Oregon Lodging Tax Revenue Forecast, FY2022-FY2024

February 2022

TRAVEL OREGON

TOURISM ECONOMICS

AN OXFORD ECONOMICS COMPANY

Key Findings

Key findings

A lasting impact…

The COVID-19 pandemic created a downturn in the tourism industry far greater than we have ever seen before, both in the depth of the impact and the time to full recovery.

This is further compounded by a drop in Oregon's TLT rate (to 1.5% in July 2020, from 1.8%).

FY2021 TLT revenue was down 42% of FY2019, and estimated FY2022 will still be down around 12%.

If the TLT rate remains at 1.5%, TLT revenue will not recover to FY2019 level until FY2023 at the earliest, and even that is optimistic.

On the bright side…

The US economy has rebounded strongly.

Over the past seven months, Oregon's room revenue has returned to around the pre-pandemic level.

Oregon's market mix, with high shares of drive and leisure visitors, is favorable for the current climate and should make for continued strong growth in the future.

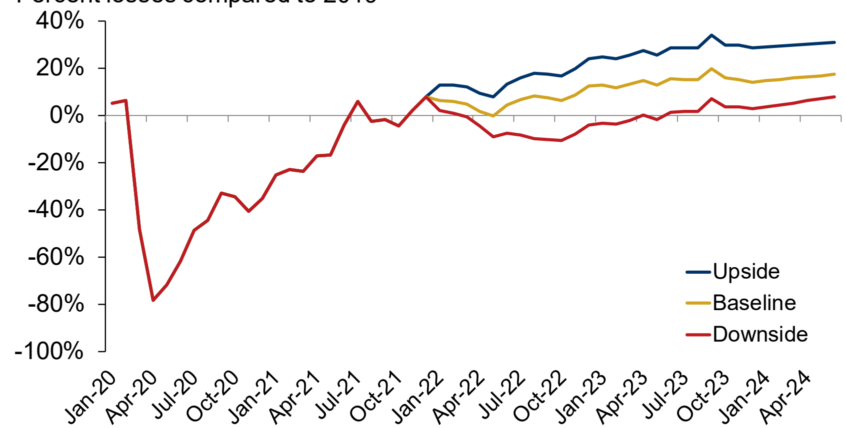
TLT revenue growth in three scenarios

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Revenue (millions)						
Upside	$40.6	$39.7	$23.5	$36.0	$41.5	$45.7
Baseline	$40.6	$39.7	$23.5	$35.6	$38.0	$40.9
Downside	$40.6	$39.7	$23.5	$35.2	$32.8	$36.3
Percent of FY2019						
Upside	--	97.9%	57.9%	88.8%	102.2%	112.7%
Baseline	--	97.9%	57.9%	87.6%	93.5%	100.7%
Downside	--	97.9%	57.9%	86.8%	80.9%	89.5%

Sources: Tourism Economics; STR; Oregon DoR

Lost room revenue in Oregon

Percent losses compared to 2019



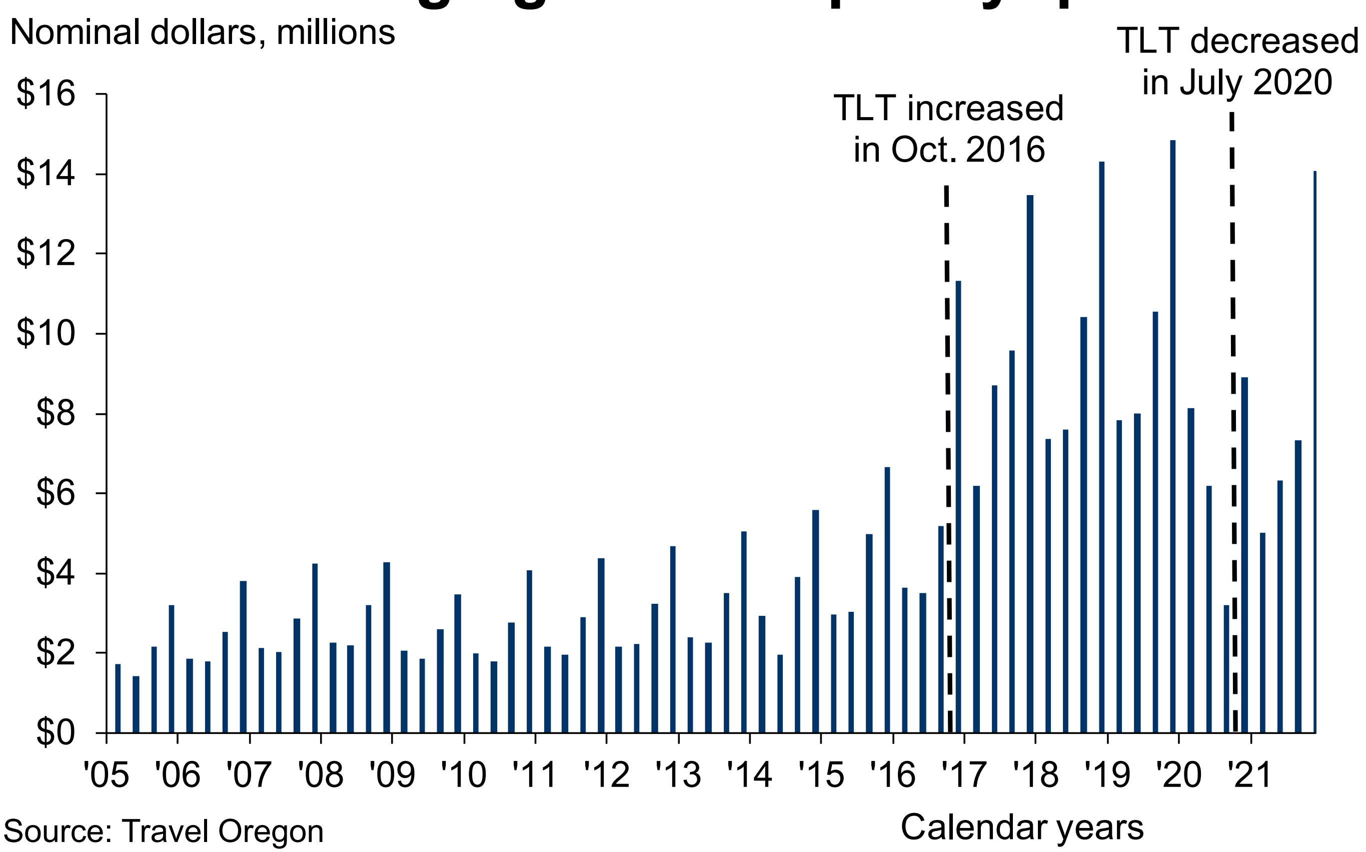
Sources: Tourism Economics; STR; Oregon DoR

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



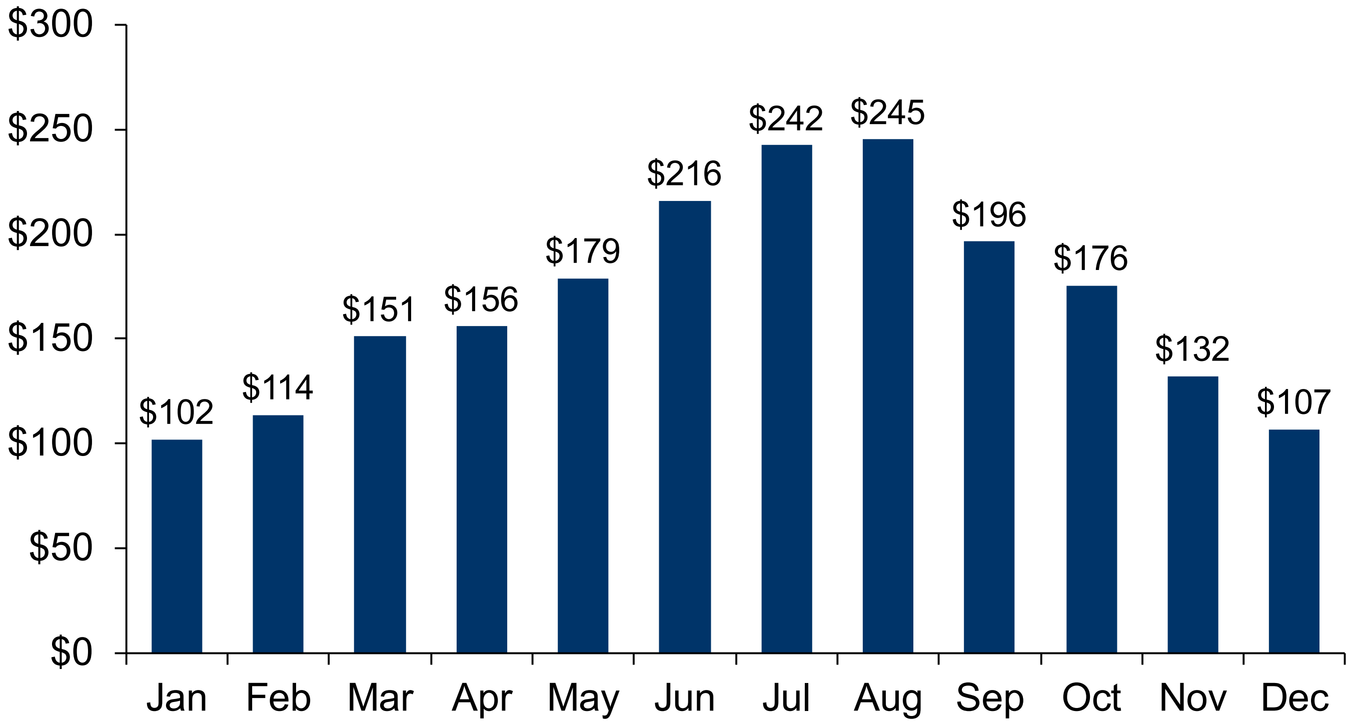
Source: Travel Oregon

The summer season is key to a strong year

A variant-free summer would boost the leisure market and the recovery as a whole.

Oregon room revenue, 2019

Dollars, millions

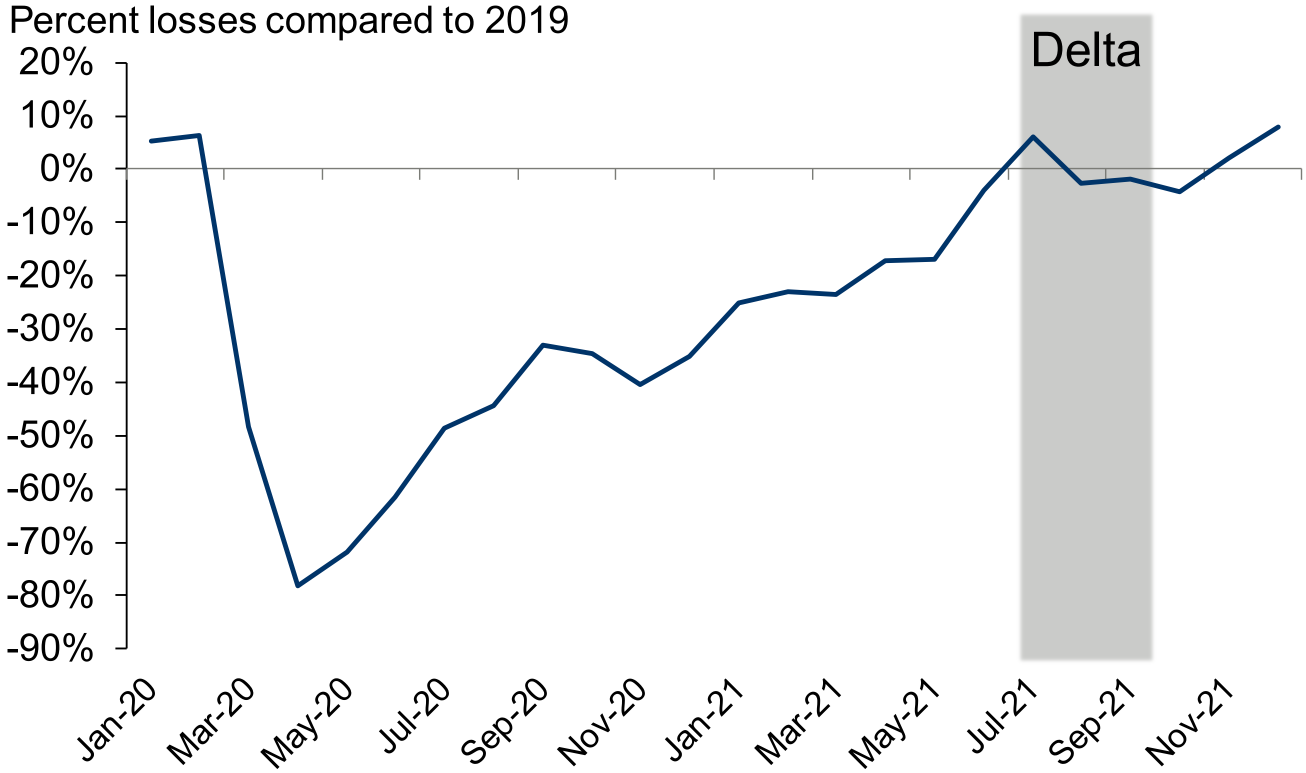


Source: Travel Oregon

Variants of similar severity to Delta and Omicron are unlikely to have a notable impact

While the Delta variant may have slowed the recovery, it did not significantly reverse prior gains.

Oregon room revenue, 2020-2021



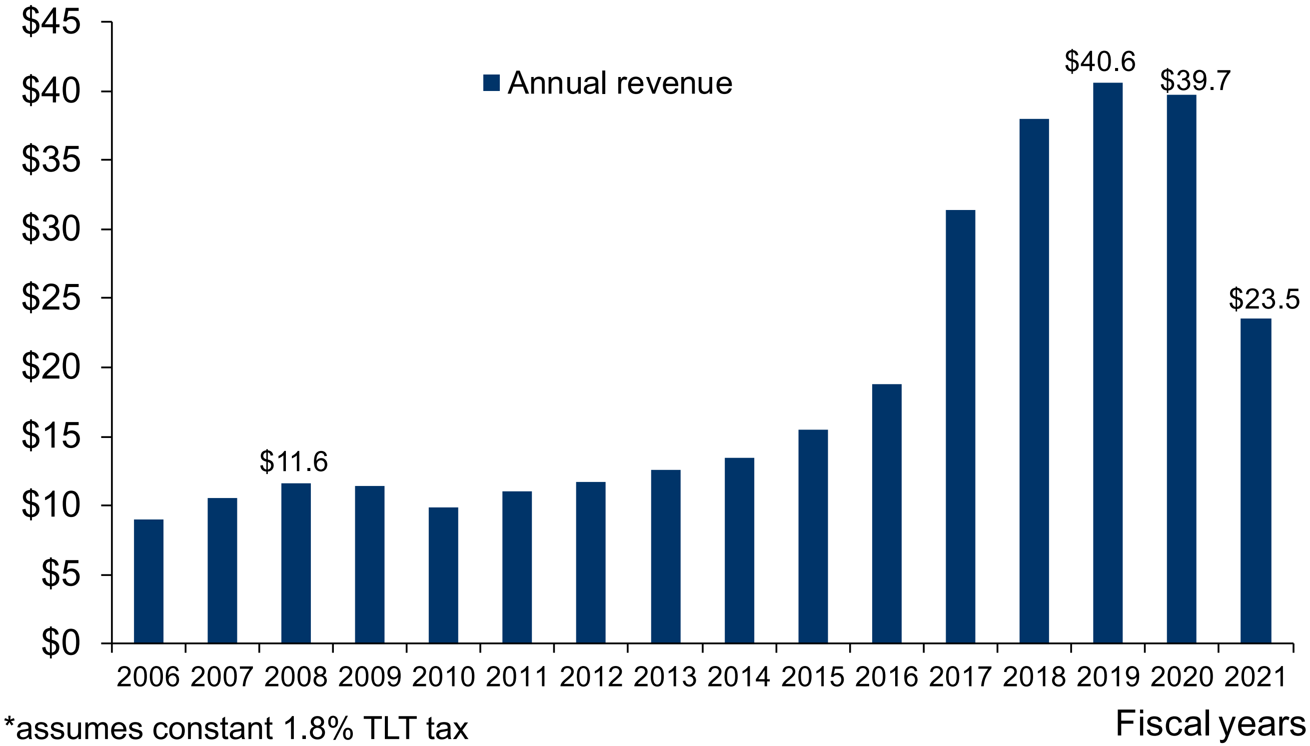
Source: Travel Oregon

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 $39.7 million. FY2021 felt the full brunt of the pandemic and revenue fell 40% from FY2019's level.

TLT revenue by year

Nominal dollars, millions



*assumes constant 1.8% TLT tax
Source: Travel Oregon

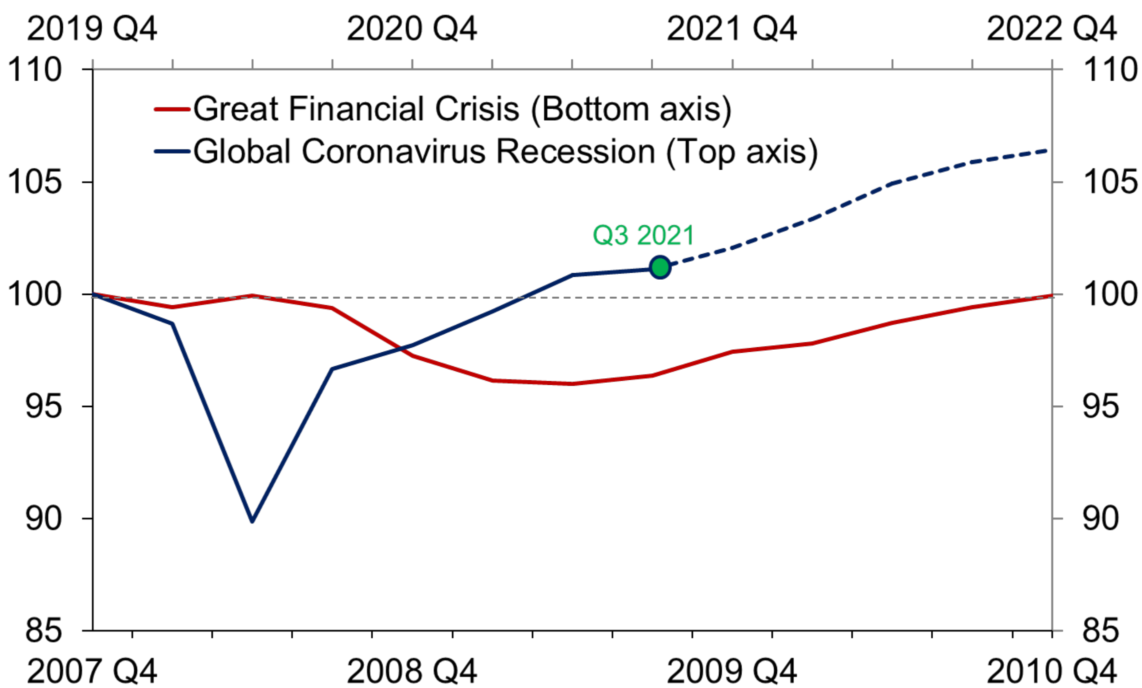
Anatomy of a Recovery

GDP is up

The recovery in GDP has been historically brisk and well ahead of the 2008 recovery.

US GDP growth after recessions

Real GDP, Pre-recession peak=100



Source: Oxford Economics, BEA

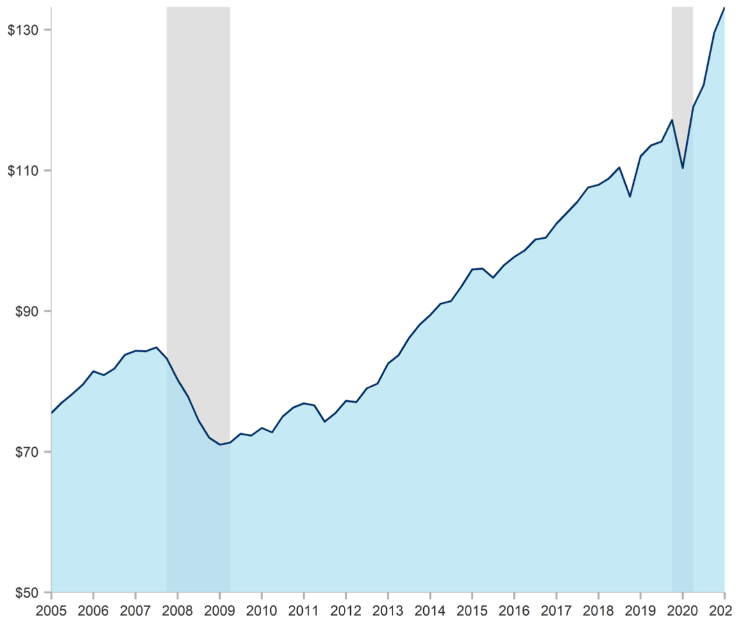
*Dotted line represents forecast

Consumers have spending money

Consumer wealth is at record levels, and debt is low.

US household net worth

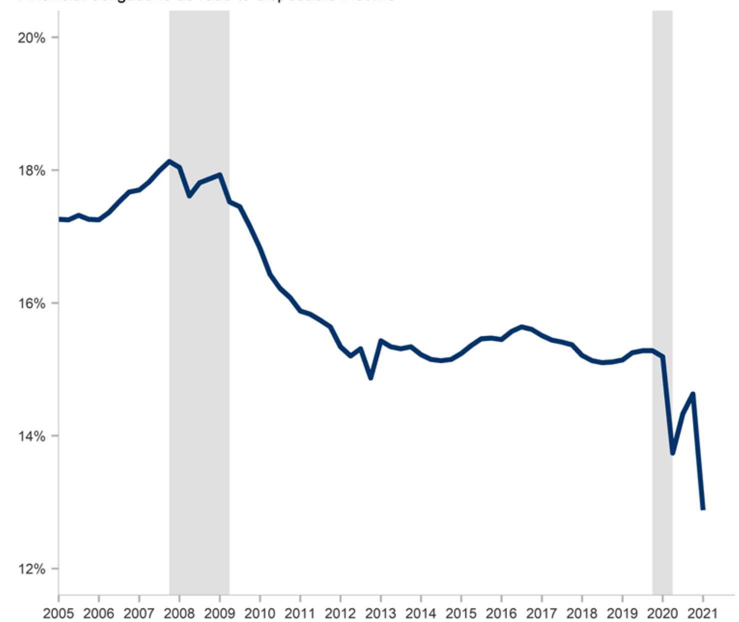
In trillions, real



Note: 2019 dollars. Quarterly data through 2021Q1. Net worth of households and nonprofit organizations. Measures minus liabilities. Source: Federal Reserve, NBER

Household debt service

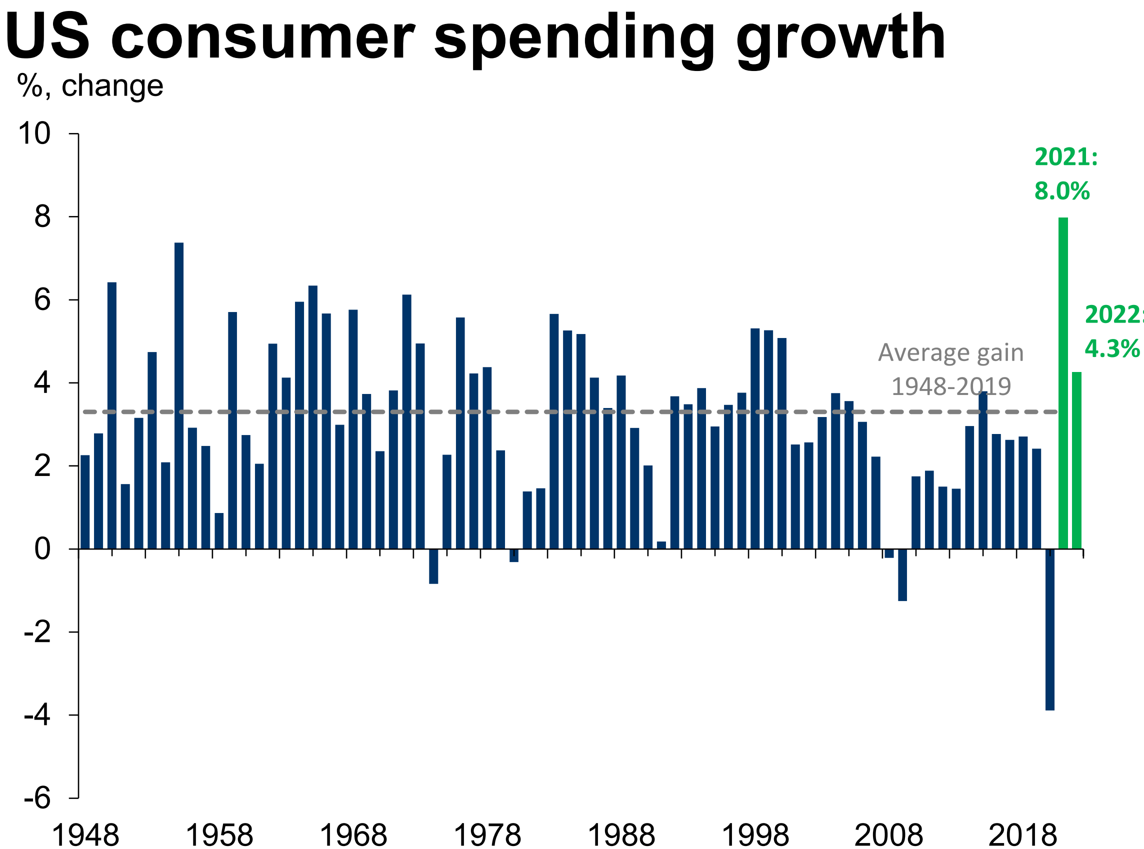
Financial obligations as ratio to disposable income



Note: Quarterly data through 2021Q1. Financial obligations ratio is the ratio of household debt payments, and payments such as rent and auto leases, to disposable income. Source: Federal Reserve, NBER

And consumers are spending

The strongest growth since the post WW2 boom.



Source : Oxford Economics/Haver Analytics

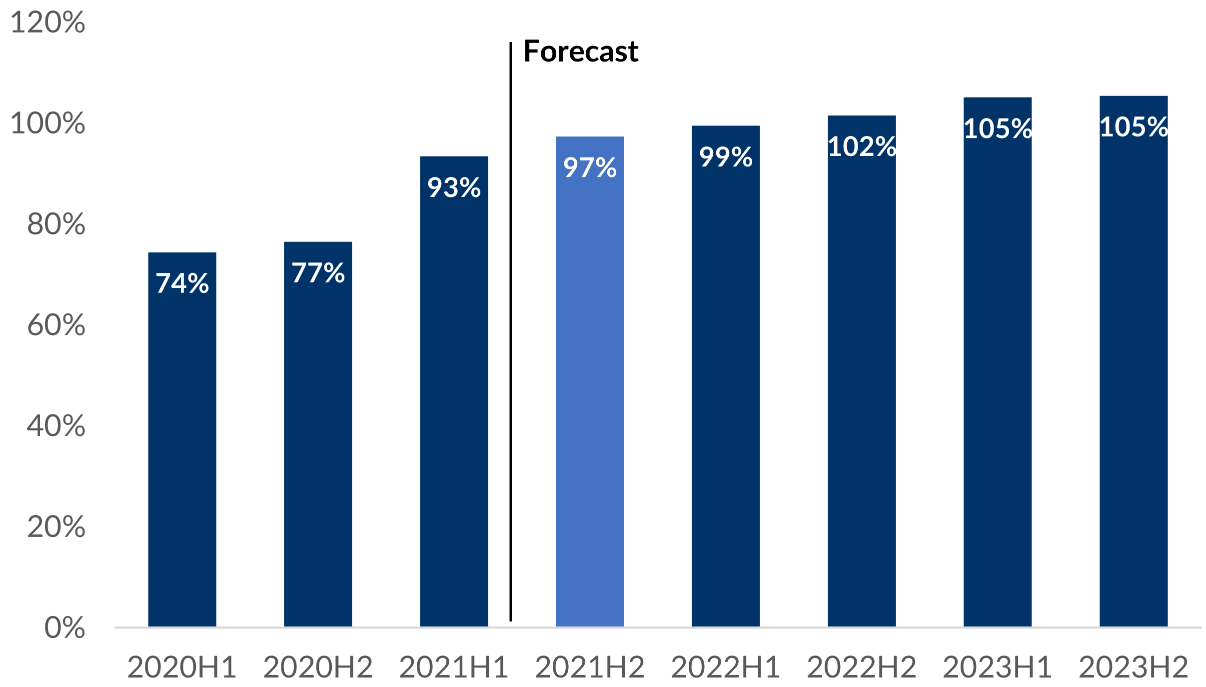
Tourism Sector Forecasts

Domestic leisure in "touching distance" of recovery

Expect a full recovery in the second half of 2022.

Domestic leisure person trips

% of time period in 2019

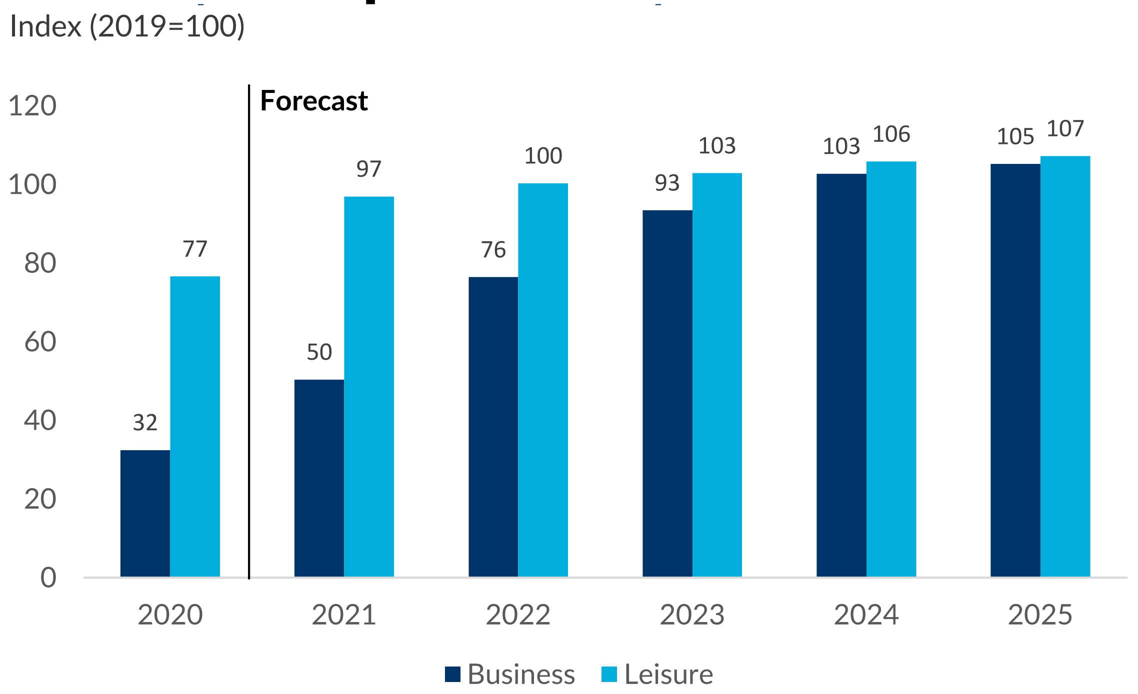


Source: Tourism Economics, U.S. Travel Association

The leisure sector will recover faster than the business sector

Good news for leisure heavy states such as Oregon.

US Travel expenditures

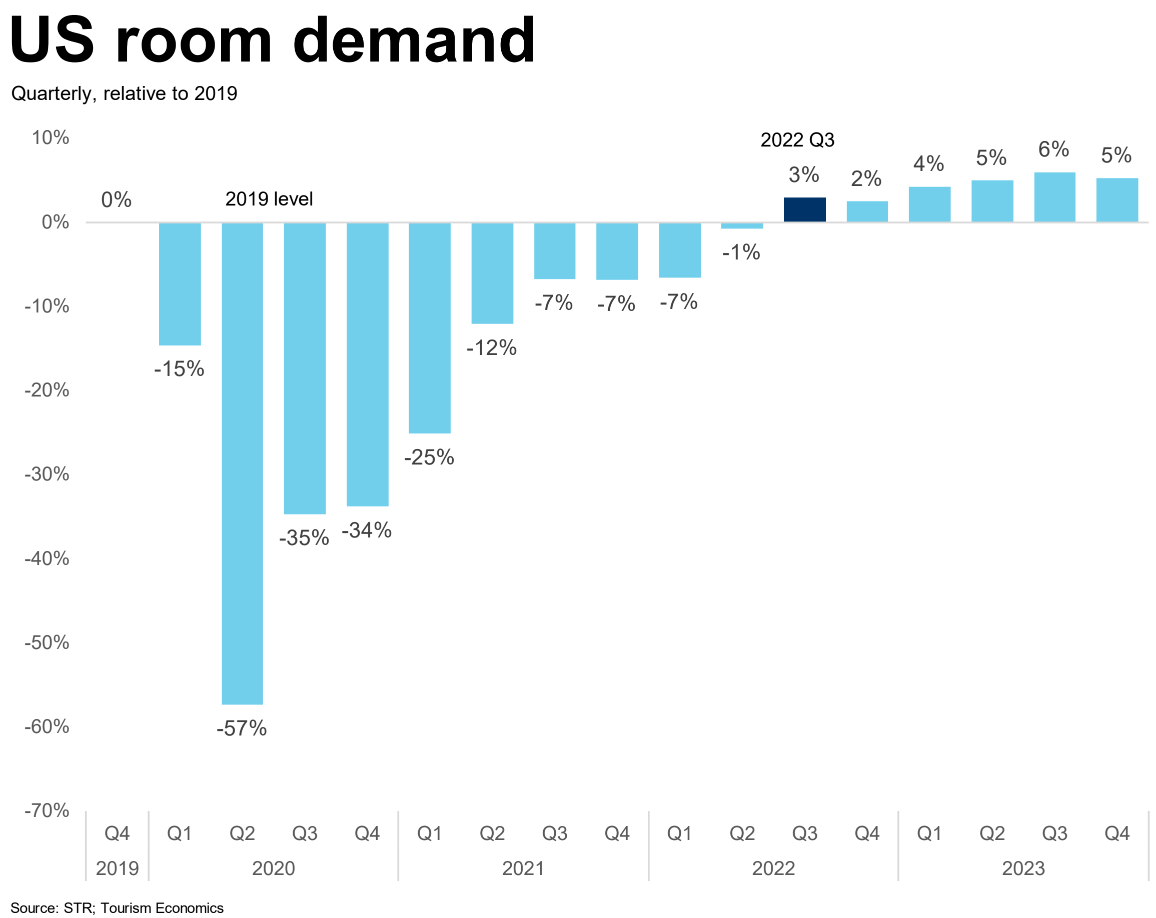


Note: Only domestic travel expenditures

Source: Tourism Economics, U.S. Travel Association

Room demand is also close to pre-pandemic levels.

Room demand breaks through 2019 peak in 2022 Q3.



Travel Oregon Revenue Forecast

Scenario drivers

We analyze three different recovery scenarios.

Scenario	Virus progression	Key economic indicators (forecast current as of January 27th, 2022)	Economic drag	Virus drag	Combined impact to travel
Upside	• No further variants of concern after Omicron	• National GDP grows 6.3% in 2022 • The unemployument rate falls to 3.4% in 2022			
Baseline	• Further variants (after Omicron) emerge, and make small and short-lived impacts on travel.	• National GDP grows 4.0% in 2022 • The unemployument rate falls to 3.8% in 2022			
Downside	• A new variant emerges that poses more significant health threat than prior variants	• National GDP grows 1.3% in 2022 • The unemployument rate rises to 4.5% in 2022			

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.)

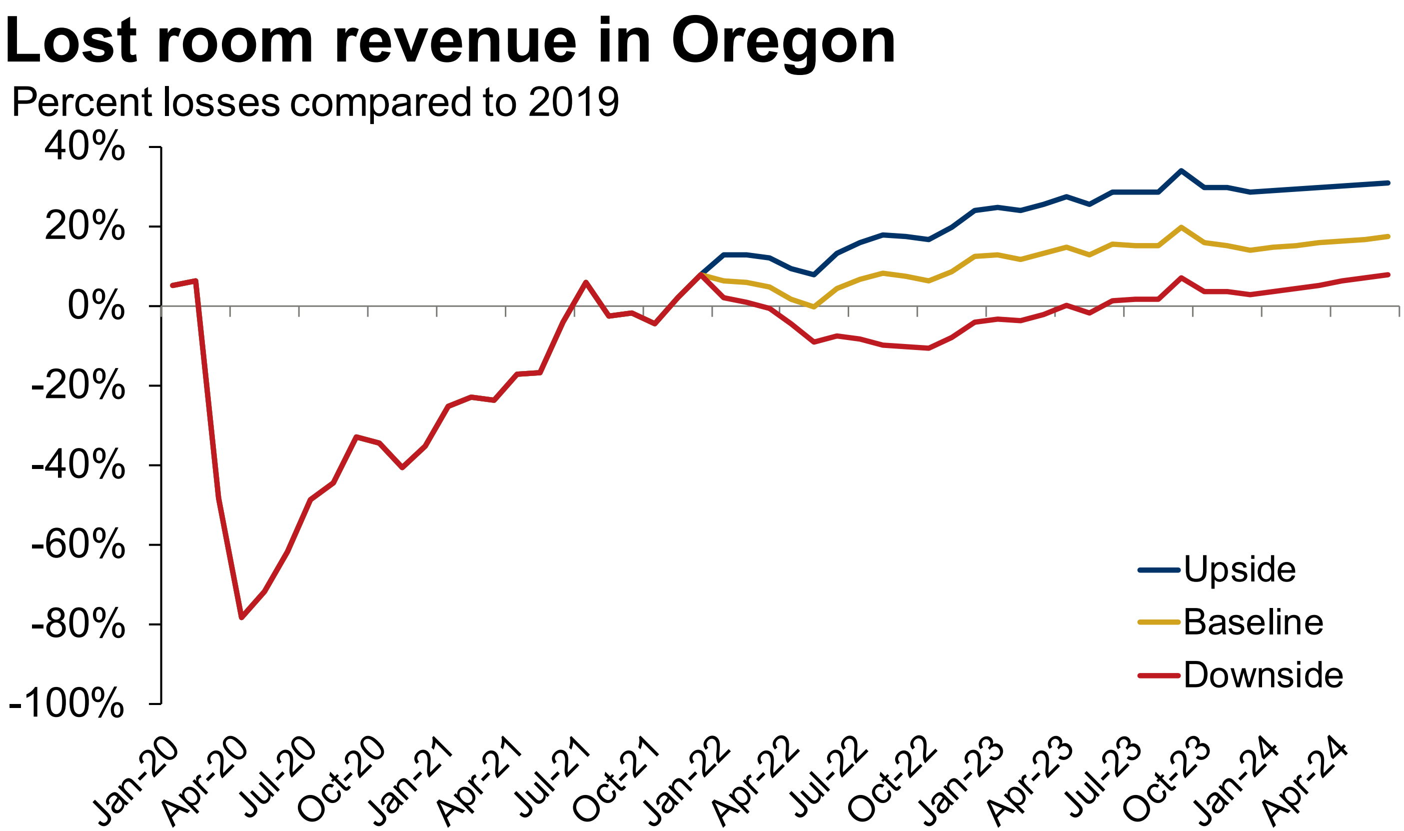
Negatives

Oregon may impose more COVID related restrictions as new variants arise.

Oregon's unemployment rate is slightly higher than the US'

Room revenue is hovering around the pre-pandemic level

For the past seven months, room revenue has been at pre-pandemic levels.

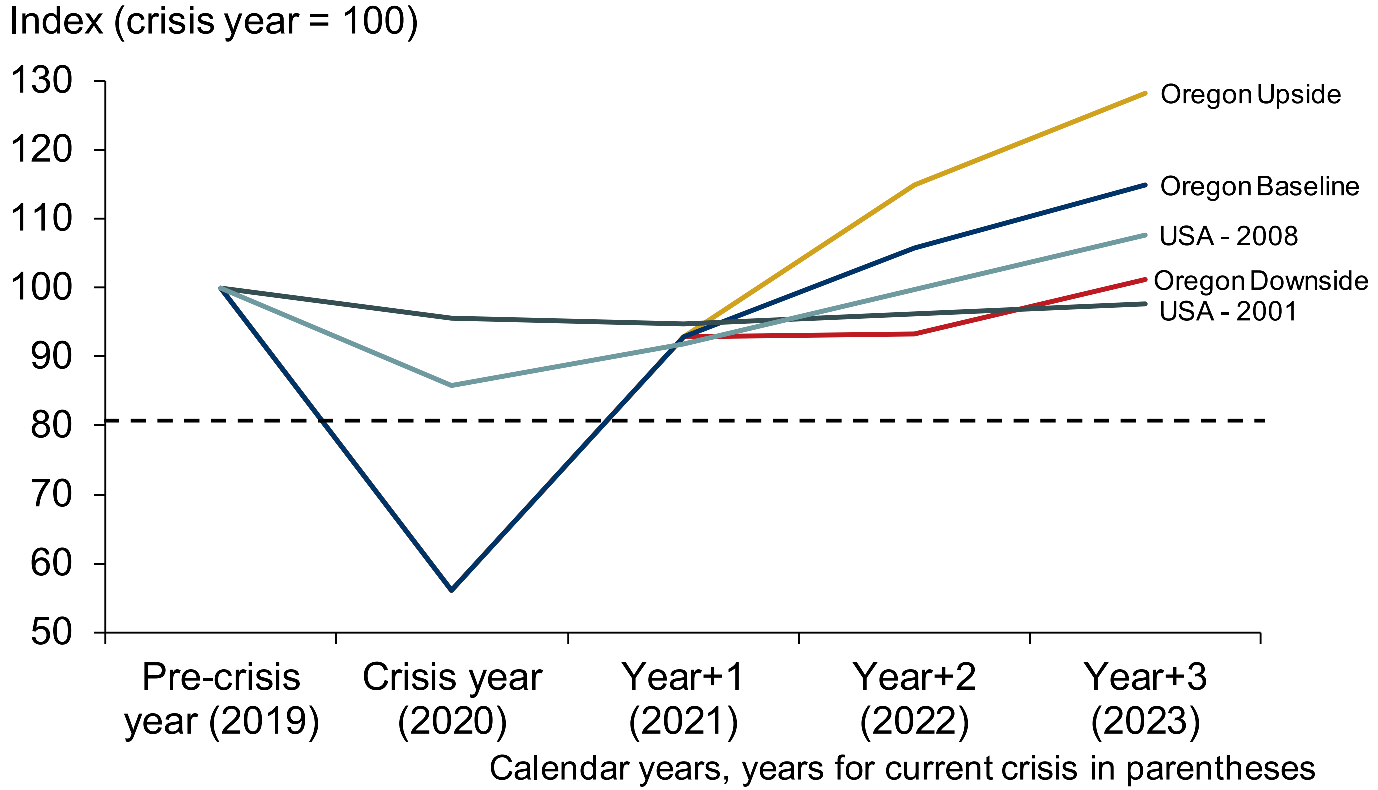


Sources: Tourism Economics; STR; Oregon DoR

This decline is much worse than the previous two recessions

The COVID-19 pandemic created a deeper crises than 9/11 or the 2008 financial crisis, but the recovery is on-track to be faster.

Room Revenue declines in crises



Sources: Tourism Economics; STR; Oregon DoR

Our baseline model forecasts TLT revenues to reach $35 million in FY2022

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

In FY2021, TLT revenue was 58% of pre-crisis levels, in FY2022 TLT revenue is estimated at 88%, and by FY2024, revenues will recover to 89%-113% of pre-crisis levels.

Note: FY2019-2021 data is final. FY2022-2023 estimates are forecasts.

Additionally, these numbers are based on when Travel Oregon will receive TLT revenue from the DoR. So these revenues are collected by lodging operators from April to March, but are presented on Travel Oregon's July-June fiscal year.

Finally, the decrease in TLT rate (to 1.5% in July 2020 from 1.8% previously) is factored into these estimates.

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Final thoughts and a few positives

1 **We're coming back!**
Over the past seven month's, Oregon's room revenue has approximated its pre-pandemic levels. TLT decline is now due to the decreased rate.

2 **ADRs are growing quickly.**
Room revenue will grow faster than room demand.

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

4 **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.

2021-2023
TLT REVENUE FORECAST – PROPOSED REVISION

Current Budget:		
2021-22	$30,700,000	(+31% from FY2021)
2022-23	$33,500,000	(+9% from FY2022)
Total TLT 2021-23	**$64,200,000**	**(+2% from 2019-2021)**
Proposed Revised Forecast:		
2021-22	*$35,600,000*	*(+16%)*
2022-23	*$38,000,000*	*(+13%)*
Total TLT 2021-23, Forecast	***$73,600,000***	***(+15%)***

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.

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