



The Economic Impact of Tourism in Huntington Beach, California

2016 Analysis
November 2017

Prepared for:



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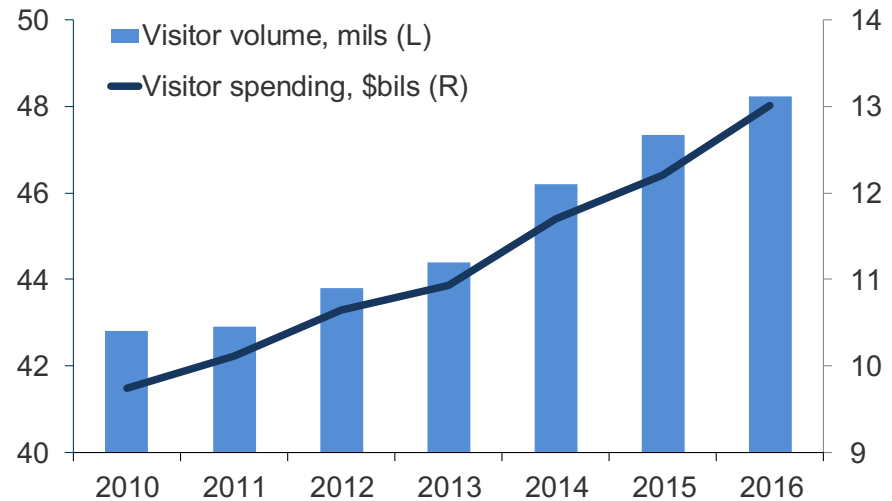
Disneyland



Orange County trends

Orange County visitation and visitor spending have expanded since 2010.

Orange County Visitor Volume and Spending



Source: CIC Research, Tourism Economics

Visitor volume and spending expanded in 2016, driven primarily by employment and income growth in Orange County's key source markets, such as Arizona, Nevada, Washington State, and broader California.

An estimated 48.2 million visitors spent \$13.0 billion in 2016, increases of 1.9% and 6.6%, respectively, from 2015.

More than 4.4 million international visitors accounted for 9.2% of the total in 2016. International visitation grew by 3.9% or 165,000 in 2016.

Orange County Visitor Volume and Spending						
	2011	2012	2013	2014	2015	2016
Visitor volume (mils)	42.90	43.80	44.40	46.20	47.35	48.24
<i>% change</i>	0.2	2.1	1.4	4.1	2.5	1.9
Visitor spending (\$bils)	10,115.2	10,643.6	10,931.4	11,695.0	12,212.9	13,016.9
<i>% change</i>	3.9	5.2	2.7	7.0	4.4	6.6

Orange County visitor spending

Visitor spending on recreation led overall spending growth.

Total visitor spending expanded 6.6% in 2016, a pick up from a year earlier.

Spending growth among the key categories was led by recreation at 9.0%, followed by lodging at 6.6%, retail at 5.7%, and food and beverage at 5.6%.

Visitor spending on local ground transportation expanded 3.4%, even as gasoline prices were 14% lower on average in 2016 versus a year earlier.

Total air passenger arrivals at John Wayne Airport increased 5.4%, and the local portion of air transportation spending increased 4.1% in 2016.

Orange County Visitor Spending By Category							
US\$ Millions							
	2011	2012	2013	2014	2015	2016	2015-16 % ch
Lodging	2,067.5	2,269.1	2,451.1	2,696.6	2,972.0	3,169.1	6.6%
Food and beverage	2,352.8	2,475.6	2,541.1	2,729.7	2,889.8	3,051.4	5.6%
Retail	2,568.9	2,682.7	2,682.0	2,840.5	2,847.6	3,010.4	5.7%
Recreation	2,475.1	2,531.7	2,568.7	2,720.3	2,782.9	3,032.2	9.0%
Local transportation	426.9	441.5	440.7	445.5	449.0	464.2	3.4%
Air transportation (local)	87.2	90.4	94.9	96.6	98.4	102.5	4.1%
Second homes	136.8	152.4	152.9	165.7	173.2	187.1	8.0%
Total	10,115.2	10,643.6	10,931.4	11,695.0	12,212.9	13,016.9	6.6%
% change		5.2%	2.7%	7.0%	4.4%	6.6%	

Orange County trends

Tourism employment growth in Orange County is outpacing that of overall job growth in the County and that of California.

Since 2010, tourism employment has expanded faster than total jobs in Orange County and California overall.

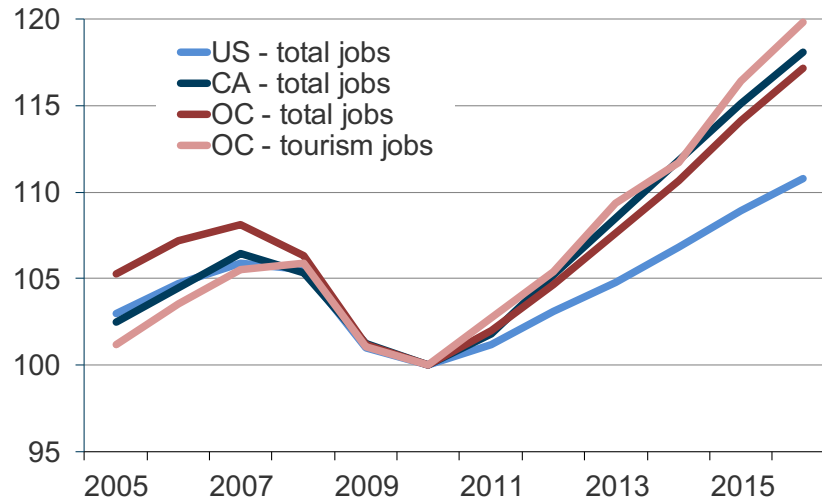
Employment in the industry is 19.8% higher than it was in 2010, compared with 17.2% more jobs overall in the County.

The tourism industry added more than 3,500 jobs per year, averaging annual growth of 3.1% since 2010 (see the light red line in the chart to the right).

This is faster growth than the 2.7% for the County overall (see the dark red line), and California's 2.8% annual growth (see the dark blue line).

Orange County Tourism Jobs Outpace

Employment, indexed 2010=100



Sources: BEA, BLS, U.S. Census, Tourism Economics
Note: the index measures changes since 2010

Orange County tourism in context

When taken together as an industry, tourism is the 6th largest employer in the Orange County region.

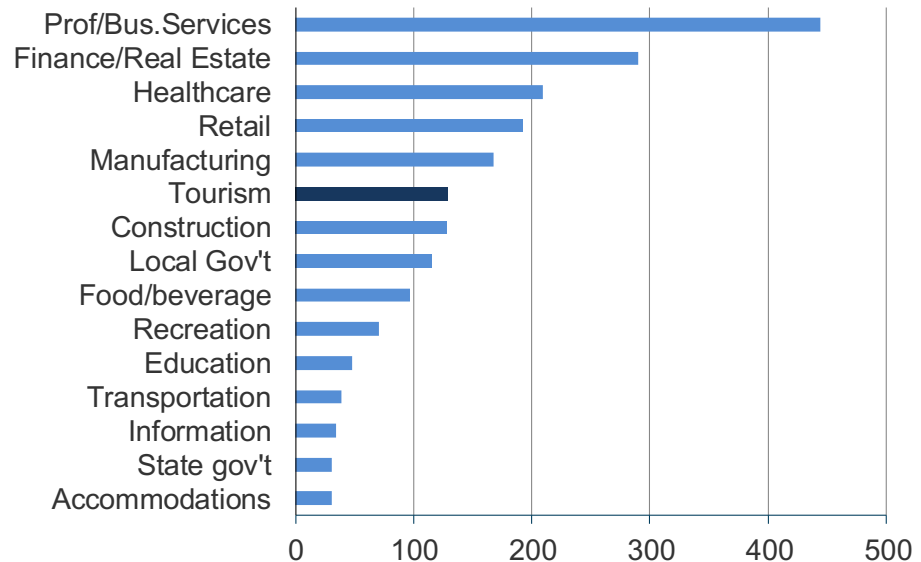
With more than 128,000 direct jobs, tourism is the 6th largest employer in Orange County.

When taken together as an industry, tourism employs more people than construction, local governments, education, and information.

The broader leisure and hospitality industry includes a total of just over 200,000 jobs, and serves both visitors and the local community.

Orange County Jobs by Industry in 2016

(Thousands)



Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Tourism Economics

Orange County key findings

Orange County visitor volume and spending expanded 1.9% and 6.6% respectively, in 2016. On average, visitor spending in the County has exceeded that of California since 2010.

Visitors to Orange County spent \$13.0 billion in 2016, which generated a total of \$20.5 billion in total business sales, including indirect and induced impacts.

Tourism in Orange County generated \$2.4 billion in tax revenues, including nearly \$1.1 billion in state and local revenues.

Including direct, indirect, and induced impacts, 175,846 jobs were sustained by visitors to Orange County in 2016, with total income of \$7.2 billion.

Approximately 8.0% (1 in 13) of all jobs in Orange County were sustained by tourism.

International visitor volume grew 3.9% in 2016. China is an increasingly important source market and ranked second in terms of volume and first in terms of spending in 2016.

Tourism drives jobs and income growth in Orange County



6. Huntington Beach Visitors and Spending

Huntington Beach trends

Visitor spending in Huntington Beach is expanding faster than that of California overall.

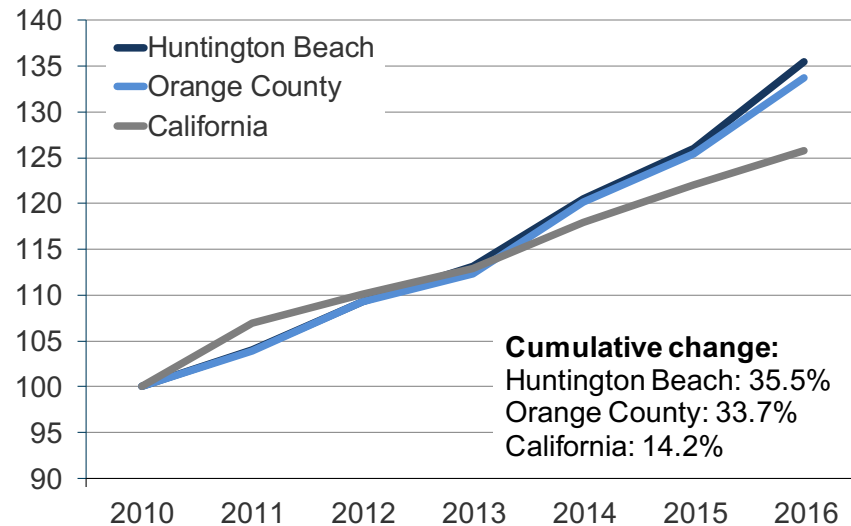
The industry is expanding in Orange County faster than at the state level, and Huntington Beach has kept pace.

Since 2010, direct visitor spending in Huntington Beach has expanded at an average annual rate of 5.2%, tracking closely with Orange County's 5.2% average annual growth.

In cumulative terms, visitor spending is 35.5% higher in 2016 than it was in 2012 in Huntington Beach, compared with 33.7% for the County.

Visitor Spending Growth Trends

Visitor spending indexed to 2010 = 100

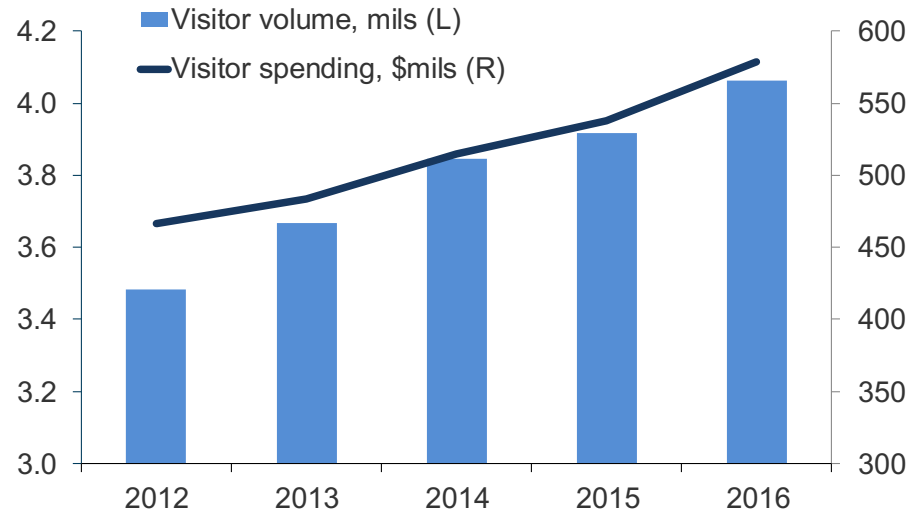


Sources: CIC Research, Tourism Economics

Huntington Beach trends

Huntington Beach visitation and visitor spending have expanded since 2012.

Huntington Beach Visitor Volume and Spending



Sources: CIC Research, Tourism Economics

Huntington Beach visitor volume and spending expanded in 2016, driven by employment and income growth in the region's key source markets, such as Arizona, Nevada, Washington State, and broader California.

An estimated 4.0 million visitors spent \$579 million in 2016, increases of 3.7% and 7.5%, respectively, from 2015.

International visitation is estimated at 560,000, accounting for just under 13.7% of all visitation.

Huntington Beach Visitor Volume and Spending					
	2012	2013	2014	2015	2016
Visitor volume (mils)	3.48	3.67	3.84	3.92	4.06
<i>% change</i>		5.3	4.8	1.9	3.7
Visitor spending (\$mils)	466.6	483.2	514.9	538.1	578.7
<i>% change</i>		3.5	6.6	4.5	7.5

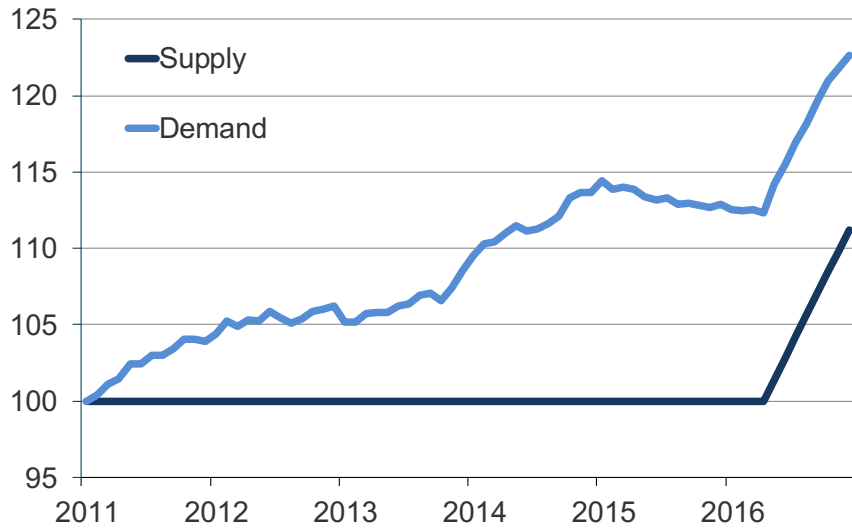
Huntington Beach trends

Since 2011, growth in room demand in Huntington Beach has outpaced that of supply. On average, demand has expanded 3.4% per year since 2011, compared with 2.2% for supply.

In mid-2016, a 250 room hotel opened boosting supply 11.3%. Demand also rose 8.7%. With a change in supply faster than that of demand, the occupancy rate ticked down to 74.4%, from 76.2% in 2015.

Demand is Expanding Faster than Supply

Room demand and supply, indexed, Jan 2011=100



Sources: STR, Tourism Economics

Note: the above index measures change since January 2013

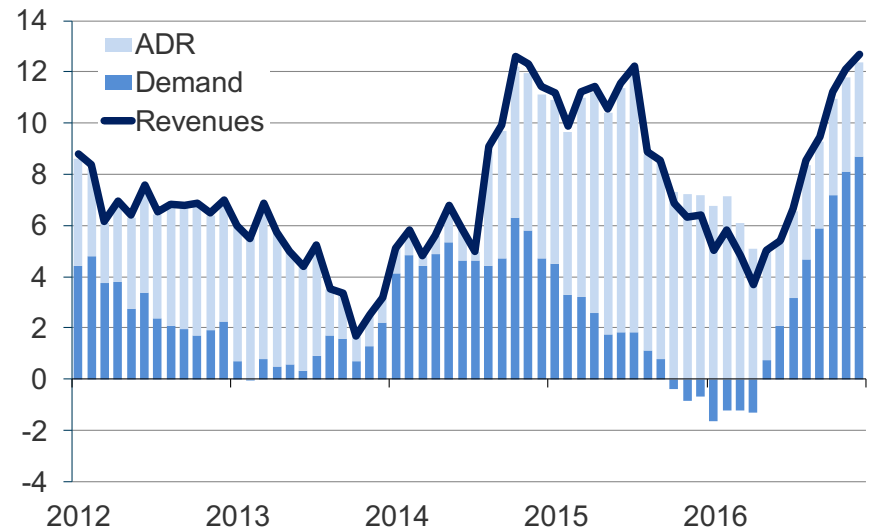
Revenue growth has slowed versus recent years.

Since 2012, annual revenue growth has averaged 8.1%, driven heavily by price growth. After slowing in 2015 demand bounced back in the second half of 2016.

In 2016, the average daily rate was \$215.32, up 3.7% from 2015, accounting for about a third of the year's 12.7% revenue growth, while demand growth accounted for the rest.

Robust Room Revenue Growth

Contribution to revenue growth, % ch year ago



Sources: STR, Tourism Economics

Note: ADR is Average Daily Rate

Visitor segmentation - volume

Most visitors to Huntington Beach came for the day, and came for leisure.

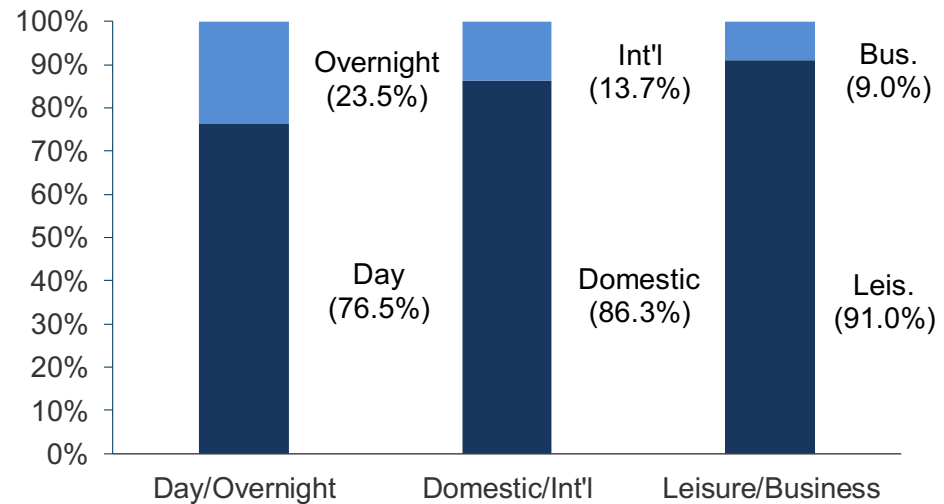
A total of 4.0 million visitors came to Huntington Beach in 2016.

Over 3.1 million visitors, 76.5% of the total, came for the day.

International visitors amounted to 560,000 in 2016, accounting for nearly 14% of total volume.

Most visitors to Huntington Beach came for leisure (91.0%), and 9.0% came for business.

Huntington Beach Visitor Characteristics



Source: CIC Research, Tourism Economics

Composition of visitor spending

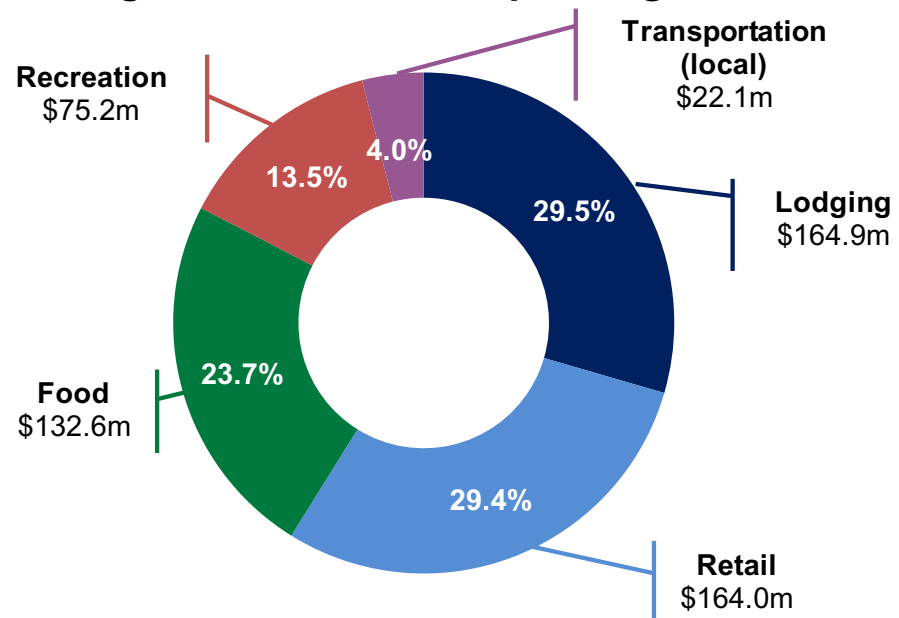
Visitor spending came primarily in lodging and retail.

Visitor spending on lodging amounted to nearly \$165 million and accounted for the greatest share of the total, followed by retail at \$164 million, food and beverage at \$132 million, and recreation at \$75 million.

In terms of shares, visitor spending came primarily in lodging and retail, with each accounting for just under 30% of the total. Food and beverage accounted for just under a quarter of the total.

Recreation accounted for nearly 14%, while visitor spending on local transportation accounted for a relatively small share of total spending.

Huntington Beach Visitor Spending Profile



Sources: CIC Research, Tourism Economics

Visitor spending trends

Total visitor spending expanded 7.5% in 2016, slower growth compared with that of a year earlier.

Spending growth among the key categories was led by lodging at 12.7%, followed by food and beverage at 6.6%, recreation at 6.4%, and retail shopping at 4.9%.

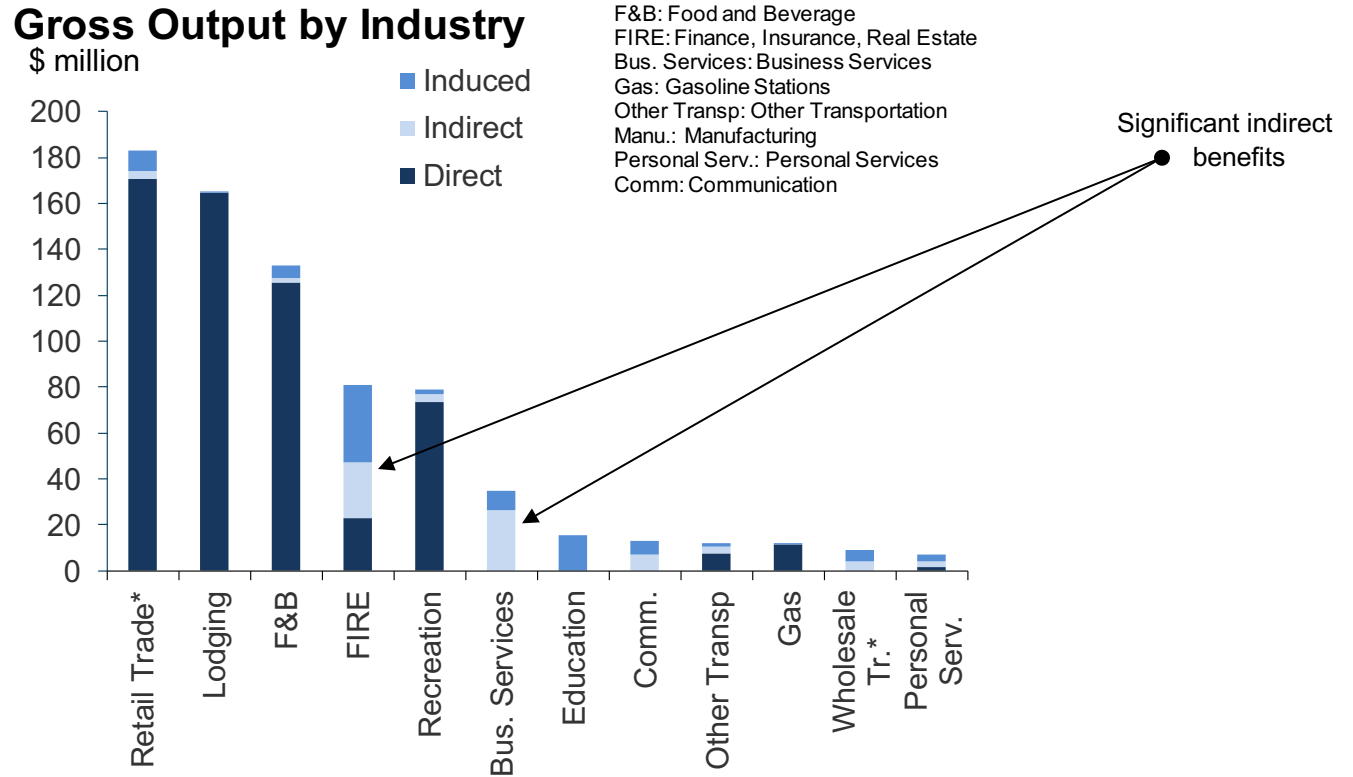
Visitor spending on local ground transportation was up 1.2%, even as gasoline prices were 14% lower on average in 2016 versus a year earlier.

Visitor spending on lodging led overall spending growth.

Huntington Beach Visitor Spending By Category						
US\$ Millions						
	2012	2013	2014	2015	2016	2015-16 % ch
Lodging	119.6	123.4	137.4	146.3	164.9	12.7%
Food	109.1	112.1	118.5	124.4	132.6	6.6%
Recreation	60.4	64.1	67.7	70.6	75.2	6.4%
Retail	140.9	146.0	151.6	156.4	164.0	4.9%
Local Transportation	20.4	21.2	21.9	21.9	22.1	1.2%
Second Homes	16.3	16.4	17.7	18.5	20.0	8.0%
Total	466.6	483.2	514.9	538.1	578.7	7.5%
% change		3.5%	6.6%	4.5%	7.5%	

Tourism sales

Indirect benefits came primarily in finance, real estate, and insurance, and business services.

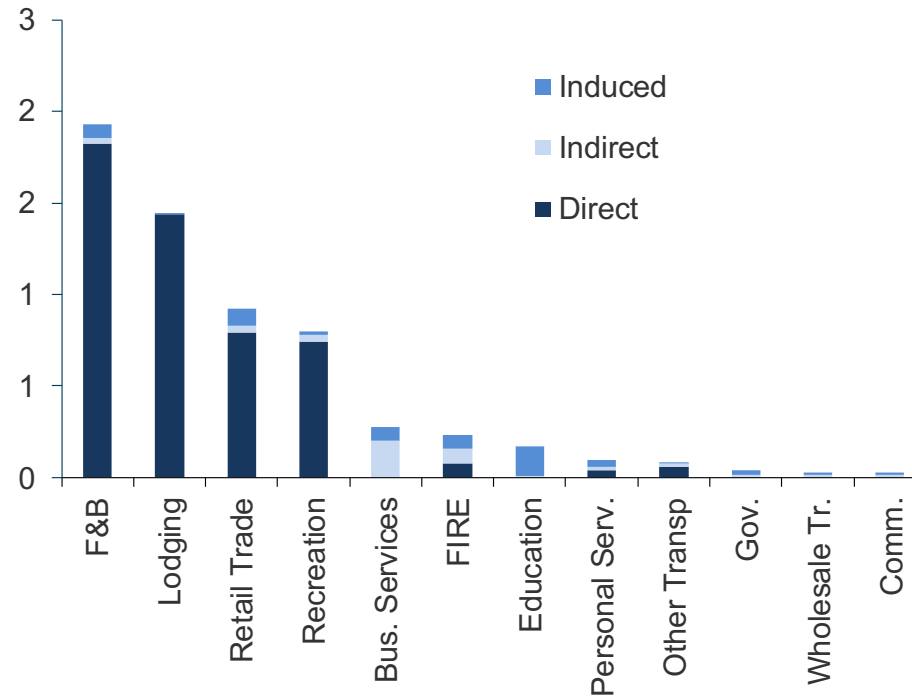


Tourism employment

Indirect and induced benefits accrue to other industries across the economy.

Tourism Employment by Industry

Thousands



Tourism employment intensity by industry

Tourism accounts for a significant share of employment in Huntington Beach.

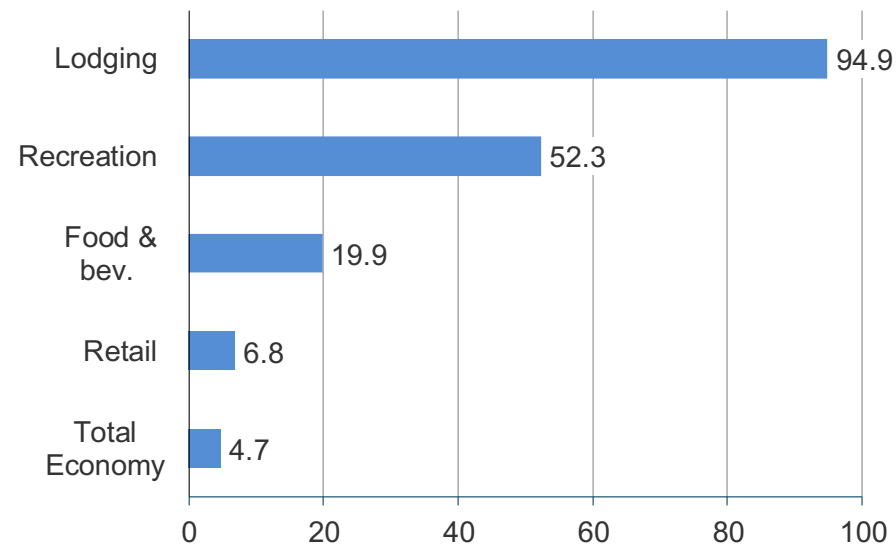
Direct visitor spending accounts for nearly all employment in lodging, at nearly 95%.

Tourism's employment intensity in other industries is significant as well, at 52.3% of recreation, 19.9% of food and beverage, and 6.8% of retail.

Overall, direct tourism jobs account for 4.7% of all jobs in Huntington Beach.

Tourism Employment Intensity by Industry

Huntington Beach direct jobs as a share of total by industry, %



Source: Tourism Economics

Huntington Beach tourism in context

When taken together as an industry, tourism is the 7th largest employer in Huntington Beach.

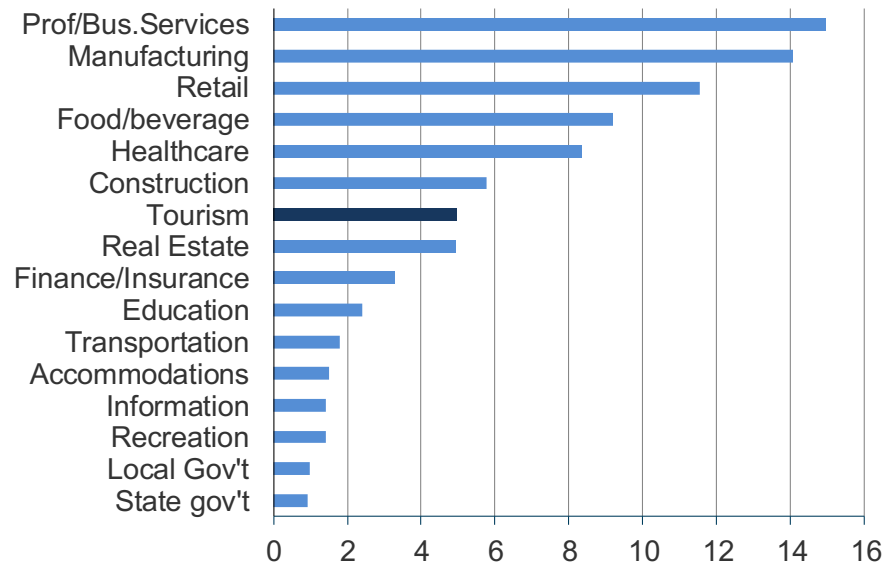
With nearly 5,000 direct jobs, tourism is the 7th largest employer in Huntington Beach.

When taken together as an industry, tourism employs more people than other key industries, such as real estate, education, transportation, and information.

In Orange County, the broader leisure and hospitality industry includes a total of just over 200,000 jobs, and serves both visitors and the local community.

Huntington Beach Jobs by Industry in 2016

(Thousands)



Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, US Census Bureau, Tourism Economics

Tourism tax revenue generation

Just under \$50 million in state and local taxes were generated in 2016.

Total tourism-generated tax revenues amounted to \$113.2 million in 2016.

Of this, \$50.0 million accrued at the state and local level.

State tax revenues included \$18.6 million in sales tax and \$8.8 million in income tax.

Local tax revenues included \$4.3 million in sales tax revenues and \$10.0 million in Transient Occupancy Tax (TOT) revenues, not including any private sector self-assessment TBID funds.

State and local tax revenues helped to offset \$536 in tax burden for each household in Huntington Beach.

Tourism-Generated Revenues Tax Revenues 2016, \$Millions	
	Amount
Federal	
Personal Income	24.8
Corporate	12.9
Indirect business	6.8
Social Security	18.7
Federal total	63.3
State	
Sales	18.6
Personal Income	8.8
Corporate	1.7
Social Security	0.6
Other Taxes and Fees	3.0
State total	32.7
Local	
Sales	4.3
Lodging	10.0
Other Taxes and Fees	2.9
Local total	17.2
TOTAL	113.2

Huntington Beach key findings

Huntington Beach visitor volume and spending expanded 3.7% and 7.5%, respectively in 2016. Visitor spending growth in Huntington Beach has tracked closely with that of the County and has outpaced that of California overall.

Visitors to Huntington Beach spent \$579 million in 2016, which generated a total of \$759 million in total business sales, including indirect and induced impacts.

Tourism in the City generated \$113 million in tax revenues, including \$50 million in state and local revenues.

Including direct, indirect, and induced impacts, 6,078 jobs were sustained by visitors to Huntington Beach in 2016, with total income of \$294 million.

Approximately 5.8% (1 in 17) of all jobs in Huntington Beach were sustained by tourism.

Tourism plays a key role in the local Huntington Beach economy.



8. Data Sources and Methods

Notes

Why quantify the tourism economy?

- By monitoring tourism's economic impact, policy makers can make informed decisions regarding the funding and prioritization of tourism development.
- It can also carefully monitor its successes and future needs.
- In order to do this, tourism must be measured in the same categories as other economic sectors – i.e. tax generation, employment, wages, and gross domestic product.

Why is this a challenge?

- Most economic sectors such as financial services, insurance, or construction are easily defined within a region's economic statistics.
- Tourism is not so easily measured because it is not a single industry. It is a demand-side activity which affects multiple sectors to various degrees.
- Tourism spans nearly a dozen sectors including lodging, recreation, retail, real estate, air passenger transport, food & beverage, car rental, taxi services, travel agents, museums, and theme parks.

Methods and data sources

Estimates of direct visitor expenditures in Orange County and in Huntington Beach were based on several sources including:

- Visitor volume and spending estimates from survey research conducted by CIC Research, a national travel research firm based in San Diego, CA.
- Data covering hotel room demand, supply, revenues, occupancy, and room rates in Orange County and Huntington Beach from STR.
- Industry data on employment, wages and sales from the U.S. Census, the Bureau of Economic Analysis, and the Bureau of Labor Statistics.
- Local bed tax data for all municipalities in Orange County, available from Visit California.
- Air transportation data available from the U.S. Bureau of Transportation Statistics.
- International data from The National Tourism and Travel Office (NTTO).

An IMPLAN input-output model was constructed for Orange County. The model traces the flow of visitor-related expenditures through the local economy and their effects on employment, wages, and taxes. IMPLAN also quantifies the indirect (supplier) and induced (income) impacts of tourism. Tourism Economics then cross-checked these findings with employment and wage data for each sector to ensure the findings are within reasonable ranges. Adjustments were made to city level modeling results in order to capture indirect and induced economic impacts only in the relevant geographic areas.

Gasoline price data for the Los Angeles region were obtained from the Energy Information Administration.

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 30 highly-experientional 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.