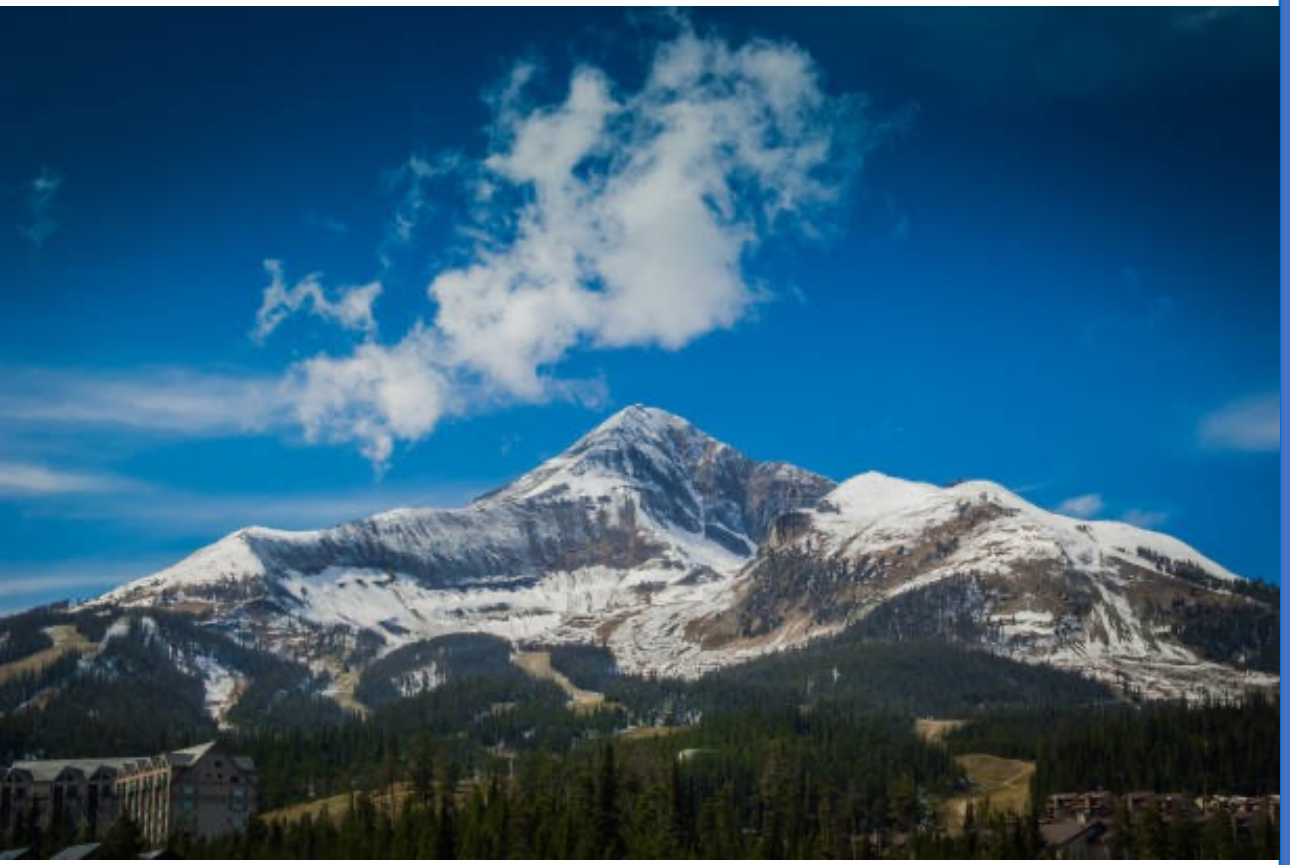
VISIT BIG SKY
MONTANA



RESEARCH UPDATE

JULY 2023 REVIEW

BIG SKY CHAMBER | VISIT BIG SKY

EXECUTIVE SUMMARY

VISIT BIG SKY
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Big Sky Travel & Tourism Trends

- The Bozeman Yellowstone International Airport continues to show strong performance, with total passengers Year-to-Date through July 2023 up by almost 8% YoY.
  - July 2023 saw an increase of 11.7% in Total Revenue Passengers compared to July 2022.
- There were 1,081 total Airbnb and Vrbo short term rental listings available in July, which is a YoY increase of 3.7%. Occupancy grew by 10.9%, Average Daily rate fell by 11.1%, and RevPAR decreased by 1.4% compared to July of last year.
  - Total Revenue collected from these two short term rental channels totaled almost $12.4 million for the month of July, an increase of 2.1% YoY.
- Professionally managed short-term rentals saw a slight decrease in YoY Occupancy in July and Average Daily Rate decreased from $563 to $497, a decrease of almost 12%.
- Nearly all short-term rental Pacing (forward looking) data shows a slight decrease in most key metrics (Occupancy, ADR, RevPAR, and Revenue) for the remainder of the summer into the fall in Big Sky.
- Visa consumer credit card spend in Big Sky continues to grow, with $44.6 million being spent within Big Sky so far this year (Jan-June 2023).
  - Note: Visa Destination Insights has not yet reported July data.

EXECUTIVE SUMMARY

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Macroeconomic Trends

- According to the Bureau of Labor Statistics, total employment picked up slightly in July, with 187,000 jobs added — compared to 185,000 in June. This was enough to leave the unemployment rate hovering near its lowest point in 50 years but also represents a sustainable level of hiring. Hourly earnings continued increasing at a moderately swift pace of 4.4% YOY, helping workers earn back some of the inflation-adjusted losses to wages seen during peak inflation.
- The remaining sticking point for the U.S. economy had been the ongoing inflation in excess of the Federal Reserve target of 2%. With the latest rate hike in July, there has been some speculation that the Fed has approached the top of its interest rate cycle. The recent inflation report adds some weight to this theory, as prices increased 3.2% YOY in July, essentially the same as consensus expectations. Although slightly higher than the June rate, July inflation came off of a difficult prior-year comparison, as prices did not increase at all in July 2022.
- The moderate inflation picture, sustainable hiring level, and expectation of mild economic weakness toward the end of the year point to the Fed pausing or potentially ending its rate-hiking regime. On the other hand, rate cuts that facilitate housing transactions probably will not occur until next year.

Source: BLS and AirDNA

EXECUTIVE SUMMARY

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Smith Travel Research & Tourism Economics Hotel Growth Projections

- STR and Tourism Economics lowered their year-over-year growth projections in the revised 2023-24 U.S. hotel forecast just presented at the 15th Annual Hotel Data Conference.
- For 2023, growth in Revenue Per Available room (RevPAR) was lowered by 0.5 percentage points, due to a 0.6ppt downgrade in occupancy growth. While that RevPAR growth remains above the long-term historical average, most of the increase was frontloaded to the early portion of the year. For 2024, the RevPAR growth projection was also lowered 0.5ppts on a 0.5ppt downgrade in occupancy. Average daily rate (ADR) was upgraded 0.1ppts for 2023 but kept flat for 2024.
- "We brought down our growth projections with the industry in a period of normalization," said Amanda Hite, STR President. "Last quarter, demand underperformed projections in the luxury segment with travelers pulling back on their leisure spending or opting for overseas trips, as well as the midscale and economy portion of the market due to recessionary effects. There have been conflicting signs of economic slowdown and the impact on consumer sentiment, but hoteliers remain optimistic, especially those in the middle-to-higher end of the market. A lot of the normalization we have seen in the data supports that optimism with a steady uptick in business travel and continued improvement in the major markets. ADR growth rates have moderated as the impacts of inflation and record-breaking leisure travel have waned, but our forecasted growth rates are still skewed toward the upper-end hotels with a rate-focused performance strategy."
- "The economy has remained resilient, but the cumulative effects of past interest-rate hikes by the Federal Reserve and banks dialing back on lending will contribute to a mild recession later this year," said Aran Ryan, director of industry studies at Tourism Economics. "The impact of this slowdown on lodging demand will be limited, as group and business travel activity rebuilds, international visitors return, and leisure travelers continue to find room in household budgets to prioritize travel."

Source: Smith Travel Research (STR)

EXECUTIVE SUMMARY

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Takeaways from CBRE's National Hotel Outlook

- "Revenue per available room (RevPAR) growth slowed in the second quarter to 1.1%, down from 15.9% in Q1 2023 as demand declined 1.2% year-over-year (Y-o-Y). This marks the first decline since the post-pandemic recovery began in Q2 2021. The lower-than-expected demand and in-line ADR growth of 2.6% resulted in muted RevPAR growth for the quarter."
- "An analysis of travel trends suggests that record levels of U.S. consumers are traveling abroad this summer, particularly to Europe and the Caribbean. Inbound international travelers to the U.S. are still 27% below their pre-pandemic levels, causing a temporary imbalance in demand. As long-haul flights from APAC are added back and visa delays ease the uptick in inbound international travel to the U.S. should support additional demand growth."
- "CBRE Econometric Advisors expects inflation to continue to moderate while average GDP growth is projected to be 1.6% in 2023. CBRE has revised its 2023 RevPAR forecast to $96.64, up 4.6% Y-o-Y and a decrease of $1.25 from its previous forecast. The negative revision is predicated on a 70-basis-point (bps) decrease in expected occupancy compared with the previous forecast issued in May 2023. Average daily rate (ADR) is now expected to increase by 3.6% in 2023, down 10 bps from our previous growth forecast of 3.7% Y-o-Y."
- "CBRE Hotels Research expects RevPAR growth in the back half of the year to continue to slow, revising down our Q3 2023 estimates from 90 days ago because of the slower-than-expected return of inbound international travelers and near-term shifts in consumer preferences. Our Q3 2023 and Q4 2023 forecasts call for 1.9% and 2.0% RevPAR growth, respectively."

Source: CBRE

EXECUTIVE SUMMARY

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National Short-Term Rental Review

Summary

- "July 2023 broke the record for the most Short-Term Rental stays in one month, with 35.4 million nights stayed, beating the previous high recorded in July 2022 by 9.4%. The results were especially impressive amid a searing heatwave, increasing interest in off-season booking, and inflation-weary consumers looking for budget options. July historically marks both the highest Demand and Supply month of the year."
- "Supply (which is measured in monthly available listings) has been slowing as well, at 12.1% YOY in July. This was slower than June's growth of available listings of 13.7% and a far cry from July 2022, when supply in terms of available nights grew at a pace of 24.4% YOY."
- "Looking forward, August appears to be seeing a somewhat slower pace than current demand trends would indicate. Lead times have shortened since last year, so while August pacing is currently only 4% ahead of this time last year, last-minute bookings should push the final realized demand for August higher."
- "A larger unknown is the extended high season. Hot temperatures and budget-conscious travelers have heightened interest in bookings past August, and bookings already made for the months of September through November are more than 10% ahead of where they were at the same point in 2022. What remains to be seen is if shorter lead times will translate into higher demand than pacing suggests for these months, or if off-season travelers book further in advance than their peak-season counterparts."

Key Metrics

- Occupancy was 1.3% lower YOY at 69.5% (+8.6% vs. 2019)
- Average Daily Rate (ADR) declined 1.0% YOY to $338.50
- RevPAR declined 2.3% YOY to $235.50
- Available listings reached 1.51 million, up 12.1% YOY
- Total Demand (nights) rose 9.4% YOY

Source: AirDNA

EXECUTIVE SUMMARY

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National Consumer Sentiment

Concerns

- Americans continue to report a decline in travel budgets. In January, the typical American traveler expected to spend $4,677 on leisure travel over the next 12 months. Since then, travel budgets have declined to $3,505—the lowest average budgets have reached since October 2021.
- 46% of American travelers report that high travel prices deterred them from traveling in the past four weeks—this is the second time this year this sentiment has reached this (high) level. Similarly, the percentage of American travelers citing personal financial reasons as a recent deterrent to travel reached 38% for the second time this year. 41% believe travel prices are too expensive right now.
- Leisure day trips have risen at a higher rate than overnight leisure trips. A year ago, the percentage of Americans reporting taking leisure day trips and overnight leisure trips was almost equal. Now 45% of American travelers report they took an overnight leisure trip in the last month, compared to 54% who reported taking day trips.
- The average trip planning window has also declined. In January 2023, American travelers predicted they would take 11.5 weeks to plan a week-long domestic trip. Since then, that planning window has continued to get shorter, with American travelers now reporting they would begin planning such a trip just 9.8 weeks out.

On the upside

- Fears of a recession continue to decline, reaching a 16-month low in July.
- American travelers are feeling better off financially now relative to how they felt a year ago. This month 31% say they are doing better now financially than they were a year ago, up from just 26% last July.
- One-third of American travelers believe it is likely that the US stock market will enter a bull market in the coming months.
- Although down slightly, excitement for travel remains at record levels (8.1 on a scale from 0-11). Just over 83% of American travelers have existing trip plans for the next 12 months.

Source: Destination Analysts

AIRPORT DATA

BOZEMAN YELLOWSTONE INTERNATIONAL AIRPORT - TOTAL PASSENGERS YEAR-TO-DATE

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Total Revenue Passengers					
Month	**2023**	**2022**	**% Change vs. 2022**	**2021**	**% Change vs. 2021**
January	182,309	167,043	+9.1%	86,606	+110.5%
February	188,040	171,096	+9.9%	99,083	+89.8%
March	212,084	206,216	+2.8%	133,705	+58.6%
April	144,862	140,031	+3.4%	98,434	+47.2%
May	173,251	165,145	+4.9%	131,968	+31.3%
June	248,492	225,410	+10.2%	223,827	+11.0%
July	286,163	256,234	+11.7%	277,355	+3.2%
August		254,445		254,975	
September		203,844		195,262	
October		167,851		156,192	
November		132,939		117,516	
December		174,170		165,268	
Year-to-Date	**1,435,201**	**1,331,175**	**+7.8%**	**1,050,978**	**+36.6%**
Total		**2,264,424**		**1,940,191**	

Source: Bozeman Yellowstone International Airport

AIRDNA DATA

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AIRDNA SHORT TERM RENTAL (INCLUDES AIRBNB & VRBO LISTINGS) DEFINITIONS

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Definitions (provided by AirDNA)

- **Available Listings** – Total number of listings whose calendars had at least one day classified as available or reserved during the reporting period.
- **Average Daily Rate** – Average daily rate (ADR) of booked nights in USD (ADR = Total Revenue / Booked Nights).
- **Booked Listings** – Total number of listings that had at least one reservation during the reporting period.
- **Demand (Nights)** – Total number of Booked Nights during the reporting period.
- **Entire Place** – Type of listing in which guests have the whole home to themselves. This usually includes a bedroom, a bathroom, and a kitchen.
- **Hotel Comparable Listings** – Studio and one-bedroom Entire Home vacation rentals. AirDNA believes these are the type of listings most likely to compete directly with hotels.
- **LTM** – Last Twelve Months
- **Occupancy Rate** – Occupancy Rate = Total Booked Days / (Total Booked Days + Total Available Days). Calculation only includes vacation rentals with at least one Booked Night.
- **Private Room** – Type of listing in which guests have their own private room for sleeping. Other areas could be shared.
- **Revenue (USD)** – Total revenue (in US dollars) earned during the reporting period. Includes the advertised price from the time of booking, as well as cleaning fees.
- **RevPAR** – Revenue Per Available Rental = ADR * Occupancy Rate
- **Shared Room** – Type of listing in which guests sleep in a bedroom or a common area that could be shared with others.
- **Supply (Nights)** – Total number of Available Nights and Booked Nights from Active Listings.

Source: AirDNA (Includes Airbnb and Vrbo data)

AIRDNA SHORT TERM RENTAL DATA (Airbnb & Vrbo)

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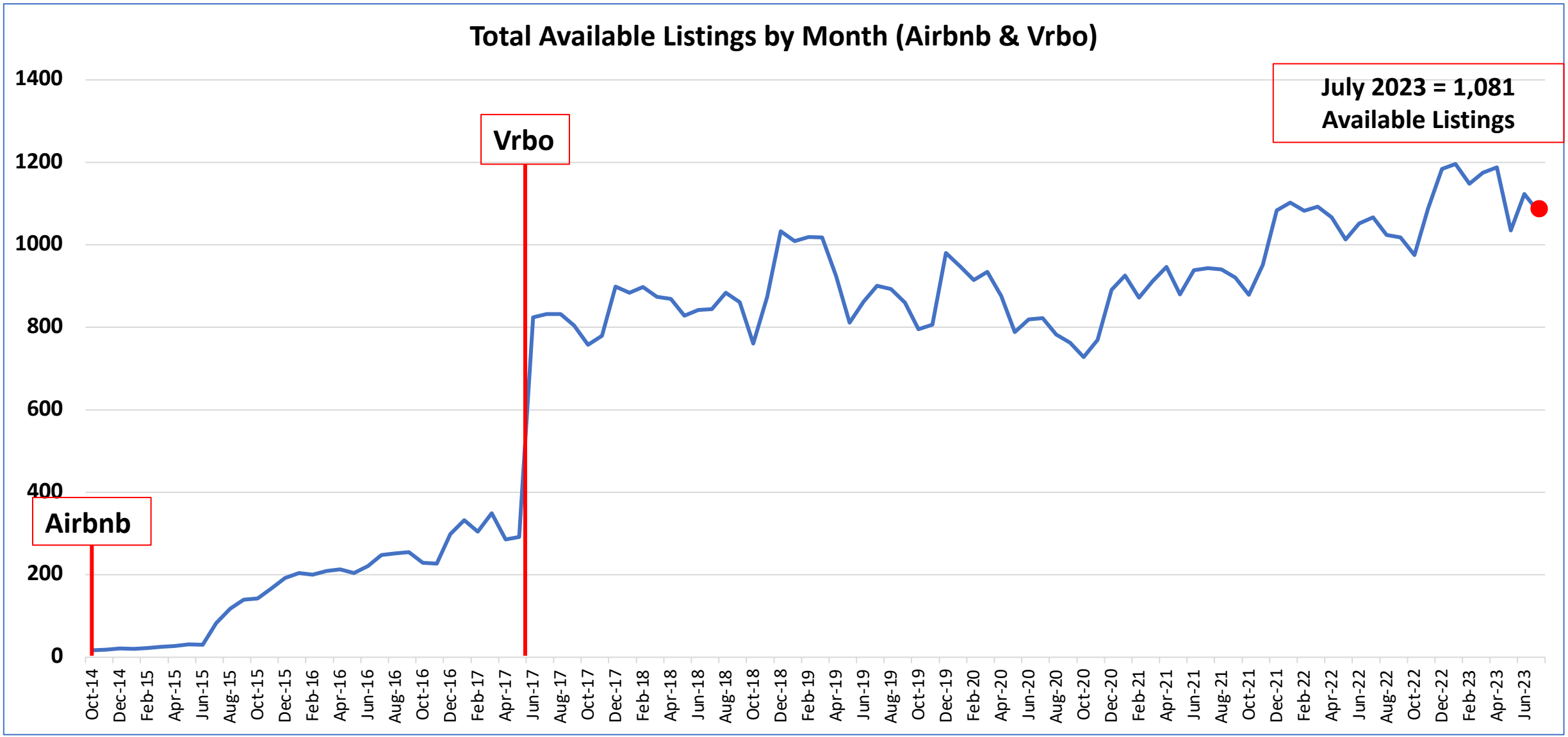

Source: AirDNA (Includes Airbnb and Vrbo data)

AIRDNA – OCCUPANCY (%) BY MONTH

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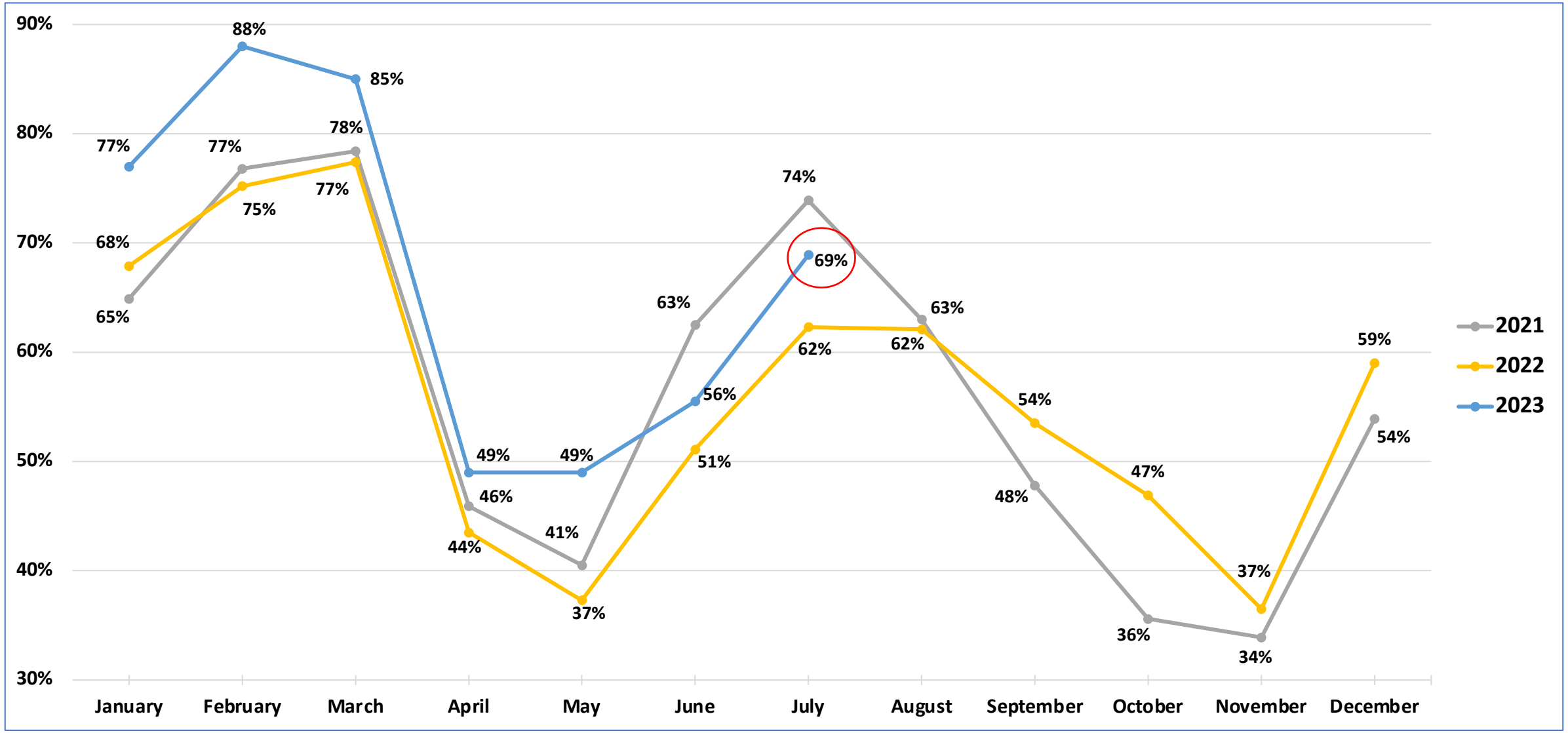

Source: AirDNA (Includes Airbnb and Vrbo data)

AIRDNA – AVERAGE DAILY RATE ($) BY MONTH

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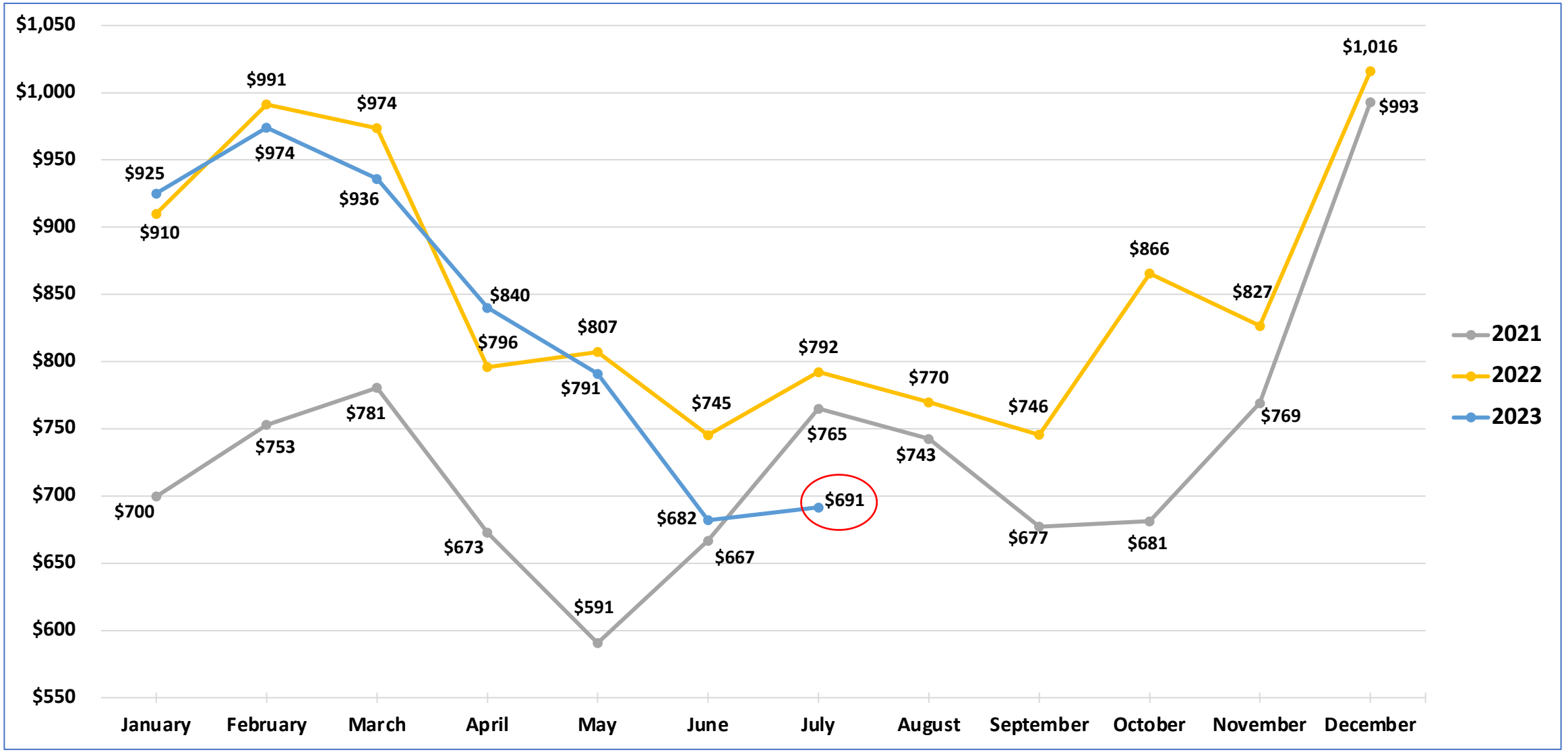

Source: AirDNA (Includes Airbnb and Vrbo data)

KEY DATA
DATA

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KEY DATA DIRECT SOURCE LODGING PARTNERS

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- Key Data currently partners with 11 Big Sky property management companies and hotels.
  - In total, this represents ~1210 rental units in the Big Sky area.
  - All figures in the following slides are taken exclusively from the following 11 property management companies and hotels:
    - Big Sky Vacation Rentals, Gather Vacations, Big Sky Resort, Wilson Peak Properties, Two Pines, Moonlight Basin, Natural Retreats, VillaStay Vacation Rentals, EVOLVE, Stay Montana, and The Wilson Hotel
- We hope to add additional property management companies to the platform in the future, which will improve data quality and increase the total rental unit count.

KEY DATA DIRECT SOURCE DEFINITIONS

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- **Average Daily Rate (ADR)** - The average Unit Revenue paid by guests for all the Nights Sold in a given period. ADR, along with the property's Occupancy, are the foundations for the property's financial performance.
  - = Total Unit Revenue / Nights Sold
- **Adjusted Paid & Owner Occupancy** - The percentage of nights occupied by guests and owners out of the Total Nights minus hold nights in the period.
  - = (Nights Sold + Owner Nights) / (Total Nights - Hold Nights)
- **Adjusted Revenue Per Available Room (RevPAR)** - A critical KPI for measuring revenue performance, RevPAR takes into account both the average rate at which you booked the property (ADR) and the number of nights it was booked (Occupancy). This provides a better indicator of overall performance when compared to looking at the ADR or the Occupancy alone.
  - = Occupancy x ADR (or) Total Unit Revenue / Nights Available in a given period
- **Average Revenue (Nightly)** - The amount charged to guests, excluding taxes. The total property revenue generated directly from the property rental, including any mandatory, non-discretionary or other charges automatically added to a guest account in which a guest has no ability to “opt-out.”

KEY DATA – OCCUPANCY (%) BY MONTH

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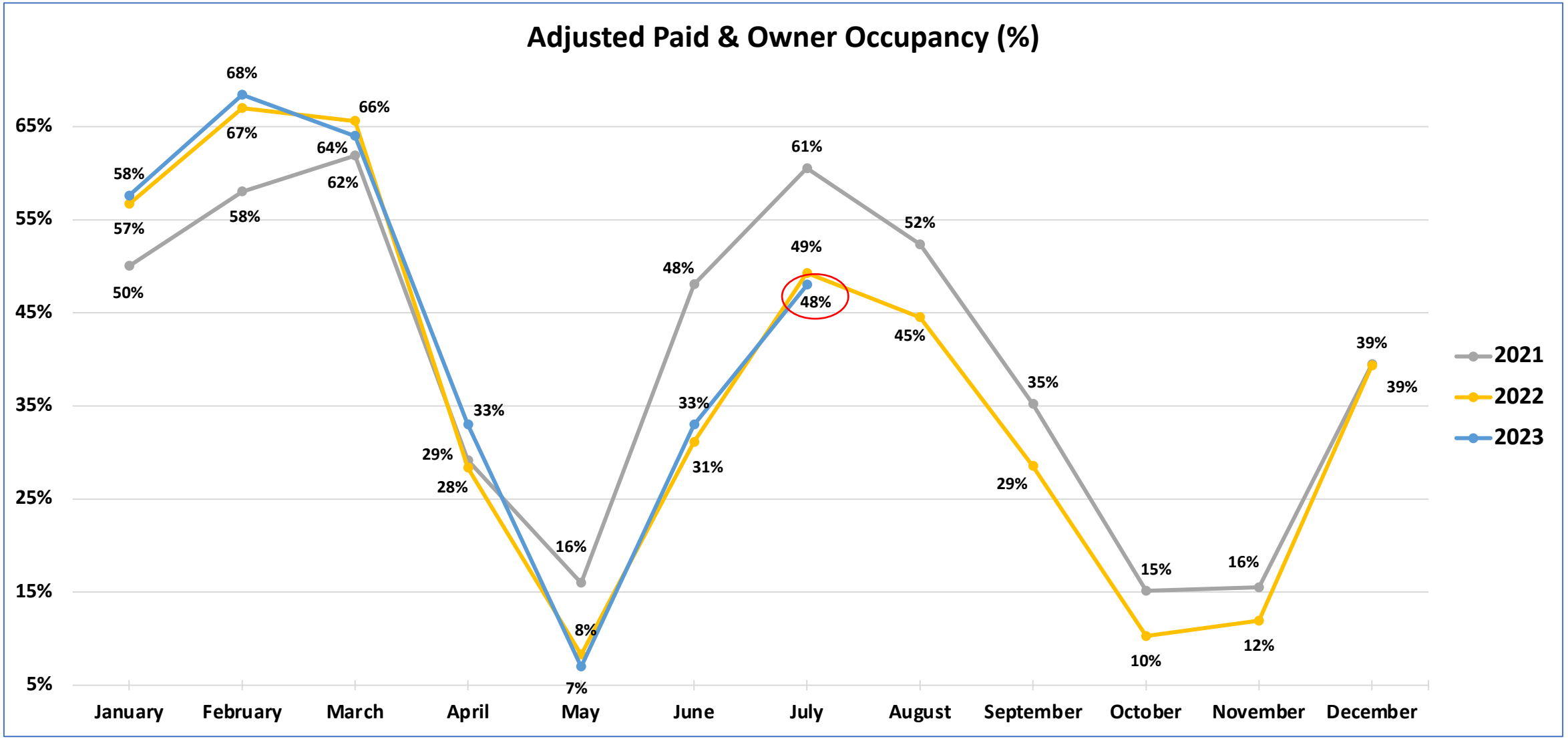

Source: AirDNA (Includes Airbnb and Vrbo data)

KEY DATA – AVERAGE DAILY RATE ($) BY MONTH

VISIT BIG SKY
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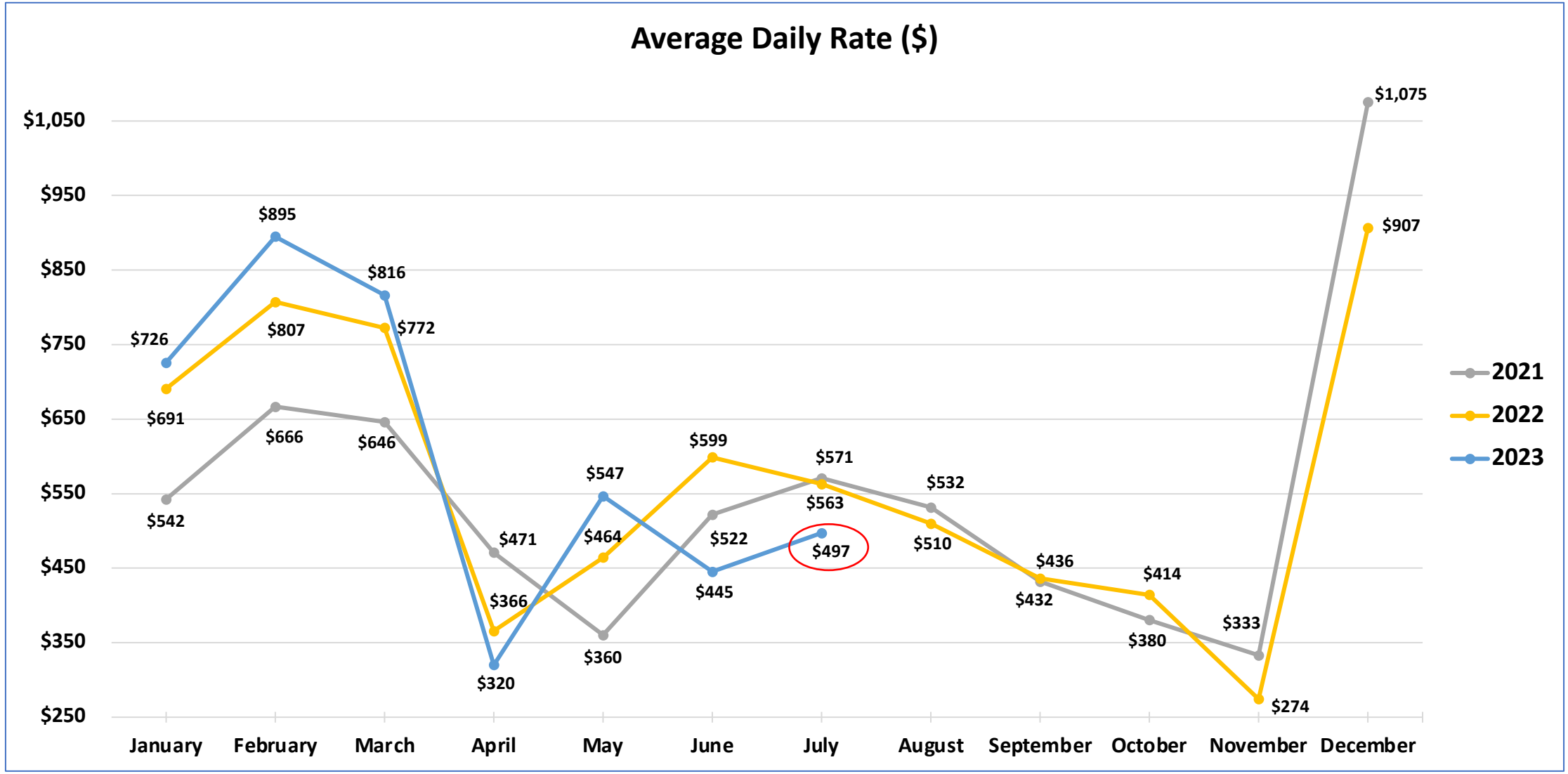

Source: AirDNA (Includes Airbnb and Vrbo data)

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VISA DESTINATION INSIGHTS

**Note – Visa data has been updated through June 2023*

VISA VUE – TOTAL VISA CARD SPEND DATA
(Spend by Month)

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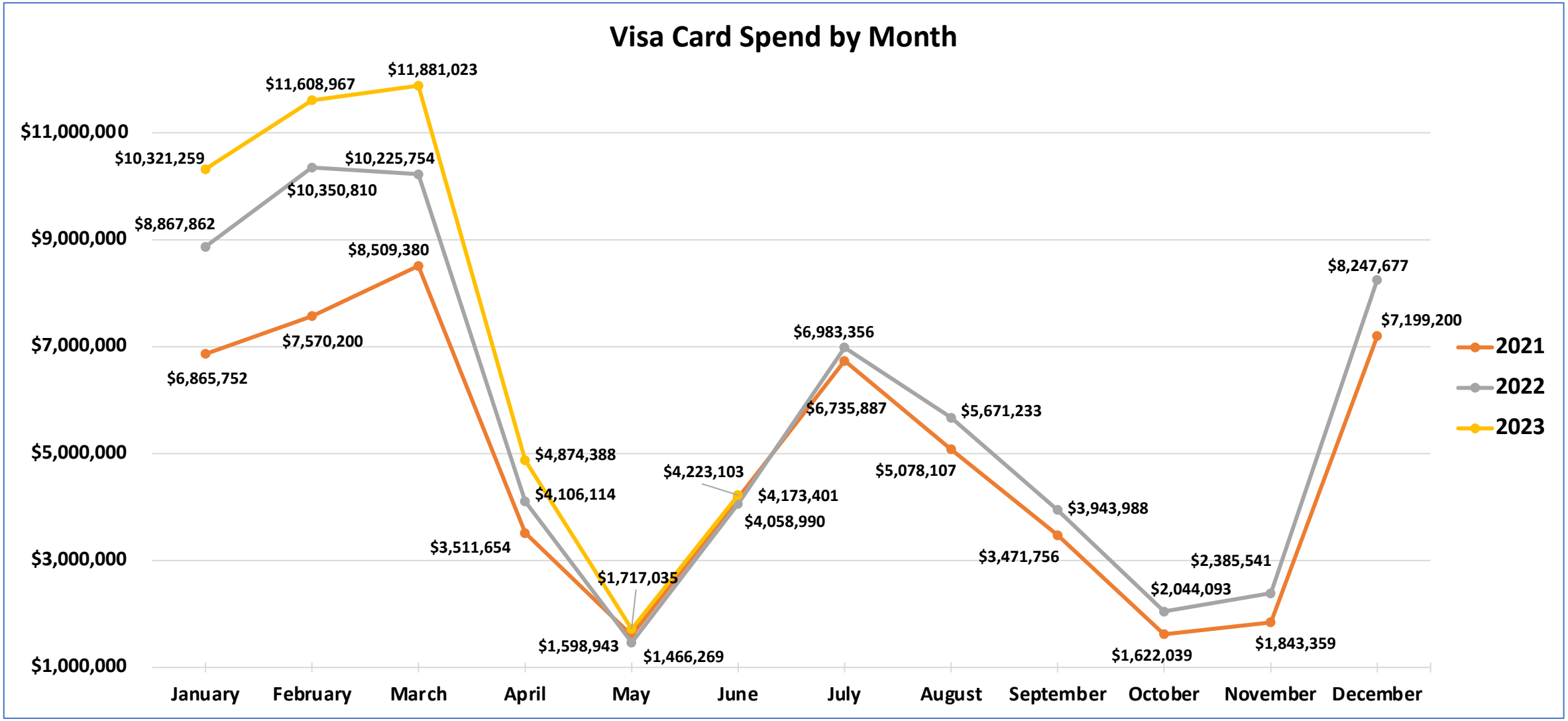

Source: Visa Destination Insights

VISA VUE – TOTAL VISA CARD SPEND DATA
(Cumulative Spend by Month)

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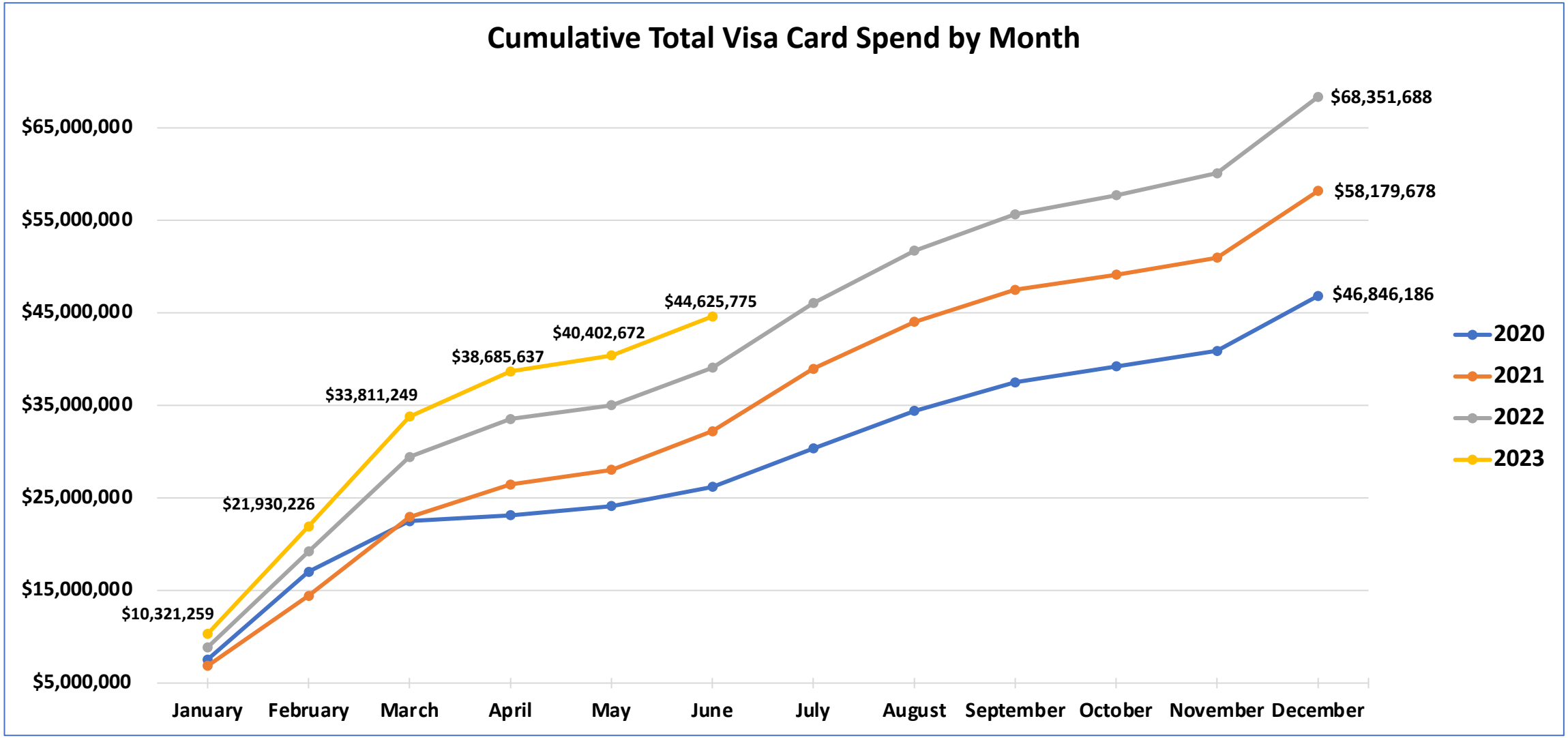

Source: Visa Destination Insights

VISA VUE – 2023 YEAR-TO-DATE VISA CARD SPEND DATA (Spend by Market January – June 2023)

VISIT BIG SKY MONTANA

Rank	Market	Total Spend	YoY Change %	Card Count	YoY Change %
1	Bozeman, MT	$12,878,138	+32%	35,201	+23%
2	New York-Newark-Jersey City, NY-NJ-PA	$2,212,981	+12%	6,317	+8%
3	Los Angeles-Long Beach-Anaheim, CA	$1,455,668	+20%	4,416	+3%
4	Chicago-Naperville-Elgin, IL-IN-WI	$1,389,066	+17%	3,785	+11%
5	Seattle-Tacoma-Bellevue, WA	$1,102,496	+9%	4,193	+5%
6	Boston-Cambridge-Newton, MA-NH	$1,029,909	+23%	3,184	+12%
7	Denver-Aurora-Lakewood, CO	$867,681	+20%	4,357	+11%
8	San Francisco-Oakland-Berkeley, CA	$863,810	+8%	3,003	+4%
9	Minneapolis-St. Paul-Bloomington, MN-WI	$802,259	-6%	3,118	-9%
10	Washington-Arlington-Alexandria, DC-VA-MD	$734,305	+23%	1,945	-1%

Source: Visa Destination Insights

VISA VUE – 2022 & 2023 YTD VISA CARD SPEND
VISITORS VS. RESIDENTS (AS A PERCENT OF TOTAL SPEND)

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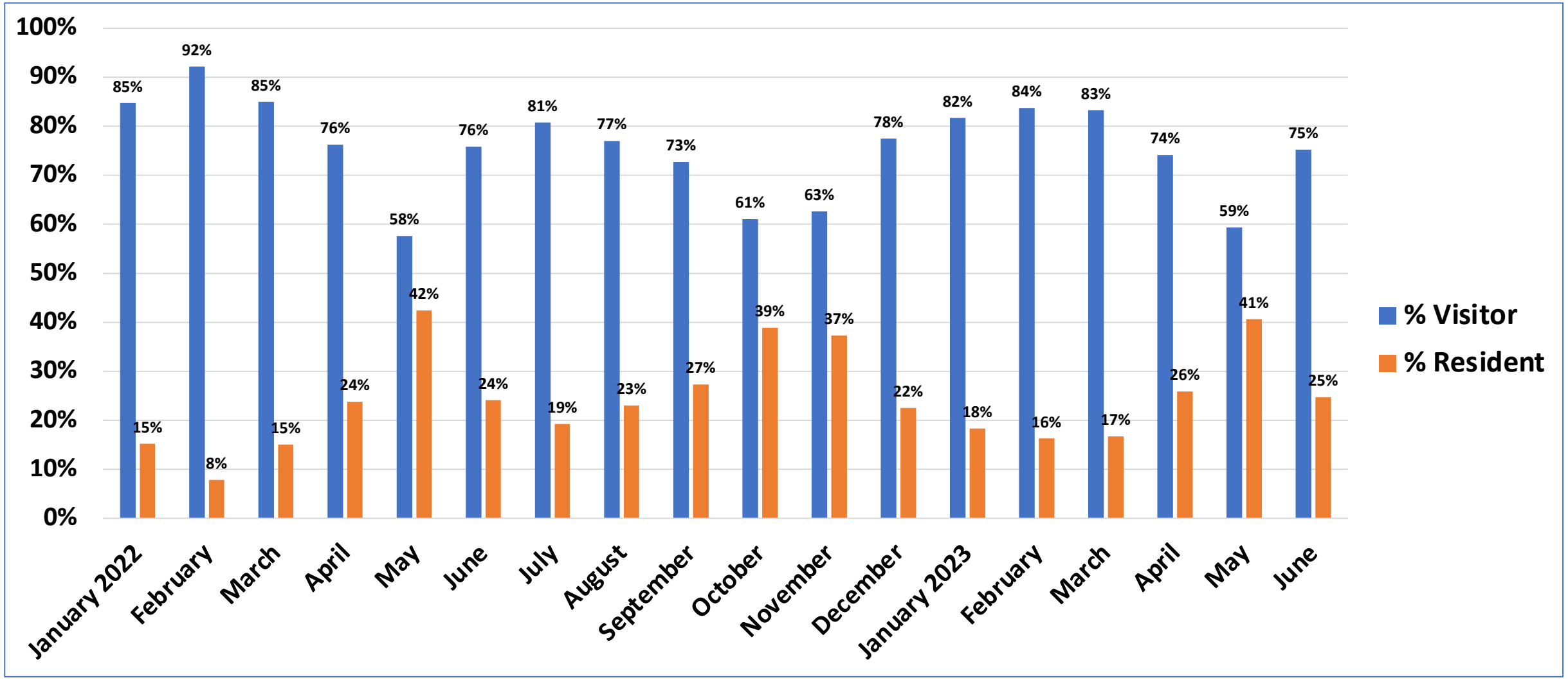

Source: Visa Destination Insights

VISA CARD SPEND ANALYSIS BY YEAR: TOTAL ANNUAL SPEND - VISITORS VS. RESIDENTS

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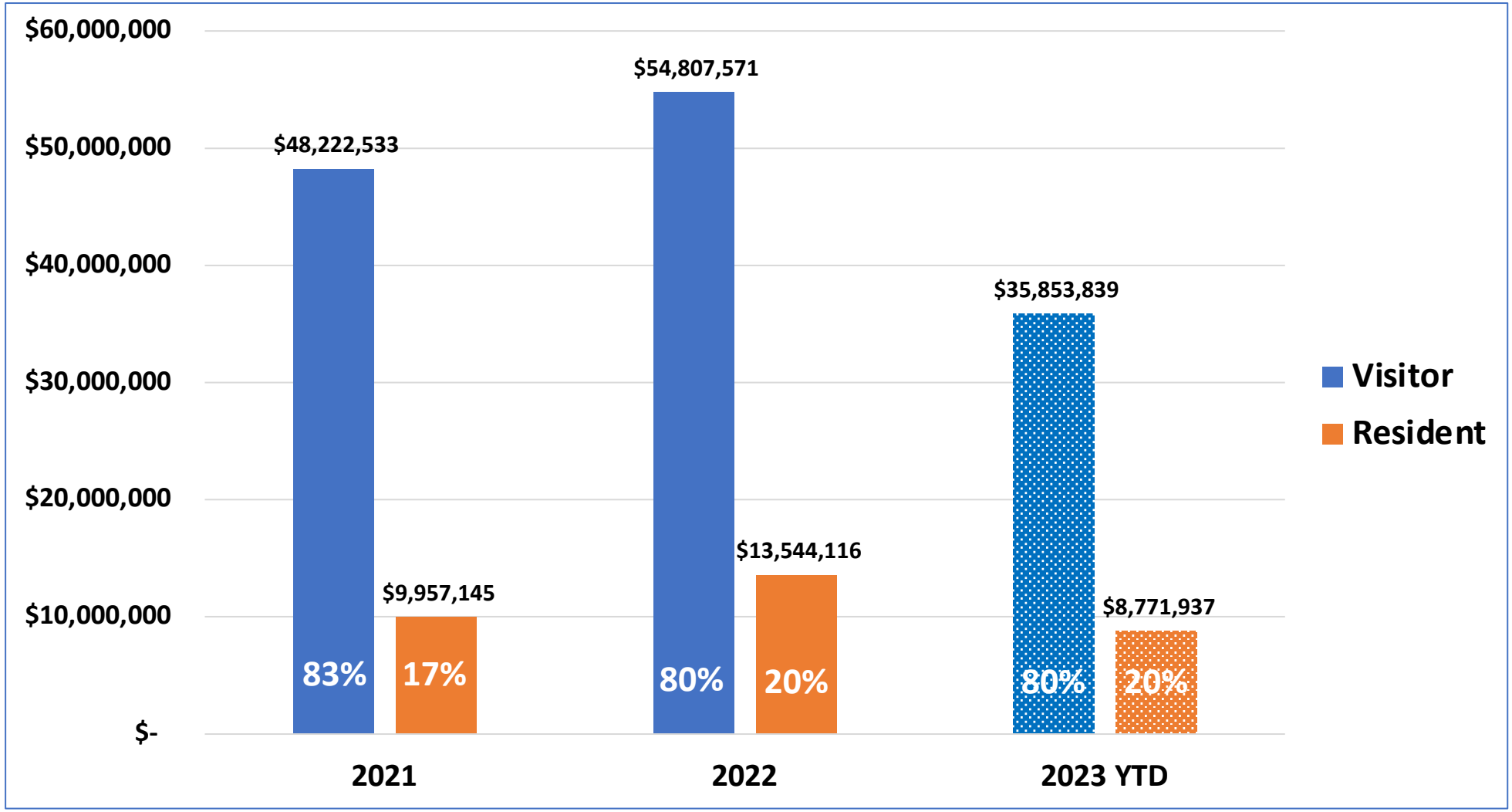

(January – June)

Source: Visa Destination Insights

CONSUMER SENTIMENT DATA

LONGWOODS INTERNATIONAL & DESTINATIONS INTERNATIONAL

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TRAVEL SENTIMENT STUDY WAVE 76

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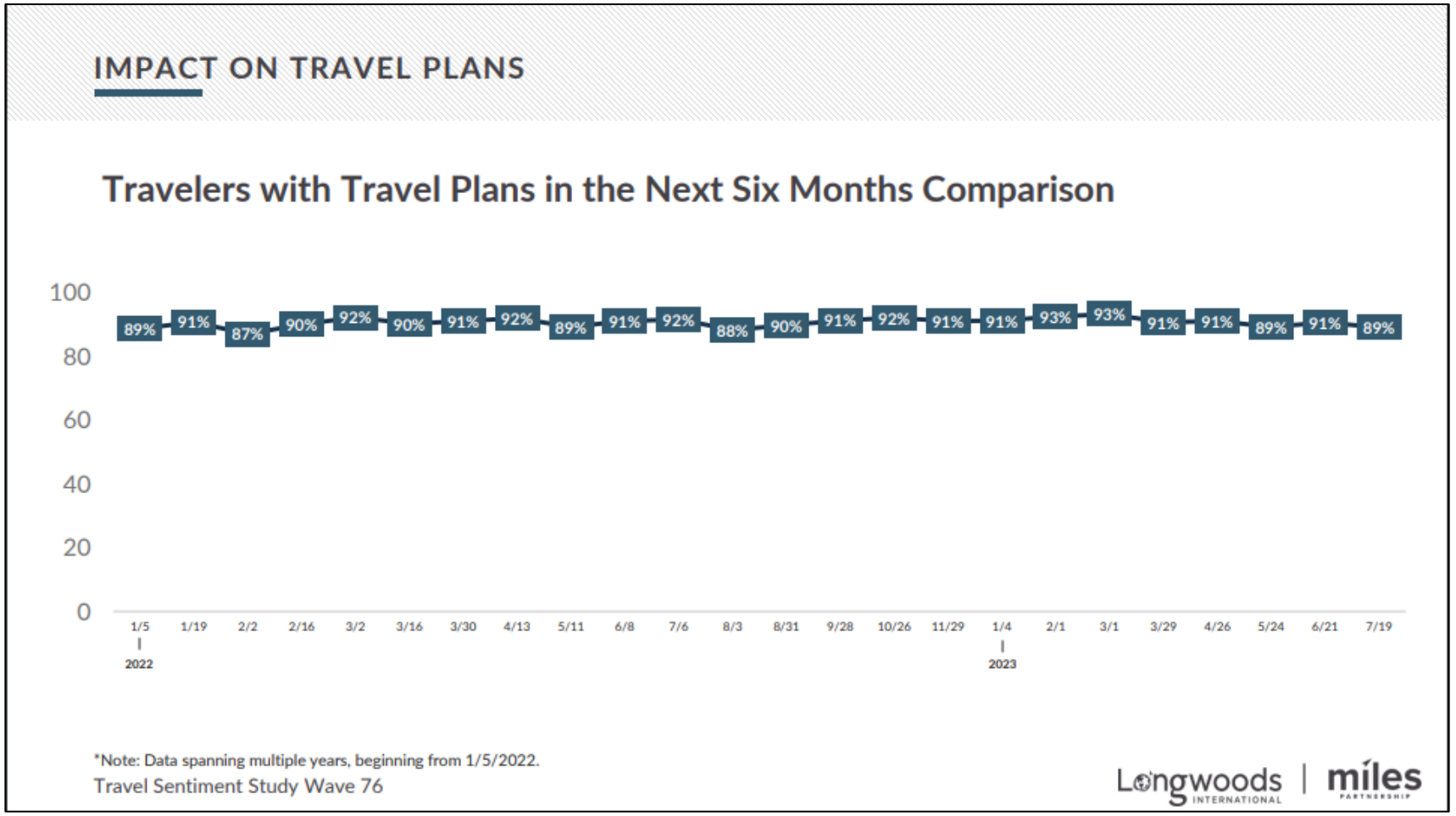
*Survey fielded July 19, 2023; US National Sample of 1,000 adults 18+



Source: Longwoods International

TRAVEL SENTIMENT STUDY WAVE 76

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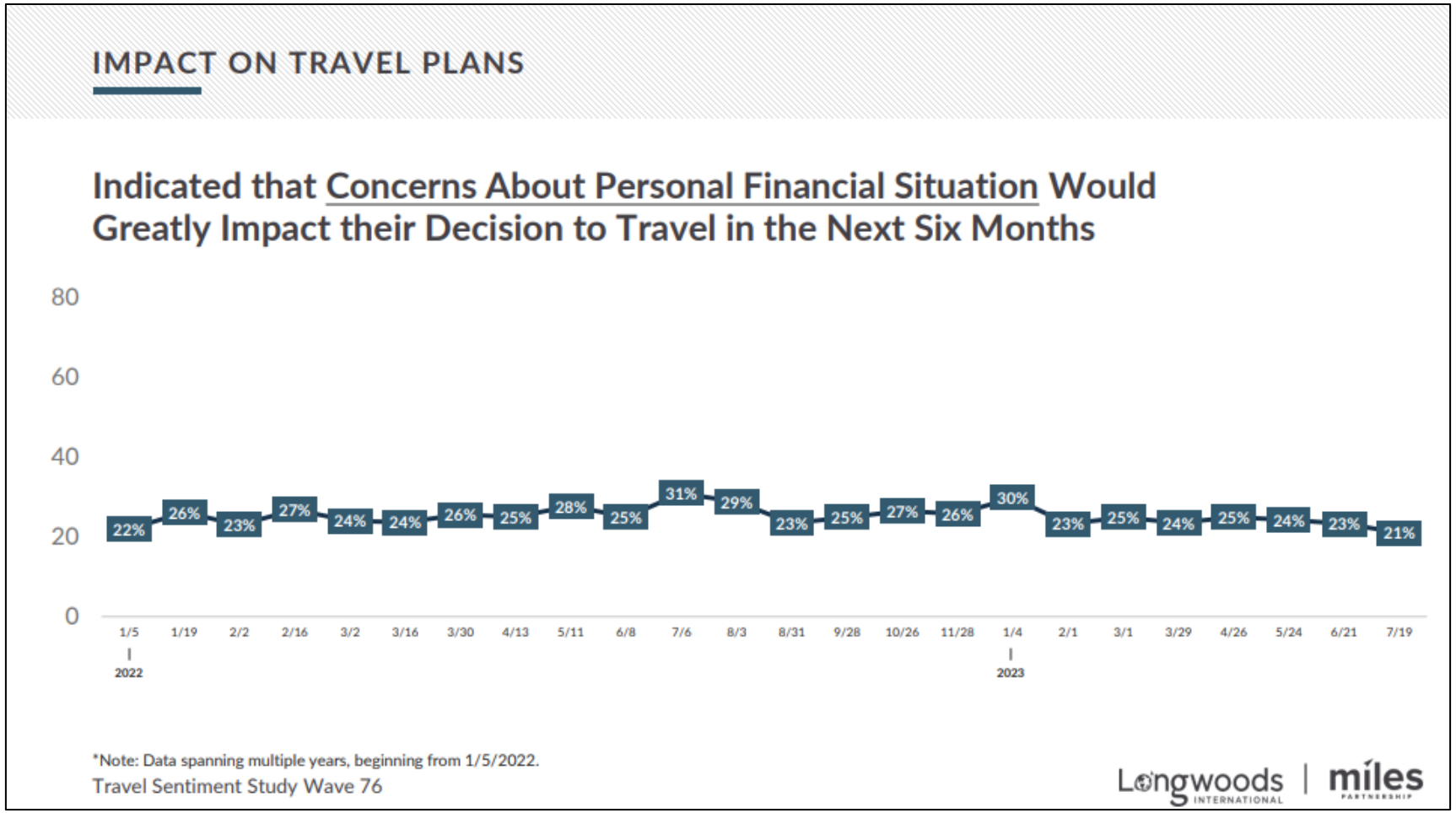
*Survey fielded July 19, 2023; US National Sample of 1,000 adults 18+



Source: Longwoods International

STATE OF THE AMERICAN TRAVELER

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*Survey fielded July 17-21, 2023; Representative sample of adult American travelers; N = 4,000+

Question: Would you say that you (and your household) are better off or worse off financially than you were a year ago?

Travelers are feeling better off financially than they were one year ago.

Source: Destination Analysts

STATE OF THE AMERICAN TRAVELER

VISIT BIG SKY
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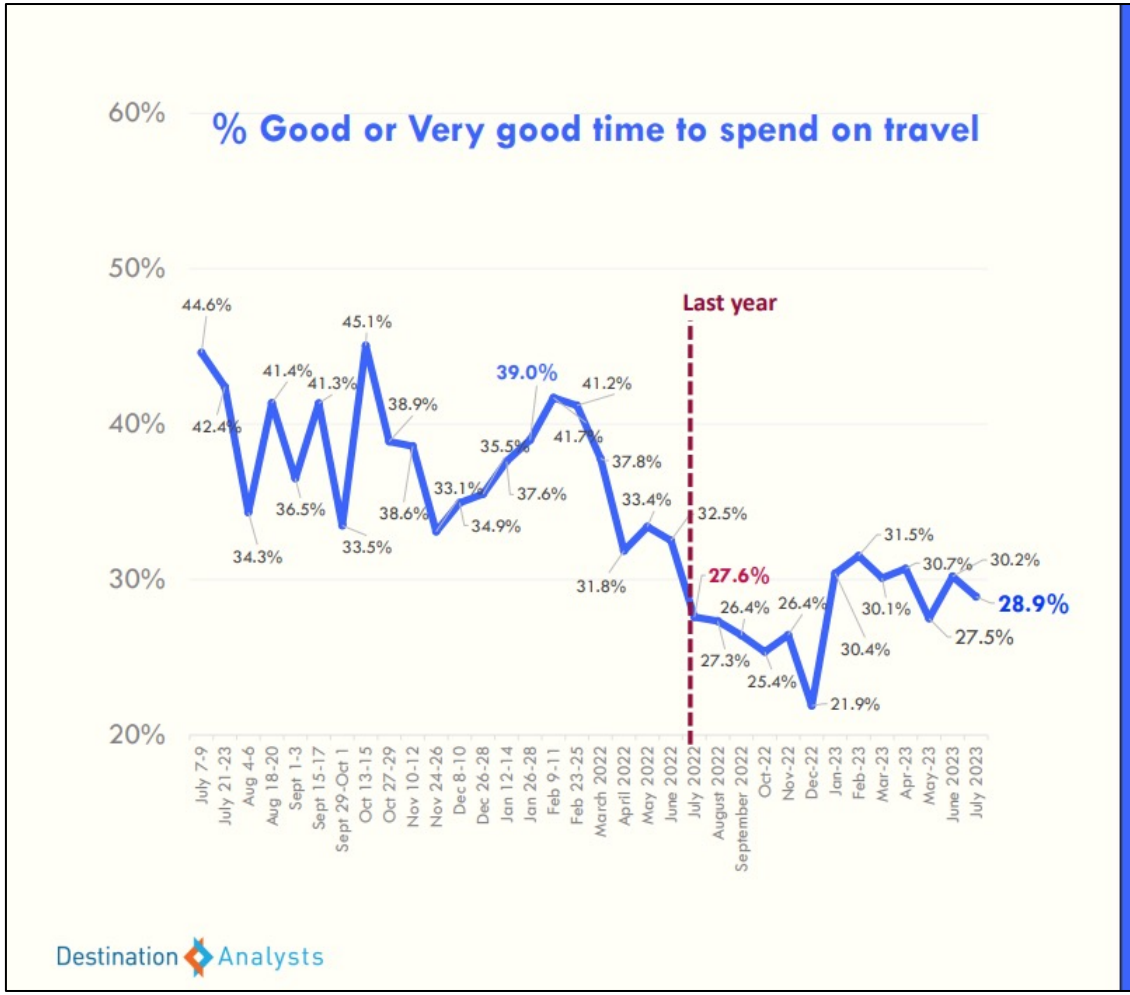
*Survey fielded July 17-21, 2023; Representative sample of adult American travelers; N = 4,000+



The proportion of Americans who feel it is a "good time" to spend on leisure is only marginally above last year in July.

Source: Destination Analysts

STATE OF THE AMERICAN TRAVELER

VISIT BIG SKY
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*Survey fielded July 17-21, 2023; Representative sample of adult American travelers; N = 4,000+

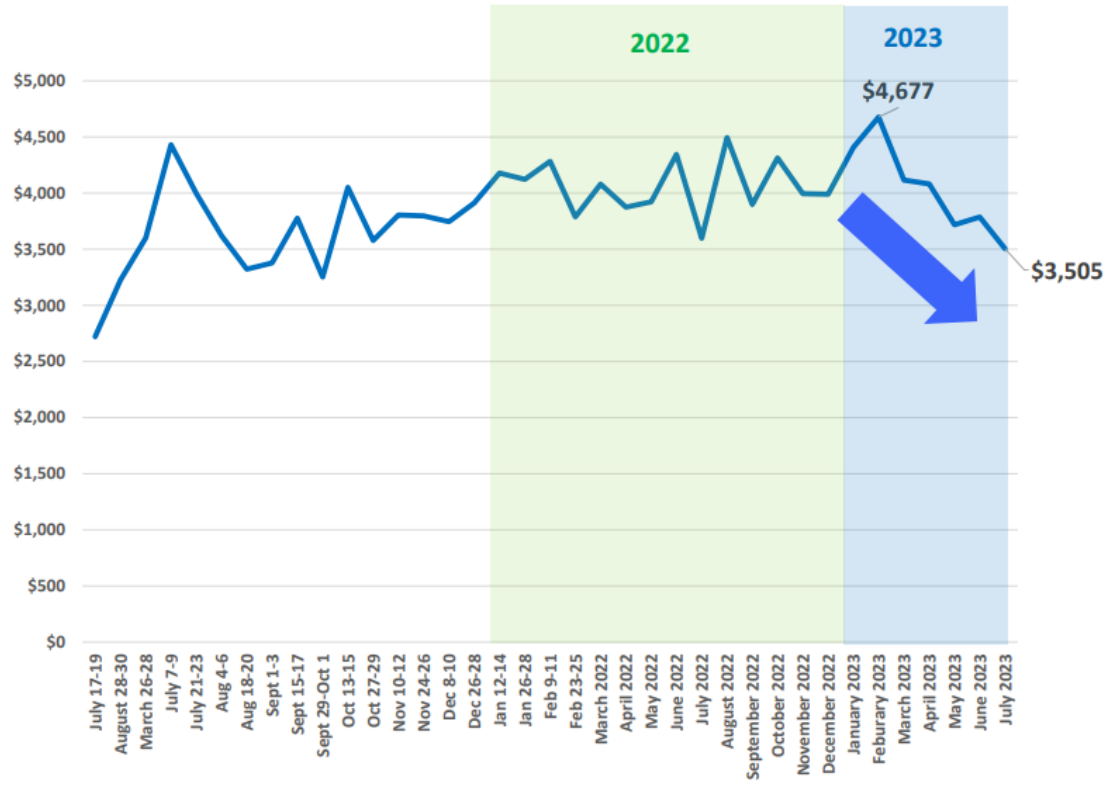
MAXIMUM TRAVEL SPENDING: NEXT 12 MONTHS—TIME SERIES

Question: How much IN TOTAL is the maximum you will spend on leisure travel (including airfare, accommodations and all other trip related spending) during the NEXT 12 MONTHS?

Maximum I would spend on leisure travel (next 12 months):

_____

(Base: All respondents, 1,200+ completed surveys each wave in 2021. 4,000+ completed surveys each wave in 2022 and 2023)



Destination Analysts

Source: Destination Analysts

STATE OF THE AMERICAN TRAVELER

VISIT BIG SKY
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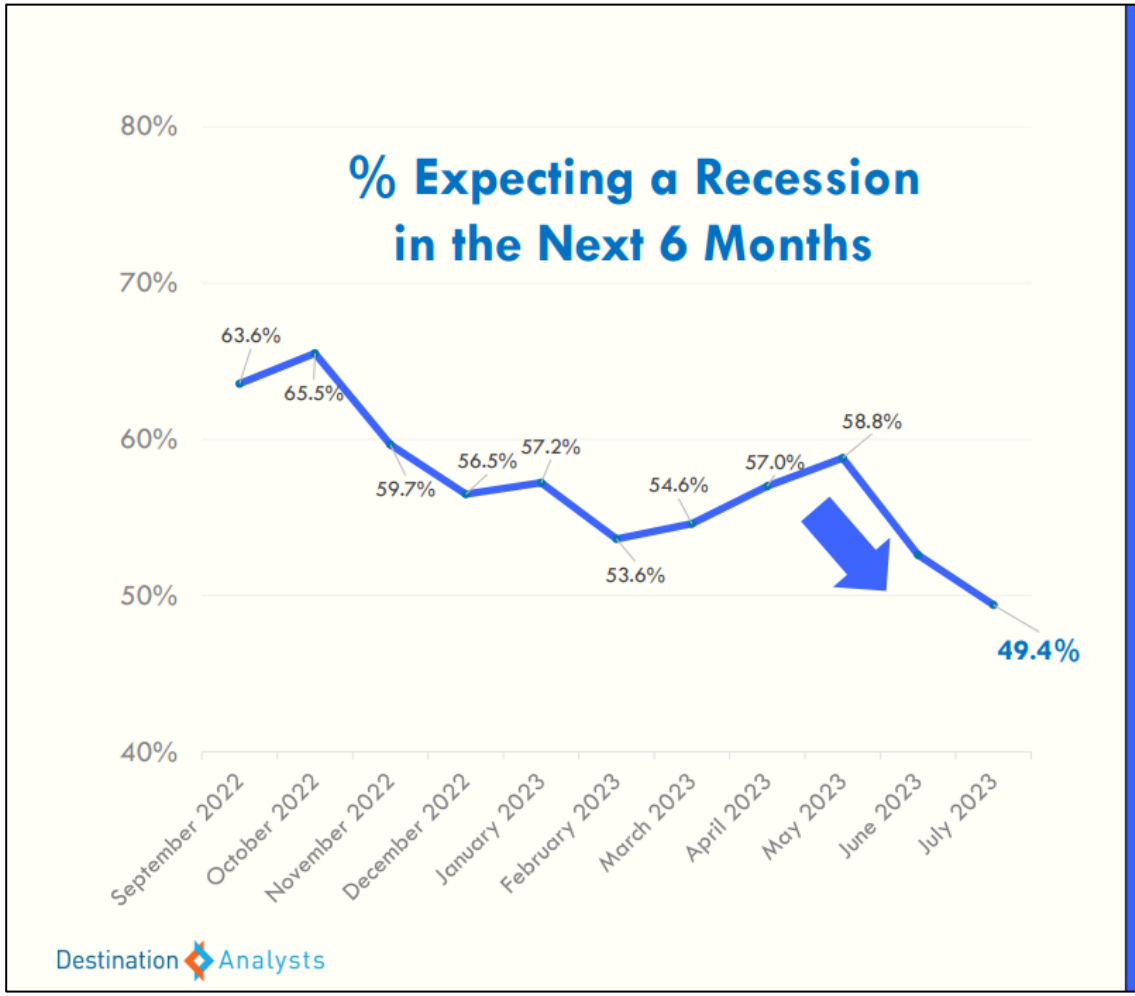
*Survey fielded July 17-21, 2023; Representative sample of adult American travelers; N = 4,000+



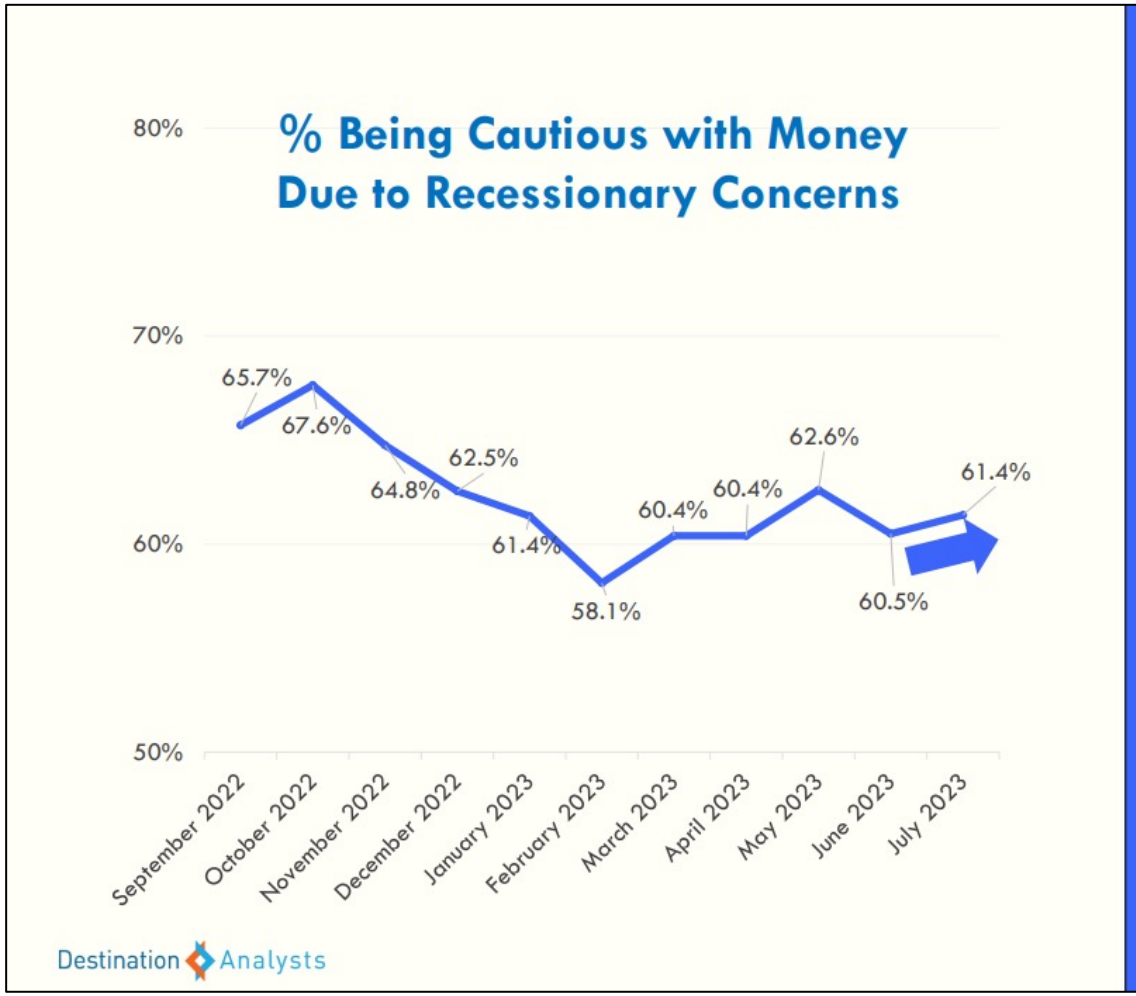
Recessionary concerns continue to diminish.

Source: Destination Analysts

STATE OF THE AMERICAN TRAVELER

VISIT BIG SKY
MONTANA

*Survey fielded July 17-21, 2023; Representative sample of adult American travelers; N = 4,000+



The proportion of travelers exercising spending caution due recessionary concerns increased slightly month.

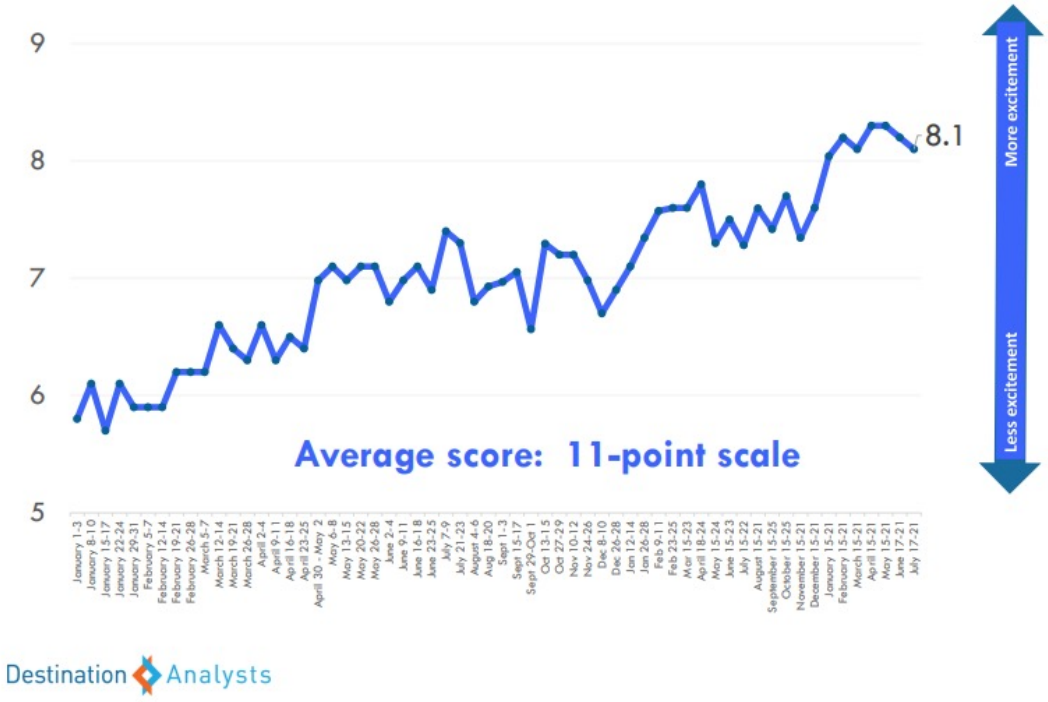
Source: Destination Analysts

STATE OF THE AMERICAN TRAVELER

VISIT BIG SKY
MONTANA

*Survey fielded July 17-21, 2023; Representative sample of adult American travelers; N = 4,000+

Question: Which best describes how excited you are about <u>LEISURE TRAVEL</u> in the NEXT TWELVE (12) MONTHS? (Please answer using the 11-point scale below)



Despite being down slightly from last month, travel enthusiasm remains at record levels

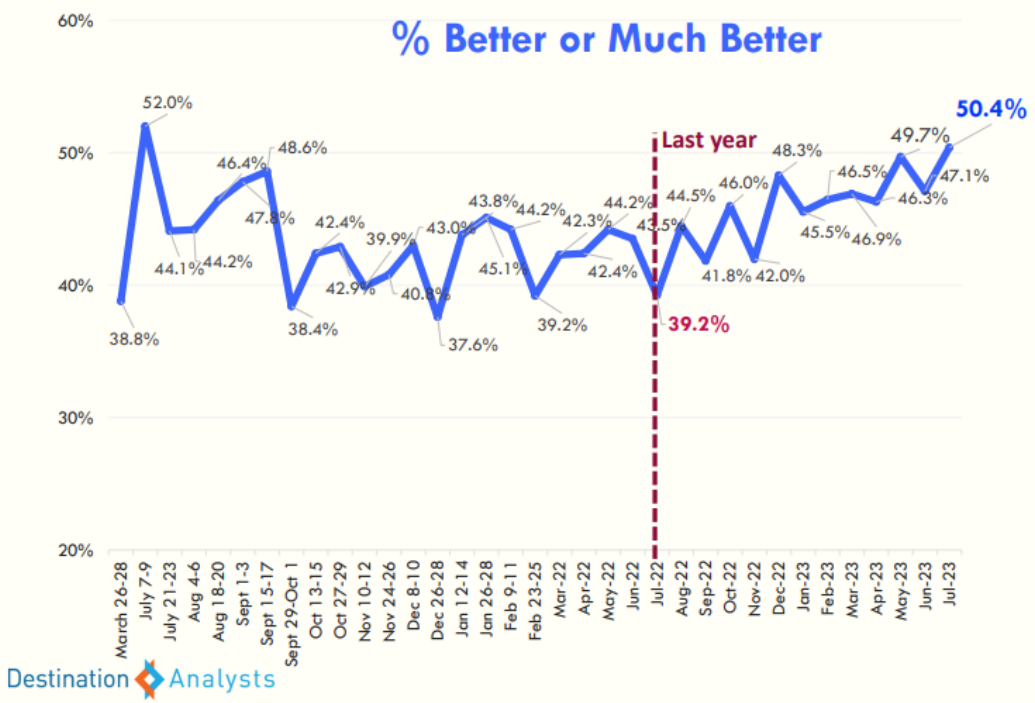
Source: Destination Analysts

STATE OF THE AMERICAN TRAVELER

VISIT BIG SKY
MONTANA

*Survey fielded July 17-21, 2023; Representative sample of adult American travelers; N = 4,000+

Question: LOOKING FORWARD—do you feel that a year from now, you (and your household) will be better off financially, or worse off, or just about the same as now?



Traveler expectations for their financial prospects in the next year continue to improve.

Source: Destination Analysts

STATE OF THE AMERICAN TRAVELER

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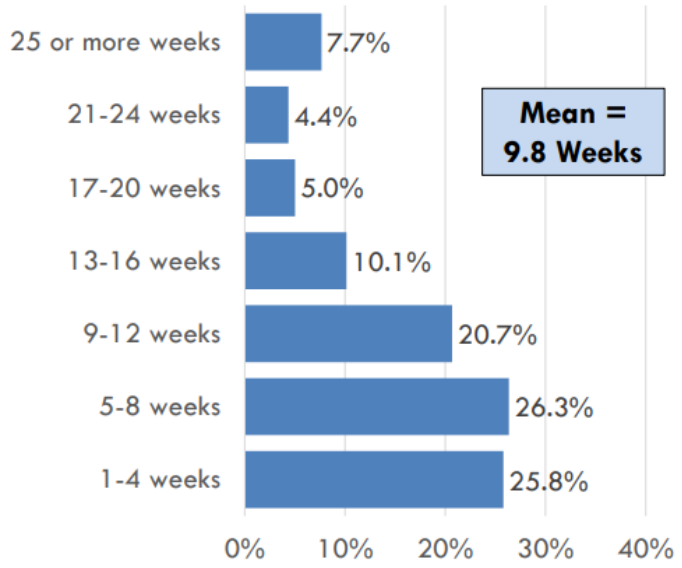
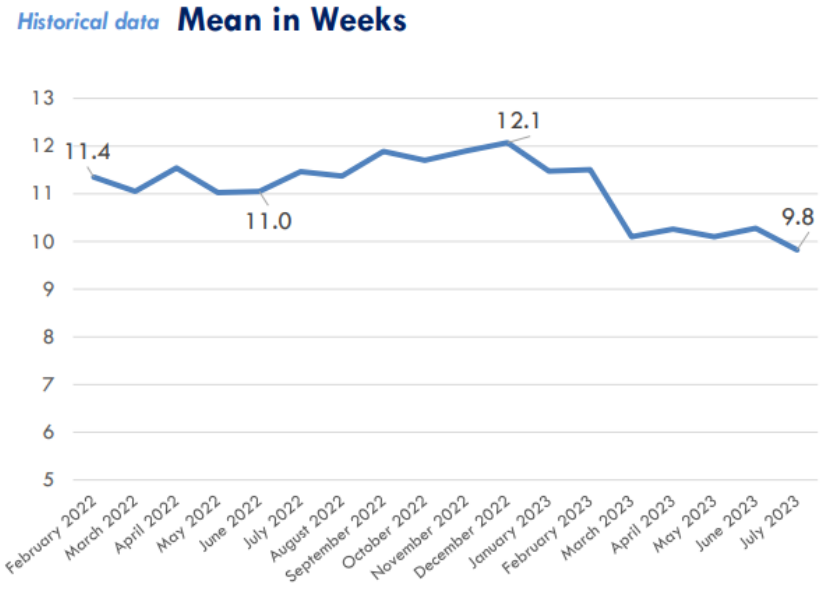
*Survey fielded July 17-21, 2023; Representative sample of adult American travelers; N = 4,000+

PLANNING WINDOW FOR DOMESTIC LEISURE TRAVEL

Question: How many weeks IN ADVANCE would you typically begin planning a domestic leisure trip (of at least one week in length)?





Destination Analysts (Base: All respondents, 4,011 completed surveys. Data collected July 18-22, 2023.)

PAGE 86

Source: Destination Analysts

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