

Oregon Lodging Tax Revenue Forecast, FY2021-FY2023

February 2021



Statewide Lodging Tax History

Anatomy of a Recovery

Tourism Sector Forecasts

Travel Oregon Revenue Forecast

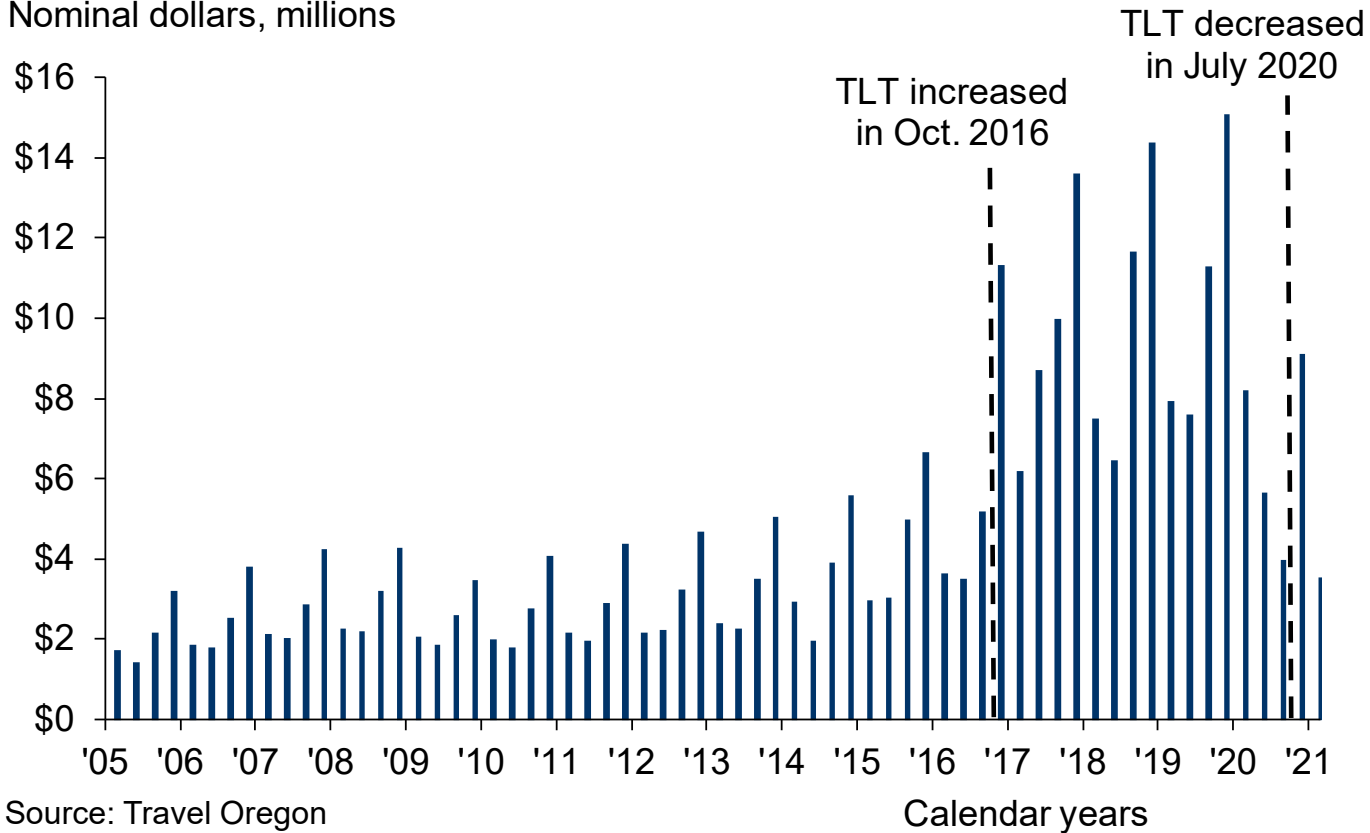
Statewide Lodging Tax History

Lodging tax has increased sharply since the 2016 TLT rate increase

There is significant seasonality in the data as the summer months are stronger than the winter months.

Statewide lodging tax receipts by quarter

Nominal dollars, millions



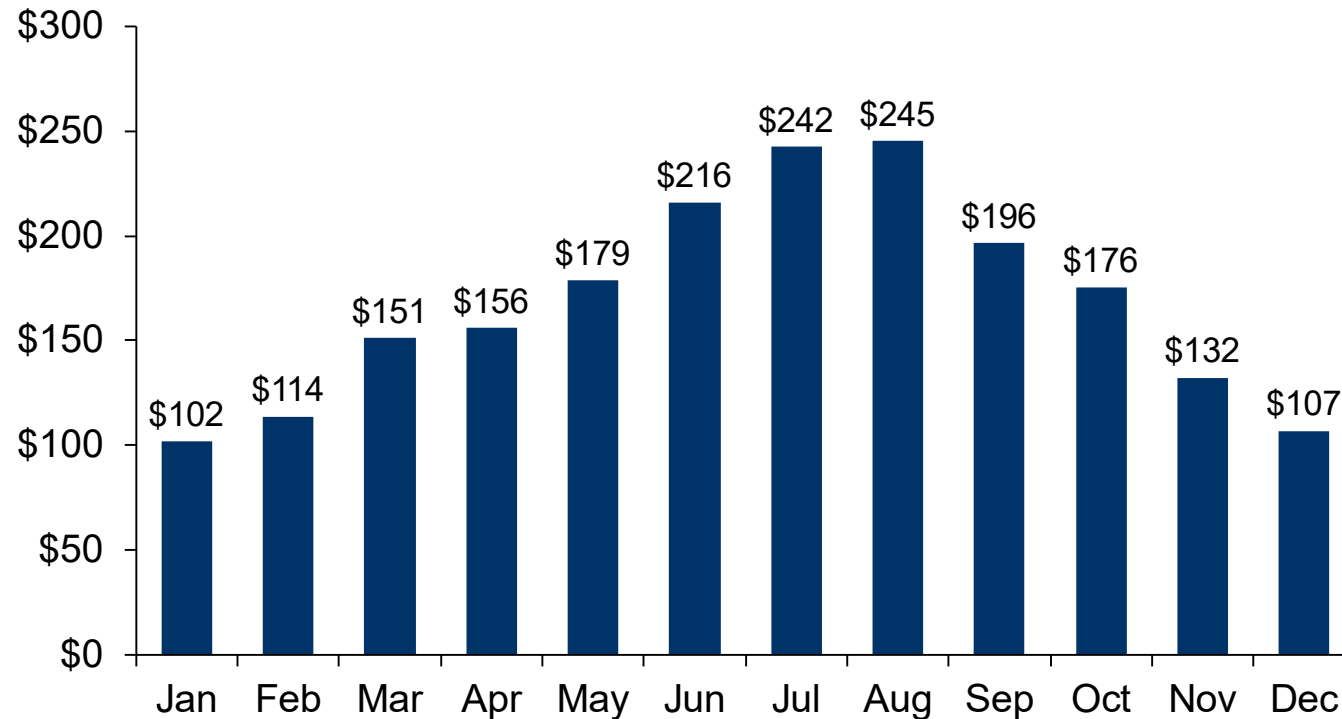
Source: Travel Oregon

Tourism seasonality has extra importance in 2021

Rapid vaccine distribution could boost the vitally important summer season.

Oregon room revenue, 2019

Dollars, millions



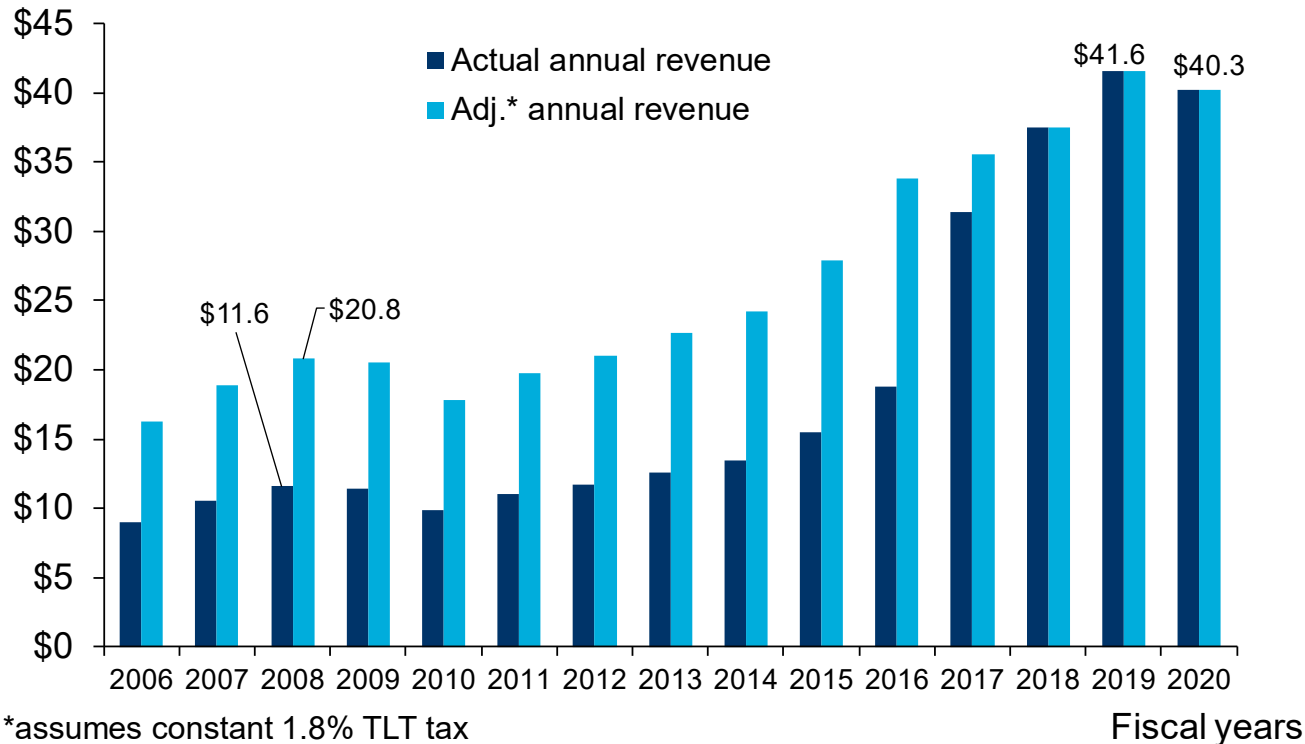
Source: Travel Oregon

TLT revenue has increased sharply over the past decade

While TLT revenue was trending positive in FY2020, Q4 was impacted by COVID-19, and TLT revenue ultimately fell 3% to \$40.3 million.

TLT revenue by year

Nominal dollars, millions



*assumes constant 1.8% TLT tax

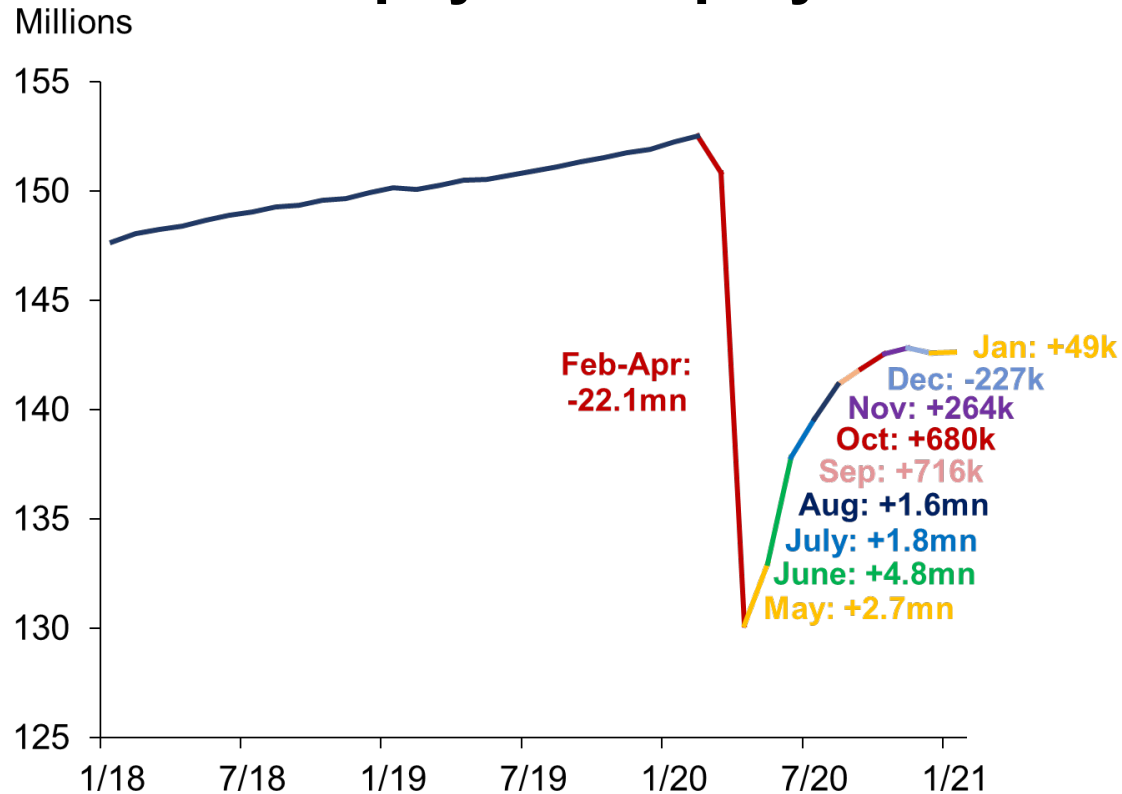
Source: Travel Oregon

Anatomy of a Recovery

Where we are now

After recovering half of losses, job gains have plateaued.

US nonfarm payroll employment



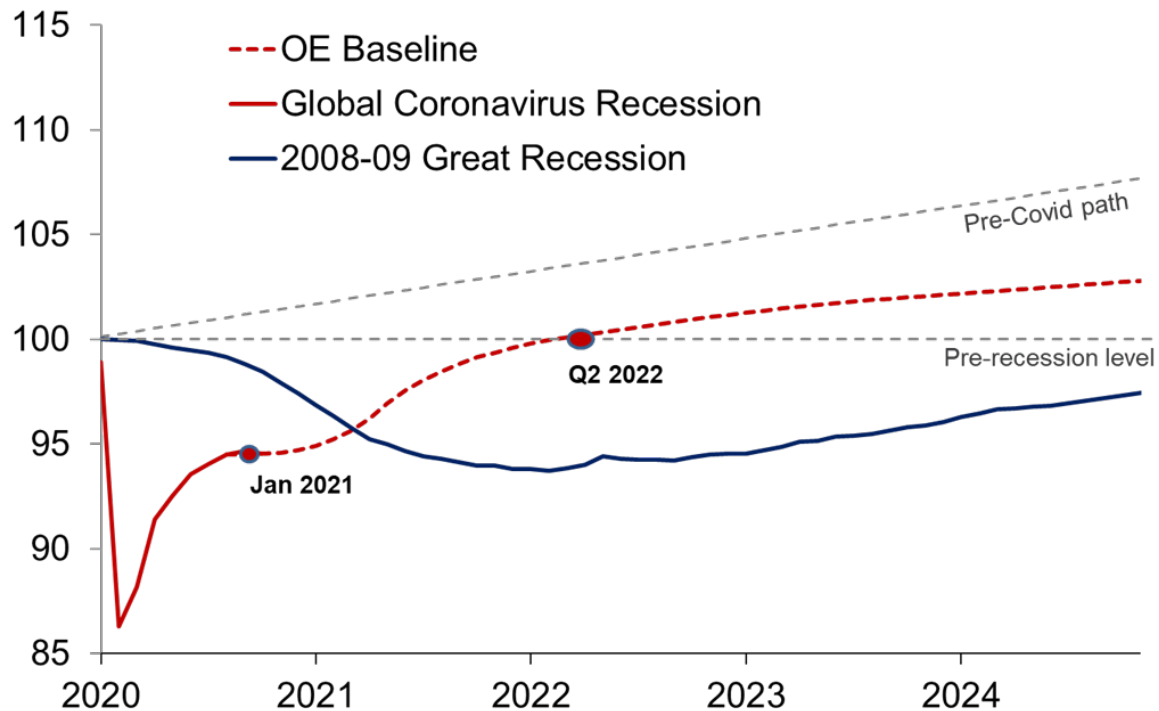
Source: Oxford Economics/Haver Analytics

Where we are headed

Employment should pick up over spring/summer.

US employment recovery paths

Peak pre-recession employment = 100

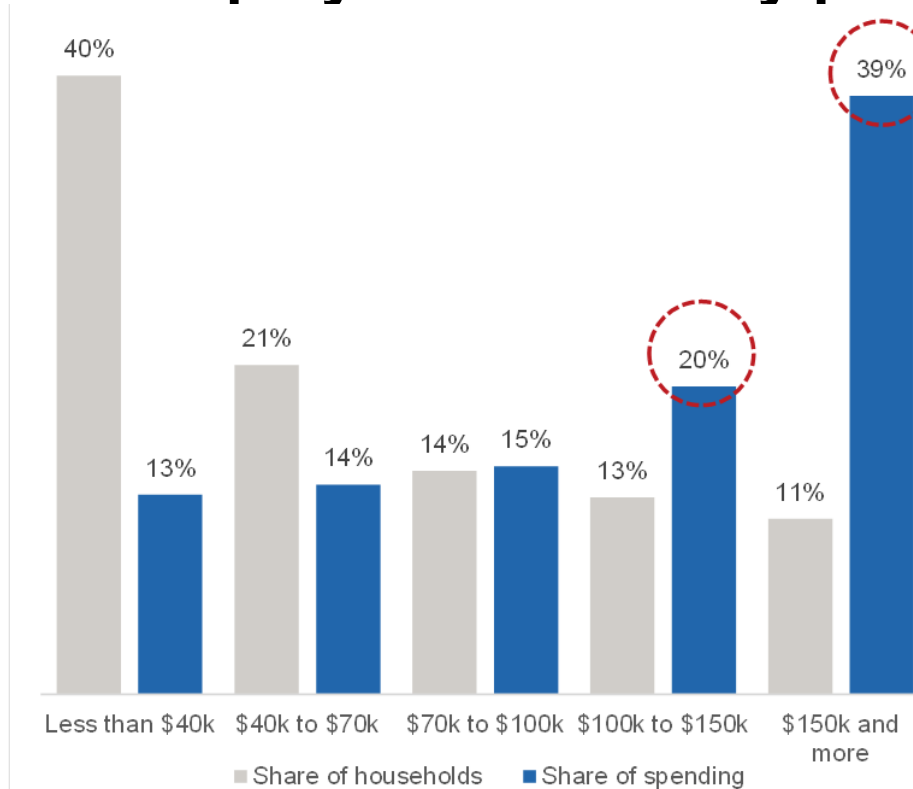


Source: BLS/Oxford Economics/Haver Analytics

Wealthy households will drive the travel recovery

Wealthy households account for the majority of travel spending and are the least impacted by the current economic crisis.

US employment recovery paths



Households earning \$100k+ account for 24% of households... but 59% of leisure spending on lodging

Unemployment rate (October):

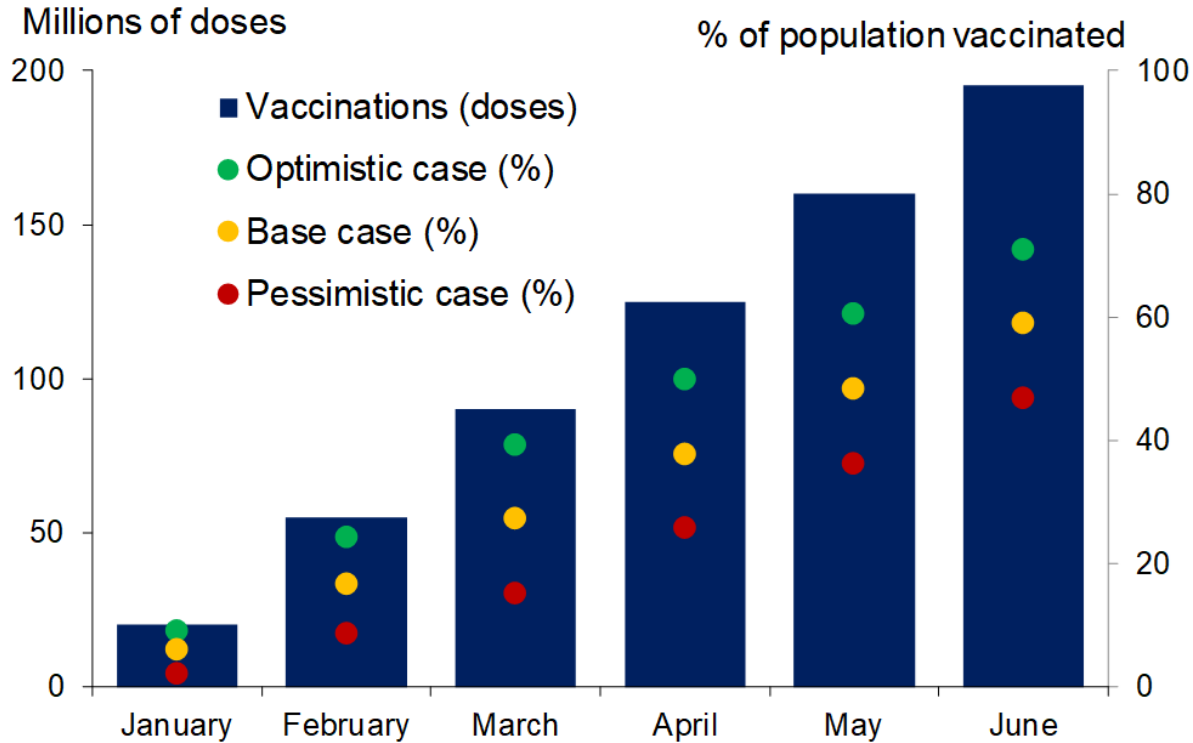
- Bachelor's or higher: 4.2%
- High school grad: 8.1%

Sources: Tourism Economics; BLS

Vaccine distribution will drive the recovery

The more confidence consumers have in their safety, the more they will travel.

US domestic business and leisure trips



Source: Oxford Economics/CDC

Anatomy of a recovery

Return to “normal” levels of travel will be a multi-year effort (2023 or 2024), but some markets will recover faster than others.



Initial recovery

- Leisure
- Especially drive

Already occurring



Secondary recovery

- Essential business
- Small- and medium-size groups
- Regional international (intra-Americas, intra-Europe)

Genuine recovery starting in late 2021



Final recovery

- Long-haul international
- Large events

Starting in 2022

Expectations for 2021

- **2021 Q1**

- Difficult start to year. Concerted efforts to get disease under control

- **2021 Q2-Q3**

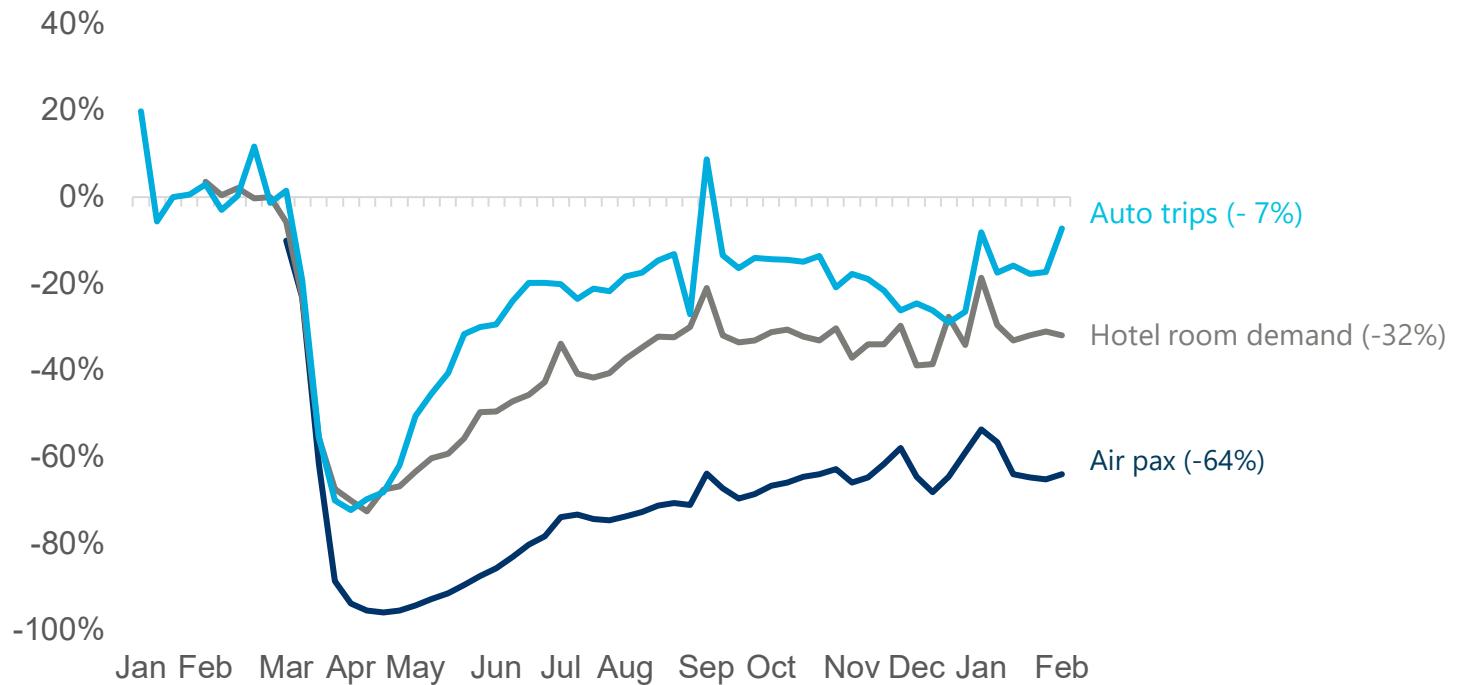
- Vaccination programs make a meaningful impact
- Leisure travel picks up headed into summer

- **2021 Q4**

- Context for business travel and group events has normalized substantially.
- Group and business travel returns (group demand recovering to about 20%-30% below 2019 levels in 2021Q4)

Travel performance

Year-over-year % change



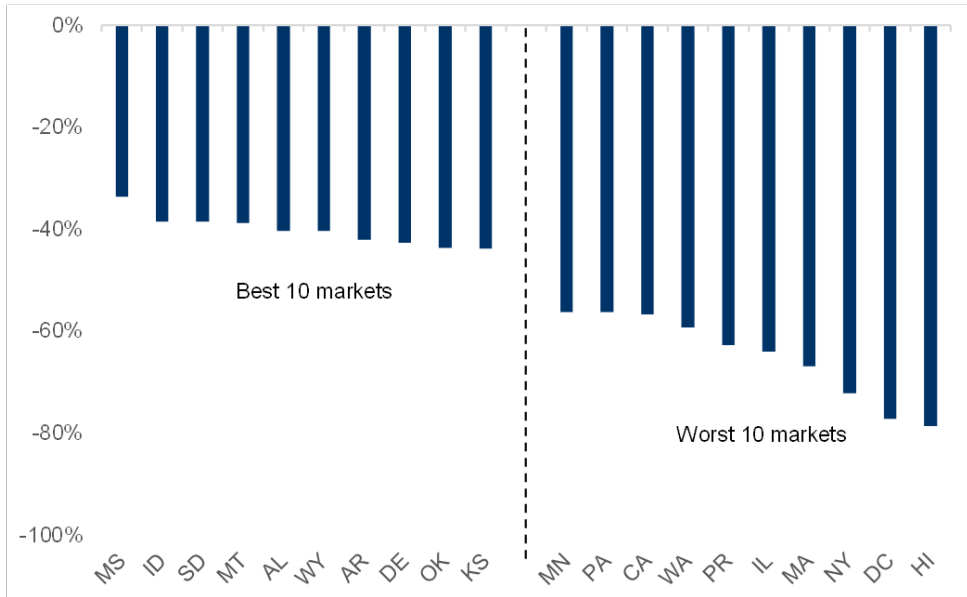
Source: TSA, Arrivalist, STR

Three snapshots of the travel landscape (2 of 3)

The more rural, the better

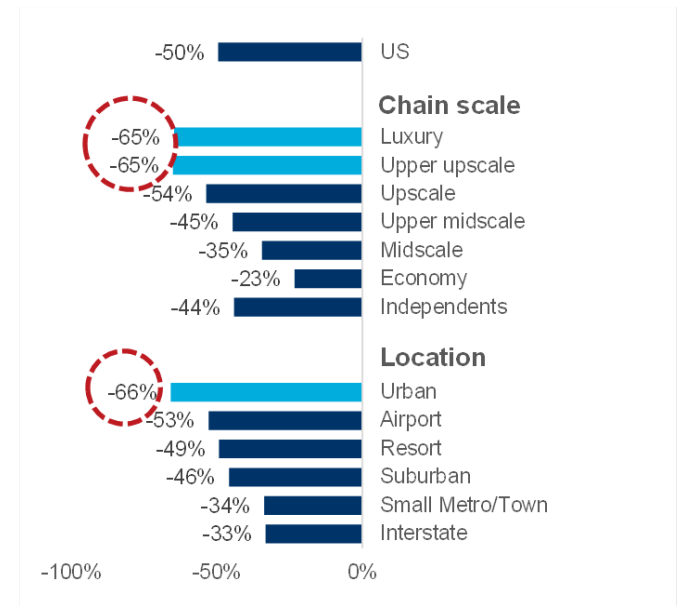
Travel spending losses by state

Year-over-year % change, March-Nov. 728h



RevPAR by hotel category

US, YTD September, total room inventory basis

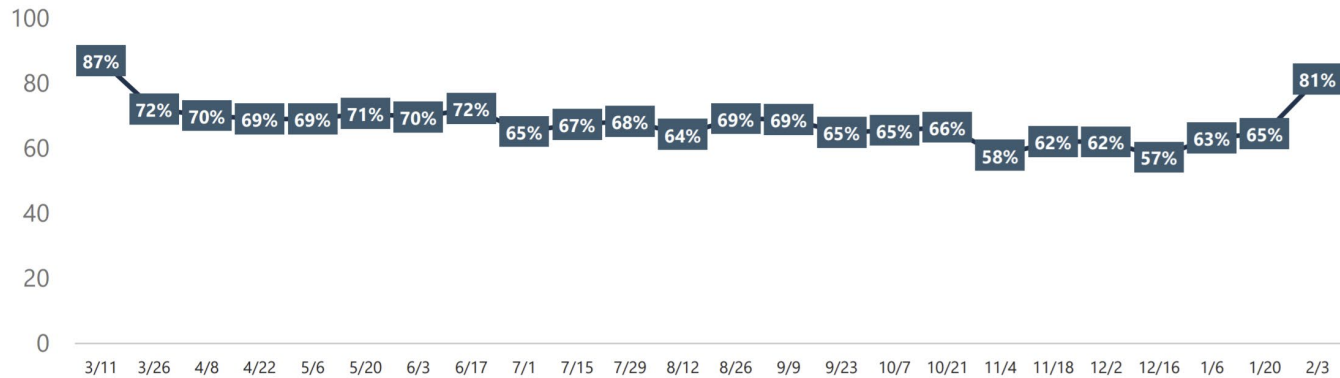


Source: STR

Three snapshots of the travel landscape (3 of 3)

Travel confidence remains low but is trending... up!

Travelers with Travel Plans in the Next Six Months Comparison



Travel Sentiment Study Wave 30

Longwoods INTERNATIONAL | miles PARTNERSHIP

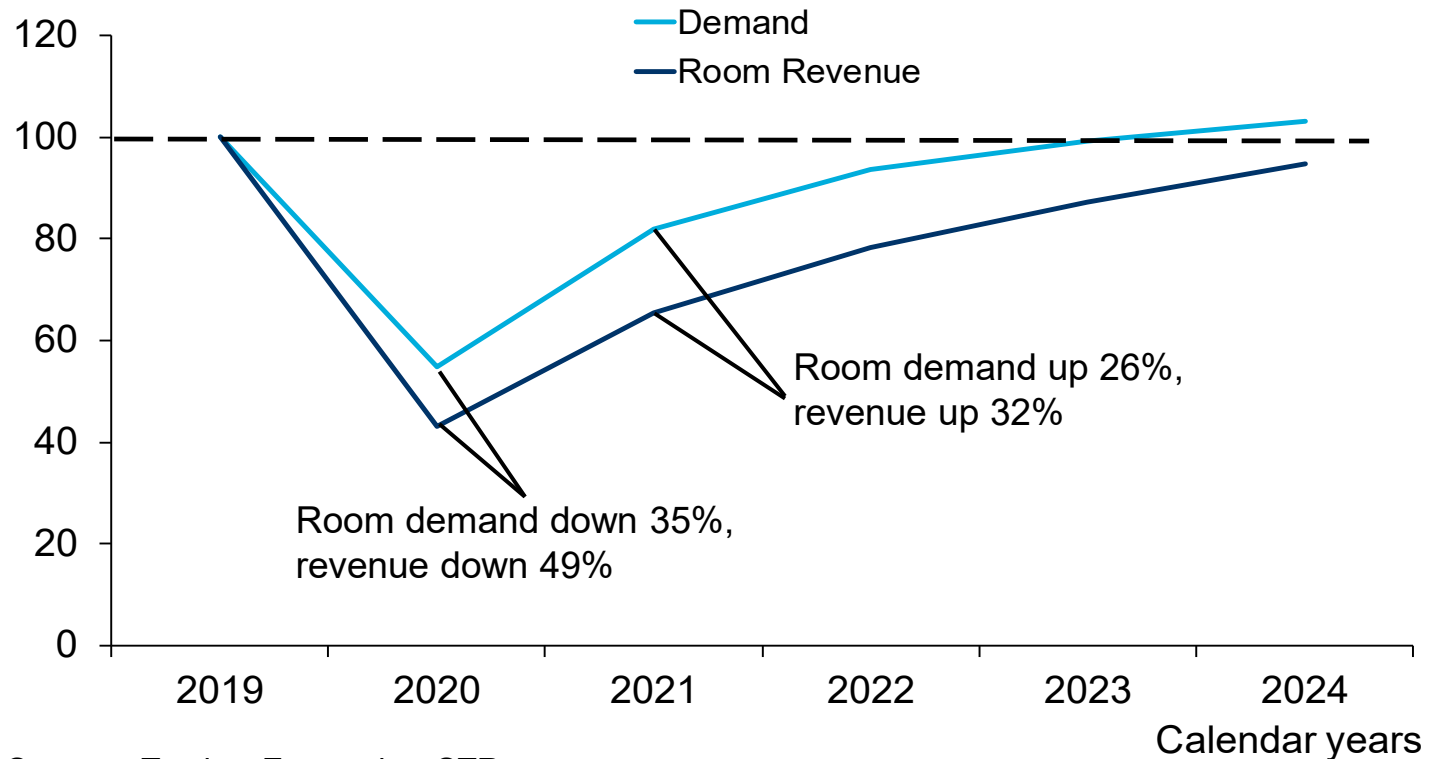
Tourism Sector Forecasts

A year of unprecedented losses will be followed by unprecedented gains

Room revenue will lag behind room demand during the recovery.

Growth in key hotel metrics in the US

Index (2019=100)



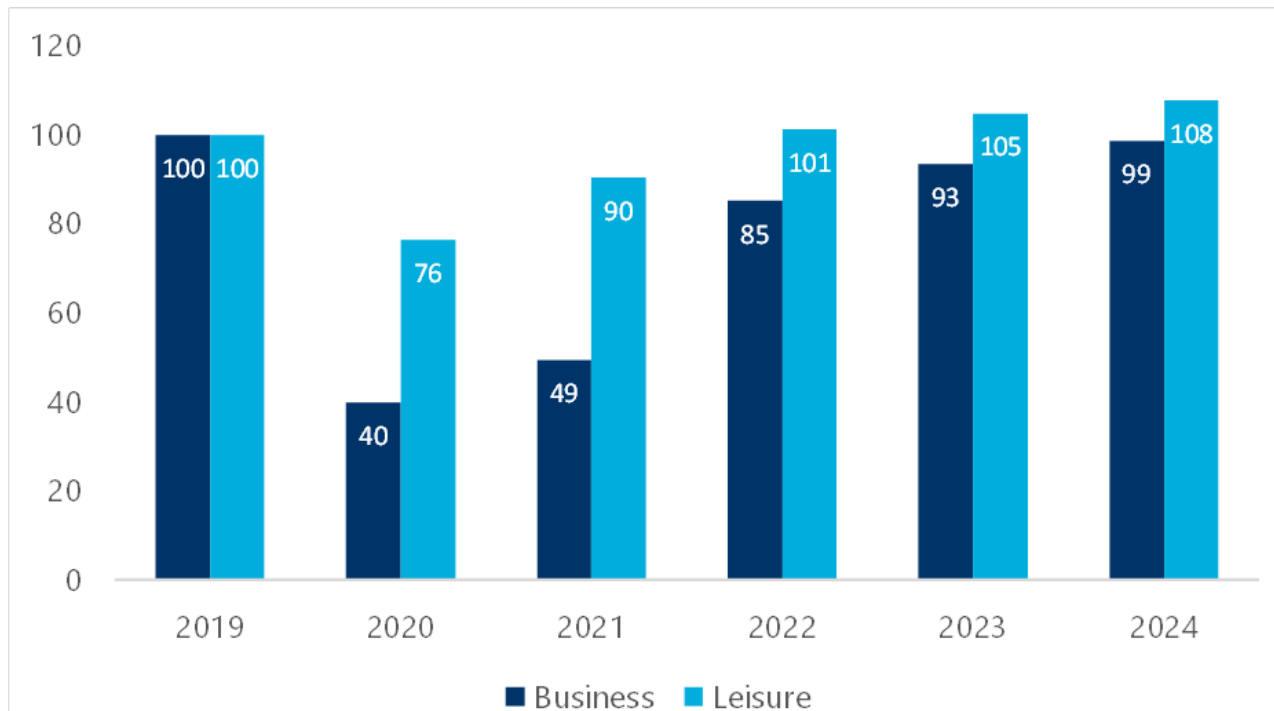
Sources: Tourism Economics; STR

Th leisure sector will recover faster than the business sector

Good news for leisure heavy states such as Oregon

US domestic business and leisure trips

Index (2019=100)



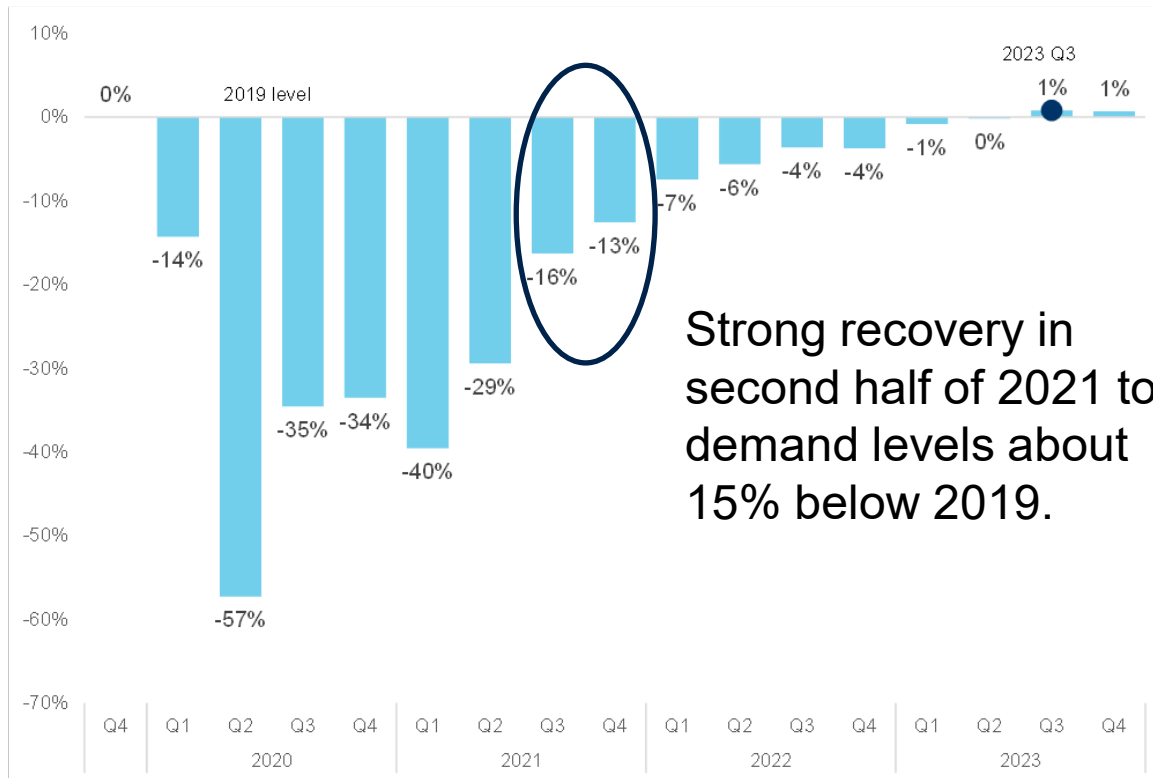
Sources: Tourism Economics; STR

The second half of the year will look very different

Vaccine distribution will push us towards normalcy.

Room demand

Quarterly, relative to 2019



Strong recovery in second half of 2021 to demand levels about 15% below 2019.

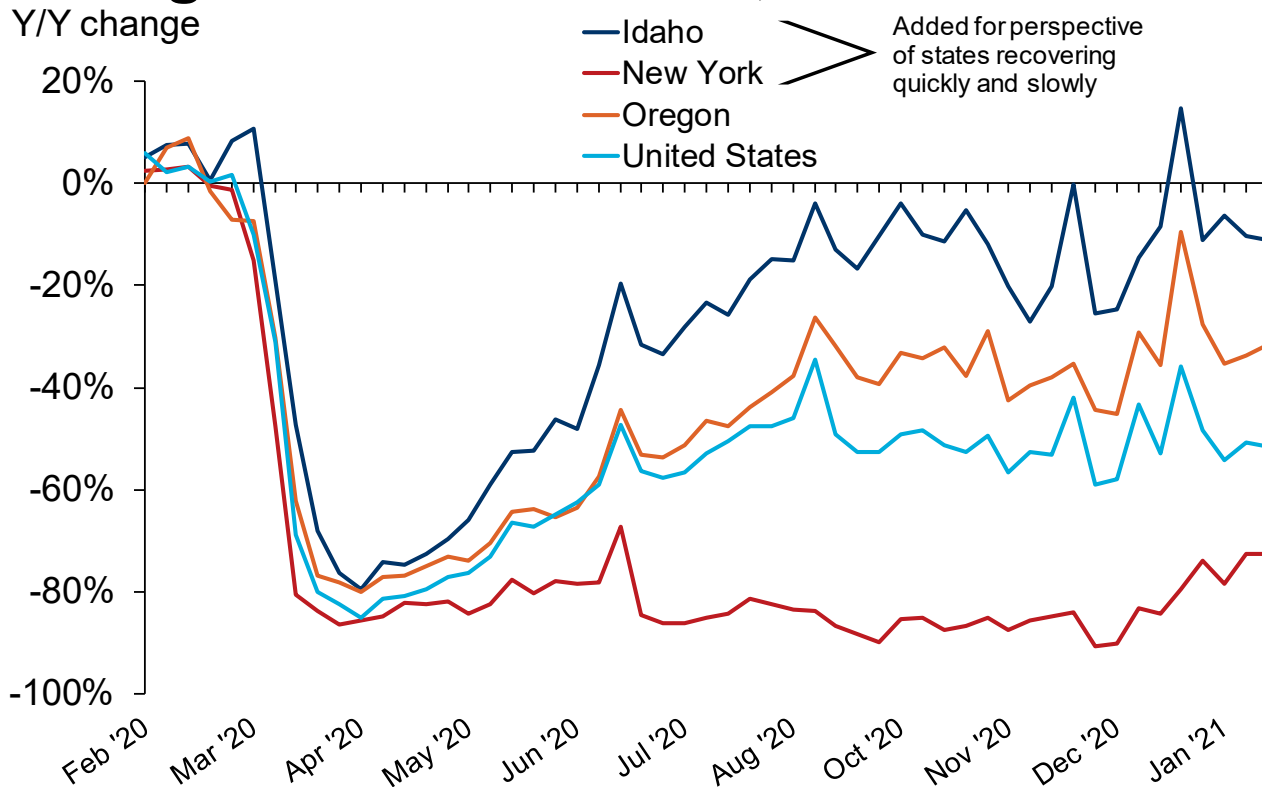
Source: STR; Tourism Economics

Travel Oregon Revenue Forecast

While the recovery will be a slow process, there are already favorable signs

The worst appears to be behind us, and, while currently in a health-related stall, room revenue is generally increasing.

Change in room revenue, 2020



Sources: Tourism Economics; STR

Scenario drivers

We analyze three different recovery scenarios.

Scenario	Virus-related inhibitions on travel in the first half of 2021	Key economic indicators (forecast current as of January 24th, 2020)	Economic drag	Virus drag	Combined impact to travel
Upside	<ul style="list-style-type: none"> Virus moderately contained, travel restrictions continue to ease Traveler risk aversion remains moderate to high through 2021 	<ul style="list-style-type: none"> National unemployment rate in Q4 2021 - 4.8% National GDP grows 7.3% in 2021 GDP returns to 2019 Q4 level in 2021 Q2 			
Baseline	<ul style="list-style-type: none"> Virus contained in some regions, however many restrictions and containment measures remain through 2021 In some areas, groups permitted to meet with modifications, but risk aversion reduces attendance 	<ul style="list-style-type: none"> National unemployment rate in Q4 2021 - 5.7% National GDP grows 4.2% in 2021 GDP returns to 2019 Q4 level in 2021 Q3 			
Downside	<ul style="list-style-type: none"> Virus not well contained, many restrictions and many containment measures remain in place until the summer Very limited group travel, greater risk aversion, many public places closed/limited, restaurants more limited 	<ul style="list-style-type: none"> National unemployment rate in Q4 2021 - 6.9% National GDP grows 0.2% in 2021 GDP returns to 2019 Q4 level in 2022 Q1 			

Key factors driving Oregon's forecast

Compared to the US, Oregon has several factors that indicate the state will recover faster than the nation.

Positives

Favorable market mix

- High leisure share
- High drive share
- High transient share
- High domestic share

Numerous attractions that allow for social distancing (hiking, parks, etc.)

West coast source markets will recover faster economically

Negatives

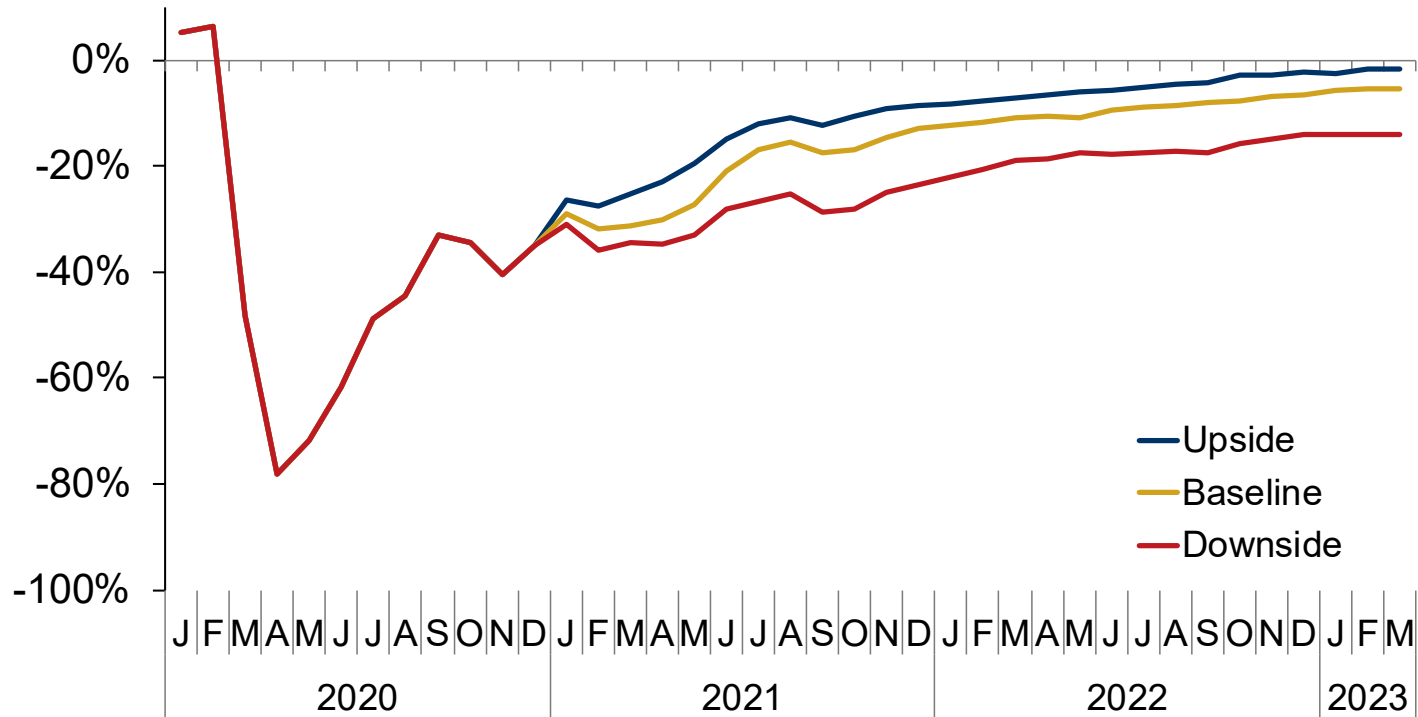
Oregon may reopen more cautiously than the rest of the country

Room revenue losses will be massive and persistent

In our baseline forecast, room revenue in 2022 is still down 21% from its 2019 level.

Lost room revenue in Oregon

Percent losses compared to 2019



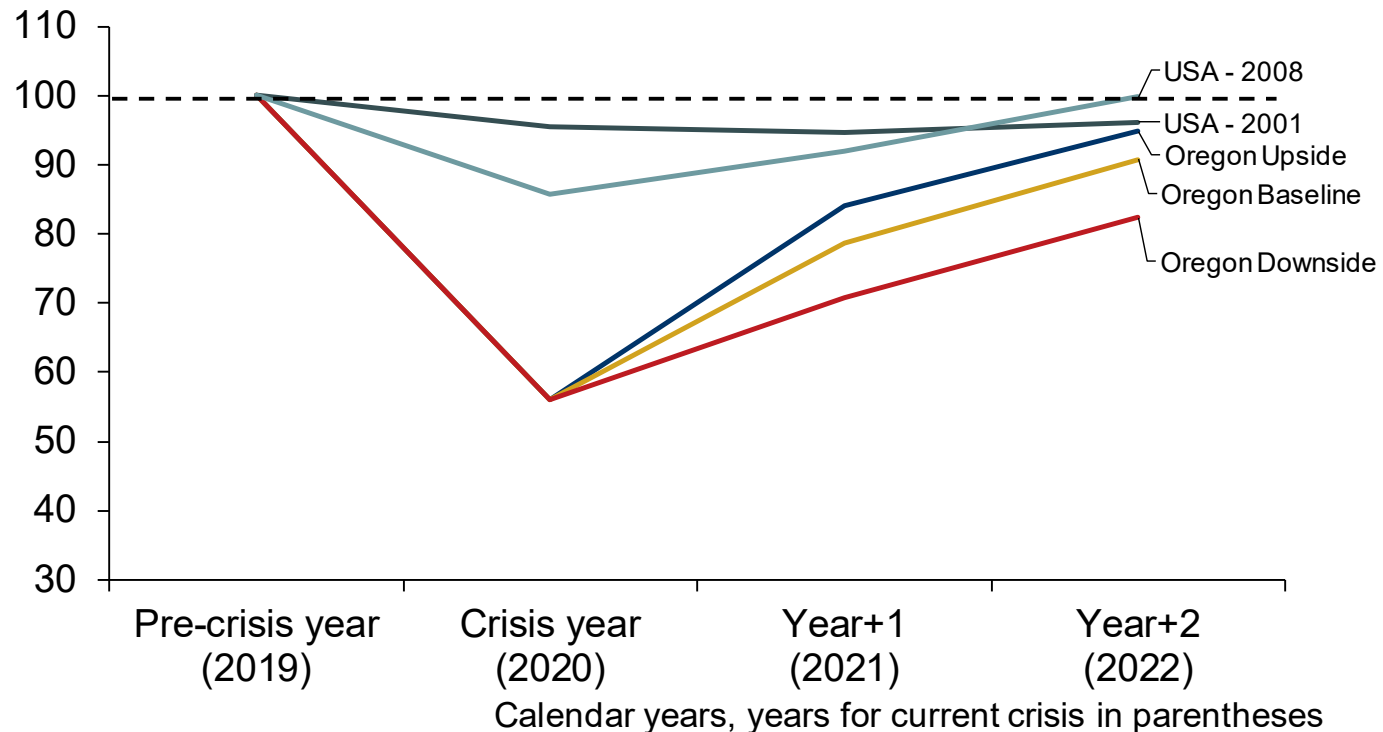
Sources: Tourism Economics; STR; Oregon DoR

This decline is much worse than the previous two recessions

The COVID-19 pandemic will create a deeper and longer lasting impact than 9/11 or the 2008 financial crisis.

Room Revenue declines in crises

Index (crisis year = 100)



Sources: Tourism Economics; STR; Oregon DoR

Our baseline model forecasts TLT revenues to reach \$29 million in FY2022

We created a baseline model along with two other scenarios to create a range of potential outcomes.

TLT revenue growth in three scenarios

	FY2019	FY2020	FY2021	FY2022	FY2023
Revenue (millions)					
Upside	\$41.6	\$40.3	\$21.4	\$31.0	\$33.9
Baseline	\$41.6	\$40.3	\$21.1	\$29.1	\$32.5
Downside	\$41.6	\$40.3	\$20.9	\$25.9	\$29.6
Percent of FY2019					
Upside	--	96.9%	51.5%	74.6%	81.7%
Baseline	--	96.9%	50.8%	70.0%	78.3%
Downside	--	96.9%	50.3%	62.4%	71.2%

Sources: Tourism Economics; STR; Oregon DoR

Forecast details

TLT revenue growth in three scenarios

	2019				2020				2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue (millions)																				
Upside	\$11.7	\$14.4	\$7.9	\$7.6	\$11.3	\$15.1	\$8.2	\$5.7	\$4.0	\$9.1	\$3.6	\$4.8	\$7.9	\$10.6	\$6.6	\$6.0	\$9.1	\$11.4	\$7.1	\$6.3
Baseline	\$11.7	\$14.4	\$7.9	\$7.6	\$11.3	\$15.1	\$8.2	\$5.7	\$4.0	\$9.1	\$3.6	\$4.5	\$7.2	\$10.0	\$6.2	\$5.7	\$8.7	\$11.0	\$6.8	\$6.1
Downside	\$11.7	\$14.4	\$7.9	\$7.6	\$11.3	\$15.1	\$8.2	\$5.7	\$4.0	\$9.1	\$3.6	\$4.3	\$6.6	\$8.8	\$5.4	\$5.1	\$7.9	\$9.9	\$6.2	\$5.5
Percent of FY2019																				
Upside	--	--	--	--	97%	105%	104%	75%	34%	63%	45%	63%	68%	74%	83%	78%	78%	80%	89%	83%
Baseline	--	--	--	--	97%	105%	104%	75%	34%	63%	45%	59%	62%	70%	78%	75%	75%	76%	85%	80%
Downside	--	--	--	--	97%	105%	104%	75%	34%	63%	45%	56%	57%	61%	68%	68%	68%	69%	78%	73%

Sources: Tourism Economics; STR; Oregon DoR

Note: These numbers are based on the Department of Revenue's posting date for TLT revenue, So Q1 represents Travel Oregon's fiscal quarter July-September, but is based on TLT collected in April-June.

Final thoughts and a few positives

- 1 Room demand and visitor spending will grow faster than room revenue**

This will aid stakeholders outside of the hotel sector.
- 2 Oregon's domestic market mix is encouraging**

High shares of leisure, drive, and transient visitors will boost Oregon's recovery.
- 3 Oregon's international market mix is encouraging**

Canada and China will rebound faster than most other markets, but this will still be slower than the domestic recovery.
- 4 The economic climate is improving**

Vaccinations are proceeding at a brisk pace, and despite the recent health related downturn, room revenue is generally increasing.

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of more than 120 professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.

For more information:

info@tourismeconomics.com



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