

Report: Region's economy slows, but it could be worse



James Koch, professor of economics and president emeritus at ODU, is the report's lead author.

By [Sarah Kleiner Varble](#)

October 2, 2013

Cuts in defense spending will end up costing Hampton Roads about 4,000 jobs in 2013, according to the State of the Region report, which was released this morning.

The regional economy was expected to add 5,200 jobs this year, but only 1,200 will be created, according to the report from Old Dominion University.

James Koch, professor of economics and president emeritus at ODU, is the report's lead author and was scheduled to discuss the highlights at a Norfolk breakfast meeting today of the group Lead Hampton Roads.

Between 2008 and 2010, Hampton Roads lost 40,000 jobs. Fewer than 10,000 had been recovered by the end of 2012. The region has lagged behind Virginia and the United States in terms of job recovery.

The region could have fared worse, though. The port of Hampton Roads and the local real estate market offer glimmers of hope, according to the report.

Economists originally estimated automatic spending cuts, known as sequestration, would cost the region 17,000 jobs. But Congress softened the blow in the months that followed.

Still, as the biggest driver of the local economy, defense spending is largely to blame for the region's lackluster year, according to the report. Direct federal spending (in Hampton Roads) for defense dropped for the first time since at least 2000 – to \$21.1 billion from nearly \$22 billion in 2012.

Economists urged that Hampton Roads diversify its economic base in the first report, which was produced in 2001.

“We’ve said much the same thing every year since then, and now can report that over the past two years, we’ve become slightly less dependent on defense spending than we were in the past,” according to the report.

But the economy is diversifying for the wrong reasons. Instead of propulsion from the private sector, cuts in defense spending have forced the economy to diversify.

Department of Defense spending in 2013 made up 44.7 percent of gross regional product, down from 48.5 percent in 2011, the report says.

Other findings:

-- The rate of Hampton Roads’ economic growth slowed in 2013 to 0.94 percent, down from 1.53 percent last year. Between 2000 and 2007, annual gross regional product averaged 3.6 percent.

-- The port of Hampton Roads, another of the region’s major economic drivers, continued to rebound, but at a slower pace than in 2012. Market share along the East Coast had slipped for several years, but in 2012 and 2013, the port reversed that.

-- Tourism is a major market sector that has not recovered from the recession. The region’s hotels brought in about 10 percent less revenue per available room in 2012 than at their peak in 2007 – about \$47.63 per night, down from \$52.90. Virginia Beach is the only submarket that has seen an increase in that measure, known as RevPAR, since 2007.

-- The region’s real estate market has turned a corner after years of sagging sales and prices, according to the report, but the industry continues to face challenges.