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ECONOMICS

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How US Economic Shifts Are Reshaping Travel Demand

Zeek Coleman | Vice President, Tourism Economics | zcoleman@oxfordeconomics.com



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asking...**

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6'6 black dude?**

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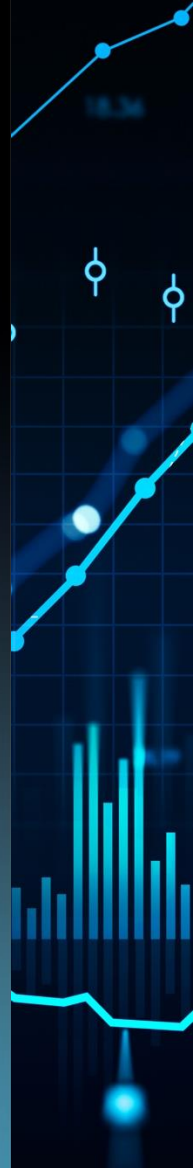
JPMorgan

Moody's Analytics

HSBC

Euromonitor International

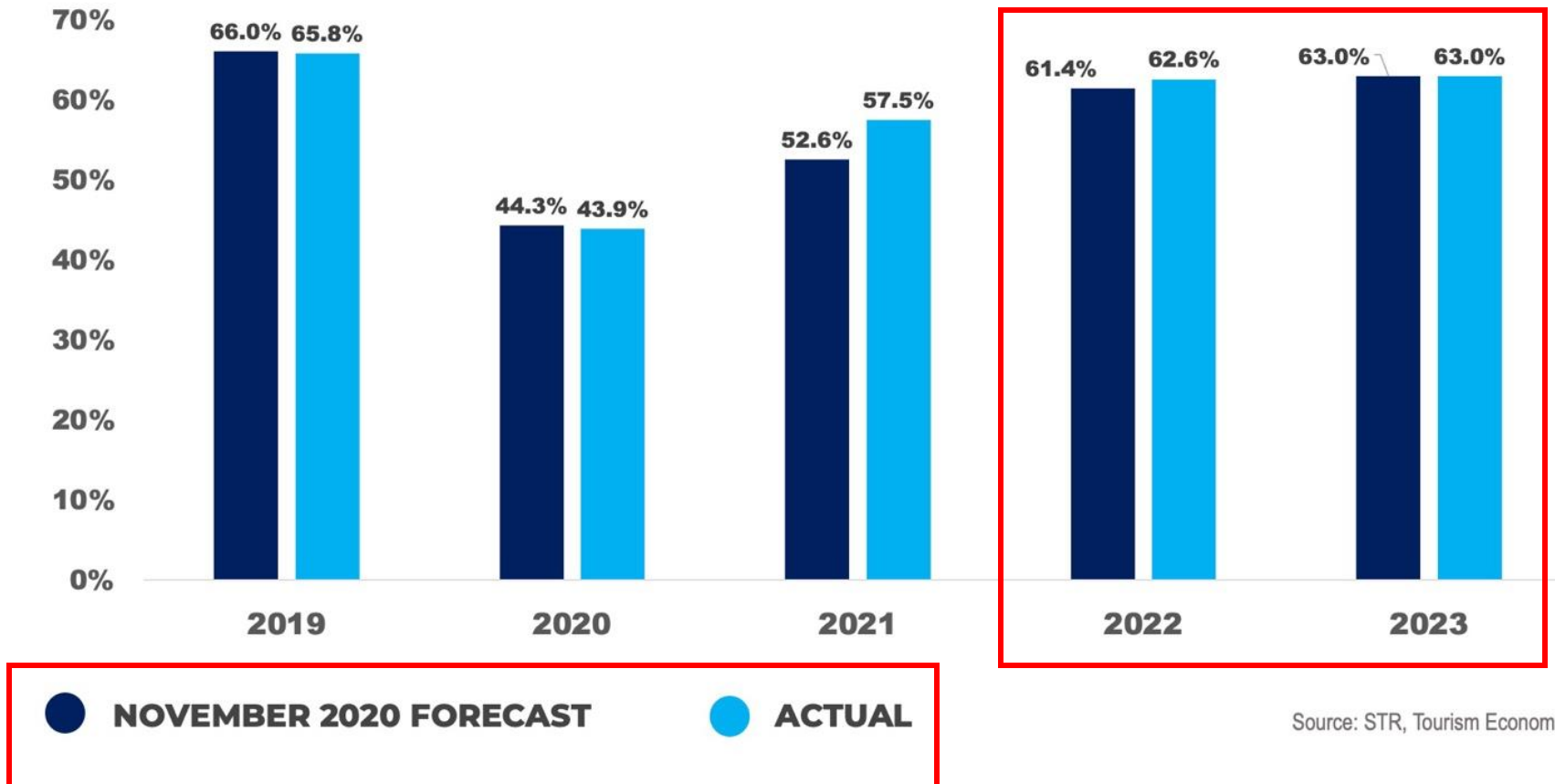
Standard Chartered



**We build upon the
accuracy of Oxford
for the travel
industry...**

Tourism Economics' Forecast in 2020 vs. Actual

U.S. Hotel Occupancy Rate



Source: STR, Tourism Economics



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Destination

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Lodging

Cruise

Real Estate

Government

Financial Institutions

Internet Marketing

Travel Trade

International organizations

Warning: You Might See Memes...



**Presentations Without
Memes**



**Presentations With
Memes**



What We'll Cover

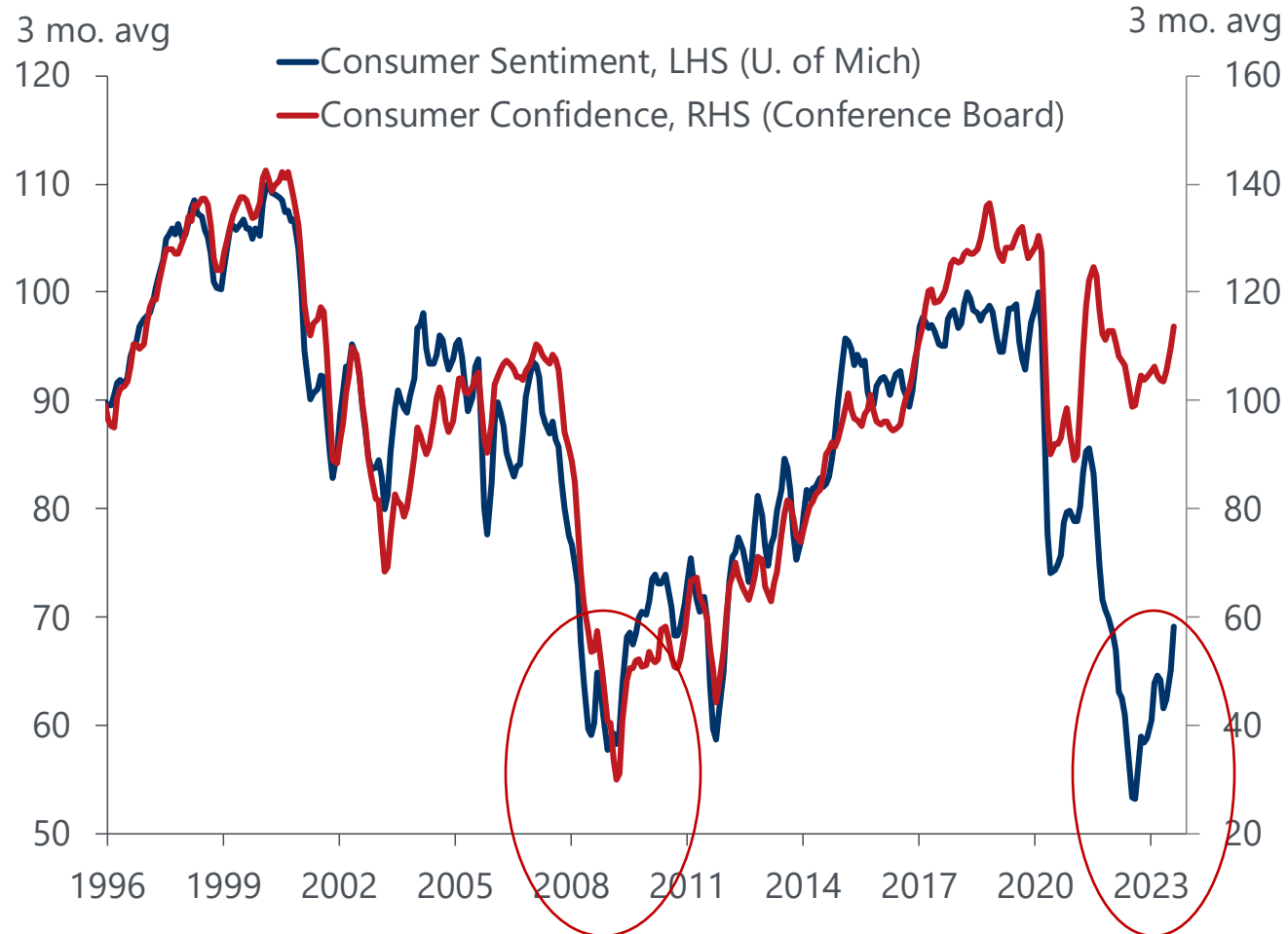
- 1 How did we get here?
- 2 What happened in 2024?
- 3 What's happening NOW?

**Let's take a trip down
memory lane...**

**...a little after the
pandemic...to 2023.**

Consumers felt uneasy despite great job numbers...

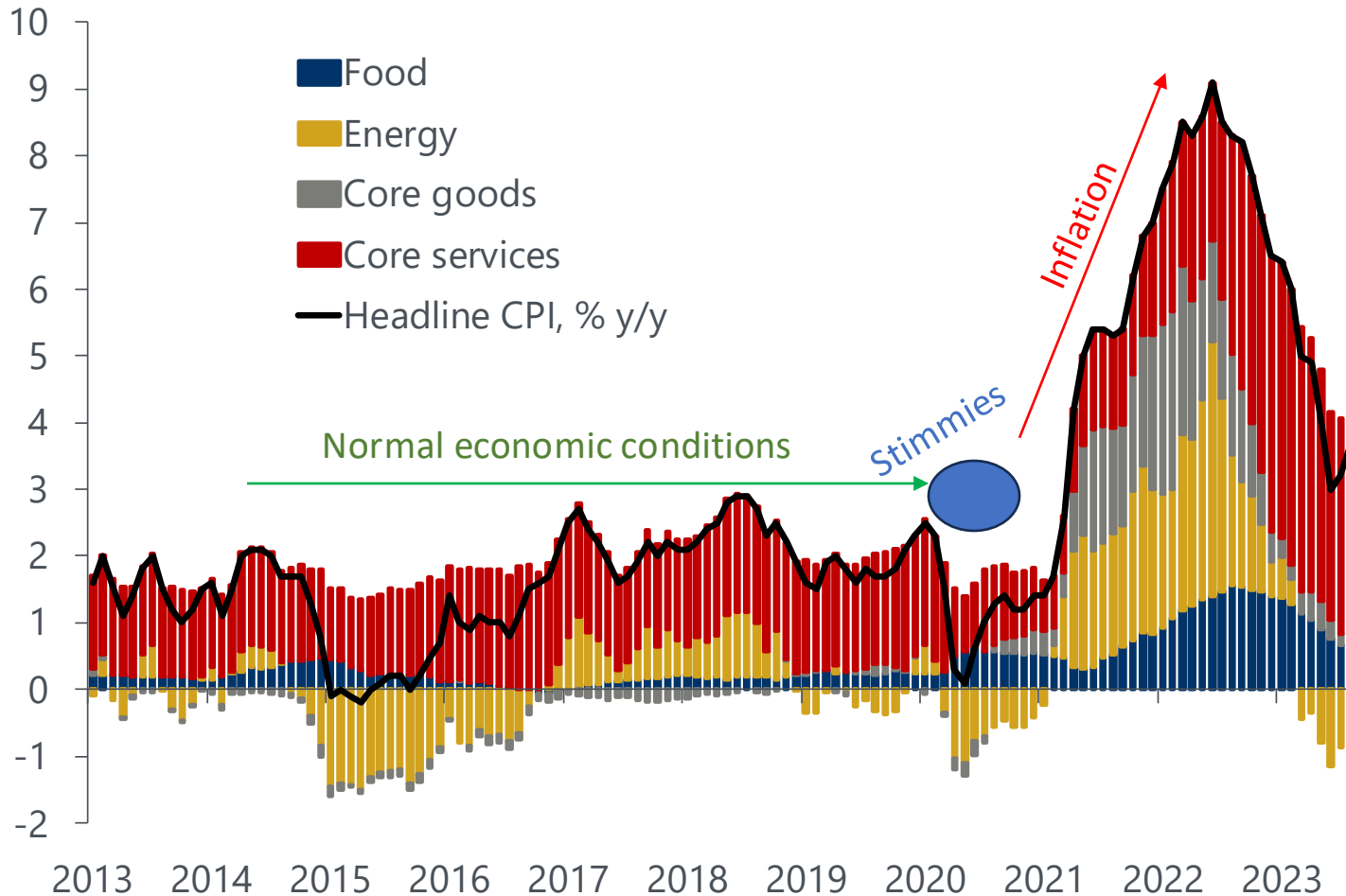
US: Consumer surveys



Source: Oxford Economics/Haver Analytics

The culprit? Inflation

US: Breakdown of CPI by components
PPT contribution to headline CPI inflation



*1,400 dollar stimulus hits

Me at Petsmart:

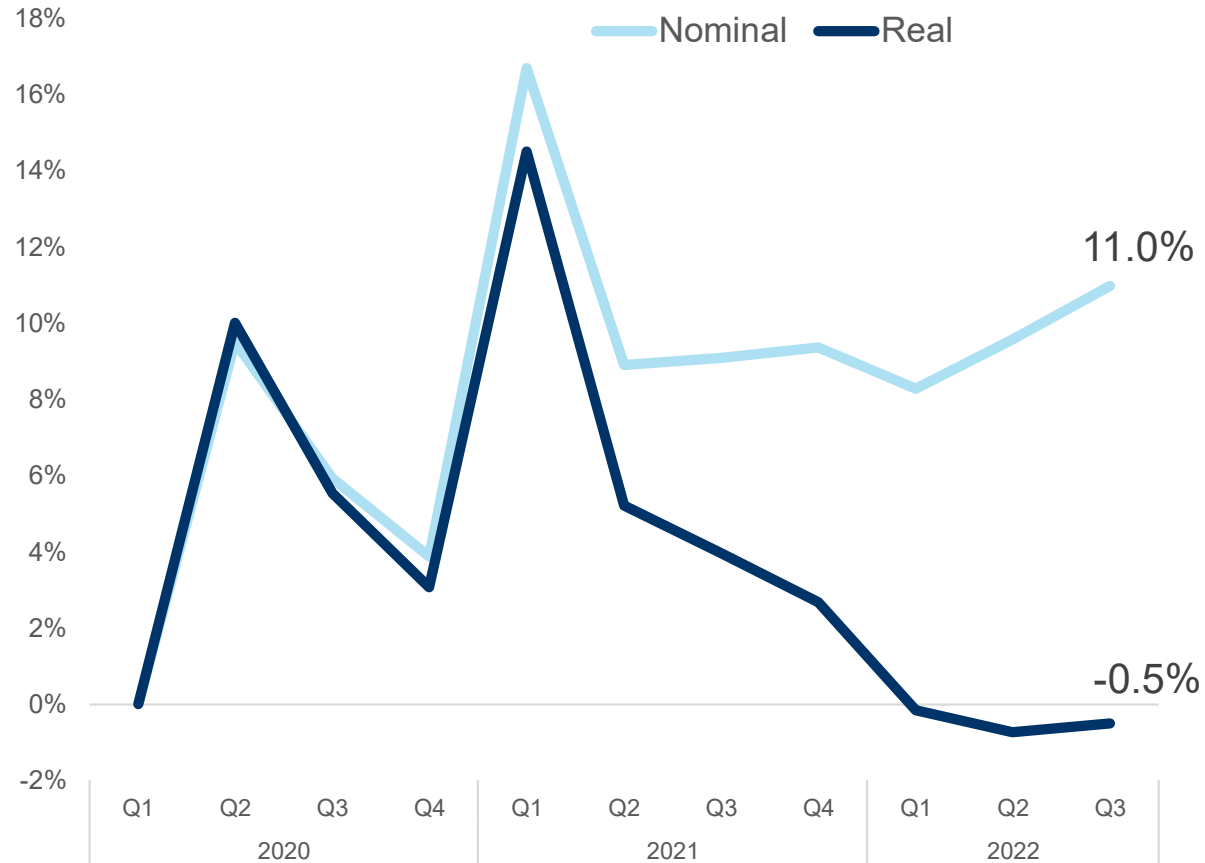


- Prices in August were 3.7% higher than a year earlier
- Core prices were 4.3% higher

This chart is for my fellow "C" students

Disposable personal income growth

Change relative to 2020 Q1



Note: Disposable personal income (measures income after taxes), seasonally adjusted. Real series deflated by PCE price index.

Source: BEA; Tourism Economics

Getting \$1200
in Alabama

Getting \$1200 in
OBX



In "C student" terms:

"If you made \$100K and your wage increased to \$111K, you can actually only buy \$100K of pre-inflation stuff."

Less bang for your buck!



Travel growth flatlined in 2024...

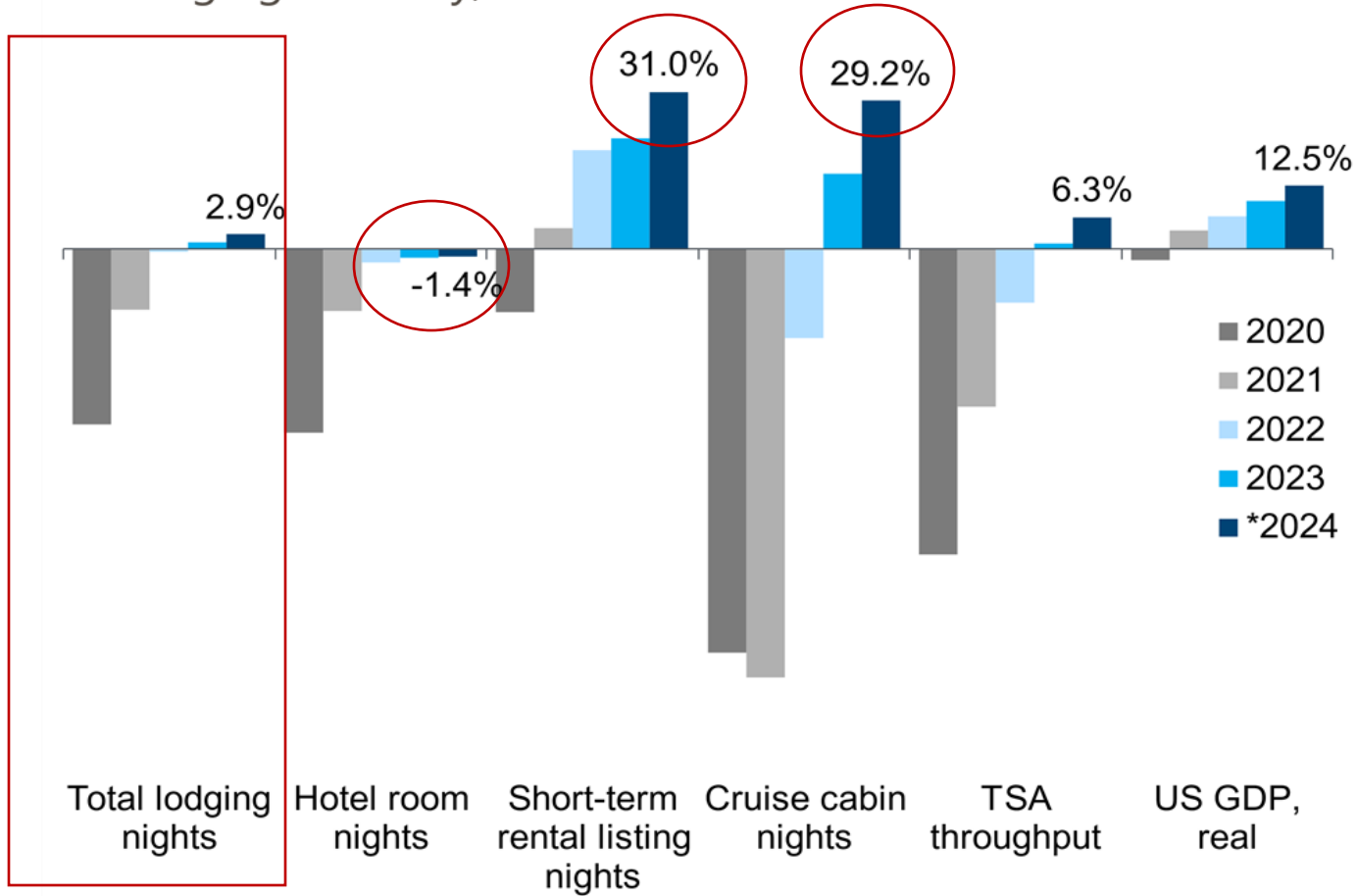
Growth slowed in 2024...

National Travel Indicators Through Mar 2024

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Travel Spending (Tourism Economics)	6%	7%	6%	7%	7%	8%	5%	6%	5%	1%	2%	1%
Air Passengers (TSA)	12%	10%	13%	12%	11%	10%	11%	10%	10%	6%	11%	7%
Overseas Arrivals (NTTO)	26%	28%	24%	21%	27%	28%	21%	24%	24%	24%	26%	25%
Hotel Demand (STR)	-1%	0%	0%	0%	0%	0%	-1%	-1%	-1%	-1%	-1%	-2%
Top 25 Group Hotel Demand** (STR)	5%	5%	0%	3%	3%	1%	4%	3%	-3%	10%	6%	-5%
Short-term Rental Demand (AIRDNA)	15%	14%	16%	11%	8%	10%	17%	8%	4%	1%	16%	15%
National Park Visits (National Park Service)	3%	7%	3%	3%	4%	2%	4%	1%	5%	-12%	-6%	-1%

Short-term rental and cruising push total lodging up

US lodging recovery, relative to 2019

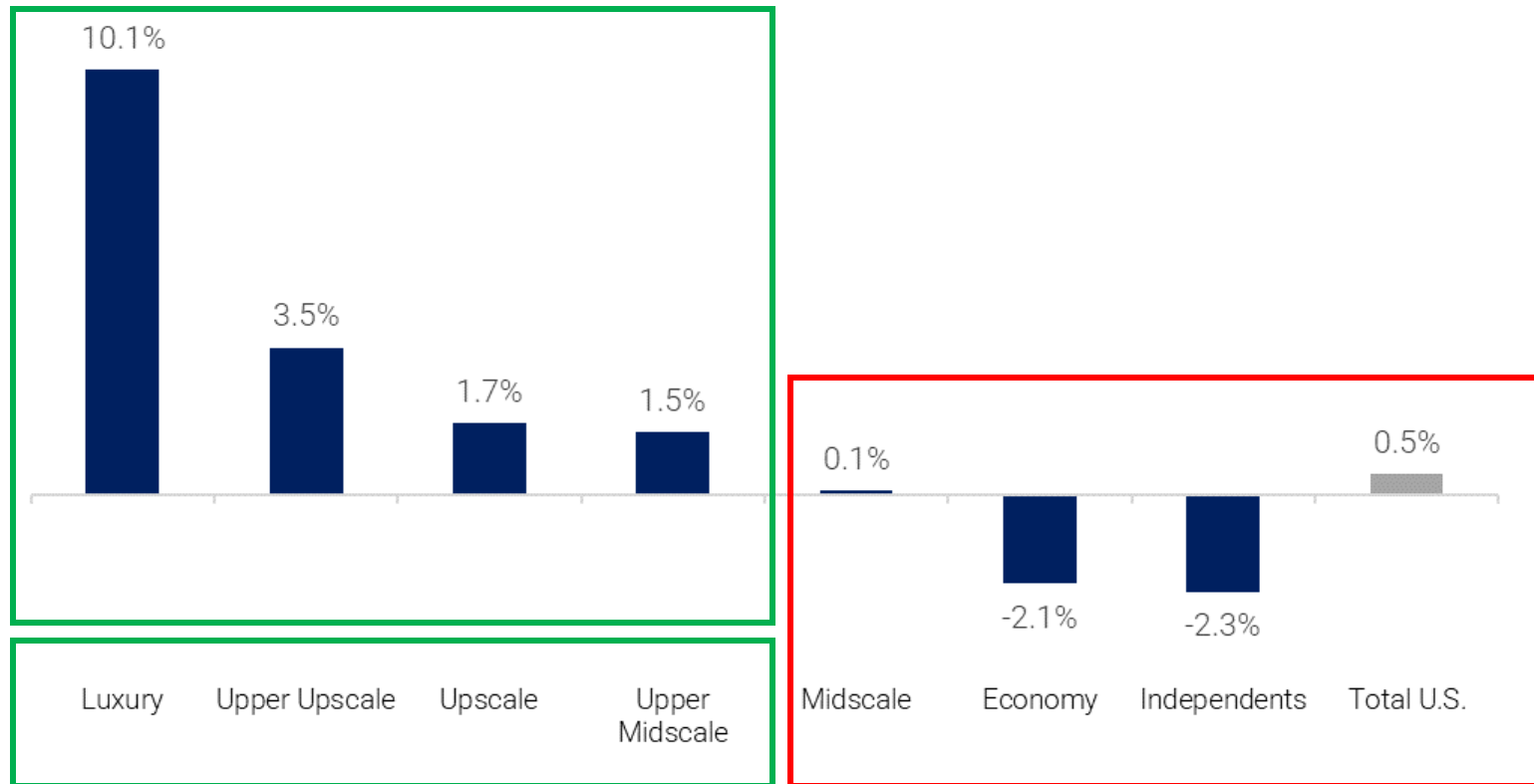


Hoteliers reading this...

Demand decreases led by Economy and Midscale class hotels

Hotel Demand

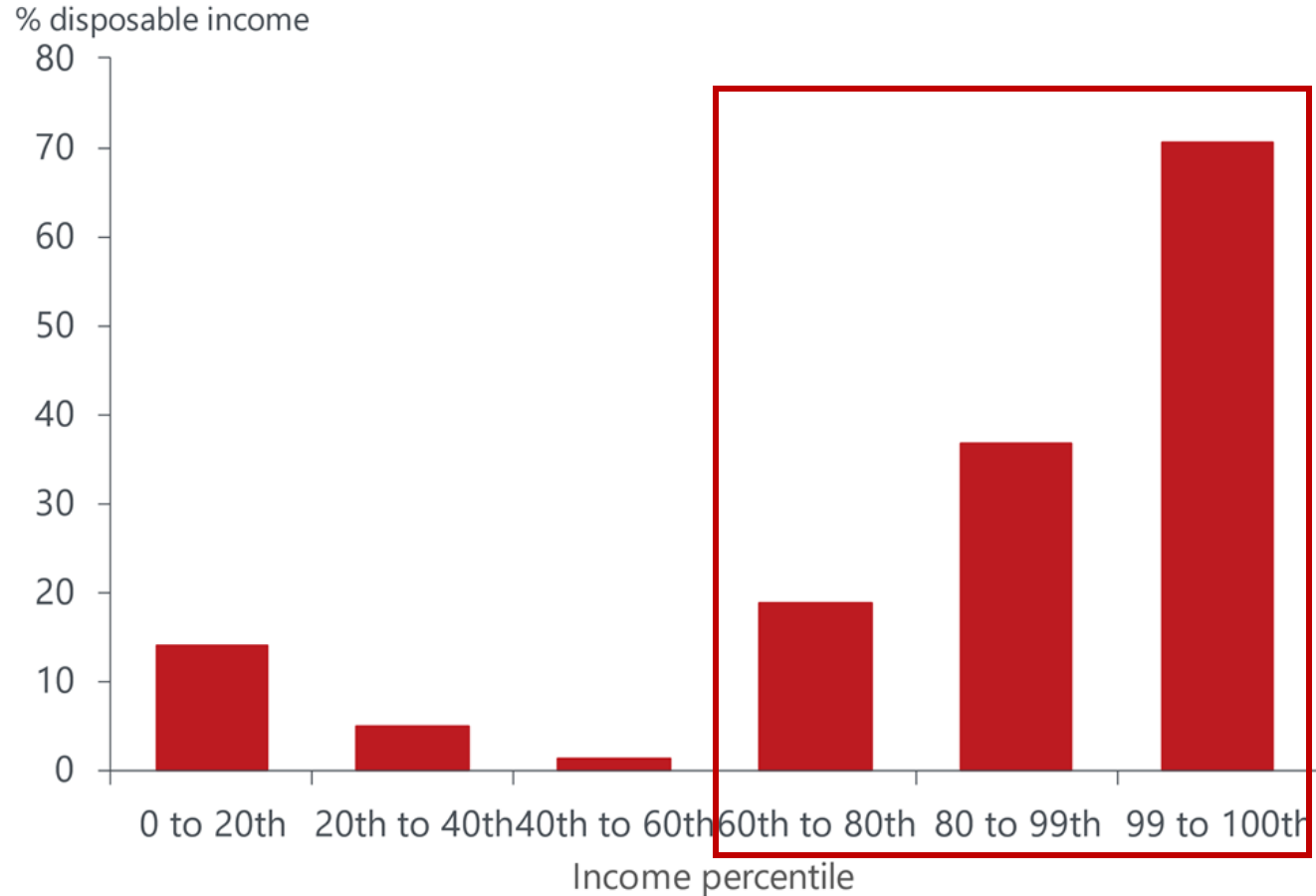
Calendar year 2024 versus prior year



Source: STR

Net worth increased across most income brackets

US: Change in household net worth Q2 2023- Q2 2024



Now...the Economy.

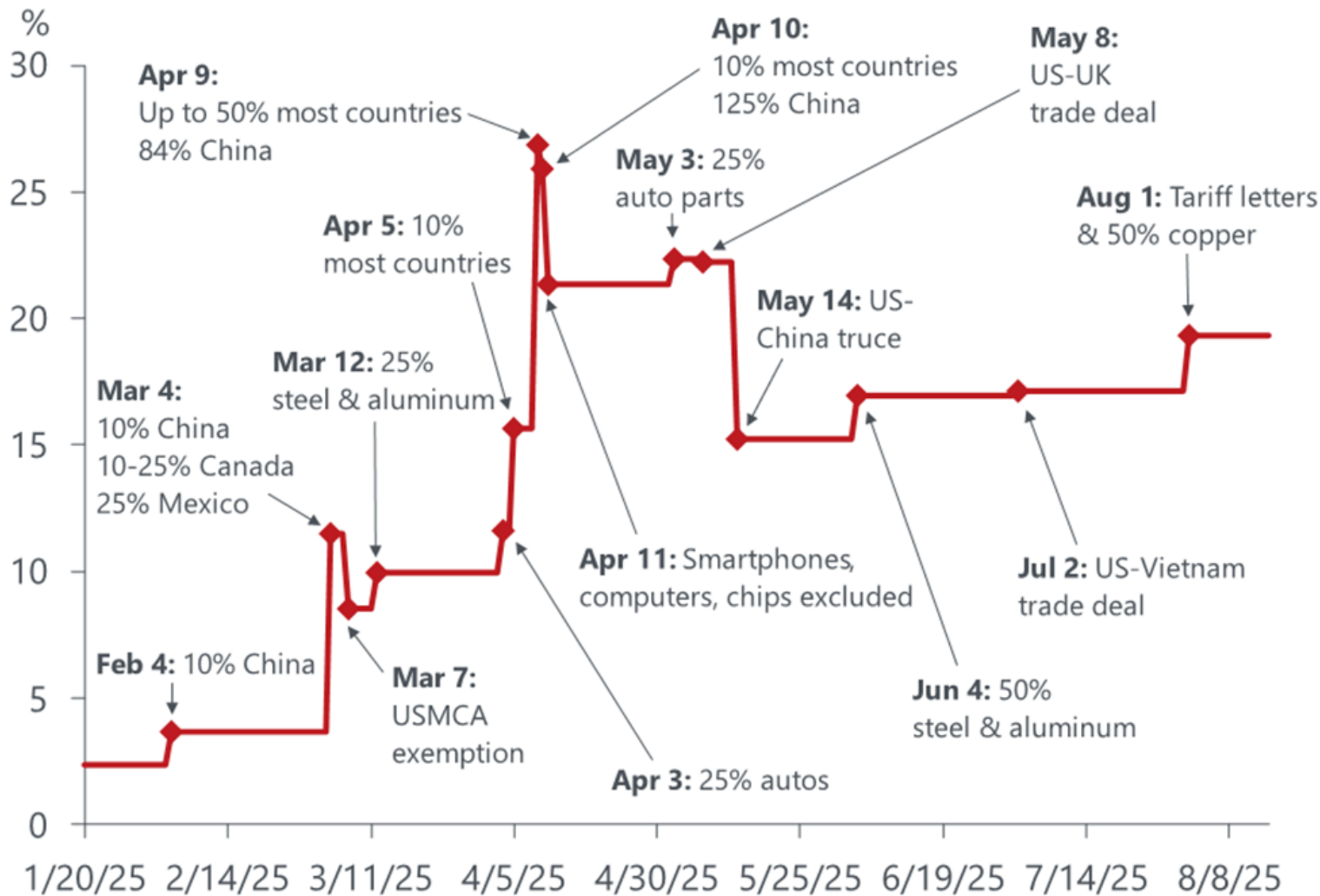
**The New Normal in
2025 is...**

**The Economy
Changes Every 30
Mins...**



Tariff announcement calendar

US: Effective tariff rate based on 2024 import mix



Challenging to keep track of even with a team of economists on staff...

Source: Oxford Economics/Census Bureau

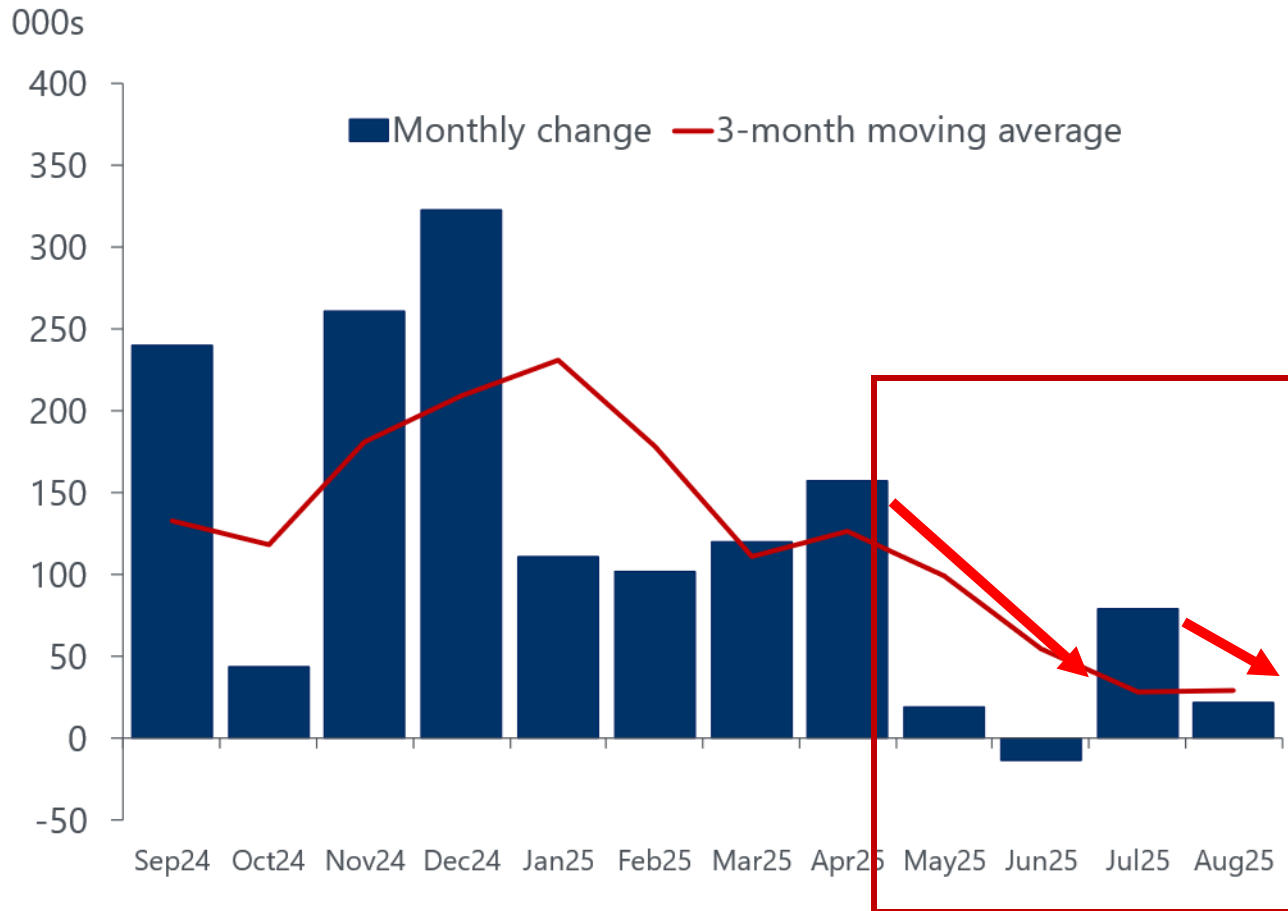
Good News

Things are NOT terrible...just uncertain...



“Job growth has left the chat.”

US: Nonfarm payroll employment

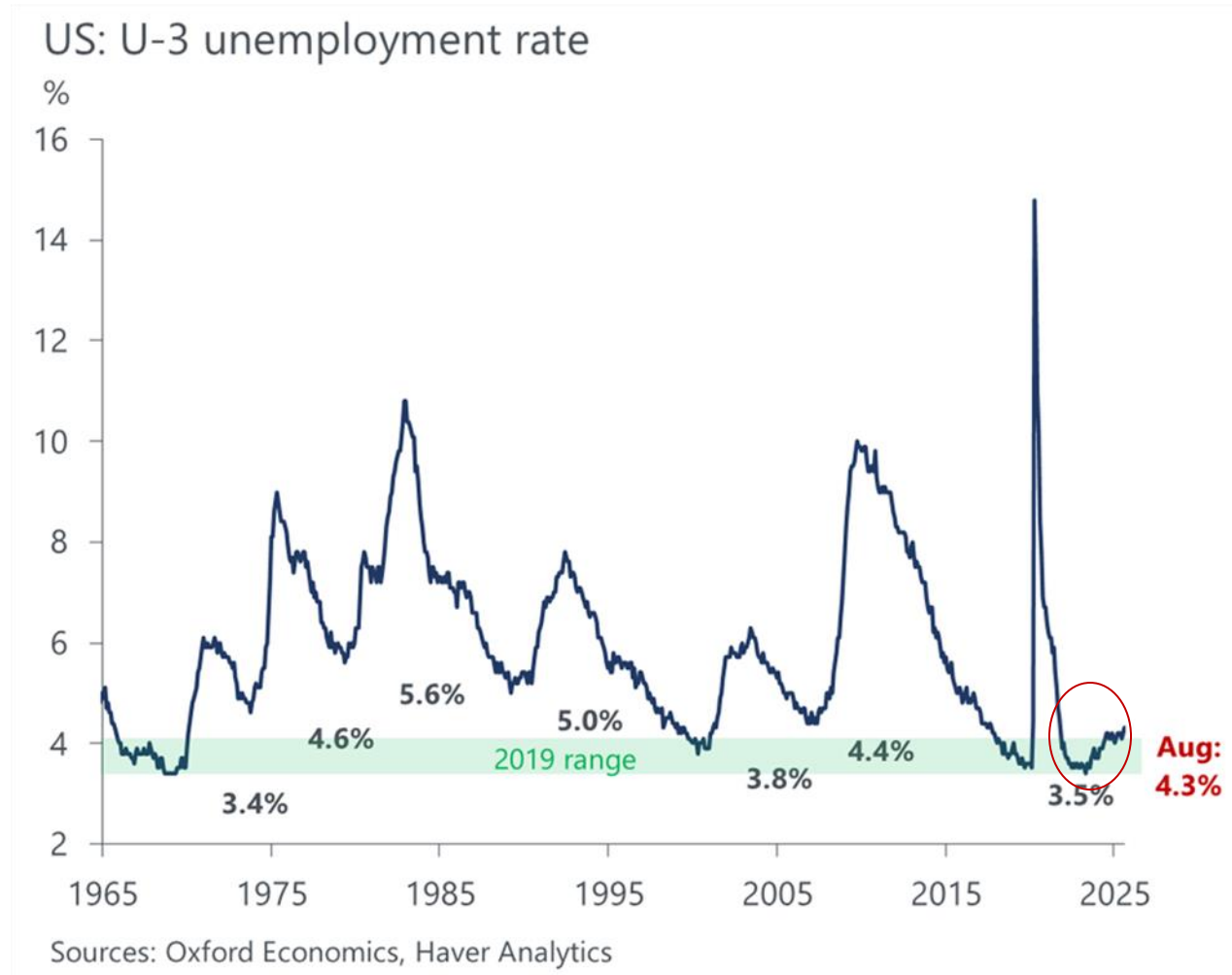


Sources: Oxford Economics, Haver Analytics

Last three months averaged just 29,000 jobs

Weakest since the pandemic.

Unemployment has been rising but remains low at 4.3%



The labor market remains in a slow-to-hire, slow-to-fire stasis



That's historically a low rate...why?

Hiring slowdown balanced by lower participation rate

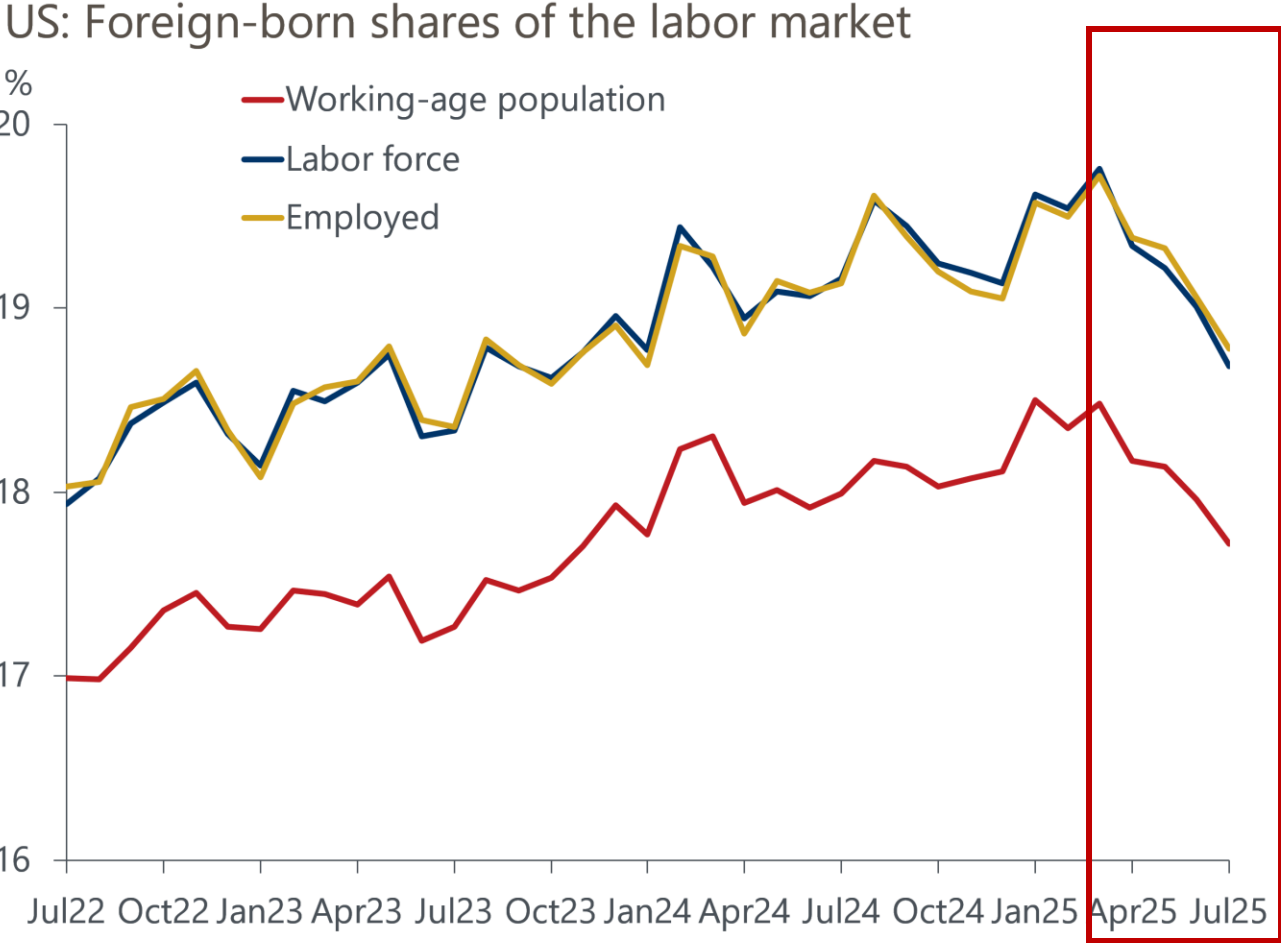


Sources: Oxford Economics, Haver Analytics

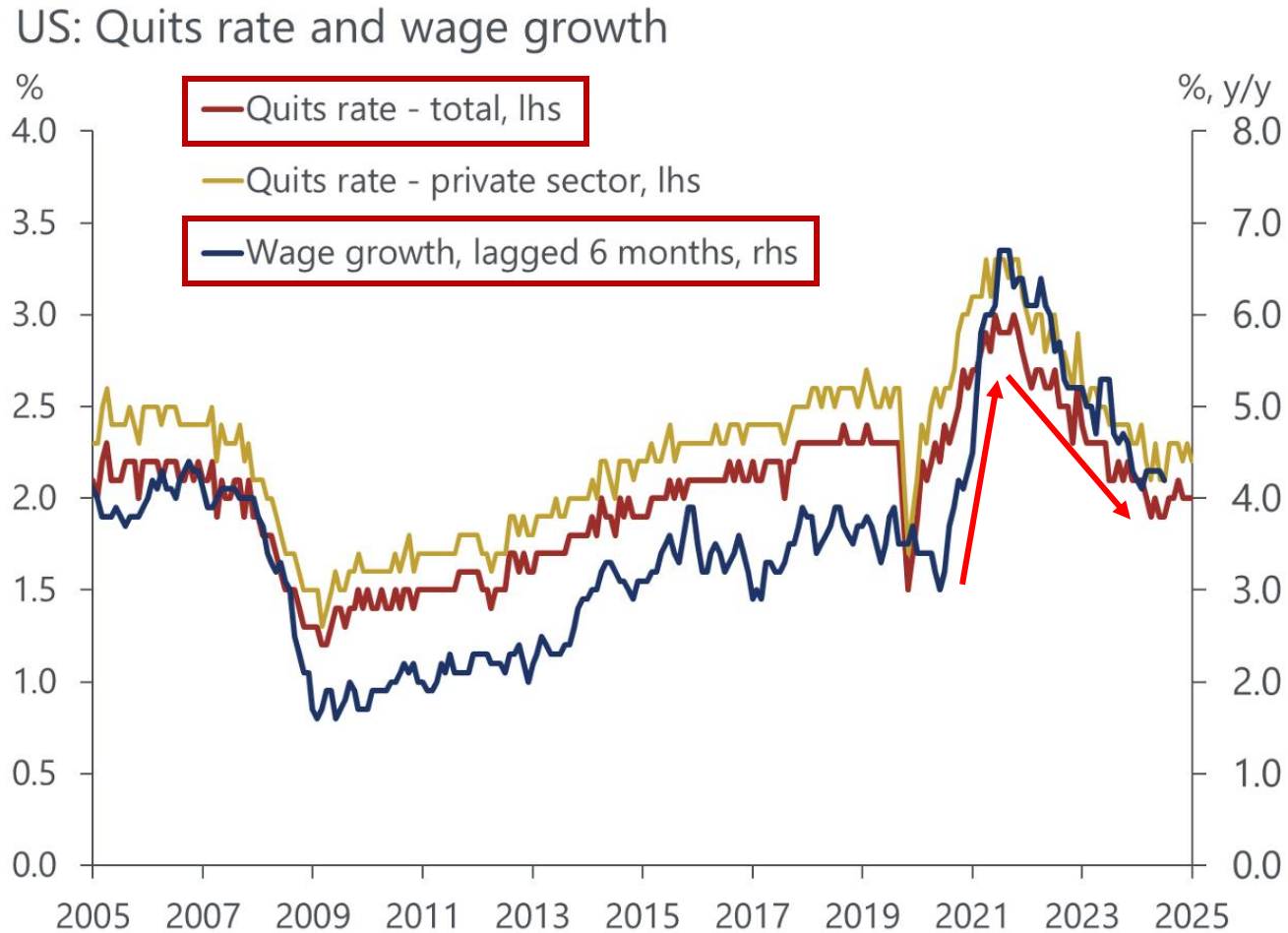
- **Retirement of baby boomers**
- **Effects of the administration's immigration and deportation actions**



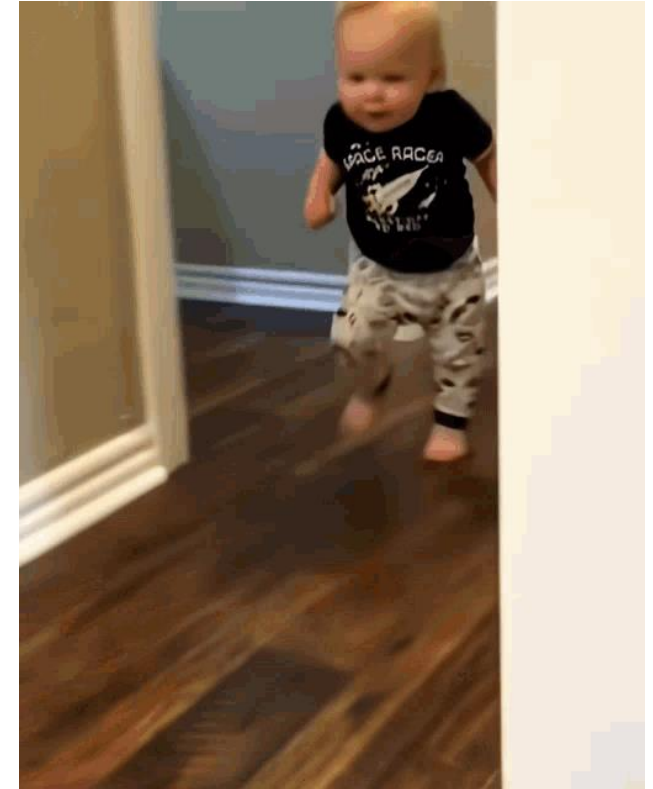
1.2 million workers left the labor market



So jobs are becoming more valuable...



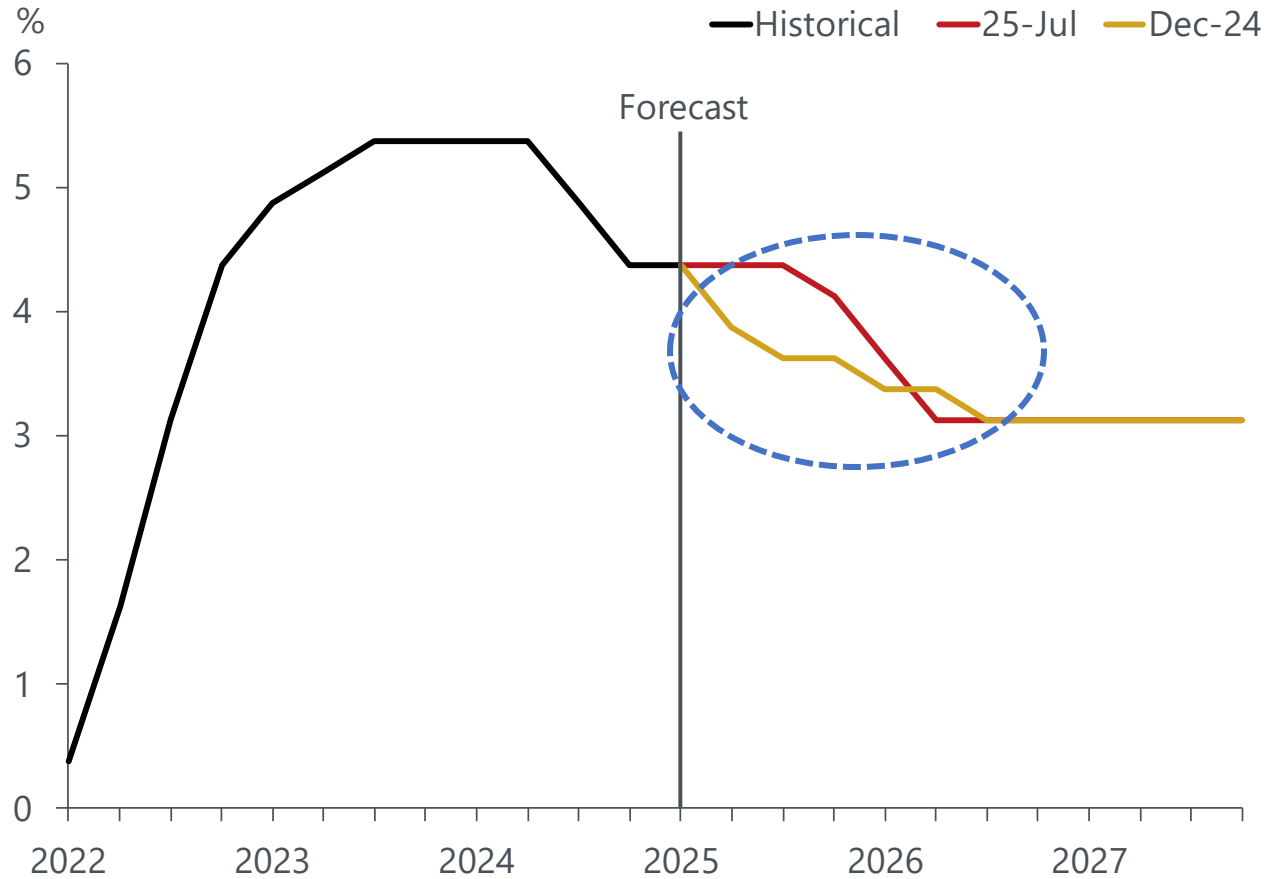
Source: Oxford Economics/Haver Analytics



Don't leave that Job!!!

Interest rates: higher for longer

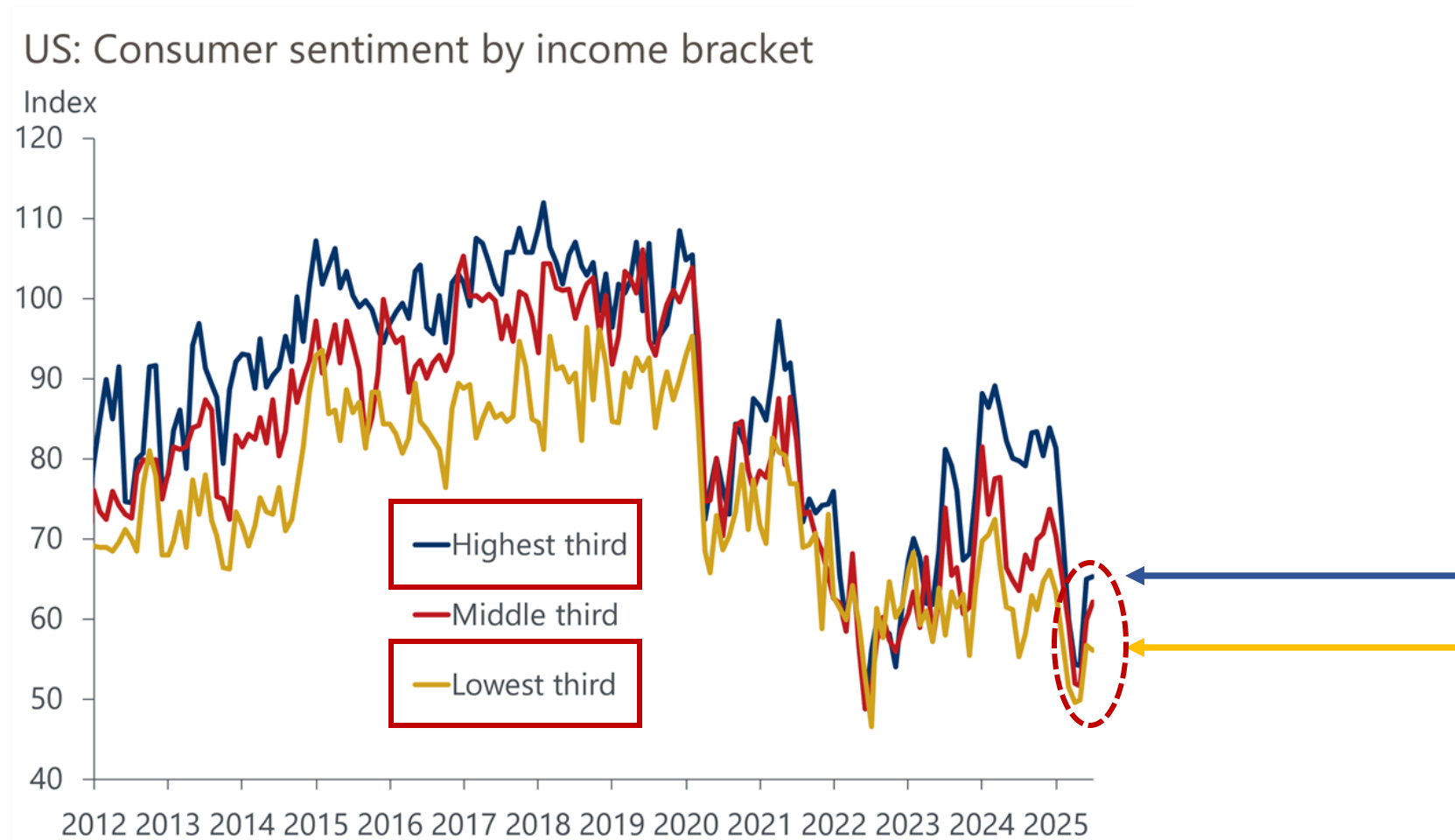
US: Fed funds rate by forecast vintage



Source: Oxford Economics/Haver Analytics



Consumers are still worried..

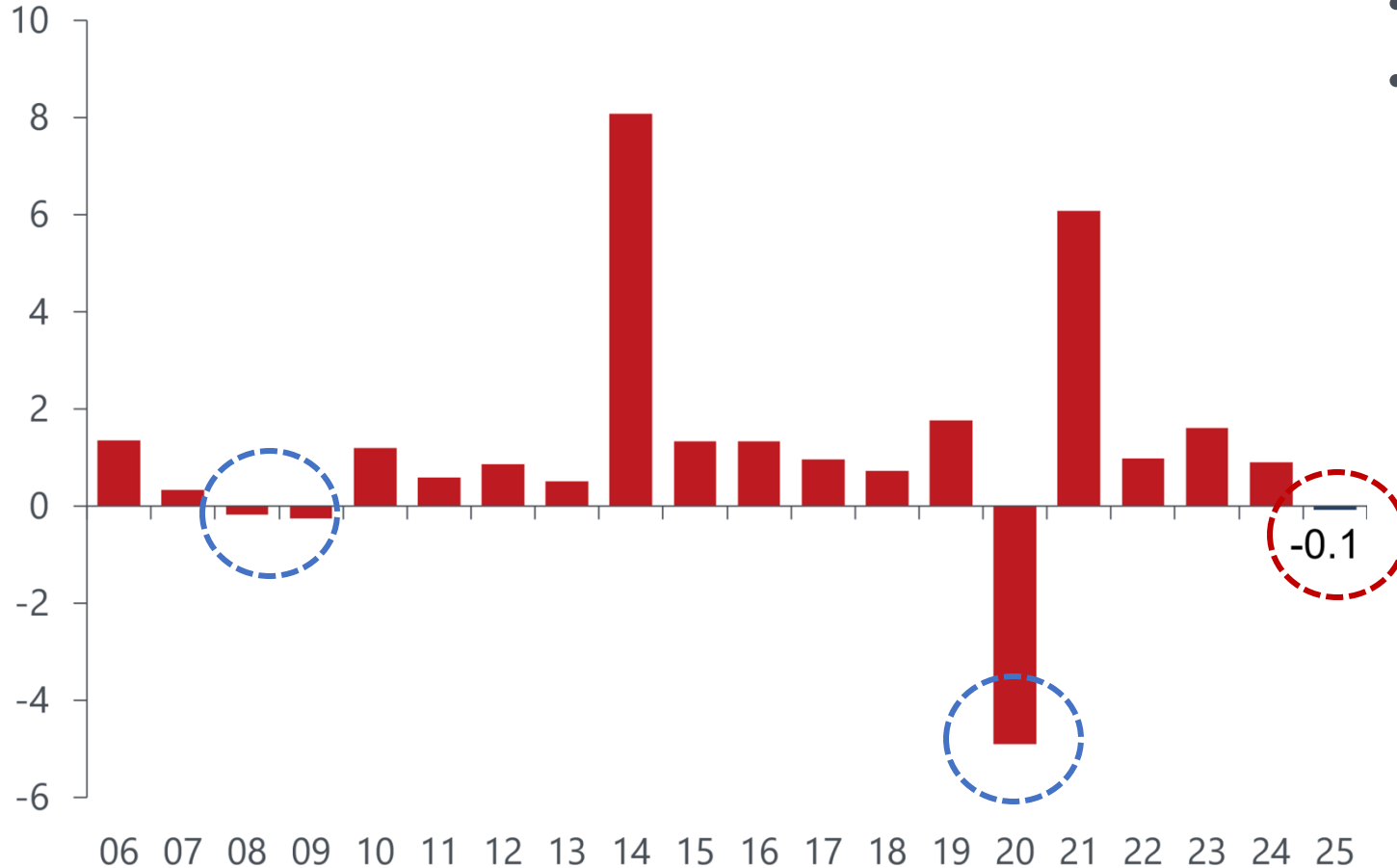


Source: University of Michigan

...and spending is on hold

US: Real consumer spending, January-June

Percent change



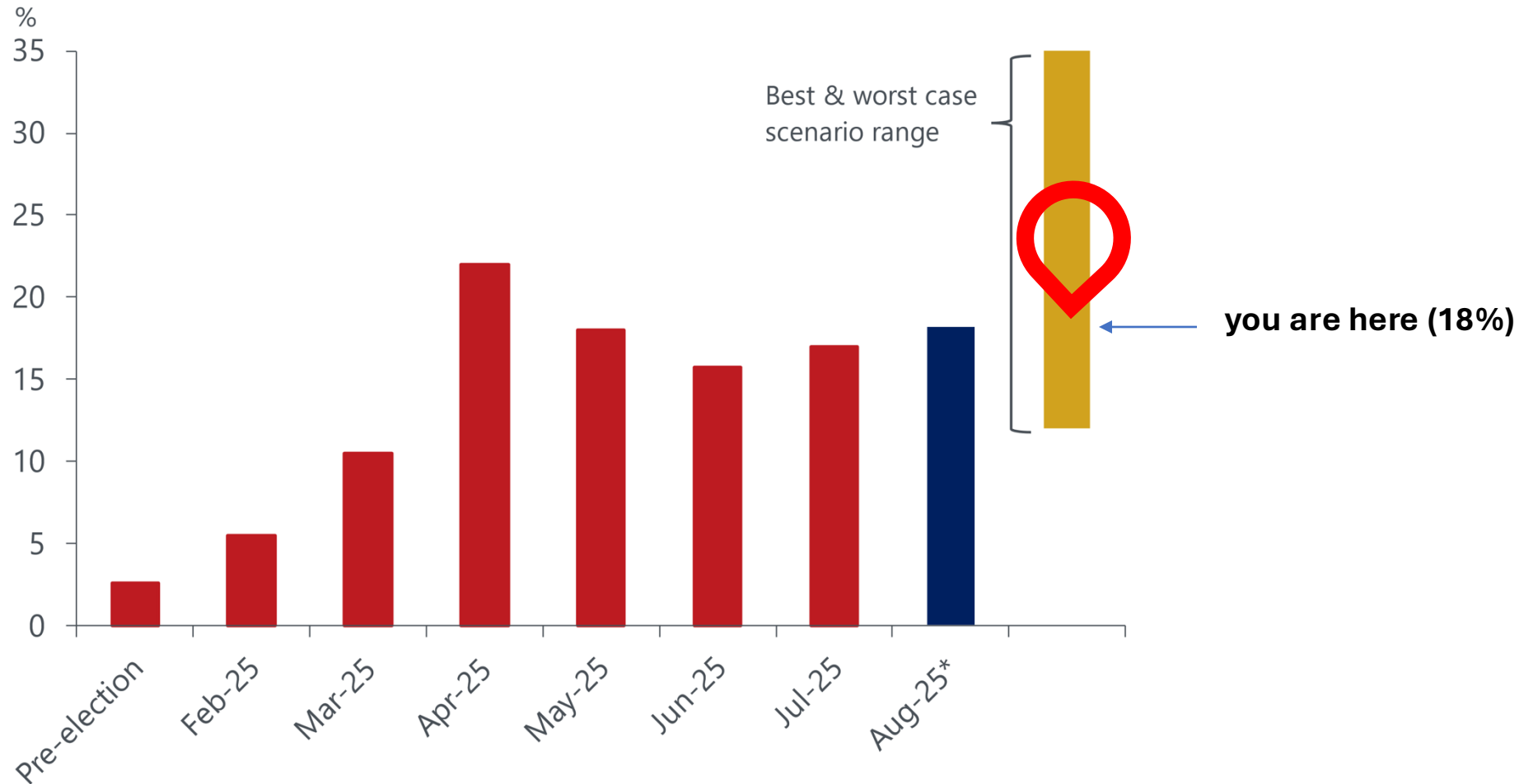
This stagnation is rare outside a recession

- Last time: Pandemic (2020)
- Time before that: Great Recession (2008)

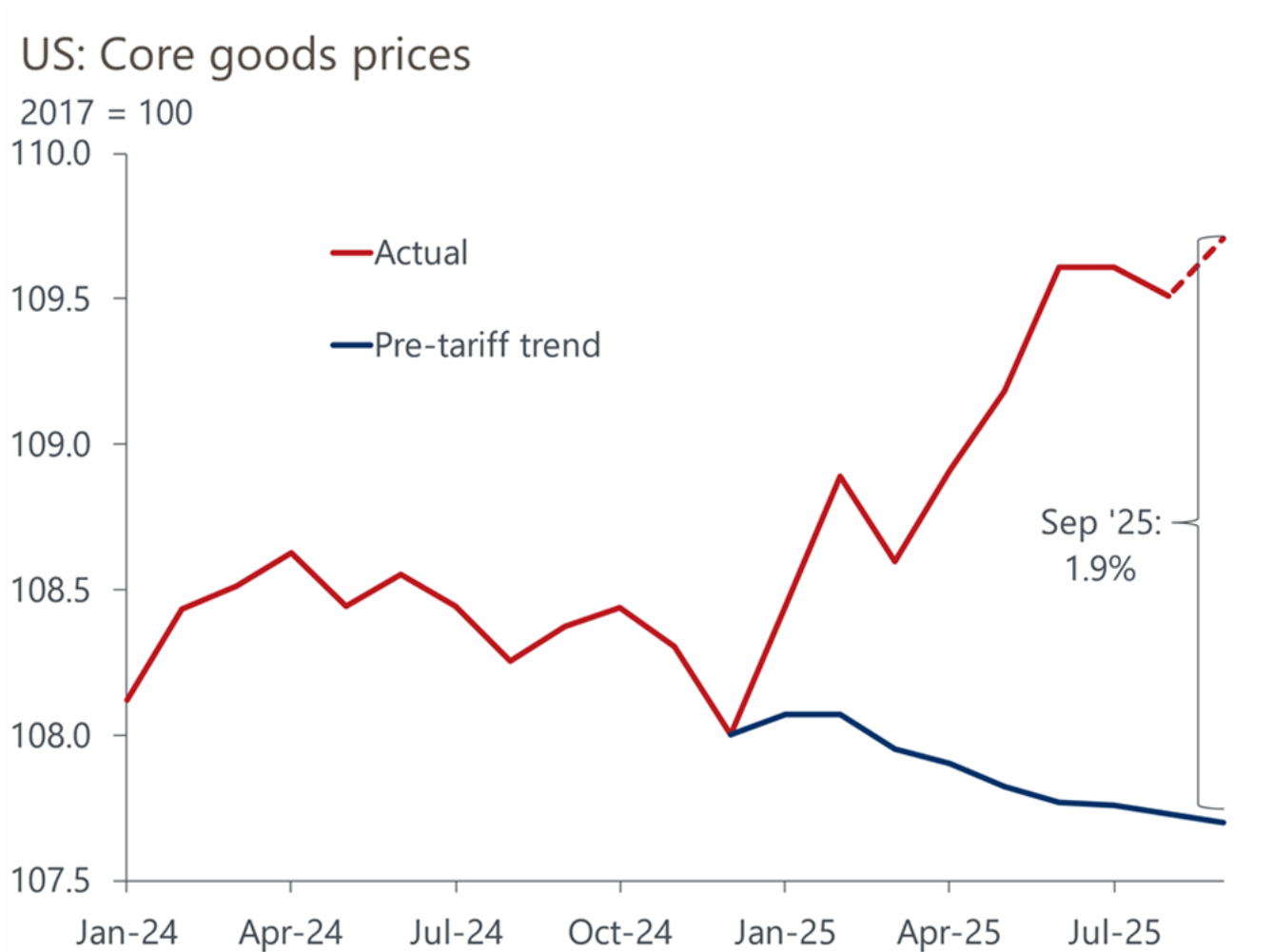
Why?

Trade-weighted tariff rate highest in since 1930s

US: Effective tariff rate by forecast vintage



Tariffs pass-through to consumer prices



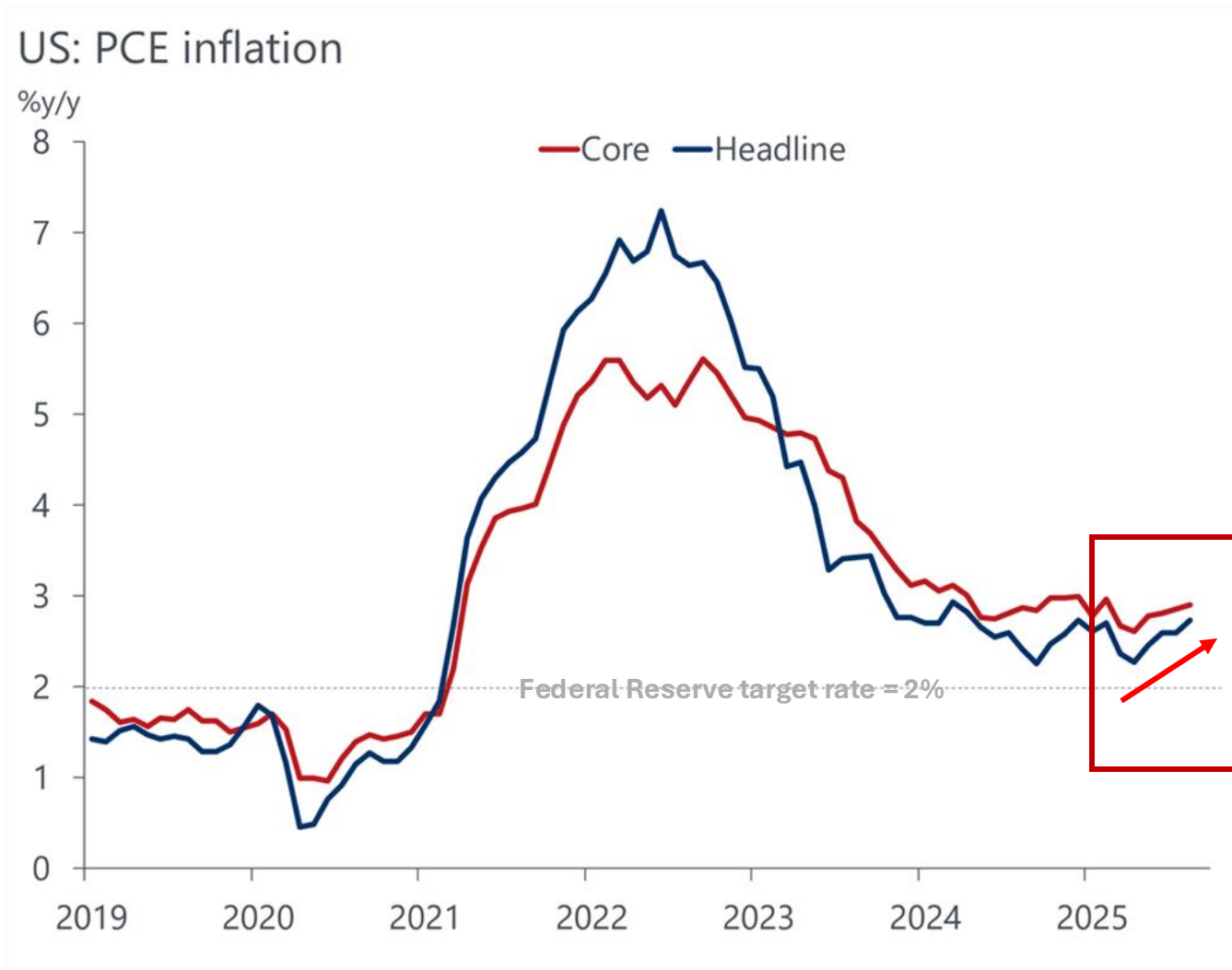
Not all tariffs have passed through to consumers.

Businesses initially avoided tariff impacts by ...

- Absorbing costs
- Front-loading imports
- Run-down inventories
- Reconfiguring supply chains
- Stalled tariff implementation

Transmission delays are fading, meaning effects will intensify

Inflation will continue to rise this year

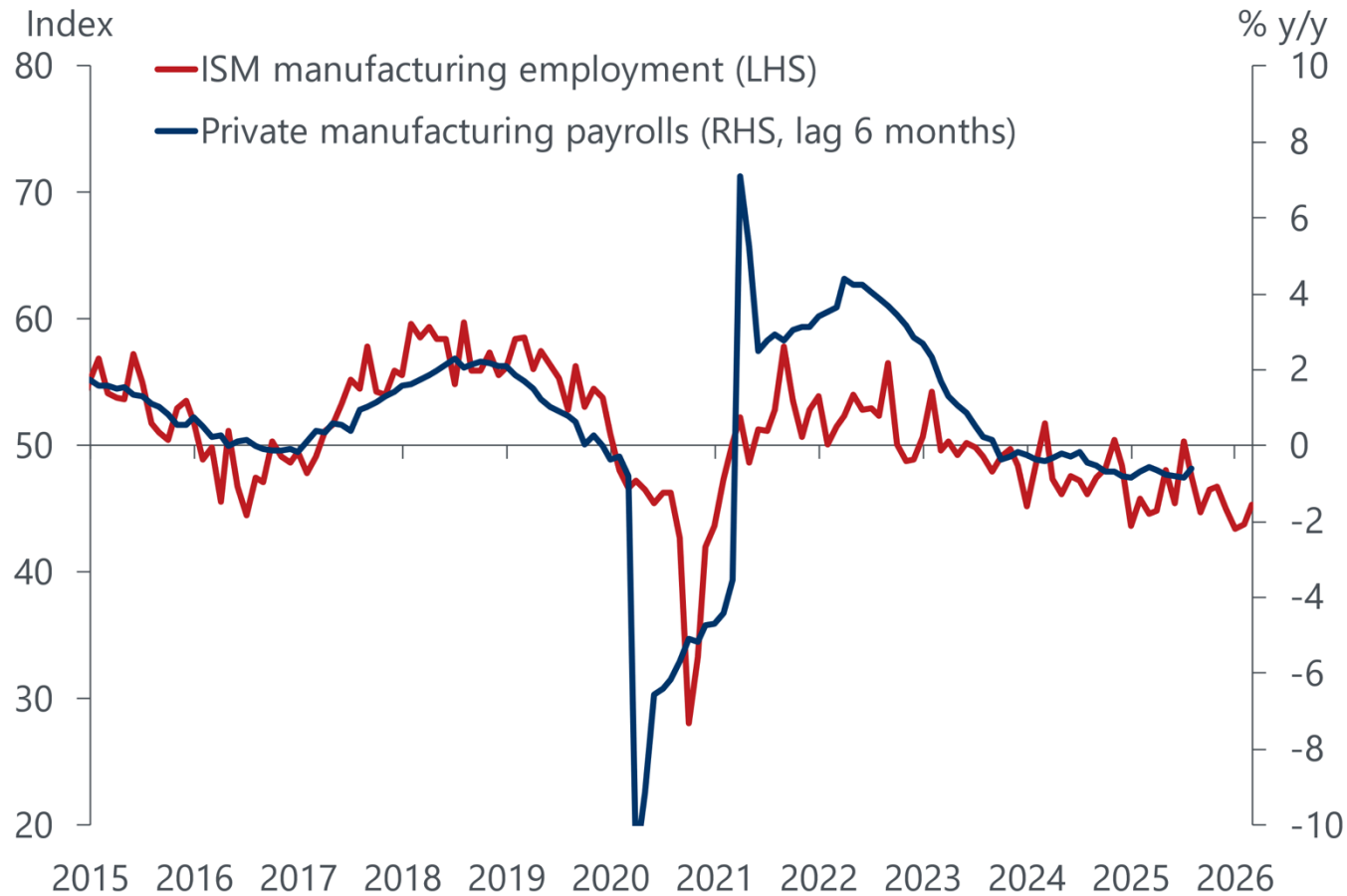


Annualized inflation rose to 3.0%
in September versus 2% target.

**If not for tariffs, inflation would
be 0.4ppts lower – 2.6%.**

Manufacturing is in an 8-month slide

US: Manufacturing employment measures



Source: Oxford Economics



When will reshoring happen?

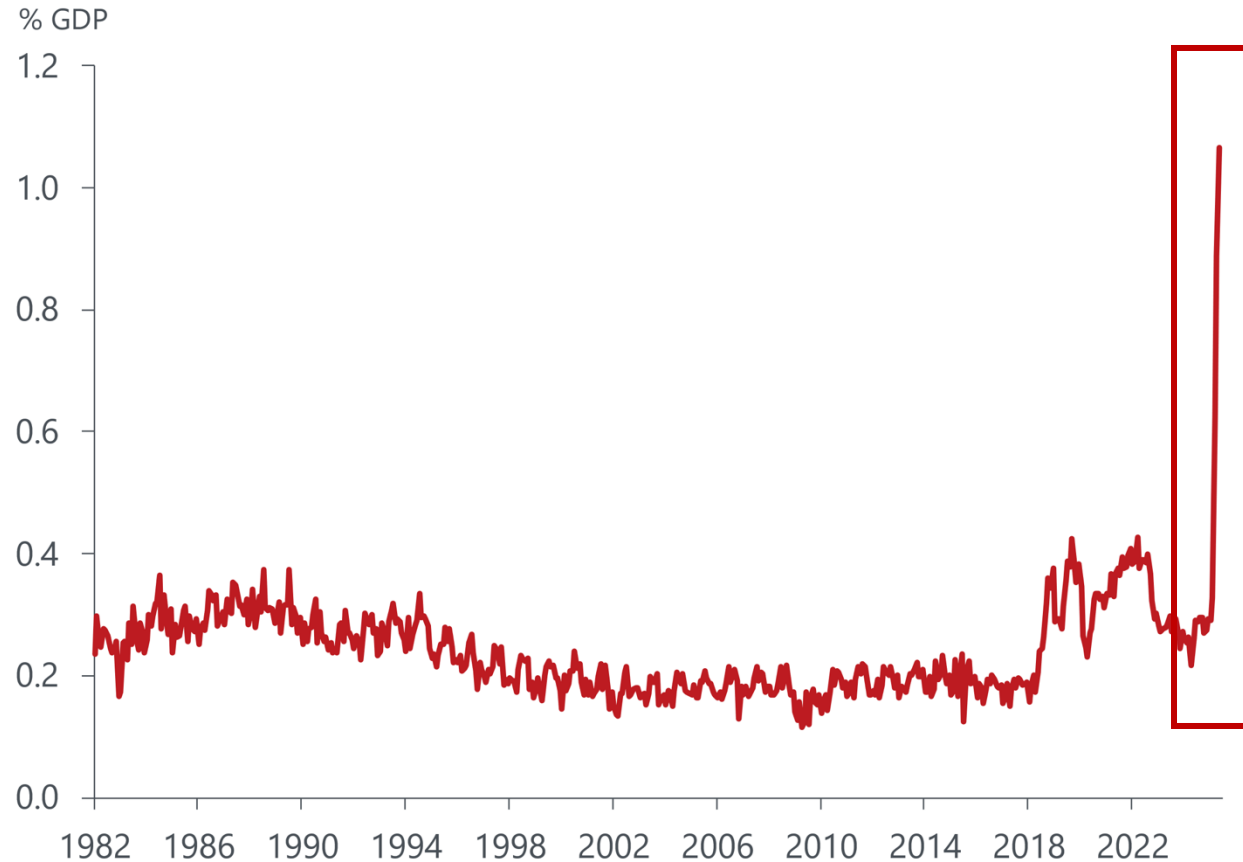
Observable effects of tariffs so far

- Higher prices
- Weaker dollar
- Manufacturing stress
- High interest rates
- Reduced CAPEX
- **Government Revenue**



But...tariffs are raising revenues...

US: Customs revenues



Source: Oxford Economics

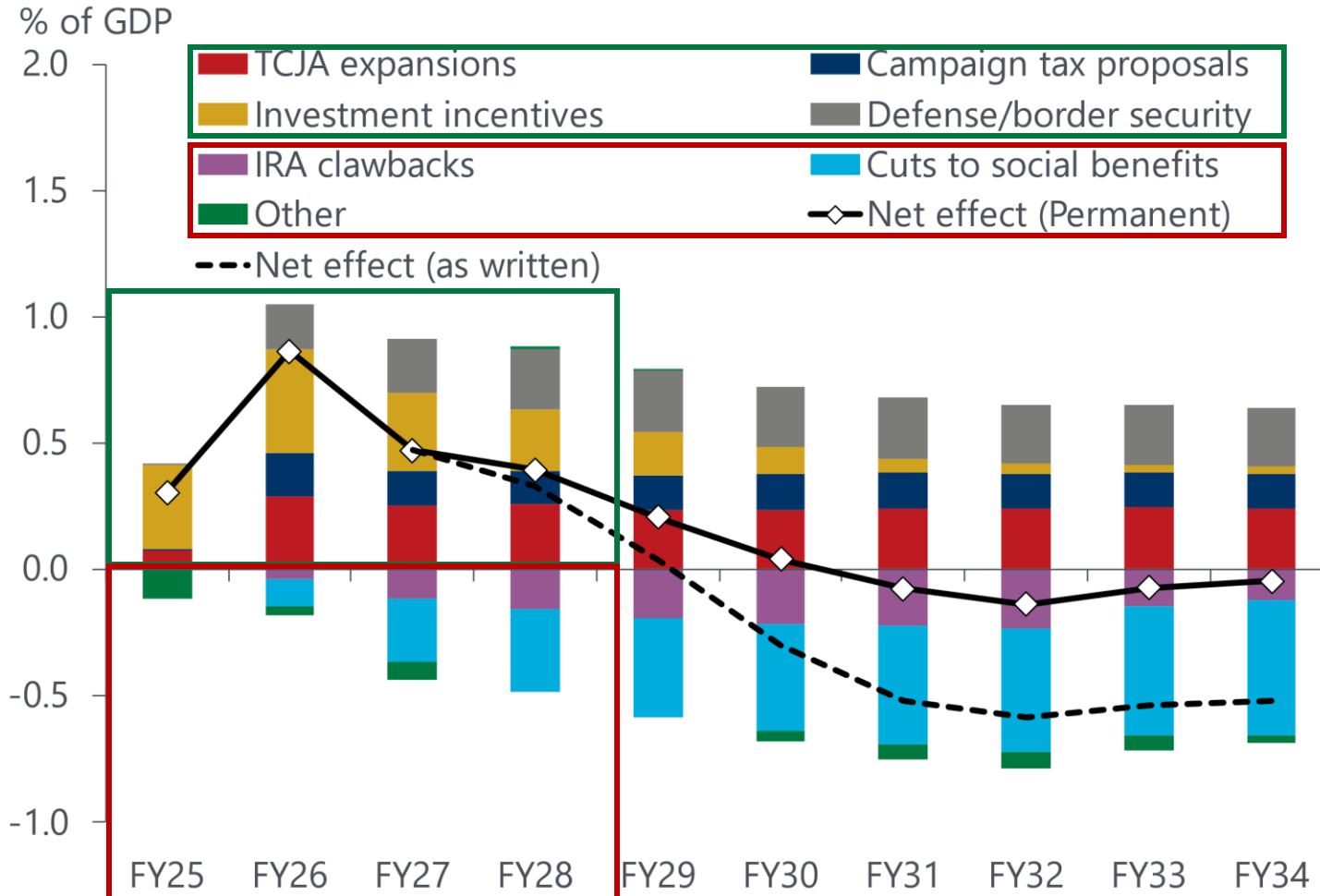


\$31 billion in September
(compared to an average of
around \$8B last year)

Tariff revenue helps offset
costs from the One Big
Beautiful Bill.

Senate bill will boost growth next year

US: Fiscal effect of Senate OBBB versus current policy



Positive fiscal stimulus

- tax cut extensions
- tax cuts on tips, overtime, and car loan interest
- more generous state and local tax deduction

"For '26 to '28, we had messaged last time that, that group pace was in the higher single digits. That actually improved slightly from the last quarter.

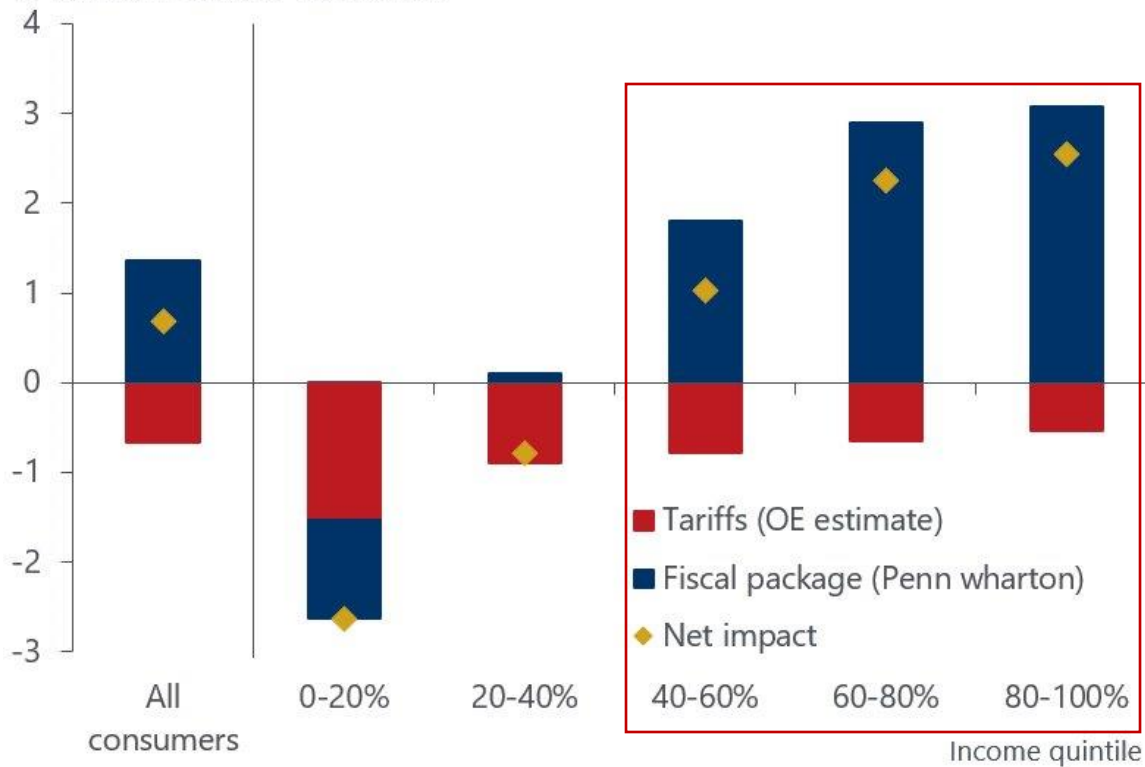
So yes, we see groups continuing to book out into the future."

Host, July 31

Tax cuts expected to offset tariff headwinds...for the wealthy.

US: Net impact of policy by household income

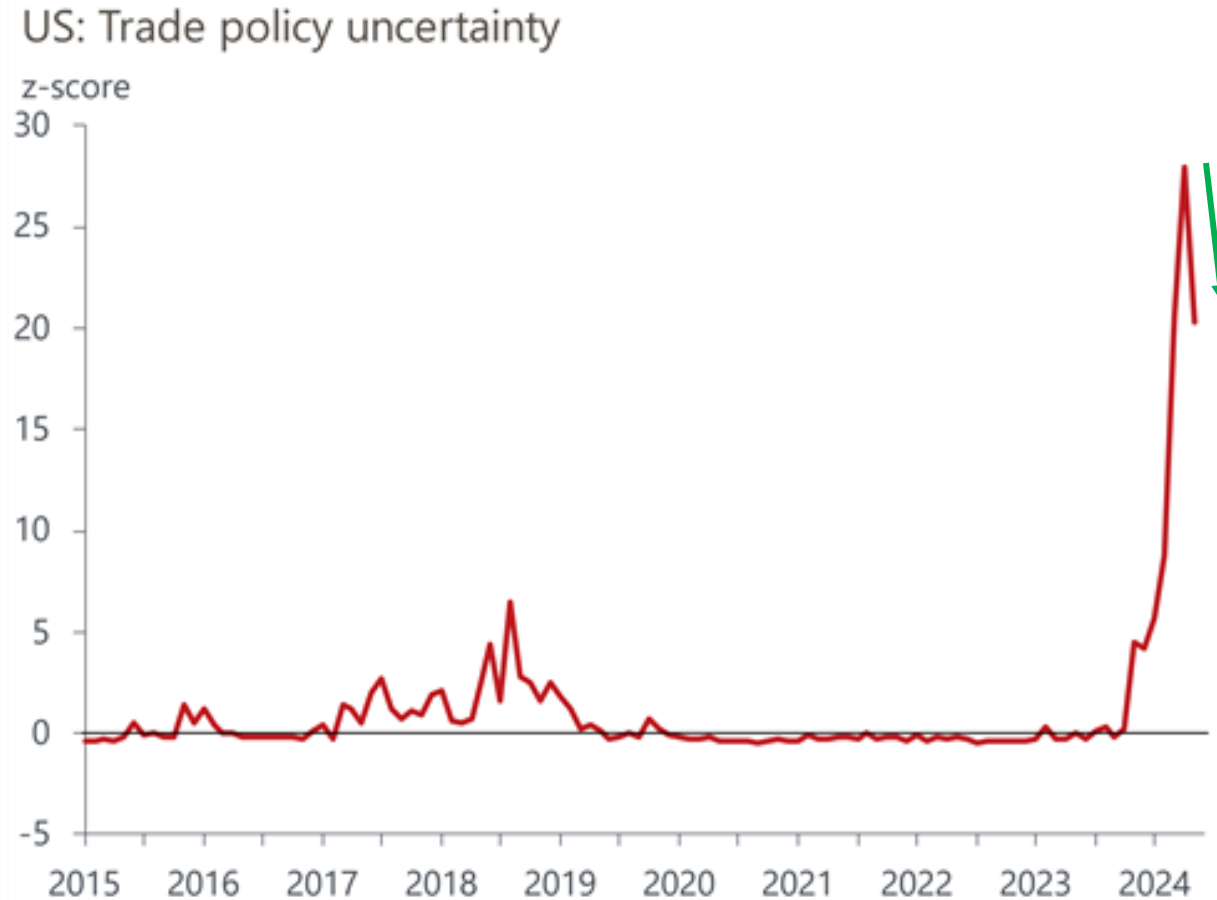
% change in real post-tax incomes



AMERICA AFTER INVENTING TAXES



Uncertainty due to tariff policy high, but falling



Source: Oxford Economics

“Uncertainty is the new normal” –

Kristalina Georgieva,
IMF Managing Director

Businesses have been reconfiguring their operations to better absorb uncertainty.

Income growth still supports spending growth

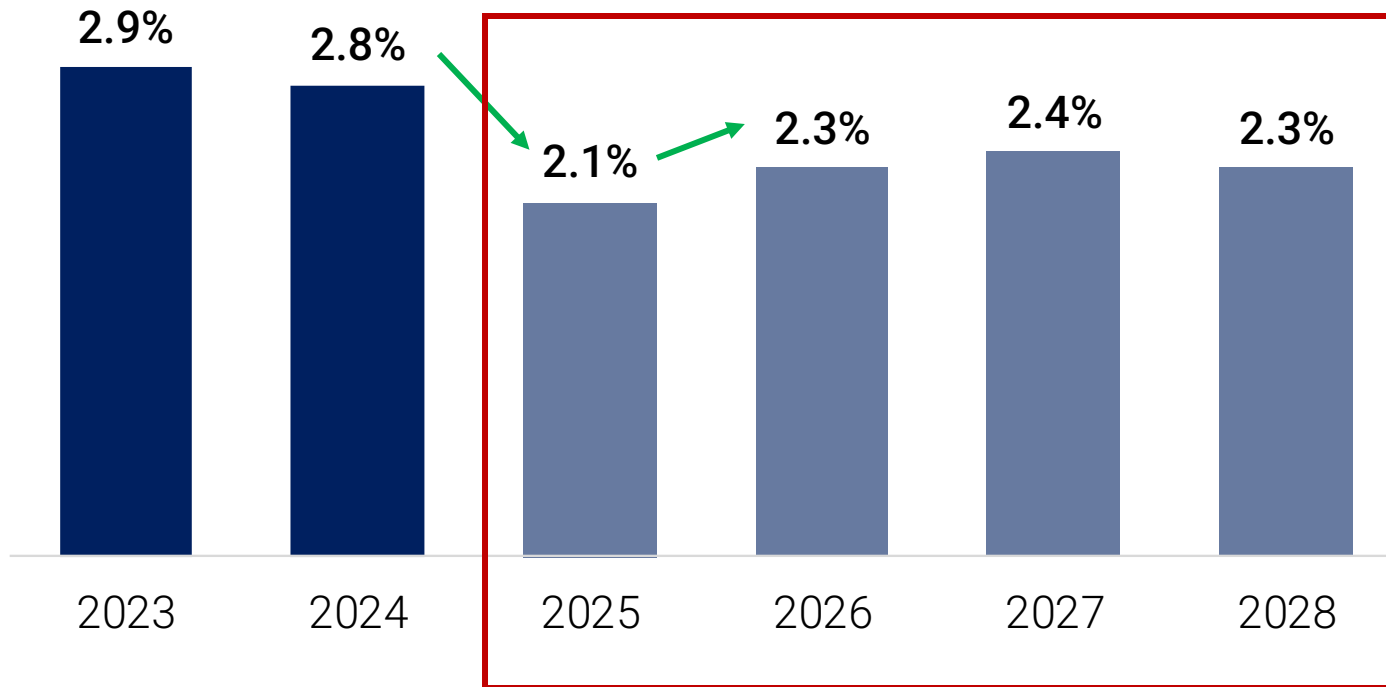


Average hourly **earnings have increased 3.7%** over the past year, outpacing the rate of inflation.

← 3.0% Inflation in September

Economic growth will slow in 2025

US Real GDP Growth % year-over-year change



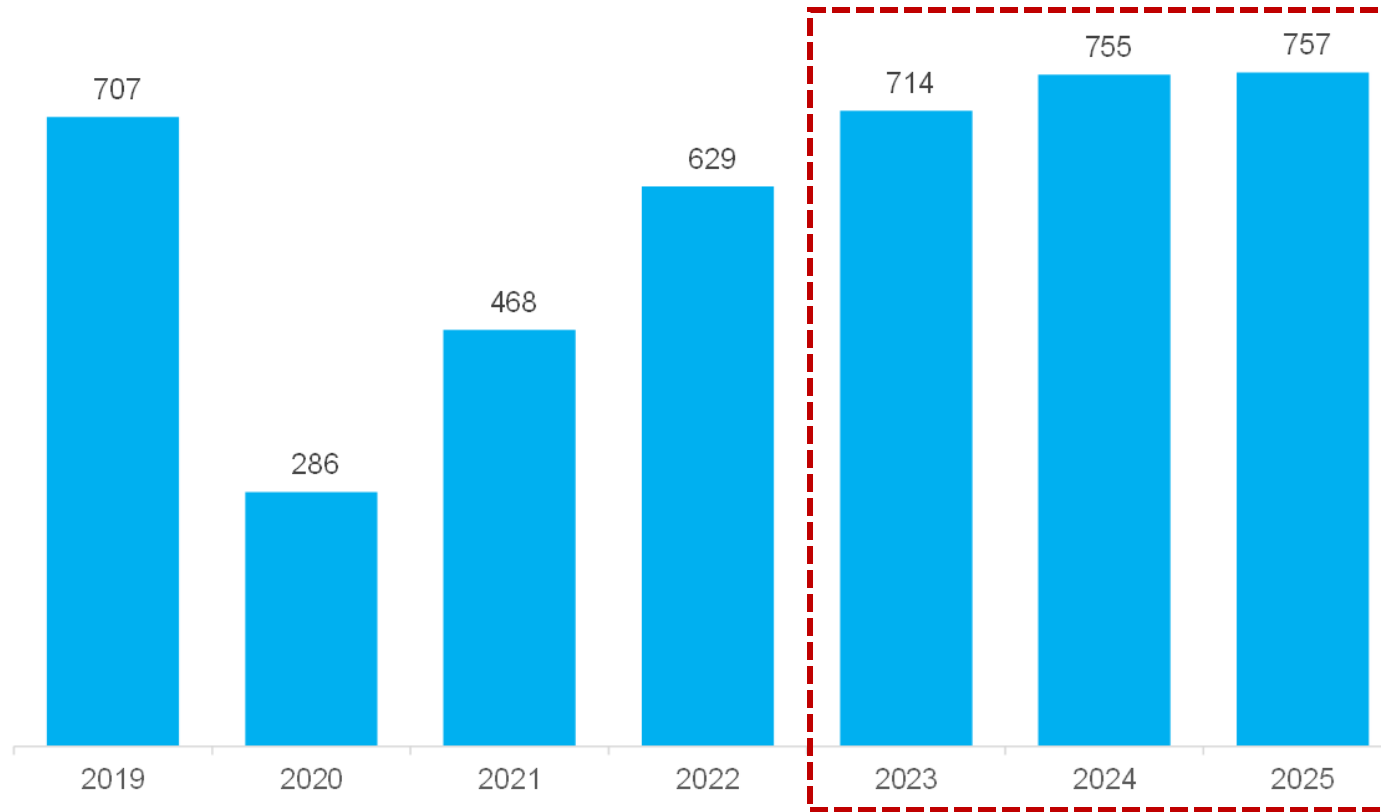
The economy will improve next year, supported by tax cuts/extensions, reduced uncertainty, the fading effects of tariffs on inflation.

Leisure Travel

Air travel has softened, but not falling

US Air Passengers, YTD

TSA PAX counts in millions, Jan-Oct



Source: TSA

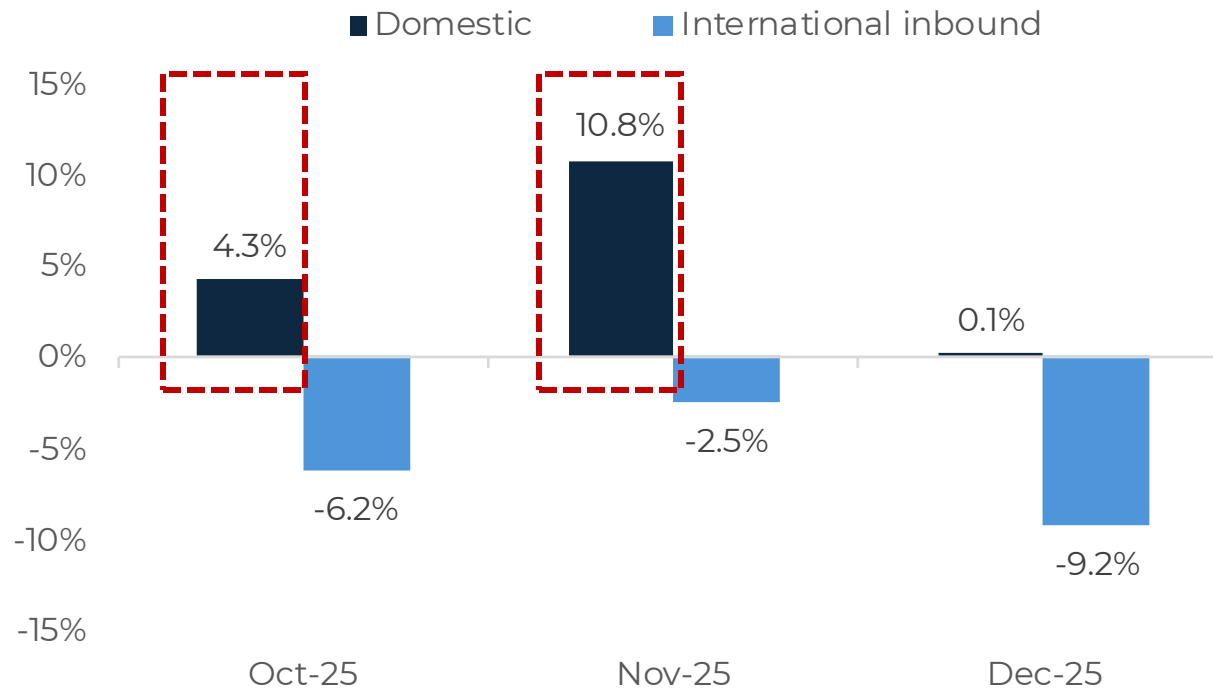
TSA air passenger volumes similar to last year.

Following a weak Spring and early Summer, TSA volumes have grown slightly in recent months.

Domestic air bookings showing strength

US Air Travel Booking Pace

Year-over-year % change (as of September 2025)



Source: OAG

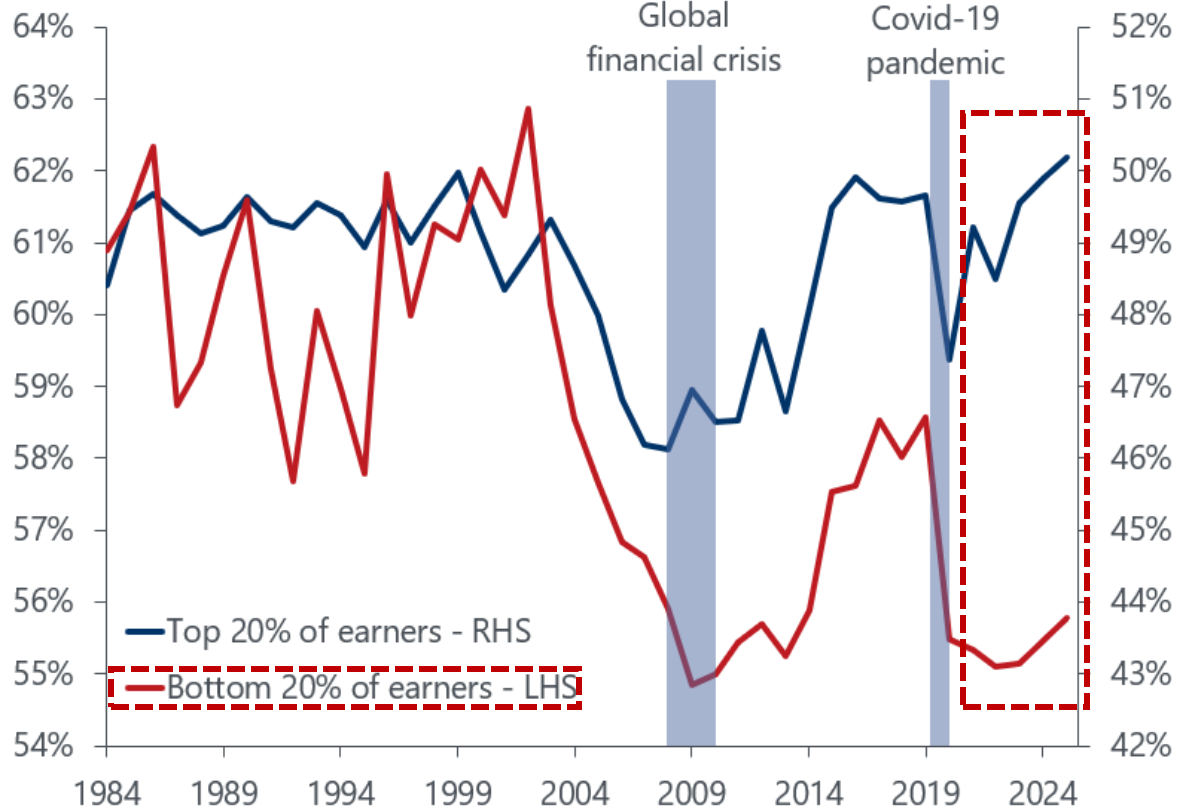
“The entire fourth quarter, the fall break, Thanksgiving, Christmas, they're all likely to set records with strong demand.”

-*Scott Kirby, CEO*
United Airlines

A K-shaped economy: Diverging outcomes

US: Consumer discretionary spending by income

share of each group's total spend



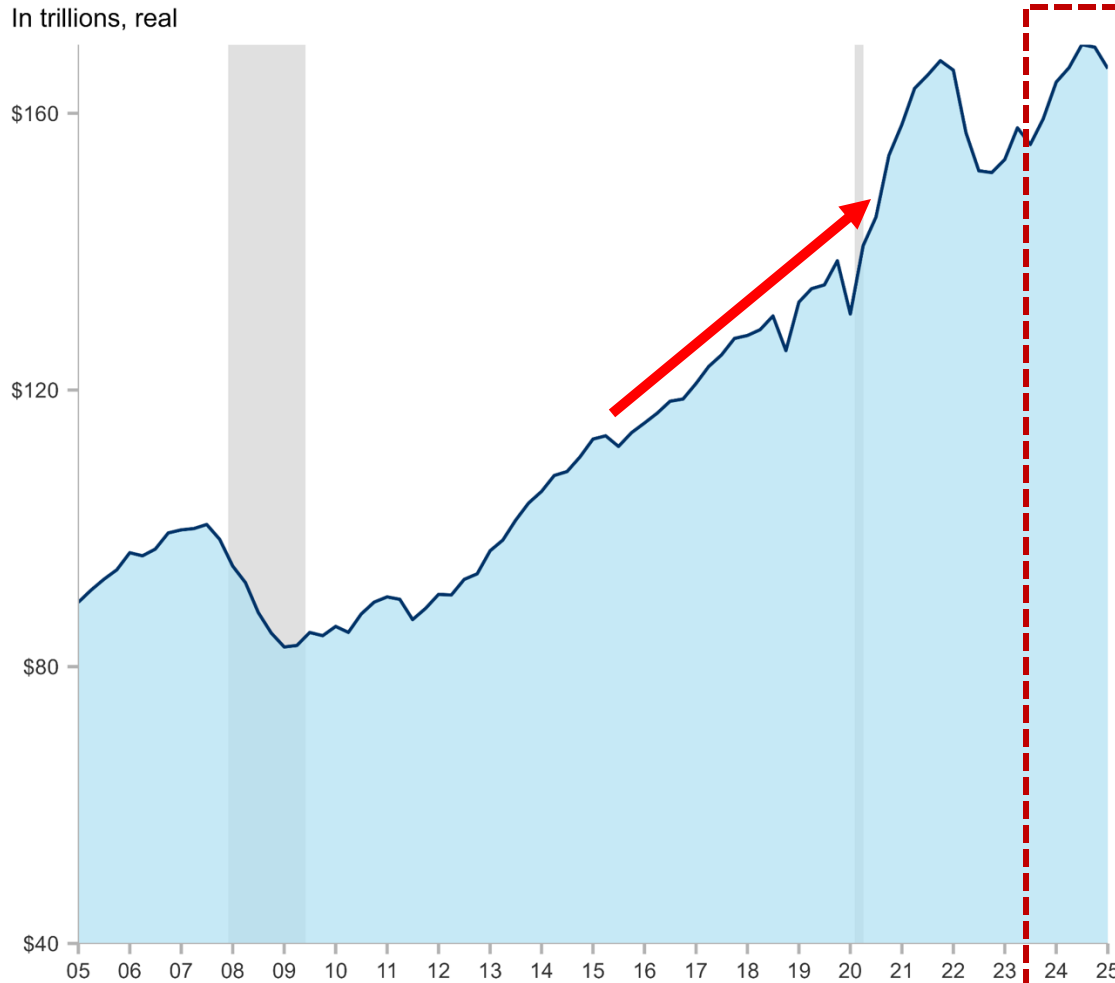
Lower-income households are facing greater pressures, spending less on discretionary purchases and more on essentials.

Similar trend for younger cohorts who are having a hard time finding a job.

Strong gains to household balance sheets

Household net worth

In trillions, real



Note: 2024 dollars. Quarterly data through 2025Q1. Net worth of households and nonprofit organizations. Measures housing and financial assets, minus liabilities. Source: Federal Reserve, NBER

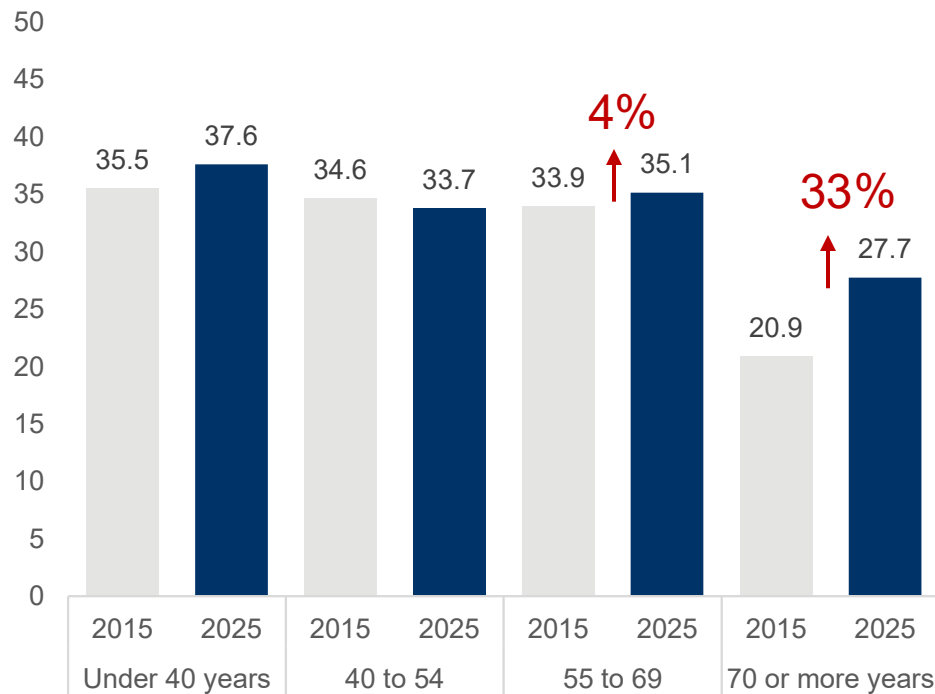
“High-end resort properties continue to show resilience, no resistance to rate.”

- Host, July 31

Older US households (55+) now have \$114 trillion

Number of Households by Age Group

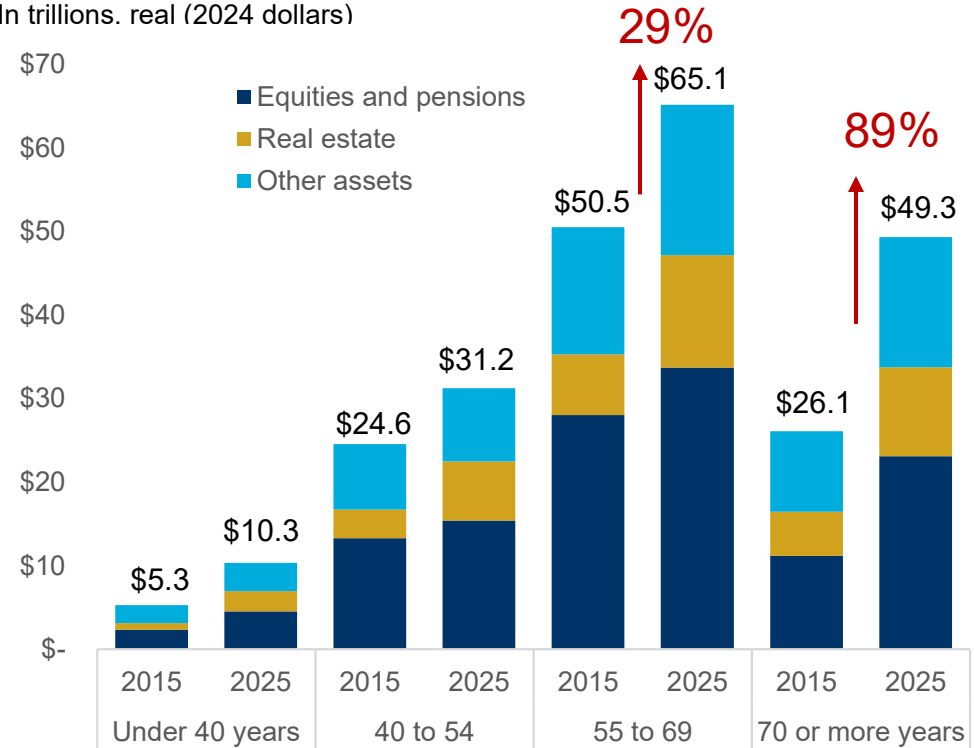
In millions of households



Source: Federal Reserve

Household Net Worth by Age Group

In trillions, real (2024 dollars)



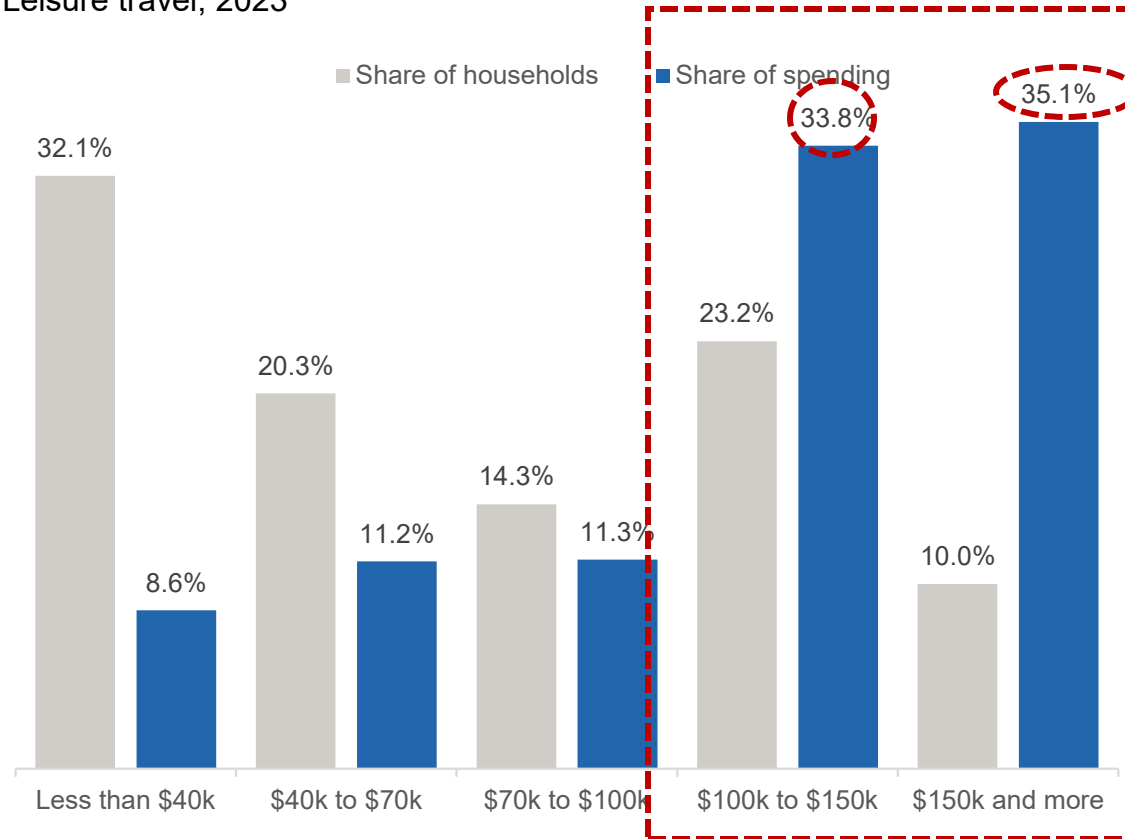
Note: Real estate is shown net of mortgages. Other assets include private businesses, consumer goods and other assets, net of other liabilities.

Source: Federal Reserve

That matters because higher-income households account for more than 60% of hotel spending

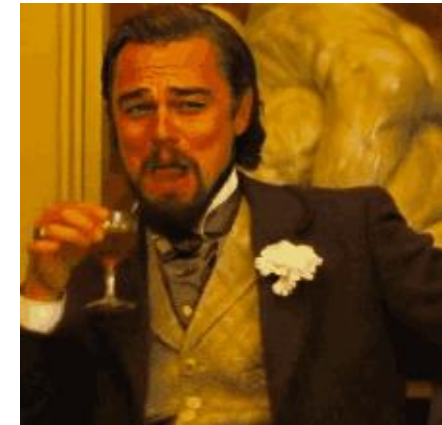
Lodging spending by household income

Leisure travel, 2023



**Households making \$100k+
(one-third of households)**

**account for more than two-thirds
of all spending on lodging**



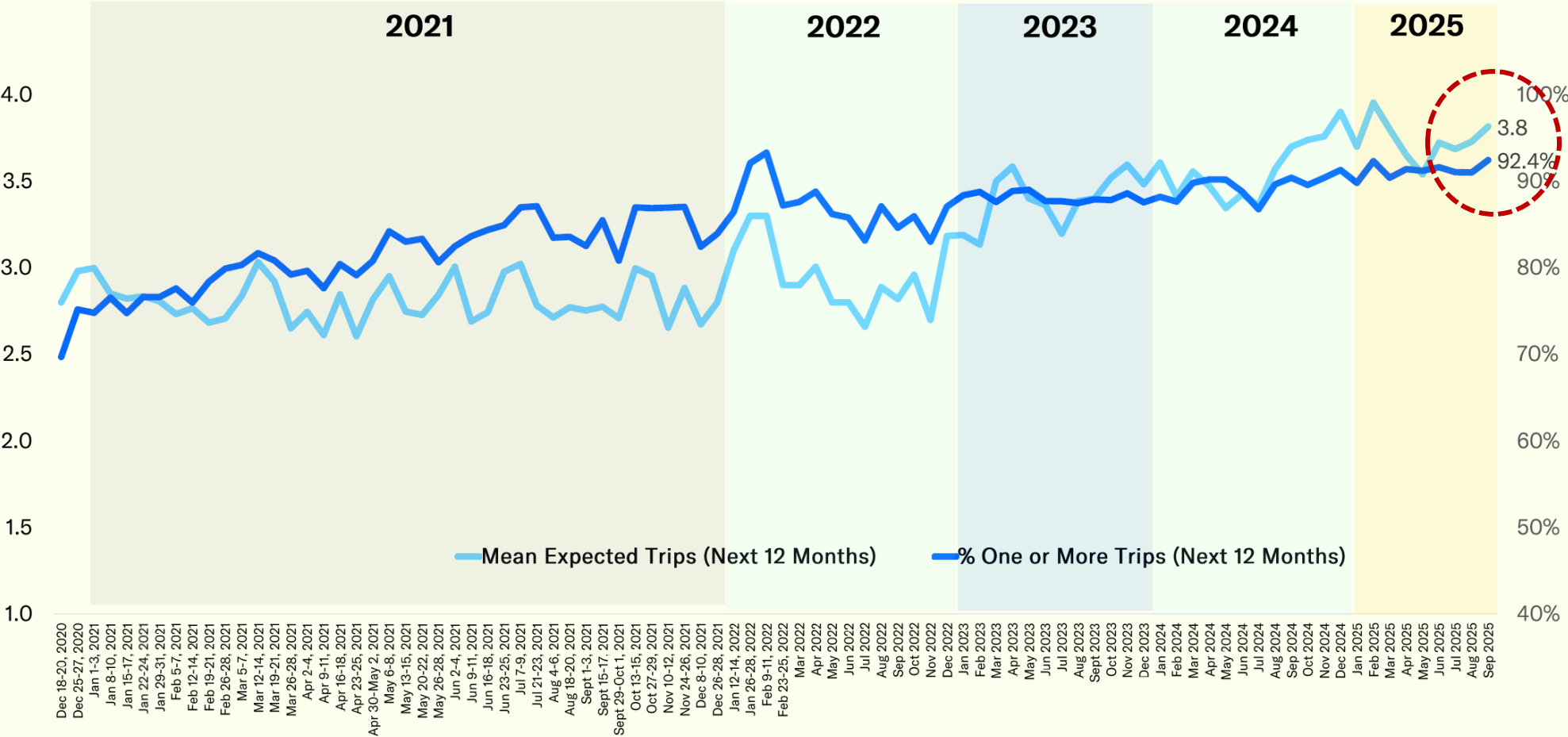
The rich in luxury hotels this winter...

Note: Based on three-year average through 2023.
Source: BLS, Tourism Economics

Intended leisure trips showing lift in recent months

Question:

IN TOTAL, how many leisure trips (of 50 miles or more from your home) do you expect to take in the NEXT TWELVE (12) MONTHS? (Select one)



Travel budgets remain elevated

Question:

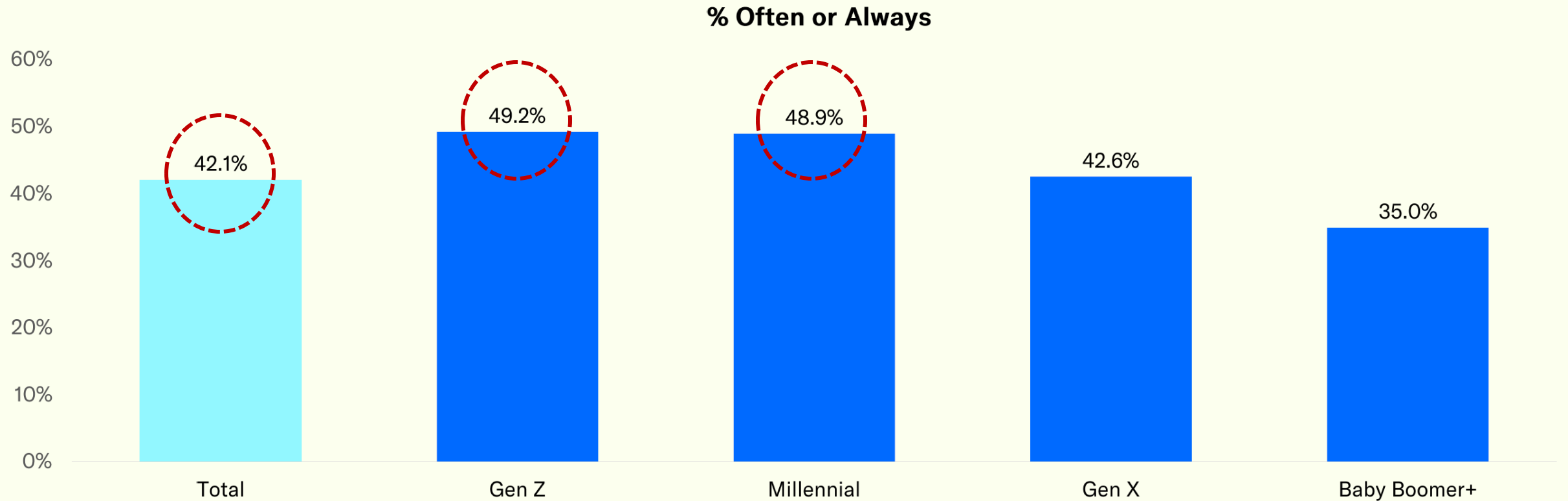
How much IN TOTAL is the maximum you will spend on leisure travel (including airfare, accommodations and all other trip related spending) during the NEXT 12 MONTHS?

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



Trips Planned Because of Physical, Mental, or Spiritual Well-Being by Generation

Question: How often do you plan leisure trips specifically to support your physical, mental, or spiritual well-being?



Broad advance in discretionary spending

US: Inflation-adjusted spending

%3m. annualized



A sign people are prioritizing experiences.

Trends in discretionary spending driven by swings in the stock market.

Source: Oxford Economics/Haver Analytics

Signs of leisure market acceleration

“Since the beginning of July, we've seen an **uptick** in overall travel demand, particularly in the U.S.”

- **Expedia (08/07/2025)**

“As we look to Q3, we're encouraged by current demand trends, specifically the **acceleration** of nights booked from April through July.”

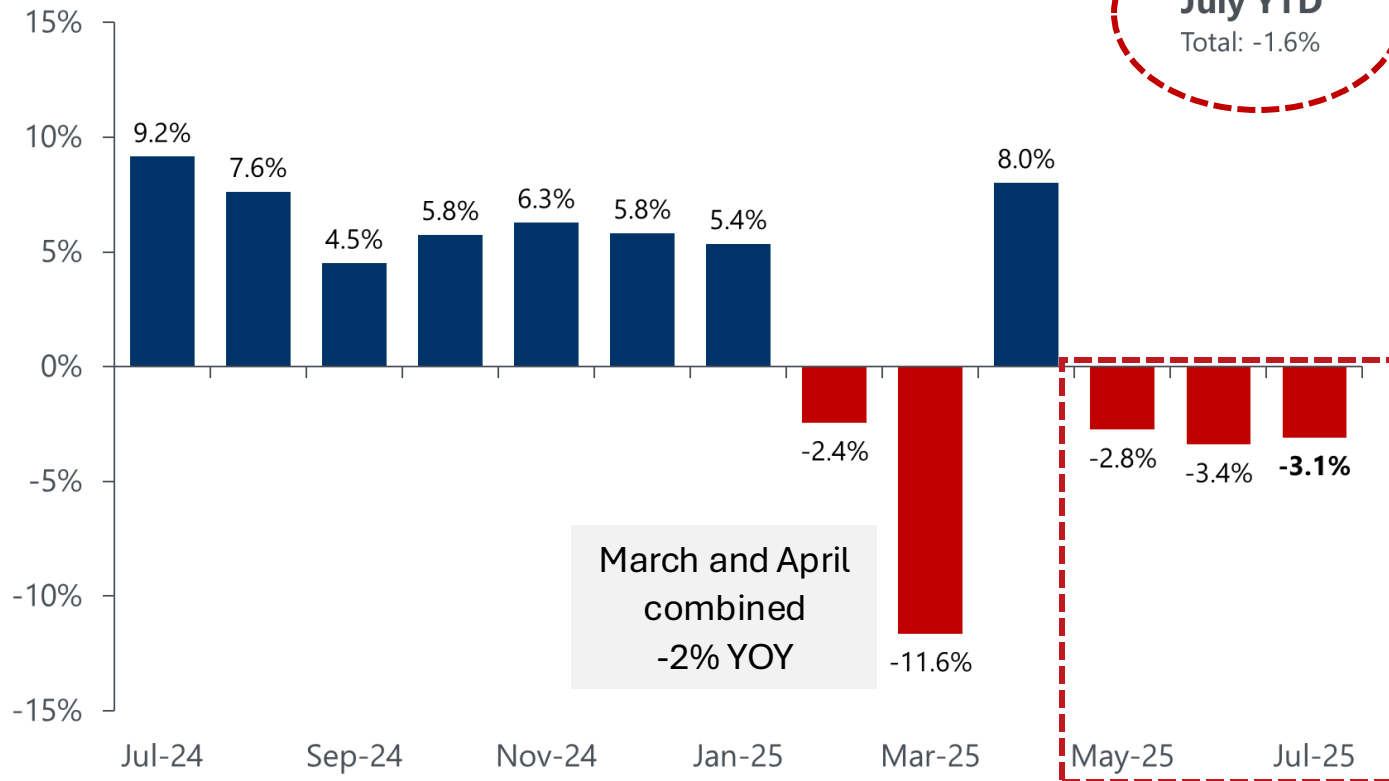
- **Airbnb (08/06/2025)**

International



Overseas markets continuing to decline

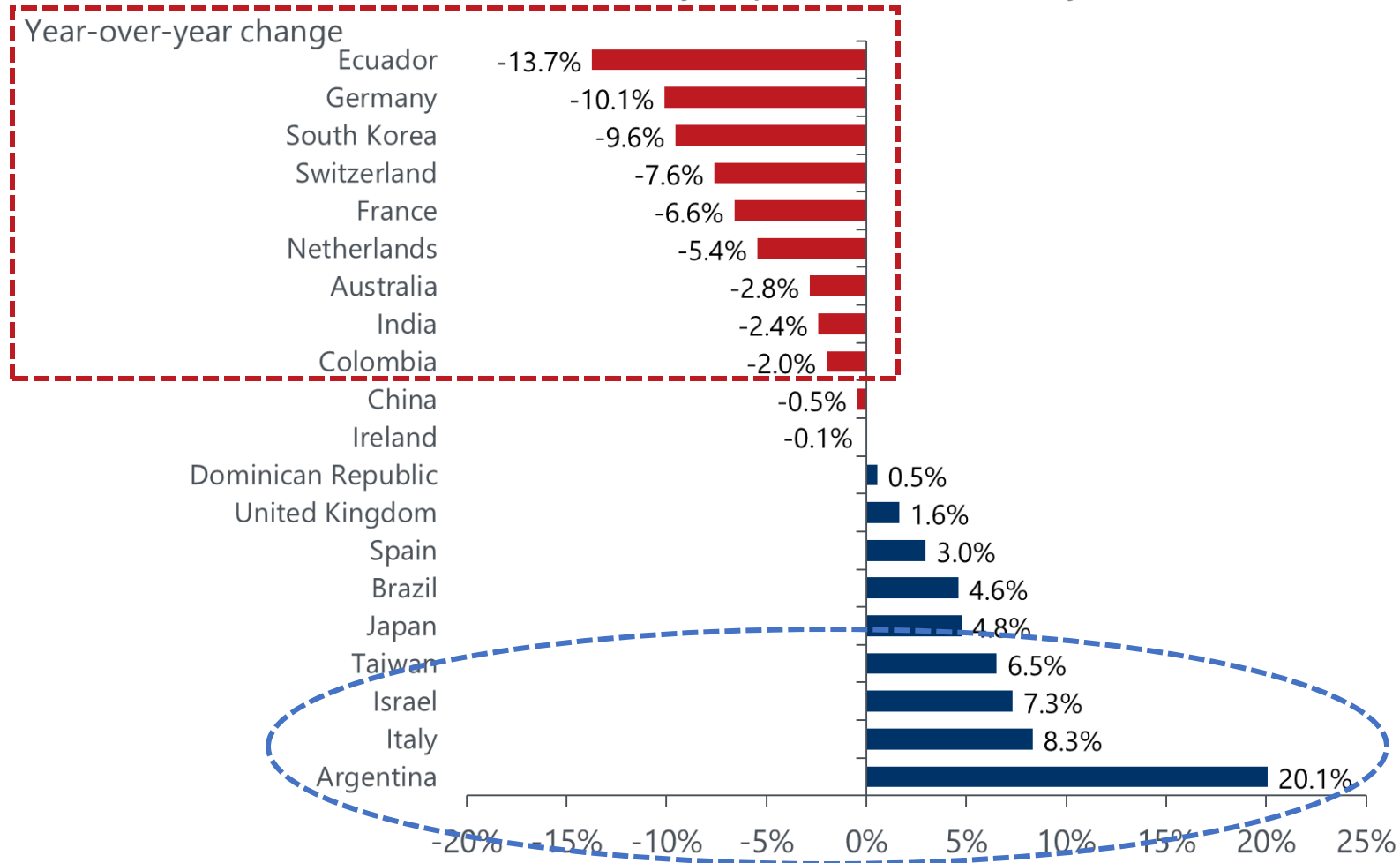
Overseas visitor arrivals to the US
Year-over-year change



Source: National Travel and Tourism Office

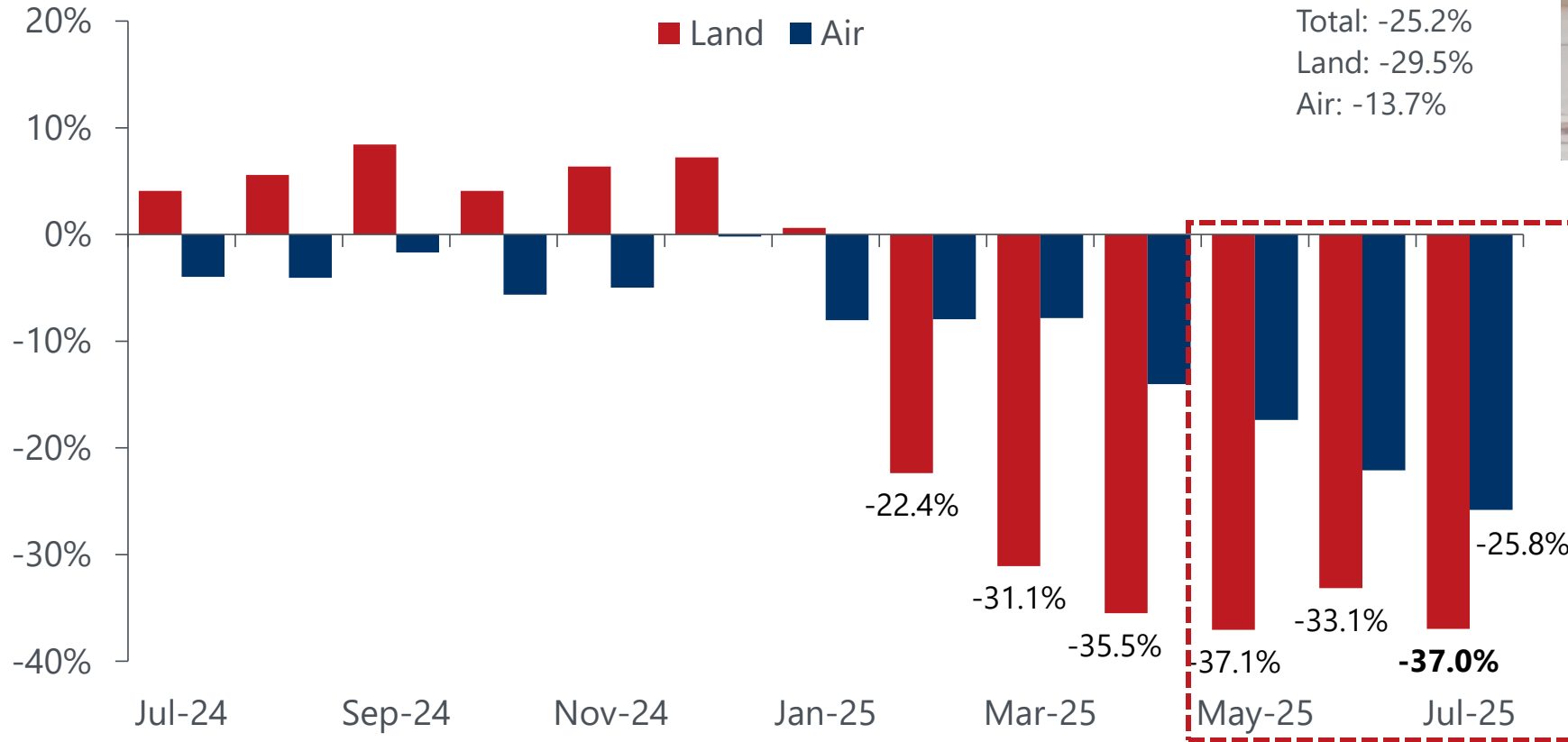
Disparate performance by market

Overseas visitor arrivals to the US by top 20 markets (July 2025 YTD)



Canada land travel continues to plummet

Canadian visitor arrivals to the US
Year-over-year change



July YTD

Total: -25.2%
Land: -29.5%
Air: -13.7%



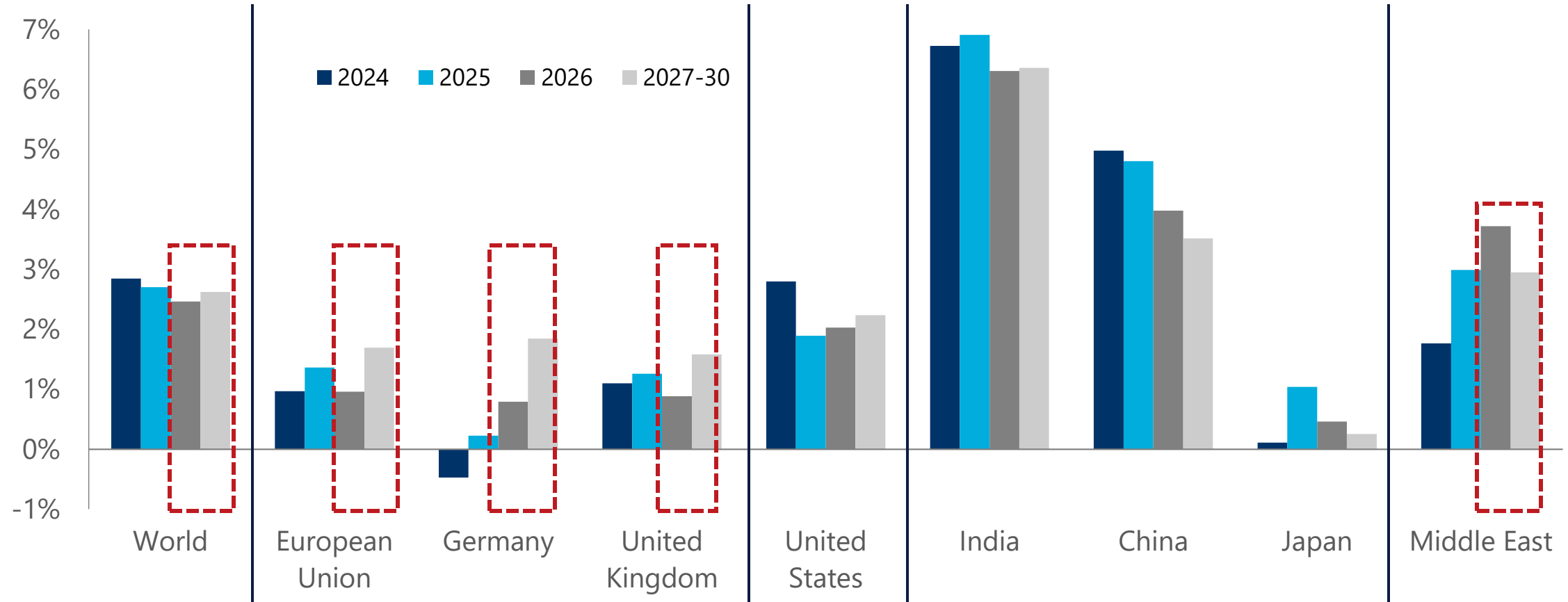
Note: Estimates show the year-over-year change in Canadian visits to the US.

June and July 2025 are based on leading indicator data measuring Canadian-resident US return trips.

GDP should accelerate in major international markets...

GDP growth by major markets

Annual % change

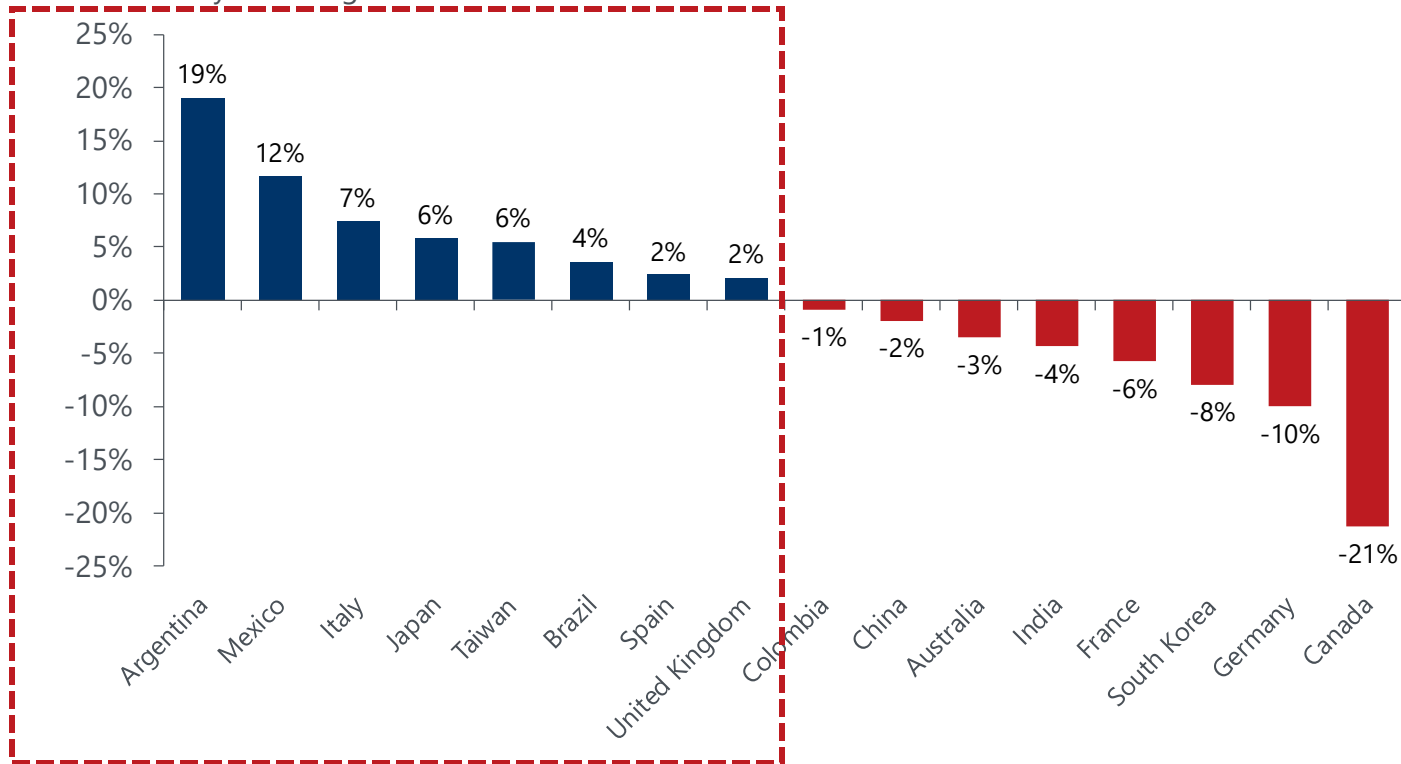


Source: Oxford Economics

International markets still hold potential

Visitor arrivals to the US by top markets (Aug 2025 YTD)

Year-over-year change



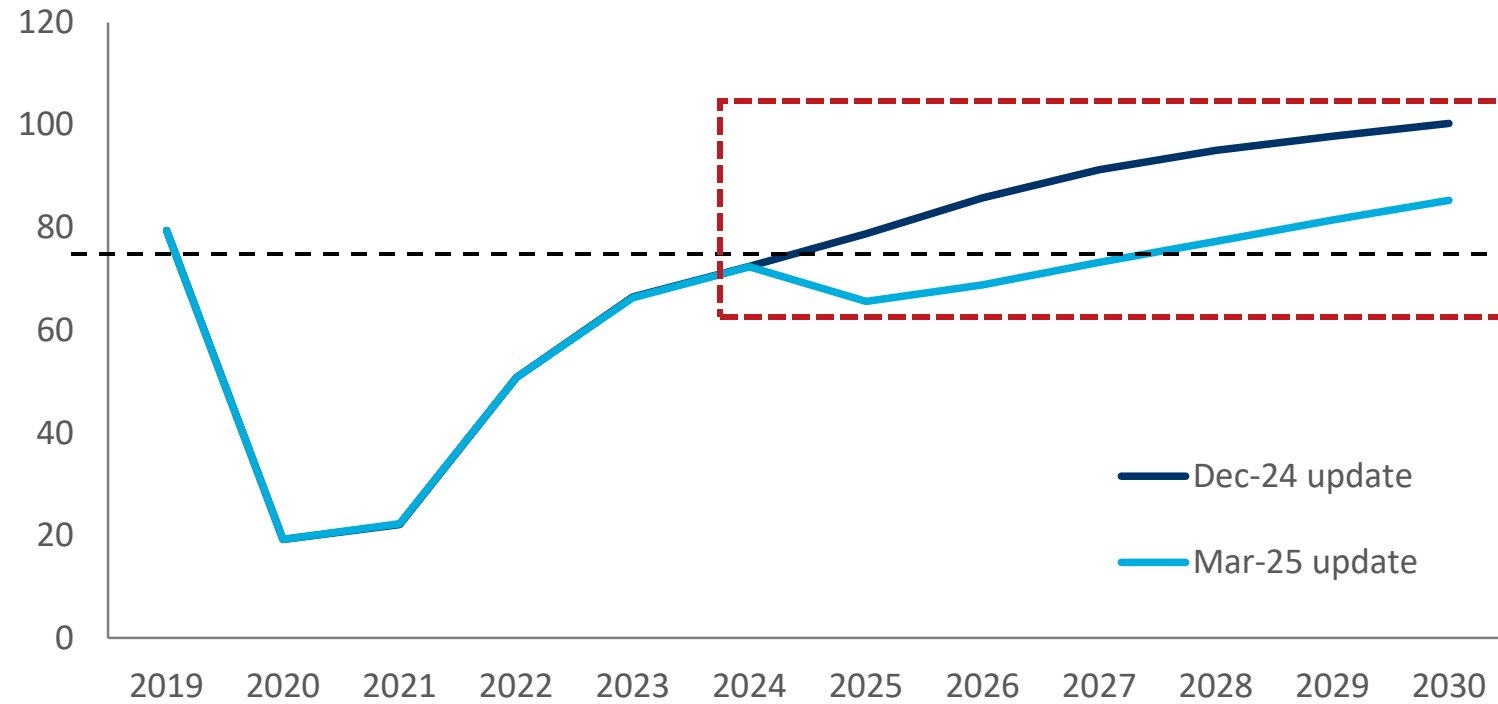
Some inbound markets are witnessing strong growth

Source: National Travel and Tourism Office
Year to date August (Mexico YTD July)

US inbound arrivals recovery delayed to 2029

US inbound arrivals

Visits, mns



Source: Tourism Economics

Recovery delayed to
2029



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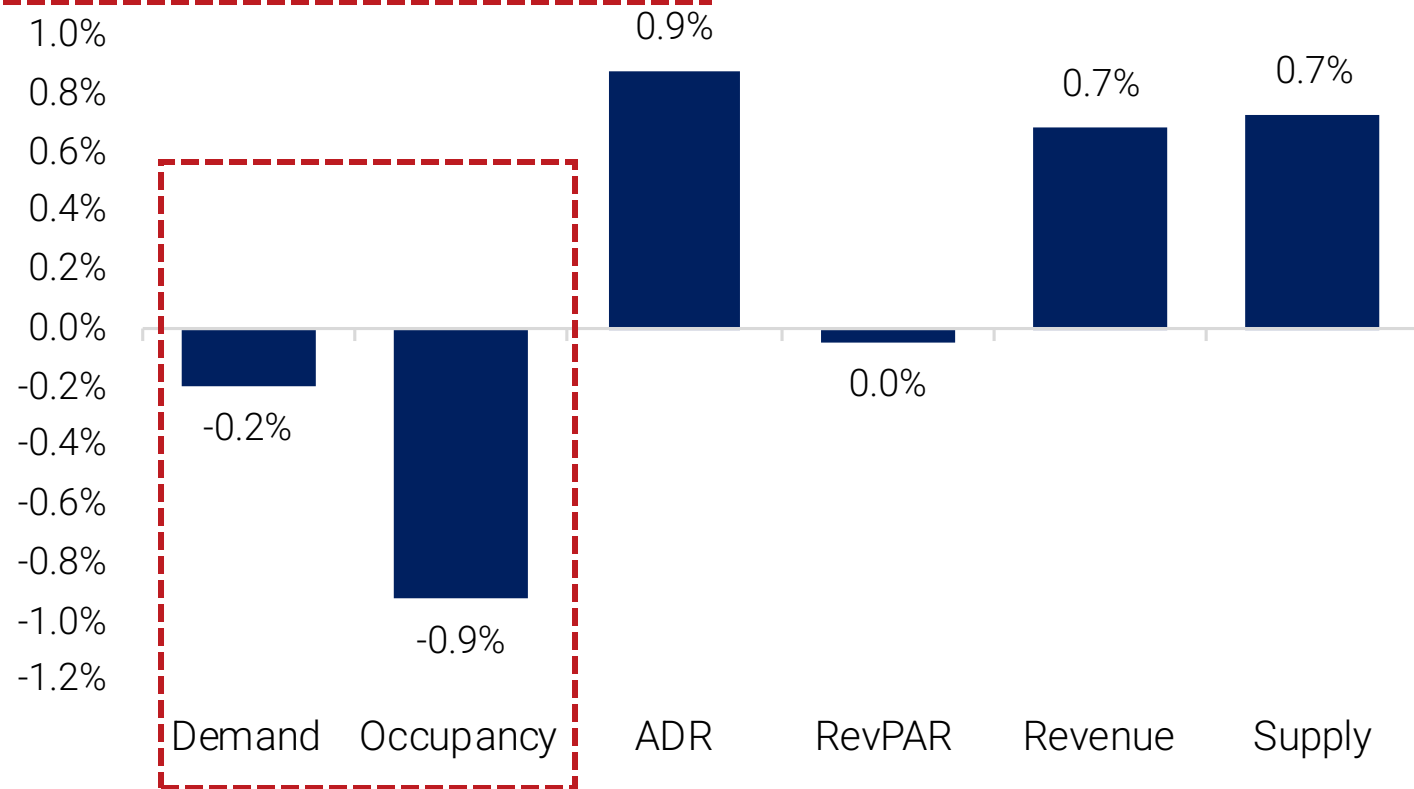
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U.S. Lodging Outlook

No growth in hotel demand

US Hotel Key Performance Metrics

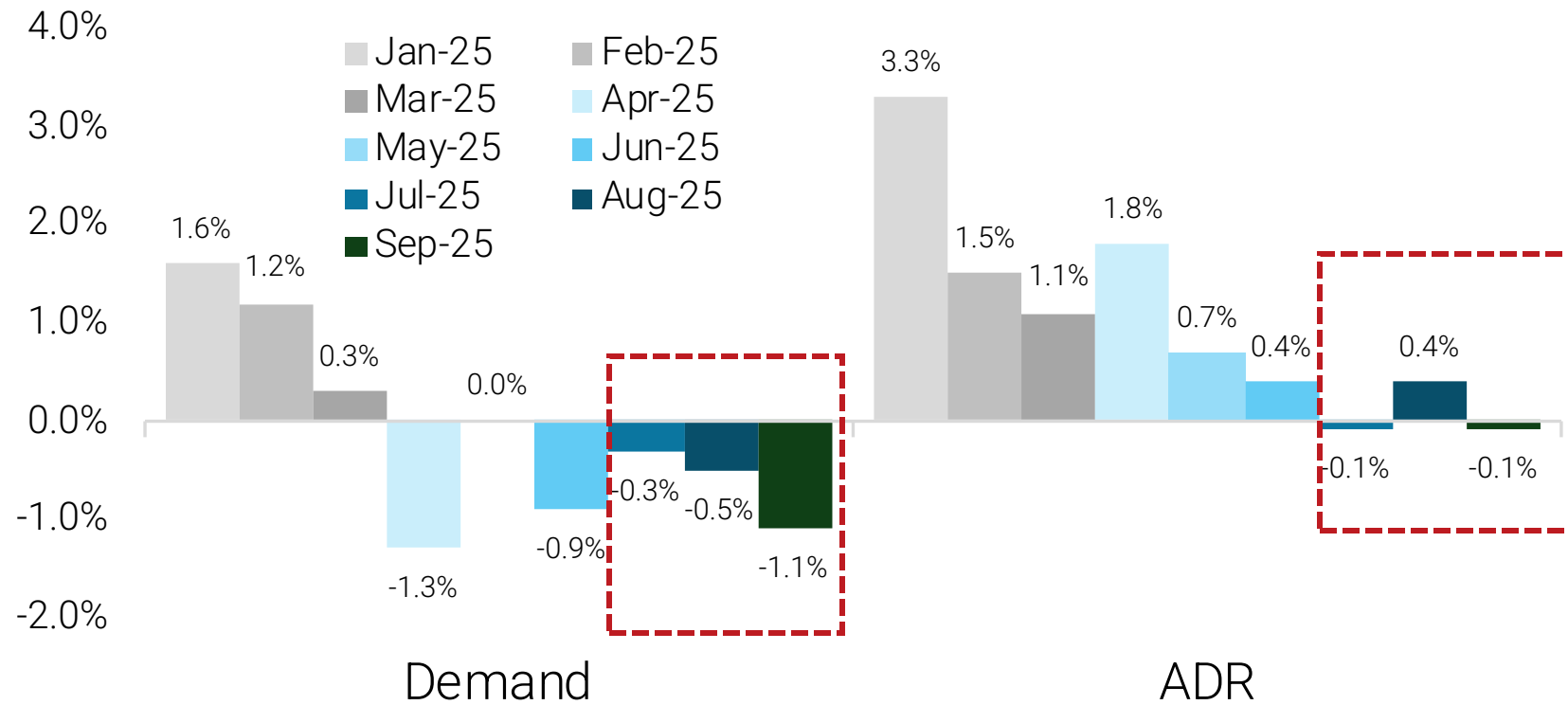
Sept 2025 YTD, year-over-year growth



US hotel performance has slowed

US Room Demand & ADR

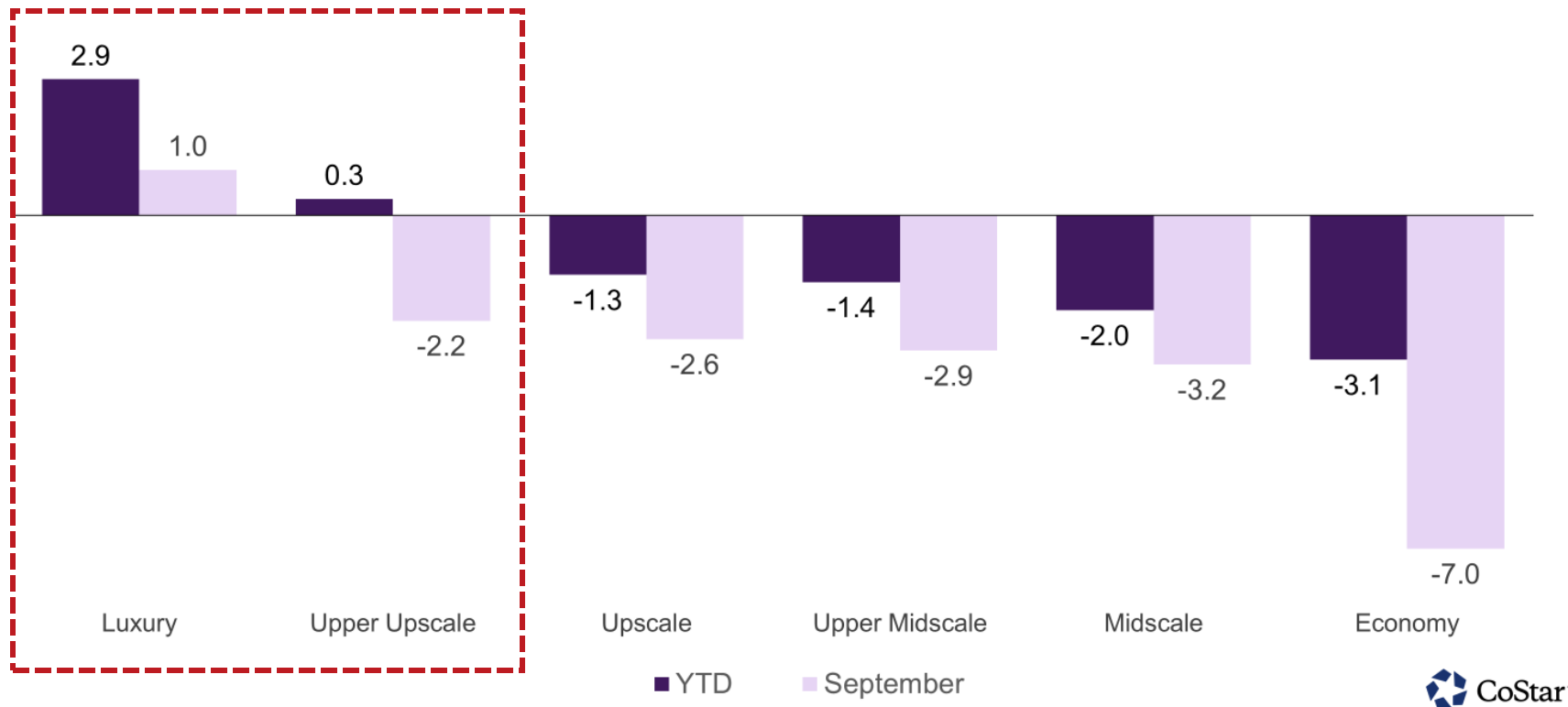
year-over-year growth



Source: STR

Bifurcated demand growth

US RevPAR % change by class, YTD September and September 2025



“...And again, I will point to the **luxury and certain parts of the premium segment.**”

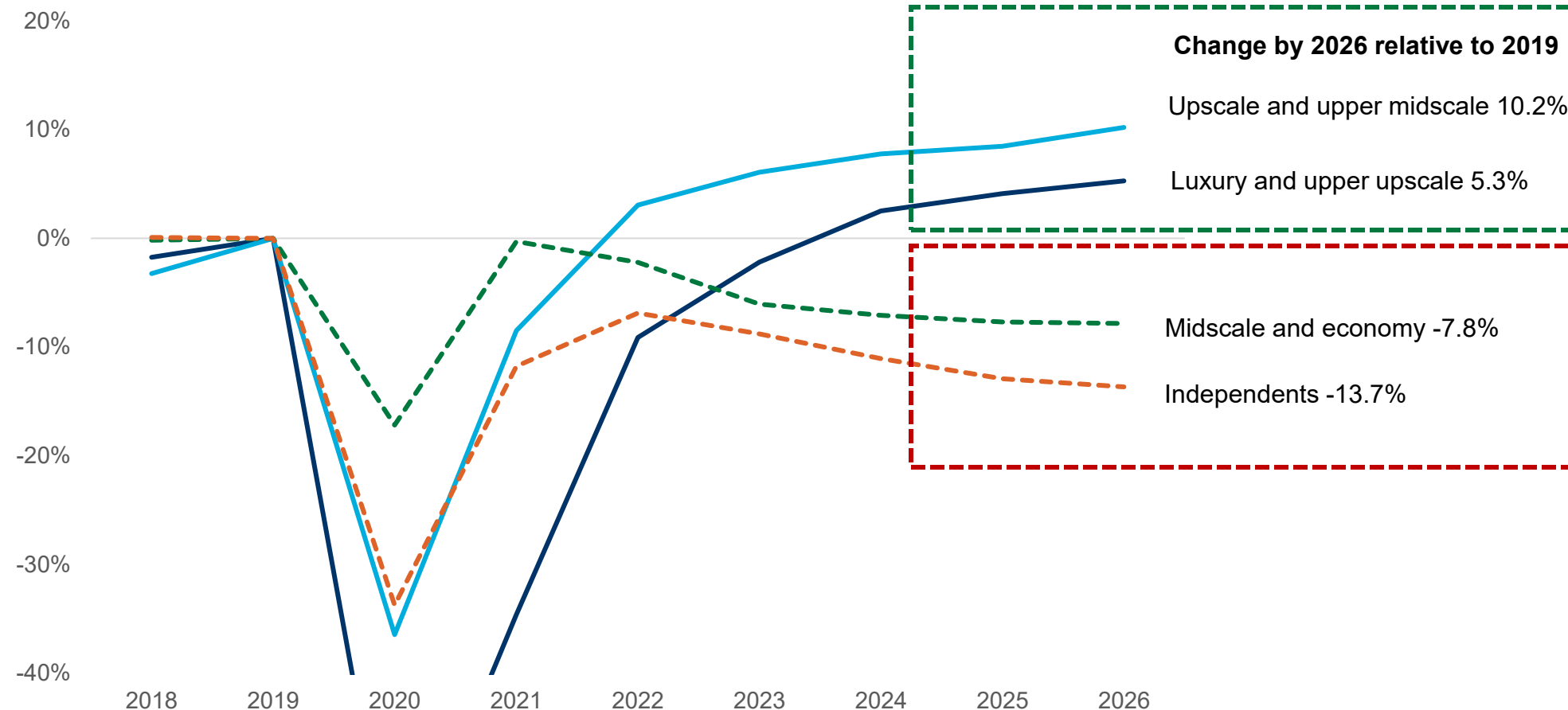
...This desire for experiences over goods continues and the underlying trends that we see are excellent.”

Marriott, Aug 5

Upper-tier hotel demand growth continues, as lower tiers ease

Demand relative to 2019

By chain scale groups



Source: CoStar-STR; Tourism Economics

Updated chain-scale outlook points to lower-tier weakness



2025 U.S. Hotel Forecast

Chain Scales, YoY – year over year (% change)

	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy
Occupancy	67.9%	68.8%	69.1%	65.3%	58.1%	53.7%
Demand (YoY)	+3.8%	+1.1%	+0.8%	+0.6%	+1.4%	-2.4%
ADR (YoY)	+4.0%	+1.0%	+0.2%	-0.2%	-0.2%	-0.8%
RevPAR (YoY)	+3.9%	+0.9%	-0.4%	-1.4%	-1.2%	-2.2%

Updated TE-STR lodging forecast: Flat RevPAR this year



U.S. Hotel Forecast

YoY – year over year (% change)

	2024 Actual	2025 Forecast	2026 Forecast
Supply (YoY)	+0.5%	+0.8%	+0.8%
Demand (YoY)	+0.5%	-0.1%	+0.6%
Occupancy	63.0%	62.5%	62.3%
ADR (YoY)	+1.8%	+0.8%	+1.0%
RevPAR (YoY)	+1.9%	-0.1%	+0.8%

Updated chain scale outlook shows 2026 growth



2026 US Hotel Forecast

Chain Scales, year-over-year (% change)

	Total	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy
Occupancy	62.3%	68.0%	68.8%	68.9%	65.3%	57.7%	53.2%
Demand (YoY)	+0.6%	+1.7%	+1.0%	+1.4%	+1.7%	+0.6%	-0.8%
ADR (YoY)	+1.0%	+2.4%	+1.5%	+1.2%	+0.5%	+0.4%	+0.1%
RevPAR (YoY)	+0.8%	+2.6%	+1.6%	+0.8%	+0.5%	-0.3%	-0.8%

Summary

The near-term outlook is soft and risky

- US economy is on a tight rope. Expect higher inflation, slower economic growth, weaker labor markets
- Manufacturing and construction-related sectors in difficult spot

The outlook is more promising, if you look out a little farther

- Fiscal stimulus
- Higher income households
- Less uncertainty
- Technology-driven productivity
- The economy is likely to strengthen into 2026 and 2027

**Just Remember
Things are NOT
terrible...just
uncertain.**



How about OBX's Forecast?

Forecast Summary

Dare County, NC

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Levels									
Supply (millions)	2.17	2.23	2.28	2.31	2.36	2.36	2.34	2.35	2.36
Demand (millions)	0.67	0.78	1.01	0.93	0.90	0.86	0.87	0.88	0.88
Occupancy	30.7%	34.9%	44.4%	40.4%	37.9%	36.6%	37.1%	37.3%	37.4%
ADR	\$332.88	\$336.44	\$330.97	\$390.23	\$414.74	\$411.64	\$407.02	\$413.97	\$420.76
ADR, Real	\$332.88	\$333.17	\$314.01	\$346.86	\$355.87	\$344.53	\$332.00	\$329.20	\$327.72
RevPAR	\$102.24	\$117.53	\$146.85	\$157.49	\$157.36	\$150.59	\$150.98	\$154.54	\$157.20
RevPAR, Real	\$102.24	\$116.38	\$139.32	\$139.99	\$135.03	\$126.04	\$123.15	\$122.89	\$122.44
Unit Revenue (millions)	\$221.5	\$262.0	\$334.2	\$363.8	\$371.3	\$355.5	\$353.0	\$362.5	\$371.4
Gross Occupancy Revenue (millions)	\$518.0	\$576.4	\$771.1	\$814.2	\$826.0	\$786.1	\$791.4	\$803.3	\$819.3
Growth									
Supply		2.9%	2.1%	1.5%	2.2%	0.0%	-1.0%	0.3%	0.7%
Demand		17.0%	29.6%	-7.7%	-4.0%	-3.5%	0.4%	1.0%	0.8%
Occupancy		13.7%	27.0%	-9.0%	-6.0%	-3.6%	1.4%	0.6%	0.1%
ADR		1.1%	-1.6%	17.9%	6.3%	-0.7%	-1.1%	1.7%	1.6%
RevPAR		15.0%	24.9%	7.2%	-0.1%	-4.3%	0.3%	2.4%	1.7%
Unit Revenue		18.3%	27.5%	8.9%	2.1%	-4.3%	-0.7%	2.7%	2.4%
Gross Occupancy Revenue		11.3%	33.8%	5.6%	1.4%	-4.8%	0.7%	1.5%	2.0%
<i>Relative to 2019</i>		11.3%	48.9%	57.2%	59.5%	51.8%	52.8%	55.1%	58.2%

Forecast Summary

- After declining 4.8% in 2024, gross occupancy revenue is forecasted to grow 0.7% in 2025, 1.5% in 2026, and 2.0% in 2027.
- We forecast unit revenue to decline 0.7% in 2025, grow 2.7% in 2026, and grow 2.4% in 2027.

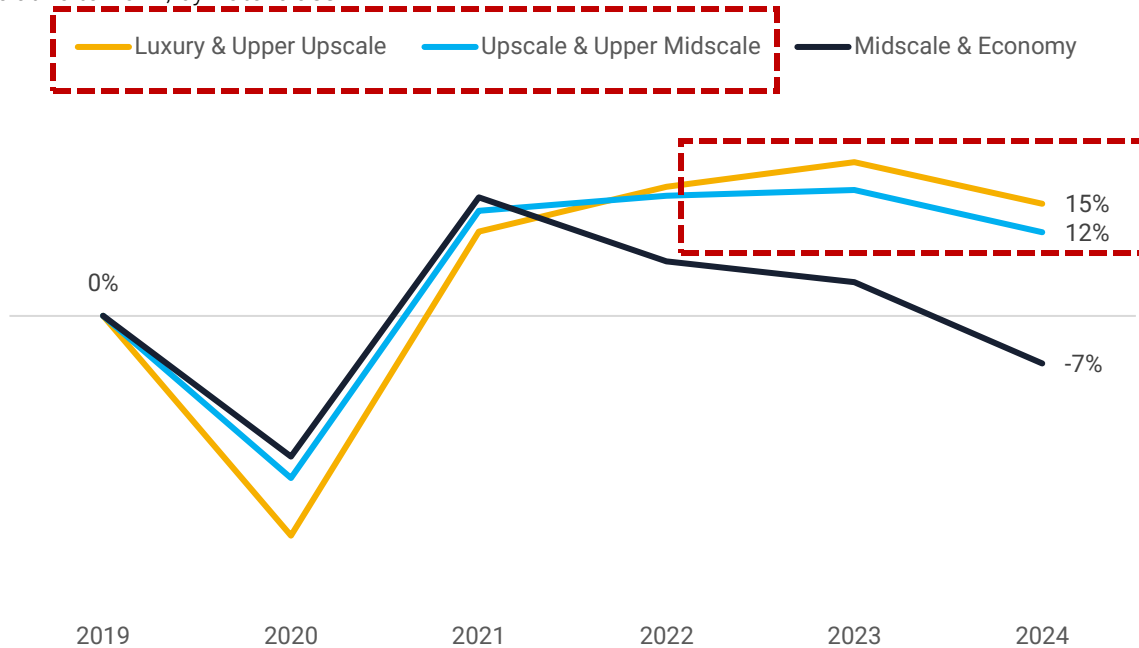
Let's Look at the Assumptions...

Outer Banks Forecast Assumptions

RevPAR recovery by hotel class

Coastal Carolina Hotel RevPAR

relative to 2019, by hotel class



Hotel RevPAR for Coastal Carolina has followed the national bifurcation trend.

Note: Coastal Carolina (STR designated submarket) includes hotels within the entire coastal area from the northern border to Wilmington

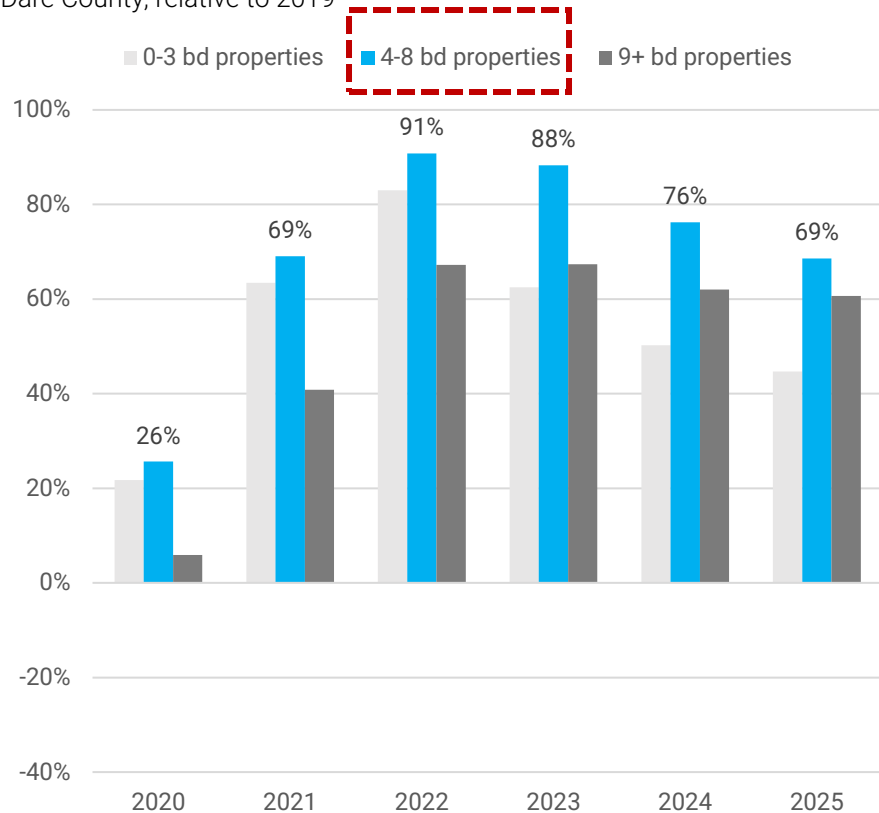
Source: CoStar-STR, Tourism Economics

Outer Banks Forecast Assumptions

RevPAR and supply by bedroom count

Vacation Rental RevPAR

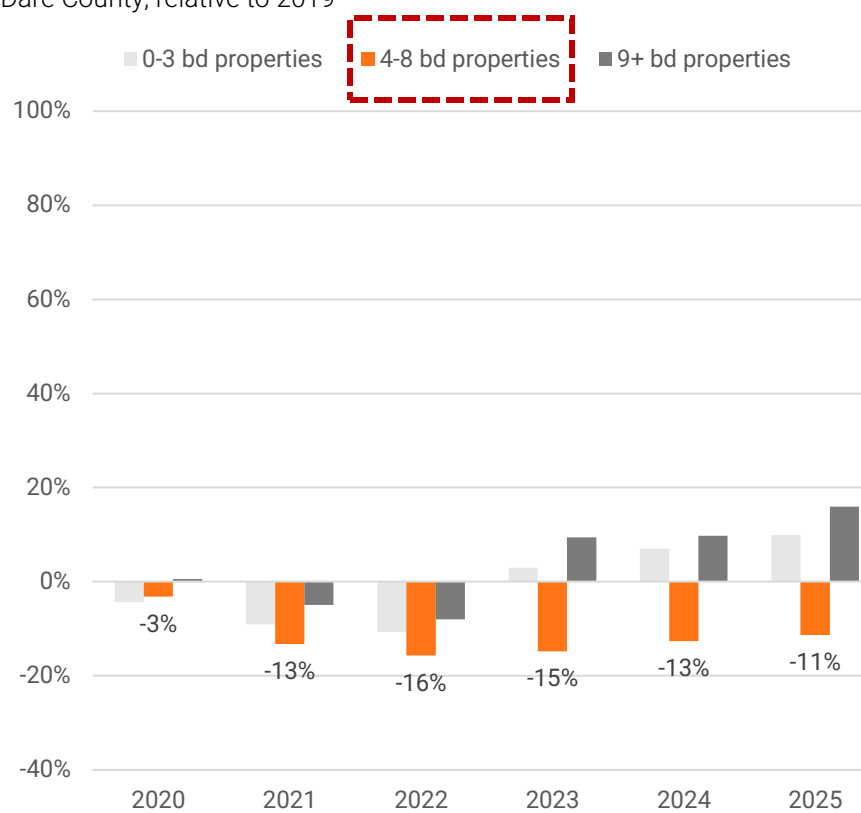
Dare County, relative to 2019



Source: Key Data, Tourism Economics

Vacation Rental Supply

Dare County, relative to 2019



Source: Key Data, Tourism Economics

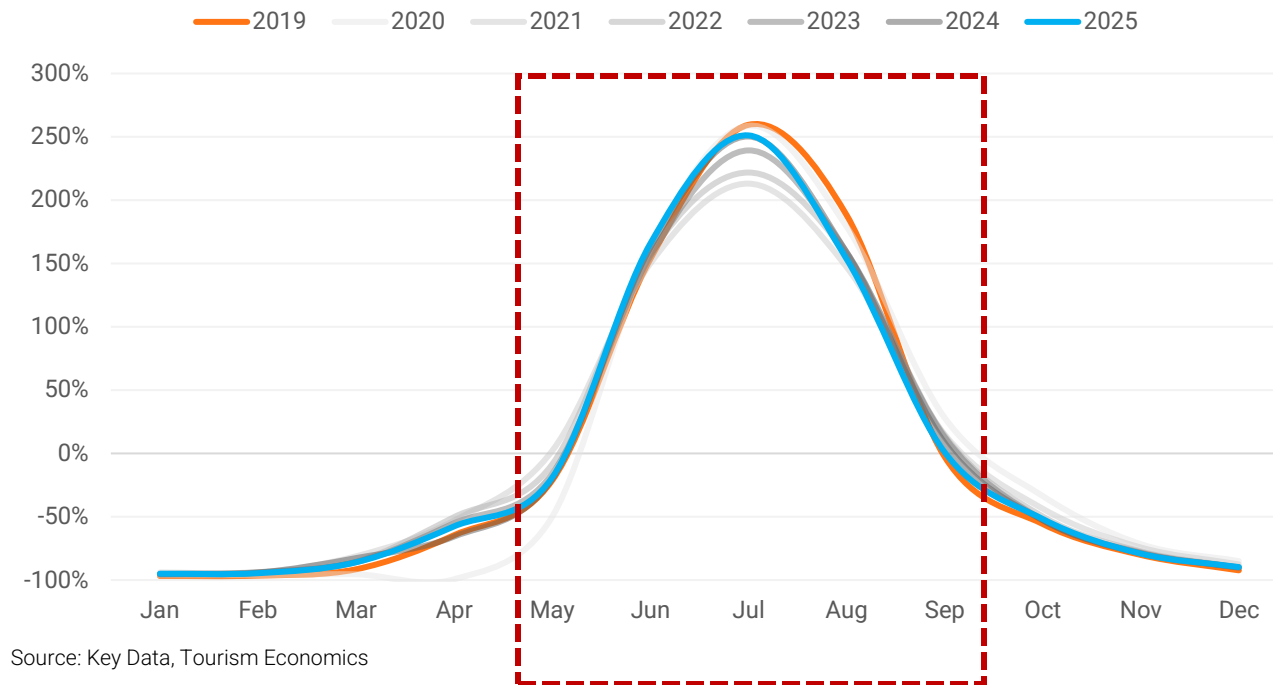
- Vacation rental RevPAR has been the main source of growth in recent years.
- Mid-size homes (4–8 bedrooms) have led that growth.
- Their strong RevPAR gains are likely tied to a smaller supply of available nights.

Outer Banks Forecast Assumptions

RevPAR seasonality

RevPAR seasonality

Dare County, 0% = average monthly RevPAR



- Late-summer (Q3) RevPAR has been slipping compared to other quarters in recent years.
- The same trend appears in both unit revenue and total occupancy revenue.
- In 2024, total occupancy revenue was **40% above 2019 levels**; in 2025, it's expected to reach **53% above 2019**.

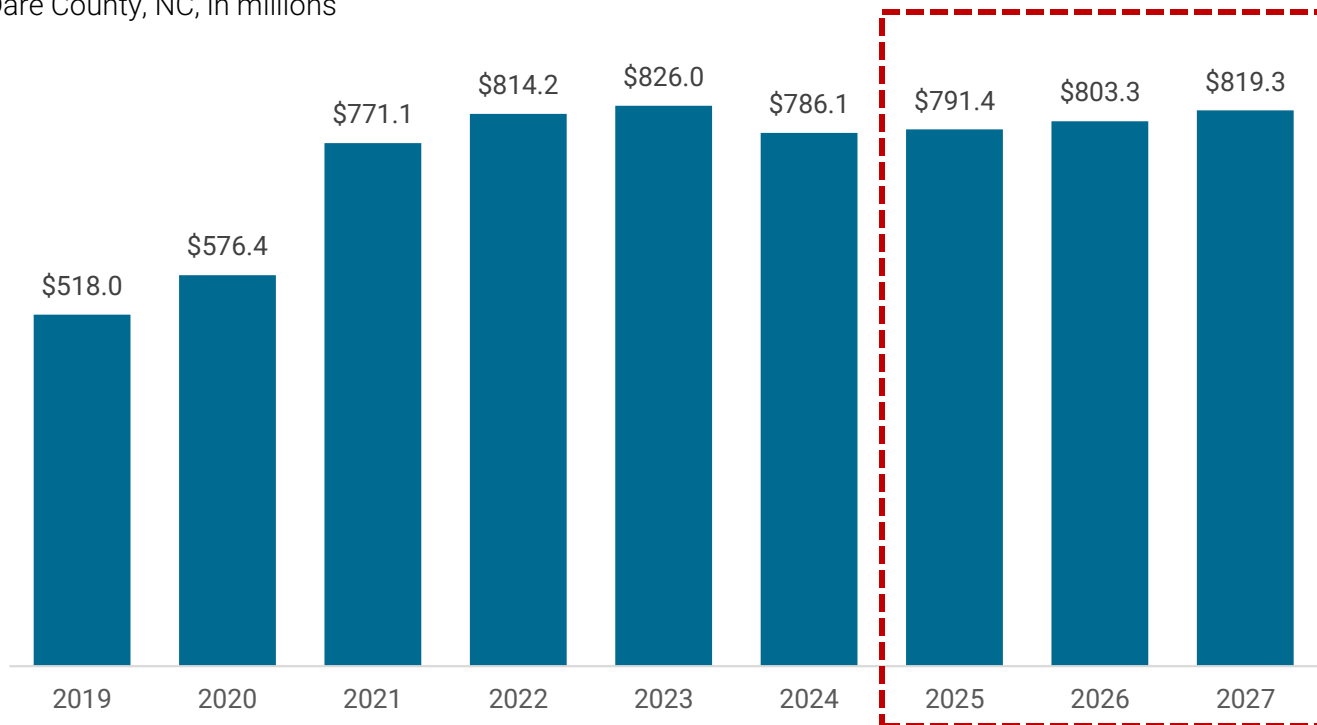
Key Findings...

Gross Occupancy Revenue

Annual

Gross Occupancy Revenue

Dare County, NC, in millions



Source: Outer Banks Visitors Bureau, Key Data, Tourism Economics

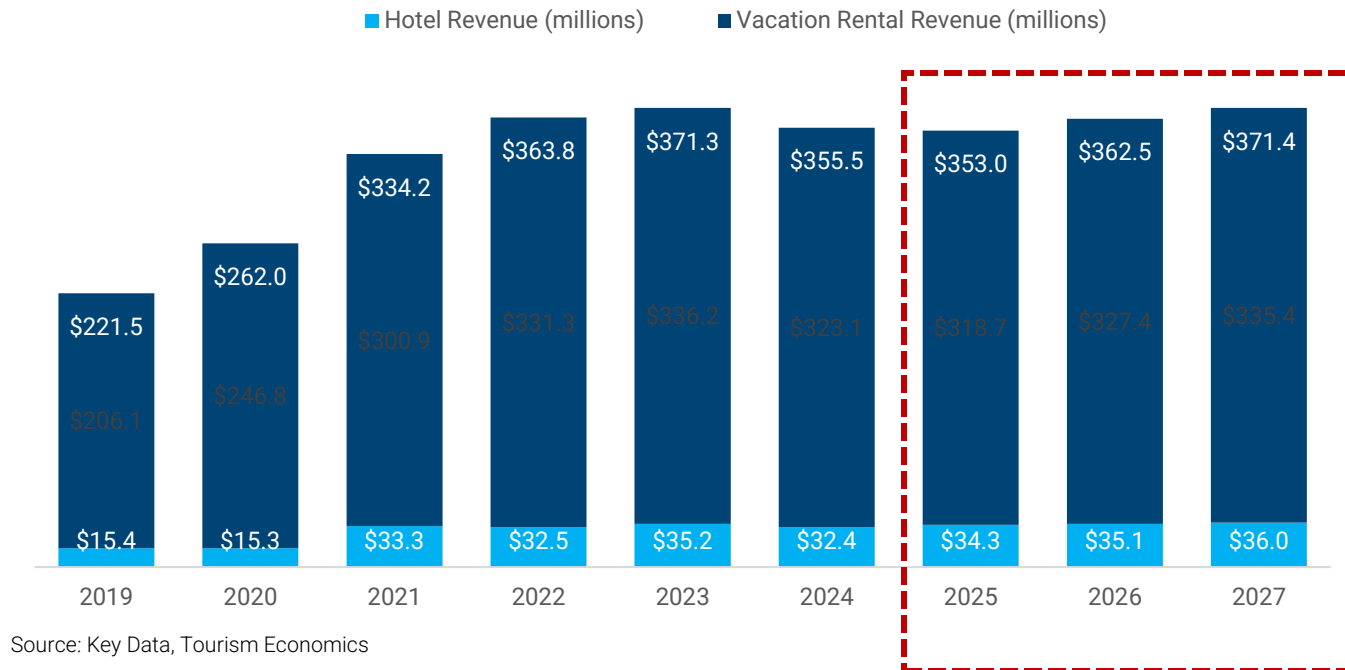
2027 occupancy revenue is projected to match the strong levels of the 2022–2023 “revenge travel” period.

Unit Revenue

Annual

Unit Revenue: Annual

Dare County, NC, in millions



Source: Key Data, Tourism Economics

- Hotels represent about 10% of Dare County unit revenue.
- Despite limited reporting, hotel and total revenue trends are tightly correlated ($r = 0.91$ in 2024–2025).



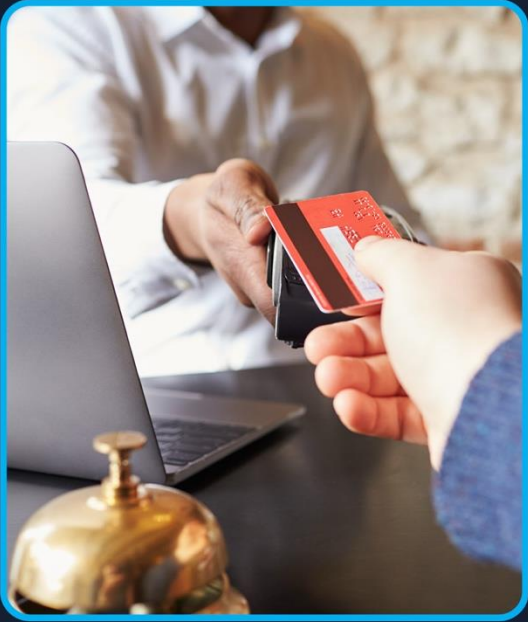
**Here is a study we did
on the catalytic
impacts of destination
marketing..**

Defining Economic Terms

WHAT ARE DIRECT, INDIRECT & INDUCED IMPACTS?



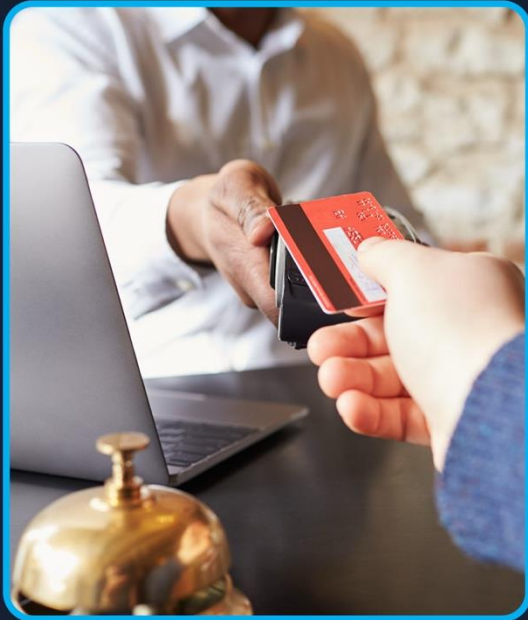
1
DIRECT



Transactions occur directly between consumers and travel businesses.

1

DIRECT



Transactions occur directly between consumers and travel businesses.

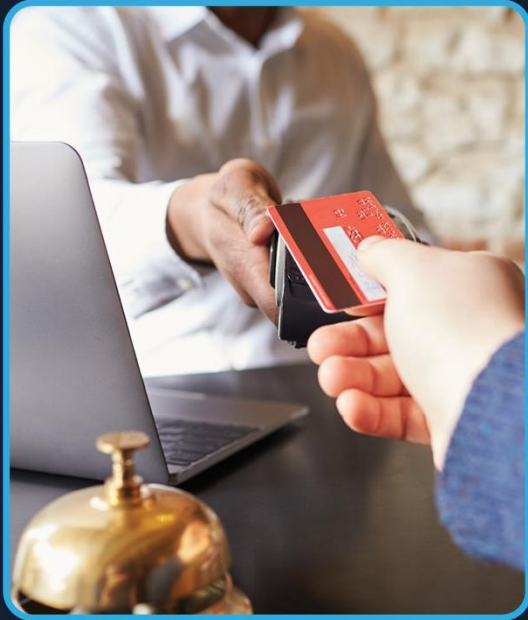
2

INDIRECT



Travel businesses then **purchase goods and services** from other providers.

1
DIRECT



Transactions occur directly between consumers and travel businesses.

2
INDIRECT



Travel businesses then **purchase goods and services** from other providers.

3
INDUCED



Employees of travel businesses **spend wages** throughout the economy.

1

DIRECT



Transactions occur directly between consumers and travel businesses.

2

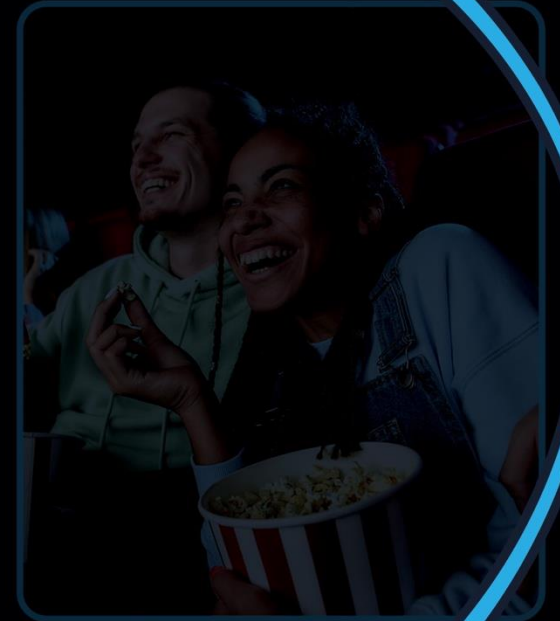
INDIRECT



Travel businesses then purchase goods and services from other providers.

3

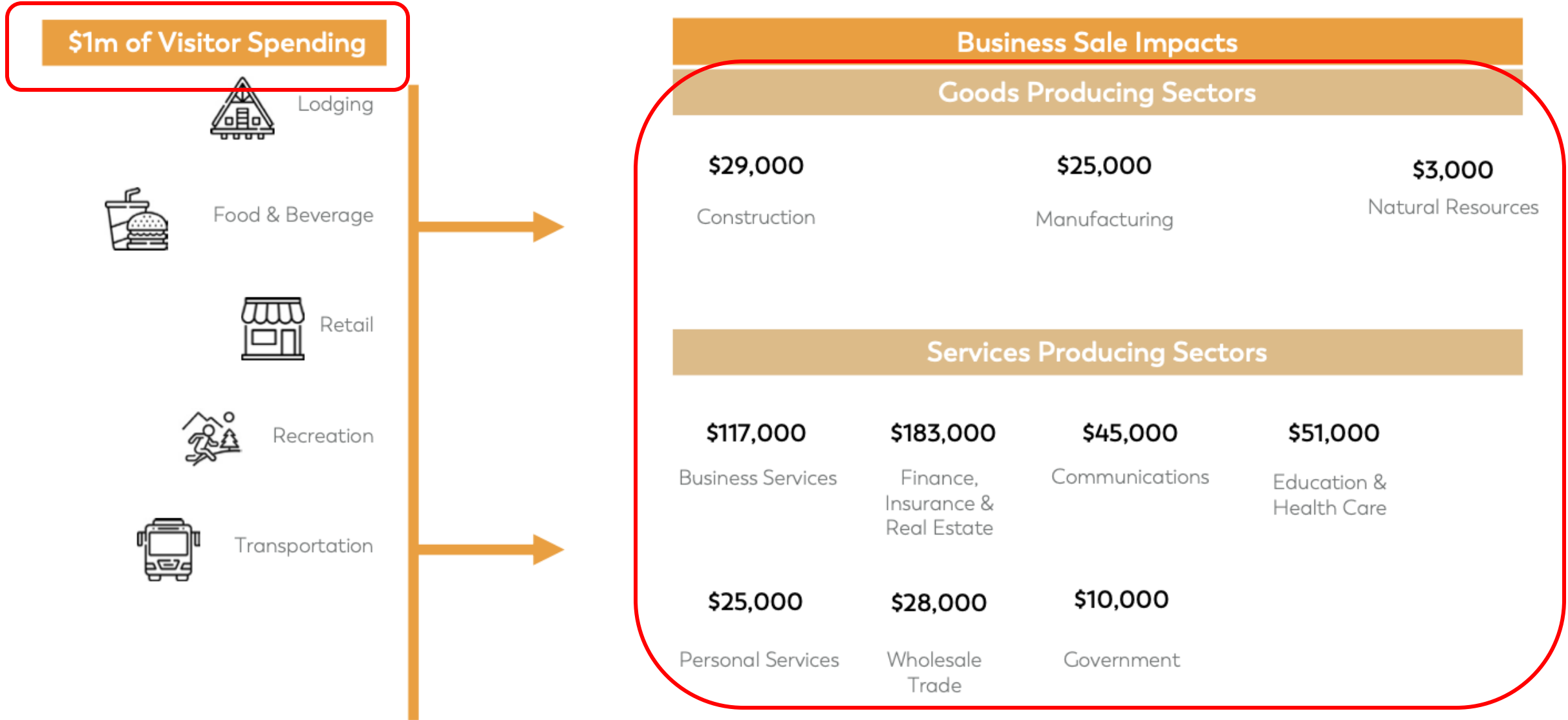
INDUCED



Employees of travel businesses spend wages throughout the economy.

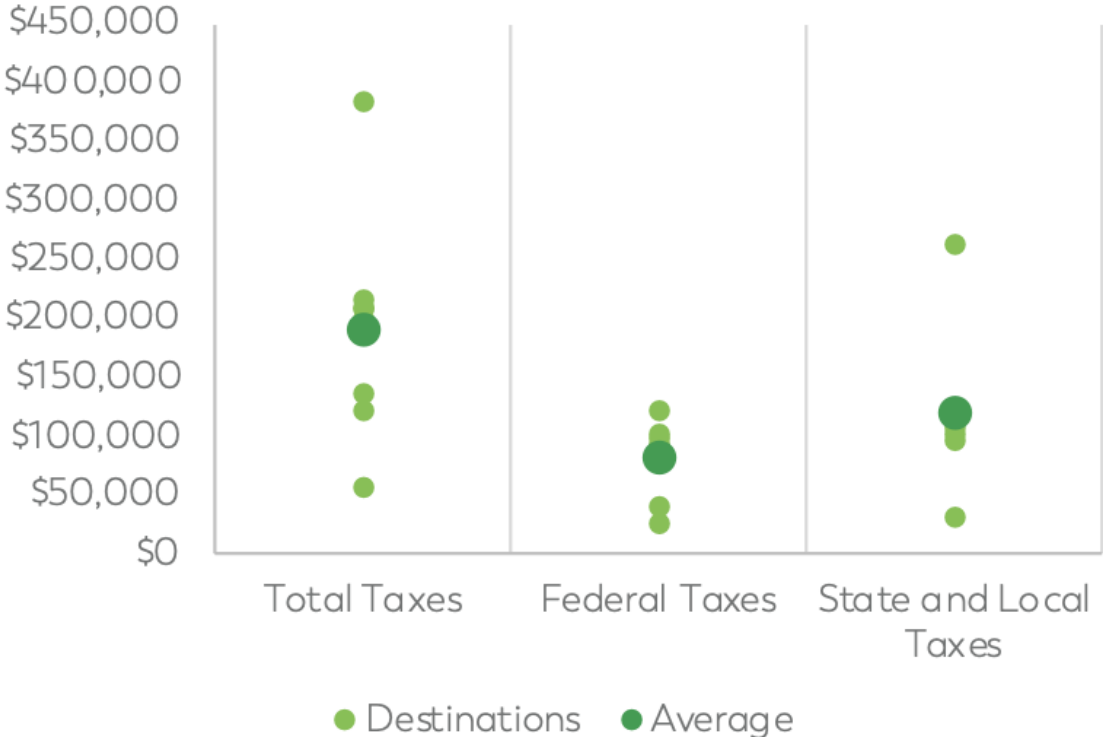
Total IMPACT

It analyzed 10 different destinations and here is what we found...



\$191,000 in Tax Revenue for Every \$1m in Spend

Tax generation for every \$1m of visitor spending

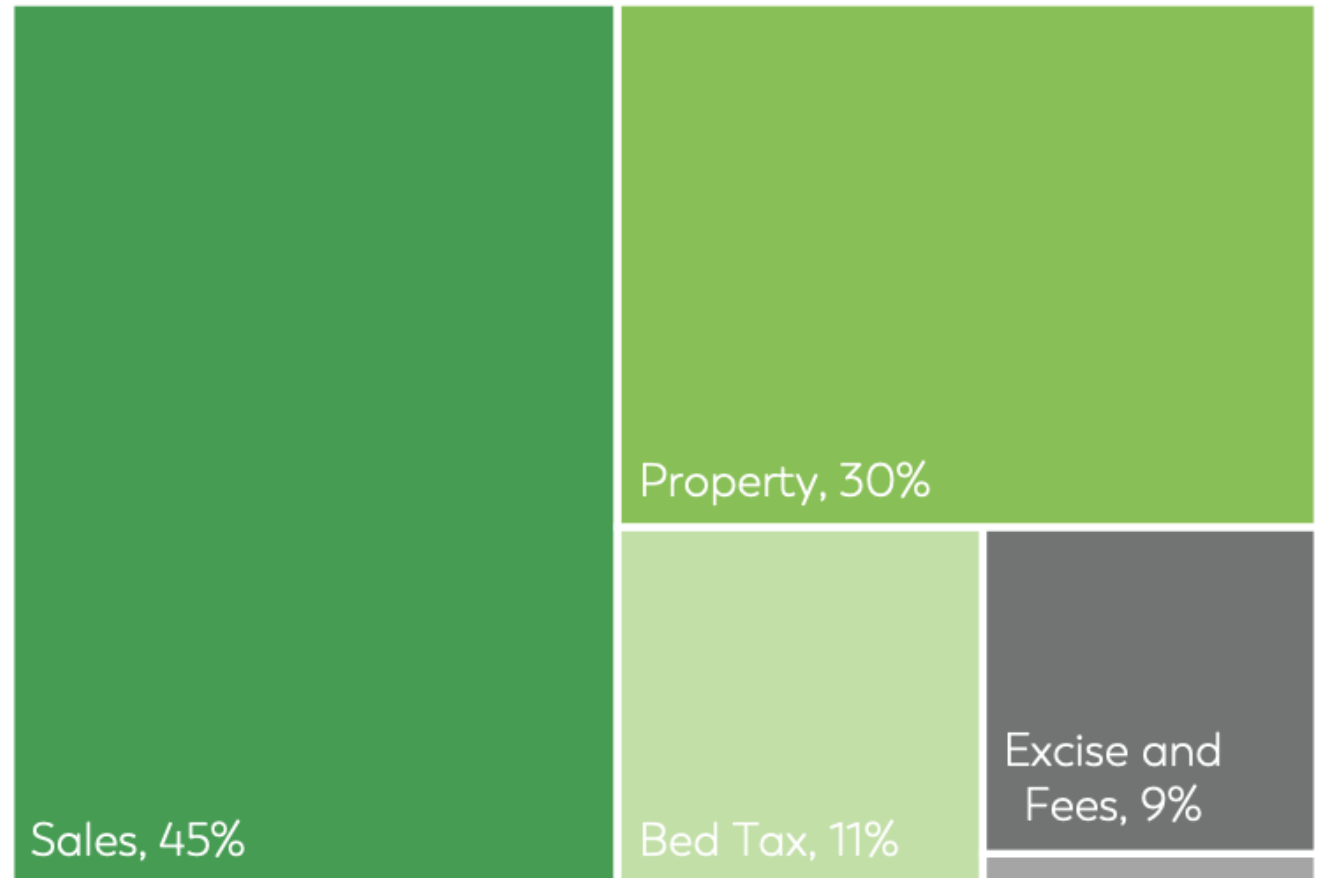


On Average, \$1 million of visitor spending within a destination generates \$191,000 in total tax revenues

...and \$120,000 in State & Local Taxes

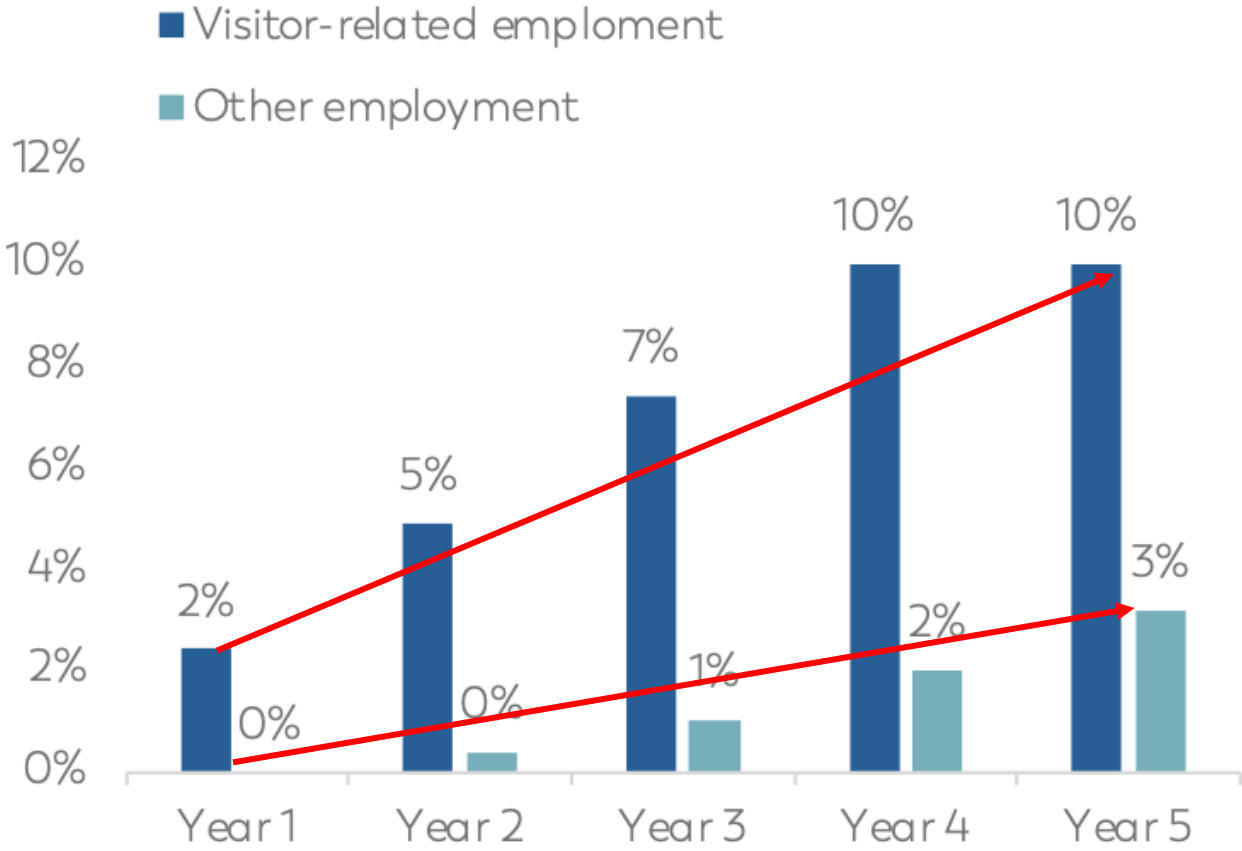
State and local taxes constitute 63% of the taxes generated by tourism, where on average, every \$1 million of visitor spending within a destination generates \$120,000 of state and local tax revenues

Composition of state and local taxes generated from tourism



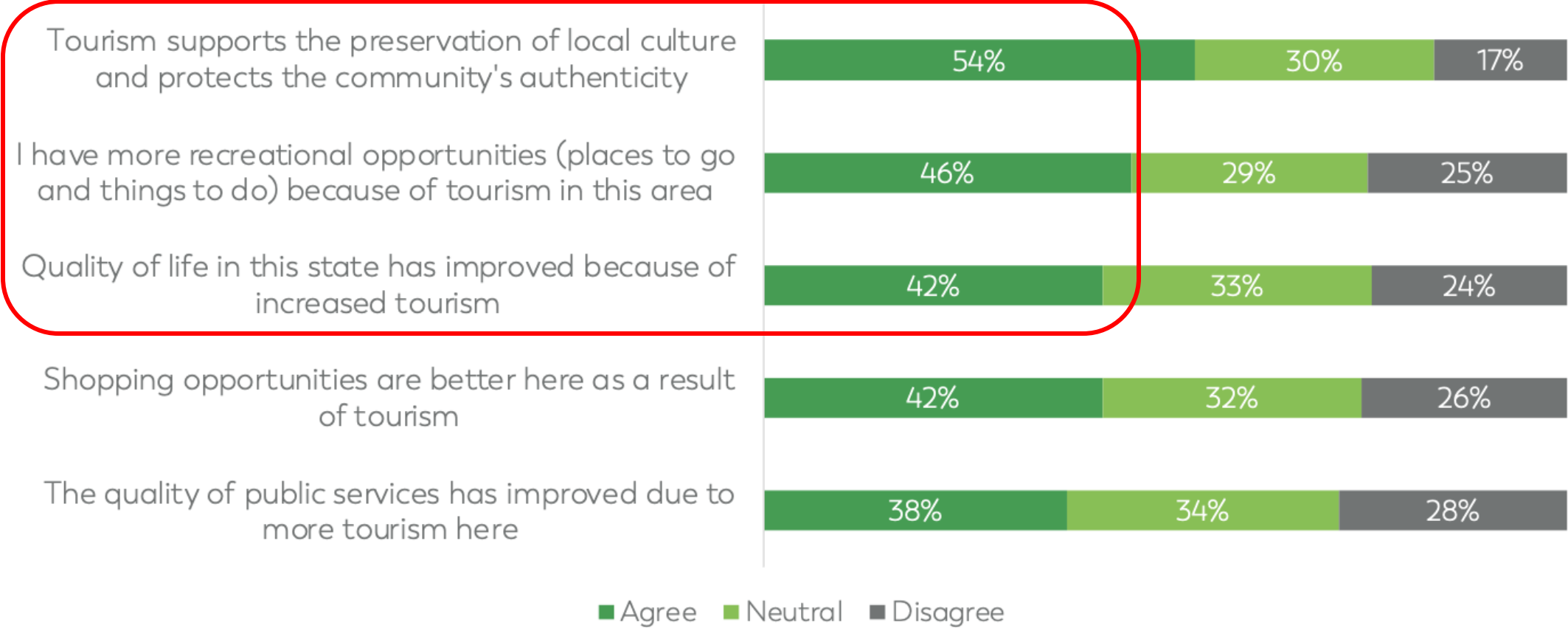
More Tourism Jobs = More Other Jobs

Visitor economy employment and its impact % increase over baseline



Beyond Tourism: Wider Economic Benefits

Residents' response to the following statements, 2020-2023 average



Destination Marketing is like Monopoly.



Every Monopoly board has a set amount of **money in circulation**..



Players travel around the board, paying rent and fees to other players...



But the amount of money stays the same...



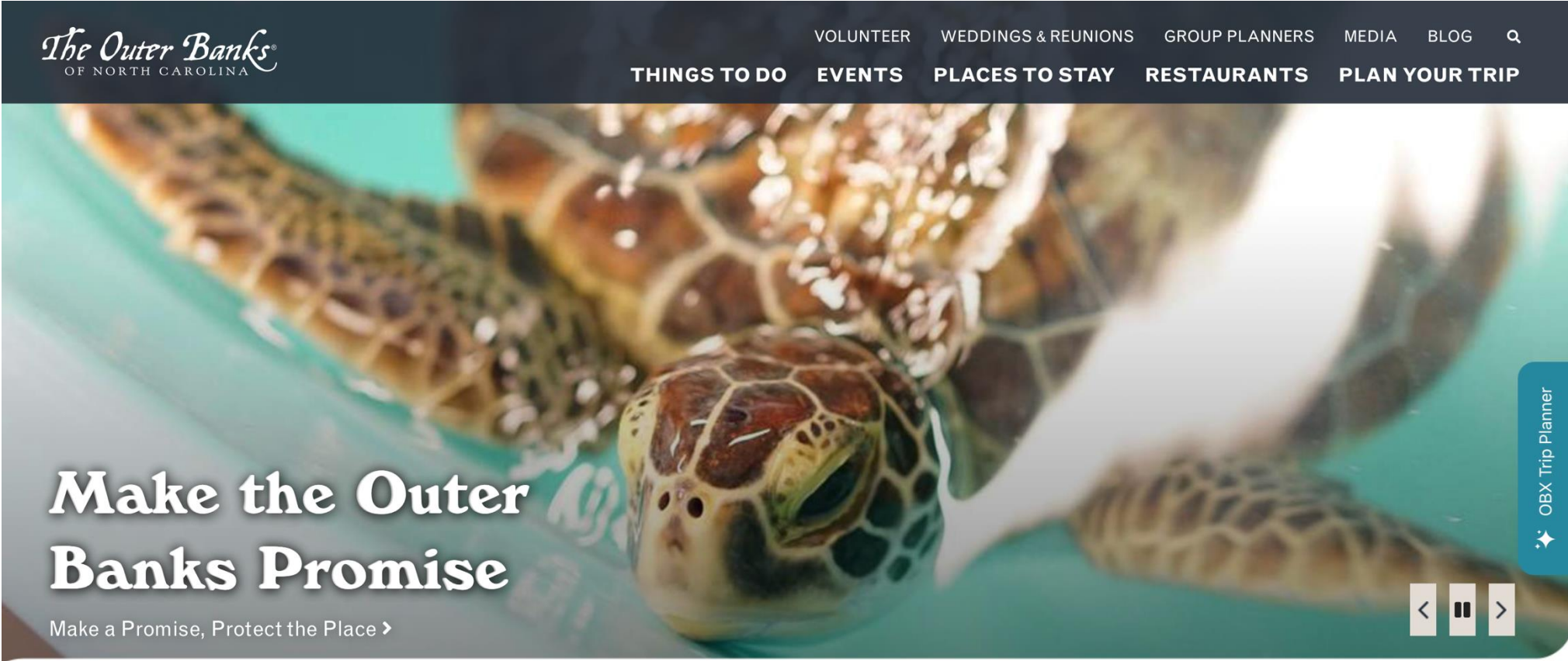
The only way to increase the cash in your monopoly board? Invite players from a nearby board.



As they spend... your community has more money in circulation!



This is what Visit OBX does every day!



Welcome to the Outer Banks



The Outer Banks of North Carolina offers a welcome relief from crowded cities and overrun vacation spots. In fact, you won't find any cities on the Outer Banks, just 100+ miles of wide-open shoreline, charming seaside **villages**, and a mix of **towns** brimming with personality and fascinating connections to our nation's **history**. Although we're just a drive away, these barrier islands feel remote. Choose an oceanside **vacation rental home**, and just pop in the keycode for your rental and start vacationing on your own stretch of beach. Or, go for a different home

Thank You

SYMPHONY | TOURISM ECONOMICS



Zeek Coleman

Vice President, Americas

Zcoleman@OxfordEconomics.com