

Outlook for a Changing Economy

Hamilton County Tourism

Hotel Data Summit

September 19, 2024

But Still Growing



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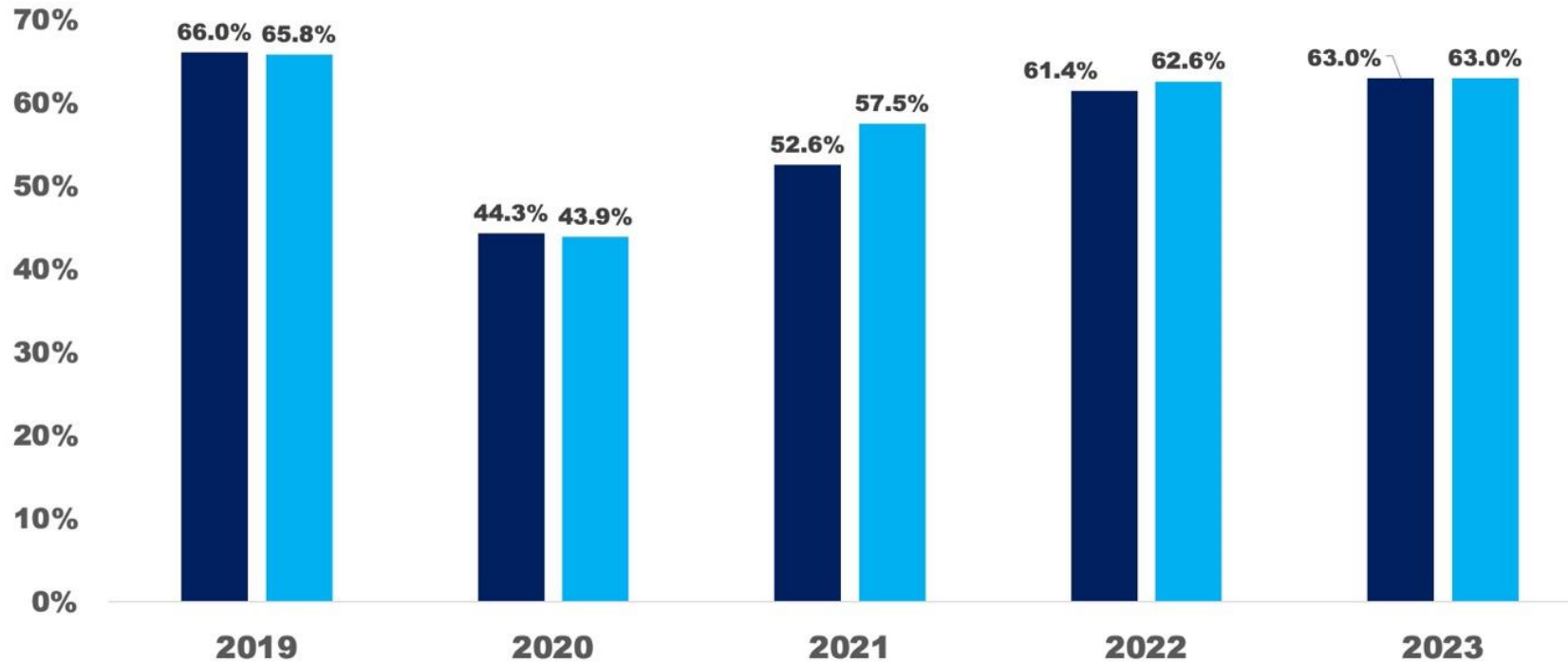


SYMPHONY Data Platform

Harmonizing vast sets of data into centralized, visual reporting that stakeholders understand.

Tourism Economics' Forecast in 2020 vs. Actual

U.S. Hotel Occupancy Rate



● NOVEMBER 2020 FORECAST ● ACTUAL

Source: STR, Tourism Economics

Agenda by travel segment

- National Trends
- Travel Trends by Segment
 - Leisure
 - Business and Group
 - International
- Hamilton County Performance
 - 2025 Forecast



TOURISM
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NATIONAL TRENDS

YOY growth continues, but slowing..

U.S. Travel Indicators

July 2024 & YTD



Travel Spending*
(Tourism Economics)
\$115.8B
↗ +1.6%
July vs. Previous Year

↗ +2.3%
YTD vs. Previous Year



Air Passengers
(TSA)
↗ +5.2%
July vs. Previous Year

↗ +6.8%
YTD vs. Previous Year



Overseas Arrivals
(NTTO)
↗ +9.2%
July vs. Previous Year

↗ +16.7%
YTD vs. Previous Year



Hotel Demand
(STR)
--
July vs. Previous Year

↗ +0.1%
YTD vs. Previous Year



Short-term Rental Demand
(AIRDNA)
↗ +8.7%
July vs. Previous Year

↗ +7.8%
YTD vs. Previous Year

<p>Travel Spending* (Tourism Economics) \$115.8B ↗ +9.8% July vs. 2019 ↗ +10.2% YTD vs. 2019</p>	<p>Air Passengers (TSA) ↗ +6.6% July vs. 2019 ↗ +6.9% YTD vs. 2019</p>	<p>Overseas Arrivals (NTTO) ↘ -14.4% July vs. 2019 ↘ -14.8% YTD vs. 2019</p>	<p>Hotel Demand (STR) ↘ -3.5% July vs. 2019 ↘ -1.5% YTD vs. 2019</p>	<p>Short-term Rental Demand (AIRDNA) ↗ +31.8% July vs. 2019 ↗ +33.5% YTD vs. 2019</p>
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Surge in group demand keeping demand even YOY

Travel Indicators

% change relative to same month vs. Previous Year

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Travel Spending (Tourism Economics)	7.1%	7.7%	5.1%	5.6%	4.7%	1.3%	2.2%	0.8%	2.9%	4.8%	2.5%	1.6%
Air Passengers (TSA)	11.1%	10.4%	11.7%	10.6%	9.7%	5.8%	10.7%	7.3%	5.1%	7.7%	6.3%	5.2%
Overseas Arrivals (NTTO)	27.2%	28.0%	21.4%	23.9%	23.7%	24.0%	25.8%	25.4%	9.2%	17.5%	13.7%	9.2%
Hotel Demand (STR)	-0.1%	-0.2%	-1.3%	-0.8%	-1.2%	-1.2%	-0.8%	-1.9%	1.7%	2.0%	0.3%	0.0%
Top 25 Group Hotel Demand** (STR)	3.1%	-0.8%	2.1%	2.3%	-8.2%	9.2%	9.8%	-4.3%	11.3%	6.2%	1.6%	5.7%
Short-term Rental Demand (AIRDNA)	-1.1%	1.6%	4.1%	5.3%	2.8%	0.1%	11.5%	10.5%	0.4%	11.5%	10.0%	8.7%
National Park Visits (National Park Service)	3.7%	2.3%	3.6%	1.4%	4.9%	-6.8%	-0.6%	9.4%	0.4%	-5.1%	2.9%	-2.8%



Air passengers have recovered well-above 2019 levels

TSA air passenger volumes

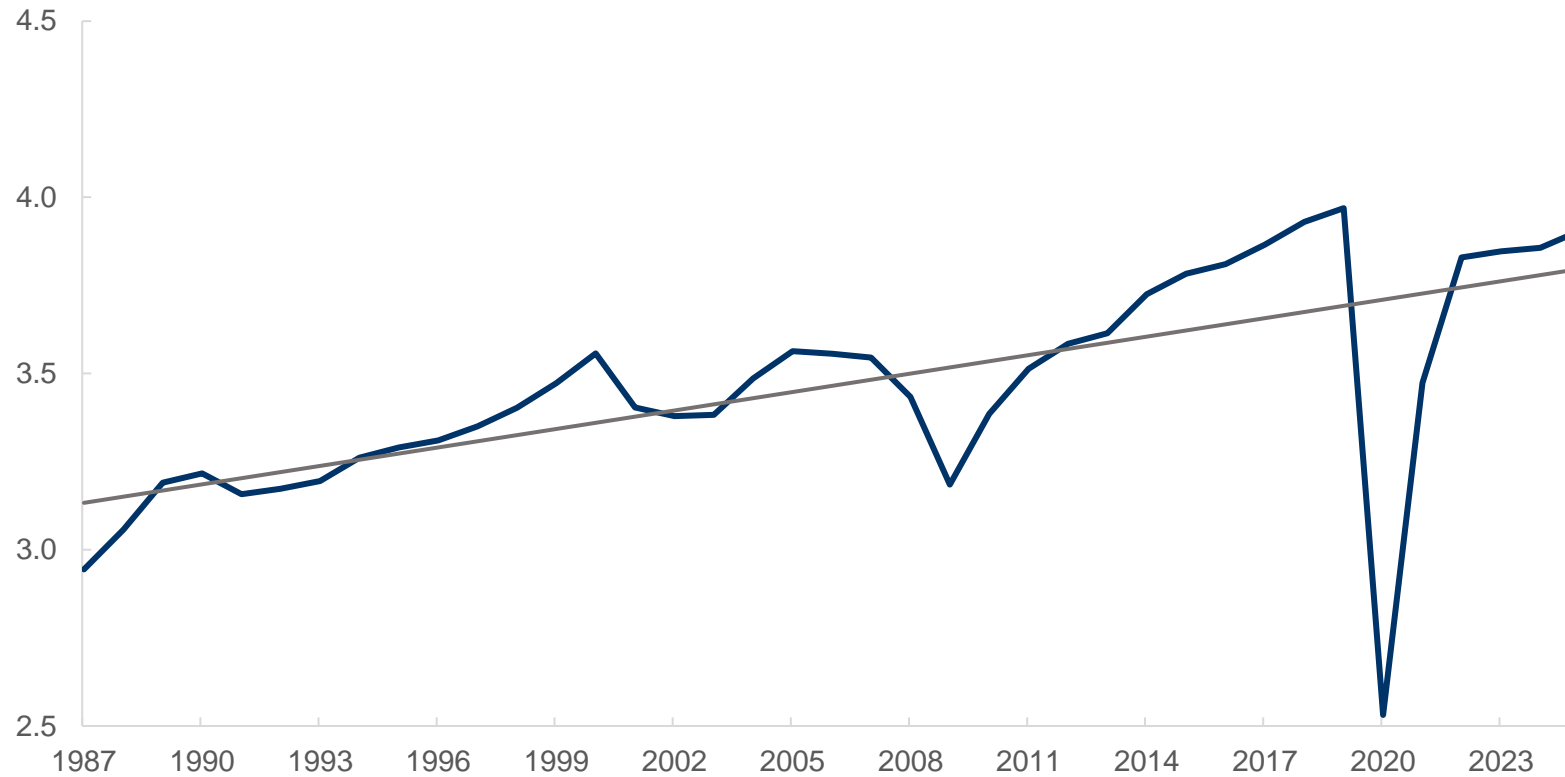
Checkpoint travelers, trailing 28-day average, relative to pre-Covid, US



Note: Most recent data point is June 22, 2024.
Source: Transportation Security Administration

Recovery confirms long-term trends

Hotel room nights per capita
Annual room nights, US

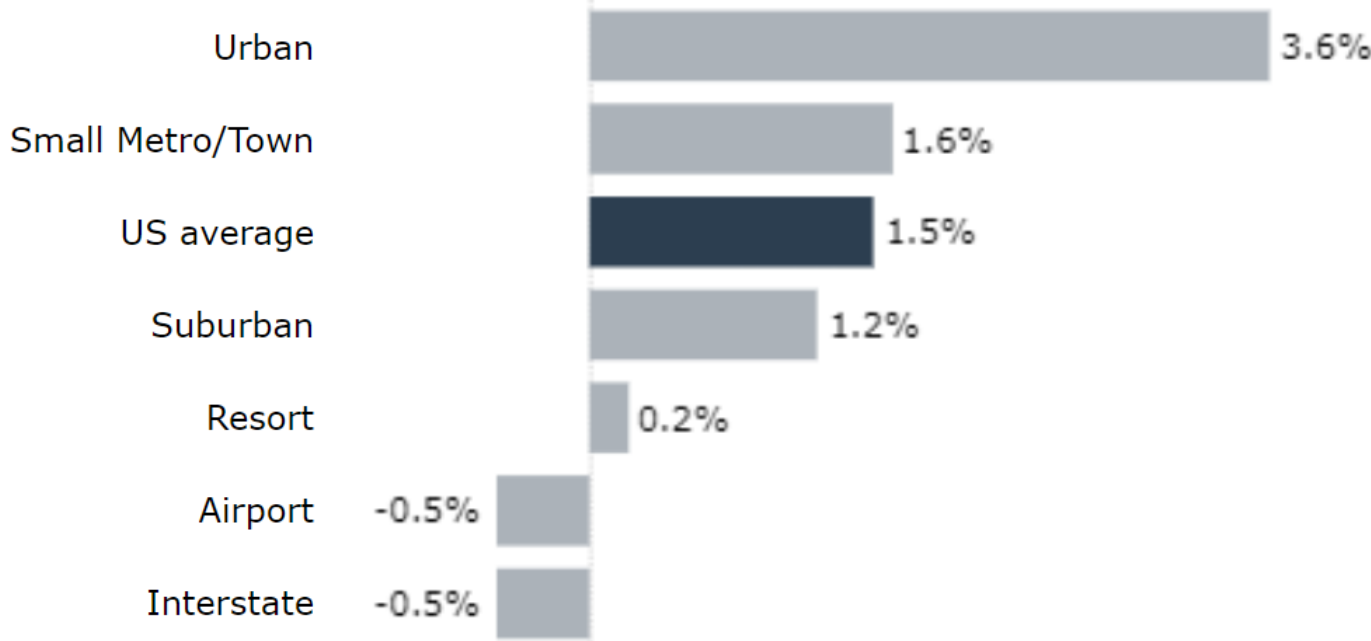


Sources: Tourism Economics, STR

Hotel performance by geography shows “bifurcation”, with urban markets storming back

U.S. Actual RevPAR Growth by Location

July 2024, % change relative to last year

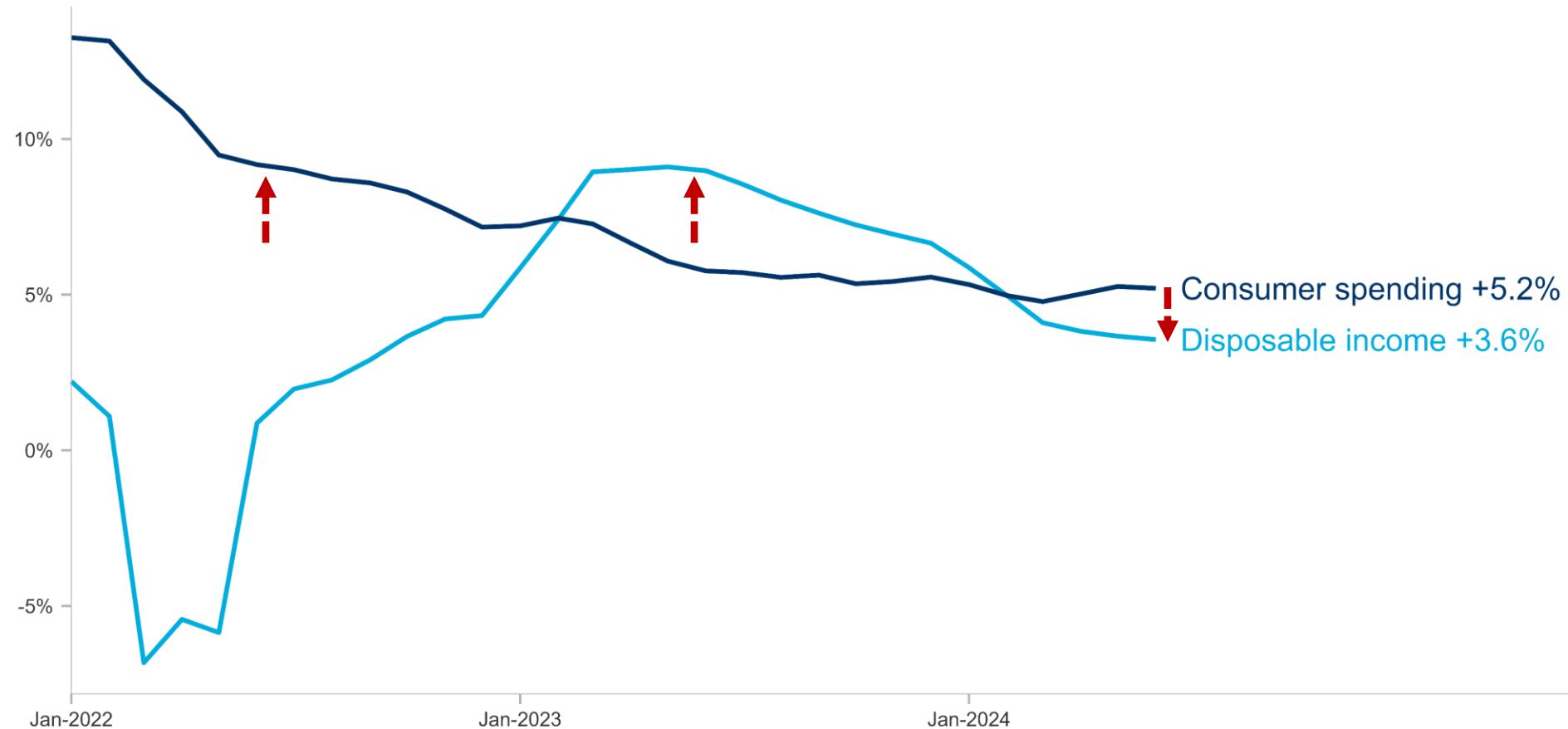


Source: STR

Unnerving transition to slower growth

Consumer spending and income

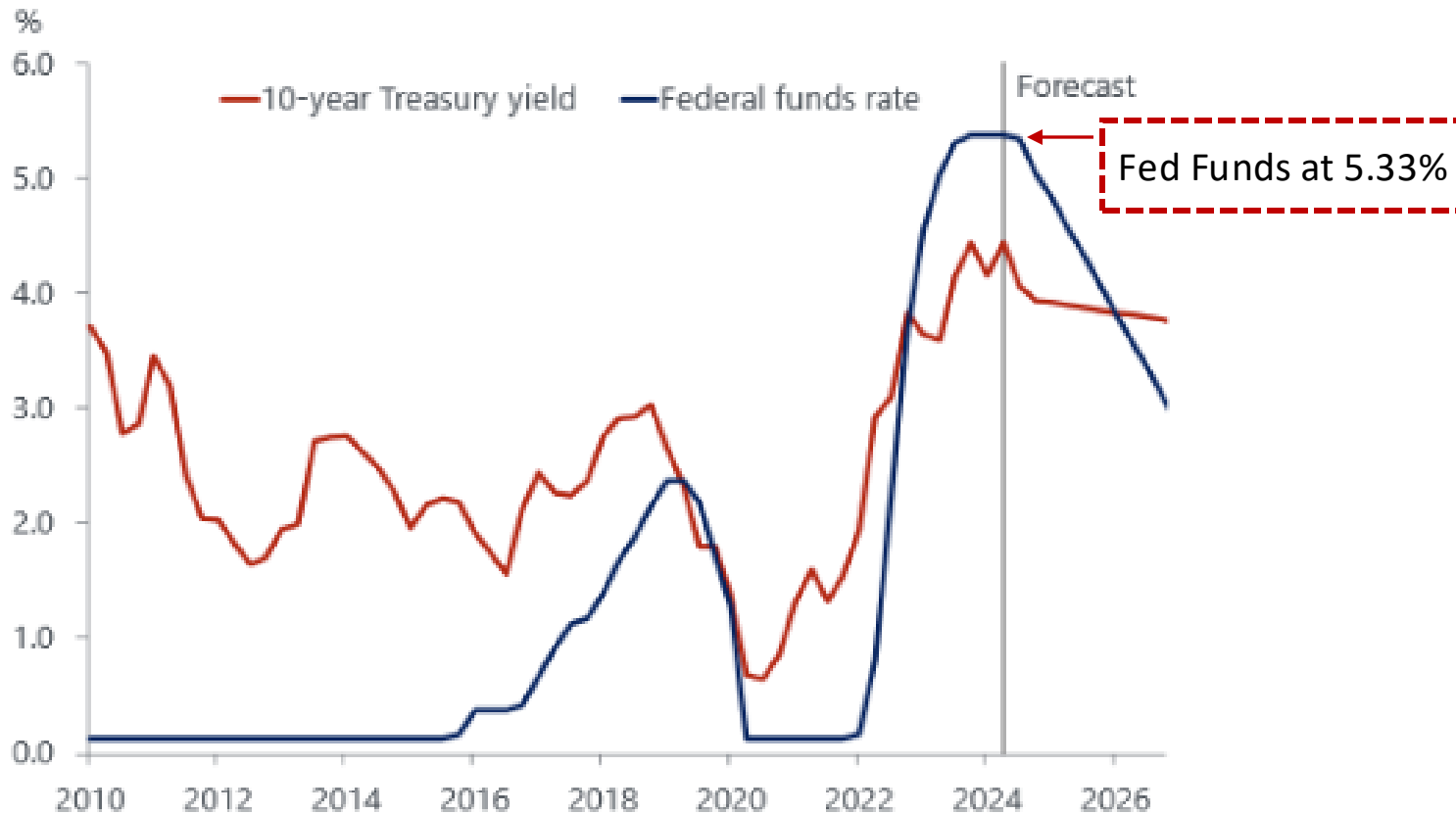
Year-over-year growth, nominal, three-month moving average



Note: History through June 2024. Source: BEA

Inflation momentum is near where the Fed wants it = expected cuts in the federal funds rate

US: Interest rates



Source: Oxford Economics/Haver Analytics

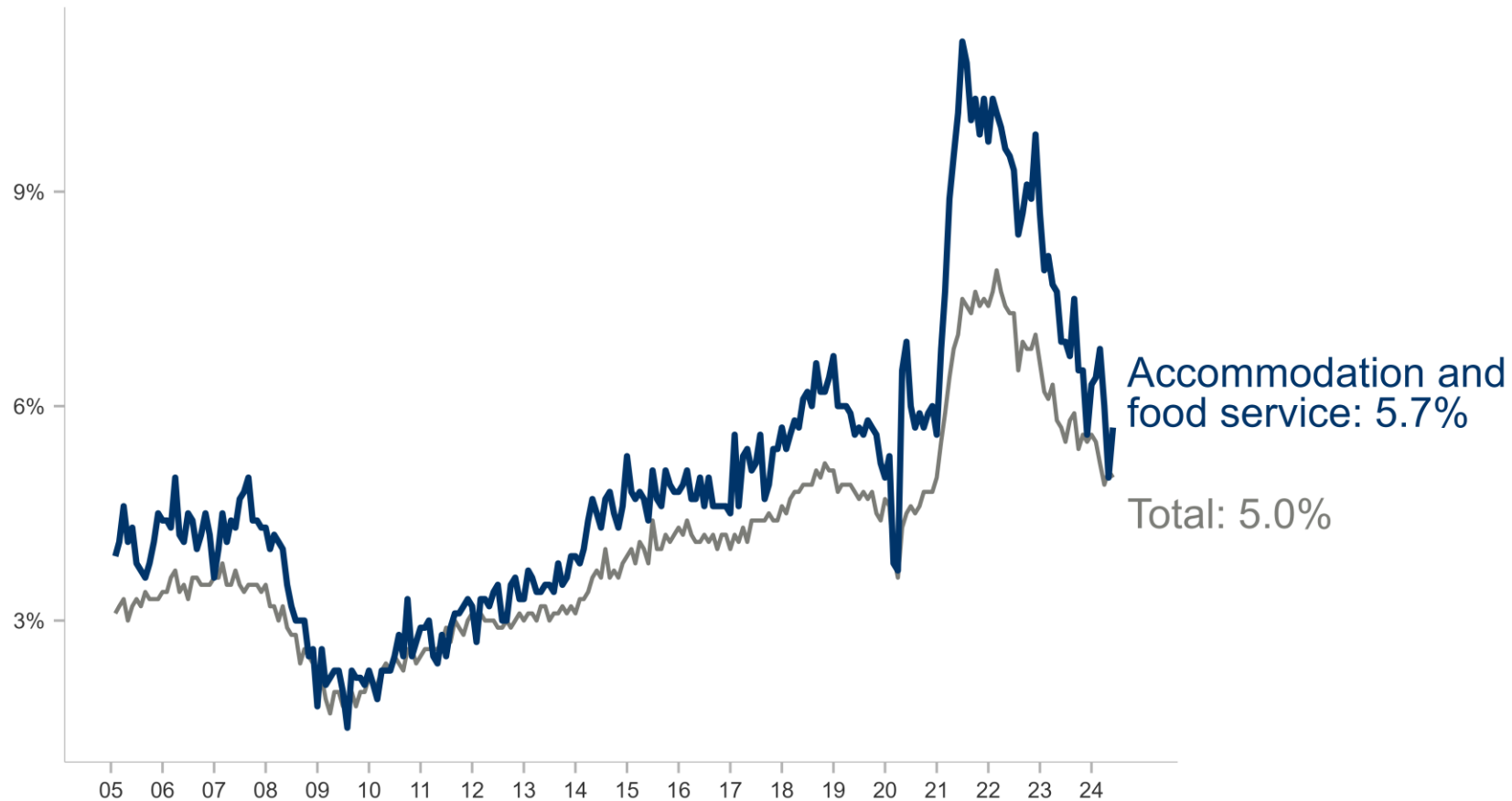
The Fed has kept its policy rate at the highest level in over a decade, aiming to stave off persistent inflation.

***** as of 9/18 – rate cut by 50 basis points to about 4.9%**

Employers have filled positions and reduced openings

Job openings

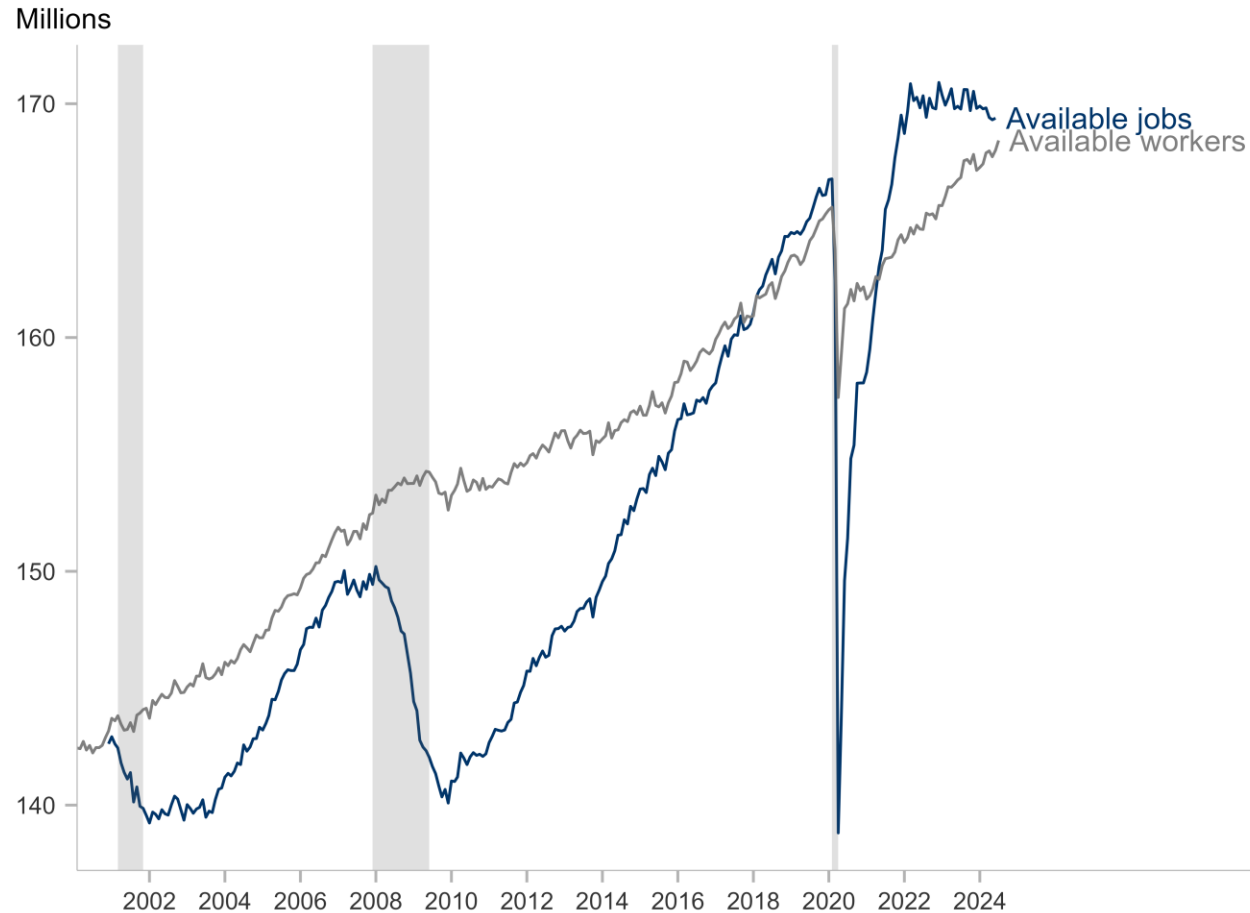
Openings rate, US



Note: The job openings rate is the job openings level as a percent of total employment plus job openings level. Data through June 2024. Seasonally adjusted. Total refers total private. Source: Bureau of Labor Statistics

Helping to normalize the job market..

Available jobs versus available workers



For much of recent history there were **more available workers** in the labor force than available jobs.

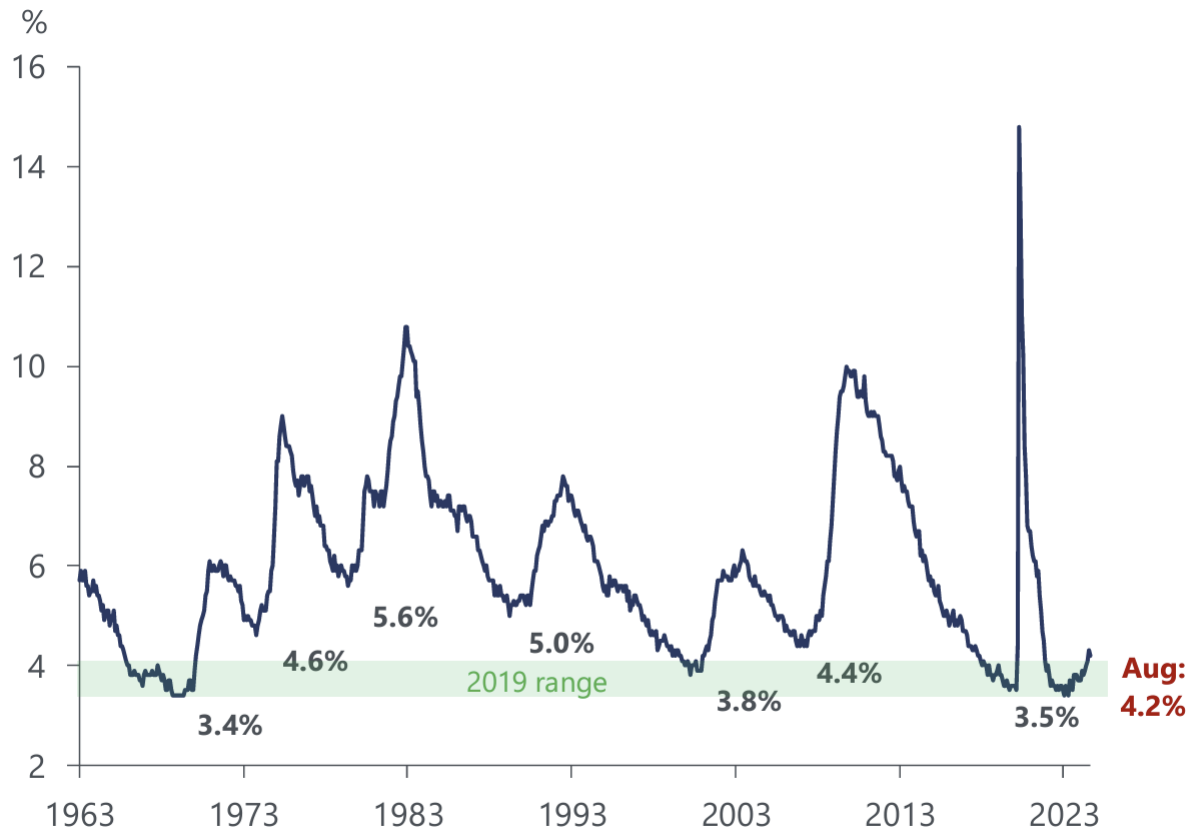
In recent years, there have been **more available jobs** than available workers.

This imbalance is normalizing.

Note: Available jobs calculated as employed individuals plus job openings. Available workers equal to the labor force. Data through July 2024. Seasonally adjusted. Grey shading indicates recessions. Source: Bureau of Labor Statistics

Resulting in slightly higher unemployment, but avoiding recession

US: U-3 unemployment rate



Unemployment rate rose May-July before declining slightly in August

Source: Oxford Economics/Haver Analytics

The economy will remain solid in the second half of the year

US: GDP Forecast

% annualized



GDP growth will grow to 2.6%.

Avoiding recession with a successful “soft-landing”.

Expect nominal consumer spending growth to slow from 4.7% this year to 4.3% in 2025.

Real consumer spending growth is expected to be stable at 2.1% for both years.

Source: Oxford Economics (August 2024 forecast)

August 2024 US Forecast with YoY Percentage Changes

U.S. KPIs (standard methodology)

	2023 Actual	2024 Forecast	2025 Forecast
Occupancy	63.0%	63.0%	63.4%
ADR	\$156	\$159	\$162
RevPAR	\$98	\$100	\$103
Occ %	0.4%	0.0%	0.4%
ADR	4.3%	2.0%	2.0%
RevPAR	5.0%	2.0%	2.6%
RevPAR vs 2019	13.4%	15.7%	18.7%



Leisure Travel

Companies are leary

“When you look below the surface and really dig into what is happening across differing consumers, you see that the **lower-income folks are struggling**”

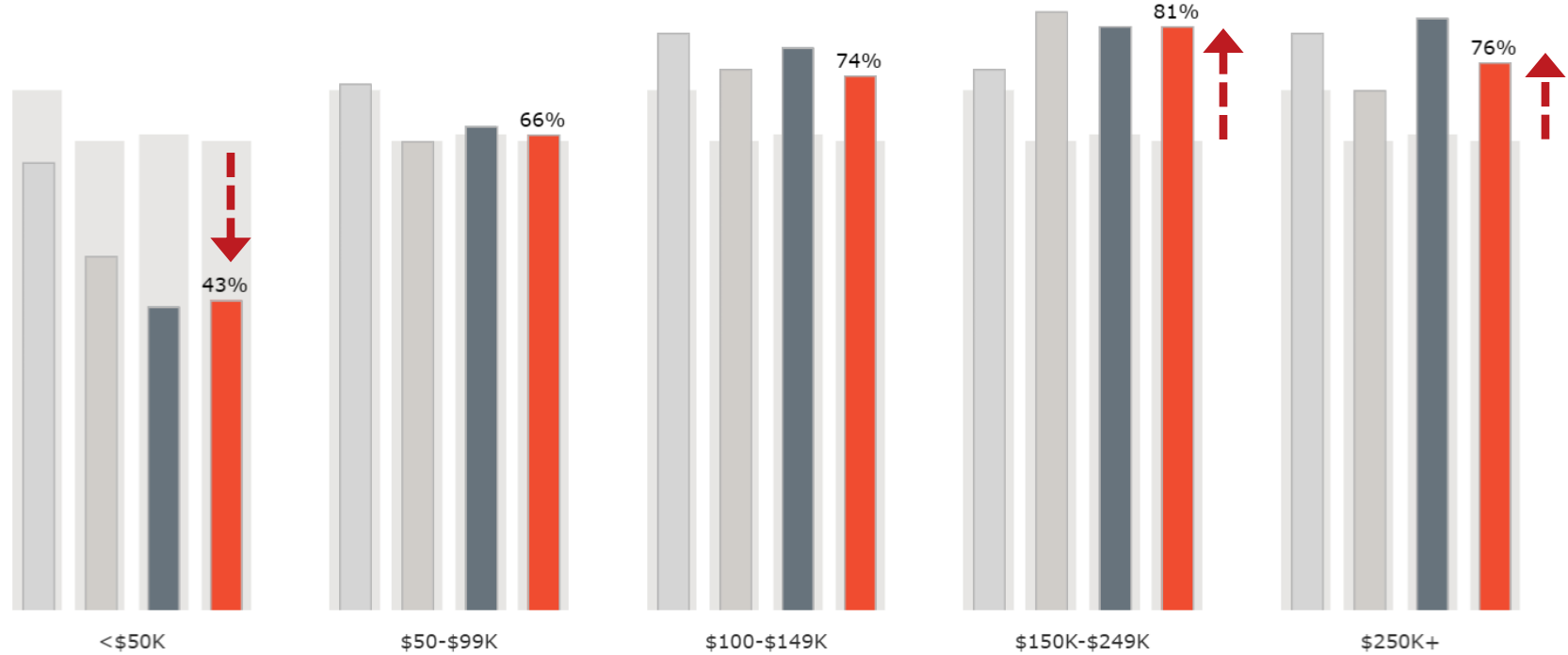
Wells Fargo CFO Mike Santomassimo (July 12, 2024)

“...behavior that’s consistent with a little **bit of weakness in the lower-income segment**, where you start to see a little bit of evidence of some rotation of the spend out of discretionary into non-discretionary”

JPMorgan CFO Jeremy Barnum (July 12, 2024)

Yet leisure travel intentions remain strong among higher-income households

Planning Leisure Travel Within the Next 6 Months
 % of American Consumers



Quarter of Survey
 2021 Q2

Q: When is the earliest you expect to take your next leisure vacation?
 2022 Q2

2023 Q2

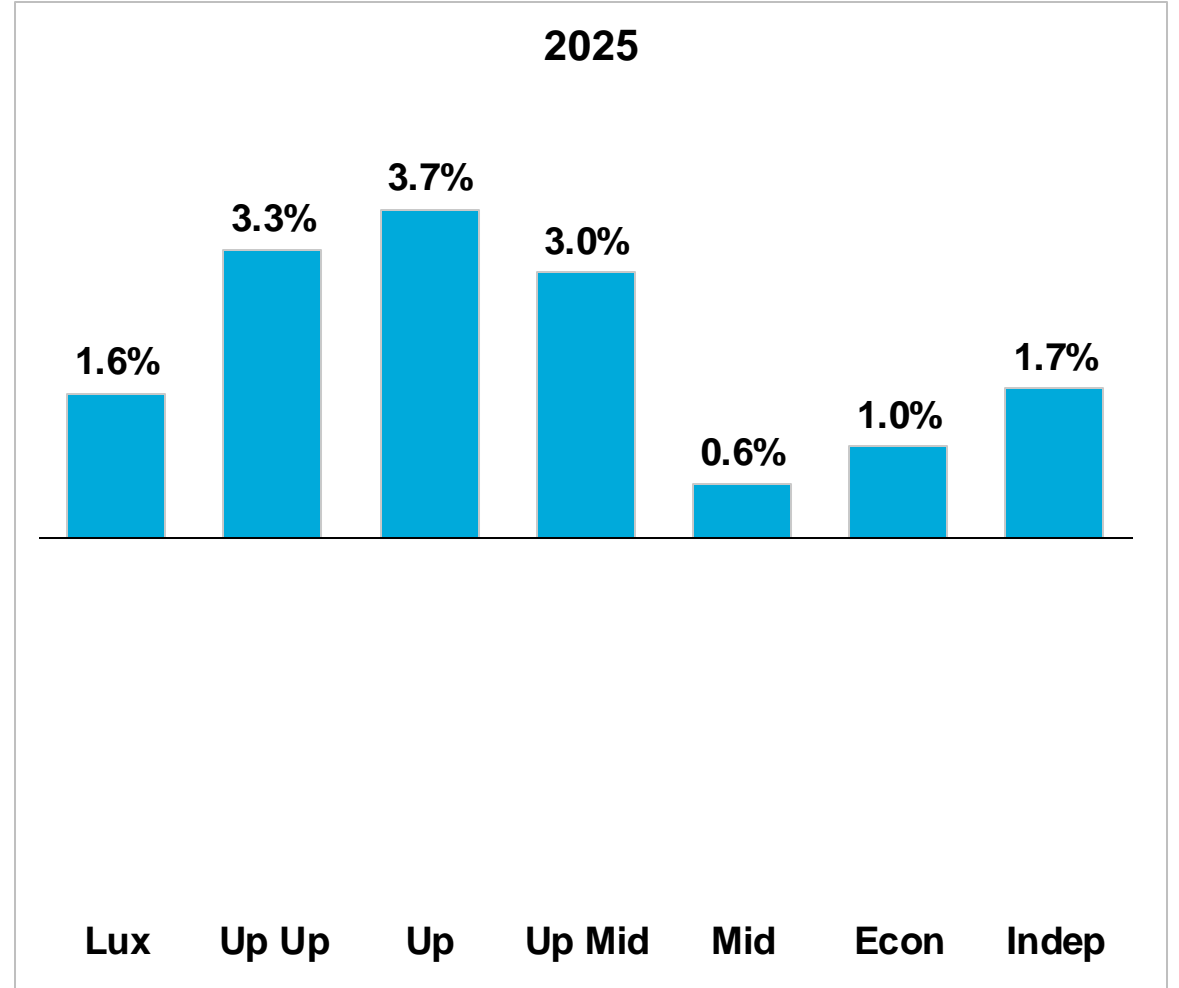
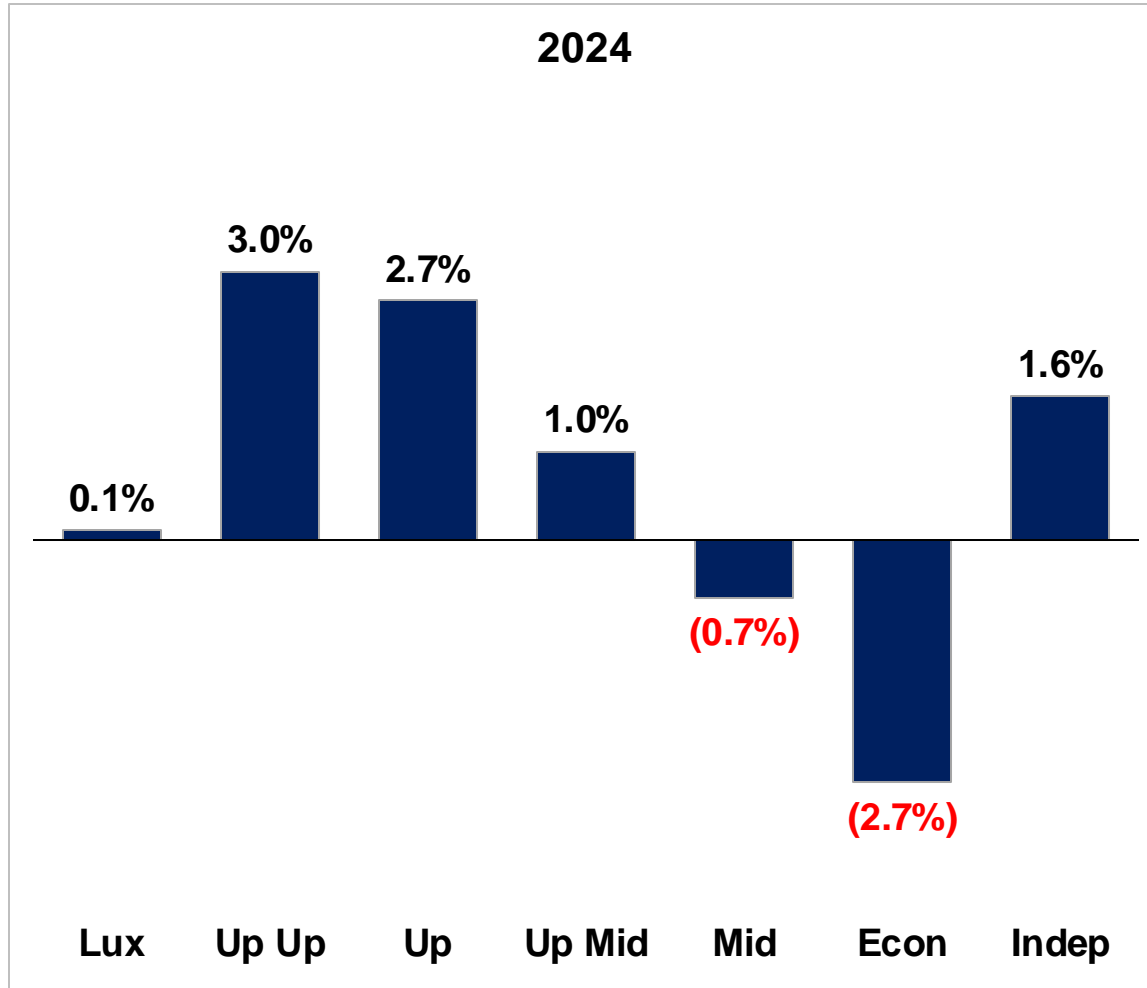
2024 Q2

Light gray bars represent the average for all survey respondents

Source: MMGY Portrait of American Travelers; Tourism Economics Symphony

U.S. performance weighted to upper-priced hotels

U.S. chain scale RevPAR YoY change, August 2024



More households are falling behind on credit cards

Credit card delinquency rate

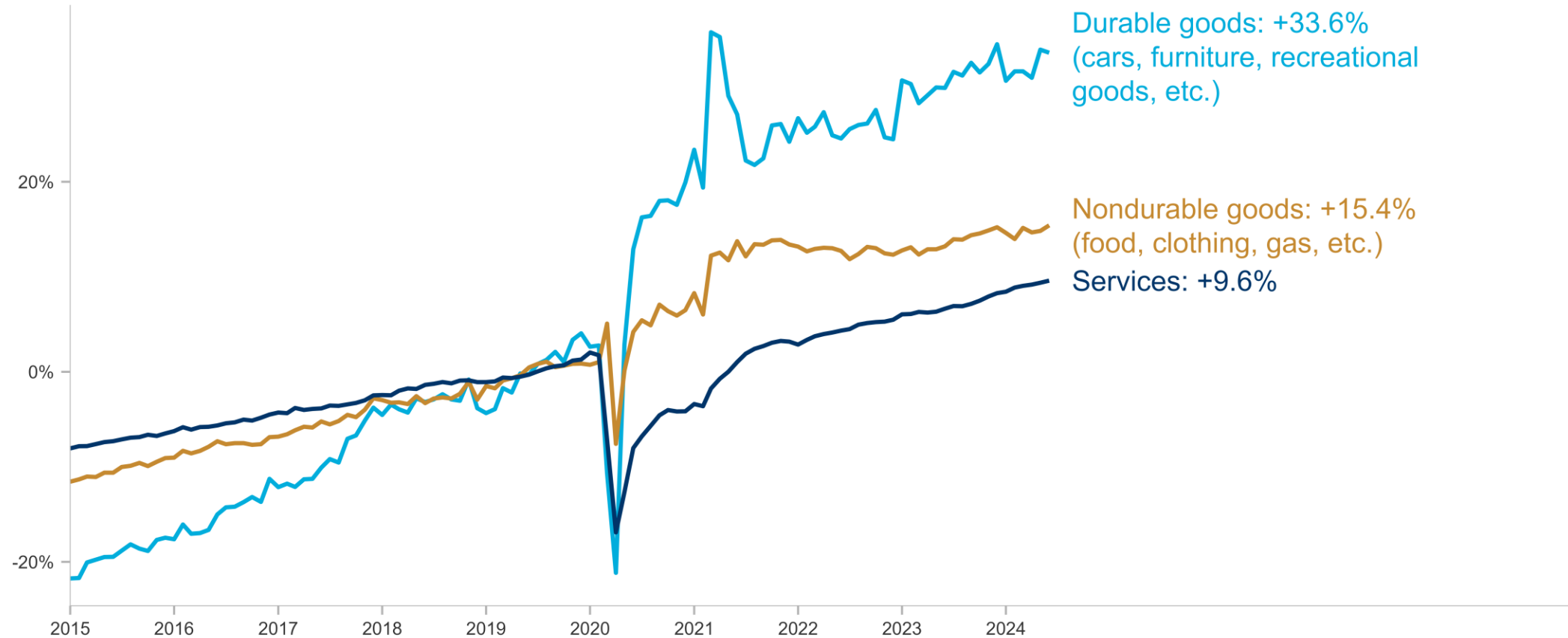


Note: Quarterly data through 2024Q1. Grey bars indicate recessions. All commercial banks.
Source: Board of Governors of the Federal Reserve System (US)

Durable goods spending indicates confidence

Consumer spending

Percent difference relative to 2019, real



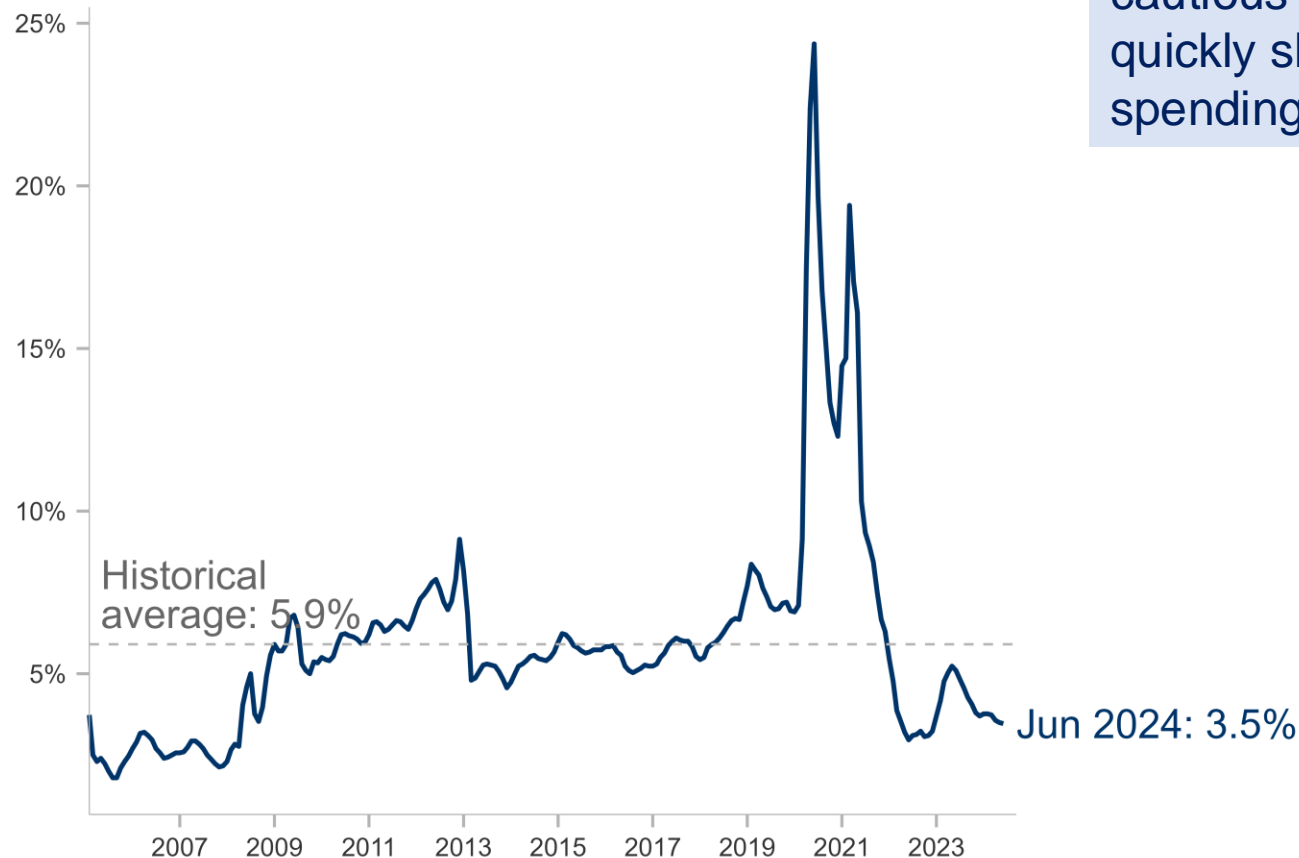
Note: Real. Seasonally adjusted monthly data through June 2024
Source: Bureau of Economic Analysis

Low savings rate is a sign of confidence

But comes with a risk

Personal savings rate

% of income



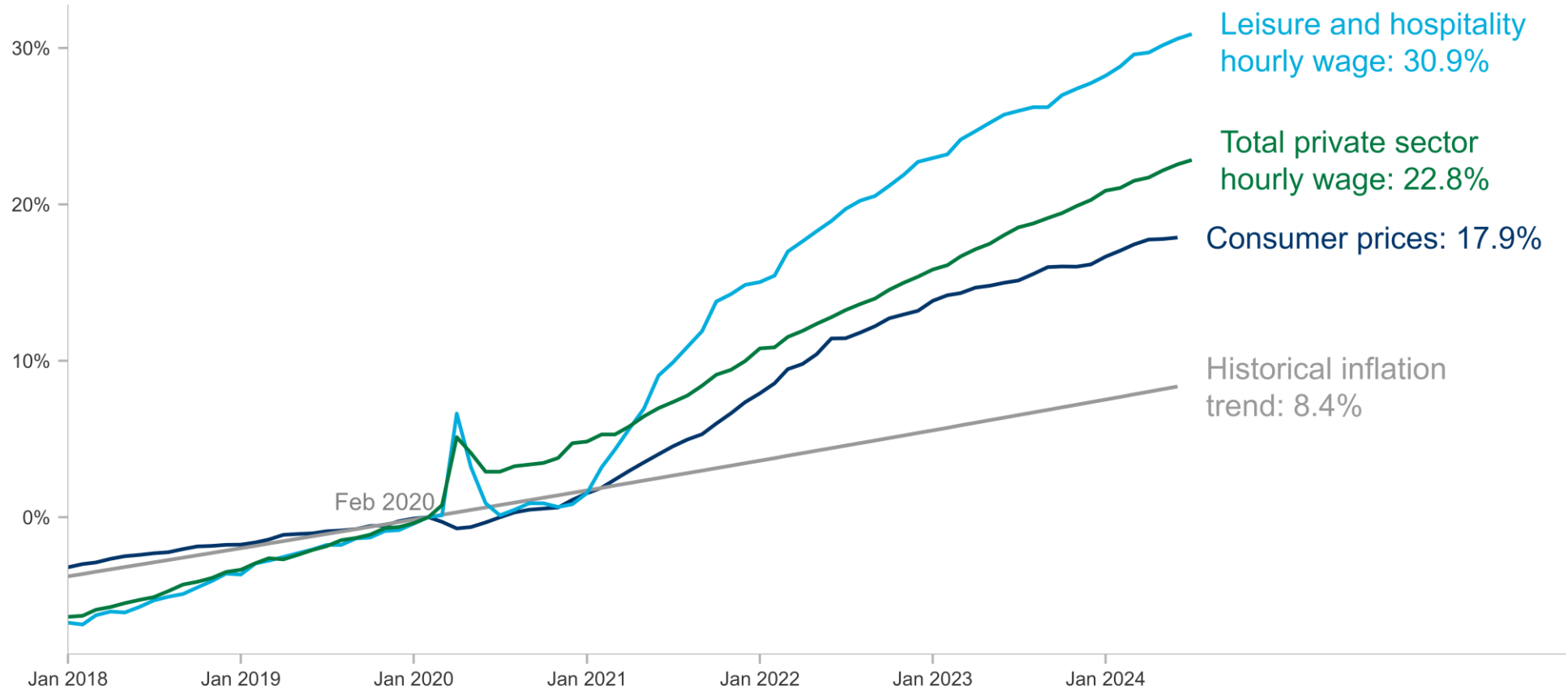
If households become more cautious and save more, it would quickly slow discretionary spending.

Note: Data is seasonally adjusted, three-month average. Source: Bureau of Economic Analysis

Wage gains have outpaced strong inflation, leaving us with a larger economy than pre-pandemic

Wage growth comparison

Cumulative increase since February 2020

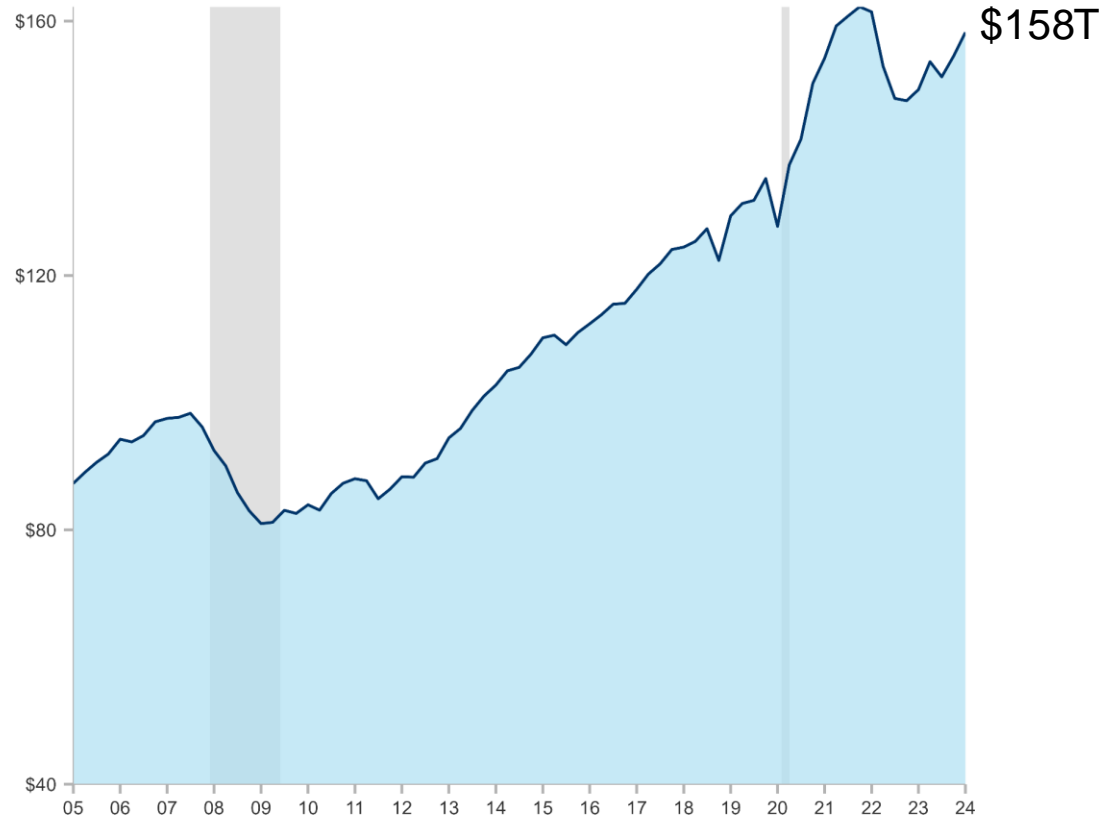


Note: Data shown through July 2024. Historical inflation trend measured since 2008. Consumer price inflation measured by PCE price deflator. Wage rates measure all private-sector employees. Source: BLS (average hourly earnings, establishment survey), BEA

Many households have benefited from wealth gains *but is skewed towards higher-income households*

Household net worth

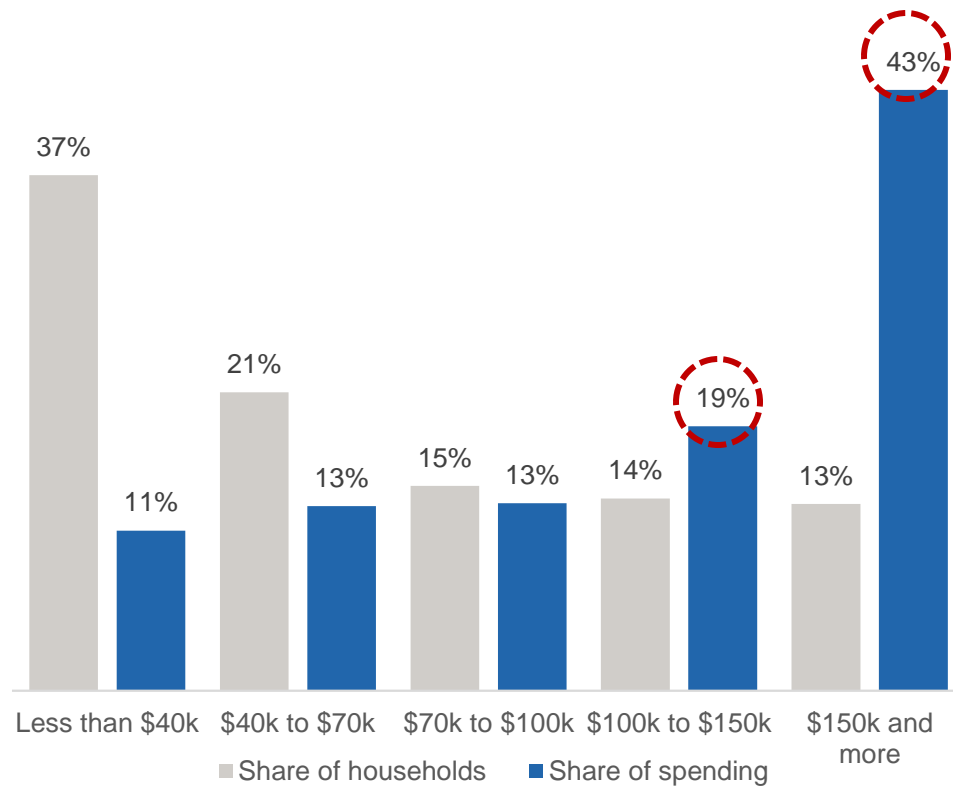
In trillions, real



Note: 2023 dollars. Quarterly data through 2024Q1. Net worth of households and nonprofit organizations. Measures housing and financial assets, minus liabilities. Source: Federal Reserve, NBER

Higher-income households account for more than 60% of hotel spending

Lodging spending by household income
Leisure travel



Pinched spending among lower-income households has less impact on lodging overall.

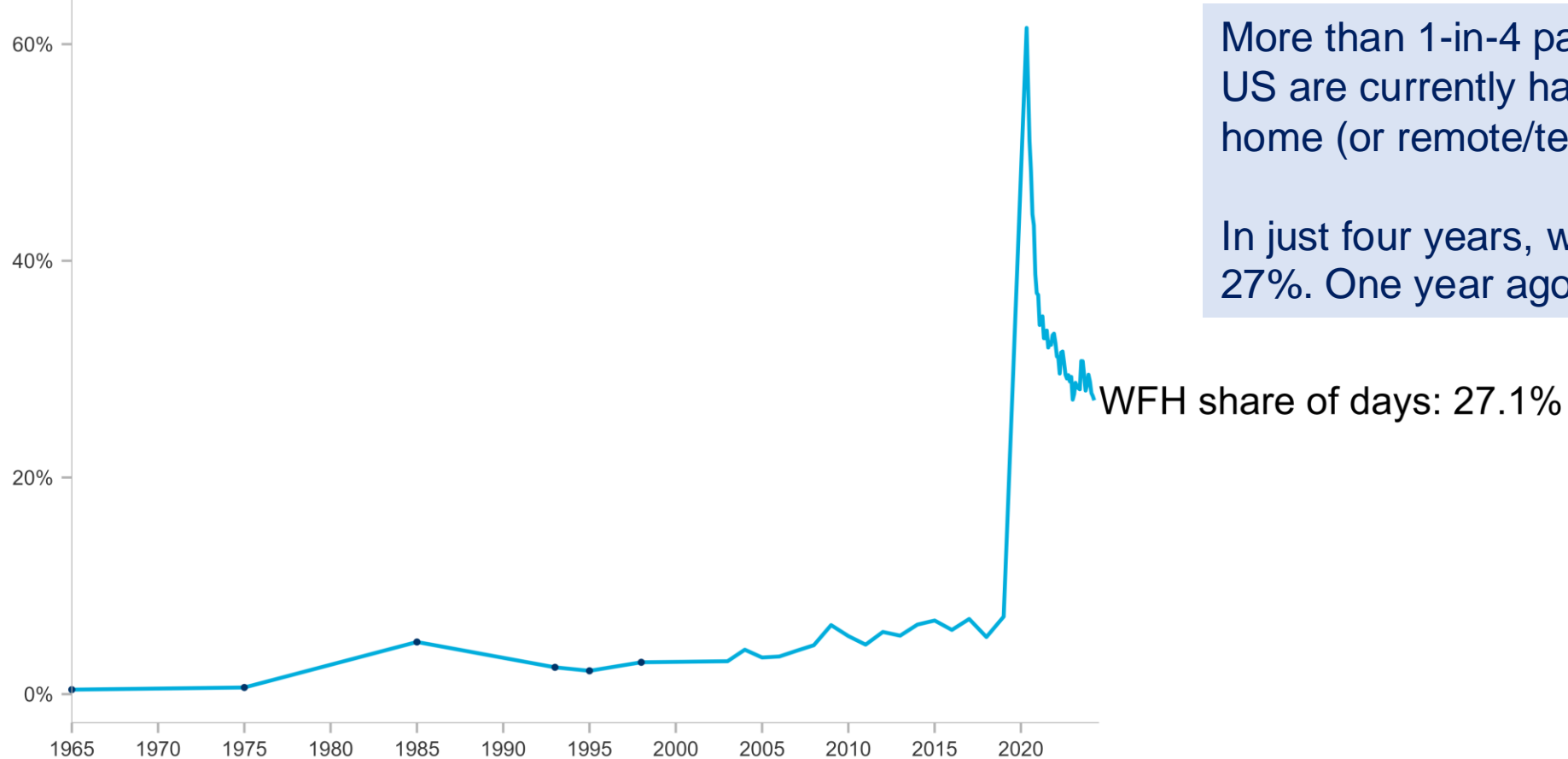
Note: Based on three-year average through 2020.
Source: BLS, Tourism Economics

Business and Group Travel

The background image is a dark, low-key photograph of a modern airport terminal. The space is characterized by a long, perspective view of a walkway lined with large, multi-paned glass windows on the left. The floor is highly reflective, mirroring the silhouettes of people and the structural elements of the ceiling. In the distance, several individuals are visible, some pushing luggage carts and others walking with bags. The overall mood is professional and busy, typical of a corporate travel environment.

Work patterns have shifted toward remote work...

Percentage of paid full days worked at home since 1965



More than 1-in-4 paid work days in the US are currently happening from home (or remote/telework).

In just four years, we went from 5% to 27%. One year ago, share was 28%.

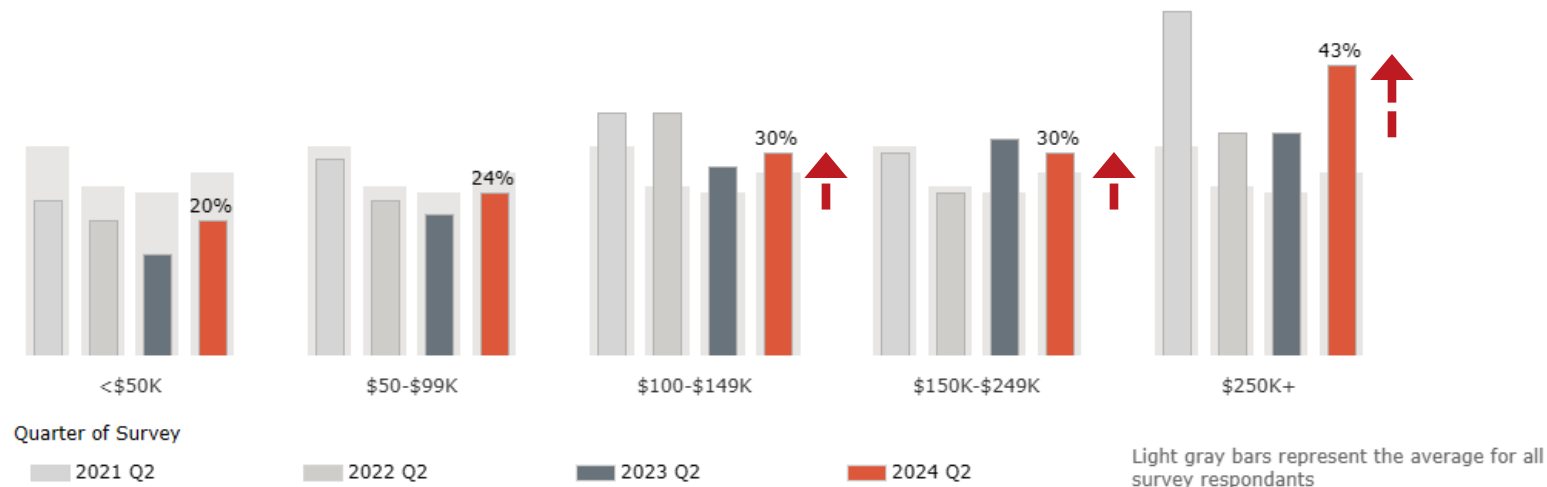
WFH share of days: 27.1%

Note: Most recent data point is April 2024.

Source: Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick," National Bureau of Economic Research Working Paper 28731.

But business travel intentions are gaining...

Planning Business Travel Within the Next 6 Months
% of American Consumers

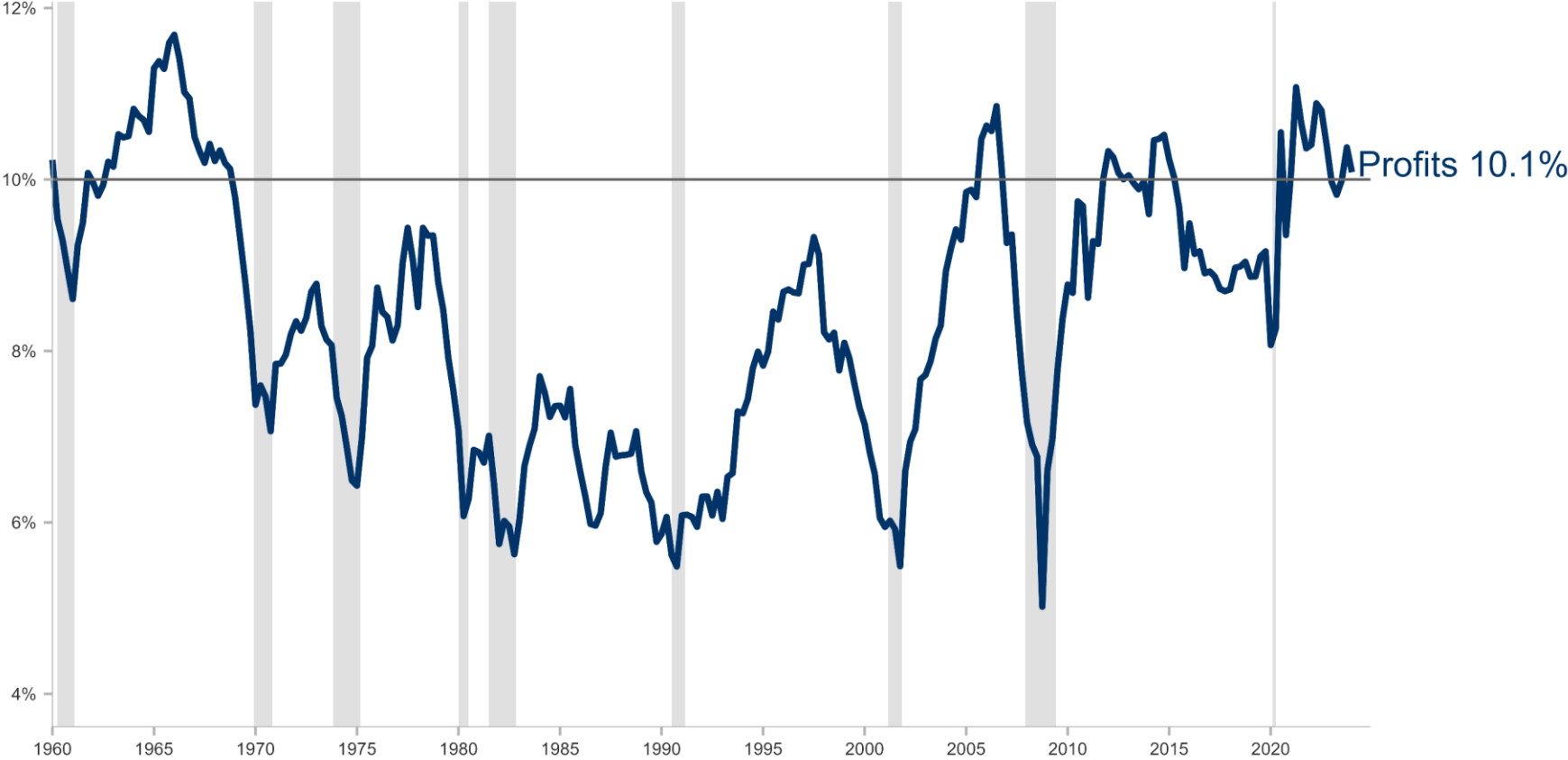


Source: MMGY Portrait of American Travelers; Tourism Economics Symphony

And corporate profit margins are strong

Corporate profit margins

Corporate profits before tax as a ratio to GDP



Equity analysts expect 2024 earnings growth for S&P to top 11%

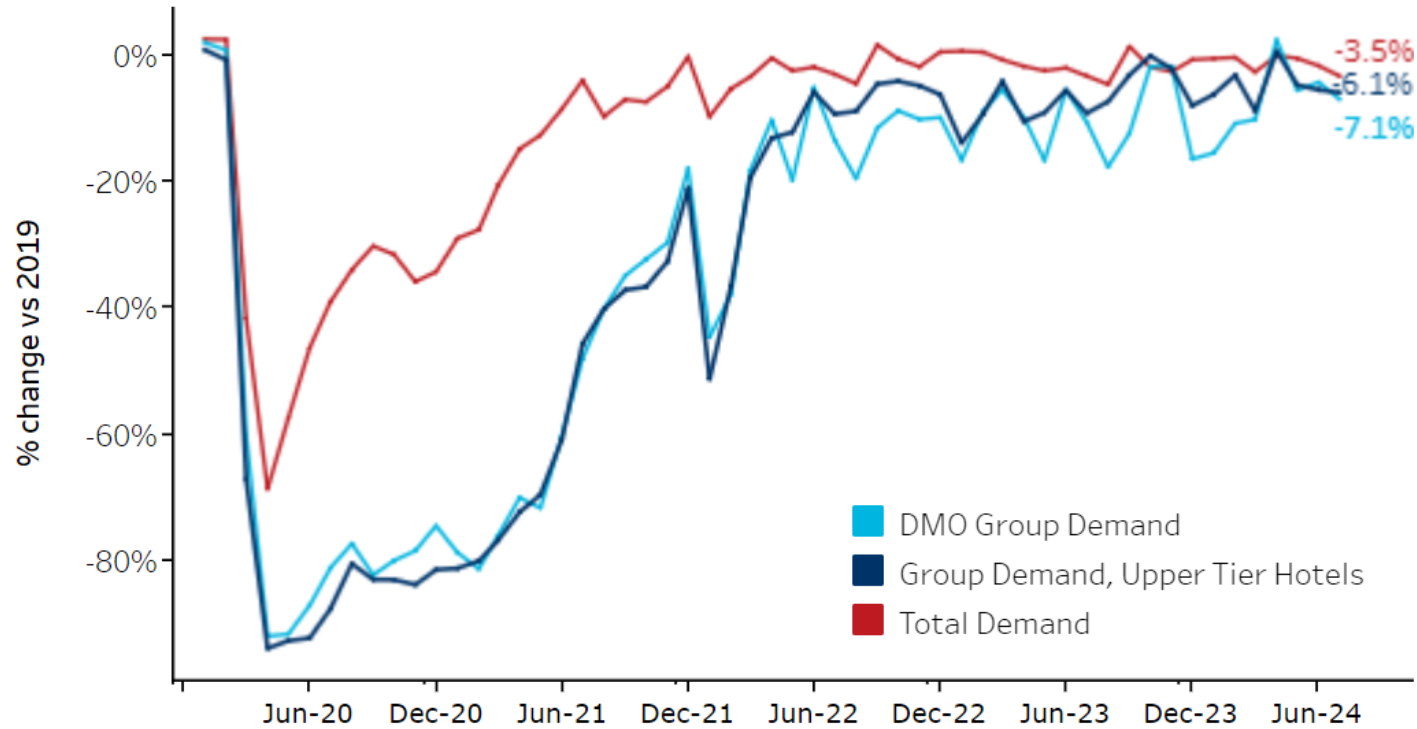
- FactSet Research

Note: Quarterly data through 2024Q1. Grey bars indicate recessions. Based on corporate profits with inventory valuation and capital consumption adjustments, domestic industries. Source: BEA, NBER

Group demand still in recovery mode

Total U.S. Hotel Demand vs Group Demand

Group demand, % change vs 2019

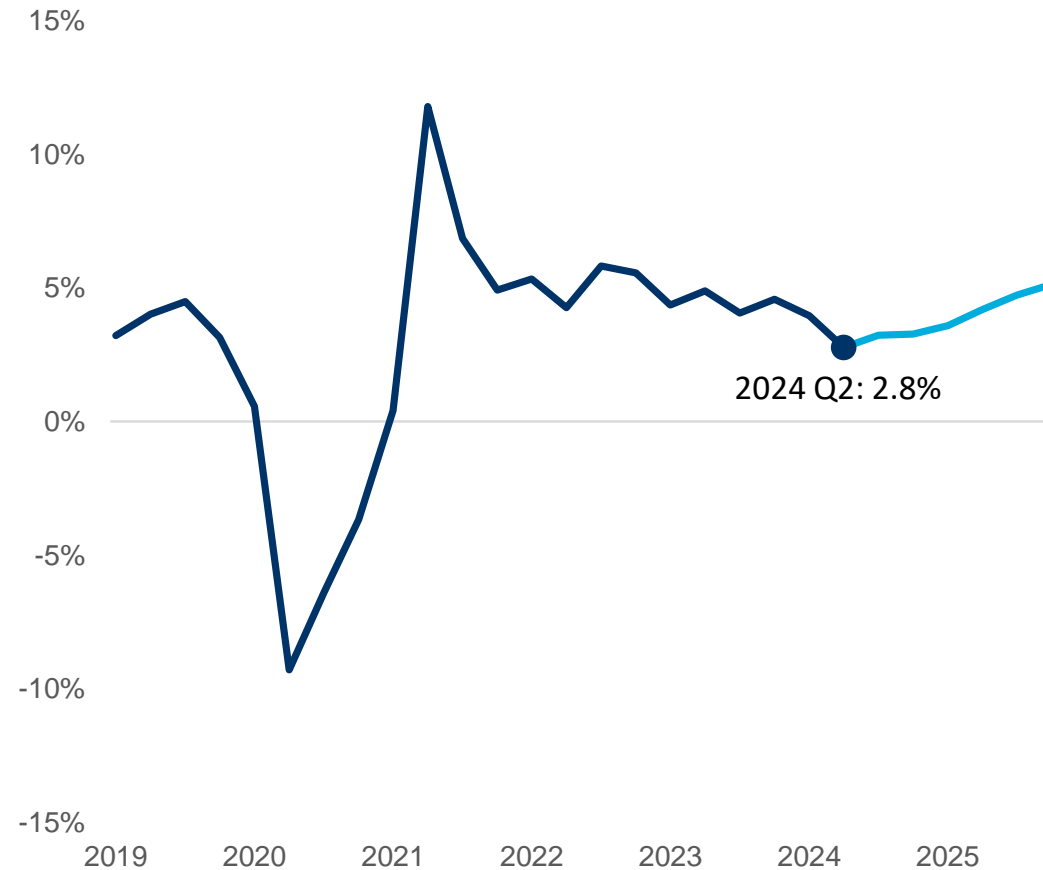


Source: STR (total demand and top-tier group demand), Simpleview CRM (250+ U.S. DMOs)

Expect stronger business investment ahead

Business investment

Nonresidential fixed investment, real, year-over-year growth



Source: BEA, Oxford Economics

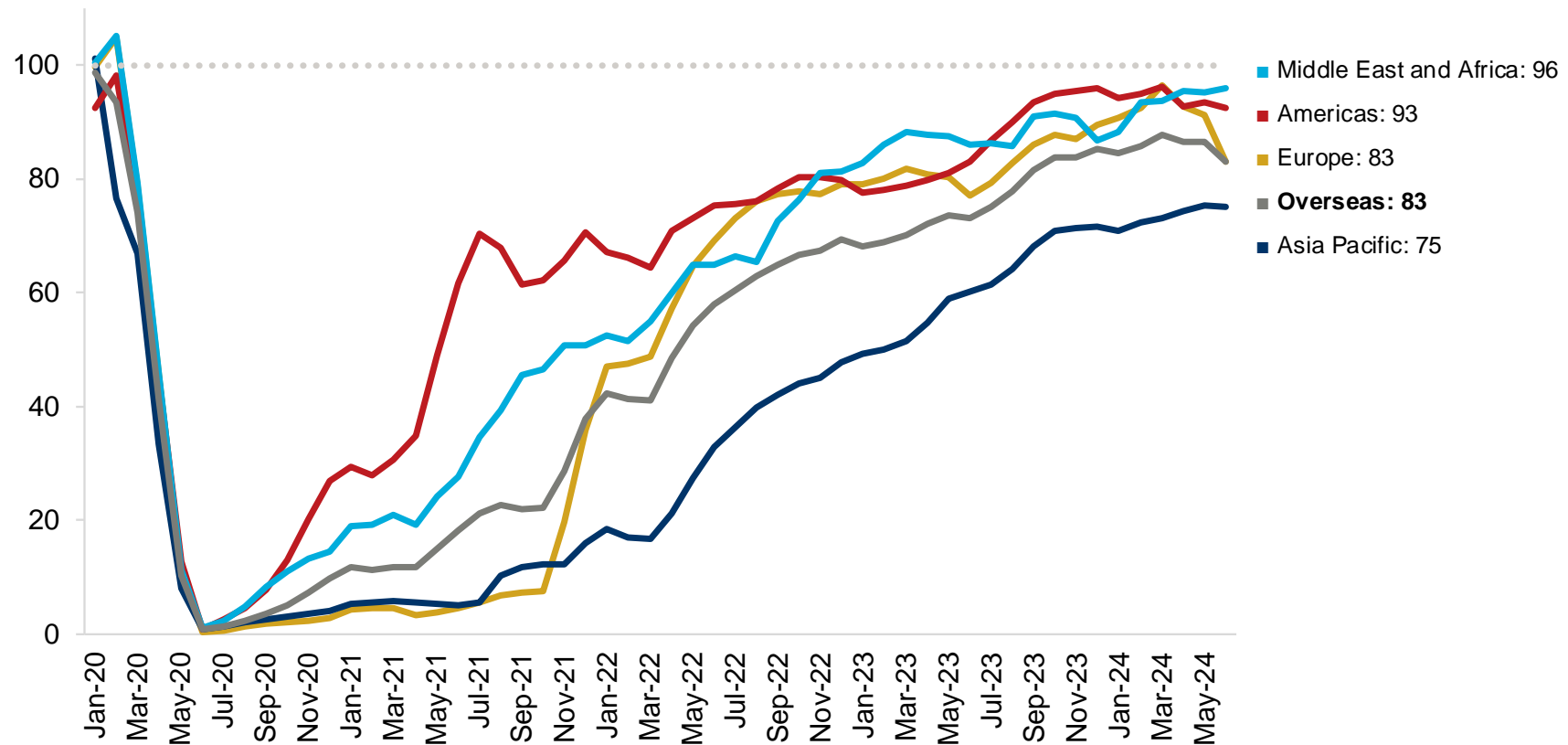
A photograph of a forest path with hikers. The path is paved and bordered by a wooden fence. Three hikers are walking away from the camera. The forest is filled with tall, thin trees and a large, gnarled tree trunk is visible on the left. The scene is dimly lit, suggesting a shaded forest.

International

Inbound recovery pace slows but remains positive

Visits to US by global region

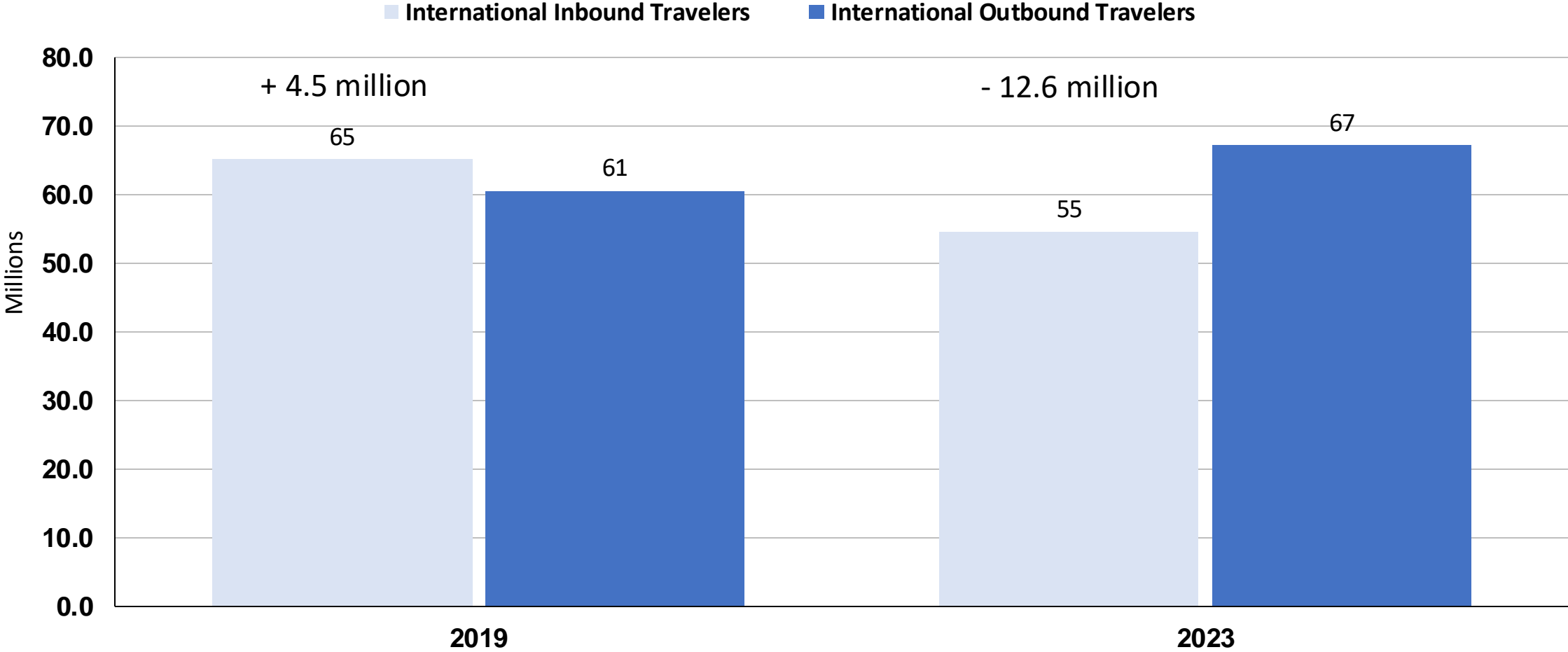
Index (2019=100, same month comparison), three-month moving average



Note: Americas excludes Canada and Mexico. Most recent data point is June 2024.
Source: NTTO

A 17 million trip swing!

U.S. international inbound/outbound traveler count



Source: APIS/I-92 Monitor (trade.gov)

Tourism deficit persists, as US outbound recovers ahead of inbound

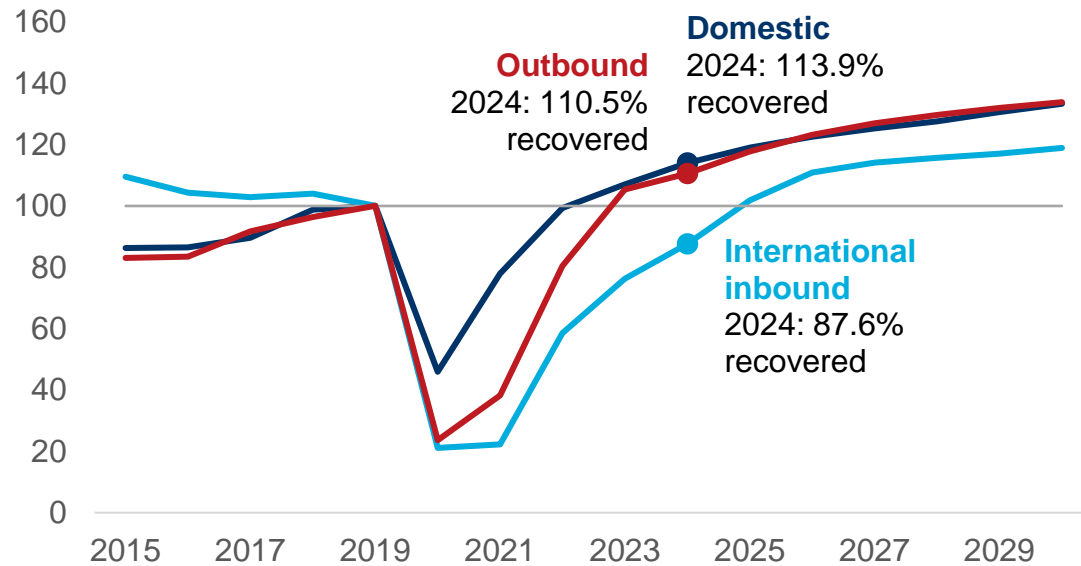
US resident spending abroad in 2024 is expected to be 10.5% above 2019 in real terms, compared to 12.4% behind for inbound.

Domestic spending gains are still the largest source of growth, though the pace is slowing.

Travel spending within US and US outbound

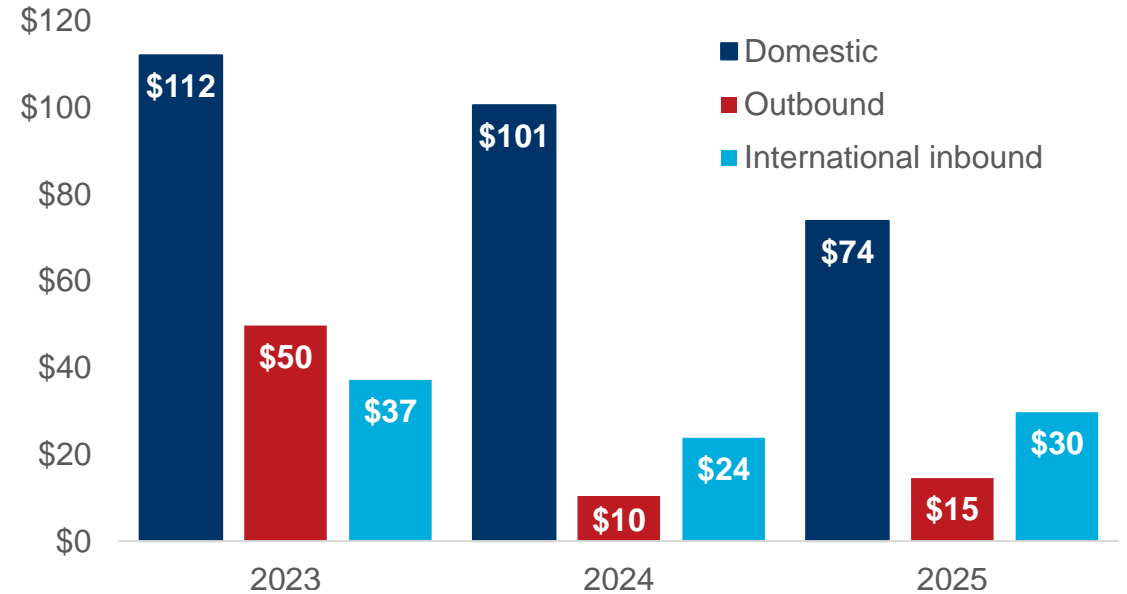
Index, by origin

2019=100, real



Increase each year, by origin

Billions, real, 2023 dollars



MARKET PERFORMANCE

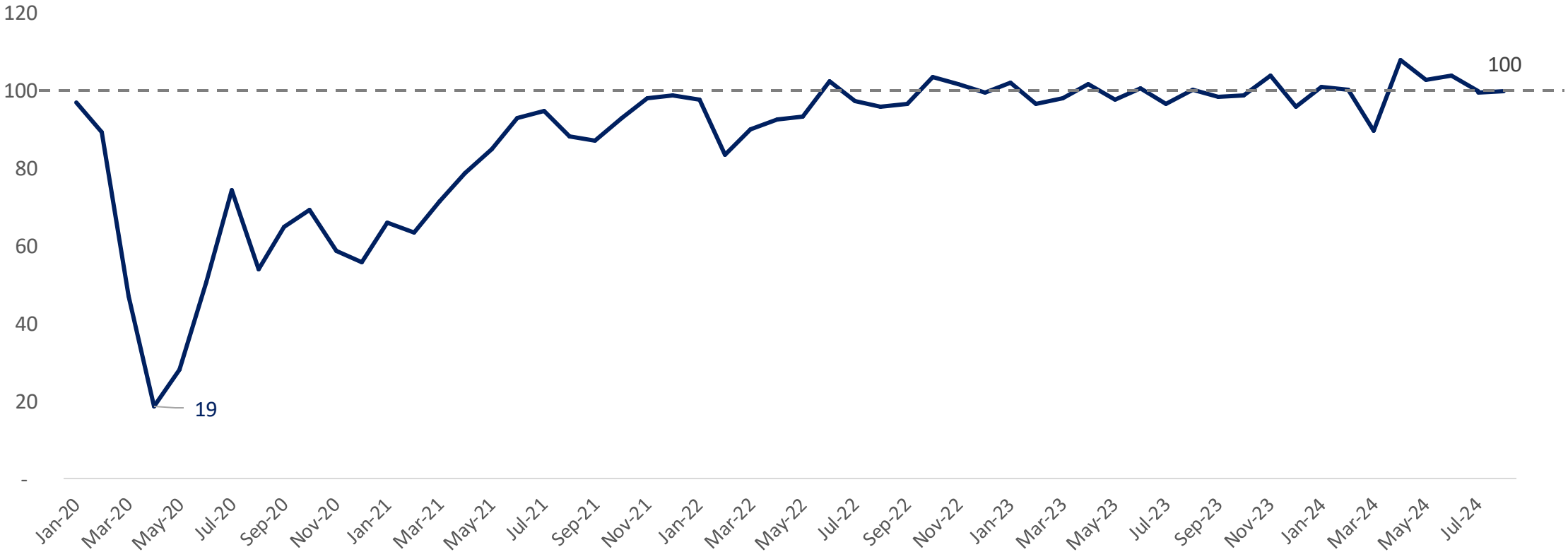
visit
hamilton
county
indiana



Occupancy mostly recovered versus 2019

Hotel Occupancy

Hamilton County, % recovered vs same period in 2019 (index, 2019=100)

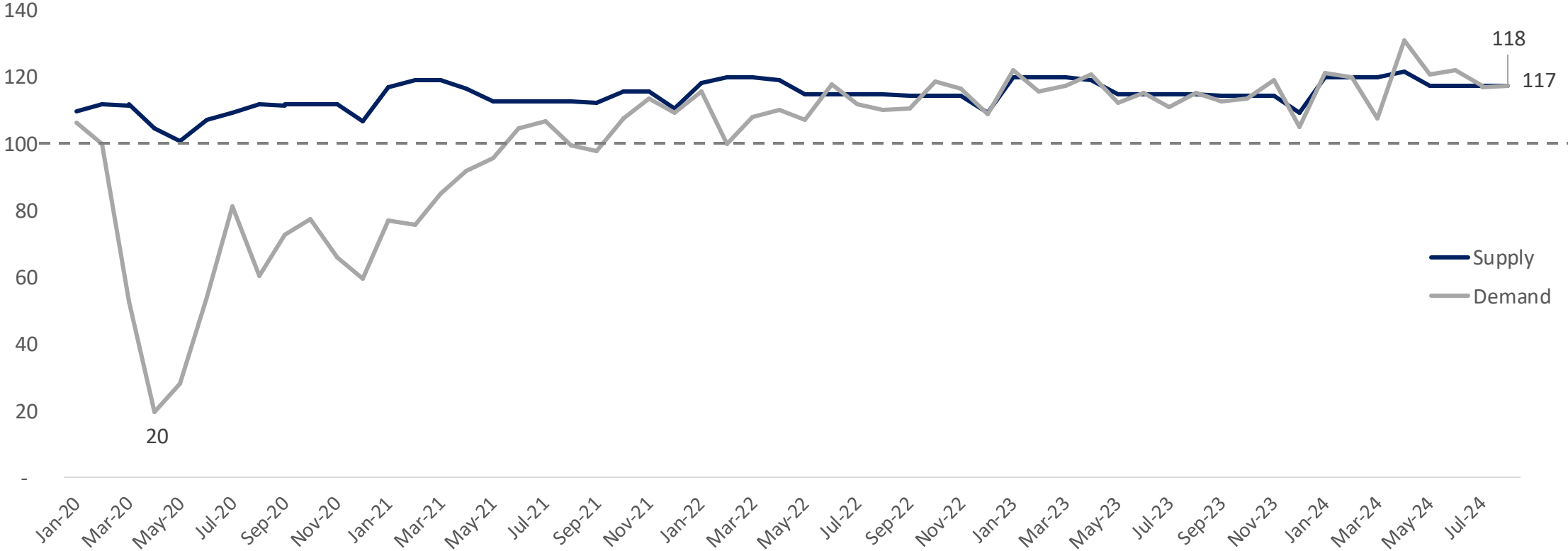


Source: STR

Demand recovered fully in 2022

Hotel Supply and Demand

Hamilton County, % recovered vs same period in 2019 (index, 2019=100)

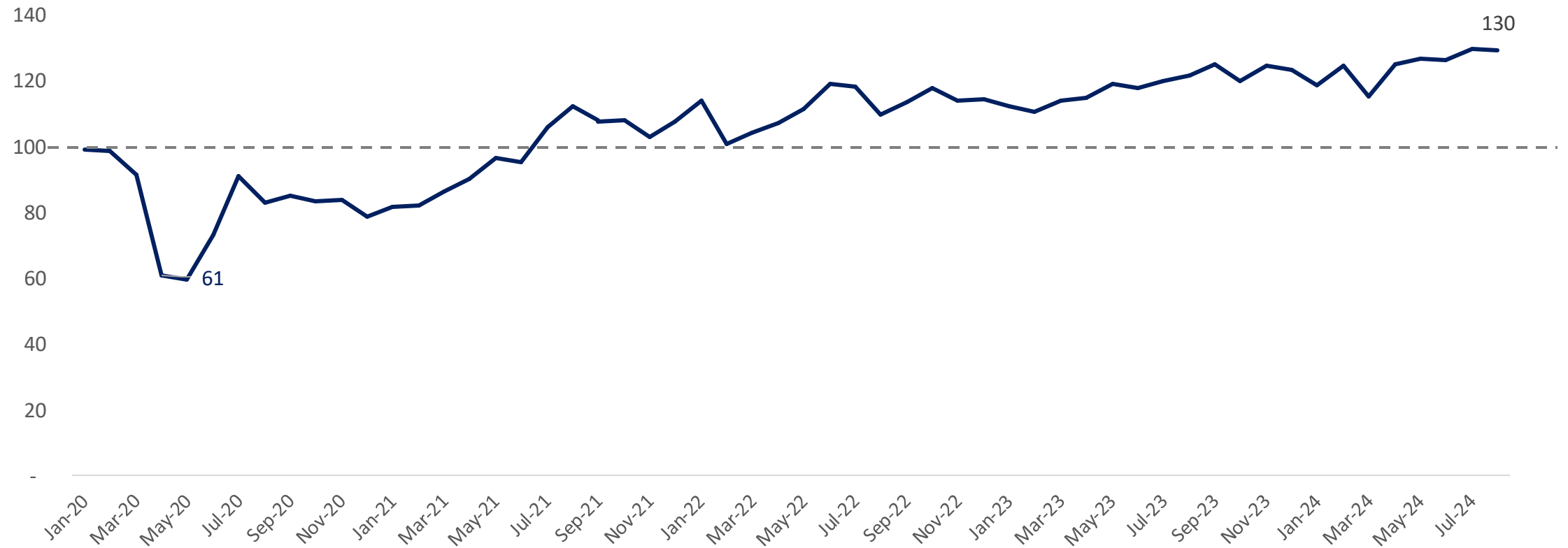


Source: STR

ADR on record trajectory in 2024

Hotel ADR

Hamilton County, % recovered vs same period in 2019 (index, 2019=100)

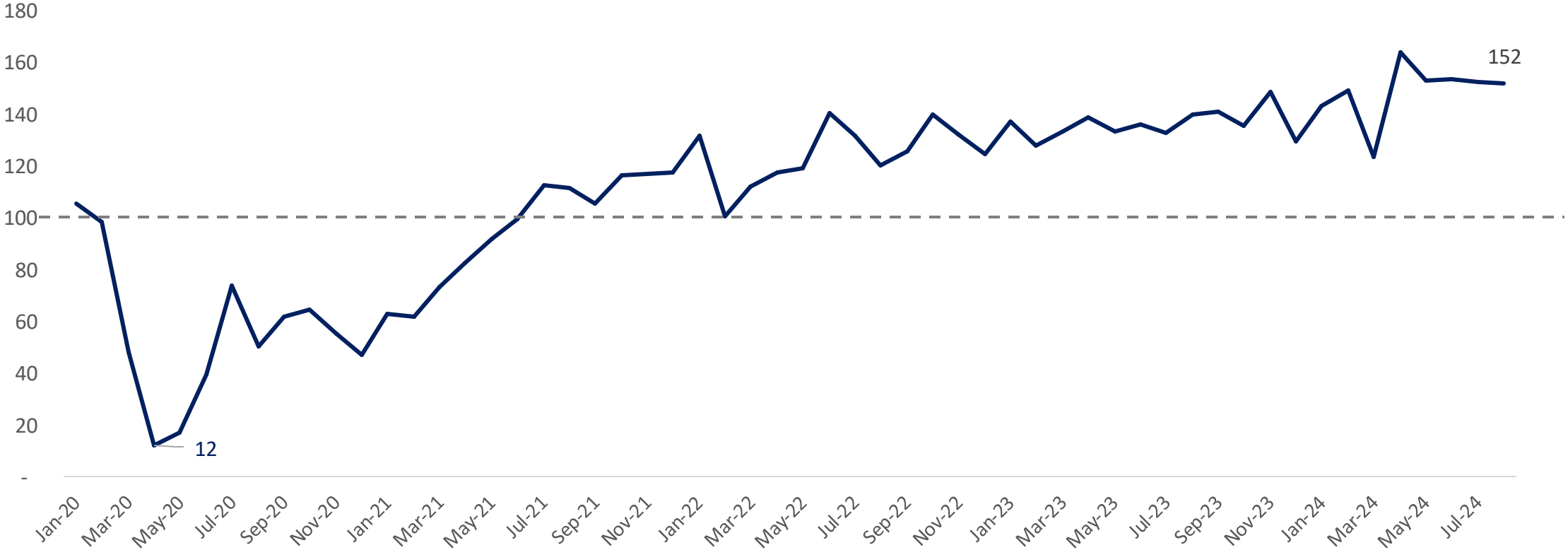


Source: STR

Revenue far exceeding 2019 levels

Hotel Revenue

Hamilton County, % recovered vs same period in 2019 (index, 2019=100)

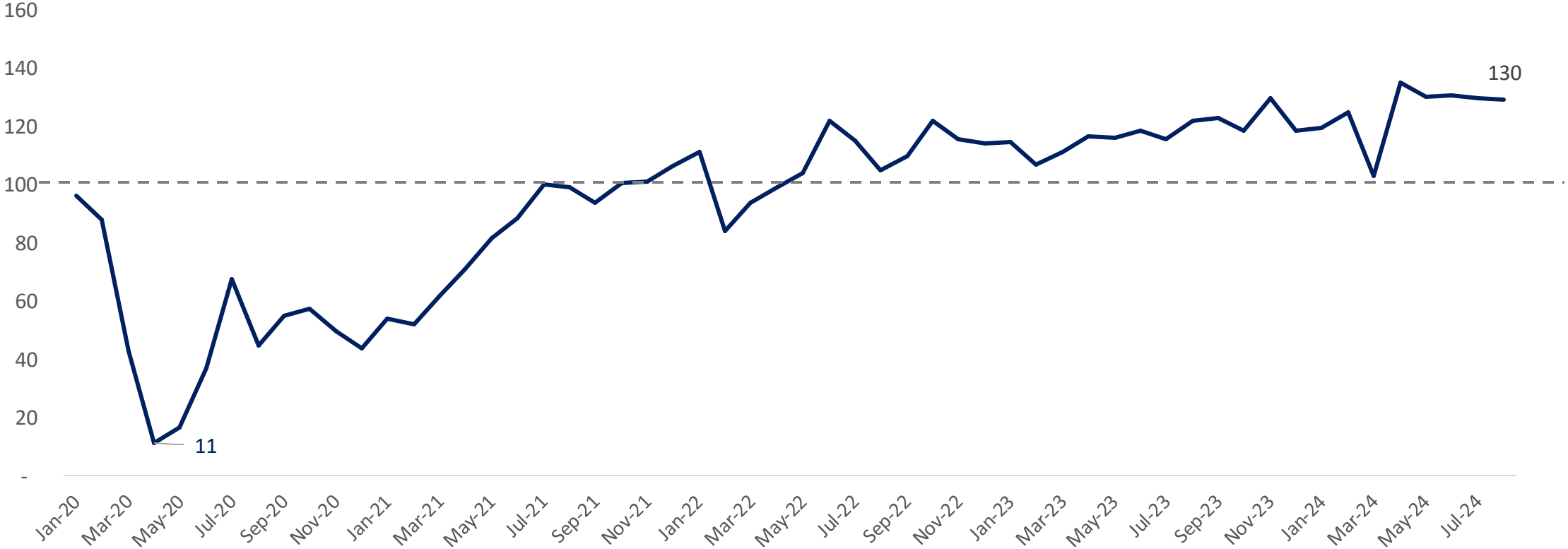


Source: STR

RevPAR up significantly due to increased ADR

Hotel RevPAR

Hamilton County, % recovered vs same period in 2019 (index, 2019=100)

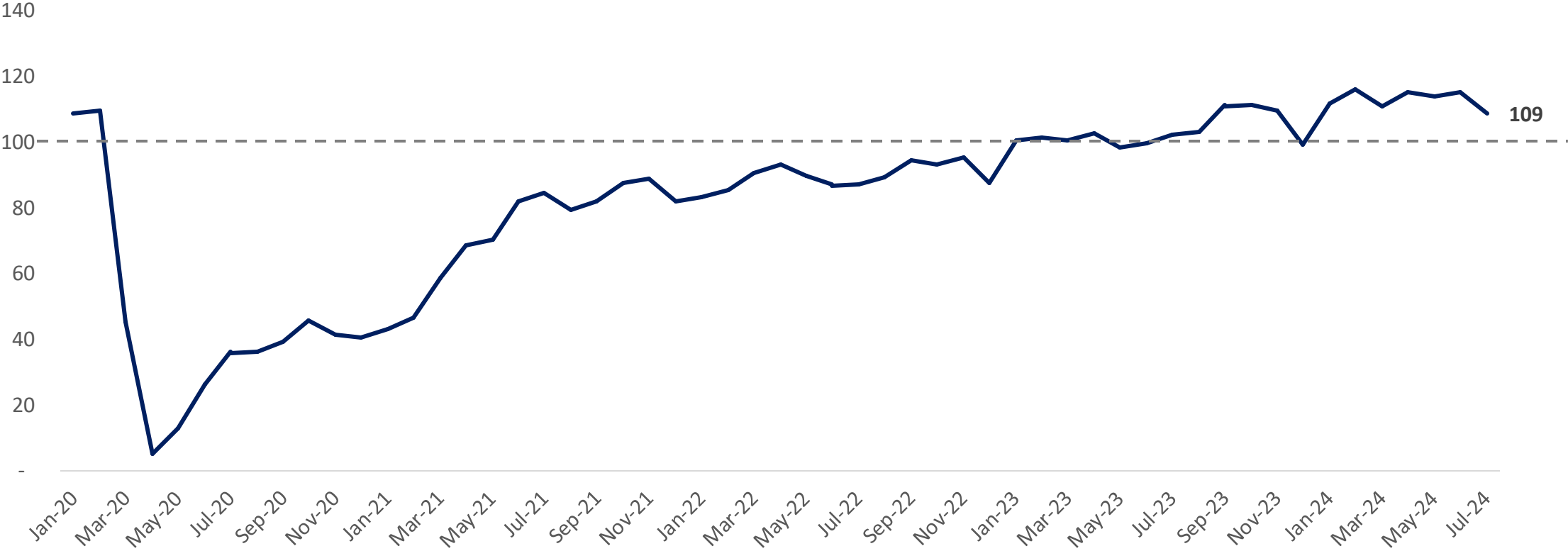


Source: STR

Air travel is fully recovered at IND

Air Travel

Total throughput at Indianapolis International Airport, % recovered vs same period in 2019 (index, 2019=100)



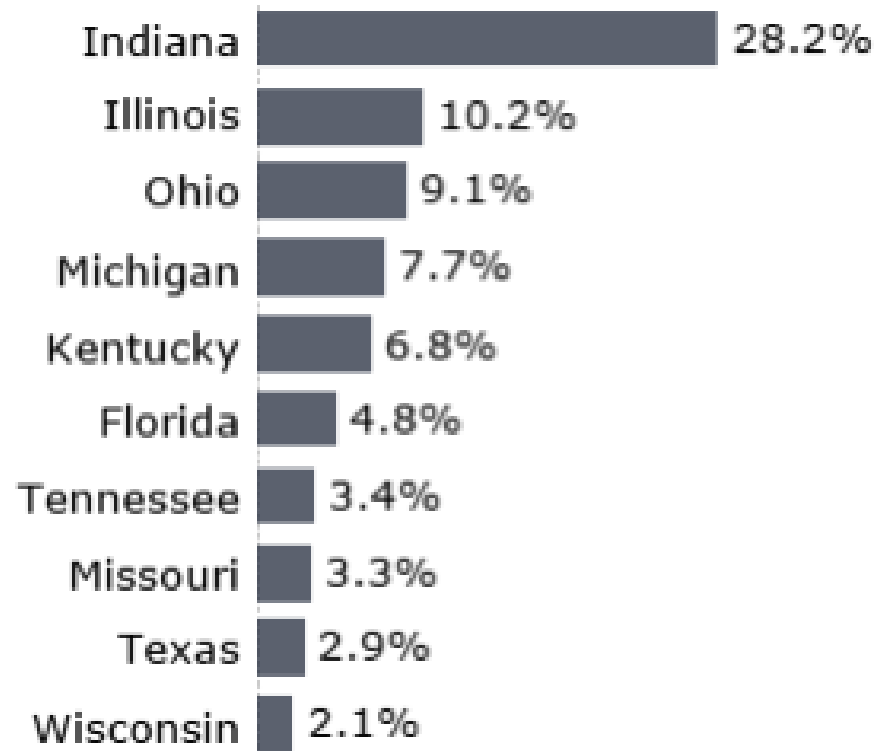
Source: TSA

Over 70% of visitors from out of state

January-July 2024

Top Visitor Origin States

% share of total



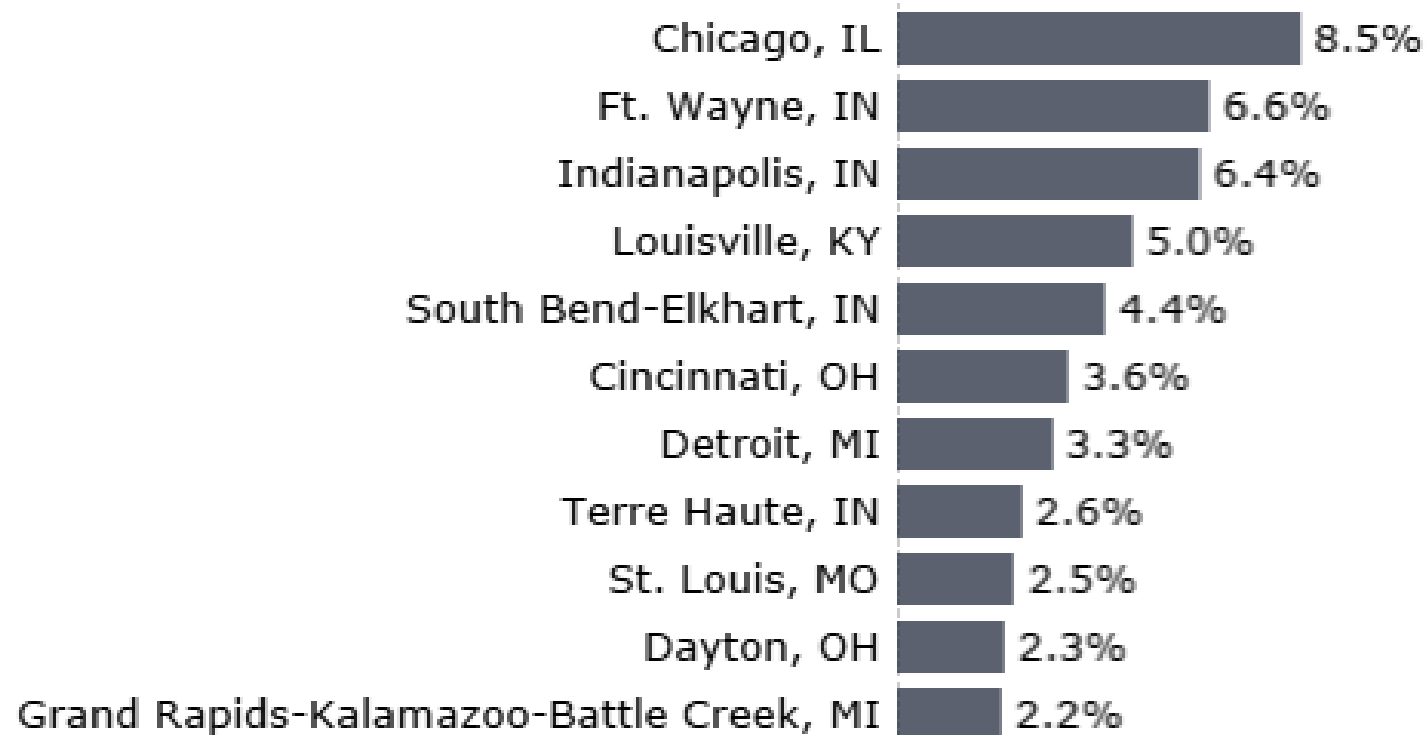
Source: Azira

Top 5 Origin Markets represent 30% of visitation

January-July 2024

Top Visitor Origin DMAs

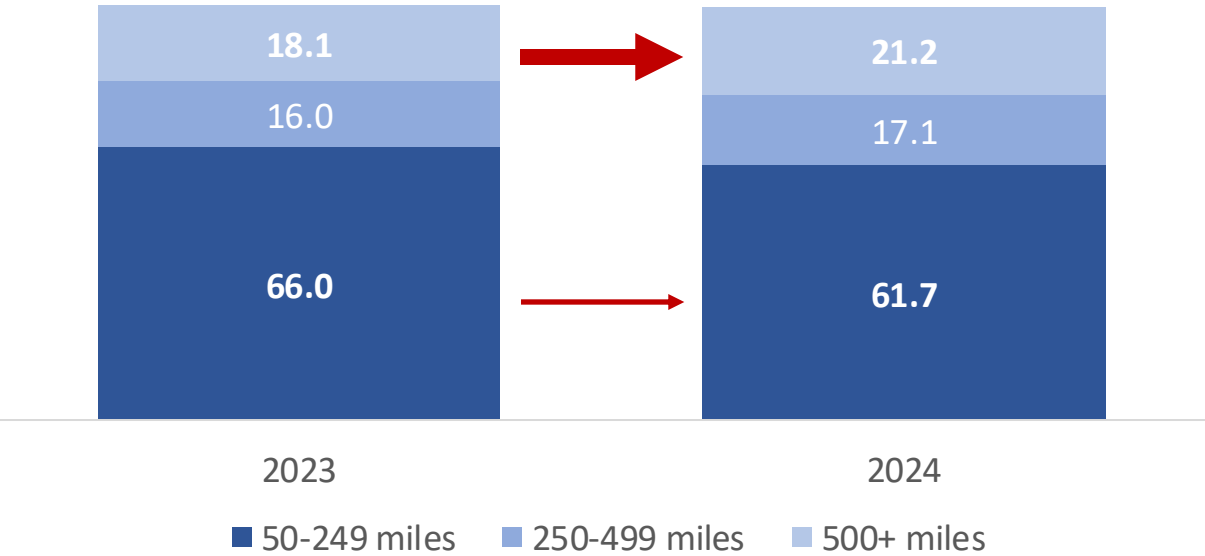
% share of total



Source: Azira

Share of fly-market visitors to Hamilton County increased..

Visitors by distance traveled
% share of total visitors, Hamilton County



% share of visitors from within a 250-mile radius decreased from 66% in 2023 to 62% in 2024.

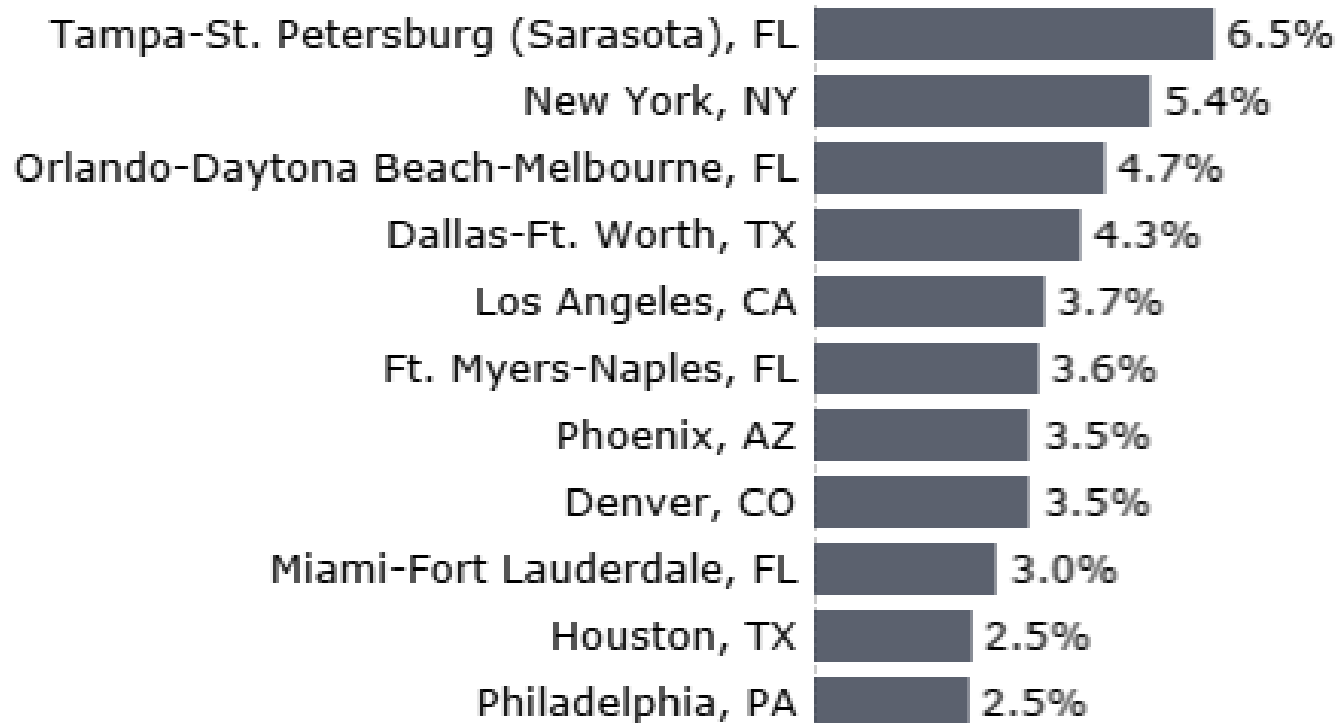
Source: Azira

Top visitor markets, 500+ miles

January-July 2024

Top Visitor Origin DMAs

% share of total

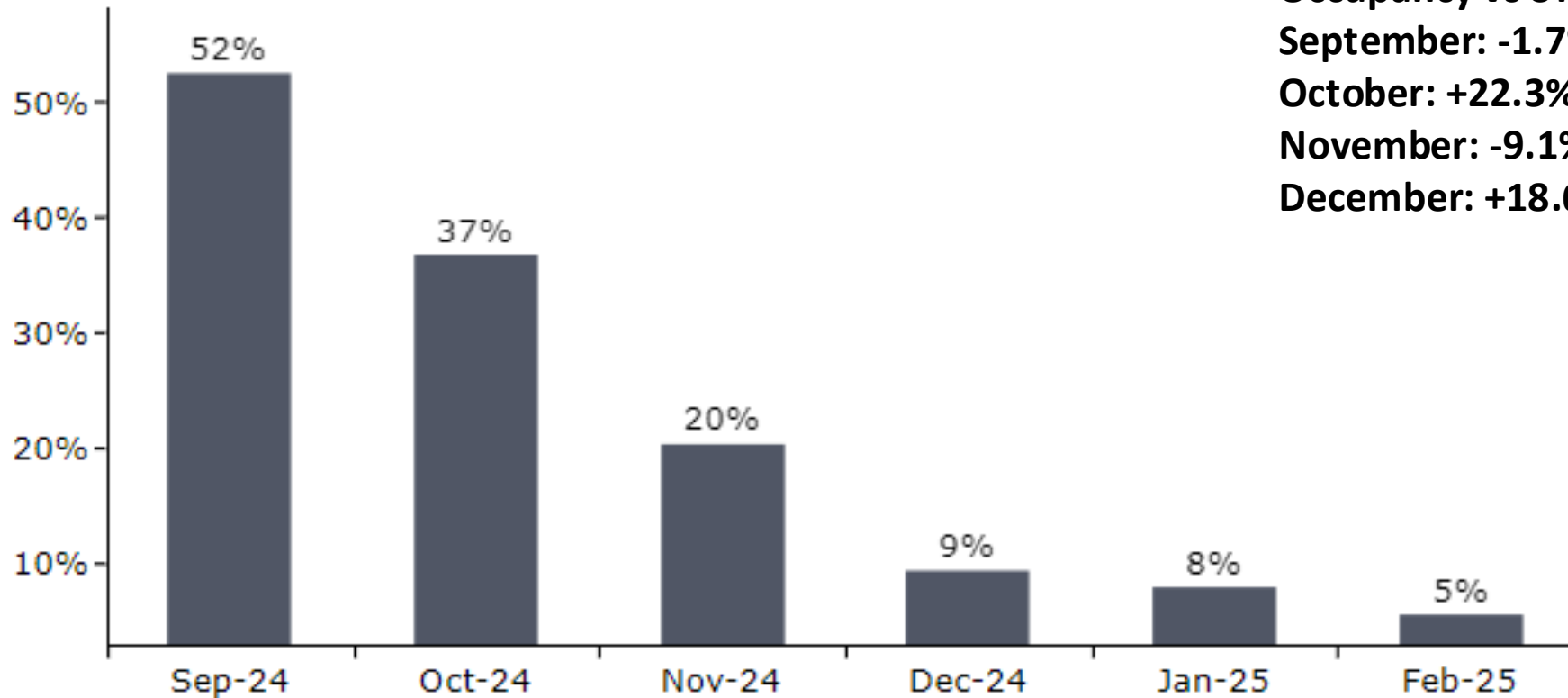


Source: Azira

October and December pacing well ahead of PY

Future Occupancy Outlook

Occupancy for Hamilton County as of Sep 11, 2024



Occupancy vs STLY

September: -1.7%

October: +22.3%

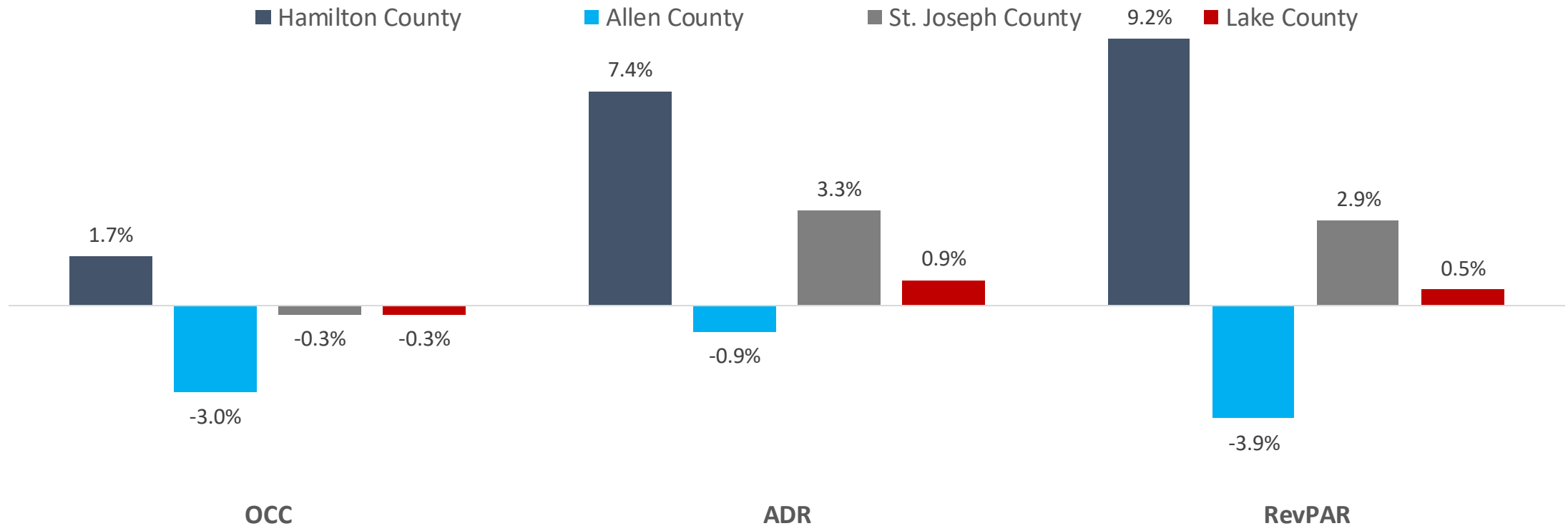
November: -9.1%

December: +18.6%

Source: Travelclick

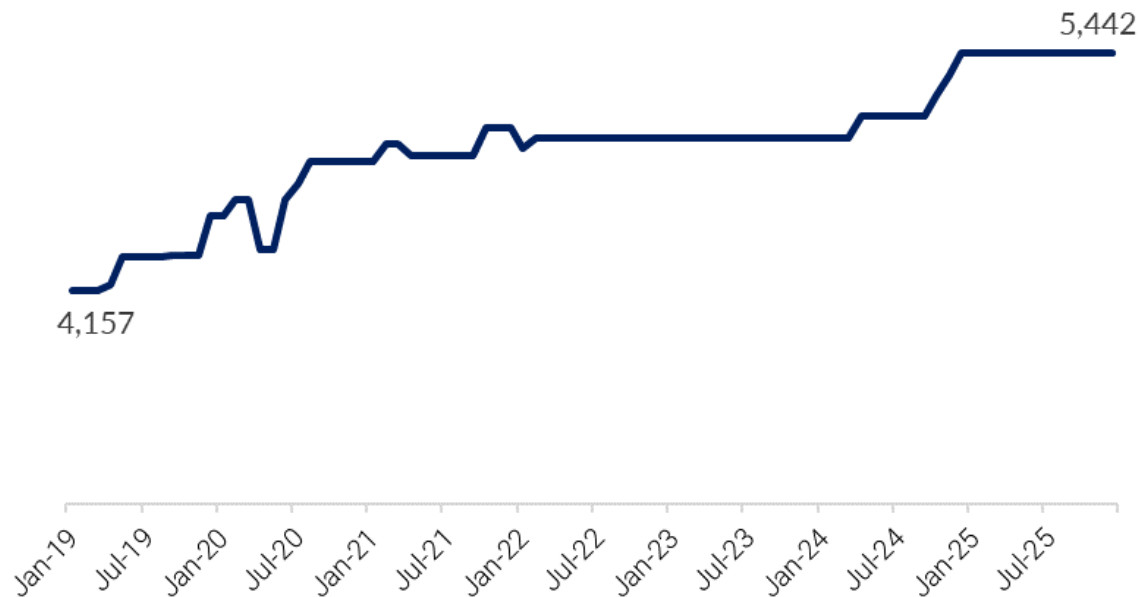
Hamilton County performing better than comp set in 2024

Hotel Performance YTD (through August 2024)
% change YOY



Source: STR

New Supply in 2024 leading to 6% increase in 2025



Source: CoStar, Tourism Economics

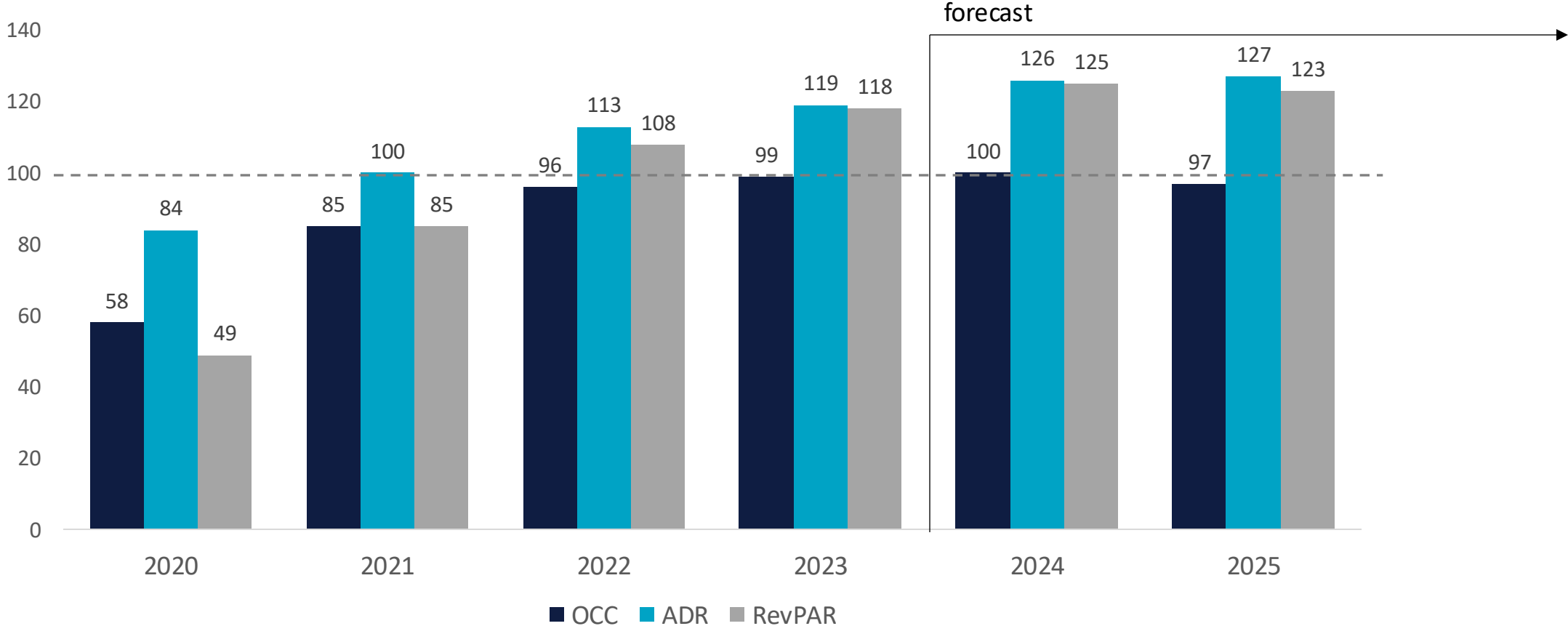
Opening dates are based on the CoStar/STR pipeline report and published opening dates on corporate websites. Opening dates are subject to change.

- Hamilton County's hotel inventory is expected to add four hotels in 2024 totaling 461 rooms:
 - Apr: Hotel Nickel Plate Fishers, Tapestry Collection by Hilton, 116 rms
 - Oct: element Carmel, 115 rms
 - Nov: Residence Inn by Marriott Noblesville, 112 rms
 - Dec: The Tallison Hotel, Tribute Portfolio, 118 rms
- There are no hotels currently under construction or in final planning with an opening date in 2025, giving the destination some time to absorb the new rooms.
- Inventory growth could accelerate in 2026:
 - Nine properties totaling 970 rooms in Final Planning have projected opening dates in 2026.
 - Five more properties totaling 448 rooms in early planning are targeting 2026.

Recovery driven by ADR growth

Hamilton County Hotel Forecast

% recovered relative to 2019, Index (2019=100)

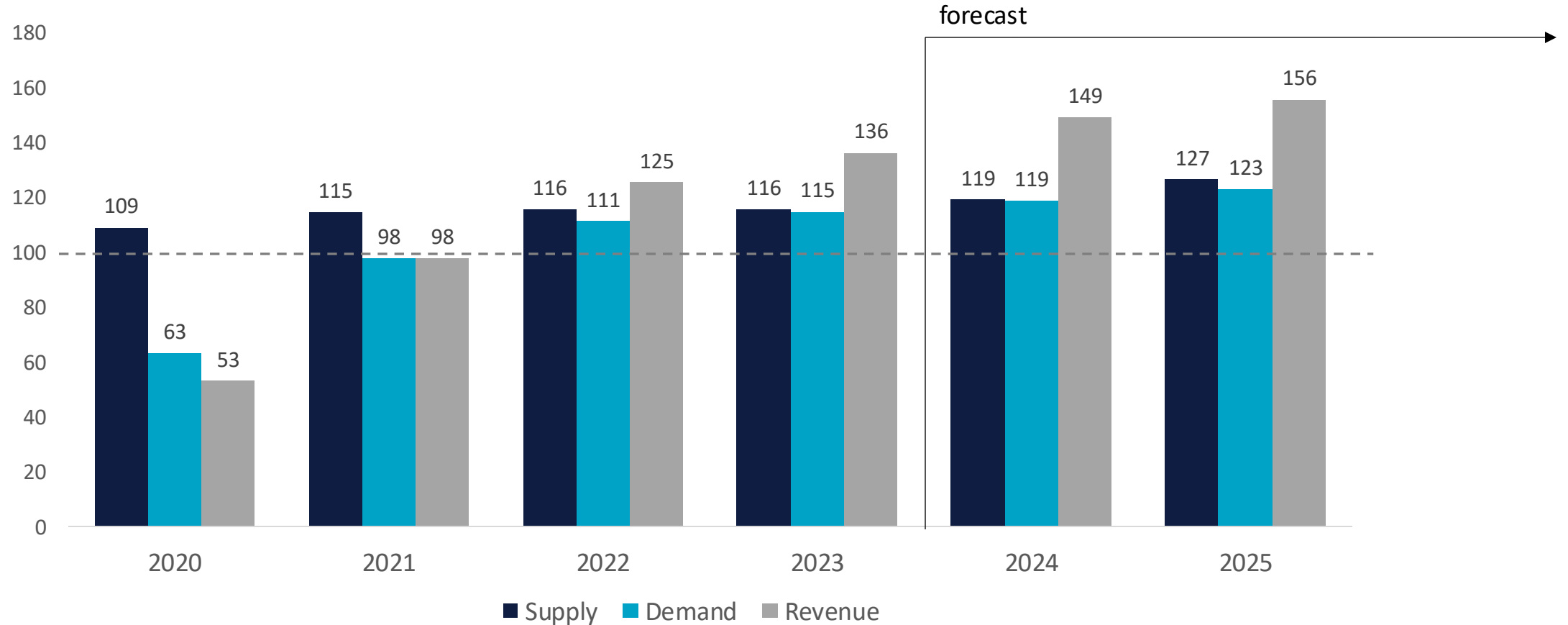


Source: Tourism Economics, STR (actuals as of July 2024)

Strong revenue trajectory in 2024 and into 2025

Hamilton County Hotel Forecast

% recovered relative to 2019, Index (2019=100)

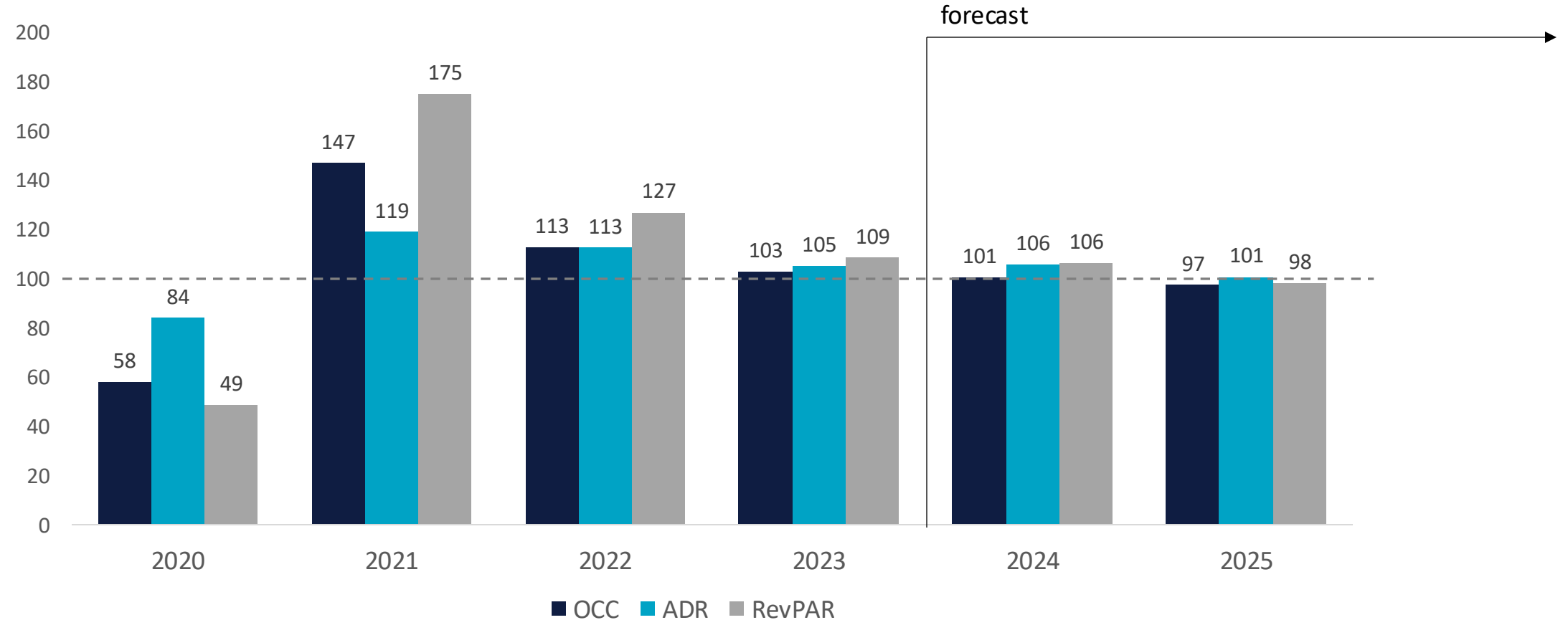


Source: Tourism Economics, STR (actuals as of July 2024)

YOY gains in 2025 modest due to Supply growth

Hamilton County Hotel Forecast

Index (prior year=100)

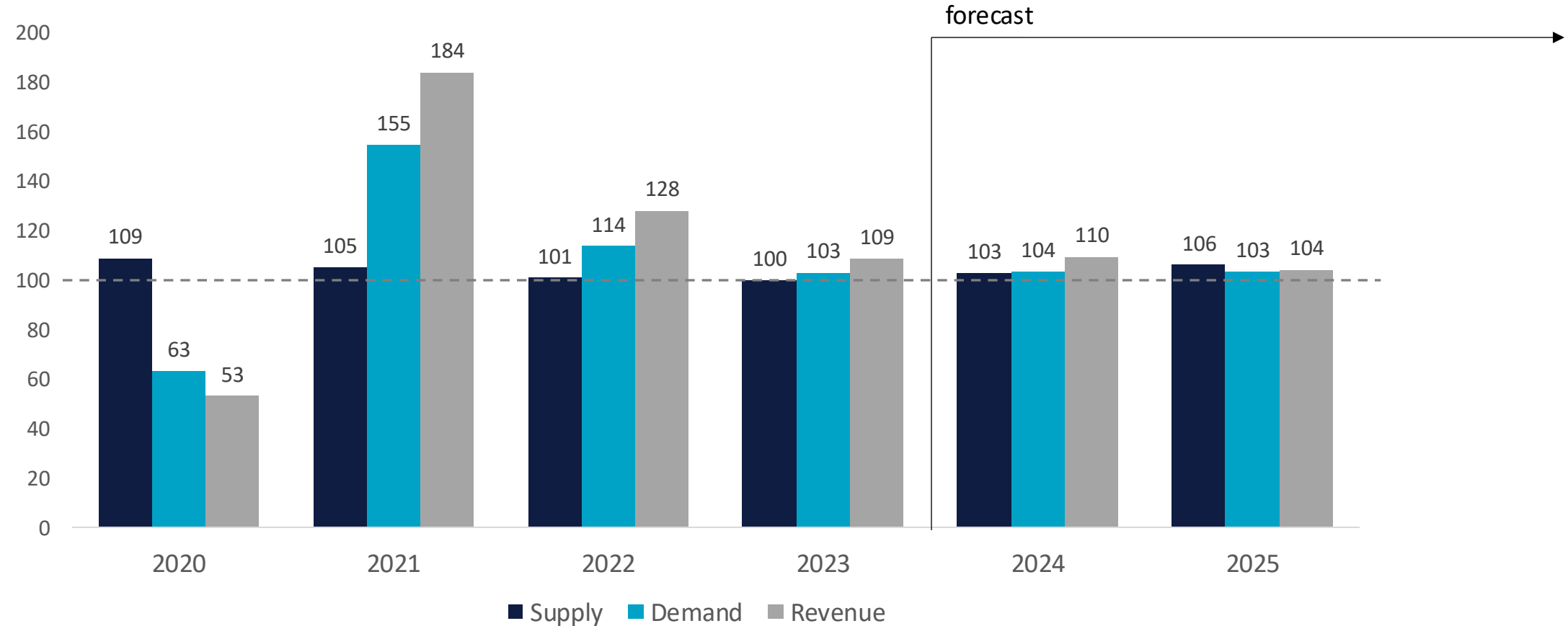


Source: Tourism Economics, STR (actuals as of July 2024)

All key hotel indicators expected to grow in coming years

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Index (prior year=100)



Source: Tourism Economics, STR (actuals as of July 2024)

Supply growth in 2025 will impact RevPAR

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Indicator	2023	2024	% Chg YOY	% Chg vs 2019	2025 (f)	% Chg YOY	% Chg vs 2019
Occupancy	63.1%	63.5%	0.6%	(0.2%)	70.2%	0.4%	4.7%
ADR	\$140.49	\$148.47	5.8%	25.6%	\$149.79	0.8%	26.6%
RevPAR	\$88.63	\$94.31	6.4%	25.3%	\$92.64	(1.8%)	23.1%
Supply	1.82M	1.87M	2.9%	19.2%	1.99M	6.2%	26.5%
Year-End Rooms	4,981	5,442	9.3%	19.4%	5,442	-	19.4%
Demand	1.15M	1.19M	3.6%	18.9%	1.23M	3.4%	23.0%
Revenue	\$161.1M	\$176.5M	9.5%	49.3%	\$184.0M	4.3%	55.7%

Source: Tourism Economics, STR (actuals as of July 2024)

A large commercial airplane is shown from a rear perspective, flying over a city at sunset. The sky is a warm orange-brown color, and the city skyline is visible in the background. The airplane's landing gear is deployed. The word "Summary" is overlaid in white, bold, sans-serif font on the left side of the image.

Summary

Summary

Economy

- Fears about the economy are overdone. Economy is decelerating this year and next, but not alarmingly so.
- A resilient labor market and cooling inflation continues to underpin consumer spending
- Though many lower income households will be pinched
- Election impacts in 2025 will likely be limited

Travel

- Lower-tier hotels face softening demand
- Though some markets are easing, leisure travel continues to experience a tailwind, as consumer budgets have capacity
- Business travel still rebuilding, positive trends for group
- International inbound still with strongest gains

Hamilton County

- Strong revenue and demand recovery coming out of the pandemic, ahead of nation
- Significant supply growth in 2024 with 4 hotels opening by year-end
- Supply mostly absorbed into 2025, but will drag RevPAR down slightly
- Revenue growth driven by increased demand