

# TRAVEL OREGON REVENUE FORECAST

Fiscal Biennium 2019–21

Oregon Tourism Commission  
February 4–5, 2019

# 2017-19 TLT REVENUE

2017-18 ( <i>Actual</i> )	\$38,017,086	(+6.6%)
2018-19 ( <i>Forecast</i> )	\$39,000,000	(+2.6%)
<b>Total TLT 2017-19</b>	<b>\$77,017,086</b>	

---

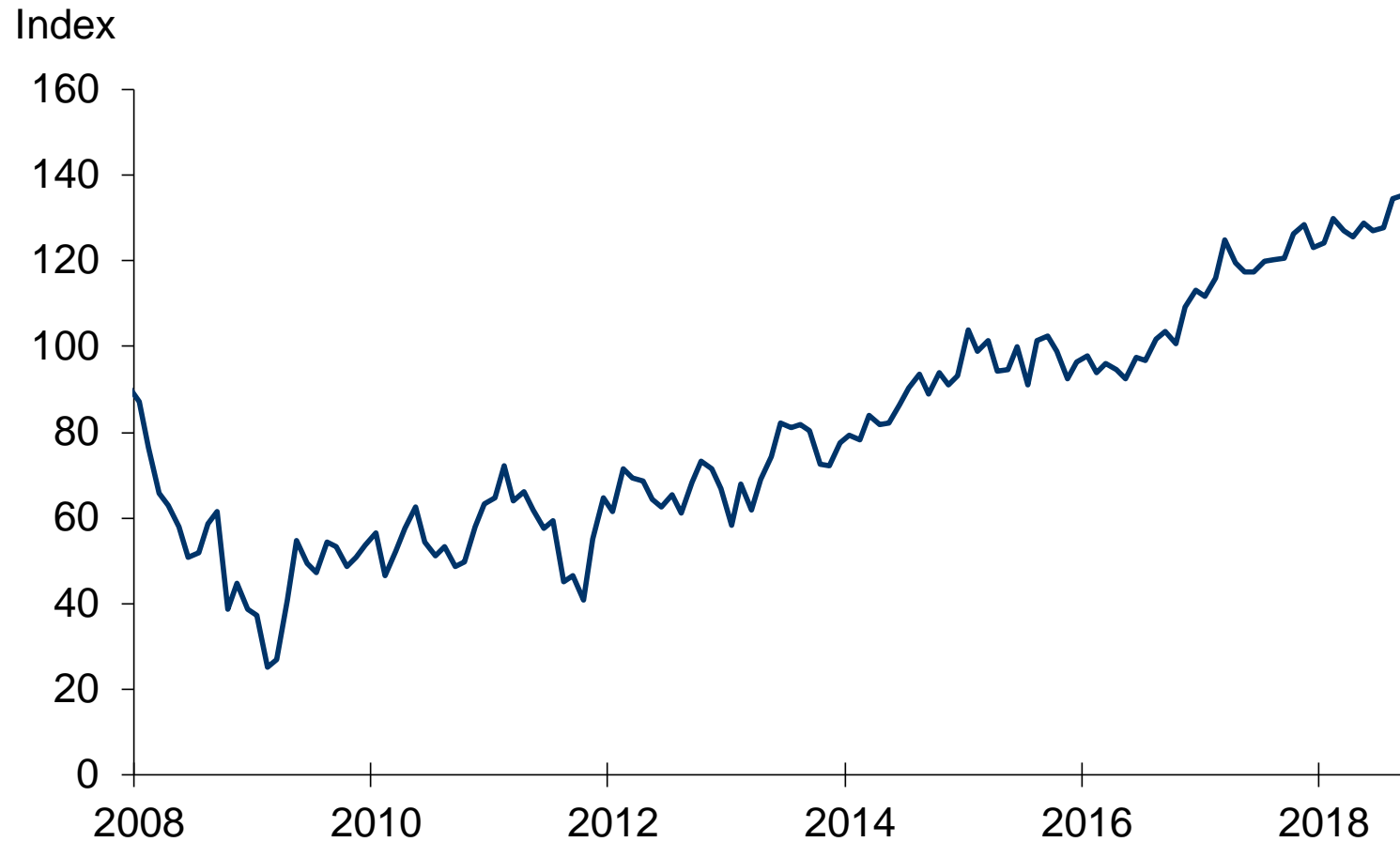
# The Macroeconomic Environment

---

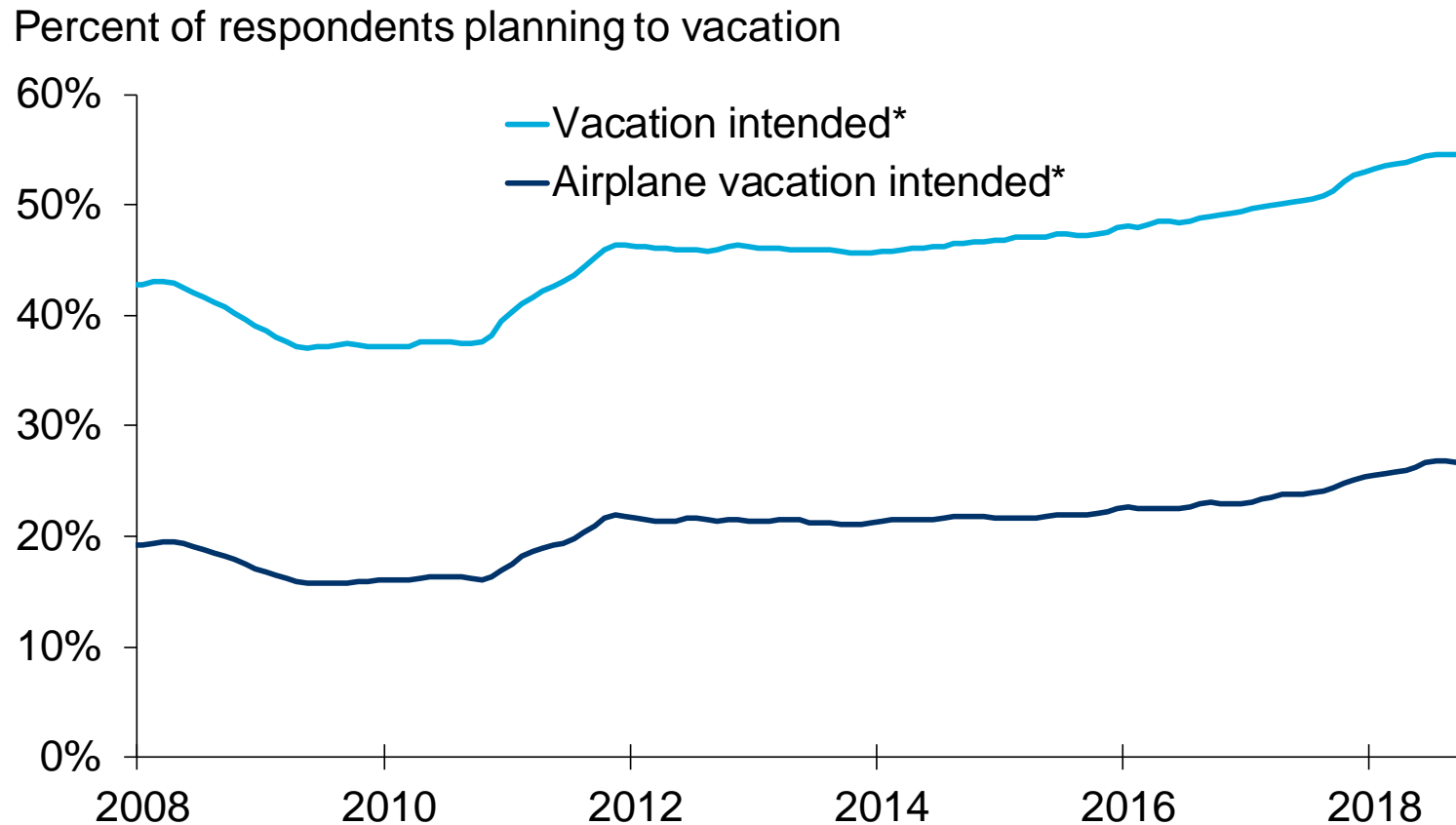
## Key forecast drivers

Positives	Negatives
<ul style="list-style-type: none"><li>▪ Consumer confidence and intention to vacation continues to rise</li><li>▪ The US economy is strong and the West Coast's economy is growing even faster than the nation's</li></ul>	<ul style="list-style-type: none"><li>▪ We expect economic growth to slow in future years</li><li>▪ While a recession seems unlikely in the near future, the odds of an economic downturn increase in 2020</li></ul>

## Growth in the Consumer Confidence Index



## Intention to vacation in the next six months

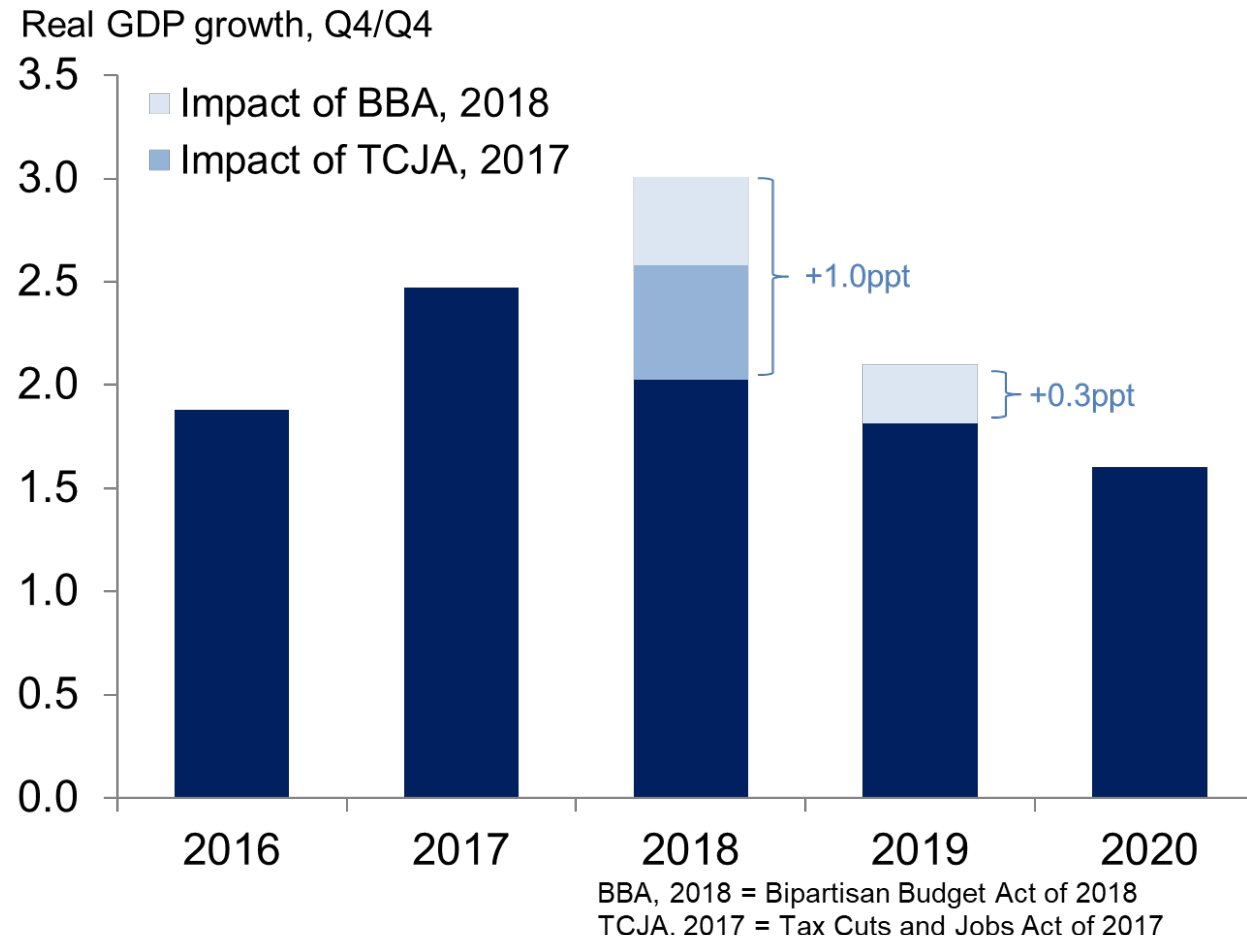


\*12 month moving average  
Source: The Conference Board

**US GDP growth is currently strong, but will slow in 2019 and 2020**

The impacts of fiscal stimulus will diminish and slow growth in the future

## US: Policy tailwinds will diminish over time

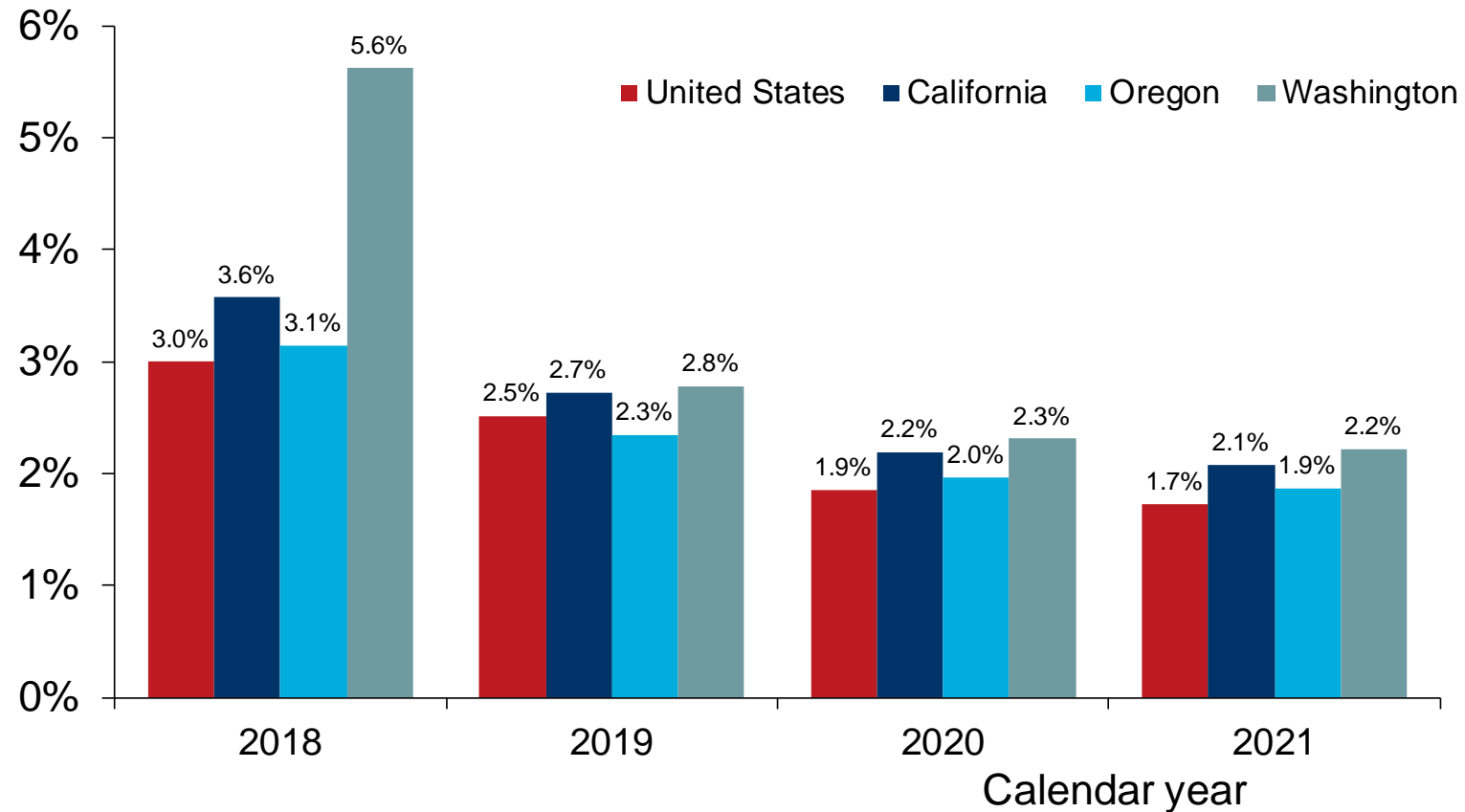


Source: Oxford Economics

| Tourism Economics

## GDP growth in the US and western states

Annual growth, real GDP

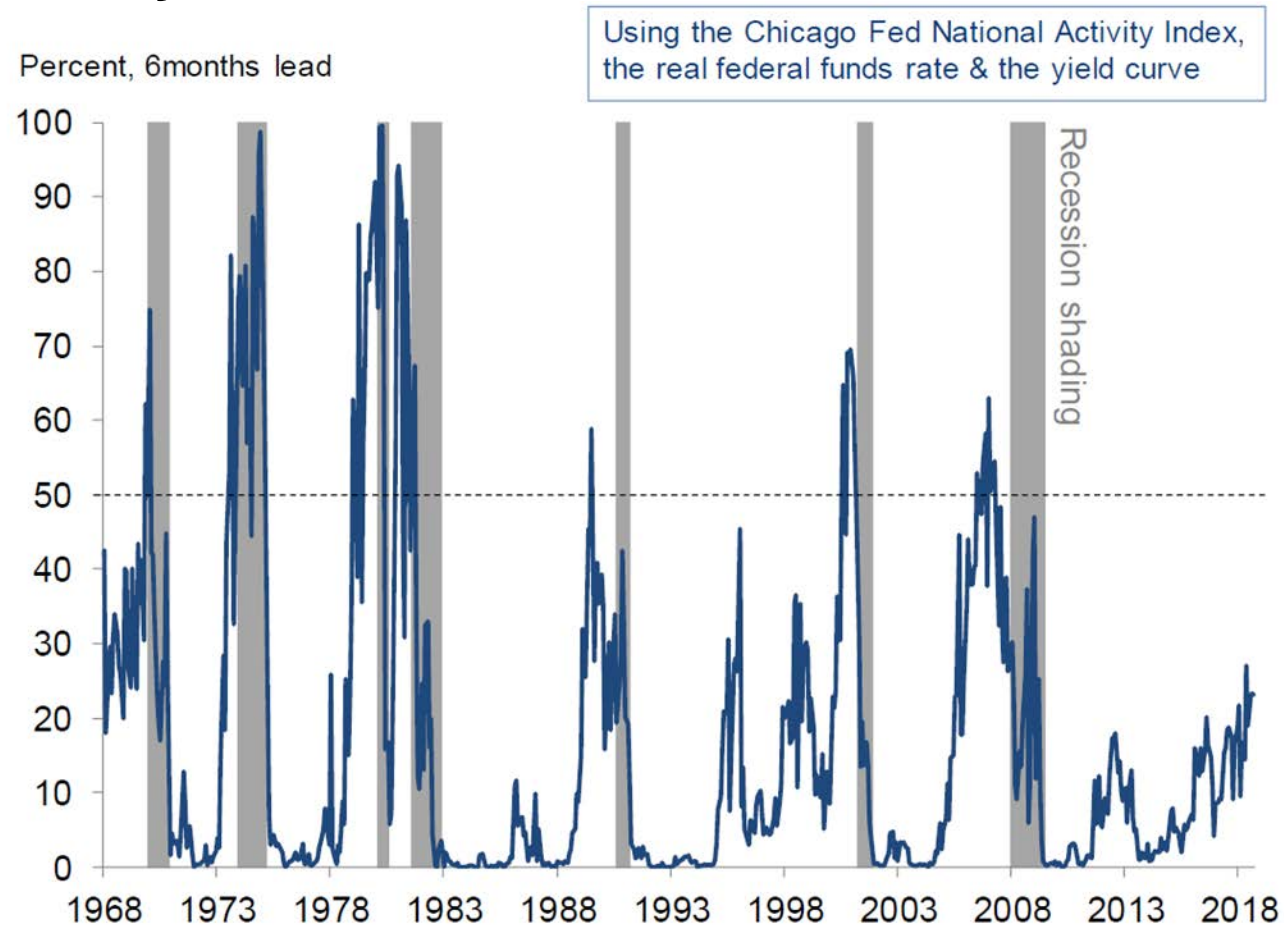




**The odds of a recession in the next six months are low, but chances will increase in 2020**

We estimate a 20% chance of a recession in 2019 and a 35% chance of recession in 2020

## Probability of a US recession in the next six months



---

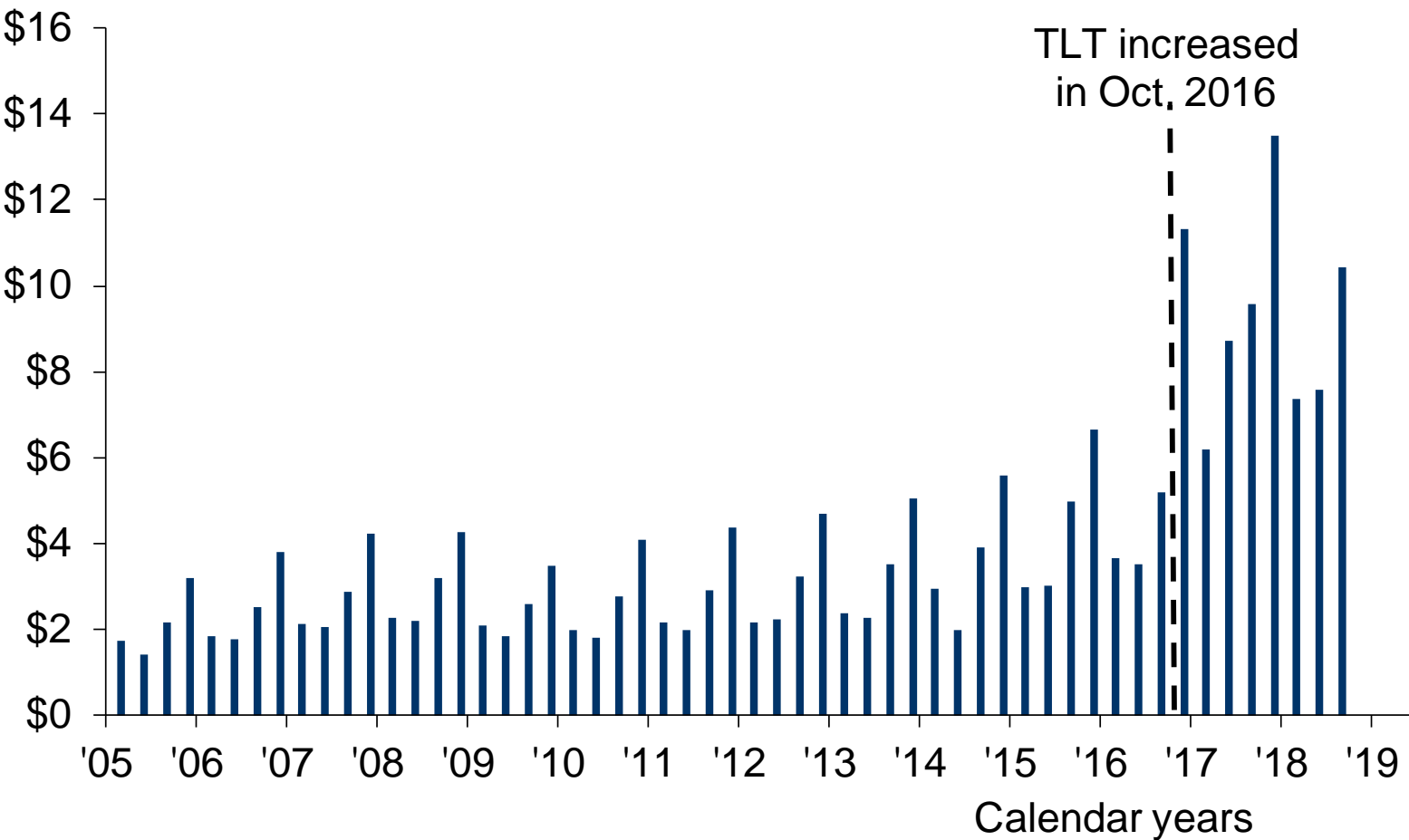
# Statewide Lodging Performance

Lodging tax has increased sharply since the 2016 TLT rate increase

There is significant seasonality in the data; Q4 is typically the strongest quarter and Q2 is the weakest

## Statewide TLT tax by quarter

Nominal dollars, millions



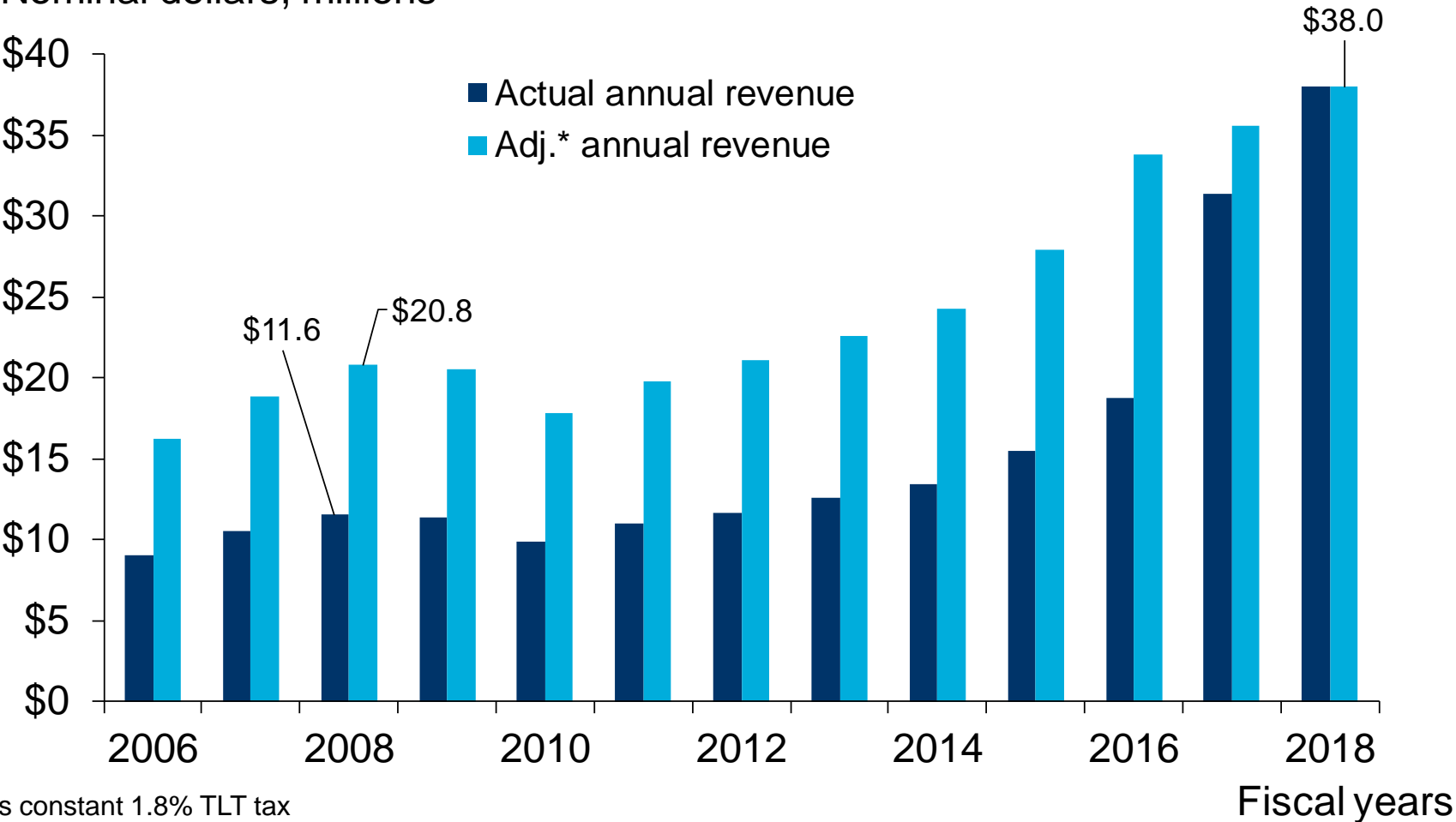
Source: Travel Oregon

TLT revenue has increased sharply over the past decade

TLT revenue reached \$38.0 million in 2018, if a constant 1.8% TLT rate is assumed, TLT revenue would have increased 82% since 2008

# TLT revenue by year

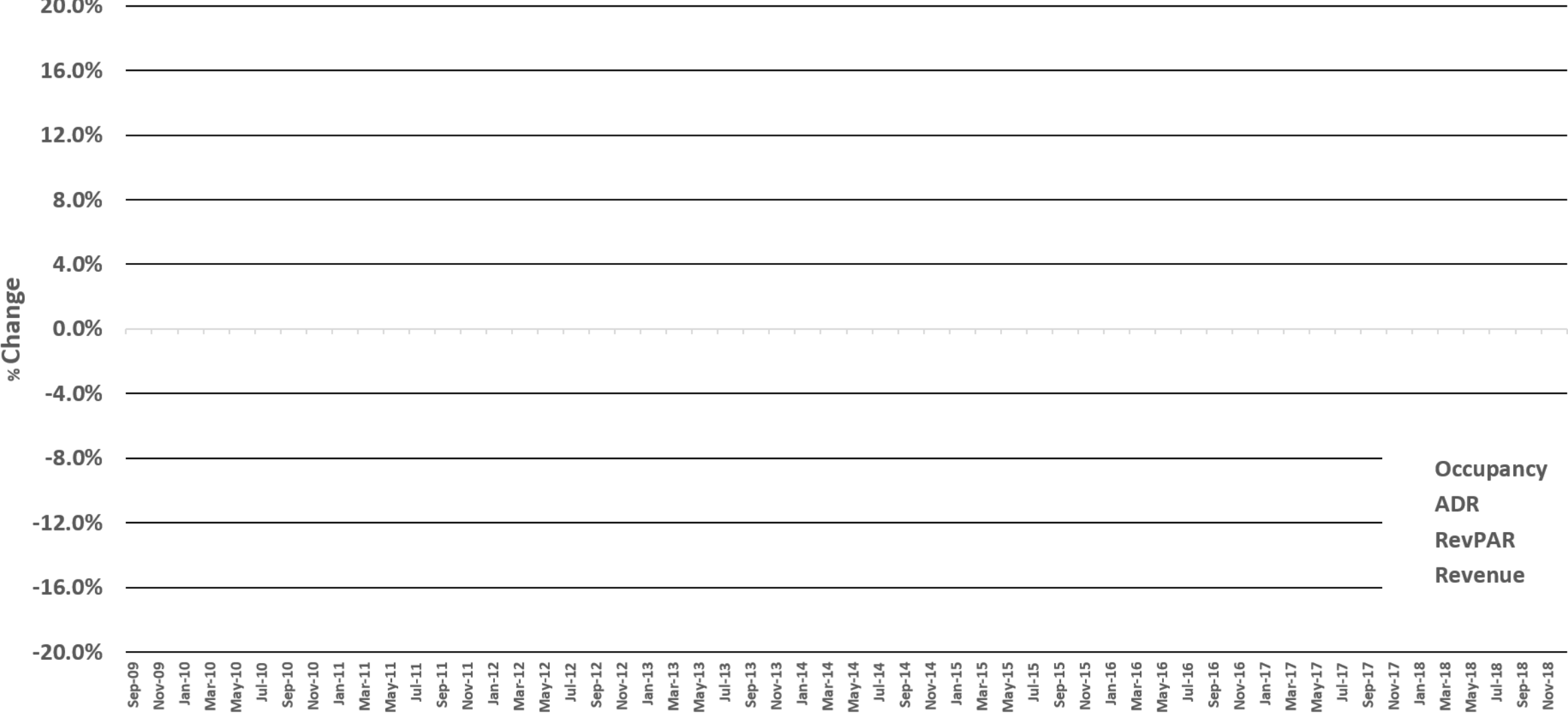
Nominal dollars, millions



\*assumes constant 1.8% TLT tax  
Source: Travel Oregon

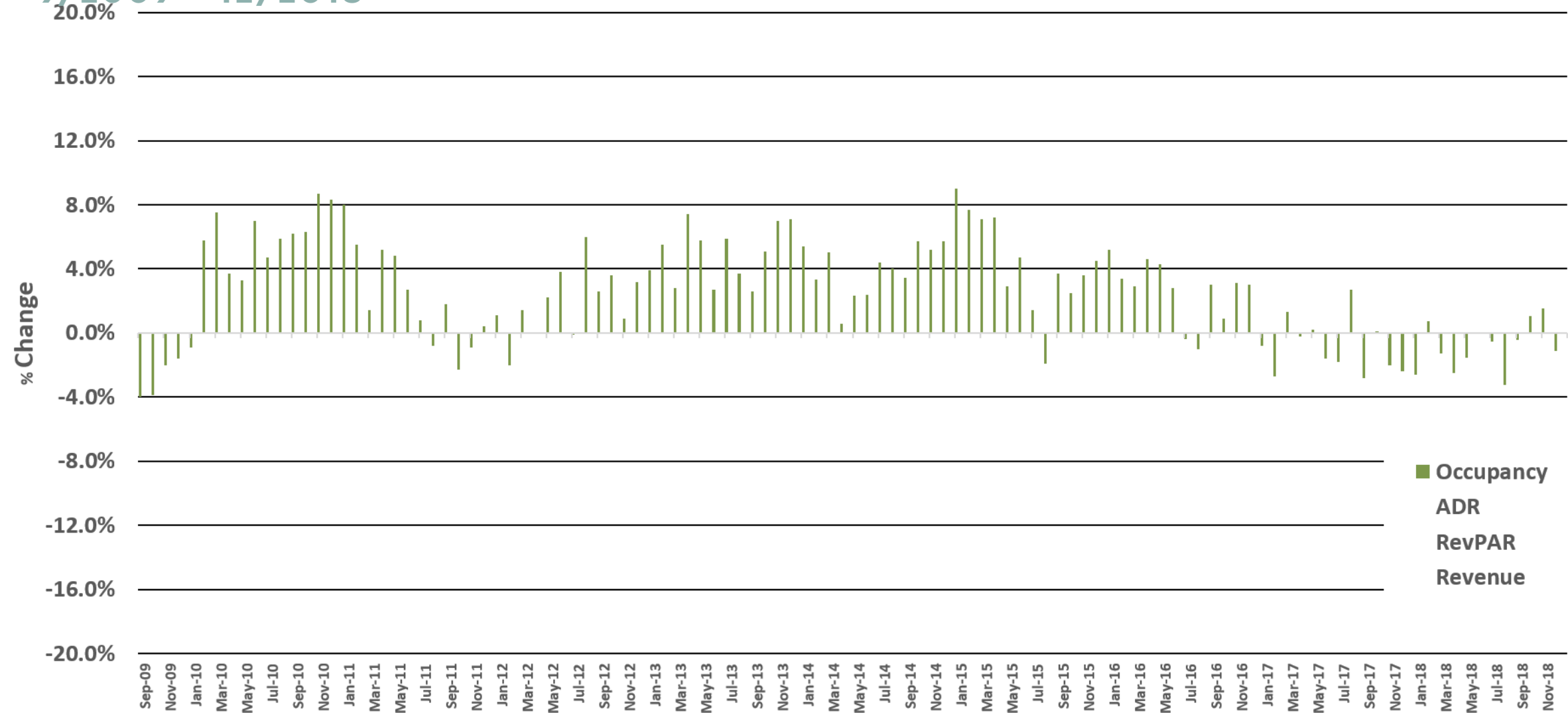
# OREGON LODGING STATISTICS

9/2009 – 12/2018



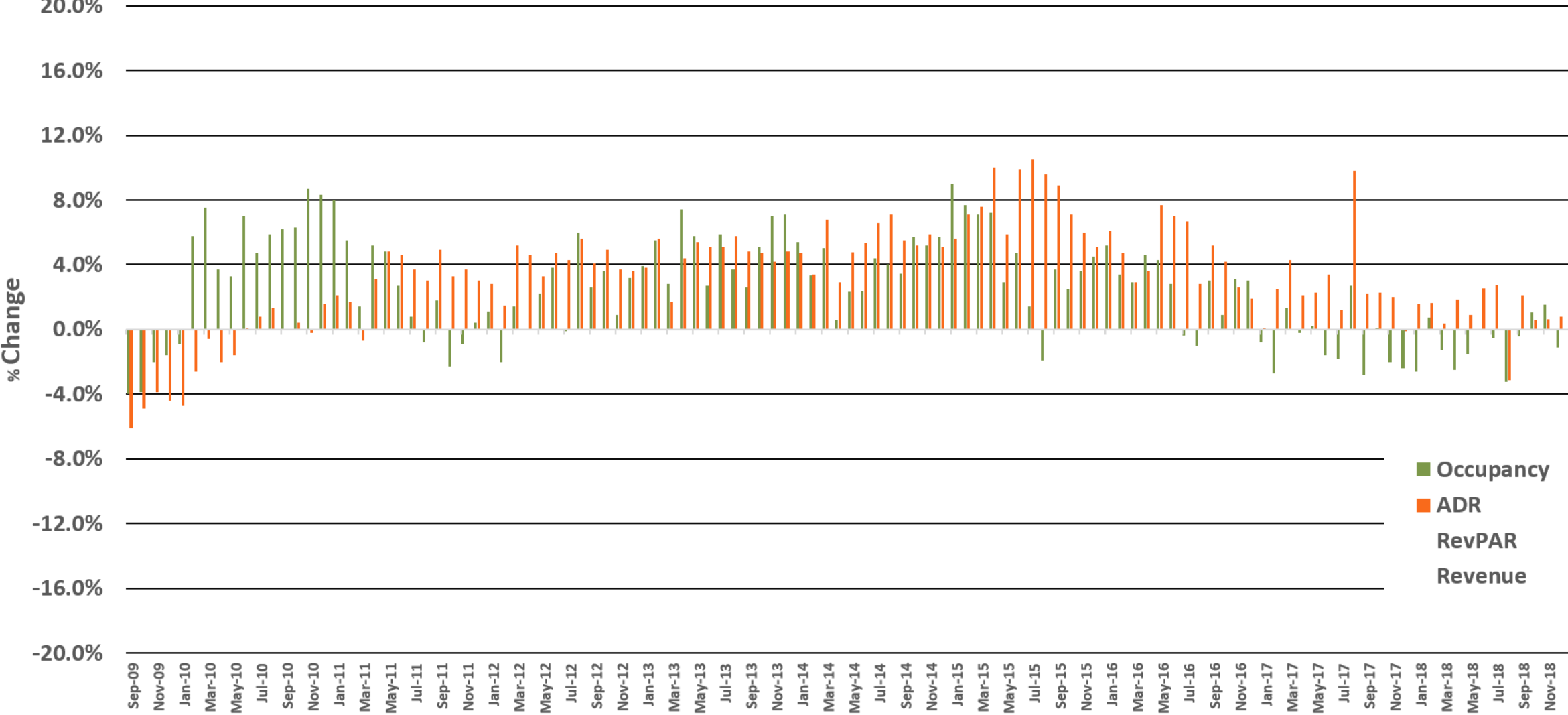
# OREGON LODGING STATISTICS

9/2009 – 12/2018



# OREGON LODGING STATISTICS

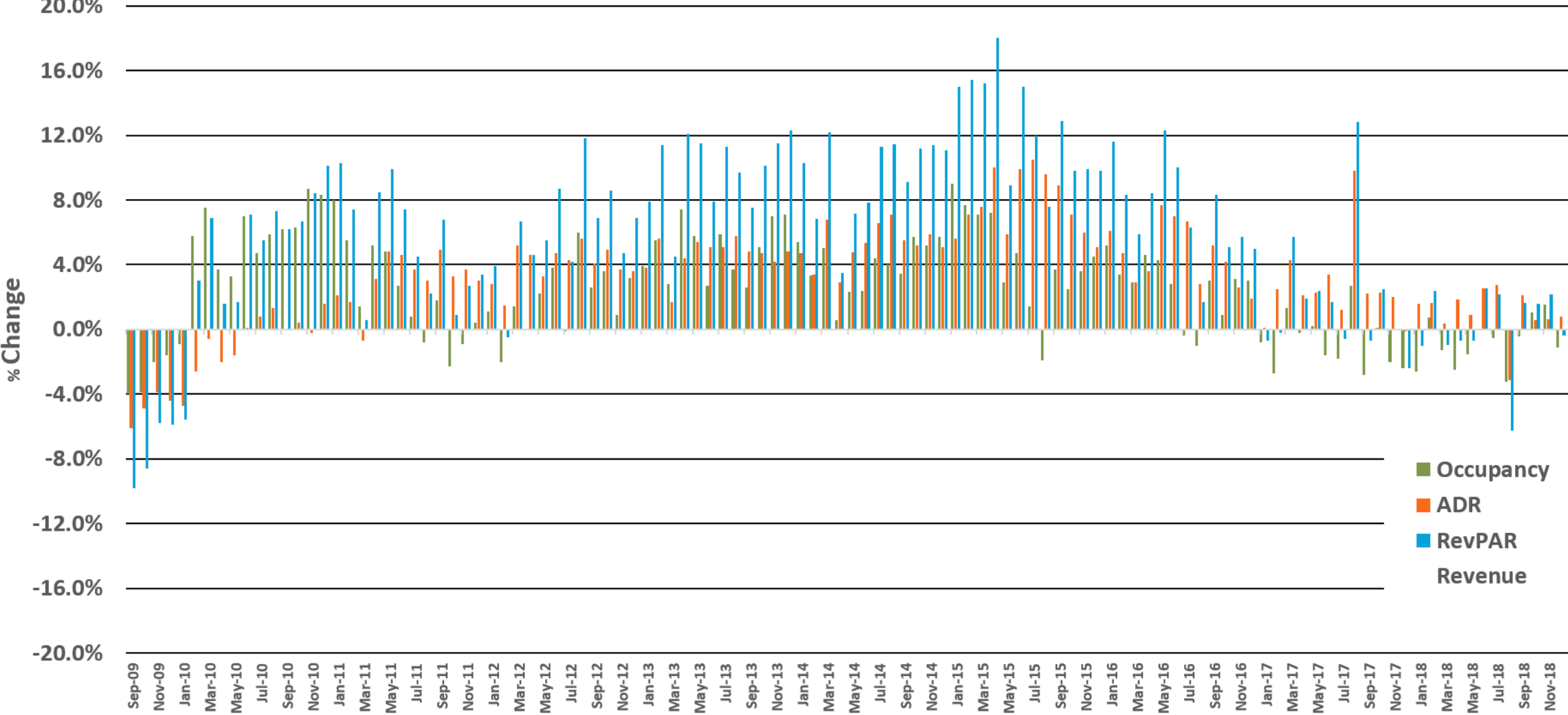
9/2009 – 12/2018



Source: Smith Travel Research

# OREGON LODGING STATISTICS

9/2009 – 12/2018

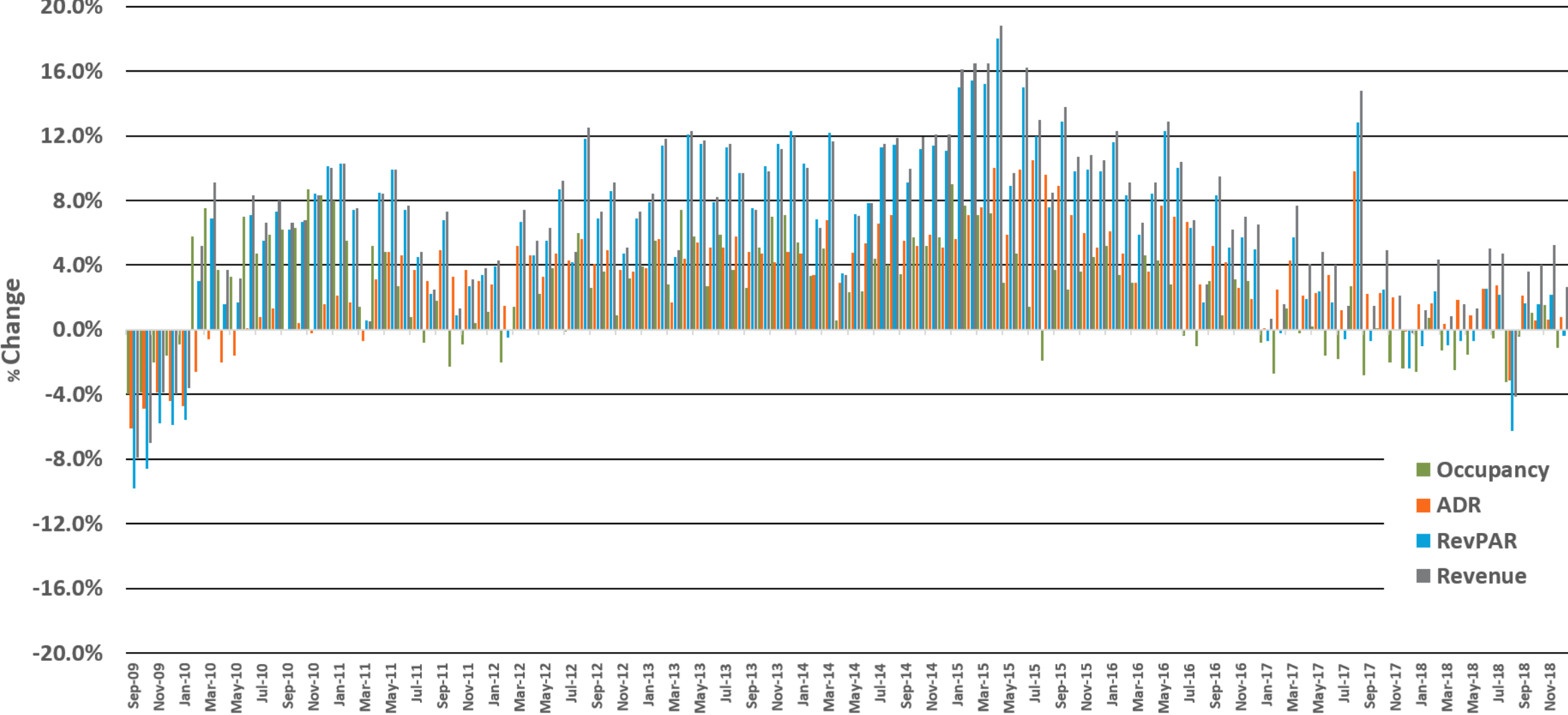


Source: Smith Travel Research

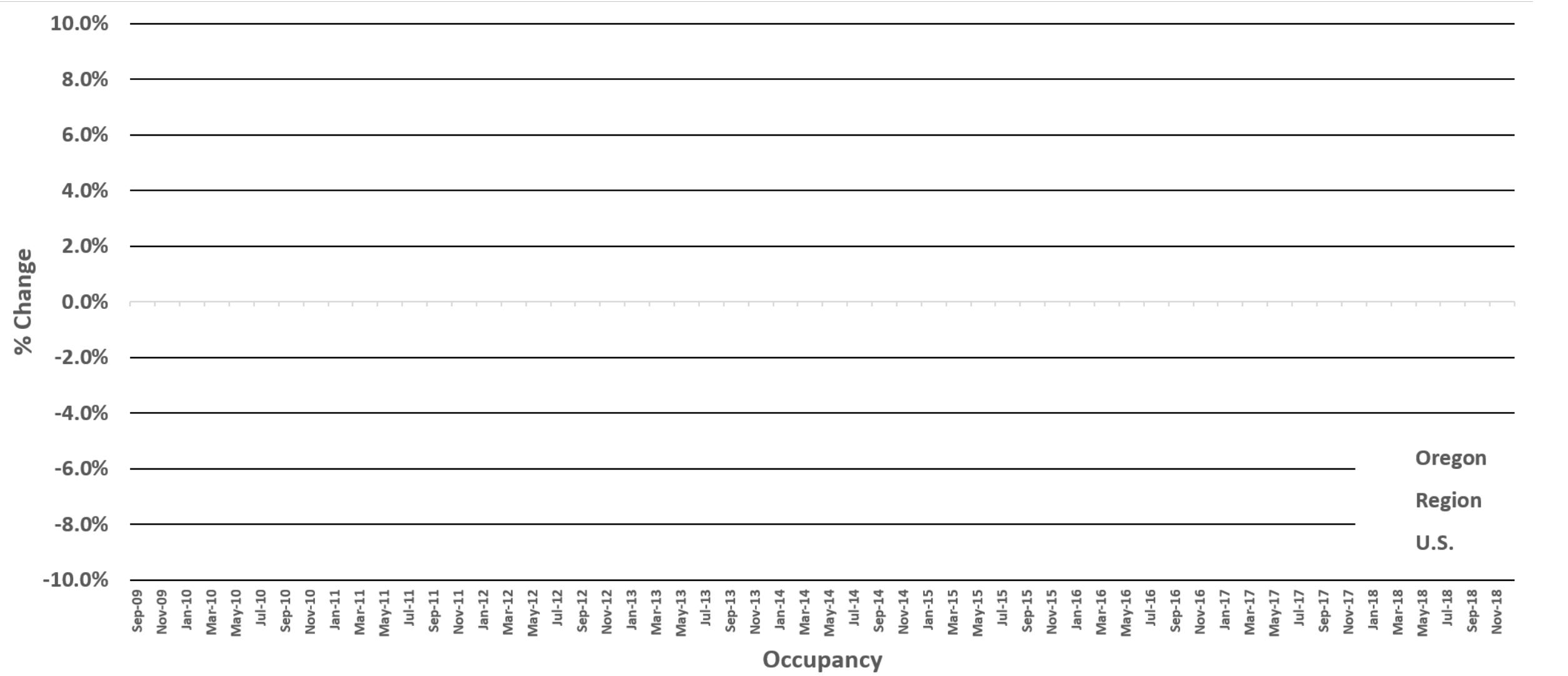


# OREGON LODGING STATISTICS

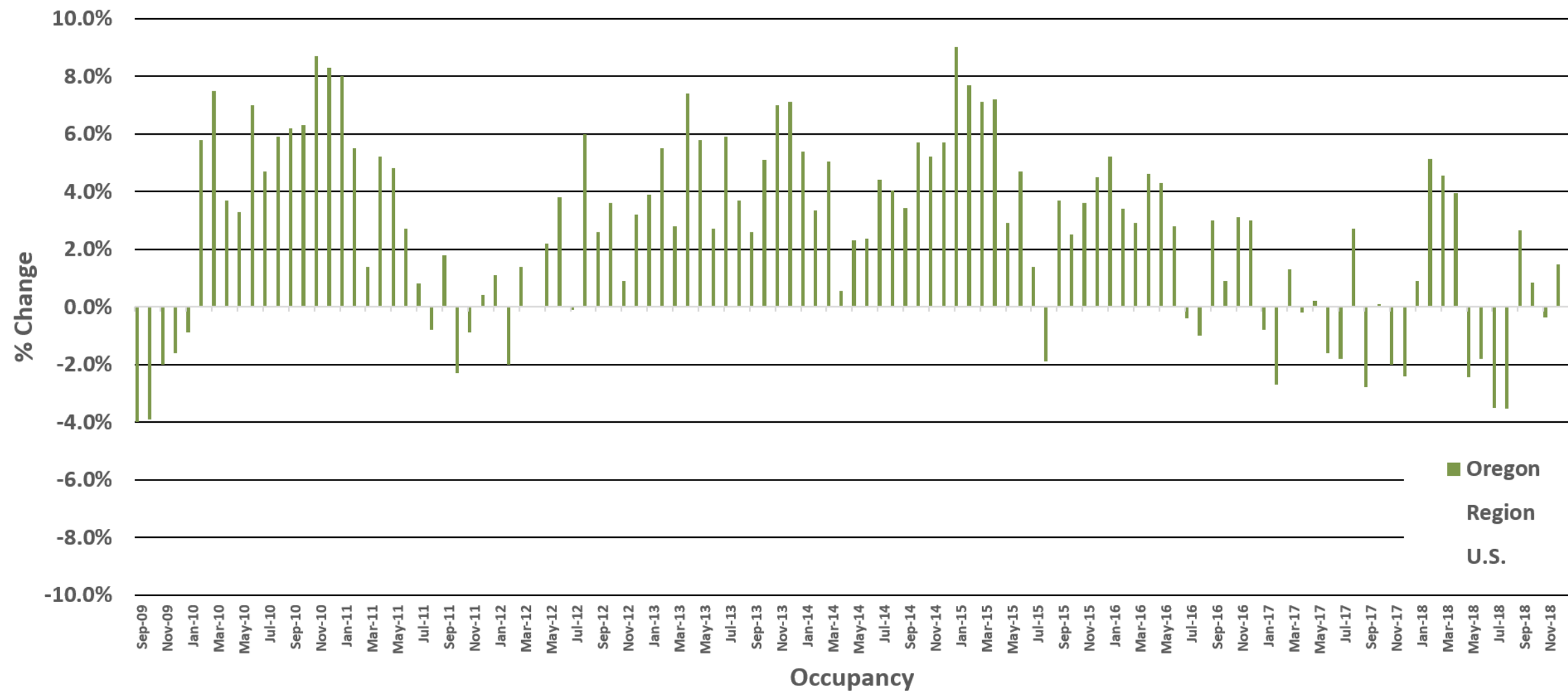
9/2009 – 12/2018



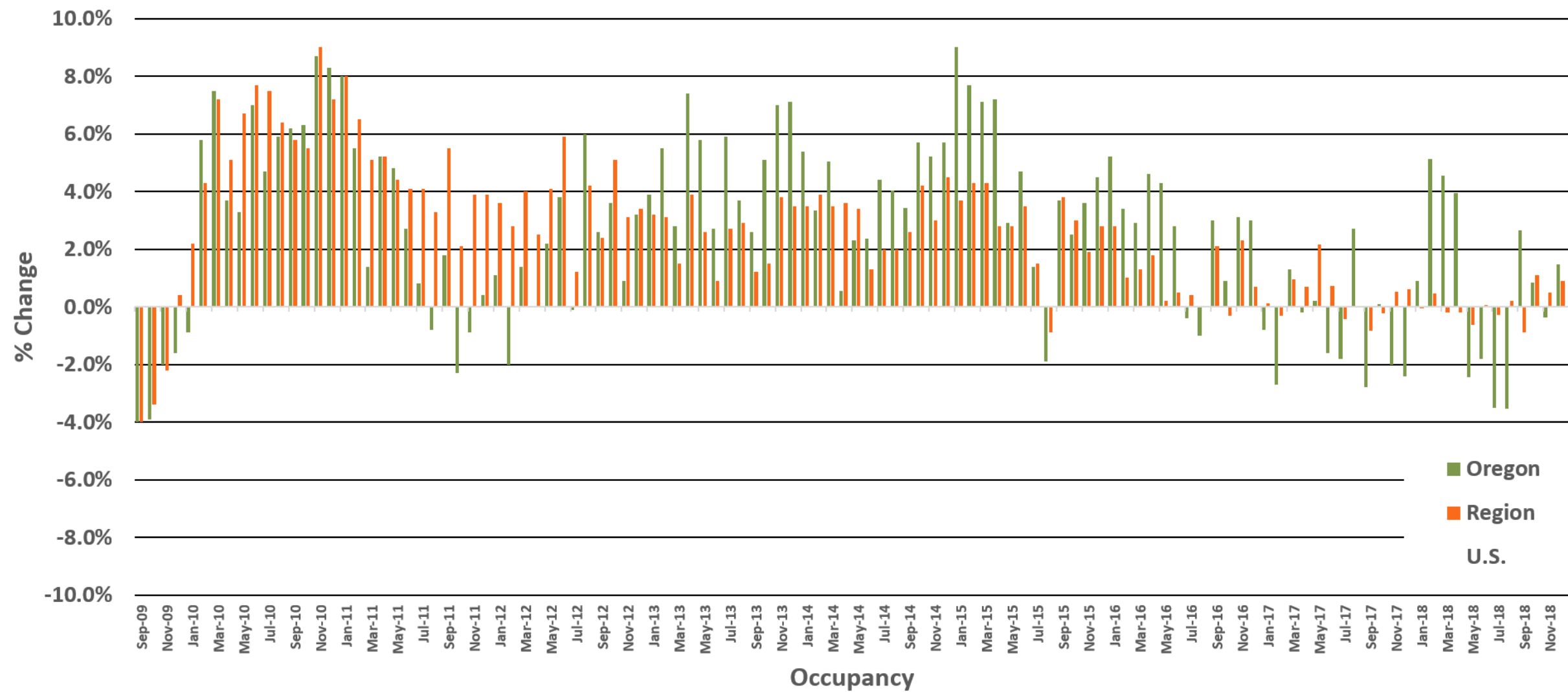
# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.



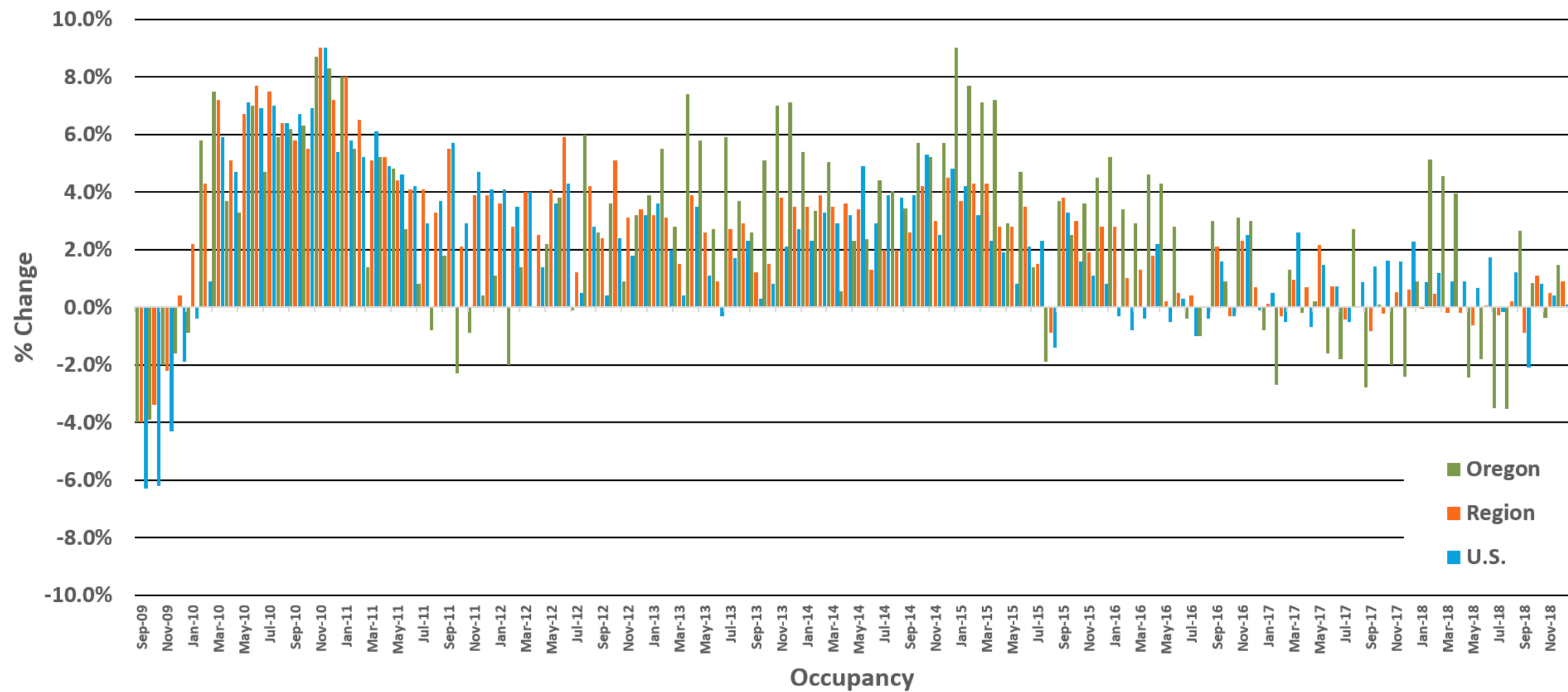
# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.



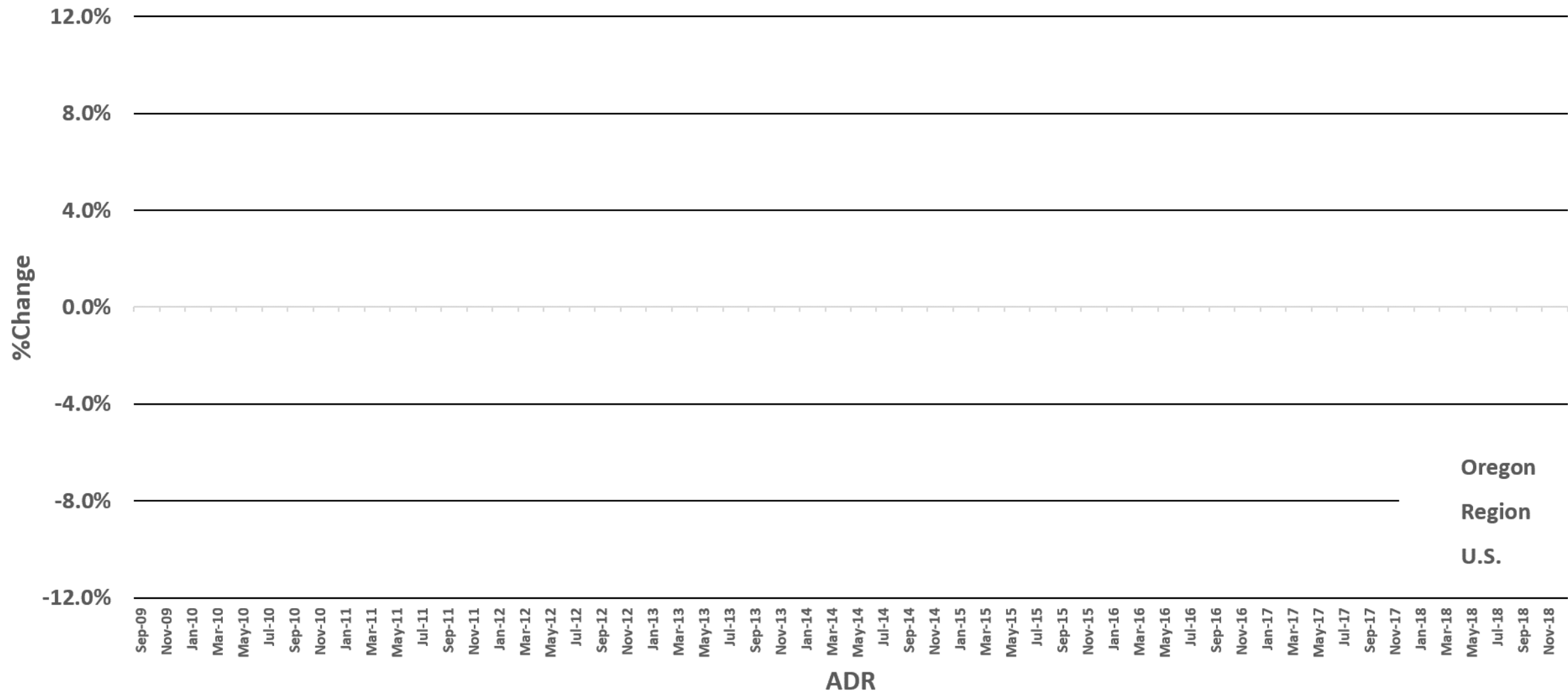
# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.



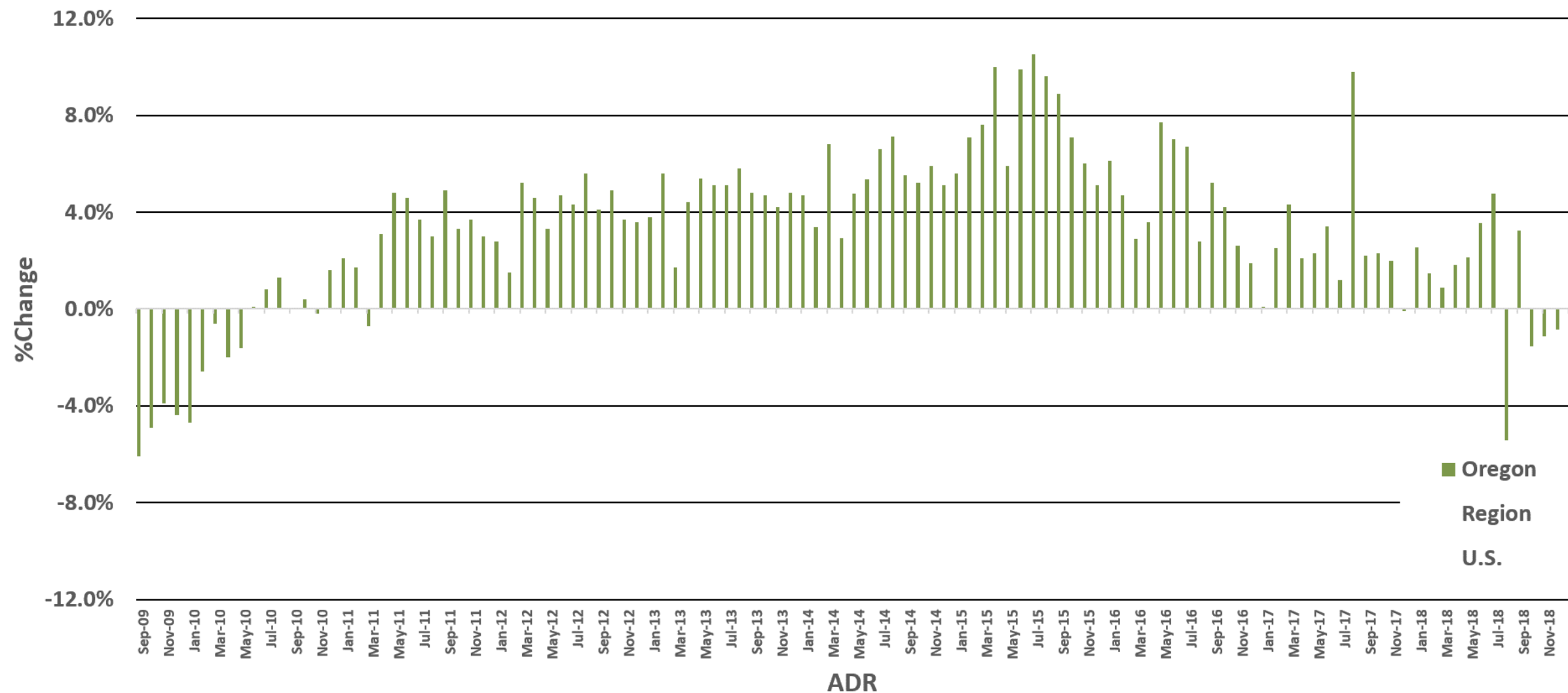
# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.



# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.

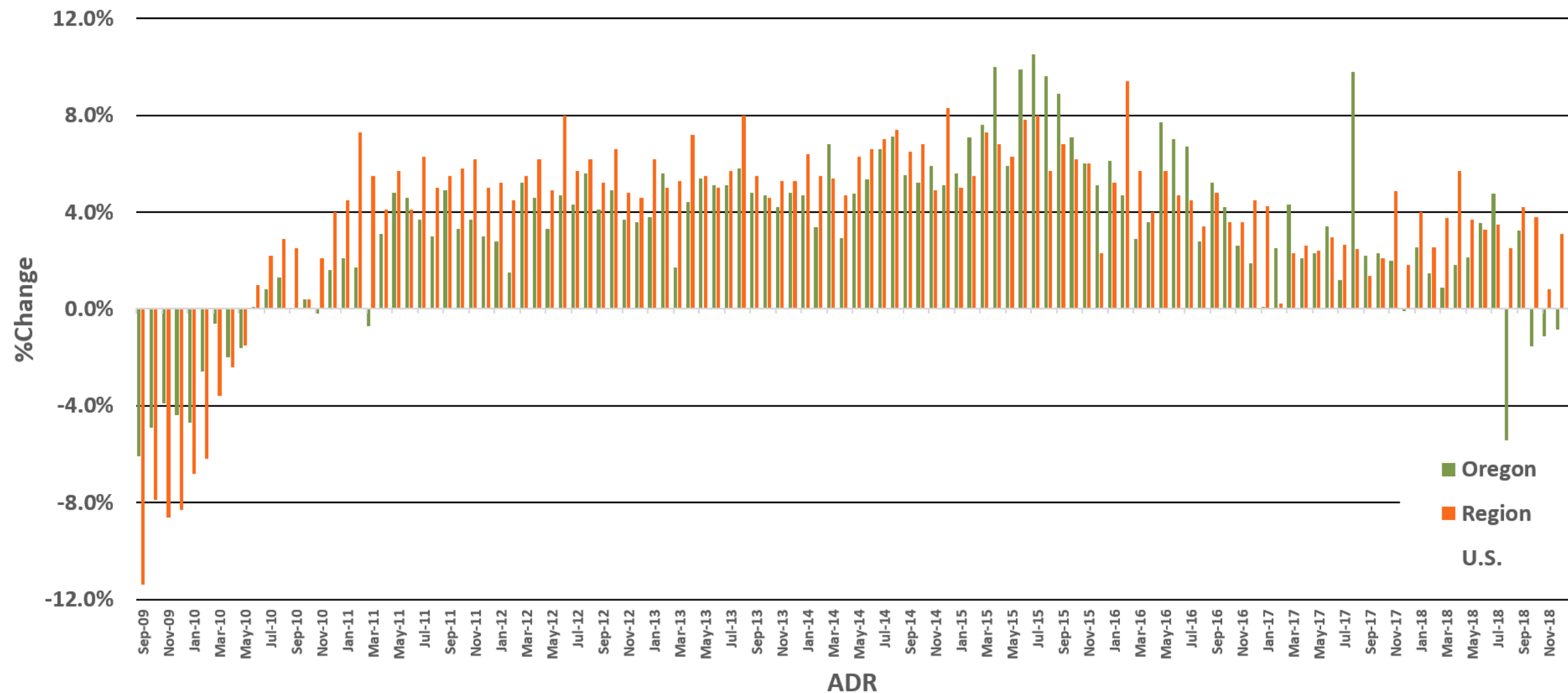


# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.



Source: Smith Travel Research

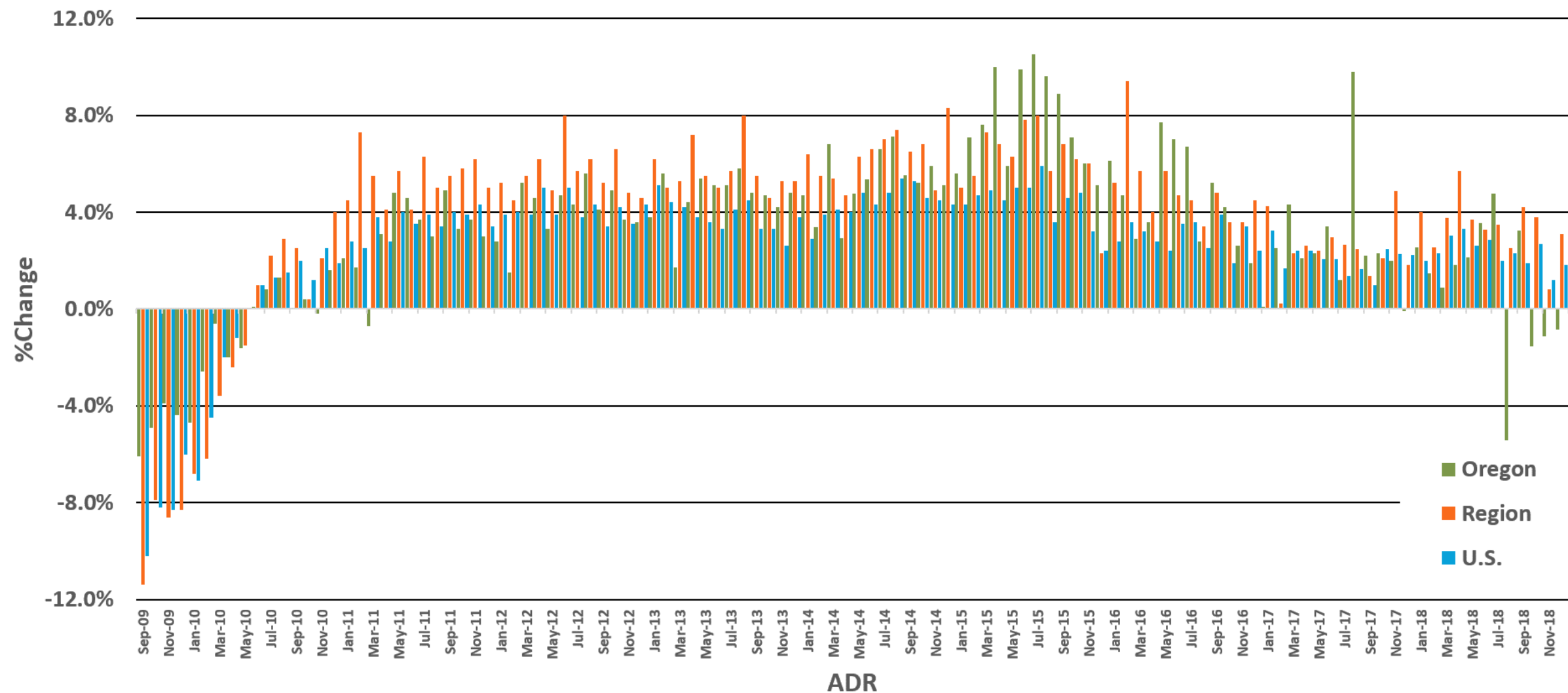
# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.



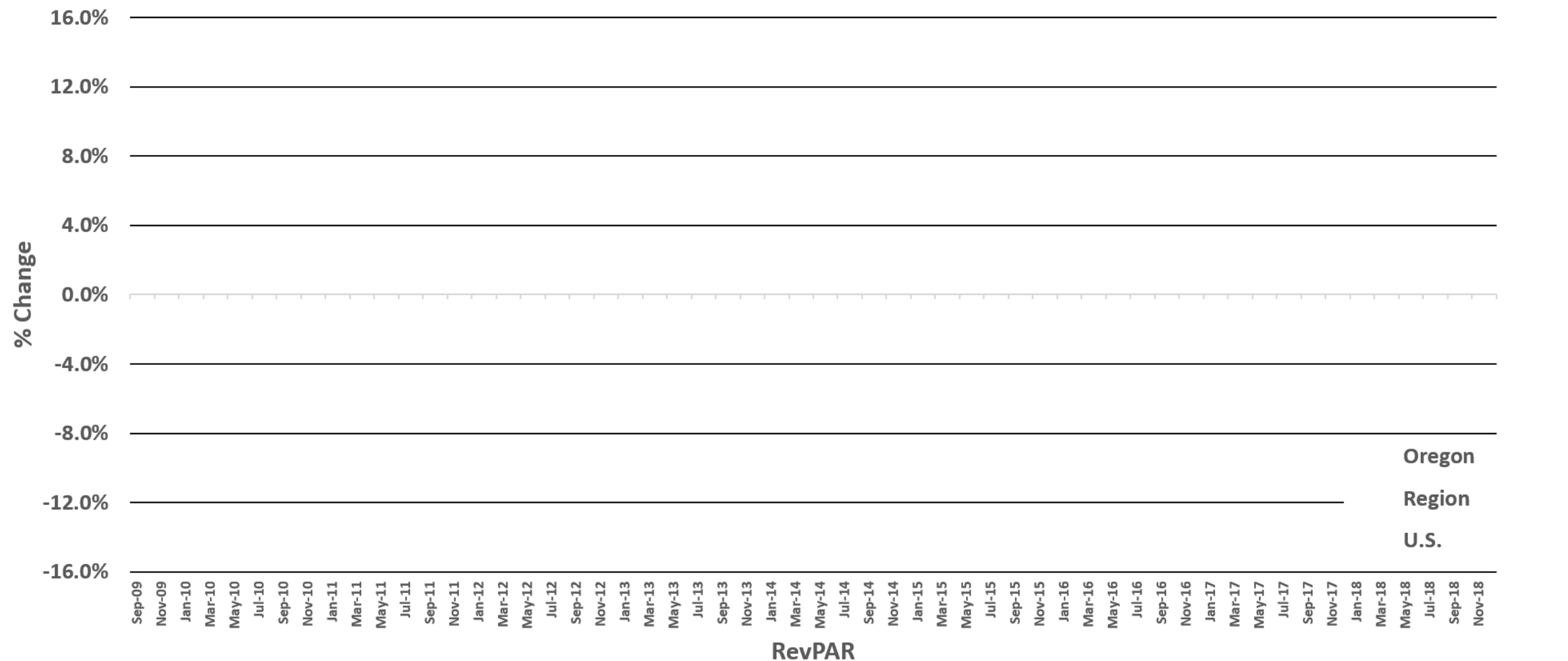
Source: Smith Travel Research



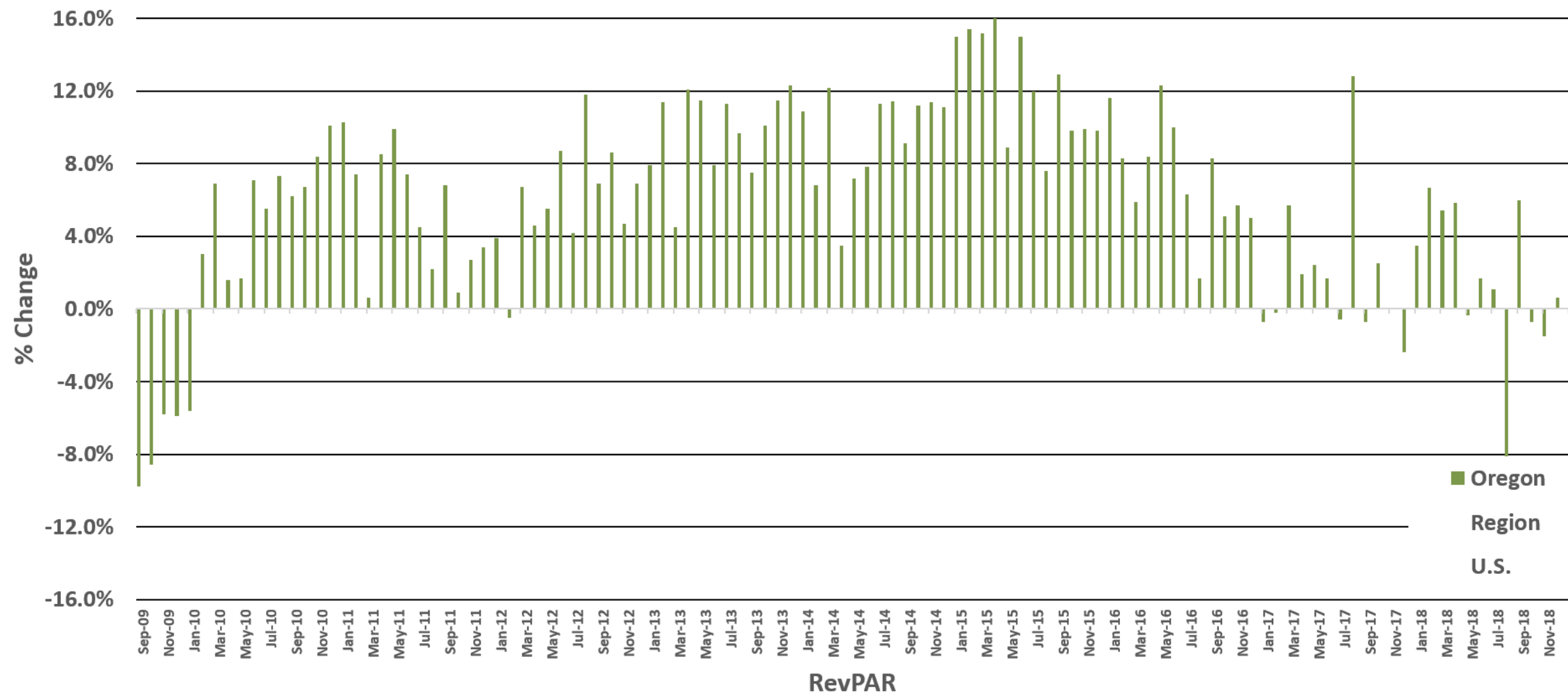
# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.



# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.

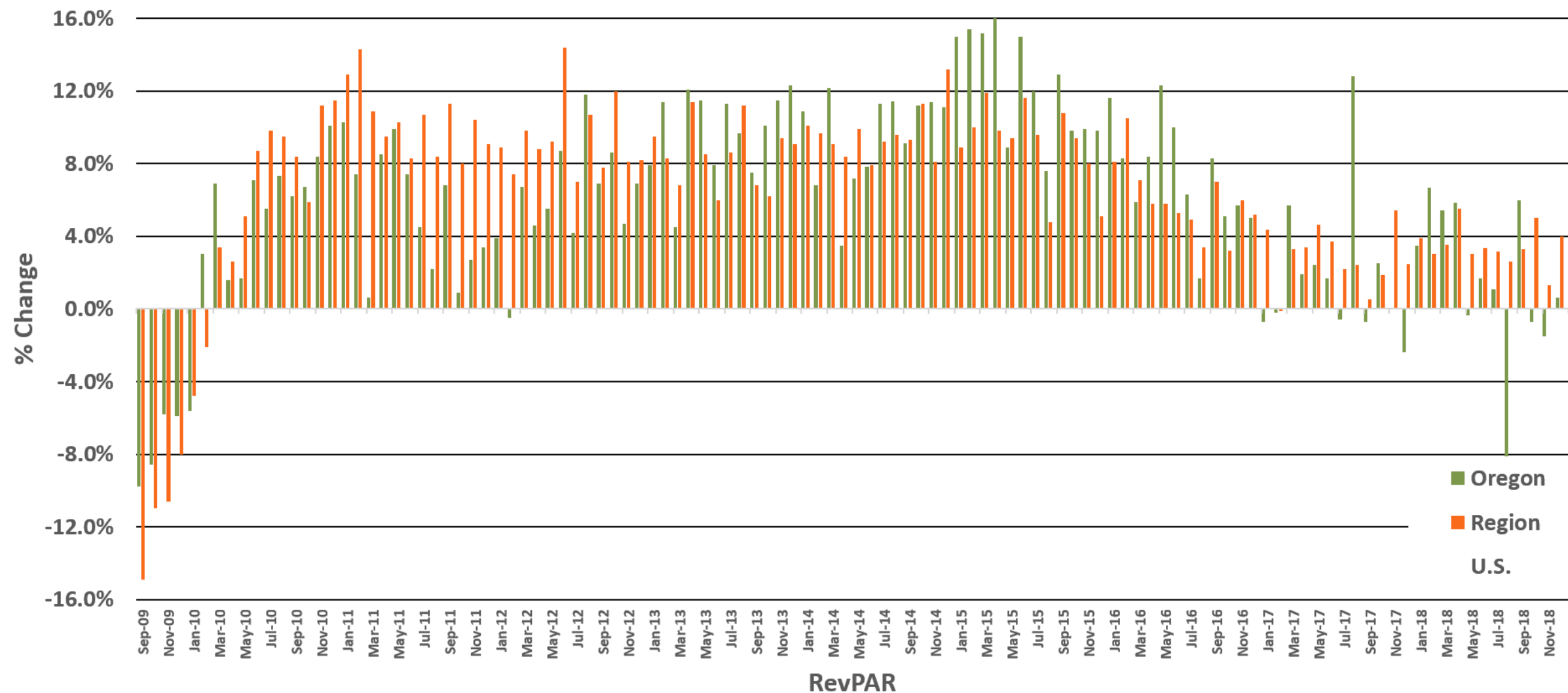


# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.

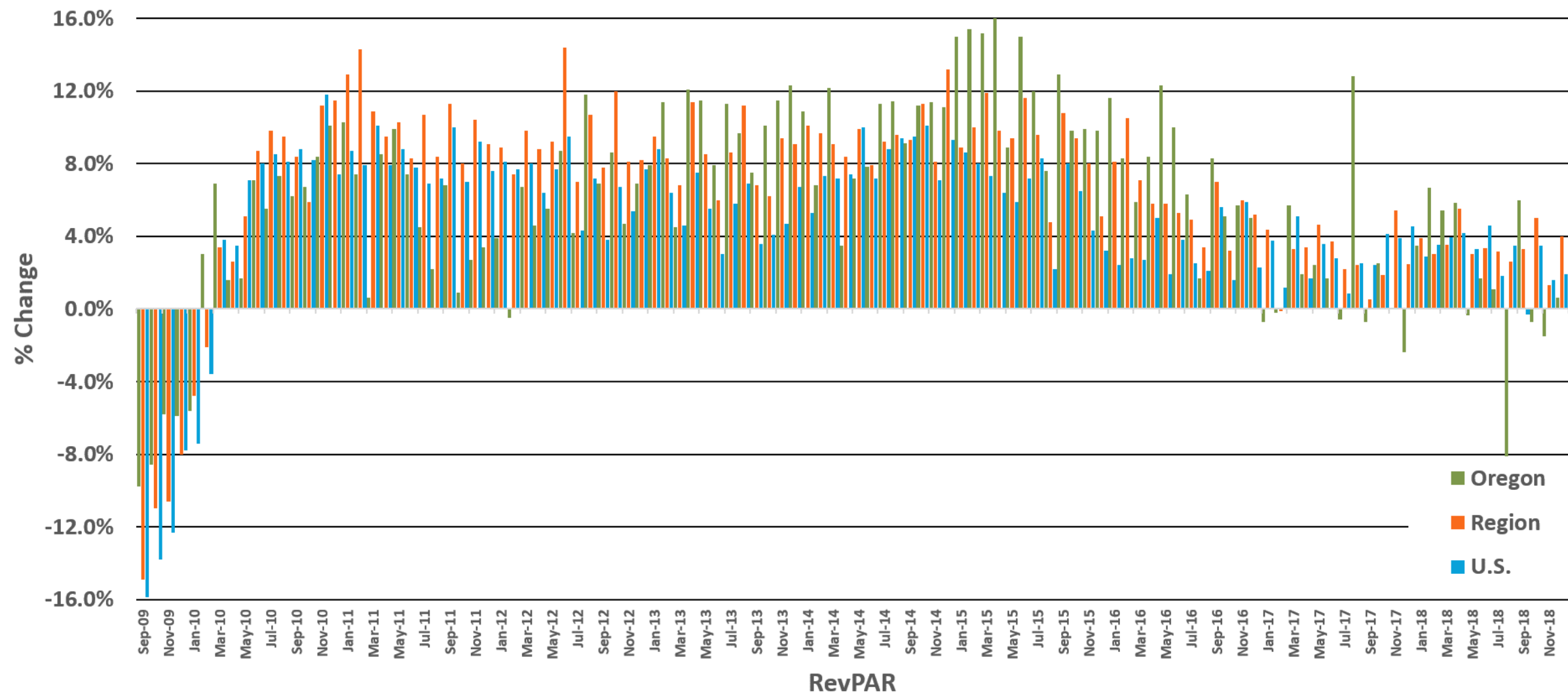


Source: Smith Travel Research

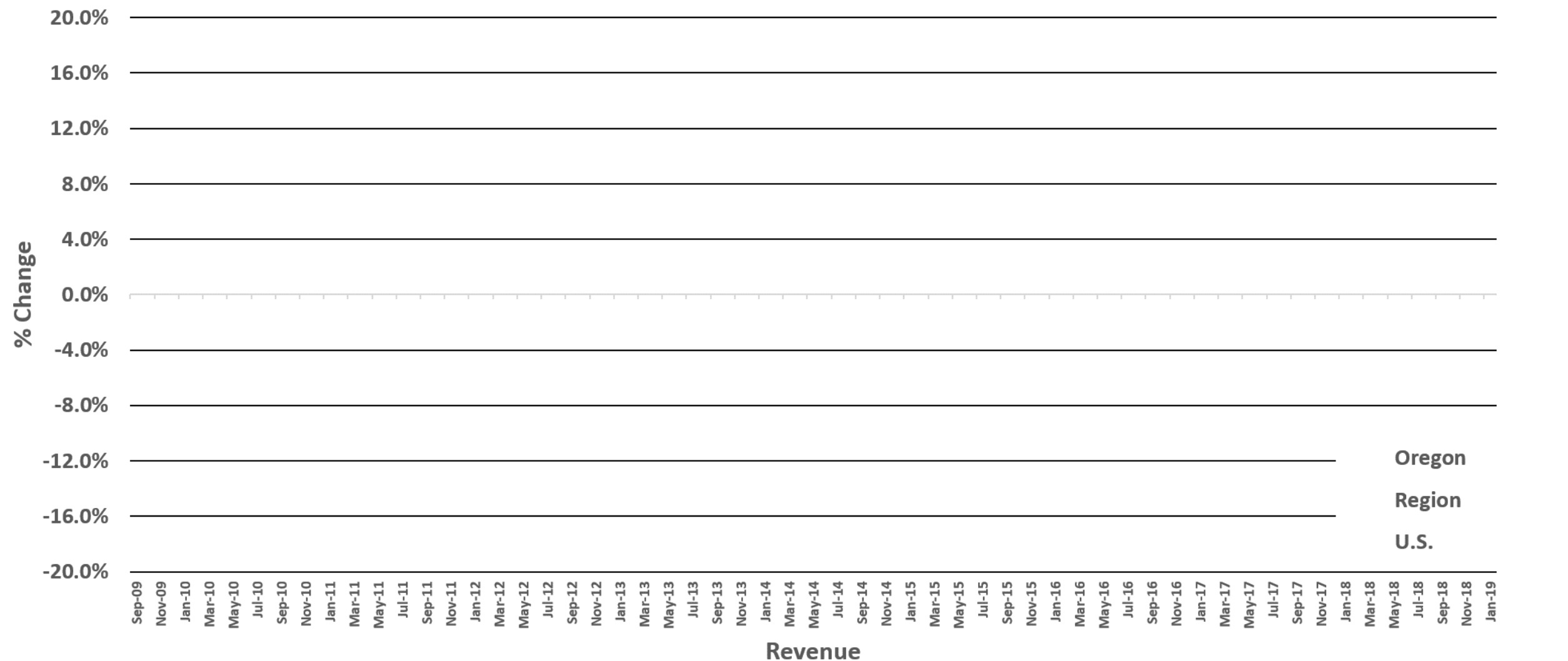
# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.



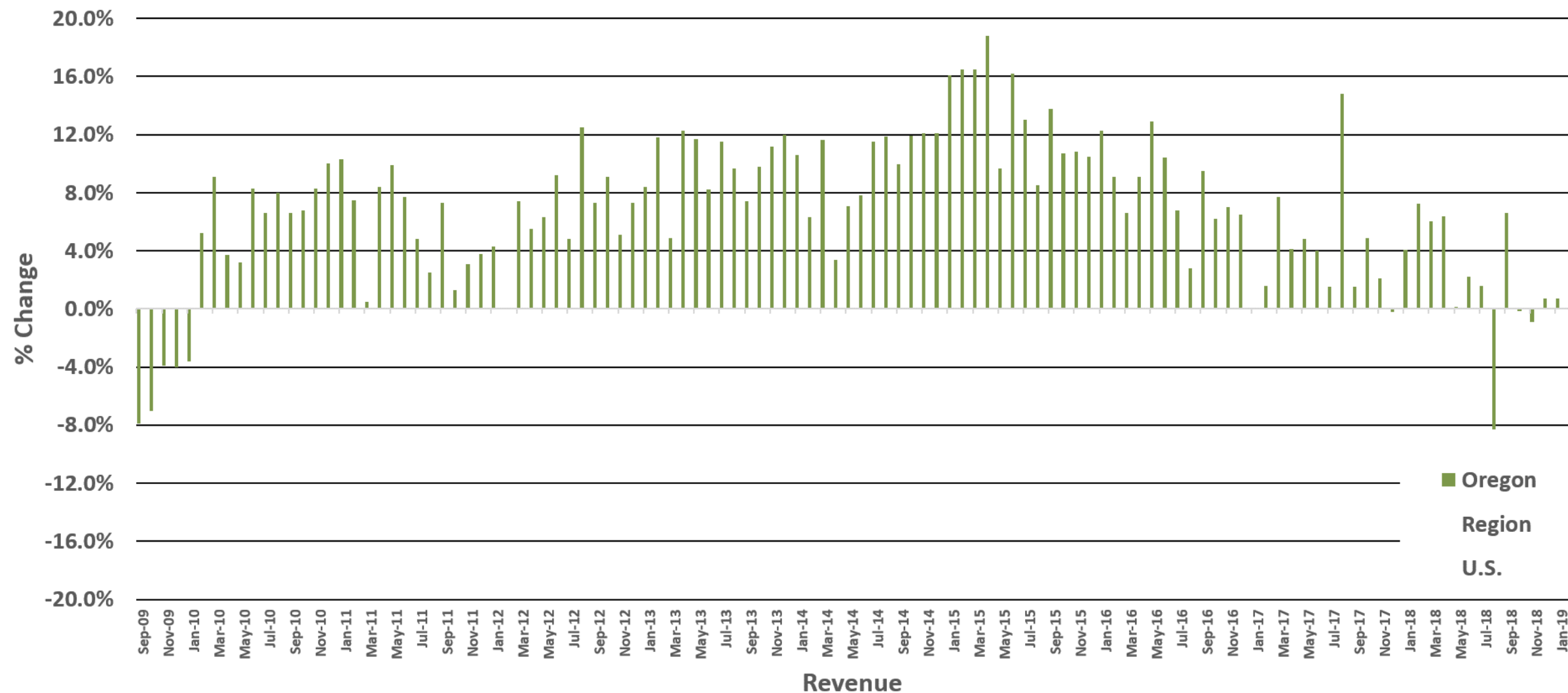
# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.



# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.

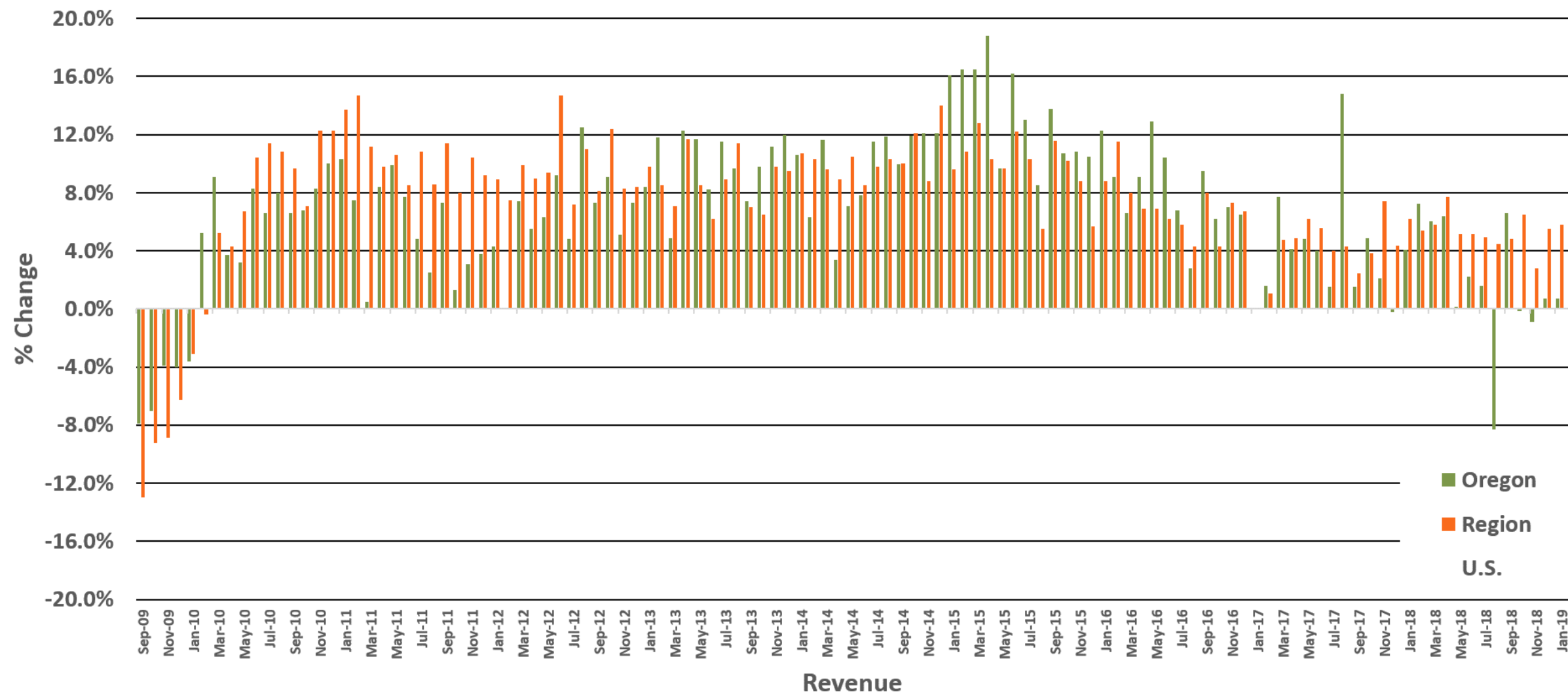


# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.



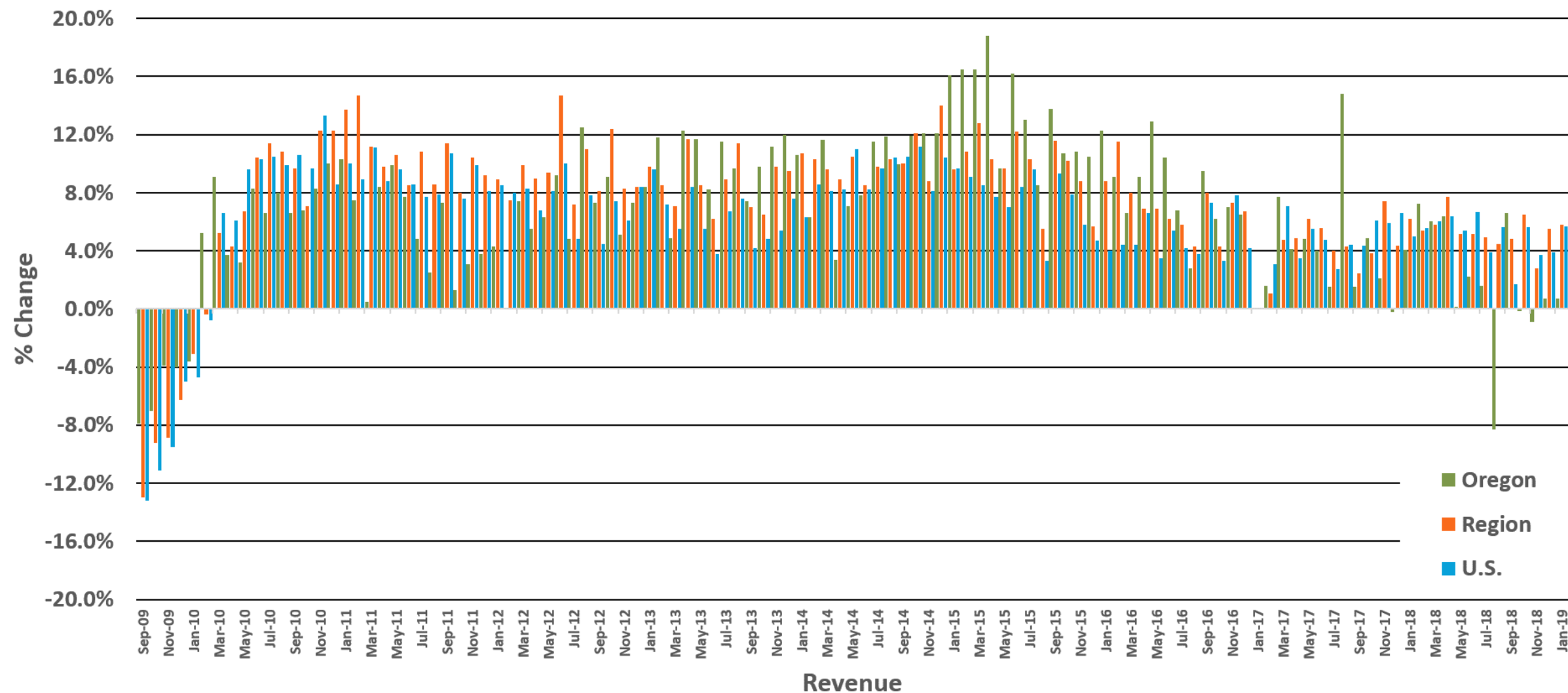
Source: Smith Travel Research

# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.





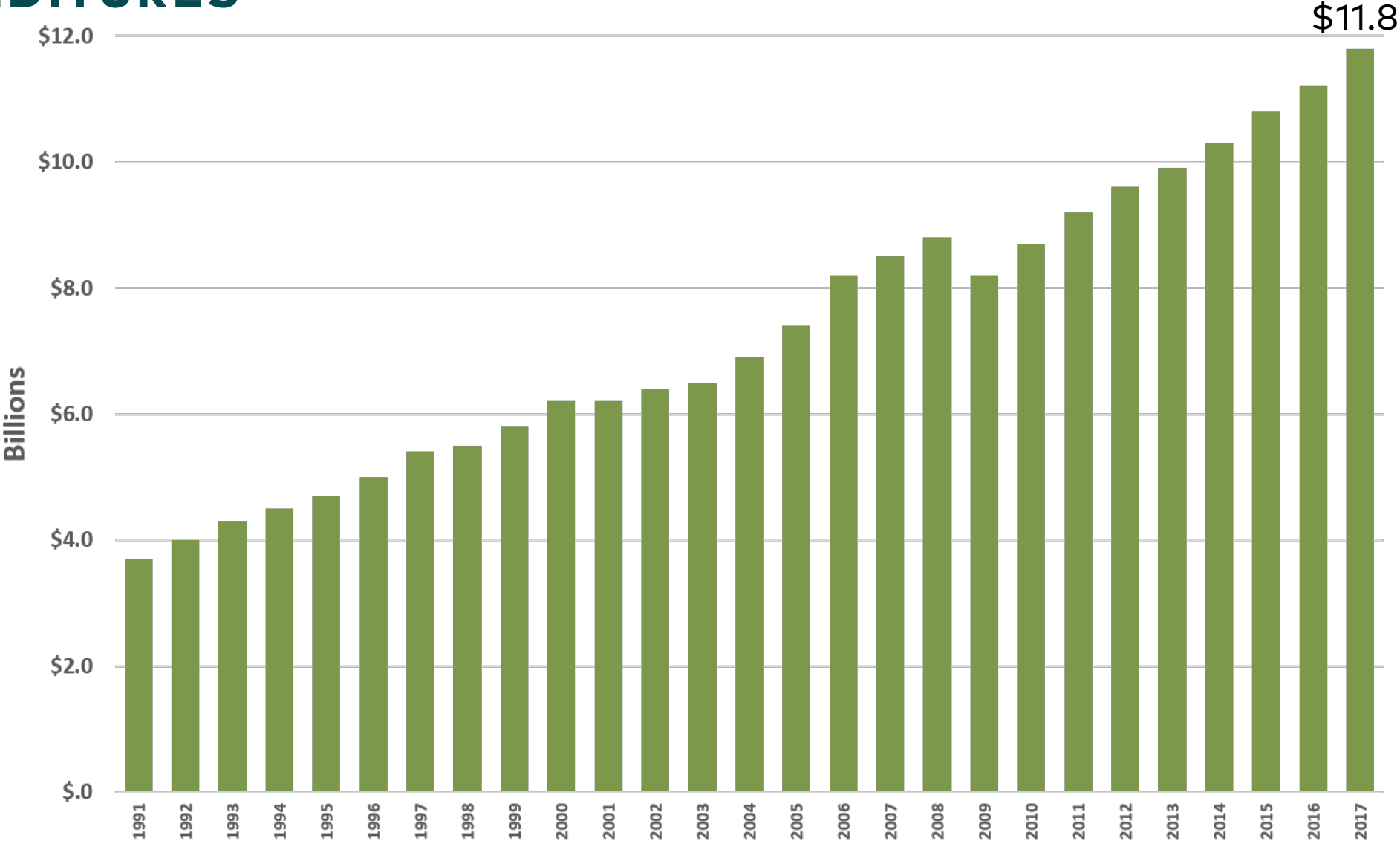
# COMPARING OREGON LODGING STATISTICS TO REGION AND U.S.



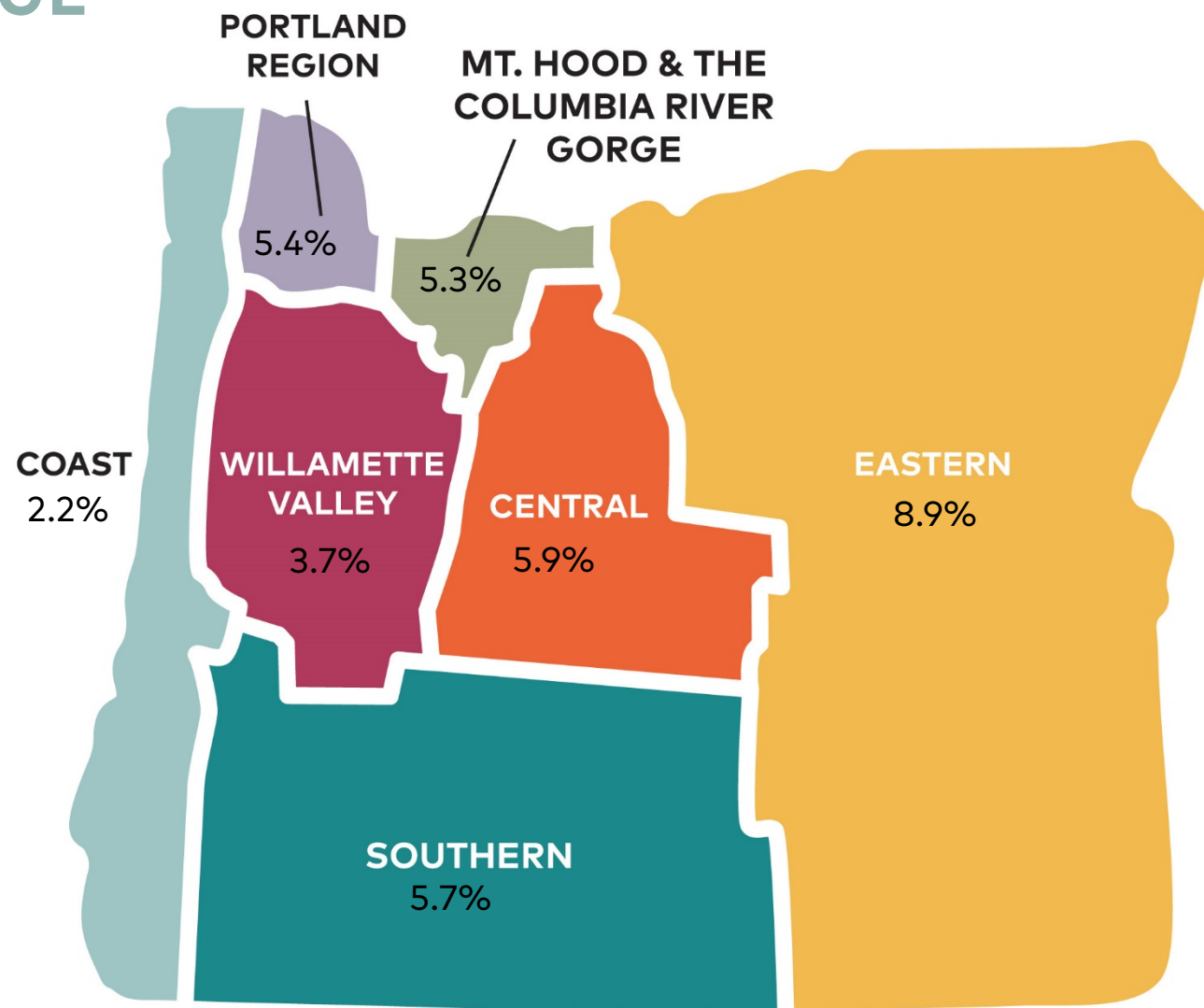
---

# Tourism Sector Forecasts

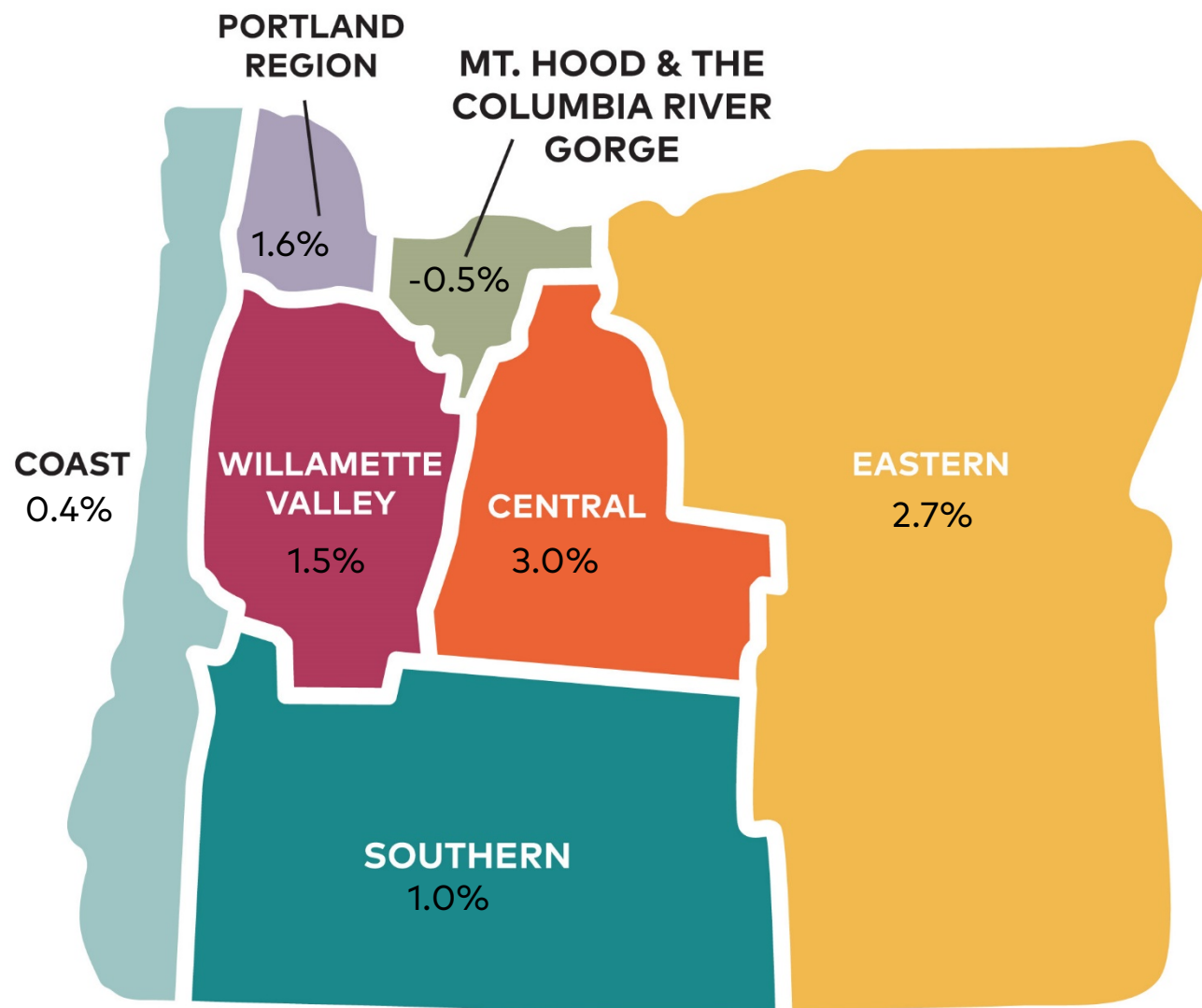
# OREGON VISITOR EXPENDITURES



# 2017 VISITOR SPENDING ANNUAL CHANGE



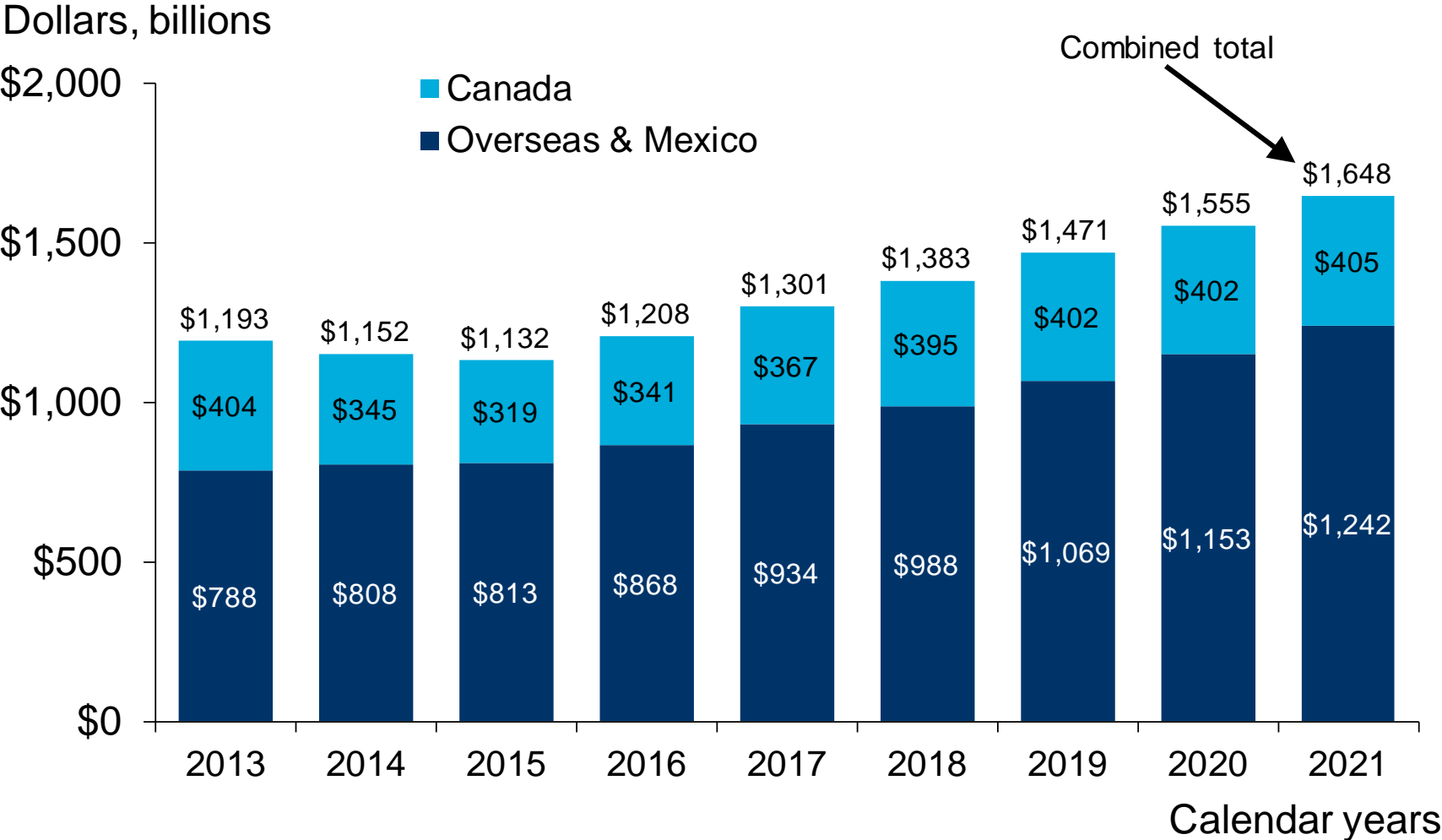
# 2017-2018 AVERAGE GROWTH IN DEMAND



International tourism will support growth

A decrease in Canadian tourism caused international visitor spending to stagnate from 2013 to 2016, however international spending is now increasing and expected to jump 27% from 2017 to 2021

International visitor spending in Oregon

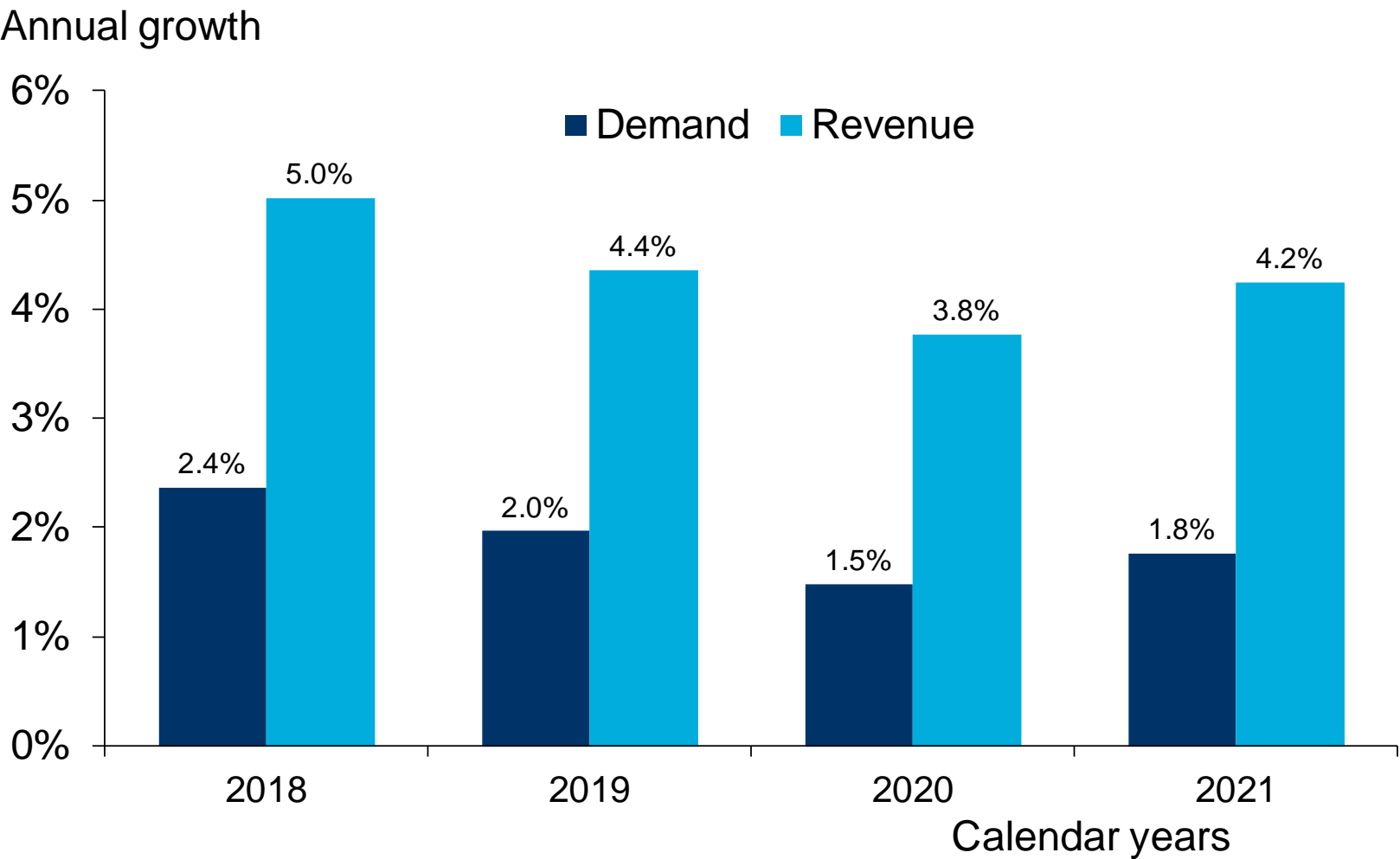


Source: Tourism Economics

Across the US, we expect growth in the hotel sector to continue, but at a slower pace

Growth in hotel sector revenue will continue to outpace increases in room demand

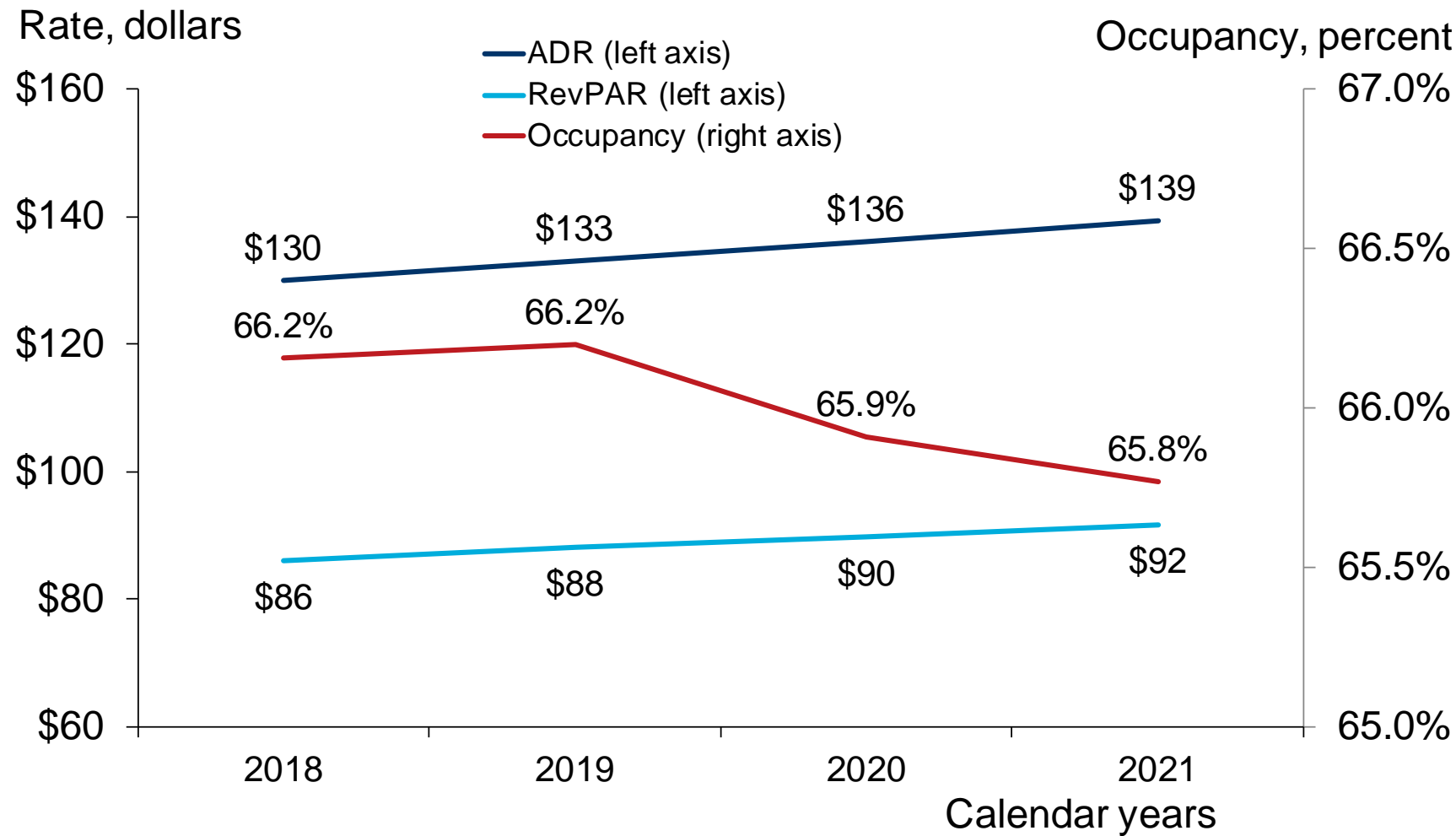
## Growth in key hotel metrics in the US



Higher ADR will drive increased hotel sector revenue

A concurrent increase in supply (i.e. hotel rooms) will actually drive down industry-wide occupancy rates, however increases in ADR will boost RevPAR and total revenue in the US

Growth in US hotel sector KPIs





---

# Travel Oregon Revenue Forecast For the 2019–2021 Biennium

---

## Data sources and Methodology

Data sources consulted include:

- Travel Oregon historical TLT revenue data
- STR historical data on hotel revenue
- STR's forecast of hotel sector revenue
- AirDNA historical estimates of AirBnB revenue
- Tourism Economics' forecast of nationwide hotel revenue
- Oxford Economics' historical and forecasted economic growth in Oregon along with economic scenario forecast

Note: FY2018 data is final, 2019 data is based on STR data through November plus adjustment for non-hotel accommodations and a forecast of the remaining months, and 2020-2021 are forecast.

The Baseline forecast relies primarily on the STR forecast of Oregon hotel sector revenue with adjustments made for AirBnB related revenue.

The accelerated and recession forecasts modify the baseline forecast based on economic scenario forecast data from Oxford Economics and historical relationships between hotel revenue and GDP growth.

---

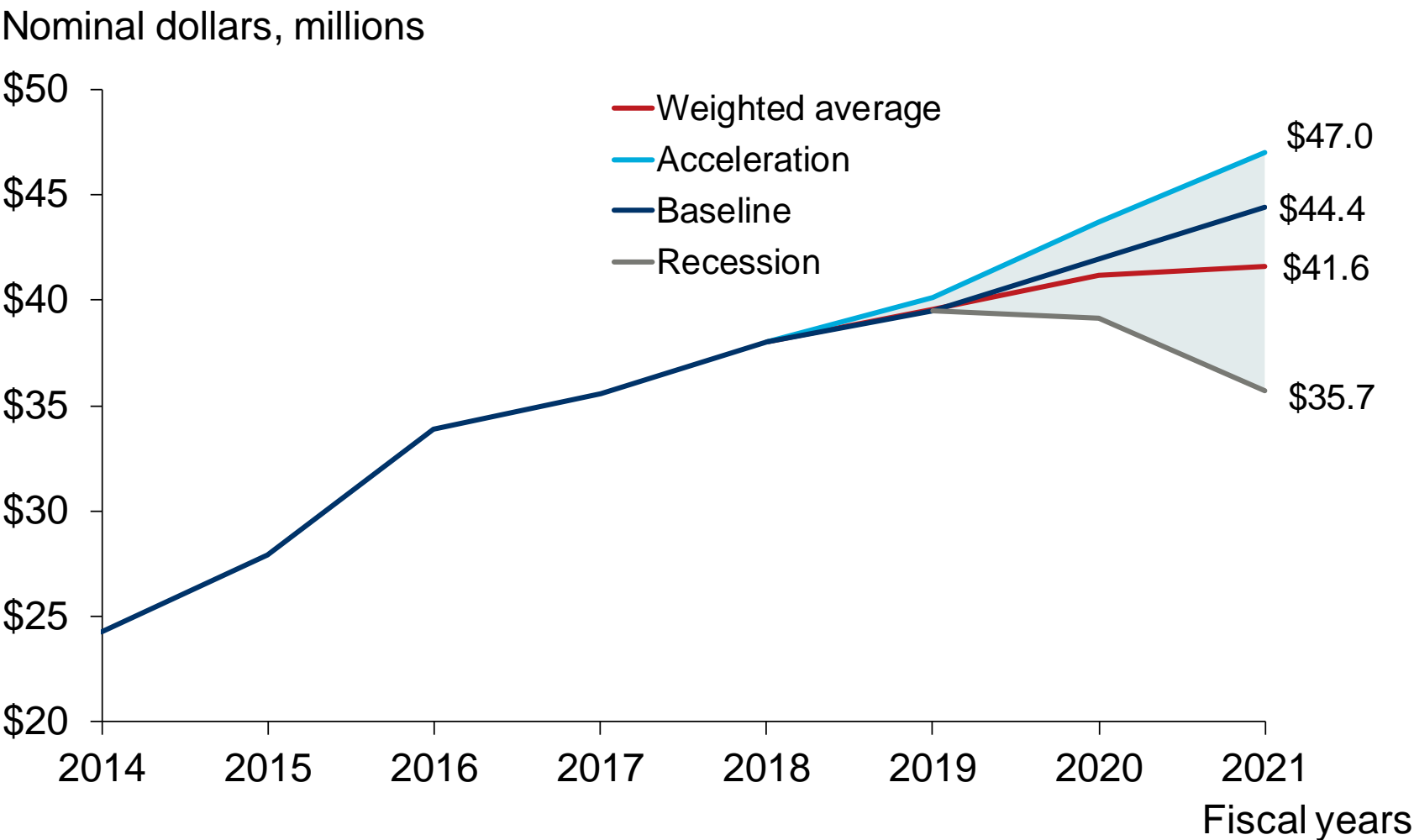
## Highlights

- 1 Transient lodging tax (TLT) revenue is growing quickly**  
After adjusting for changes in the TLT rate, TLT revenue increased 82% since 2008
- 2 Current economic indicators are positive**  
US Consumer confidence and GDP growth are both high
- 3 However, economic growth is slowing down**  
GDP growth will moderate, and we estimate a 35% chance of recession by the end of 2020
- 4 TLT revenue will continue to grow**  
Forecast growth is slowed considerably in light of the weighted impact of potential recession in year two.

The margin of uncertainty on the downside is much higher than on the upside

We see limited upside room for the baseline forecast, however a recession could create a substantial decline in revenue, this means the weighted average forecast is less than the baseline forecast

# TLT forecast in three scenarios

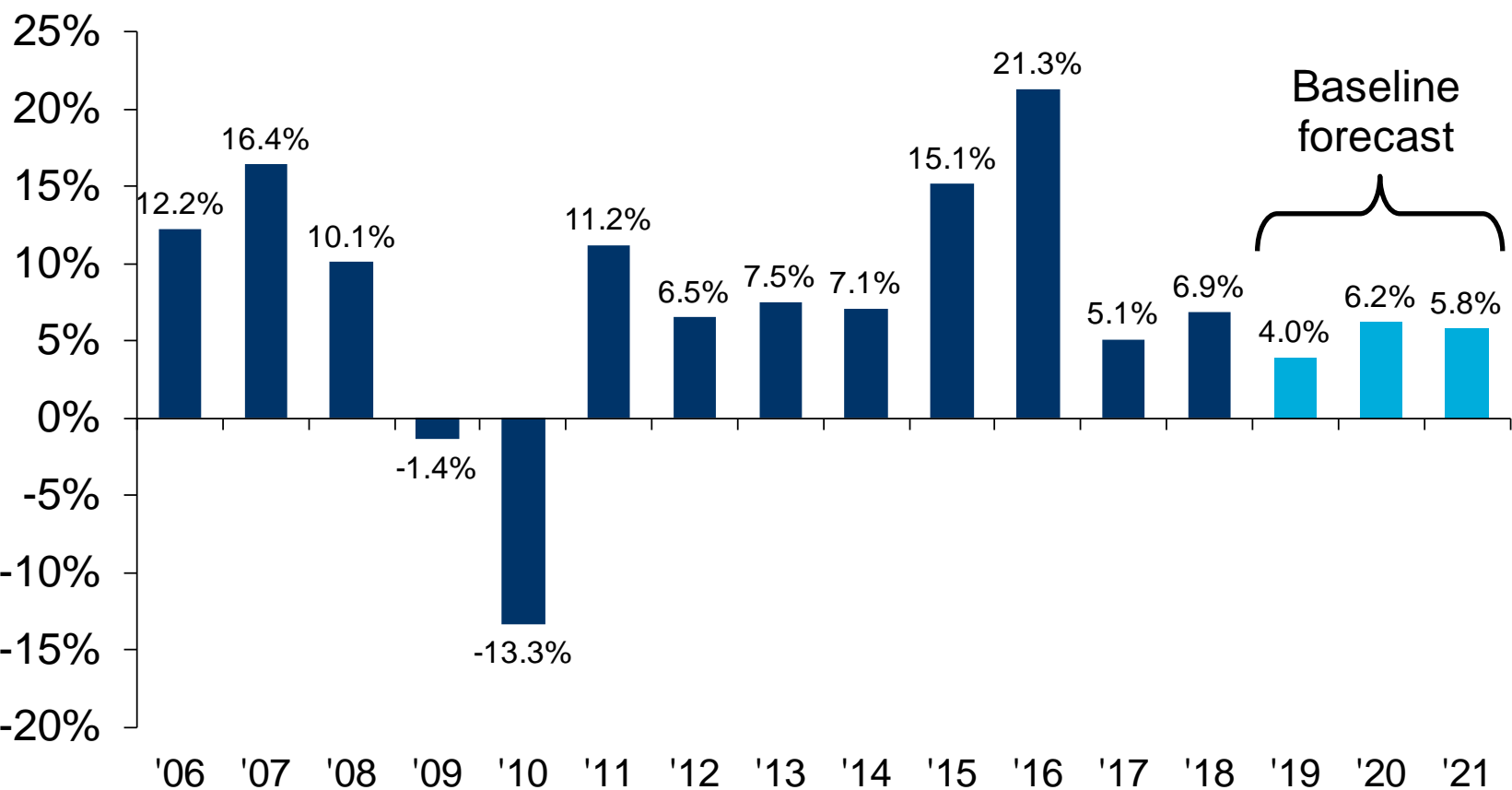


Source: Travel Oregon ,Tourism Economics

In our baseline forecast, TLT growth in FY2019-2021 will be similar to the growth from FY2017-2018

## Growth of TLT revenue – baseline forecast

Adj.\* annual TLT growth



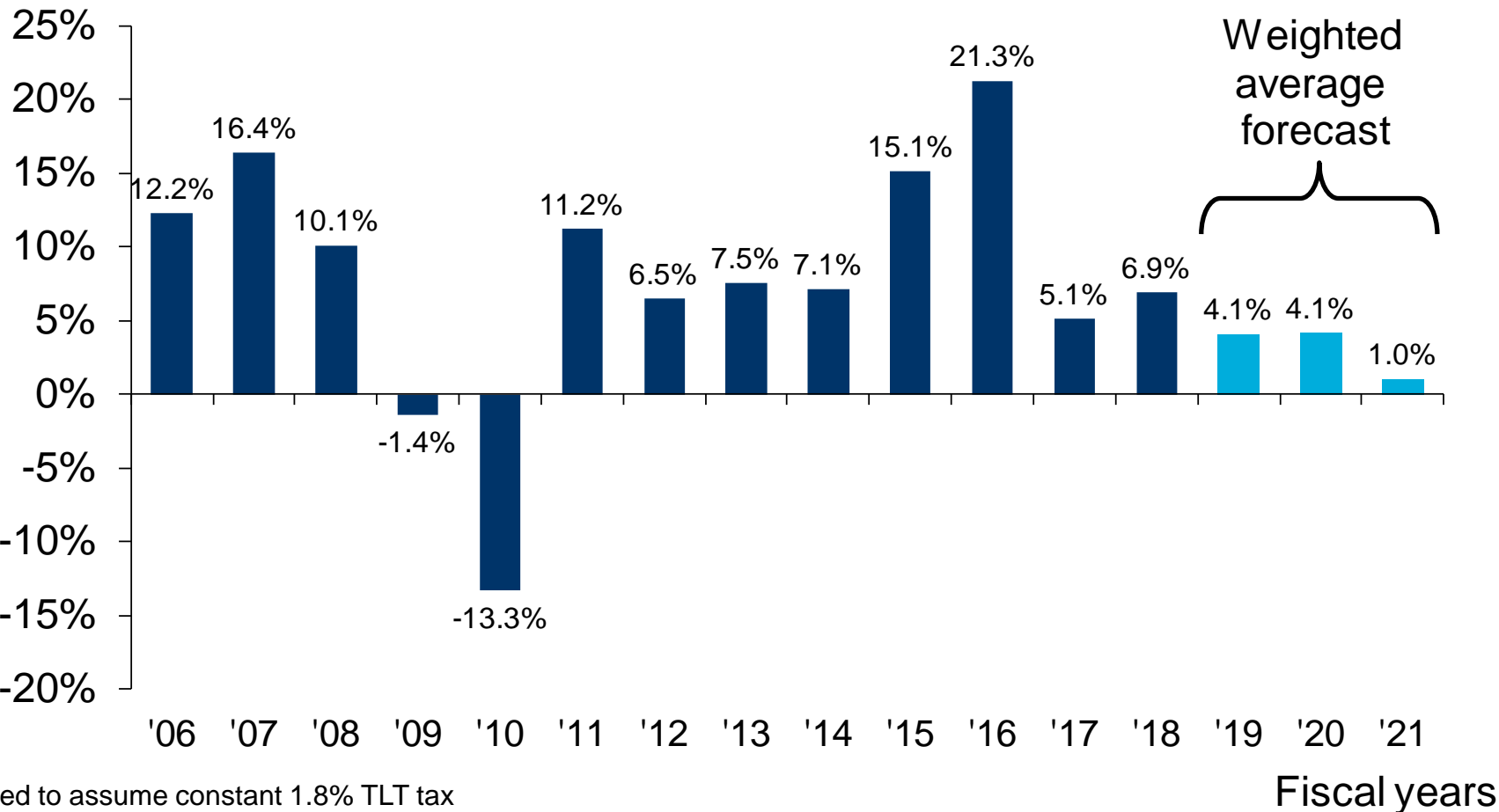
\*adjusted to assume constant 1.8% TLT tax  
Source: Tourism Economics, Travel Oregon

Fiscal years

In our weighted average forecast, TLT growth in FY2019-2021 will be slower than recent years

## Growth of TLT revenue – weighted average forecast

Adj.\* annual TLT growth



\*adjusted to assume constant 1.8% TLT tax  
Source: Tourism Economics, Travel Oregon

## 2019–21 PROPOSED REVENUE FORECAST

2017-18 ( <i>Actual</i> )	\$38,017,086	(+6.6%)
2018-19 ( <i>Forecast</i> )	\$39,000,000	(+2.6%)

<b>Total TLT 2017-19</b>	<b>\$77,017,086</b>
--------------------------	---------------------

2019-20 ( <i>Forecast</i> )	\$40,600,000	(+4.1%)
2020-21 ( <i>Forecast</i> )	\$36,100,000	* (+1.1%)

<b>Total TLT 2019-21</b>	<b>\$76,700,000</b>
--------------------------	---------------------

\* Reflects decrease in TLT rate from 1.8% to 1.5% effective July 1, 2020.

Note: All year over year changes in revenue are based on a constant TLT rate

Thank you

