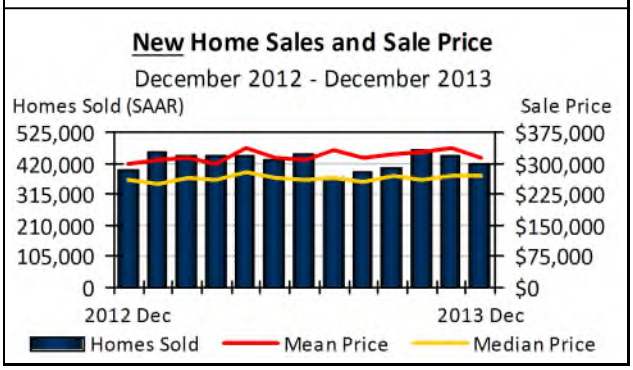
Source: Real Estate Information Network (REIN)

National Housing Market

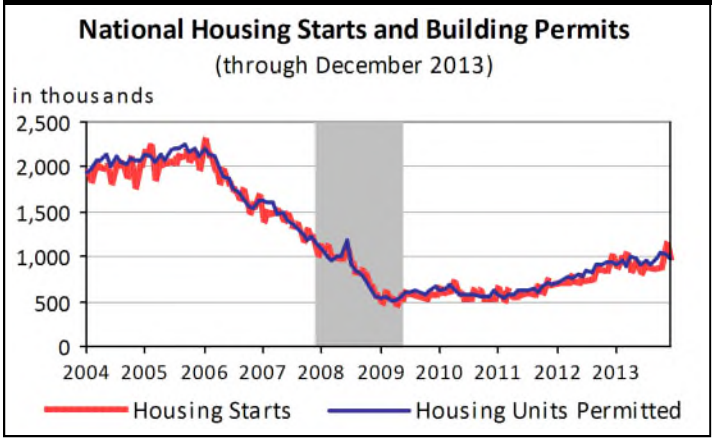
In December, existing home sales nationwide rose 1.0 percent to a seasonally adjusted annual rate (SAAR) of 4.87 million from the previous month's (November 2013) revised rate of 4.82 million, but was 0.6 percent below last year's (December 2012) rate of 4.9 million. New home sales in December fell 7.0 percent to 414,000 (SAAR) from last month's rate of 445,000, but remained above last year's rate of 396,000 by 4.5 percent.

For all of 2013, there were 5.09 million existing homes sold, which was 9.2 percent above 2012. The National Association of Realtors (NAR) indicated this was the highest since 2006. New home sales rose in 2013 by 16.3 percent to 428,000, the highest since 2009. NAR indicated "the only factors holding us back from a stronger recovery are the ongoing issues of restrictive mortgage credit and constrained inventory." In 2013, the average sales prices of existing and new homes sold continued to rise by 8.9 and 9.8 percent from last year to $245,500 and $320,900, respectively.





National New Residential Construction



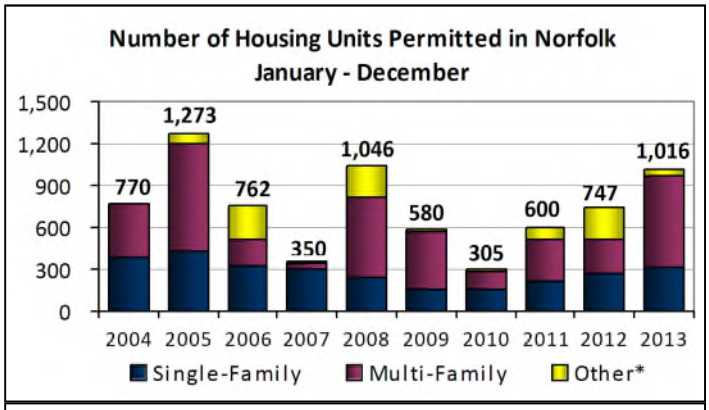
In December, privately-owned housing units authorized by building permits fell 3.0 percent to a seasonally adjusted annual rate (SAAR) of 986,000 (SAAR) from the revised rate of 1,017,000 in November. Compared to last year, housing units permitted rose 4.6 percent from the December 2012 rate of 943,000 and have risen year-over-year since May 2011. In 2013, housing units permitted rose 17.5 percent to 974,700 from 829,700 in 2012.

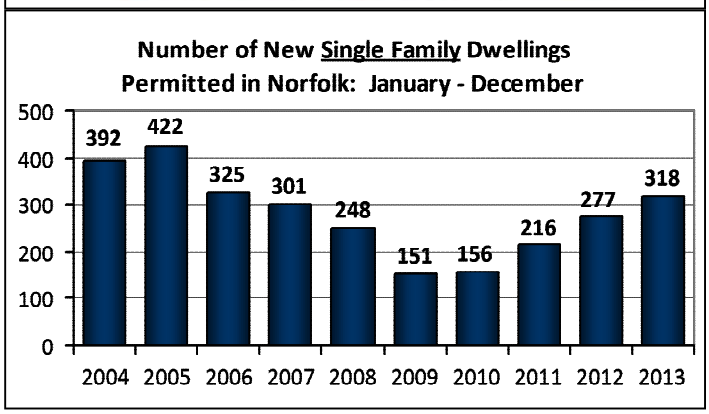
Privately-owned housing starts fell to 999,000 (SAAR) in December from 1,107,000 in November, a 9.8 percent decline. Housing units started of both single-family and multi-family structures fell from November. From the previous year, housing starts were 1.6 percent above last year's rate of 983,000. In 2013, housing starts rose 18.3 percent to 923,400 from 780,600 in 2012.

The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building. A house is "completed" when all finished flooring has been installed or at the time of occupancy.

Norfolk Residential Building Permits

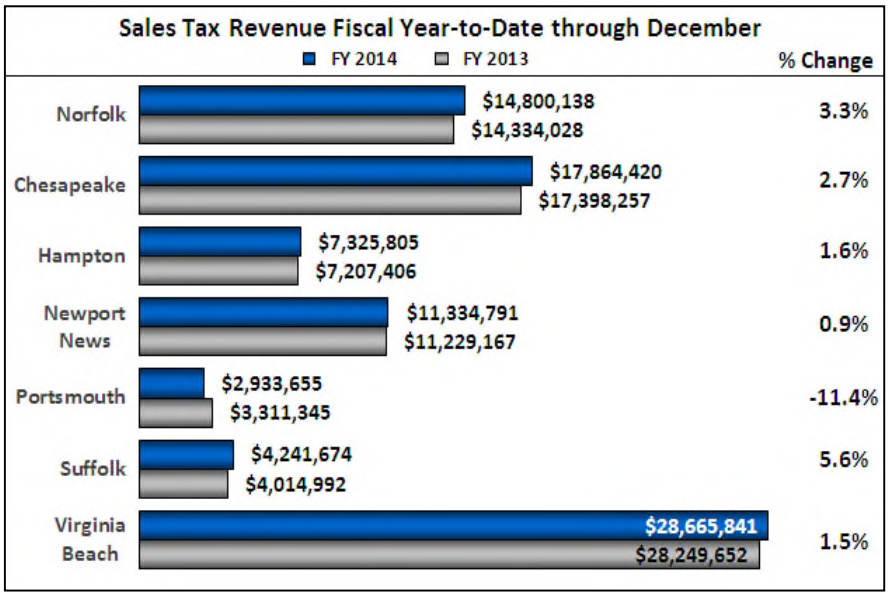
In 2013, the number of housing units permitted in Norfolk totaled 1,016 units, an increase of 269 units (36 percent) from the 747 units permitted in 2012. The increase was largely from housing units permitted in multi-family structures, which included several large projects such as, Element at Ghent (164 units), Point at Pickett Farms (168 units), and East Beach Marina Apartments (136 units). Single-family housing units permitted also increased in 2013 by 41 units (14.8 percent) and had reached their highest level since 2007.





Source: National Association of Realtors (NAR), U.S. Census Bureau, and City of Norfolk Department of Development. * "Other" includes new units in mixed use structures, residential conversions, and accessory dwellings. Shaded area denotes recession.

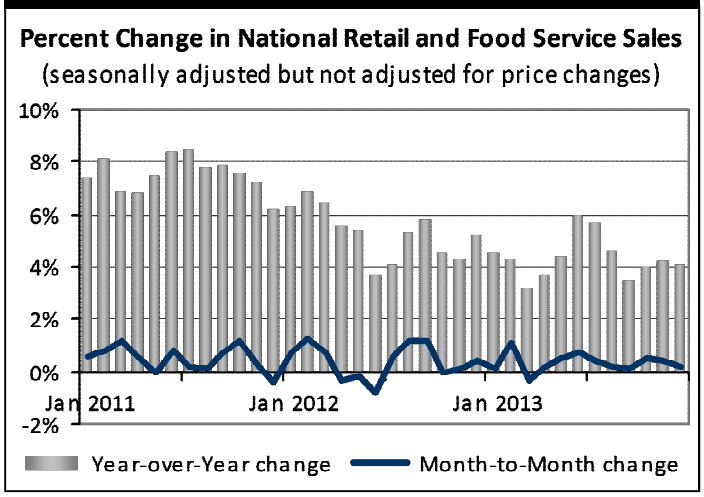
Norfolk and Regional Sales Tax



The Virginia Department of Taxation (TAX) reported Norfolk sales tax collections in December totaled about $2.6 million, which was 4.5 percent (or $123,900) below last year. Of the seven major cities in the region, only Suffolk had an increase for the month of December. Fiscal year-to-date, Norfolk sales taxes rose 3.3 percent (or $466,100). However, adjusting for the correction of an overpayment to Norfolk last year by TAX, sales taxes were down 2.8 percent.

Over the November—December ("holiday sales") period, Norfolk sales taxes totaled about $4.93 million, which was 7.0 percent (or $369,800) below last year. This was the first time since November—December 2003 that sales taxes during the holiday sales period were below $5.0 million. Same as in December, Suffolk was the only one of the seven cities that had an increase (2.8 percent) in sales taxes during the holiday sales period.

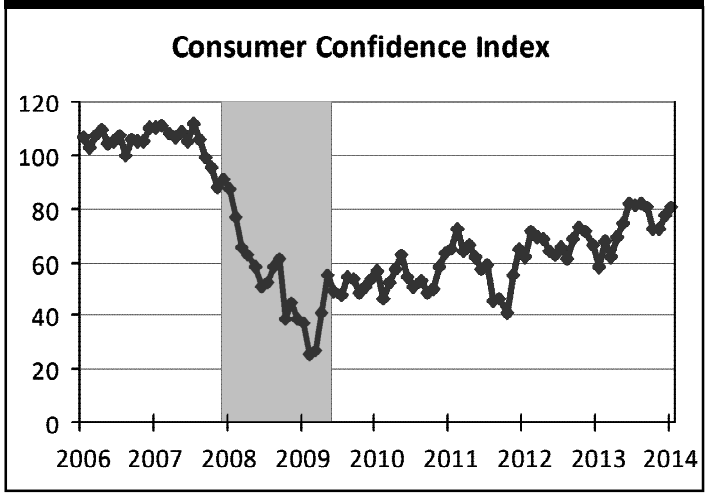
National Retail and Food Service Sales



The U.S. Census Bureau reported national retail and food services sales in December rose 0.2 percent (preliminary) from the previous month (December 2013). This was the ninth consecutive monthly increase. The monthly increase was mostly from food and beverage stores, gas stations, clothing and clothing accessories stores, nonstore retailers (which includes online stores), and restaurants and bars.

Compared to last year (December 2012), retail and food service sales rose 4.1 percent (preliminary). The year-over-year growth was broad based. Among the major business categories, only electronics and appliance stores and department stores had a decline in retail sales from last year. For all of 2013, retail and food service sales rose 4.2 percent from 2012. The annual growth was also broad based; only gas stations and department stores had a decline in sales. The largest annual increase were from sales of motor vehicles, nonstore retailers, restaurants and bars, and food and beverage stores.

Consumer Confidence Index



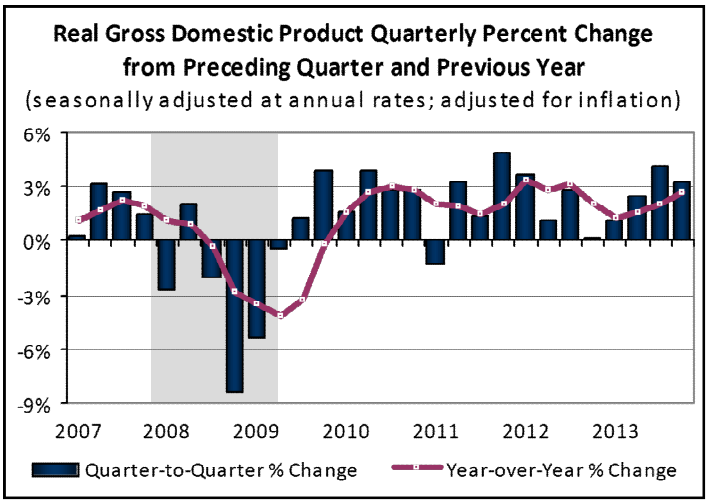
The Conference Board reported consumer confidence increased for the second straight month in January, rising to 80.7 from 77.5 in December. The Present Situation Index and Expectations Index also rose for the second straight month. The Present Situation Index, which measures consumer confidence in current business and employment conditions, rose to 79.1 from 75.3. The Expectations Index, which measures consumer confidence in future business, employment and family income six months from now rose to 81.8 from 79.0.

Lynn Franco, Director of Economic Indicators at The Conference Board indicated, "Consumers' assessment of the present situation continues to improve…..Looking ahead six months, consumers expect the economy and their earnings to improve, but were somewhat mixed regarding the outlook for jobs. All in all, confidence appears to be back on track and rising expectations suggest the economy may pick up some momentum in the months ahead."

Source: Virginia Department of Taxation, U.S. Census Bureau, and Conference Board.

Real Gross Domestic Product (GDP)

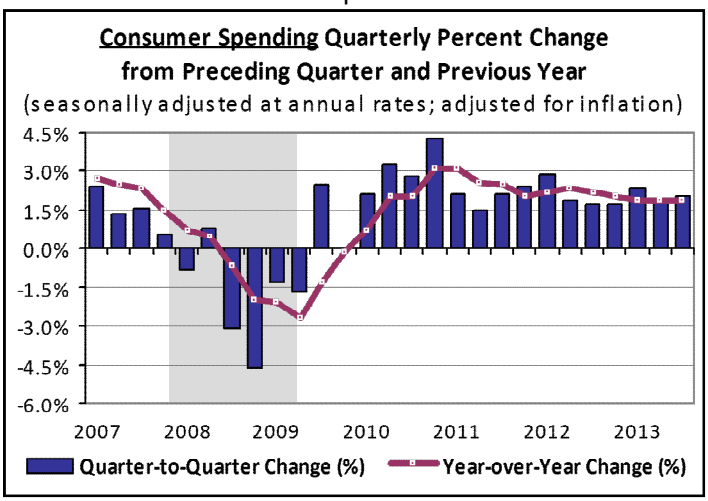
Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity. The Bureau of Economic Analysis (BEA) reported real GDP rose at an annual rate of 3.2 percent (first estimate) in the fourth quarter of 2013, after rising at a 4.1 percent rate in the third quarter. BEA cautioned that the first estimate is based on source data that are incomplete or subject to further revision.



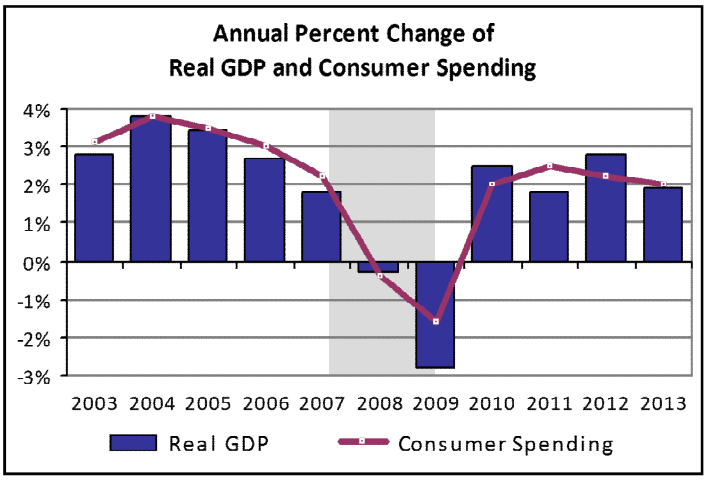
Growth in the fourth quarter reflected:

- **consumer spending** increasing 3.3 percent, compared with a 2.0 percent increase in the third quarter;
- **business investment in equipment** rising 6.9 percent, following a 0.2 percent growth in the third quarter, and **business investment in inventory** rising $127.2 billion compared with $115.7 billion in the third quarter; and
- **exports** increasing 11.4 percent, faster than the 3.9 percent growth in the third quarter, and **imports**, which subtract from GDP, increasing by 0.9 percent, less than the third quarter's 2.4 percent growth.

Offsetting part of the growth was a decline in investment in housing and commercial structures and federal government spending. The decline in housing investment was the first since the third quarter of 2010.



The BEA also reported the first estimate of the annual growth in real GDP. In 2013, real GDP grew 1.9 percent (first estimate), after rising by 2.8 percent in 2012. The lower growth reflected a larger decline in federal government spending, and a decline in the growth of consumer spending, investment in commercial structures and business investment in equipment.



Regional Economic Forecast

In January, the Old Dominion University (ODU) Economic Forecasting Project and the Hampton Roads Planning District Commission (HRPDC) presented their 2014 regional forecast, summarized in the table below.

- Regional economic growth in 2014 will be below the historical average annual growth of 3.1 percent and lag the projected national economic growth of 2.8 percent
- Increased defense spending and tourism spending and growth in port activity and healthcare industry are major factors driving the regional economy and income
- Housing market expected to continue to improve in 2014, but distressed homes and tighter home loan requirements will bring down the growth

2014 Economic Forecast for Hampton Roads
(* Annual Percent Change)

Indicator	ODU	HRPDC
Real Gross Regional Product*	2.2%	1.9%
Civilian Employment*	1.5%	1.9%
Unemployment Rate	5.3%	5.4%
Taxable Sales*	3.6%	3.4%
Auto and Truck Sales*	n/a	3.9%
Hotel Revenue*	2.4%	n/a
General Cargo Tonnage (Port)*	4.8%	n/a
Housing Permit Value*	7.9%	8.4%

Source: U.S Bureau of Economic Analysis, Old Dominion University Economic Forecasting Project, and Hampton Roads Planning District Commission. Shaded areas represents recession as determined by the National Bureau of Economic Research.