

*Virginia Ready-Mixed Concrete  
Association VRMCA*

**Virginia Economic Outlook**

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# Key Points

- National Picture: Things could be Worse
- State Picture: Mixed  
(Employment and Housing Sectors)
- Need Public Sector: Possibilities and Limits of Public Policy at State and Federal Levels

## National Picture: Unemployment

Unemployment Rate		Jul-10	Jul-09
UNITED STATES		9.5	9.4
NORTHEAST		8.8	8.7
MIDWEST		9.4	10.0
SOUTH		9.2	9.2
<b>VIRGINIA</b>		<b>7.0</b>	<b>6.9</b>
WEST		10.8	10.4

# State Unemployment

VIRGINIA	7.0	6.9
Blacksburg- Christiansburg-Radford VA	7.9	8.4
Charlottesville VA	6.1	5.9
Danville VA	12.0	12.1
Harrisonburg VA	6.6	6.3
Lynchburg VA	7.9	7.7
Richmond VA	8.0	7.9
Roanoke VA	7.6	7.6
Virginia Beach-Norfolk- Newport News VA-NC	7.5	7.1
Winchester VA-WV	7.4	8.0

# Virginia Unemployment Map

[http://www.vawc.virginia.gov/analyzer/session/  
session.asp?CAT=HST EMP WAGE LAB FORC  
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# New Privately Owned Housing Starts

	United States	South
June	537,000	285,000
July	546,000	267,000
% Change		
July 10 from June 10	1.70%	-6.30%
July 10 from July 09	-7%	-7.90%

## House Mortgages Under Water: Top 15 States

1. Nevada: 69.9% of all mortgages
2. Arizona: 51.3% of all mortgages
3. Florida: 47.8% of all mortgages
4. Michigan: 38.5% of all mortgages
5. California: 35.1% of all mortgages
6. Georgia: 27.8% of all mortgages
7. Virginia: 24.3% of all mortgages
- 8.-13. SD, ME, WV, WY, LA, MA: 23.8% of all mortgages
14. Maryland: 22.9% of all mortgages
15. Idaho: 22.7% of all mortgages

# Virginia Association of Realtors

## **Outlook?**

Don't bet on a quick recovery. First time homebuyer tax credit has expired.

As bad as the housing crisis has been, many believe this government housing stimulus plan has helped avert a death blow to the housing market. But with the stimulus now gone, natural market forces will take over, and it's not difficult to imagine some potential negative outcomes.

Median home sales prices could drop by roughly \$8,000 (the maximum amount of the tax credit).

Home shoppers may feel less motivated to buy. This could decrease demand and increase supply in the housing market.

There are very few trends to point to in VAR's home sales report. The graph lines zigzag up and down with no clear trajectory. Many housing economists are now predicting a long, slow, L-shaped recovery, and VAR's data supports this.

Hang in there.

## FED Report: Richmond Region Real Estate (August)

- Real estate markets remained weak over the last four to six weeks.
- Closed sales flat and dominated by foreclosures
- Buyers having difficulty obtaining financing and about the amount of time required to get mortgage loan approvals.
- Most Realtors cited continuing declines in home prices.
- Greater Washington, D.C. area reported that July sales were stronger than expected and that homes below \$250,000 generally moved quickly.

# FED Report: Richmond Region Commercial Market (August)

- Construction remained soft and there was continuing downward pressure on rents.
- Vacancy rates were still rising.
- Less demand for new building space from small business startups to the fact that laid-off workers were facing diminished savings due to the severe stock market and real estate slumps.
- State and local governments cut back construction projects.
- Uncertainty about the economy and confusion about recent reforms were key factors in holding back sales and construction.

# Housing Market Recovery

- Home Prices down 30% since 2006
- 10-15 years before losses are recovered in some markets, probably less in VA
- Standard and Poor's Case-Schiller

<http://www.standardandpoors.com/indices/sp-case-shiller-home-price-indices/en/us/?indexId=spusa-cashpidff--p-us->

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# Opportunities: State Level

- **Key Facts About Virginia's Economy Compared with other States (JLARC, 2010)**

		Ranking
• State Motor Fuel Taxes per Gallon	17.5	37
• Road Expenditures Per Vehicle Mile Traveled	3.66	43
• State and Local Taxes % of Personal Income	10.2%	41
• Bond Rating AAA		1
• Per Capita Personal Income	\$44,224	7
• Per Capita Federal Expenditures	15,256	1
• Per Capita State Expenditures	\$4,755	35

2004 Transportation report revealed \$203 billion in state infrastructure (roads, ports, aviation, and rail); \$95 billion in revenues= \$108 billion in unmet needs

ABC stores (\$500 million)

# Policy Ideas: Federal Level

## Taxes

Renew Tax Bush Tax Cuts (\$250K)

100% Investment Tax Credit

Permanent Research and Development Credits

## Small Business Bill

\$12 billion in tax incentives for small businesses

\$30 billion investment in independent community banks to encourage lending to small businesses

## Infrastructure

\$50 billion in roads, rail, and runway

Infrastructure Bank

HUD Initiative allow banks to write off 10% for mortgage loans underwater (4 to 5 million homeowners)

## Debt Problems

- \$1.5 trillion deficit
- \$13.4 trillion debt (\$263 per minute)
- Baby Boomers Retiring
- Over \$60 trillion in unfunded liabilities
- Effects of Mortgage Losses on Personal Assets

Question: How long will creditors continue to purchase US Government Debt?

## Silver Lining?

- Personal Savings Up (6% monthly rate)
- Corporate profits hit \$1.37 trillion in the first quarter -- an all-time high. Businesses are sitting on about \$2 trillion in cash reserves (St. Louis Fed)

Caveats: Low Consumption

Business Uncertainty

Targeted Policy Initiatives have limited value

Fed Running out of Options