

Economist warns of Hampton Roads' reliance on defense

By [Tom Shean](#)
The Virginian-Pilot
© October 5, 2011

Hampton Roads is increasingly vulnerable to an economic downturn because of its reliance on defense spending and the heightened budgetary pressures in Washington, an Old Dominion University economist cautioned Tuesday.

"This decade wasn't so bad for us" because of the thrust provided by defense spending, James V. Koch told about 700 people gathered for his annual State of the Region report. During the recent recession, "we did better than the country as a whole. Now we're tracking the rest of the country."

However, Hampton Roads' economy relies on defense activity for almost 46 percent of its annual output of goods and services, up from less than 35 percent in 2000, noted Koch, president emeritus of ODU and professor of economics.

Today, the loss of a Norfolk-based carrier group to Florida or the Pacific would inflict significantly more pain than the closing of Ford Motor Co.'s truck-assembly plant in Norfolk did four years ago, Koch said. Meanwhile, the soaring cost of new carriers, fighter aircraft and other weapons means fewer will be built and fewer will have to be maintained, he said.

"If we do buy these, there will be fewer uniformed people and fewer civilian employees because these things are simply getting so expensive," Koch said.

Many of the factors that influence Hampton Roads' economy, including the political wrangling in Washington and financial turmoil in Greece, lie beyond the region's control, Koch acknowledged.

"In the short run, we're spectators," he told the breakfast gathering at the Norfolk Waterside Marriott Hotel. The event was sponsored by LEAD Hampton Roads, an affiliate of the Hampton Roads Chamber of Commerce.

Today, the region has 40,000 fewer jobs than it did at its economic peak in 2008, Koch said, "so we clearly have not recovered to where we were" before the recession.

Some of the losses involved jobs at banks, law firms and at the U.S. Joint Forces Command, the Norfolk-based command dissolved earlier this year in a cost-cutting move.

In his talk, Koch drew from other findings in the latest State of the Region report, the 12th that he compiled with help from ODU's Economic Forecasting Project and other university resources.

Hampton Roads, he said, has witnessed a boom in apartment development, but the market for single-family homes is still "several years" away from a recovery.

Three out of every eight houses sold in the region this year, Koch said, will likely involve a distressed sale, one that involves a foreclosure, a sale of bank-owned property or a short sale, in which a lender agrees to accept less than what is owed on the property.

"There's still a lot of unsold inventory out there," along with homes that haven't been put on the market because their owners don't think they can sell them or sell them for the right price, he said.

The ODU report also includes essays on the economic difficulties of African American men in Hampton Roads, transportation planning in Hampton Roads, and the role of WHRO, the region's public media network, on its 50th anniversary.

<http://hamptonroads.com/2011/10/economist-cautions-regions-reliance-defense-spending>