



Economic Impact of Short-Term Vacation Rentals in the Coachella Valley 2020

Prepared for:



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1 Introduction



Introduction

The travel sector is an integral part of the Coachella Valley regional economy. Visitors generate significant economic benefits to households, businesses, and government alike and represent a critical driver of the region's future. An estimated 8.6 million visitors spent \$3.6 billion in the Coachella Valley in Calendar Year (CY) 2020. This direct spending generated total gross output (business sales) of \$4.5 billion, more than 33,000 jobs, \$1.1 billion in income earned in the region, and \$428 million in state and local tax revenues.

A significant share of visitors to the Coachella Valley stay in short-term vacation rentals (STVRs), and their spending drives local jobs and income. Just under 1.0 million visitors staying in STVR accommodations accounted for 12% of total volume, and their \$564 million in spending accounted for 16% of total visitor spending in the region in (CY) 2020. An estimated \$22.1 million in Transient Occupancy Tax (TOT) driven by STVRs accounted for 28.6% of total TOT in the region.

By monitoring the visitor economy and STVR segment of the market, local policymakers can inform decisions regarding the funding and prioritization of the sector's development and also craft balanced and effective local regulations. They can also carefully monitor its successes and future needs. This is particularly true for municipalities in the Coachella Valley, as the visitor economy has been severely affected by the COVID-19 pandemic, and as STVRs are increasingly utilized by visitors to the region.

Previous analysis conducted by Tourism Economics quantified the overall tourism economy in the region. This analysis explores in-depth the contribution to the regional economy of the STVR segment of the broader tourism market. The results of this study measure the benefits of short-term vacation rentals in terms of direct visitor spending, as well as the total economic impacts, jobs, and fiscal (tax) impacts in the broader economy.

Methodology and Data Sources

An IMPLAN input-output model was constructed for Riverside County. The model traces the flow of visitor-related expenditures through the local economy and their effects on employment, wages, and taxes. IMPLAN also quantifies the indirect (supplier) and induced (income) impacts of tourism. Tourism Economics then cross-checked these findings with employment and wage data for each sector to ensure the findings are within reasonable ranges. Modeling results were then calibrated to reflect the benefits realized only in the nine municipalities included in the Coachella Valley. These include:

- Palm Springs
- Desert Hot Springs
- Cathedral City
- Rancho Mirage
- Palm Desert
- Indian Wells
- La Quinta
- Indio
- Coachella

Data covering regional gasoline price levels and changes were obtained from the U.S. Bureau of Labor Statistics (BLS) and the U.S. Energy Information Administration (EIA).

Estimates of STVR visitor expenditures in the Coachella Valley were based on several sources including:

- Data covering supply, demand and prices in the short-term vacation rental market obtained from AirDNA and Key Data.
- Prior visitor profile survey research completed by Visit Greater Palm Springs.
- Transient Occupancy Tax data for vacation rentals was obtained from the respective municipalities, budget documents, and Tourism Economics estimates.
- Industry data on employment, wages and sales were obtained from the U.S. Census, the Bureau of Economic Analysis (BEA), and the BLS.

2 Key Findings: Coachella Valley



VISITATION, SPENDING, AND EMPLOYMENT

Short-term vacation rentals accounted for a significant share of the tourism market in 2020, despite the COVID-19 pandemic.

Despite the COVID-19 pandemic in (CY) 2020, the recovery in short-term vacation rentals took hold in the second half of the year as some visitors likely shifted away from hotels for lodging options. The STVR rental visitor was a key driver of business sales, employment, and tax revenue. Short-term vacation rentals accounted for nearly 16% of all visitor spending in the region. Considering just overnight visitors, STVRs accounted for nearly one-third of the market.



VISITOR SPENDING

STVR visitors to the Coachella Valley spent \$564 million in (CY) 2020. This direct spending generated \$700 million in total business sales, including indirect and induced impacts.



EMPLOYMENT SUPPORTER

A total of 4,200 jobs were sustained by STVR visitors to the Coachella Valley in (CY) 2020, generating \$103 million in income for workers in the region.



FISCAL CONTRIBUTIONS

STVRs in the Coachella Valley generated \$128 million in tax revenues in (CY) 2020, with \$91 million accruing to state and local governments.

ECONOMIC IMPACTS OF STVR IN COACHELLA VALLEY



\$700M

Total
Economic
Impact



4,200

Jobs Sustained
by STVR
Visitors



\$91M

Total
State & Local
Tax Revenues

Economic Impacts in Context

Spending, jobs, and income impacts in Coachella Valley



\$564M

**Total
Visitor
Spending**

The \$564 million in visitor spending corresponds to \$1.5 million per day in visitor spending, on average.



4,200

**Total Part-Time
and Full-Time
Jobs**

The number of total jobs sustained by STVR visitors.



\$91M

**Total
State & Local
Tax Revenues**

The \$91 million in state and local taxes generated by STVRs would cover the average salaries for 600 firemen, 700 police officers, or 1,100 teachers in the Coachella Valley.

3 Coachella Valley Tourism in 2020



Tourism Economy Trends

Pandemic affected visitor spending in 2020

Shutdowns and health and safety concerns weighed on visitor spending.

Overall visitor volume and spending in the Coachella Valley were significantly impacted by the pandemic. Both the limitations and restrictions to mobility, as well as economic disruptions, hit travel hard in the Coachella Valley, and other destinations.

While the annual numbers were weak, indicators in the latter part of 2020 reflected recovery. The shutdowns in the spring cut Leisure & Hospitality employment about 45% in the broader Riverside County. However, by the end of the year, with relaxation of restrictions and federal stimulus support, employment levels were slightly higher at about 40% below pre-pandemic levels.



Despite declines, the Coachella Valley still welcomed 8.6 million visitors in 2020.

Overnight visitation declined faster than day visitation, by 43.2% compared to a 34.8% decline on the day side.



Visitor spending amounted to \$3.6 billion

Visitor spending was also about 40% lower in 2020 versus a year earlier, but visitors still spent significantly in the regional economy in 2020.



Retail spending held its own

Employment in the retail sector fell 23% at the lowest point during the spring, in the broader Riverside County. By the end of the year, employment levels were only 8% lower than at the start of the year. Local demand helped to offset lost visitor spending.

Tourism Economy Trends

Labor Market

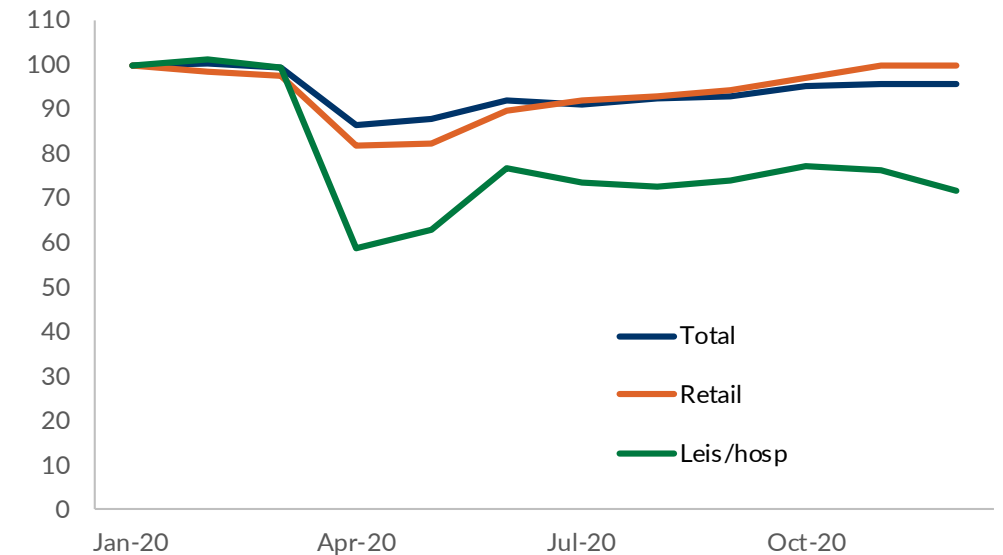
Leisure & Hospitality was hit hard in the region.

The impact of the COVID-19 pandemic was felt across all sectors of the economy, but Leisure & Hospitality was severely affected. While retail employment was reduced to a lesser degree and recovery was more robust, the broader Leisure & Hospitality sector experienced a deeper trough in the Spring of 2020 and recovery has been more muted.

Leisure & Hospitality includes Arts, Entertainment and Recreation, Accommodations, and Food and Beverage Services, sectors that serve significant non-local demand.

Employment trends in Riverside County

Employment index Jan 2020 = 100



Sources: CA EDD, Tourism Economics

Tourism Economy Trends

Total visitor spending

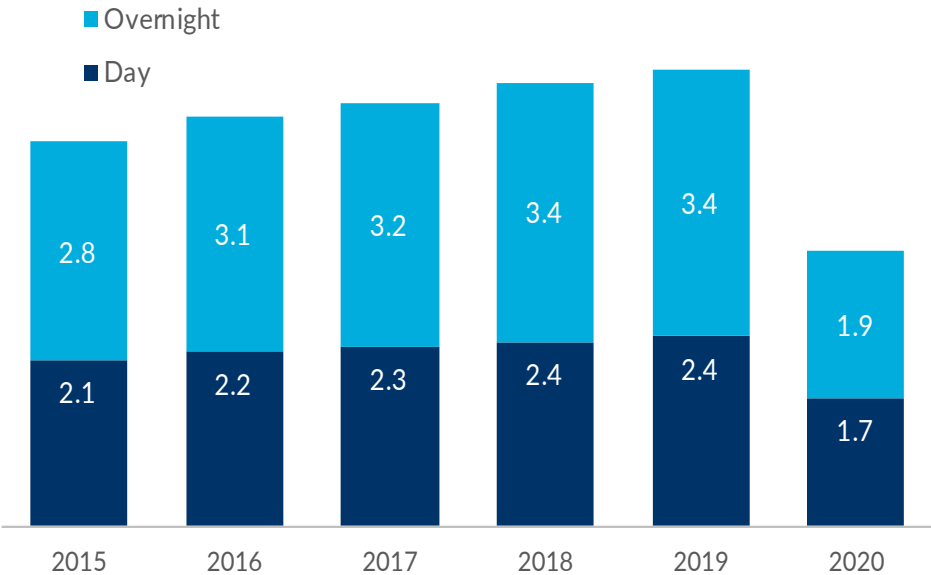
Visitor spending decreased 39.7%, to \$3.6 billion.

The COVID-19 pandemic cut about \$2.3 billion of visitor spending out of the local economy in 2020.

Prices in lodging, retail, and gasoline, were all lower than in 2019, and recreation prices were relatively flat at 0.9% higher than a year earlier. Prices for food were the only category with some inflation at 5.6% above 2019, likely driven more by local demand. Overnight spending fell from \$3.4 billion to \$1.9 billion in (CY) 2020.

Coachella Valley visitor spending by segment

Amounts in billions of nominal dollars



Sources: Tourism Economics

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Visitation and Spending: Short-Term Vacation Rentals

Visitation and Spending

Short-term vacation rental segment

The STVR segment is a significant share of the total overnight market.

Considering just the overnight segment of the market, the nearly 1.0 million visitors who stayed in short-term vacation rentals accounted for more than 27% of total overnight volume. Those visitors spent \$564 million in the Coachella Valley, accounting for more than 30% of total overnight visitor spending in the region.

Coachella Valley STVR visitor volume and spending

Amounts in millions

	Volume (mils)	Spending (\$mils)
Total overnight	3.624	1,870.8
Short-term rentals	0.990	564.1
Share of overnight	27.3%	30.2%

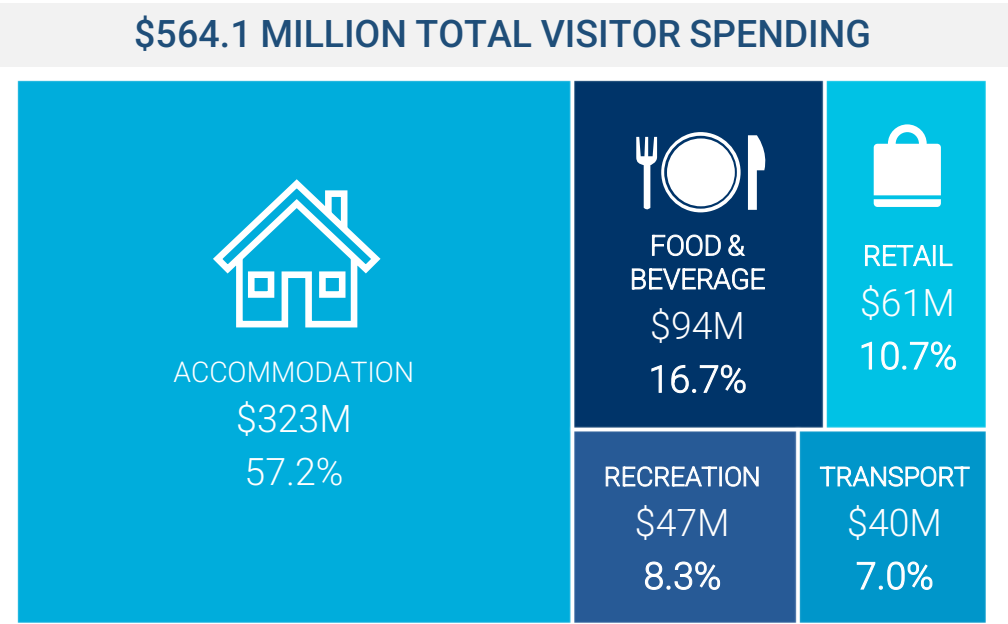
Sources: Tourism Economics

Visitation and Spending

Short-term vacation rental segment

STVR visitors to the Coachella Valley spent \$564 million across a range of sectors.

Accommodations accounted for most spending at \$323 million, 57% of the total, followed by \$94 million in food and beverage spending, \$61 million in retail, \$47 million in recreation, and \$40 million on transportation.



Note: Transport includes both air and local transportation
Sources: Tourism Economics



5 STVR Economic Impact: Coachella Valley

Economic Impact Approach

How visitor spending generates employment and income

Our analysis of the STVR impact on the Coachella Valley begins with actual spending by visitors, but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact in the Coachella Valley, we input visitor spending into a model of the Coachella Valley regional economy created in IMPLAN. The model calculates three distinct types of impact: direct, indirect, and induced.

The impacts on business sales, jobs, wages, and taxes are calculated for all three levels of impact.

1. Direct Impacts: Visitors create direct economic value within a discreet group of sectors (e.g., recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
2. Indirect Impacts: Each directly affected sector also purchases goods and services as inputs (e.g., food wholesalers, utilities) into production. These impacts are called indirect impacts.
3. Induced Impacts: Lastly, the induced impact is generated when employees whose wages are generated whether directly or indirectly by visitors, spend those wages in the local economy.

IMPLAN is particularly effective because it calculates these three levels of impact – direct, indirect, and induced – for a broad set of indicators. These include the following:

- Spending
- Wages
- Employment
- Federal Taxes
- State Taxes
- Local Taxes

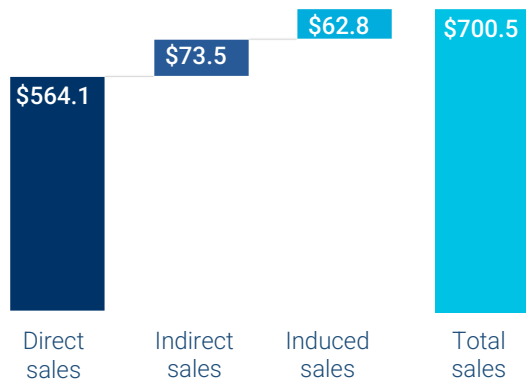


Economic Impacts

Business sales impacts by industry

Short-term vacation rental visitors spent \$564 million in the Coachella Valley in 2020. This supported a total of \$700 million in business sales when indirect and induced impacts are considered.

Summary business sales impacts
(\$ millions) 2020



Business sales impacts by industry

(\$ millions) 2020

Amounts in millions of current dollars	Direct sales	Indirect sales	Induced sales	Total sales
Total, all industries	\$ 564.1	\$ 73.5	\$ 62.8	\$ 700.5
By industry				
Accommodation	\$ 322.9	\$ 0.0	\$ 0.0	\$ 322.9
Food & Beverage	\$ 90.3	\$ 1.7	\$ 5.1	\$ 97.1
Retail Trade	\$ 76.9	\$ 1.7	\$ 7.3	\$ 85.9
Recreation and Entertainment	\$ 46.9	\$ 3.5	\$ 0.9	\$ 51.3
Finance, Insurance and RE	\$ 5.1	\$ 25.4	\$ 20.4	\$ 50.9
Business Services	\$ -	\$ 15.2	\$ 4.4	\$ 19.6
Other Transport	\$ 11.3	\$ 5.4	\$ 1.6	\$ 18.3
Air Transport	\$ 10.7	\$ 0.1	\$ 0.1	\$ 10.9
Education and Health Care	\$ -	\$ 0.2	\$ 9.8	\$ 9.9
Construction and Utilities	\$ -	\$ 7.4	\$ 1.3	\$ 8.8
Personal Services	\$ -	\$ 2.6	\$ 4.4	\$ 6.9
Wholesale Trade	\$ -	\$ 3.3	\$ 3.1	\$ 6.5
Government	\$ -	\$ 3.3	\$ 2.1	\$ 5.4
Communications	\$ -	\$ 2.6	\$ 1.9	\$ 4.4
Manufacturing	\$ -	\$ 1.1	\$ 0.4	\$ 1.5
Agriculture, Fishing, Mining	\$ -	\$ 0.1	\$ 0.1	\$ 0.1

Source: Tourism Economics

Economic Impacts

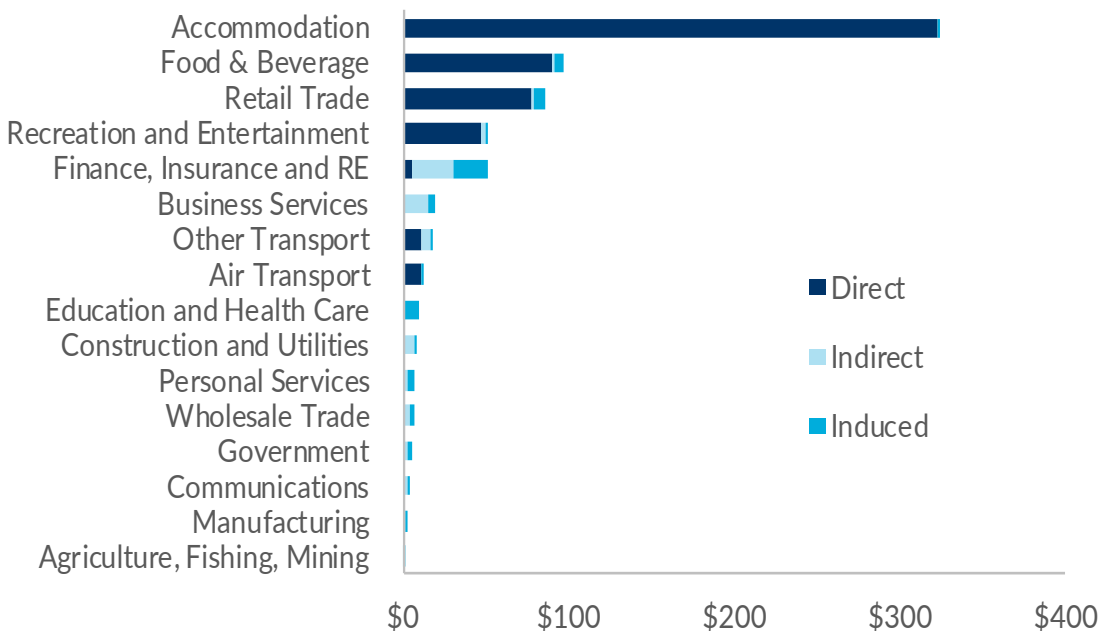
Business sales impacts by industry

While the majority of sales are in industries directly serving visitors, about \$41 million in business sales were in finance, insurance and real estate as a result of selling to tourism businesses.

Total indirect and induced benefits sum to nearly \$136 million in business sales.

Business sales impacts by industry

(\$ millions) 2020



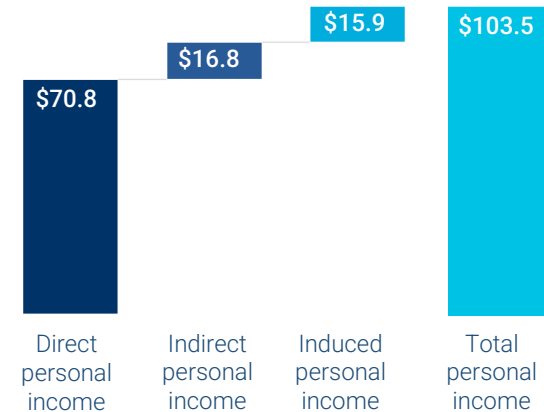
Source: Tourism Economics

Economic Impacts

Personal Income impacts by industry

STVR visitors generated \$71 million in direct income and \$103 million when indirect and induced impacts are considered.

Summary personal income impacts
(\$ millions) 2020



Personal Income impacts by industry
(\$ millions) 2020

Amounts in millions of current dollars	Direct income	Indirect income	Induced income	Total income
Total, all industries	\$ 70.8	\$ 16.8	\$ 15.9	\$ 103.5
By industry				
Food & Beverage	\$ 33.4	\$ 0.7	\$ 1.7	\$ 35.8
Recreation and Entertainment	\$ 17.2	\$ 0.4	\$ 0.3	\$ 17.8
Retail Trade	\$ 9.5	\$ 0.5	\$ 2.3	\$ 12.4
Business Services	\$ -	\$ 5.3	\$ 1.5	\$ 6.8
Accommodation	\$ 6.7	\$ 0.0	\$ 0.0	\$ 6.7
Other Transport	\$ 2.5	\$ 2.0	\$ 0.5	\$ 5.0
Education and Health Care	\$ -	\$ 0.1	\$ 4.9	\$ 5.0
Finance, Insurance and RE	\$ 0.1	\$ 2.8	\$ 1.0	\$ 3.9
Personal Services	\$ -	\$ 1.1	\$ 1.8	\$ 2.9
Construction and Utilities	\$ -	\$ 1.6	\$ 0.3	\$ 1.8
Government	\$ -	\$ 1.1	\$ 0.7	\$ 1.8
Wholesale Trade	\$ -	\$ 0.8	\$ 0.7	\$ 1.5
Air Transport	\$ 1.3	\$ 0.0	\$ 0.0	\$ 1.4
Communications	\$ -	\$ 0.3	\$ 0.2	\$ 0.5
Manufacturing	\$ -	\$ 0.2	\$ 0.1	\$ 0.2
Agriculture, Fishing, Mining	\$ -	\$ 0.0	\$ 0.0	\$ 0.0

Source: Tourism Economics

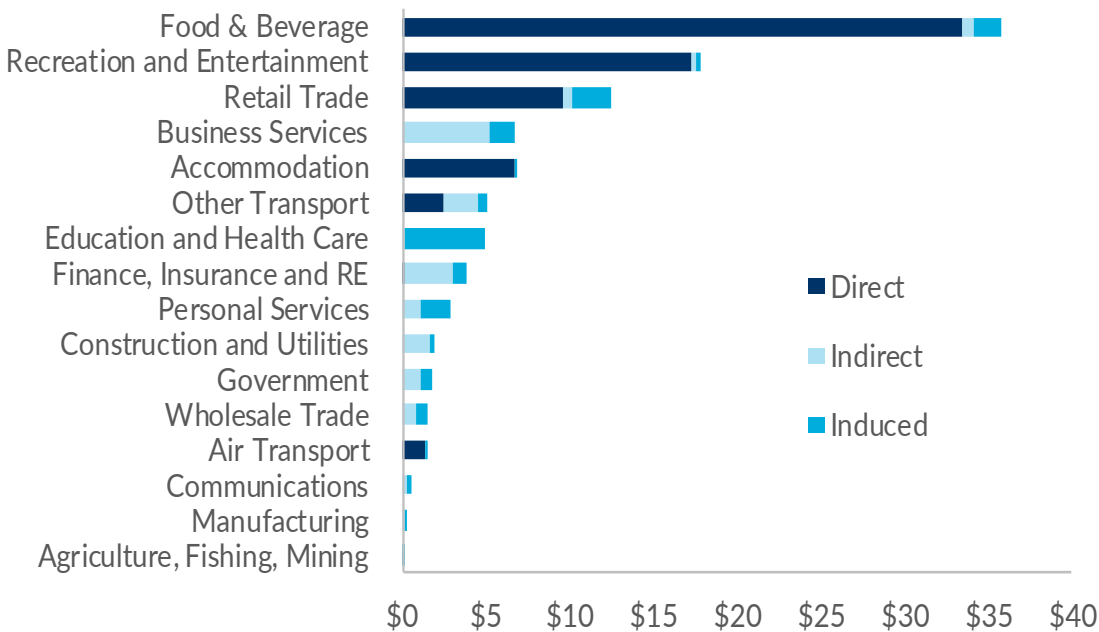
Economic Impacts

Personal income impacts by industry

Most of the personal income impacts are the direct result of visitor spending, compared to other impact results.

Personal income impacts by industry

(\$ millions) 2020



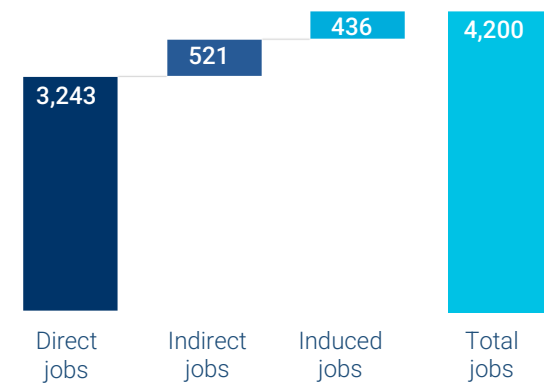
Source: Tourism Economics

Economic Impacts

Employment impacts by industry

STVR visitor spending supported a total of 4,200 jobs when indirect and induced impacts are considered.

Summary employment impacts
(number of jobs) 2020



Employment impacts by industry
(Number of jobs) 2020

	Direct jobs	Indirect jobs	Induced jobs	Total jobs
Total, all industries	3,243	521	436	4,200
By industry				
Food & Beverage	1,183	23	64	1,270
Recreation and Entertainment	782	60	13	855
Accommodation	617	-	-	617
Retail Trade	371	15	75	461
Other Transport	247	51	20	318
Business Services	-	146	43	189
Finance, Insurance and RE	10	135	40	185
Education and Health Care	-	2	97	99
Personal Services	-	27	57	84
Construction and Utilities	-	33	5	38
Air Transport	33	-	-	33
Wholesale Trade	-	10	9	19
Government	-	11	7	18
Communications	-	5	4	9
Manufacturing	-	3	1	4
Agriculture, Fishing, Mining	-	-	1	1

Source: Tourism Economics
Note: Totals may not add due to rounding

Economic Impacts

Employment impacts by industry

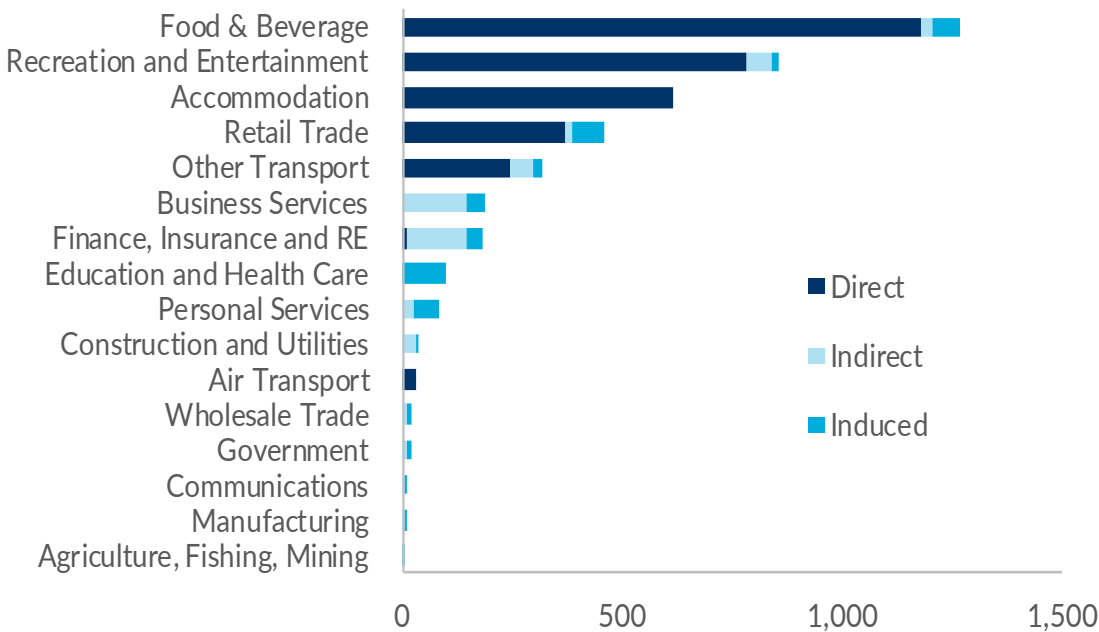
As a labor-intensive collection of services, visitor spending drives jobs across sectors in the Coachella Valley.

The 4,200 jobs supported span every sector of the economy, either directly or indirectly.

The most significant indirect impacts come in business services, education and healthcare, and FIRE.

Employment impacts by industry

(\$ millions) 2020



Source: Tourism Economics

Fiscal (Tax) Impacts

Tax impacts by industry

Total tax revenues driven by STVRs amounted to more than \$128.8 million in (CY) 2020.

State and local tax revenues totaled \$90.8 million in (CY) 2020, consisting primarily of sales tax, lodging tax (TOT), and property tax.

The tax revenues generated by STRs help to offset the tax burden for residents in the region. Without the tax revenues generated by STRs, each household in the region would need to pay an additional \$590 in order to maintain the same level of state and local public services.

Fiscal (tax) impacts

(\$ millions) 2020

Total tax revenues	\$	128.8
Federal	\$	38.1
Personal Income	\$	10.0
Corporate	\$	9.0
Indirect business	\$	4.0
Social Security	\$	15.1
State	\$	35.6
Sales	\$	23.5
Social Security	\$	0.7
Corporate	\$	4.0
Personal income tax	\$	3.9
Other Taxes and Fees	\$	3.6
Local	\$	55.2
Sales	\$	7.1
Lodging	\$	22.5
Property	\$	22.2
Other Taxes and Fees	\$	3.4

Source: Tourism Economics

Note: Totals may not add due to rounding

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of the travel sector with proven economic tools to answer the most important questions facing our clients. More than 500 companies, associations, and destination work with Tourism Economics every year as a research partner. We bring decades of experience to every engagement to help our clients make better marketing, investment, and policy decisions. Our team of highly-specialized economists deliver:

- Global travel data-sets with the broadest set of country, city, and state coverage available
- Travel forecasts that are directly linked to the economic and demographic outlook for origins and destinations
- Economic impact analysis that highlights the value of visitors, events, developments, and industry segments
- Policy analysis that informs critical funding, taxation, and travel facilitation decisions
- Market assessments that define market allocation and investment decisions

Oxford Economics is one of the world's foremost independent global advisory firms, providing reports, forecasts, and analytical tools on 200 countries, 100 industrial sectors, and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social, and business impact. Headquartered in Oxford, England, with regional centers in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington D.C., we employ over 250 full-time staff, including 150 professional economists, industry experts, and business editors—one of the largest teams of macroeconomists and thought leadership specialists.

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