THE STATE OF THE REGION

HAMPTON ROADS 2003

REGIONAL STUDIES INSTITUTE • OLD DOMINION UNIVERSITY

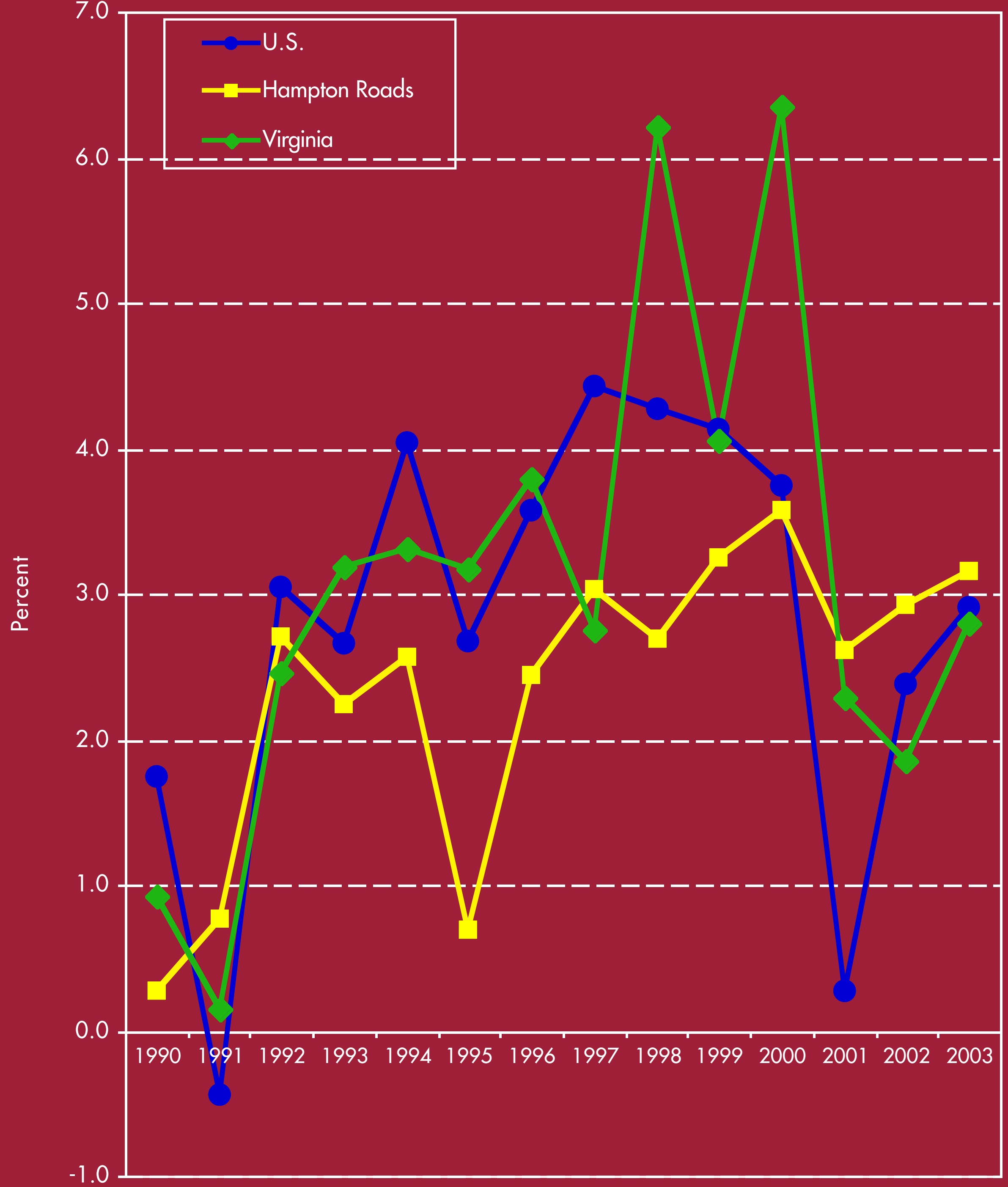
the hampton roads economy

The Hampton Roads Economy: Defense Expenditures Become More Important

During most of the 1990s, presentations about the region's economy were usually apologetic. Hampton Roads' economic growth rate trailed that of Virginia and also lagged the entire country. In addition, our income per capita (a frequently used measure of economic well-being) was well below Commonwealth and national averages. All in all, we seemed to be in extended economic doldrums.

But things have changed, and for the better. **2002 marked the second consecutive year in which the growth rate of the Hampton Roads economy exceeded that of both Virginia and the United States. As Graph 1 illustrates, this performance marks the first time since the late 1980s that the region has put together back-to-back years of growth exceeding that of the Commonwealth and the nation. And, this outstanding performance likely will continue. Despite the war in Iraq and the influence of a lagging national economy on the region, it is a virtual certainty the region will outperform Virginia and the nation in 2003.**

GRAPH 1
YEAR-TO-YEAR ECONOMIC GROWTH RATES
HAMPTON ROADS, VIRGINIA AND THE U.S.
(1990-2003)



Source: The Old Dominion University Economic Forecasting Project

The Old Dominion University Economic Forecasting Project predicts the annual growth rate in the Hampton Roads economy between 2000 and 2003 will average 3.1 percent. This means the economic growth rate will be more than 1 percent greater than the U.S. growth rate and .5 percent greater than the Virginia rate over the same period. This growth differential is also reflected in employment data. Table 1 reports that Hampton Roads experienced a 2.9 percent increase in employment between 2000 and 2002, even while employment in both Virginia and the United States contracted. More than 20,000 jobs were created in the region during 2000-02. This trend continued for the first quarter of 2003.

TABLE 1
HAMPTON ROADS, VIRGINIA AND U.S. CIVILIAN EMPLOYMENT
(2000-02, Thousands of Jobs)

	2000	2002	% Change (2000-02)
Hampton Roads	702.4	723.0	2.9%
Virginia	3,562.4	3,486.7	-2.1%
U.S.	132,319.0	130,670.0	-1.2%

Source: U.S. Bureau of Labor Statistics and the Old Dominion University Forecasting Project

The prosperity of the Hampton Roads economy obviously is influenced by trends in the national economy. However, sparkling economic performances in four of Hampton Roads' most important industries (defense, housing, tourism and the port) has, since 2000, overcome the effects of the national slowdown. To understand this better, we will look at each of these industries in turn. Because we examined the economic impact of the Port of Hampton Roads and the tourism industry in some detail in previous reports, we will treat them only briefly. Instead, we will focus most of our attention on the defense sector and the regional housing market.

Defense Expenditures

There are two separate influences here. One is regular military payroll and procurement spending and the other is the war in Iraq (Operation Iraqi Freedom).

MILITARY PAYROLL AND PROCUREMENT SPENDING

The consolidation of F-18 squadrons at Oceana Naval Air Station in 1999 and 2000 signified the end to the 1990s decline in the importance of defense spending to the Hampton Roads economy. As seen in Graph 2, the proportion of Hampton Roads economic activity attributable to defense expenditures is expected to increase by more than two percentage points from 2000 to the end of 2003. That said, the influence of defense expenditures on the regional economy will still be approximately 10 percent less than in 1985.

GRAPH 2
THE PERCENT OF HAMPTON ROADS GROSS REGIONAL PRODUCT ATTRIBUTABLE TO DEPARTMENT OF DEFENSE SPENDING (1985-2003)

*Estimated

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

Further, since 2000, base pay increases for military personnel have exceeded national average pay increases by at least .5 percent. Congress has adopted a policy mandating that military pay increases between now and 2006 should exceed those in the private sector in order to make up for past inequities. **Above-average pay increases from 2000 to 2003, dramatically rising housing allowances, and rising procurement and outsourcing expenditures over the same period have fueled a mini-boom in the Department of Defense's economic presence in Hampton Roads.**

Even though the number of active-duty military personnel in Hampton Roads is not increasing significantly, total military payroll (including housing allowances) will have increased 20.3 percent from 2002 to the end of 2003. By contrast, over the same period, average civilian worker wages and salaries in the United States will have risen by 10.6 percent.

In addition, between 2000 and 2003, Department of Defense (DOD) procurement and outsourcing expenditures will have risen by an estimated 27.7 percent. When spending for shipbuilding at Northrop Grumman Newport News is included, DOD procurement spending within Hampton Roads increased from an estimated $2.3 billion in 2000 to $3 billion in 2003. This has provided considerable economic stimulus.

THE WAR IN IRAQ

Thus far, the war in Iraq has had surprisingly little effect on the Hampton Roads economy. Measured in terms of foregone gross regional product (GRP), the Hampton Roads economy lost only .16 percent of its potential growth for the year and only about 300 jobs. Table 2 summarizes the war's estimated economic impact on the region's economy.

TABLE 2
ECONOMIC IMPACT OF THE WAR IN IRAQ ON HAMPTON ROADS

Total Additional Personnel Deployed	16,200
Spending Loss	$100 million
Regional Job Loss	300 jobs
GRP Growth Loss	0.16%

Source: The Old Dominion University Economic Forecasting Project

The economic effects of the war on the region were concentrated in March 2003 and were primarily attributable to reduced spending, resulting from troop deployments. A sector breakdown of the war's effects is presented in Table 3. For example, new-car sales declined by an estimated $6 million, though there are signs that enthusiastic troops returning from Iraq will diminish or even erase this deficit.

What lessons should we draw from this? First, and most obviously, the more quickly the conflict is resolved, the smaller the economic impact on Hampton Roads. Even though 16,200 personnel left the region, the brevity of the deployment did not interfere substantially with economic activity. Many procurement expenditures, for example, continued even after the troops departed. Second, increased defense expenditures in general, such as for salaries and housing allowances, have cushioned the troop departures. Families of departing military personnel typically remained in Hampton Roads and continued to spend their enhanced funds. Third, as Graph 2 illustrates, the region's economy has diversified over the past few decades and no longer is as sensitive to defense expenditures as it was in the past.

TABLE 3
ECONOMIC IMPACT OF THE WAR IN IRAQ ON THE HAMPTON ROADS ECONOMY

- $70 million decrease in retail spending
- $6 million decrease in new-car sales
- $5 million decrease in new home building permits
- $5.6 million in reduced hotel room sales

Source: The Old Dominion University Economic Forecasting Project

But, what would happen if a longer war developed or deployments lasted longer, say, one year? Table 4 shows the economic impact of a one-year deployment of the same size we experienced in early 2003 in Iraq. Such a scenario would diminish the region's annual growth rate by .64 percent and cost an estimated 2,700 jobs. This would drag Hampton Roads down to the Virginia average, but we would still have a growth rate higher than the country as a whole.

The bottom line is that our regional economy is remarkably robust and stable, at least compared to many other regions nationally. We were already doing rather well prior to the war in Iraq, and this conflict did not put a significant crimp in the region's economic welfare. We have escaped the economic blues of the 1990s and are doing rather well, thank you.

TABLE 4
ESTIMATED ECONOMIC IMPACT ON HAMPTON ROADS OF A ONE-YEAR WAR

One Naval Task Force, Army and Air Force Personnel*	
• Total Personnel	16,200
• Spending Loss	$350 M
• Estimated Regional Jobs Loss	2,700
• GRP Growth Loss	0.64%

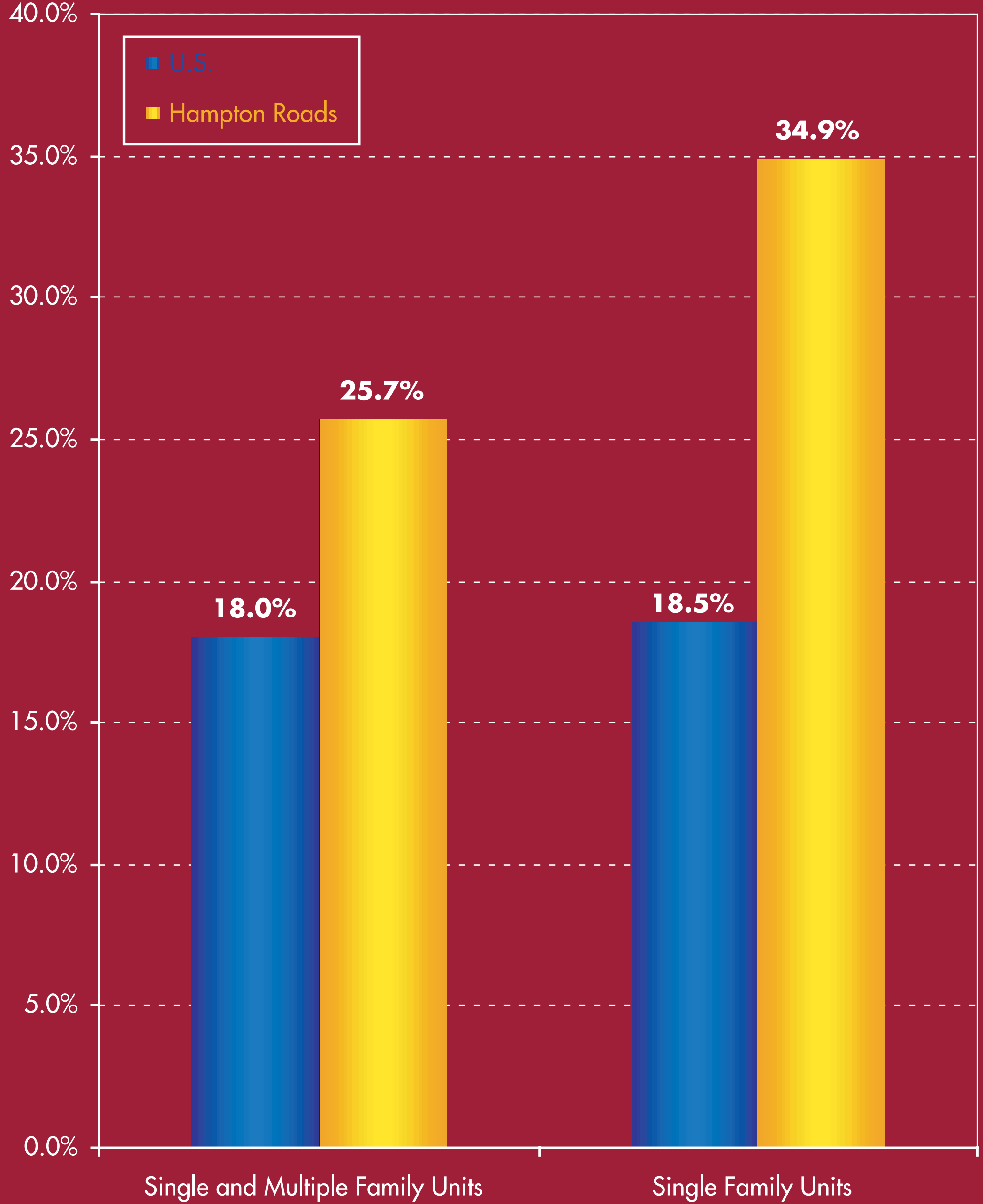
* Force deployment includes one carrier battle group, one amphibious group, one food and ammunition ship, one Langley air wing, Fort Eustis transportation personnel, special forces and Coast Guard personnel.

Source: The Old Dominion University Economic Forecasting Project

Housing

One of the major stories in Hampton Roads in recent years has been the vibrancy of the housing market. Over the past three years, new housing construction has grown dramatically and by the end of 2003 is projected to be more than $300 million above the 2000 level. Between 2000 and 2002, the value of new single-family residential housing construction in Hampton Roads increased 34.9 percent, compared to 18.5 percent nationally (Graph 3 depicts these data).

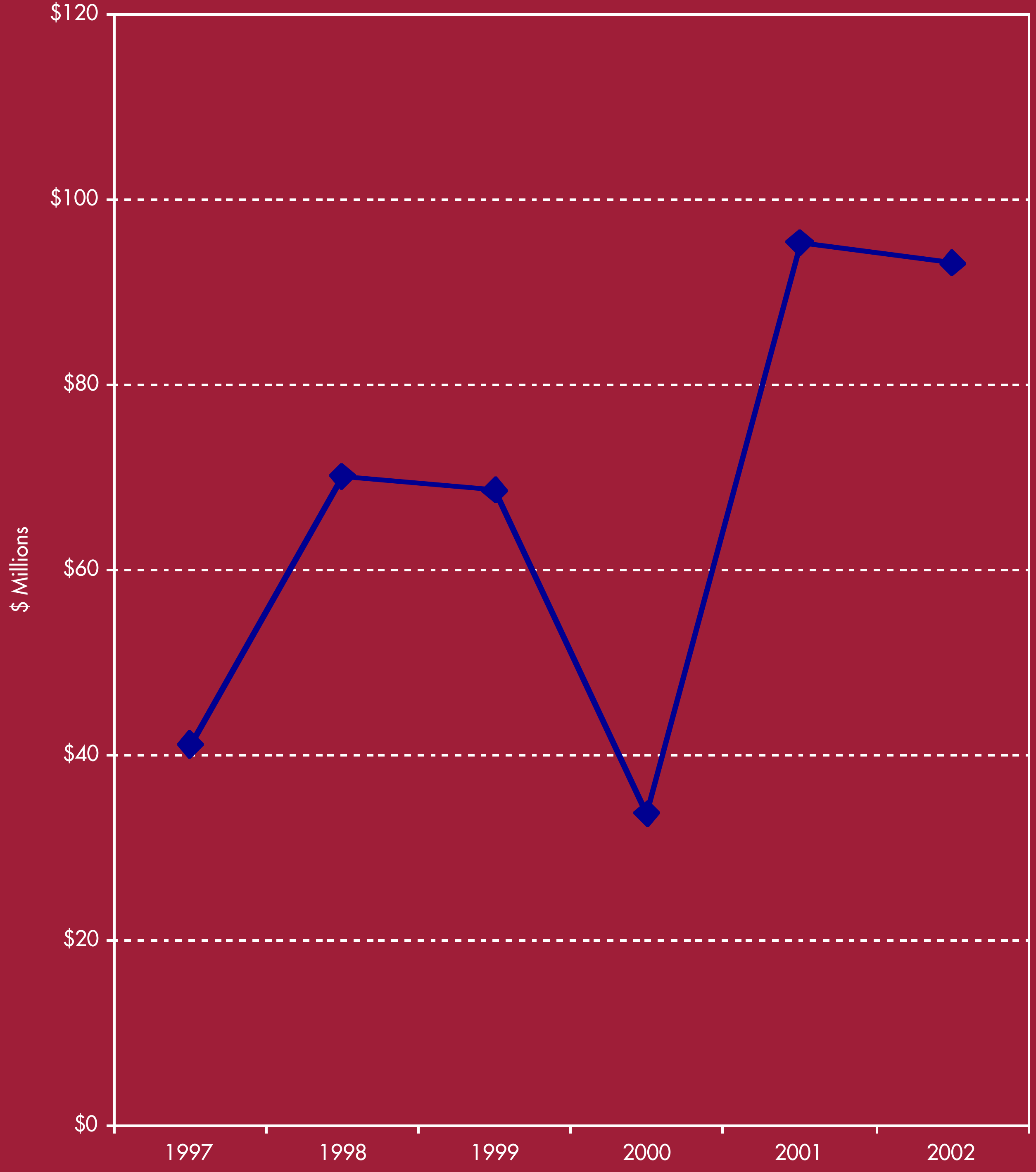
GRAPH 3
RATE OF CHANGE IN THE VALUE OF NEW RESIDENTIAL HOUSING CONSTRUCTION FOR HAMPTON ROADS AND THE U.S.
(2000-02)



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

Housing growth in Hampton Roads has been concentrated in single-family housing construction; however, multi-unit construction also has fared well. Graph 4 demonstrates that multi-unit housing construction, which in 2002 accounted for roughly 10 percent of new residential construction, more than doubled in value from 2000 to 2002. Taken together with the very healthy increase in single-family residential construction, this produced a situation that many have termed a housing boom.

GRAPH 4
TOTAL VALUE OF NEW FIVE-UNIT OR MORE RESIDENTIAL HOUSING STRUCTURES (1997-2002)



Source: U.S. Bureau of the Census

THE HOUSING BOOM AND RISING HOMEOWNERSHIP

The housing boom in Hampton Roads has been fueled by a significant change in the ratio of owners to renters. From 1999 to 2002, the proportion of households owning homes rose more than 10 percent. This is an astonishing change. Graph 5 demonstrates how Hampton Roads has surged ahead of Virginia and the rest of the nation in this regard. Our region now has the fourth-highest homeownership rate among the 75 largest metropolitan areas in the nation.

How to explain the meteoric increase in the region's homeownership rate and accompanying boom in the housing industry? One explanation is the persistent decline in home mortgage interest rates since 2000, which clearly has stimulated the housing market. Even so, this decline has occurred throughout the country, but led to only a 2 percent increase in the homeownership rate nationally. Thus, only about two percentage points of the 10 percentage-point increase in homeownership in Hampton Roads might be attributed to lower mortgage rates. What accounts for the remaining 8 percent?

A second explanation focuses upon the general prosperity of the region. As we have seen, Hampton Roads has been doing better economically than the rest of the United States. Our prosperity has stimulated housing demand; however, statistically, numerous economic studies tell us that the sensitivity of housing demand to income changes is not that large. No more than one-half of 1 percent of the increase in housing ownership has been due to the larger-than-average increases in income in the region in recent years.

A third explanation focuses on important changes in U.S. government policies. There are five changes of interest that appear to have special impact on Hampton Roads.

- Starting in 2000, the DOD increased the housing allowance it pays its active-duty personnel. These increases across all pay grades were significant and particularly large among lower-level enlisted personnel. For example, according to DOD data, an E-5 (mid-level enlisted grade) individual now receives 32.5 percent more housing allowance than in 2000, while an E-1 (the lowest enlisted grade) receives 54.4 percent more.

- Military pay raises have been higher than the national average for all employees.

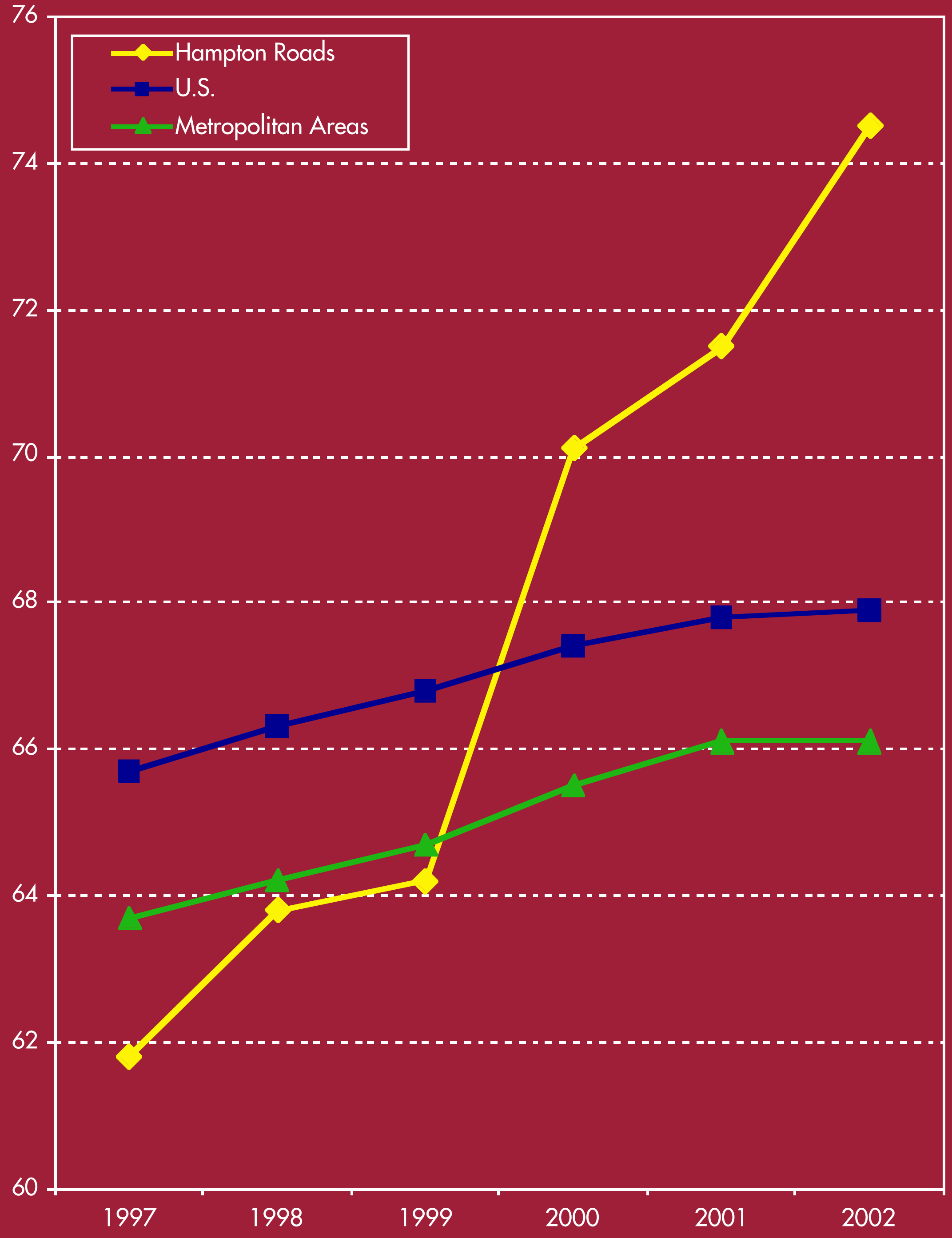
- The DOD began an informal "Homesteading Policy" in the mid-1990s. This tacit policy is designed to reduce the probability that personnel will be required to change their geographic locations, especially if they are in a military-heavy area such as Hampton Roads. Human resources personnel have been advised, to the extent possible, to be sensitive to the location needs of active-duty personnel, thus reducing the transient nature of military family life. This appears to have allowed military personnel to become more confident about home purchases.

- In 1999, the Office of the Chief of Naval Operations began to follow a "Sailors Ashore" policy in order to improve the quality of life of sailors and thereby increase retention. The policy encourages sailors to move ashore from their ships and take advantage of the significantly increased housing allowances available to them since 2000.

- The DOD's new "Community First" policy is designed to reduce the number of personnel living on domestic military bases. Under this policy, non-base housing placements for personnel have become a priority as part of DOD's attempts at privatization.

There is widespread agreement that these policy changes have stimulated the housing demand among military personnel in Hampton Roads. It is not clear that together they account for the remaining 7.5 percent of unexplained increase. On the other hand, the impact of these changes may have been even larger. It is too early to know. This is an empirical question that the Old Dominion University Economic Forecasting Project will tackle in the future after more evidence is available.

GRAPH 5
HOMEOWNERSHIP RATES FOR HAMPTON ROADS, U.S. AND THE 75 LARGEST U.S. METROPOLITAN AREAS (1997-2002)



Source: U.S. Bureau of the Census

A HOUSING BUBBLE IN HAMPTON ROADS?

The national media have been filled with speculation that a "price bubble" may have developed in housing markets in some cities and regions. The Federal Reserve Bank has also issued caveats in this regard. What is a housing "price bubble" and does the hot housing market in Hampton Roads mean we have one here?

An April 2002 conference held by the Chicago Federal Reserve Bank and World Bank focused on asset price bubbles. Here, a price bubble was defined as a situation where an asset in question (say, housing) trades at prices not justified by economic fundamentals. In the case of a share of stock, this could mean that the price/earnings ratio (P/E) is unreasonably high. Consider a stock that trades for $100 per share and pays an annual dividend of $1. The P/E ratio, therefore, is $100/$1 = 100. This means that one must invest $100 to obtain $1 of dividend income. Contrast this to a 10-year U.S. government bond, which in June 2003 was yielding 3.26 percent. Here, the P/E ratio was $100/$3.26 = 30.67, meaning that one could invest only $30.67 to obtain $1 of income. Further, the U.S. government bond is virtually risk-free, while the share of stock is not.

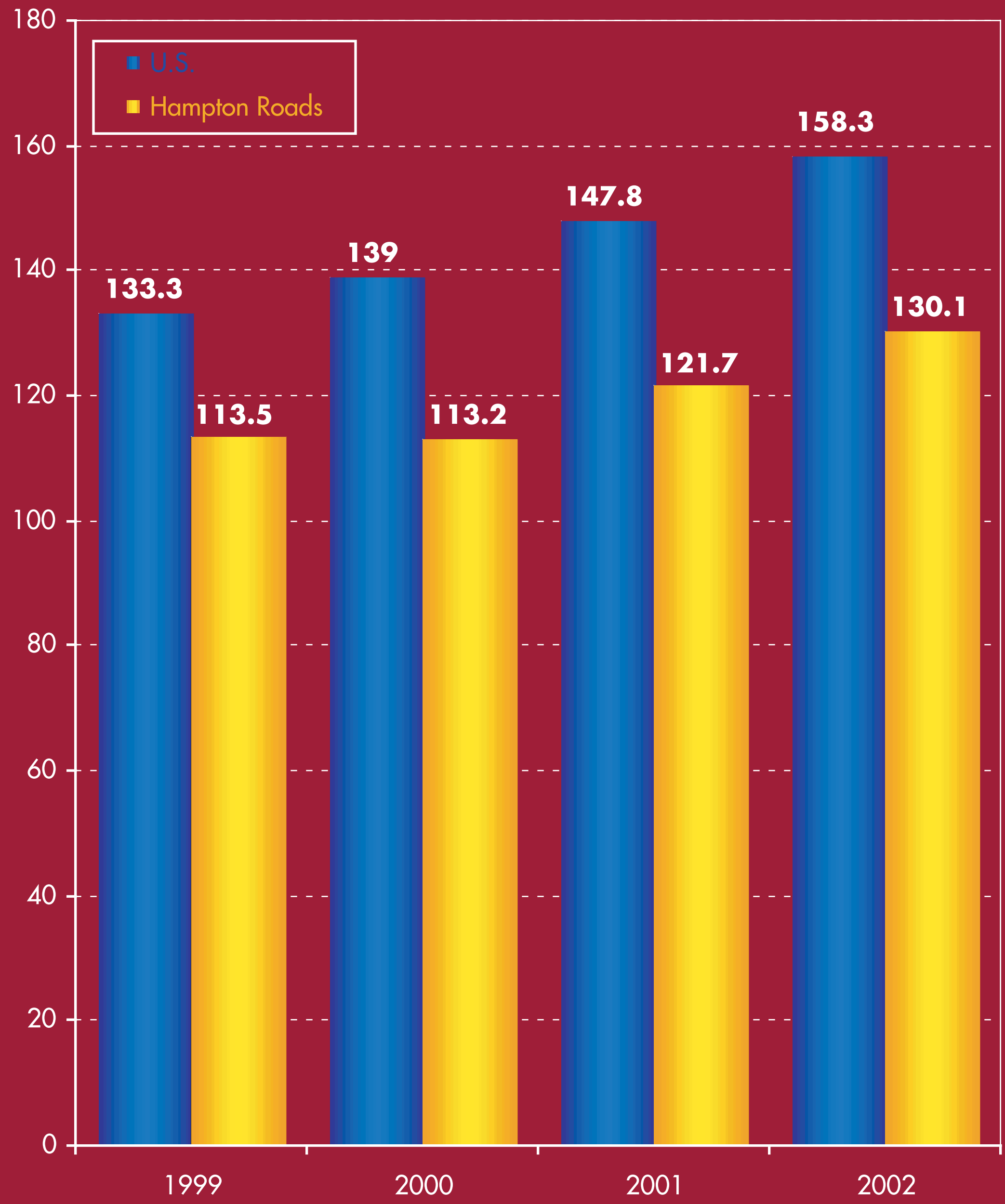
Now, consider a house to be an asset similar to a share of stock. Instead of a dividend, a house can generate rental income. Even if the owner doesn't choose to rent the house, he or she could do so and thus sacrifice whatever rent he/she could have received. Suppose a $100,000 house could be rented for $500 per month, or $6,000 per year. Then, the P/E ratio for this house is $100,000/$6,000 = 16.67. In this case, one needs to invest only $16.67 in order to generate $1 of income, though there is some risk attached. But, holding risk constant, purchasing a house and renting it (or living in it and receiving that rent implicitly as the value of living there) is an investment that is superior to the share of stock or the U.S. government bond. Its P/E ratio is substantially lower.

But, if the reverse were true, and the P/E ratio for houses was substantially higher than for other assets, then we would conclude that housing was not so attractive an investment and might in fact be overpriced. That is, when housing prices are unrealistically high relative to the rental value of those houses, those houses may well be overpriced. Currently, this situation appears to hold true in cities such as Boston and San Francisco, and this suggests the real possibility of housing price bubbles there. The very term "bubble" implies the possibility that the bubble will burst and housing prices will tumble substantially.

The question is: Are Hampton Roads houses trading at prices not justified by economic fundamentals? The underlying fundamentals in the Hampton Roads housing market, as with those of the nation, include the price, availability and affordability of housing. We'll examine each of these.

Let's begin by looking at regional housing prices (see Graph 6). Since the beginning of the current boom in home prices in 1999, the median house price nationally has risen from approximately $133,000 to about $158,000. This is an 18.8 percent increase. By contrast, in Hampton Roads, the median price of a home rose from $113,500 to $130,100, or only 14.6 percent. Thus, despite substantial increases in housing values, the median house price in Hampton Roads is now lower than it used to be when compared to national prices. Residential housing is a bargain in Hampton Roads.

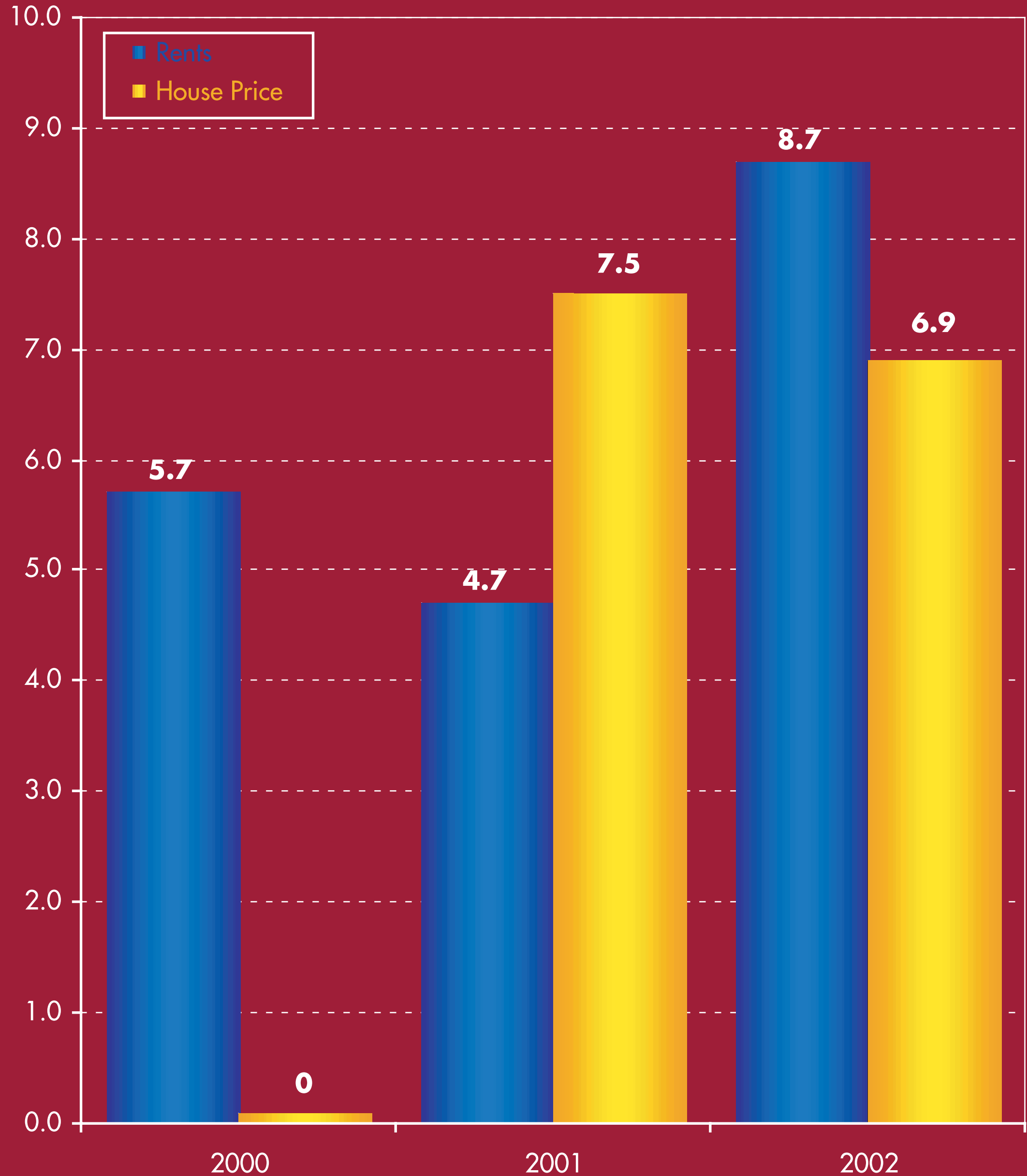
GRAPH 6
MEDIAN HOUSE PRICES IN HAMPTON ROADS AND THE U.S.
(1999-2002)



Sources: National Realtors Association and the Virginia Realtors Association

What has been happening to rents? As Graph 7 illustrates, rents have risen faster than median house prices in two of the past three years. Indeed, since 1999, median home prices have risen less than rents in Hampton Roads (14.6 percent vs. 17.9 percent). Thus, the critical indicator of a housing price bubble – a situation where housing prices rise much more rapidly than rents, causing very high housing P/E ratios – does not hold true in Hampton Roads. In fact, the opposite is occurring. Rents are rising faster than home prices and therefore housing P/E ratios are diminishing. Housing has become a better investment in the past few years and, relative to other assets, is now a more attractive investment. This is the opposite of what has been occurring in "price bubble" housing markets in metropolitan areas such as Boston and San Francisco. Thus, P/E ratios are not out of line for housing in Hampton Roads.

GRAPH 7
PERCENT CHANGE IN RENTS AND MEDIAN HOUSE PRICES IN HAMPTON ROADS (2000-02)



Sources: Old Dominion University Center for Real Estate and Economic Development, Virginia Realtors Association and the Old Dominion University Economic Forecasting Project

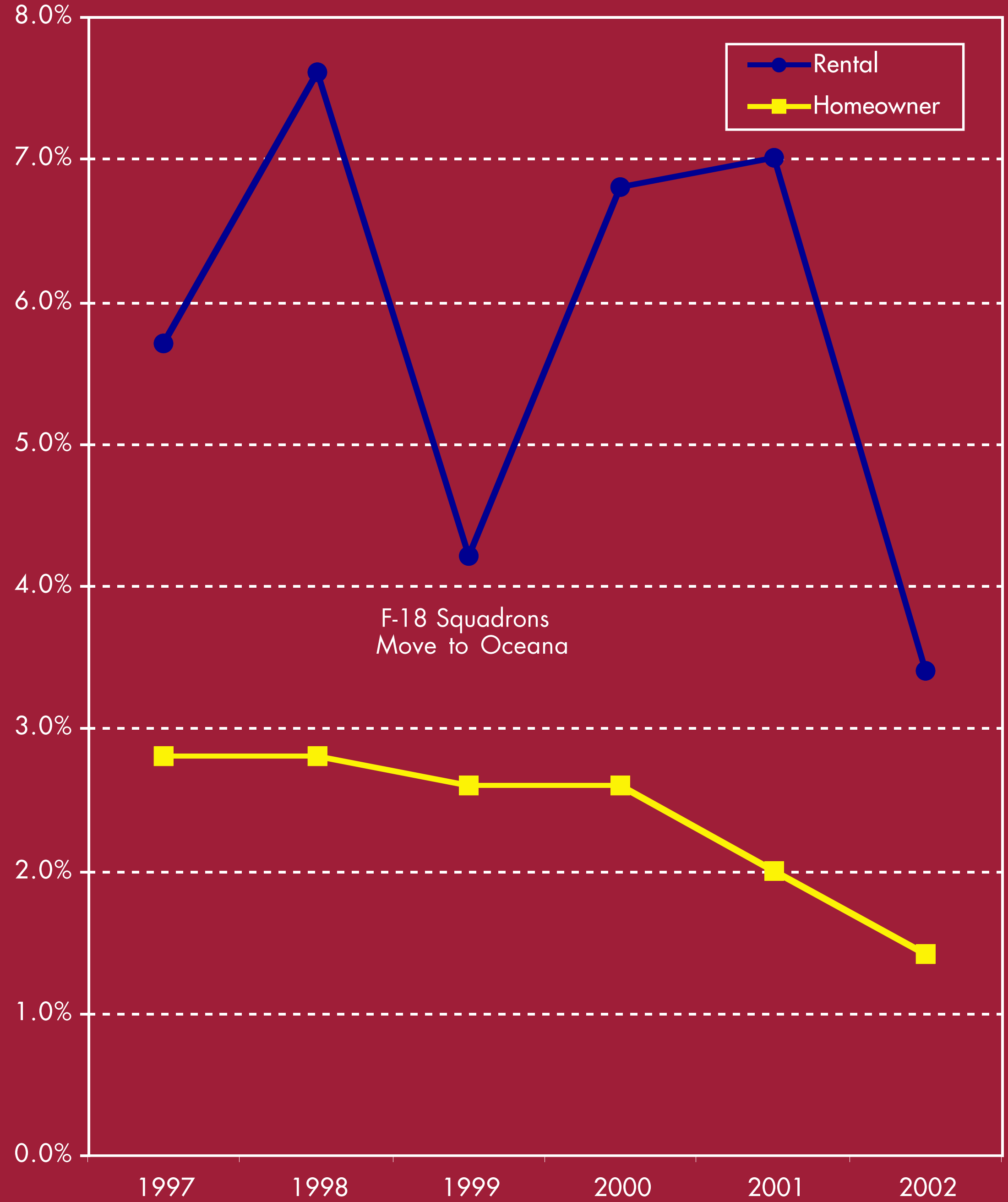
HOUSING AVAILABILITY

Another important aspect of the housing market is general housing availability. Independent of housing prices and rental rates, how much unoccupied housing exists? Vacancy rates have declined significantly in Hampton Roads since 1999, both for rental housing and for homes. The region's 2002 rental market vacancy rate of 3.4 percent was the second lowest of any metropolitan area in the country (see Graph 8). It is also the lowest rental vacancy rate in Hampton Roads in more than 15 years (including the high military growth years of the mid- to late 1980s).

In addition, data from the Virginia Realtors Association indicate that the average sales market time for houses in Hampton Roads – the time that passes between listing and sale – fell more than 36 percent between 1999 and 2002. Preliminary data from 2003 indicate this trend has continued.

What does this imply for housing prices and the notion of a housing price bubble? Low vacancy rates are likely to push prices upward (both for rental housing and owner-occupied homes) and consequently spur home building. If home prices were rising, but rents were stagnant, this would point to a housing price bubble. However, that is not what we see in Hampton Roads.

GRAPH 8
HAMPTON ROADS RENTAL AND HOMEOWNER VACANCY RATES
(1997-2002)



Source: U.S. Bureau of the Census

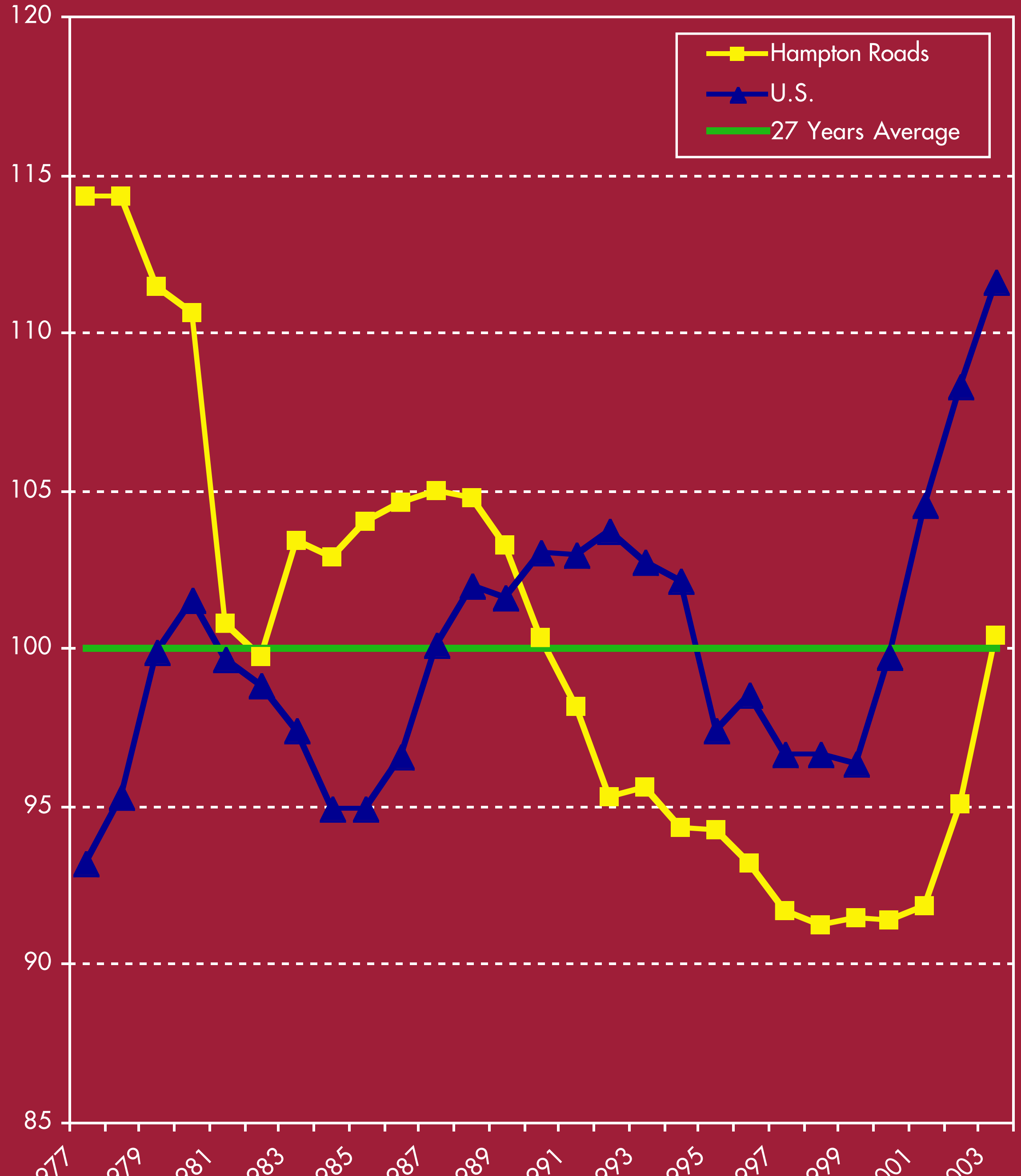
AFFORDABILITY

The rapidly increasing levels of homeownership in Hampton Roads imply that our housing is, in general, affordable for many individuals and families. The ratio of our median house price to our median household income is one measure of affordability, while the ratio of our yearly household mortgage debt to our median household income is another that is commonly used. Both measures offer different perspectives of the median household's ability to carry and support debt.

Graph 9 presents an index of the ratio of the median house price to median household income. This ratio is a measure of how affordable homes are relative to the ability of families to purchase them. The average of this ratio between 1977 and 2003 is the horizontal line labeled 100. Thus, for example, during part of the 1980s, houses were less affordable than average and Graph 9 shows that the ratio of housing prices to household income was above its 27-year average during that time. However, throughout the 1990s, both Hampton Roads and the United States were below that average, signifying that houses were more affordable than usual.

This highly favorable situation may be changing. By the end of 2003, we project the U.S. price-to-income ratio to be more than 11 percent above its 27-year average. This could reflect the beginning of a housing market bubble. In the case of Hampton Roads, however, even a 10 percent increase in the index would only bring us to the 27-year average for this ratio. In other words, our housing may be getting more expensive relative to our incomes, but we're still in very good shape.

GRAPH 9
INDEX RATIO OF SINGLE-FAMILY HOUSE PRICES TO HOUSEHOLD INCOME IN HAMPTON ROADS AND THE U.S.
(1977-2003)



Source: The Old Dominion University Economic Forecasting Project

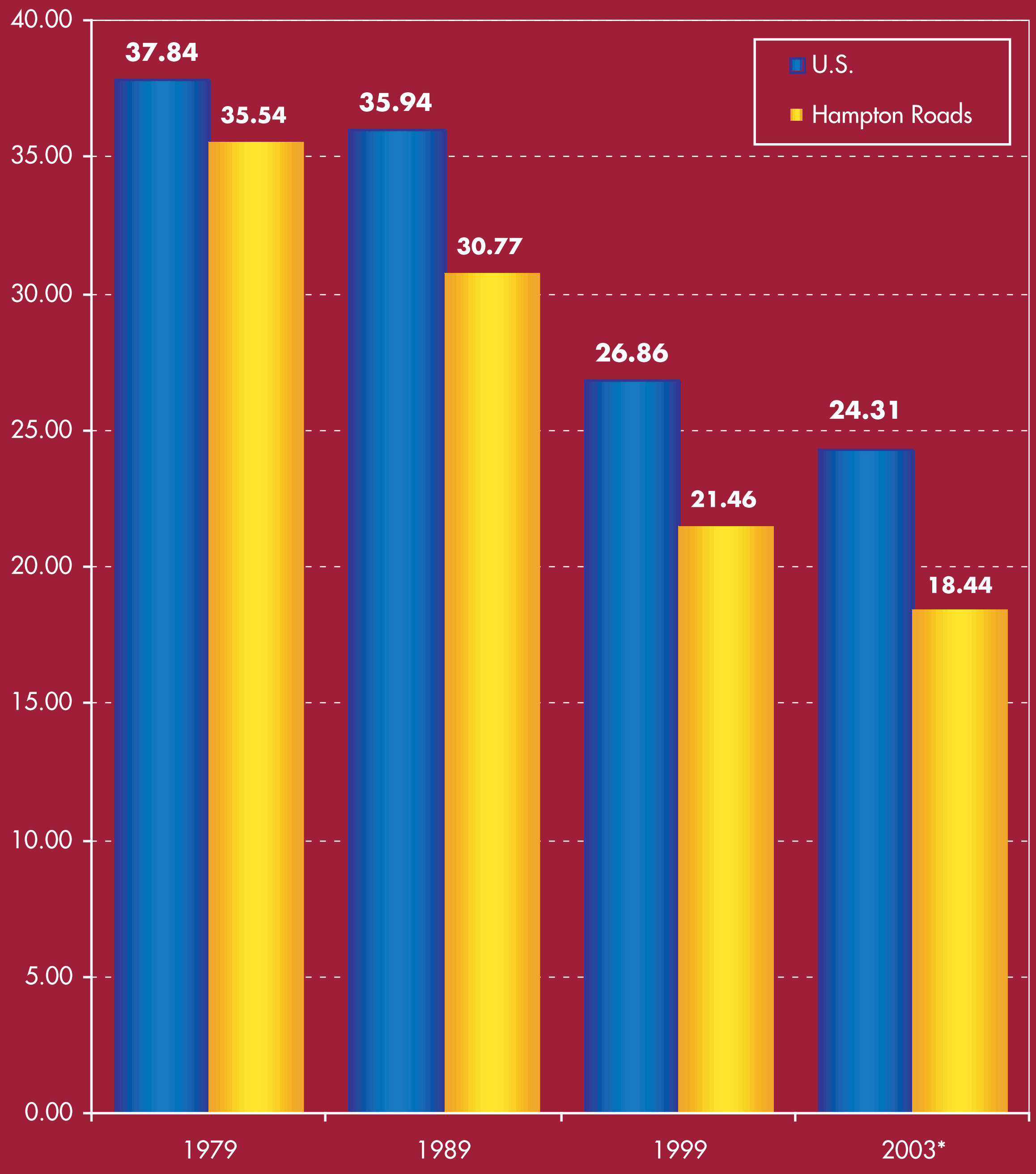
The second measure of house affordability is displayed in Graph 10, which shows the percentage of household income needed to pay for a loan in order to purchase a house in any given year. This proportion has consistently fallen over the past 25 years for both Hampton Roads and U.S. homebuyers and now is only about half as high in our region as it was in 1979. Falling mortgage interest rates have had much to do with this. Hence, despite the recent run-up in house prices in both Hampton Roads and the nation, the ability of households to incur debt to purchase housing actually increased from 1999 to 2003. By this measure, houses are becoming increasingly affordable.

Further, Hampton Roads has improved more than the country as a whole in terms of housing affordability. In 1979, the spread between the United States and Hampton Roads was only 2.3 percent. By 1999, the spread had risen to 5.4 percent (in our favor) and we estimate it to be 5.87 percent in 2003. This implies that Hampton Roads is becoming one of the better places in the nation to purchase a home. Houses are affordable in the region and that affordability is improving more rapidly here than in the nation as a whole. Once again, there is no evidence to support the notion of a housing price bubble in the region.

SUMMING UP THE HAMPTON ROADS HOUSING SITUATION

All things considered, over the past few years, the housing market in Hampton Roads has exhibited "Goldilocks" characteristics – not too hot, but not too cold. Homeownership has surged; homes are affordable, according to conventional measures; we've avoided a real estate price bubble; and vacancy rates are sufficiently low that they provide incentives to landlords to build. Seldom have we experienced such a beneficent situation. It may be the best housing situation in the modern history of the region.

GRAPH 10
HOUSE PURCHASE BORROWING COSTS AS A PERCENT OF MEDIAN HOUSEHOLD INCOME IN HAMPTON ROADS AND THE U.S. (1979-2003)



*Estimated

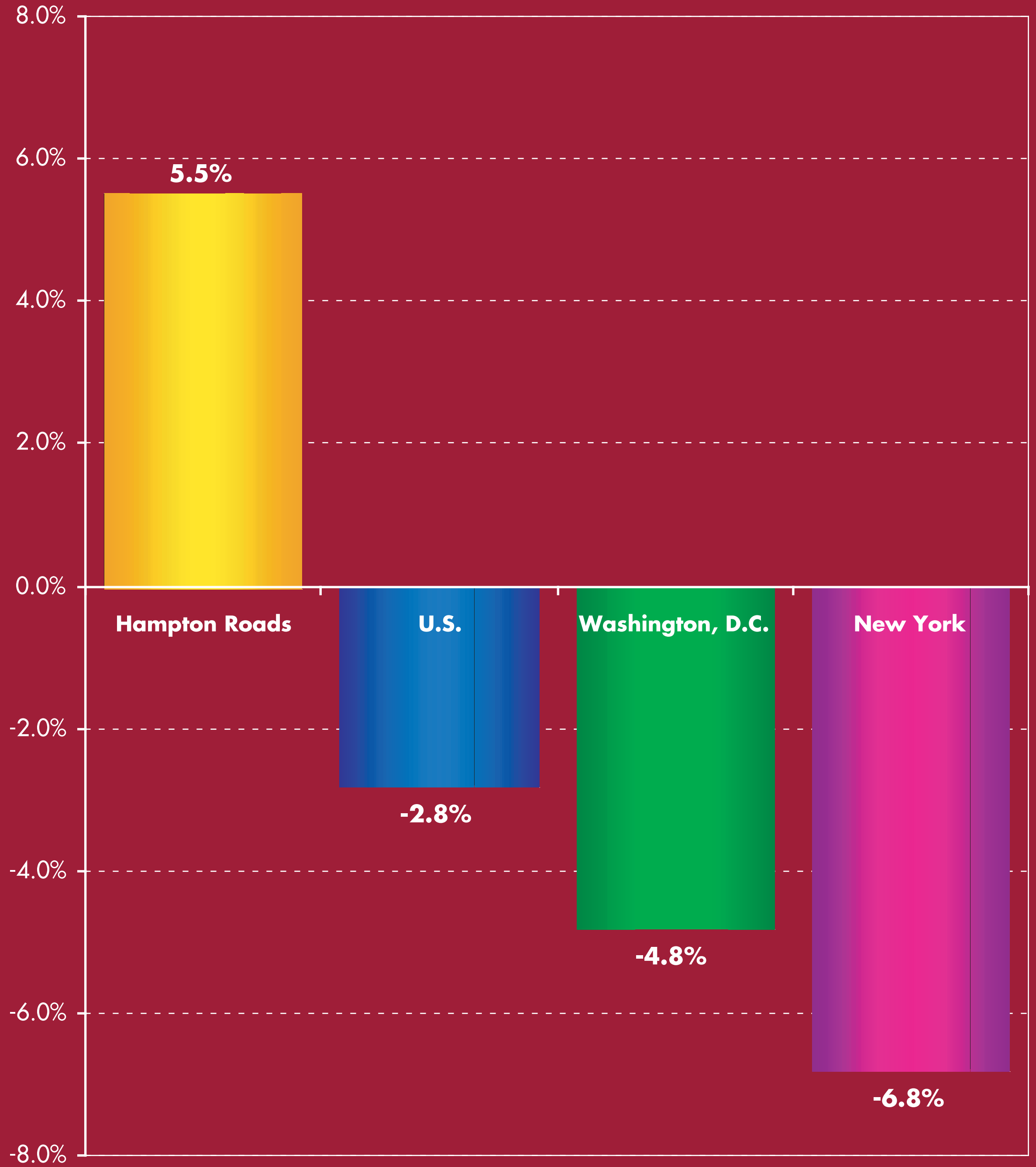
Source: The Old Dominion University Economic Forecasting Project

Tourism

The events of Sept. 11 imposed significant changes upon the U.S. travel industry. Most metropolitan travel destinations have suffered as a result. Travel destinations that are particularly dependent upon tourist air travel have experienced declining visitor traffic, reduced hotel room nights and, in many cases, falling room rates. Hawaii is the poster child for this malaise, but many other travel destinations have suffered as well.

Nonetheless, tourism in Hampton Roads has done very well over the past two years. As depicted in Graph 11, between 2000 and 2002 the total number of rooms rented per night (room nights), which is a good proxy for the number of visitors to a metropolitan destination, rose by 5.5 percent in Hampton Roads while, on average, room nights declined by 2.8 percent in the United States as a whole. On the East Coast, the visitor decline has been particularly severe in Washington, D.C., and New York City, two areas that suffered from the 9/11 attacks and which are heavily dependent on tourist air travel.

GRAPH 11
PERCENT CHANGE IN TOTAL ROOM NIGHTS
HAMPTON ROADS, NEW YORK, WASHINGTON, D.C. AND THE U.S.
(2000-02)

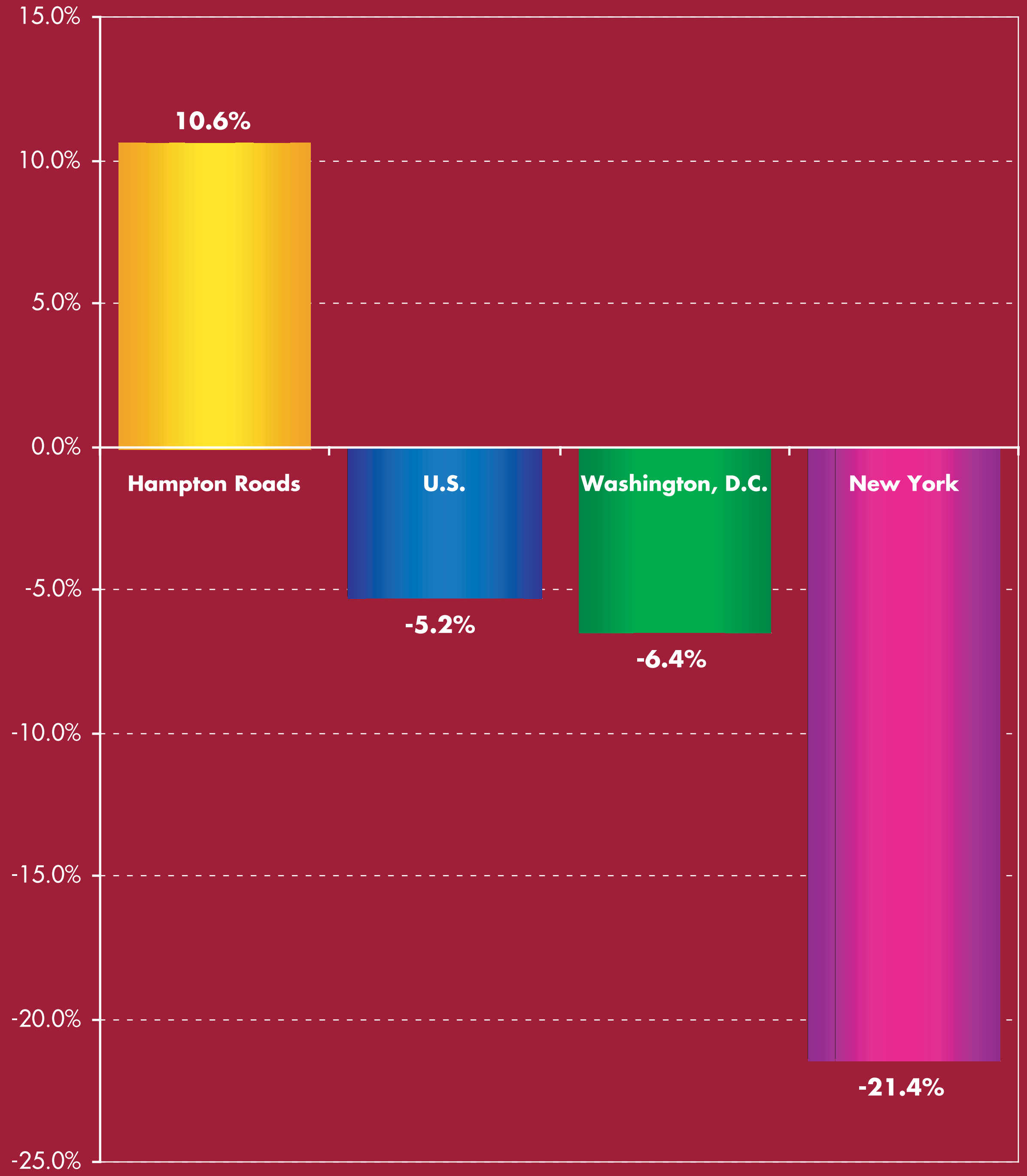


Sources: Smith Travel Research and the Old Dominion University Economic Forecasting Project

Hotel revenue tells much the same story. Graph 12 reports that the growth in hotel room revenue between 2000 and 2002 was 15 percent greater in Hampton Roads than in the nation as a whole. According to Smith Travel Research data, during 2002, Hampton Roads experienced the largest percentage increase in average hotel room rates of any metropolitan area in the United States. Not only are tourists coming to Hampton Roads, they are spending their money. Contrast our hotel room revenue performance (+10.6 percent) with that of New York City (-21.4 percent). We have done quite well.

Why has our region done so well in the area of tourism? A large majority of Hampton Roads visitors travel here by car. For example, in 2002, roughly 95 percent of Virginia Beach tourists arrived by automobile. Virginia Beach and Hampton Roads are perceived to be safe, accessible and affordable. This perception, plus the problems of other destinations, created a mini-boom in Hampton Roads' tourist industry in 2002. This is an important contributing reason why our regional economic growth exceeded that of the nation over the past three years. Of course, things can change. Inclement weather throughout the early part of summer 2003 could reverse the positive impact of tourism on the region.

GRAPH 12
PERCENT CHANGE IN TOTAL HOTEL ROOM REVENUE
HAMPTON ROADS, NEW YORK, WASHINGTON, D.C. AND THE U.S.
(2000-02)



Sources: Smith Travel Research and the Old Dominion University Economic Forecasting Project

The Port Of Hampton Roads

As has been pointed out in previous reports, the Port of Hampton Roads, which is spread throughout the region, has a huge economic impact on all of the cities and counties. Indeed, the city that benefits most from the port is Virginia Beach, despite the fact that it does not host any port facility of consequence.

From 2000 to 2002, general cargo tonnage served by the Port of Hampton Roads increased by 7.1 percent. The Old Dominion University Economic Forecasting Project estimates this cargo growth at the port, plus growth in port-related industries, generated between 750 and 1,000 new jobs within the region.

Of particular importance to recent port cargo growth, and its continued growth over the next few years, was the West Coast dockworkers' strike in September/October 2002. This forced several international ocean carriers to change their distribution patterns. Shut out of their usual West Coast ports, they diverted cargo to Hampton Roads. This caused many shippers to learn that it is cost-effective to route cargo directly to Hampton Roads rather than through West Coast terminals. This "capture effect" was evident in general cargo movement through the first half of 2003, long after the West Coast strike had ended. General cargo tonnage over the first half of 2003 was approximately 15 percent above the same period in 2002.

Also important in this arena has been the growth in port-related retail distribution centers within Hampton Roads. Firms such as Wal-Mart, Cost Plus, Dollar Tree and Target have expanded operations within the region. They will likely increase their cargo tonnage by 10 to 20 percent in 2003.

The bottom line is the Port of Hampton Roads once again has provided economic stimulus to the region.

SUMMING IT UP

While it would be inappropriate for us to exhibit *Schadenfreude* – joy over others' misfortunes – area residents must confess that it is refreshing for a change to see Hampton Roads in the position of leading the Commonwealth's economy. In a nutshell, we're growing and most other regions in Virginia are not. Further, we're growing at a substantially higher pace than the nation as a whole.

The major reason for this is increased defense expenditures on personnel, materiel, and shipbuilding and repair. But, tourism has also been an important stimulant, as has the Port of Hampton Roads. Interlaced among these sectors has been the marvelous performance of the region's housing market. Homeownership has surged; homes are affordable; we've avoided a real estate price bubble; and vacancy rates are now sufficiently low to provide incentives to builders. Seldom have we experienced such a beneficent situation. These conditions won't last forever, but they have increased the welfare of thousands of people within the region in recent years.

QUARTERS 10$
NICKELS 2$