



SPOTLIGHT ON
2015 NORTH AMERICAN
TRAVEL OUTLOOK



A monthly update including relevant information on tourism industry trends, consumer market research, Hawai'i's performance as a destination, and competitive intelligence.

MARKET INSIGHTS UPDATE

JANUARY 2015

North American Travel Market Update



Hawai'i's tourism industry outlook for the North America market in 2015 is bright. The U.S. economy is in recovery mode, with indicators pointing upwards, spurred in part by falling fuel prices. Positive economic indicators bode well for consumer demand and industry expansion, putting the travel industry in the best possible position in recent memory as the new year unfolds.

The U.S. Travel Association is forecasting total domestic leisure person trips to top out at 1.7 billion in 2015, +1.6 percent growth year-over-year.



Total expenditures by U.S. residents are also expected to grow +3.6 percent in the upcoming year, reaching nearly \$806 billion.

Hawai'i, too, is poised for growth. Strong market conditions, combined with a record-level of scheduled air seats to Hawai'i, will help boost visitor arrivals in the upcoming year. At the same time, Hawai'i will continue to face stiff competition from top international travel destinations, due in part to a strengthening U.S. dollar and falling foreign currencies.

INDUSTRY FORECAST

Forecasts show a promising year ahead for the lodging and air sectors, with an expected increase in demand and revenue in 2015.

[PG2](#)

CONSUMER DIRECTION

Interest in Hawai'i as a vacation destination continues to grow. Falling oil prices will have a positive impact on the travel industry, putting more discretionary income directly in the hands of consumers.

[PG4](#)

COMPETITOR OUTLOOK

Competition is heating up among top travel destinations. A stronger U.S. dollar, combined with increased air seat capacity to international competitors, will pose a challenge in 2015.

[PG6](#)

Source: HVCB analysis of U.S. Travel Association U.S. resident domestic travel data





Hotel and Air Forecast for 2015

At a Glance: Cruise Industry Outlook

2014 proved to be a good year for the U.S. cruise industry. According to Cruise Planners, Sales by agency were up +26 percent on average in 2014, while advance bookings for 2015 are up +44 percent. Prices are expected to move higher as well. World Travel Holdings reports that business on the books for 2015 is tracking five percent higher in price than in 2014. The Caribbean and Europe are seeing stronger pricing in particular.

*Continued on
PG3*



Lodging Demand and Revenue to Grow in 2015

The U.S. hotel industry outperformed expectations in 2014 in what is expected to be the largest year-over-year increase in demand since 2011. Smith Travel Research is forecasting that momentum to carry over into 2015, with more positive performance on the horizon for the lodging industry. With demand having skyrocketed in the past year, pace is likely to stabilize in 2015 despite stronger economic growth.

Hotel performance in 2014 hit a high note. Occupancy is expected to have reached 64.4 percent in the U.S., a level that has not been seen since 1996. Average daily rate and revenue per available room are also expected to set records at \$116 and \$74 respectively, reaching their highest rate since Smith Travel Research began tracking hotel data in 1987.

With lodging demand growing at a pace twice as fast in 2014 than recent years, 2015 performance is expected to level off but still show modest gains. STR predicts that occupancy will rise to

65.1 percent in 2015, a +0.7 percentage point growth year-over-year. Meanwhile, ADR is expected to reach a new peak in 2015, growing +5 percent to just over \$121. Both supply and demand are expected to grow as well, by +1.3 percent and +2.4 percent respectively.

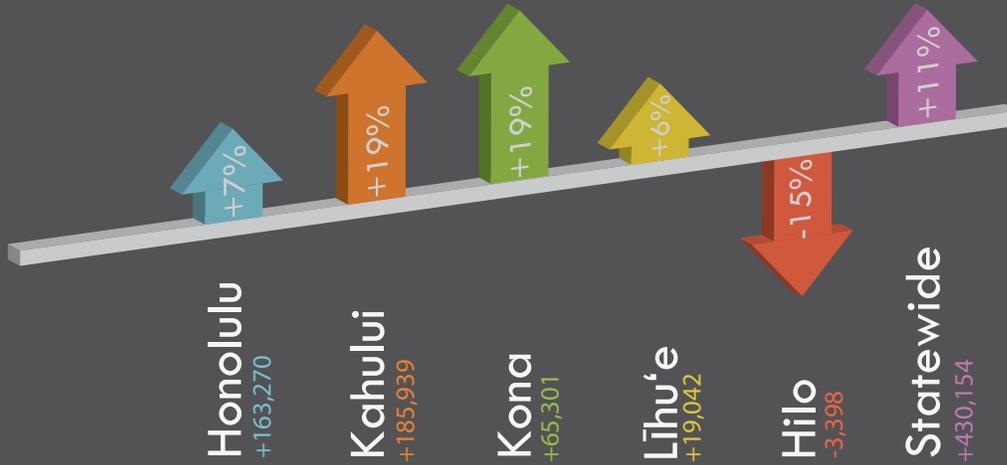
Hawai'i's hotel occupancy rate remains well above the U.S. average. The most current available data for 2014 puts statewide occupancy at 77.8 percent year-to-date through September, on par with 2013. Although occupancy was relatively flat in the first nine months of 2014, it is difficult for Hawai'i to grow at a similar rate as the rest of the U.S. due to the state being at near full operating capacity, as well as with the challenge of distributing visitors to the neighbor islands with available rooms. ADR, on the other hand, fell more in line with the average U.S. growth rate, posting a nearly +5 percent increase year-over-year at \$241. Similarly, revenue per available room grew +4.8 percent, reaching \$188 year-to-date through September 2014.

Lodging Continued

This momentum is expected to continue into 2015, with a record-level of air seats to Hawai'i helping to drive lodging demand. With the bulk of additional air seats des-

igned for the Neighbor Islands, Maui and Hawai'i Island will also likely see a boost in occupancy in the first half of 2015, assuming demand remains strong.

Hawai'i Air Seat Outlook January - June 2015



At a Glance: Cruise Continued

from PG2

North Americans in higher income brackets in particular are now booking non-Caribbean cruises further out, helping to fill ships at more traditional yields. According to a recent Travel Leaders Group survey, 87 percent of U.S. agents who book luxury travel stated their luxury cruise bookings are equal to or better than this time last year.

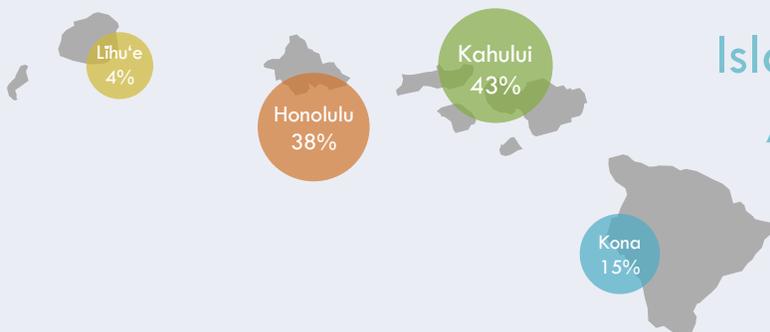
Hawai'i has welcomed nearly 220,000 cruise ship visitors in 2014 year-to-date through November, which is a -15.8 percent drop as compared to the same time in 2013. The decrease in cruise visitor traffic resulted from a downturn in ship arrivals to the state (63 in 2014 year-to-date through November vs. 76 during the same period in 2013). While coordinating cruise ship visits among Hawai'i's ports has slowed cruise business in the past, the Hawai'i Tourism Authority will be launching a maritime vessel scheduling software system in mid-2015 to help streamline the scheduling process.

Air Seats Reach Record High in First Half of 2015

The outlook for the airline industry in 2015 is promising. The International Air Transport Association expects the global airline industry to report a record \$25 billion profit this year, up from the forecasted \$19.9 billion in 2014. North American airlines are expected to post the strongest performance globally, reaching a profit margin of +6 percent in the upcoming year. With the cost of oil reaching a five-year low in January

2015, airlines are reaping the benefits. That is not to say the airline industry is without risk. Political unrest, conflicts, and weak regional economies pose potential problems for the industry.

Hawai'i expects to benefit from the rosy global outlook with a boost in airline traffic in the first half of 2015. Scheduled air seats from the U.S. and Canada are expected to grow +11.1 percent in the upcoming six-month period.



Island Share of Added Seats



Consumer Direction in 2015

At a Glance: Canadian Outlook

The Canadian overseas travel market will face mounting challenges moving into 2015. After reaching parity in 2013, the value of the Canadian dollar fell by more than -10 percent in 2014, ending the year at just \$0.87 cents on the U.S. dollar. The declining value of the loonie will put significantly more pressure on Canadians traveling to the U.S. in 2015. Due to the unfavorable exchange rate, as well as increasing ADR, Canadians paid on average +11.7 percent more for a hotel room in the U.S. through October 2014. This percentage is expected to grow even larger in the upcoming year, as the Canadian dollar dipped further against the U.S. dollar in January 2015, to just \$0.80.

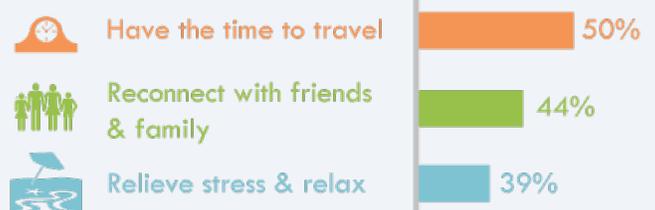
Increased Vacation Demand from U.S. Consumers

Travel demand is expected to remain strong among consumers at the start of 2015. According to the latest MMGY Global *travelhorizons* data from the fourth quarter of 2014, 25 percent of U.S. air leisure travelers expect to take more vacations in the upcoming six months than the same time last year. When asked why, half of U.S. air leisure travelers said they have more time to travel now. Similarly, 44 percent of leisure travelers are planning to take more vacations in order to reconnect with friends and family, while 39 percent are planning to travel more in

order to relieve stress as well as take a break from their normal routine.

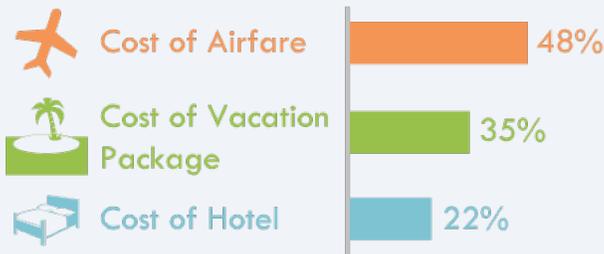
Interest in Hawai'i as a vacation destination is strong. Nearly 65 percent of U.S. air leisure travelers expressed interest in visiting Hawai'i on vacation in the next two years. However, the percent who are actually likely to visit Hawai'i in the same time frame is much lower (37%). Although the drop off from interest to likelihood is not unusual for a long-haul destination like Hawai'i, the high cost of travel to the state in 2014 likely widened to the most recent gap.

Top Reasons to Travel in 2015



Source: HVCB analysis of MMGY Global *travelhorizons* data Q4 2014

Barriers to Travel to Hawai'i



Source: HVCB analysis of MMGY Global travelhorizons data Q4 2014

Consumer Direction Continued

Cost of travel continues to be the single largest concern for consumers, even when economic conditions moving into 2015 are the most favorable they have been in recent years. More than one-in-three U.S. air leisure travelers who have considered visiting Hawai'i have decided not to after all. Of the reasons cited, the cost of airfare (48%), vacation packages (35%), and hotel (23%) are the largest prohibiting factors for American travelers who have considered taking a vacation to Hawai'i.

The cost of travel to Hawai'i for consumers reached unprecedented highs in 2014, posting significant year-over-year increases that helped to drive Hawai'i's high-cost perception among U.S. and Canadian travelers. The average cost of a Hawai'i vacation for Americans (including hotel and airfare) totaled \$3,083 in

the first half of 2014, a +7.5 percent increase year-over-year. A Hawaiian vacation for Canadians grew +12.0 percent to \$4,114 in the same period.

There is some evidence that travel may become more affordable for consumers in 2015. The falling price of oil is largely beneficial to U.S. consumers in the short-term, with lower gas prices putting extra spending money directly consumers' pockets. Economists estimate that just a 1-cent decline in gas prices saves consumers \$1 billion annually. Falling fuel prices have also benefited the airlines. Although the airlines are not expected to lower airfares as a direct result of lower fuel prices, the carriers are using fuel savings as a way to expand service and seat capacity, and increased capacity tends to lead to downward pressure on airfares.

Let Hawai'i Happen

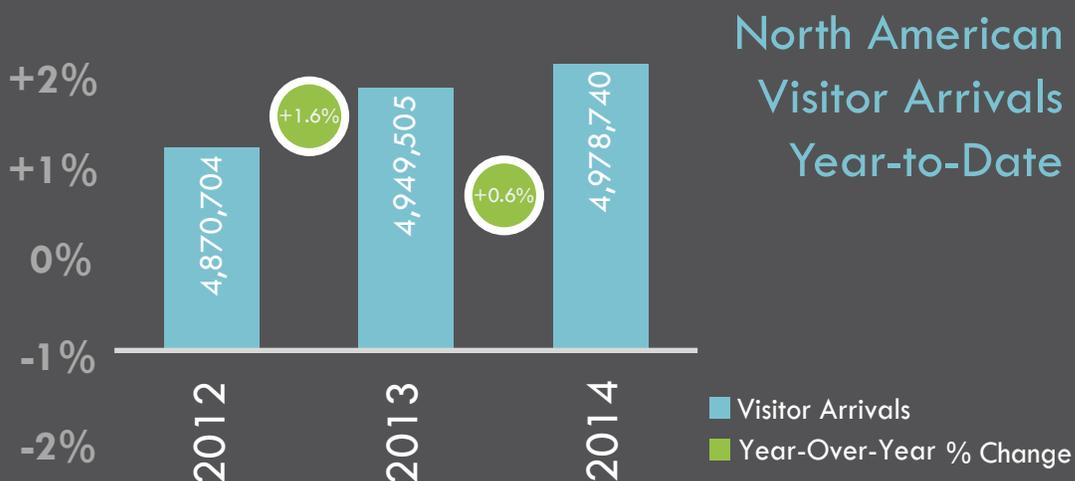


♥ 4,440 likes

gohawaii Nature's picture frame! #lethawaiihappen

We know just how scenic and exciting our Hawaiian Islands can be: whether it's whale watching in the waters off Maui or meeting unique individuals while strolling through the shops of Hale'iwa, these memorable moments often happen every day here for locals and visitors alike.

HVCB will embark on its first integrated social media campaign in 2015 and invites you to tag #LetHawaiiHappen to your favorite Hawai'i moments on Facebook, Google+, Instagram, Pinterest, Twitter, and YouTube. Be sure to ask your guests to do the same. HVCB will be reviewing all tagged images and videos. If your social media post is selected, it will be featured and seen by thousands of people who visit GoHawaii.com and HVCB's social media channels starting January 2015. Your images will help inspire current and future visitors to #LetHawaiiHappen.



Source: HVCB analysis of HTA visitor data through November 2014



Competitor Outlook for 2015

SNEAK PEEK AT NEXT MONTH



Spotlight On: Hawai'i's Romance Market



Updated airfare data for Hawaii from the U.S. and Canada for 2014 Q3



2014 Year-End Visitor Statistics

For more information regarding this issue of the Market Insights Update or to submit topic requests for future issues, please e-mail insights@hvcb.org.

Strong Dollar Puts International Travel More Within Reach

Hawai'i will continue to face stiff competition from top travel destinations in 2015. With a strengthening U.S. dollar and falling foreign currencies, Americans will likely begin to see international destinations as within closer reach than in recent years.

Euromonitor projects Mexico to once again be the most popular overseas destination by volume for Americans in 2015, topping 2014's 21 million person trips with a +1.8 increase. Cancun, Cabo San Lucas, and Puerto Vallarta are expected to remain

popular with visitors. Expedia is predicting an +11 percent spike in air seat capacity between North America and Mexico in the first half of 2015. Air seats to Cancun are expected to jump +15.2 percent in January through April, helping to drive down airfares by -1.3 percent. Similarly, air seat capacity to the Caribbean from the U.S. and Canada is expected to jump by double digits in the first quarter of 2015 and possibly through the first half of the year.



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