



SPOTLIGHT ON: THE SHOULDER TRAVEL SEASON PG2



Photo courtesy of HNTB / for Johnson

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

MARKET INSIGHTS UPDATE

North America | September 2015

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Spotlight On: The Shoulder Season

With schools back in session, the summer peak travel season is drawing to a close. All market indicators point to summer 2015 being one of the busiest summer travel seasons on record. With falling travel prices, an exceptionally strong U.S. dollar, and renewed interest in international travel, Americans took more overseas trips this summer than ever before.

The subsequent 'shoulder season' is marked by lower travel demand relative to the peak periods. With great-

er room availability and lower prices, the fall and spring shoulder seasons hold notable potential for growing Hawai'i's visitor industry. This month's *Spotlight On* highlights the importance of the shoulder season in the long-term sustainable growth of Hawai'i as a destination, including current visitation numbers, occupancy and room rate trends, traveler demographics, and the appeal of off-peak travel from a consumer perspective.

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AIRFARE UPDATE

Recently released airfare data shows the cost of air travel to Hawai'i was down year-over-year in the first quarter in 2015, the first decrease seen in more than a year. Strong consumer demand and cheap oil helped keep air seats in the market longer, boosting supply and keeping fares low.

PG4

WINTER AIR OUTLOOK

The winter 2015/2016 air service outlook is bright. All islands can expect to see an increase in air seat capacity this winter season.

PG5

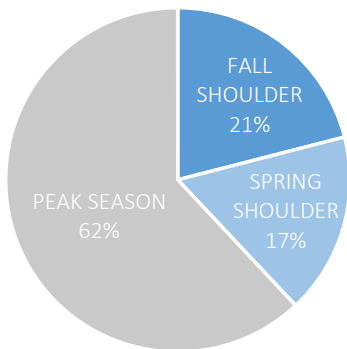




Photo courtesy of HTA/Ter Johnson

Shoulder Season Travel

U.S. Outbound Overseas Travel by Season



Source: U.S. Office of Travel & Tourism Industries data, 2014

Growing Off-Peak Visitation

The peak travel season generally runs from June through August and December through March for North American travelers. April through May and September through November are slower months for U.S. outbound travel, typifying the 'shoulder season'. Approximately 21 percent of all U.S. outbound overseas travel occurs during the fall shoulder season, while 17 percent of overseas trips are taken during the spring shoulder season.

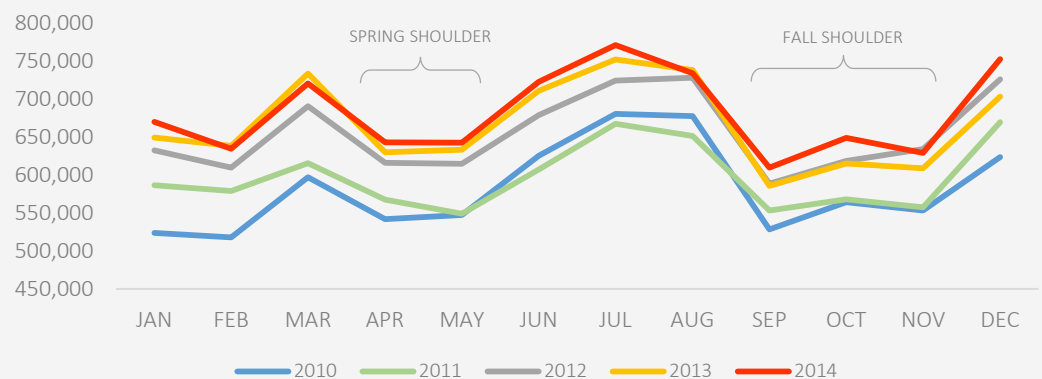
Hawai'i generally sees wide fluctuations in visitor arrivals across the year,

with distinct peak and shoulder seasons. Visitor arrivals have grown at a relatively even rate across both peak and off-peak months. In the past four years, total visitor arrivals increased +17.9 percent during the high season and +16.1 percent in the shoulder season.

Increased visitation during the peak travel periods, however, puts a squeeze on available accommodations. With statewide occupancy nearly maxed out during peak travel months, the shoulder season offers the greatest opportunity to grow business.

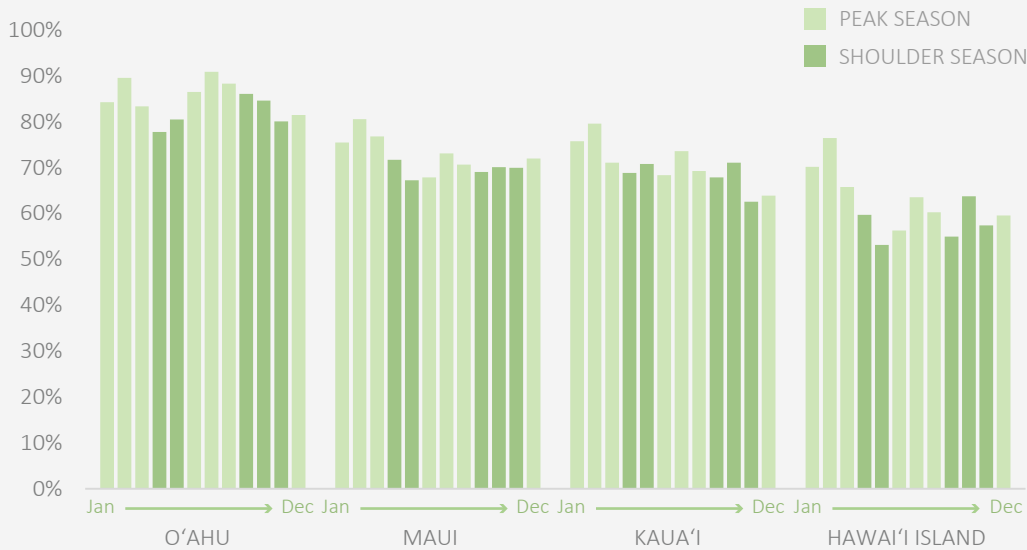
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Total Visitor Arrivals to Hawai'i



Source: HVCB analysis of HTA visitor arrival data, 2010 - 2014

Peak vs Shoulder Season Occupancy



Source: HVCB analysis of Hospitality Advisors data, 2014

For consumers, the off-peak shoulder season offers three key selling points: fewer crowds, lower prices, and cooler weather.

A portion of past visitors to Hawai'i perceive the destination as overcrowded. When prompted, approximately one in ten U.S. visitors say 'congestion and overcrowding' was the worst feature of their most recent trip to the islands. On any given day in 2014, there were more than 205,000 visitors on island. During peak months, this number jumped to 221,000, while during the shoulder season, the average number of visitors on island on any given day dropped to 189,000. Driving business during the off-peak months may help alleviate any overcrowding perceptions among visitors.

In terms of the individual islands, O'ahu has very little room for growth in the off-

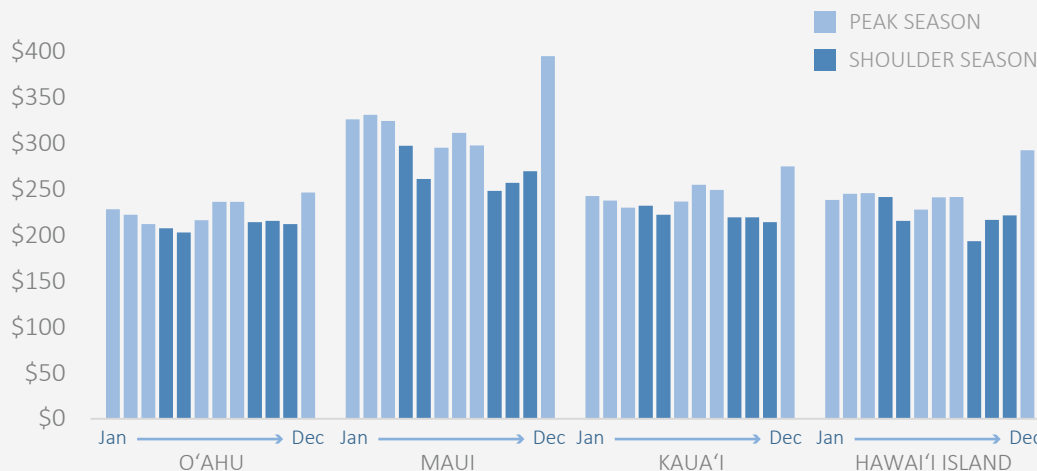
peak season, with high occupancy levels year-round. The Neighbor Islands, however, have lower occupancy in the shoulder months, offering the greatest opportunity for growth.

Travelers seeking better rates will find the shoulder months more attractive. Maui's average daily hotel room rate was -18.1 percent less expensive during the shoulder season compared to peak travel months in 2014, while Hawai'i Island's room rates were -12 percent cheaper in off-peak months. Similarly, Kaua'i's hotel rooms were -10.2 percent less costly during the shoulder season.

The shoulder season largely appeals to travelers without children. More than half of U.S. adults couples (52.2%) travel during the shoulder season months, compared to just 32 percent of families.



Peak vs Shoulder Season Average Daily Rate



Source: HVCB analysis of Hospitality Advisors data, 2014



Air Update

\$645

The average cost of a flight to Hawai'i from the U.S. mainland in Q1 2015 - 5.6% less expensive compared to one year ago.

Hawai'i Airfares Fall in First Quarter of 2015

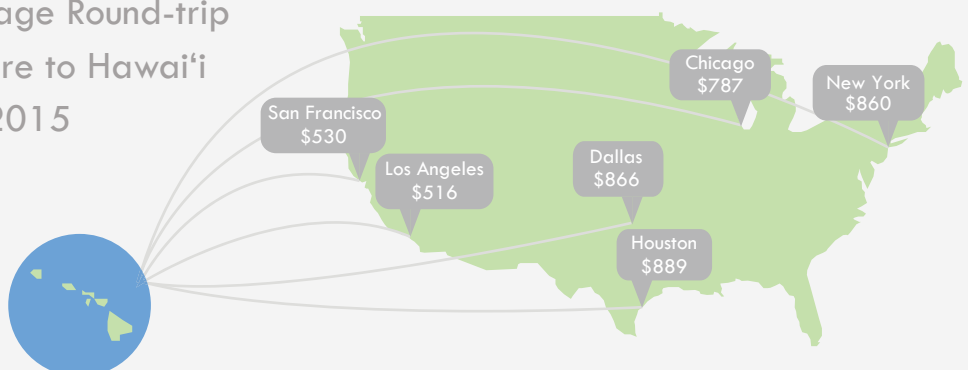
Recently released airfare data shows the cost of air travel to Hawai'i fell in the first quarter of 2015. The cost of a flight to Hawai'i from the U.S. mainland averaged just \$645 in the opening quarter, down -5.6 percent year-over-year. Airfares from many of Hawai'i's key U.S. source markets moderated in the first quarter, including a drop in fares from San Francisco (-11.2%), Los Angeles (-9.7%), Chicago (-8.5%), and Houston (-3.4%). Airfares from New York and Dallas grew slightly, at +3.0 percent and +4.4 percent respectively.

Increased air seat capacity from the North American market helped keep air-

fares low in the opening quarter of 2015. Nearly 1,950,000 seats were bound to Hawai'i from the U.S. mainland in the January through March period, a +9.2 percent increase year-over-year and a first quarter record. Total origin and destination traffic, however, did not keep pace with the increased air seat capacity, growing at a rate of +5.5 percent. The expansion in air seats likely continued to put downwards pressure on airfares in subsequent months leading into the summer period, as growth in inbound domestic passenger arrivals to Hawai'i (+5.3%) continued to trail the expansion in scheduled seats (+8.3%).

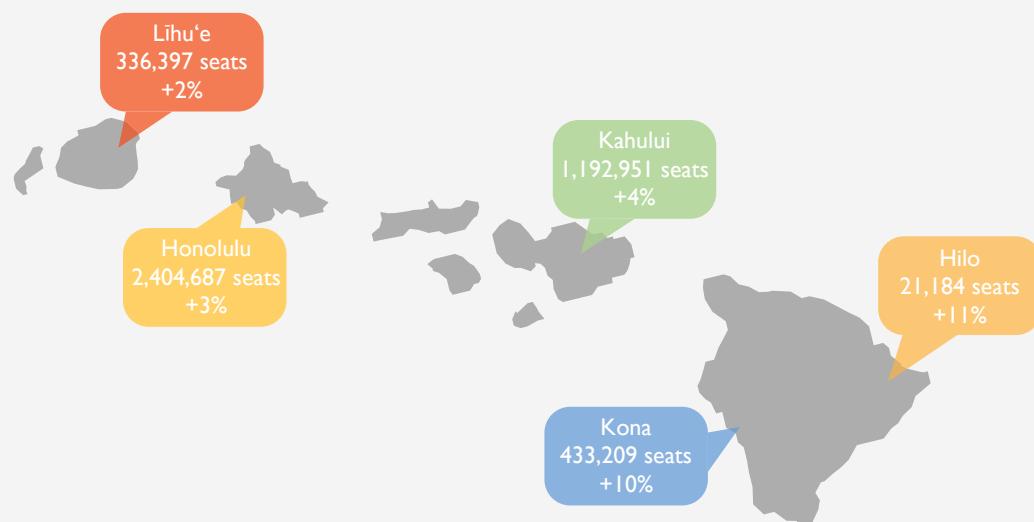
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Average Round-trip Airfare to Hawai'i Q1 2015



Source: HVCB analysis of Diio MI data, Q1 2015

Scheduled Air Seats to Hawai'i from the U.S. and Canada Winter 2015/2016



Source: HVCB analysis of Diio Mi data, November - April 2015/16 vs 2014/15

Unique market conditions – including significantly lower oil prices – allowed airlines to keep the additional air seats in the market for a longer period of time, despite a weakened revenue picture.

From a consumer perspective, first quarter fares to Hawai'i from the U.S. mainland were some of the lowest seen in the past year. Lower fares helped boost visitor arrivals from the North American mar-

ket in the first quarter of 2015, with U.S. arrivals up +5.5 percent year-over-year. Any savings in flight costs, however, were offset by higher hotel room rates, as Hawai'i's statewide Average Daily Rate grew +3.4 percent in the first three months of the year. In total, the cost of a Hawai'i vacation (including hotel and airfare) averaged \$3,192 in the first quarter of 2015, a +0.4 percent increase over 2014.

Winter 2015/2016 Air Service Outlook

The winter air service outlook for Hawai'i is relatively bright. Overall, there are nearly 4.4 million scheduled air seats to Hawai'i from the U.S. and Canada in the November 2015 through April 2016 period, a +4.0 percent increase over prior year levels. All islands can expect to see a boost in air seat capacity in winter 2015/2016. Almost 1.2 million seats are headed for Maui

in the November through April period, a +3.6 percent increase year-over-year. O'ahu can expect to receive more than 2.4 million seats, a +3.4 percent increase over prior year levels. Nearly 455,000 air seats are destined for Hawai'i Island, a +9.7 percent increase compared to the previous year, while Kauai's capacity is expected to grow at +1.8 percent, totaling just over 336,000 seats.

Sneak Peek at Next Month



Spotlight On: The impact of the Sharing Economy on Hawai'i



Latest Hawai'i travel intentions and barriers to travel



Competitor update

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